

Management change

[Business](#), [Management](#)



This paper examines the history of PricewaterhouseCoopers (PwC) with a view to addressing management change. The paper establishes that PwC has undergone rarely matched developmental progress until the present day. This development was primarily driven using the acquisition strategy. However, as the study proceeds it emerges that PwC has equally faced challenges necessitating a review of management practices. The paper categorically examines the scandals in India and Japan and explores the managerial responses the company employed.

The paper further finds out that management practices are subject to change depending on emerging market trends. It is finally held that given PwC has managed to gain a dominant position in the auditing industry; its managerial practices are spot on. History The company PricewaterhouseCoopers was formed in 1998 following the merger between Coopers & Lybrand and Waterhouse both based in London. Ever since this merger, the group is among the largest auditing firms specializing in offering professional services in the field of operation.

Its position as a global pace setter is reflected in the aggregate revenues earned in 2009 amounting to 26.2 billion US dollars. In addition, the firm employs approximately one hundred sixty three thousand individuals across an estimated one hundred fifty one countries. The company was also ranked as the eighth largest group, which is privately owned. PwC is ranked as the World's biggest alongside Ernst & Young, Deloitte Touche Tohmatsu, and KPMG. Having made the realization that PwC is a composition of two firms up until 1998, getting their histories separately makes sense.

Price Waterhouse In 1849, an accountant, Samuel Lowell Price commenced private practice in the city of London. Come the year 1865, Price went into partnership with Edwin Waterhouse and William Hopkins Holyland. William Hopkins Holyland quit the group shortly paving way for the naming of the group as Price, Waterhouse & Co. trade between the United Kingdom and the United States proved critical towards the growth and development of the company. The company grew and spread its areas of operation across countries forming partnerships in several countries.

In the spirit of acquisition and merging, PW attempted to merge with Arthur Andersen though the deal fell through as a result of conflicting interests. Arthur Andersen held strong attachments with IBM and yet PW had been conducting audits on IBM. Coopers & Lybrand William Cooper established private practice in 1854 in the city of London. Seven years later, the entity changed the name to Cooper Brothers following the joining of William's brothers. In 1898, William M. Lybrand, Robert H. Montgomery, T. Edward Ross, and Adam A. Ross Jr. , came together to form Lybrand, Ross Brothers and Montgomery.

In 1957, Coopers & Lybrand was formed following the merger between the two groups plus a Canadian firm called McDonald, Currie and Co. in certain countries, Coopers & Lybrand joined hands with Deloitte Haskins & Sells leading to the formation of Coopers & Lybrand Deloitte in 1990. PwC strategy The company used the acquisition strategy to achieve rapid growth. Through the acquisition of new companies, PwC brought in new groups with different organizational cultures, though a good approach in growth and development,

the strategy may present serious challenges based on the different origins and cultures.

The merger between Pricewaterhouse and Coopers & Lybrand in 1998 preceded earlier mergers leading to the formation of the two groups. The approach is at times viewed as defensive as companies acquiring assets abroad would potentially drive other players out of business. PwC structure PwC is divided into five main groups with a view to executing the multiple of tasks engaged in efficiently (Kennedy, Capassakis, PricewaterhouseCoopers LLP and Wagman, 2002). The groups include the management group, the electric group, the water group, the financial group and the administrative group.

Overall, the company employs around five hundred individuals. The management group is charged with the responsibility of general management. It is composed of Special Projects Manager and Division Officers. This group is in charge of personnel recruitment, retention, medical review, training and termination. The group equally takes care of public relations in reference to both internal and external communication. Finally, the group caters for community and media relations. The group has Executive Communications & Community Relations and Human Resources departments.

The other groups and departments according to Kennedy, Capassakis, PricewaterhouseCoopers LLP and Wagman (2002), include: Administrative Group Departments: Facilities and Equipment Maintenance, Business Planning, Development, & Logistics, Information Systems and Telecommunication Systems Financial Group Departments: Accounting, Financial Planning & Capital Projects, Risk Management, Customer Service, <https://assignbuster.com/management-change/>

Metering Services and Internal Auditor Water Group Departments: Environmental Programs, Engineering, Water Facilities, Construction and Maintenance and Water Reclamation Facilities

The Electric Group Departments: Construction and Maintenance, Engineering, Generation PwC scandals The revelation that Satyam Computer Services was engaged in faking figures presented a serious blow to the PwC. The big revelation was that the one billion dollars declared as revenue of the outsourcing firm rose to be fictitious. Apparently, PwC was the firm, which used to audit the records, which turned out to be fraudulent. Both, the Indian PwC entity and the Satyam Computer Services continue to grapple from this scandal as attempts to recover are made.

Following the disclosure, PwC had no option other than pave way for Deloitte and KPMG to undertake a forensic audit into the activities of the firm. Thomas Mathew, the PwC audit head in India chose to step down as the PwC partners responsible for the audit were arrested and jailed for two months. India's Executive Director Jairaj Purandare, claims that PwC remains innocent in the scam rather preferring to insist that they are victims of the Satyam Computer Services (Lakshman, 2009). The PwC Indian chapter believes that its clients still consider the firm highly.

However, the firm is facing several issues in India Institute of Chartered Accountants and the US courts. The former as demanded a report detailing the role of PwC on the scandal. On the evidence of a statement by PwC CEO Samuel A. DiPiazza Jr. , these are mere claims without backing aimed to spoil the company's reputation (Lakshman, 2009). Boosting Client Confidence When the fiscal year comes to a close in India, corporate entities make it a <https://assignbuster.com/management-change/>

priority choosing new auditors. This precedes the closing of the previous years' records.

As the end of the fiscal year approached, PwC India mounted a serious campaign to appear a responsible and a reliable audit firm. DiPiazza made visits to India to meet officials and clients. The meetings aimed at thrashing out terms with the local partners with a view to boosting client confidence. Towards ensuring standards are met, the PwC international auditors would recheck all audits conducted by their Indian counterparts (Lakshman, 2009). DiPiazza acknowledged that the firm's reputation had taken a knock. This followed the measures outlined above. Towards this end, it appears as the firm was engaged in damage control.

The measures undertaken by the topleadership would definitely go a long way towards reassuring customers of the company's commitment to quality. A specific measure towards this end is that of stationing fifteen of its international auditors outside Mumbai. Further to this, a new leadership team was put at Hyderabad office, the one that audited Satyam. Finally, the firm appointed both a quality and risk manager to oversee operations of the company in India (Lakshman, 2009). The measures notwithstanding, PwC rivals must have seen a big opportunity. In India PwC ranks number one among the country's top four audit firms.

With one hundred twenty five years of experience, Deloitte, KPMG, and Ernst ; Young must have seen the scandal as a big opportunity to take advantage and cut a niche for them albeit in the Indian market. However, the Indian market is quite small with around seven hundred million US dollars billings in the past year. However, up until the credit crunch, the market was growing

by forty five percent on annual basis. DiPiazza's insistence that PwC's growth in India is among the fastest until now indicates the strength of the company leadership in as far as leadership or management is concerned (Hamish, 1999).

Despite the seriousness of the scandal with the Computer Service firm, those with accounting history know that the company has been through more scandals over time. The Global Trust Bank was in problems in the year 2002 after Lovelock ; Lewes, a PwC affiliate apparently erred by failing to detect the client's mounting non-performing assets. The PwC affiliate denied any wrongdoing though two officials of the Lovelock ; Lewes have since been found guilty of committing professional misconduct. The final ruling on the case is due to be made by ICAI council.

The group, Lovelock ; Lewes claims it has not received the reports yet underlying its inability to respond to the allegations (Lakshman, 2009). The Satyam Computer Services scandal makes the Global Trust Bank issue to look like a minor issue. The fact that it remains the biggest case of corporate fraud augments this position. Further, the company's listing at the New York Stock Exchange market sums it up. Information technology sourcing was affected by global notoriety on part of the client while at the same time; the reputation of PwC was injured since the revelation of the scandal.

PwC competitors in India understand the unease within the industry due to the scandal and they are reporting improved business as a result. Mumbai International Airport is an example of an entity, which has sought the services of another auditor alongside that of PwC. However, Purandare, a PwC official claimed that no client has left the firm on the basis of the <https://assignbuster.com/management-change/>

scandals (Lakshman, 2009). According to Takahara (2006), major firms in the auditing industry are switching their preference to other firms. This is based on the realization that clients of ChuoAoyama PricewaterhouseCoopers chose to find alternative auditors to work with.

The decision to suspend operations by ChuoAoyama PricewaterhouseCoopers for two months could have played a part in this though there is no doubt the scandal did. It should be noted that ChuoAoyama PricewaterhouseCoopers never chose to suspend operations as it was down to a directive from the Financial Services Agency. Shiseido, a cosmetics giant for example said it was switching to KPMG's Azsa ; Co. , the Japan chapter (Takahara, 2006). Shiseido while taking the decision claimed that the company though debating on how to effect a change, it was partly influenced by the ChuoAoyama PwC's role in the falsification of financial statements.

The decision to issue a suspension was a first of its kind in Japan. As a result of this suspension, the company's two thousand three hundred clients were affected. The affected entities had to seek alternative service providers (Takahara, 2006). ChuoAoyama thus contributed a negative score on PwC. The group had no option other than working out on how to restore its bruised image. Towards re-establishing the unit's position in the country, Hideki Katayama who was heading one audit division would replace Akio Okuyama (Takahara, 2006). Managing change Changes form part of life in every aspect of engagement.

As a result, there is need to develop a structured approach to employ in transition of organizations, teams, and individuals to fit into new circumstances. Change management becomes necessary since organizations

are composed of individuals who exhibit different behaviors. These different behaviors influence the output of an organization. It is only plausible to keep individuals who aid an organization improve its activities as opposed to keeping hold to people who contribute towards its downfall. The PricewaterhouseCoopers case comes into perspective.

The fact that the organization is ranked among the world's top audit firms points to good work. As a result, top-level performance is expected from all its affiliates across the globe. However, the emergence of scandals affecting its Indian and Japanese affiliates brought a challenge to the organization. In the Japanese case, ChuoAoyama PwC's role in the falsification of financial statements led to the need for PwC to replace the head, Hideki Katayama with Akio Okuyama. In the Indian case, PwC head, Thomas Mathew was forced to step down due to the perceived role of PwC India chapter's role in the Satyam Computer Services scandal.

PwC took this issue seriously though it denied any wrongdoing in the scandal. However, the group has stationed fifteen international auditors outside Mumbai to oversee operations of the Indian affiliate. Meetings were also held towards designing measures to recapture the firm's initial position in the market by boosting client confidence. Further to stationing extra international auditors outside Mumbai, PwC set up a new team based at Hyderabad office, in addition, the firm appointed both quality and risk manager to guide the company's activities in India (Vault.

Com Inc, 1999). Critical change aspects The change management field is diverse. As a result, there are strategic changes, structural changes, technological changes, and changes in behavior and attitudes of personnel.

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Organizational change requires that good communication be used to convince audiences or clients on why it has been carried out. Towards this end, alignment of groups like clients and key stakeholders' interests should be taken care of. The changes introduced must be good enough to address the problem at hand.

The change should also be in line with company strategy. Private counseling unless deemed unnecessary need to be considered to address fears of employees (Filicetti, 2007). PwC was faced with a difficult proposition following the revelation of these scandals (PricewaterhouseCoopers LLP, 2007). Its brand name suffered a notable setback. Therefore, the group had to take stern action. The relieving of duties of the culprits from the held positions was thus justified. It was critical to introduce new blood to freshen up things in the two offices.

The stationing of other international auditors to oversee activities in the troubled Indian market underscores the importance the company attaches to the Indian market for instance. A critical analysis however raises questions concerning the institutional framework of the company. As raised earlier, the company denied any wrongdoing and yet it was the one auditing the entities in question. This failure does not absolve the individuals involved though it points to structural inadequacies within the organization or high-level incompetence by the members of staff carrying out the audits.

The change impact on the organisation The changes in both the Japanese and the Indian affiliates had similar impacts. In the Japanese case, the suspension of ChuoAoyama was aimed at sending a clear message to the clients and stakeholders that PwC does not condone fraudulent activities. In

India, the sacking of senior personalities was equally aimed to achieve the same result. However, the results were not uniform as it was established in this paper that the suspension of ChuoAoyama cost PwC a number of customers.

The Indian case, on the basis of this paper, did not attain the same eventuality as this paper found out that some private owners were complaining about PwC's intention to bring the entire market under its control. It can however be hypothesized that wrangling emerging from scandals pose a serious threat to any business. As a result, PwC was swift in taking measures to steady its grip on the market. Role of values and relationships in shaping perceptions, interpretations, meanings, attitudes and actions The changes in the Indian chapter were not taken lightly though.

The local partners in the country saw it as an attempt to take control of the country market. The multinational corporation moved to allay those fears terming them as misplaced. The need for change was however necessary especially after the scandals if the company was to continue holding its market share in the country. PwC partners in India claim that they own the businesses in name, as they hold no say in meaningful decisions (McCauley, 2000). Nature of the organisation (through application of models and frameworks) to give a summary of the internal organisation and its strategic position

PricewaterhouseCoopers runs three major service lines (PricewaterhouseCoopers, 2001). They include assurance services, tax advisory and general advisory. Under the tax advisory line, the group offers international tax planning with advice on compliance with local law

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requirements on taxation. In addition to this, transfer pricing and human resource consultancy is offered. The advisory umbrella covers performance improvement, strategy, transactions services, actuarial advisory, corporate finance, crisis management, business recovery services, business valuation and accountancy.

How ethical, value-based and relationship issues shaped individual and group meaning, and choices in addressing the change process PwC proves intent on keeping its business ethos. Its pursuit of becoming the most dominant industry player is unwavering. PricewaterhouseCoopers (" PwC") is among the world's most eminent professionally organized service providers. As professionals, the group's workers are expected to help clients in solving problems and enhance the clientele's ability to increase value, control risk, and overall improve on performance.

Succinctly put, PwC's mission is to improve trust, transparency and consistency in the business process. Concisely, PwC's values are leadership, teamwork and excellence. PwC conducts its business within the framework of accepted professional rules, standards, regulations, and internal guidelines. The group further concedes that these guidelines do not apply to every type of conduct. As a result, PwC has its own code of conduct, which guides its firms (Wet Feet Press, 2003). On paper, PwC seems to have done well by insisting they encourage professionalism.

The transparency mission appears to have been compromised however. As a result, in the discussed cases of misconduct, the company cannot claim to have played by its code of conduct. However, in responding to the challenges, the company scores highly. The steps taken were bold and

aligned alongside company values of seeking the same goals betrayed by overseeing the scandals unfold. While in introducing change, PwC seems to have considered changing people's mindsets and attitudes. The group always does this with the hope of attaining the best results in reference to keeping the trust of customers.

This further explains why the company did not hesitate in taking action against the rogue employees in the two cases. The failure to admit responsibility in the scandal also augments this view. Such change was imposed to send a clear message that the company does not condone acts of fraud. In this direction, the company policy of pursuing best practices as set out by both industry and internal mechanisms seems to have taken precedence. Chances of a more effective outcome While introducing changes in the two cases, PwC passes as a reluctant player.

To begin with, PwC refuses to concede responsibility in any of the scandals, a typical approach employed by most business entities embroiled in controversies. However, the firm makes moves towards the right direction by introducing far-reaching changes in the respective affiliates afflicted by the scandals. The aim of such moves is to stem the tide against the firm's market position in the areas of operation. This implies that the company is aware of market dynamics, which typically oscillate. It is on this understanding that the firm found it wise to take the drastic changes as a result of the issues arising.

The measures taken remain commendable; however, the firm should have factored in objectivity while taking stances. It is true; this paper does not gather incriminating evidence against PwC. Nevertheless, it emerges that <https://assignbuster.com/management-change/>

something must have gone horribly wrong. This is rested on the fact that PwC was auditing records, which turned out to be defective. In as far as, the scandals took place under the noses of the auditing firm calls for a serious recheck on the firm's auditing standards. Simply put, if the firm did not engage in any conspiracies, then its auditing standards are put into question.

It is on this premise that positions is taken insisting that PwC should have owned up, and clarify to its clients what steps were being taken to ensure such scandals do not recur. It appears that PwC understands fully the consequences of such a move; it is thus not surprising that it chose to deny the charges to protect its name. The move to deny makes a lot of business sense since the principle of fair trial takes precedence. Thus, in as far as, the PwC was not found guilty of an offence; it reserves the right to deny.

In light of this, PwC took the best possible decision in approaching the challenge. Conclusion Due to changes in the operational environment of business, commercial and/or professional entities also need to follow suit or face difficulties in the execution of their activities. This means that change is inevitable in any business set up. As realized, the PwC found it mandatory to introduce changes in the two markets. The top management figured out that to retain its leading position, it had to alter certain aspects of the affiliates.

As established, the top leadership in the affiliate groups was replaced with new ones. In addition, in the case of the Indian affiliate, international auditors were stationed in Mumbai to monitor operations. This clearly presents a departure from the traditional approach employed by the company of allowing affiliates the opportunity to carry out activities independently so long as they remained in line with set company policy.

Change is desirable in circumstances of this kind though this paper does not go further to establish whether indeed the changes led to the desired results.

The paper thus only makes a hypothesis that the changes were a good step towards securing the name of the company due to the involvement in degrading scandals. It is finally concluded that the historical journey for the company has been one of achievement though it got embroiled in these controversies. The fact that the company is still a global leader in the auditing industry marks it out from the rest. References Filicetti, J, (2007), "Project Management Dictionary". PM Hut. Hamish, H, (1999), An Early History of Coopers ; Lybrand, Garland Publishing Inc.

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