

# ‘We are not going to bridge the gap with the Big Four’

Martin van Roekel, CEO of an international accountants network, wants to be the best of the rest

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Martin van Roekel, CEO of BDO International, is an executive who spends half the year overseas. His visit on this grey morning at the end of January was his first stop in the Netherlands this year. He has just returned from South Korea and is flying to Pakistan in a few days.

An international network of accounting and advisory firm like BDO International can be challenging to manage. Van Roekel's primary objective as CEO is to rein in the centrifugal forces and to make BDO International an increasingly robust entity. Hence that frenetic flying across the world. ‘A seamless global service provision of high quality, that is what it’s about’, says van Roekel.

The strategy to make BDO a unified whole consists of enticement in the first place. For example, BDO International offers member firms a strong brand and access to central software programmes for auditing. ‘Those are of the quality that can rarely, if ever, be obtained locally.’ But naturally, pressure is placed on the firms subsequently. ‘We insist on mandatory integration. That means we sometimes need to have tough conversations with any member firms that are not meeting our high quality standards.’

If that does not happen, an improvement plan needs to be implemented and if that does not help either, sanctions follow. The ultimate sanction is expulsion from the network. In the eight years that van Roekel has been on the international board, that has indeed happened every year. It tends to occur in less developed countries.

BDO is present in 159 countries and has a global footprint that is close to that of the Big Four networks (PwC, Deloitte, EY and KPMG). Nevertheless, the gap with the Big Four remains large. A few years ago, BDO pinned its hopes on the then European Commissioner Michel Barnier, who shook up the European accountancy market. His audit reforms included an obligation for stock market listed companies to rotate accountant firms. BDO attempted to attract more large companies during this rotation.

‘In terms of the rotation, our score hasn’t reached quite the level as we had hoped for’, says van Roekel. ‘Large companies are pleasantly surprised by BDO during the tendering process, but ultimately, they often still opt for the Big Four. As they are regarded as a safe choice.’ However, thanks to rotation, BDO has succeeded in being contracted to provide consultancy services to large companies more often. BDO hopes it will produce greater success in the next rotation round.

The goal is not to join the Big Four, says van Roekel. ‘The gap is simply too big. However, we do want to be in the unique position where we can be the only viable alternative to the Big Four.’



To give an idea of the difference: BDO achieved a turnover of \$7.6 billion in the 2016 financial year, while PwC and Deloitte both achieved a turnover in excess of \$35 billion. A merger with another medium-sized player would not close that gap either. If you add BDO’s turnover to that of Grant Thornton, for example, you still have no more than around \$ 12 to \$ 13 billion.



**‘Only the larger networks can make the necessary investments in quality, IT and regulatory compliance’**

We did attempt a merger, says van Roekel. We held ‘intensive conversations’ with various international networks in recent years, but without results (‘I won’t mention any names’). ‘The problem is that international member firms must agree to a merger of the network. That means negotiating with three to five representatives from each side. There is a strong likelihood of irreconcilable issues. But a merger always remains a possibility.’

Van Roekel suggests that consolidation is unavoidable. As long as it does not involve a big merger, BDO continues to expand every year through the acquisition of smaller accounting firms, or the partners of other offices. BDO’s average rate of growth in recent years has been approximately 7%, the market average was around 5% to 6%.

The market is consolidating and only two or three medium-sized players will remain, according to van Roekel. ‘The necessity to invest in quality, IT and regulatory compliance is so challenging that only the bigger networks can keep up’.

**For Martin van Roekel, end of January was his first time to be back again in the Netherlands: A seamless global service provision of high quality, that is what it’s about’**

PHOTO: ROB VOSS FOR THE FD

**The Netherlands, an exemplary country?**

**B**DO Netherlands plays an important role in the international network. It is one of seven countries

represented on BDO’s global supervisory board (Global Board). Martin van Roekel has concerns about the exceptionally stringent level of supervision and all the new regulations imposed on the sector in the Netherlands.

‘The Netherlands is an exception with all the measures of recent years and the other member firms are also concerned about that’, says van Roekel. ‘The issue is whether the occupation of accountant will remain attractive enough, or young talents will increasingly opt for the consultancy profession.’

Van Roekel has his doubts about whether additional and more detailed regulations are helpful. ‘The risk is that you just tick off check lists: is everything in the file? But it is about oversight and the sense that, as an accountant, you have done enough, with adequate professional skepticism, on which you have based your opinion. I have serious doubts about more rules.’

You also need to grow and flourish if you wish to attract and retain young talent.’ Networks where member firms are too attached to their autonomy and do not grow sufficiently, will fall by the wayside in the coming years. They will fall to the level of regional players.

The only large economy in the world where BDO can compete with the Big Four is China. BDO is in the third position there. An important reason for that is the strong emphasis the government places on the Chinese character of large accountancy organisations by demanding that 80% of the partners are Chinese, for example. BDO scores well on this point in particular since they have worked exclusively with Chinese partners from the outset. The Big Four approached China more from an overseas perspective. ‘That is the reason why large businesses in China do not opt for the Big Four automatically, but also for BDO.’

Martin van Roekel has meanwhile been at the helm of BDO International for almost six years. He has enjoyed the role more than he initially anticipated. His term expires in September this year. Might he serve another term? ‘I will make a decision about that in April.’