

# Netherlands Survey

## LEADING ACCOUNTING FIRMS IN THE NETHERLANDS - FEE DATA

Firm	International affiliations	Fee income Nfl millions	Growth rate	% fee split audit/tax MAS/other	chargeable hours	effective date	no of of- fices	change in no of offices
1. KPMG Klynveld	KPMG	439	11%	67/16/11/6	N/A	30.9.88	34	3
2. Moret	Arthur Young	405	10.7%	64/20/9/7	N/A	31.12.88	45 <sup>3</sup>	1
3. TRN Groep	Touche Ross	319	13.7%	65/19/1/12	3,328,000	30.9.88	55	7
4. Dijker en Doombos	D H & S <sup>1</sup>	247	6%	61/22/6/11	N/A	31.12.87	39	-
5. Van Dien Groep	D H & S <sup>1</sup>	206	10%	76/15/8/1	1,741,000	31.12.88	28	-2
6. VB Accountants Kantoor	(none)	118	6%	95/2/3/-	N/A	31.12.88	33	-
7. Dechesne	Ernst & Whinney	100	N/A	N/A	865,000	1988	21	1
8. BDO Camp Obers	BDO	70 <sup>4</sup>	8%	55/20/5/20	890,000	31.12.88	18	-
9. Paardekooper & Hoffman	Moore's Rowland	57	14%	50/25/10/15	N/A	31.12.87	21	2
10. Arthur Andersen	Arthur Andersen	56	18%	40/26/34/-	N/A	15.8.88	3	-
11. Coopers & Lybrand	Coopers & Lybrand	55	17%	44/27/29/-	330,000	31.12.88	3	-
12. Walgemoed Groep	Horwarth & Horwarth	50	13.5%	59/13/11/17	608,000	31.12.87	27	2
13. Price Waterhouse	Price Waterhouse	49.7	24.5%	46/47/5/2	274,000	30.6.88	4	-
14. Brands and Wolff	AY <sup>2</sup>	40	N/A	N/A	N/A	31.12.88	18	-
15. Berk Groep	Summit International	39	18%	50/25/5/20	460,000	31.12.87	15	2

1 Dijker left the DBO network in 1987 and merged with Deloitte's Dutch firm, Van Dien, in January 1989.

2 Brands merges with Moret from January 1989

3 Includes two Moret firms in Netherlands Antilles and one in Aruba.

4 Camp figures are estimates and include Belgium.

## Mergers dominate Netherlands in '88

DH&S, AY and KPMG made significant gains through mergers, reports Nigel Tutt in *IAB's* 1988 Netherlands survey

**M**ERGERS AND consolidations were big stories in the Netherlands for 1988. There were three mergers involving major players, an international link-up for second tier firm and the breakdown of talks between a Big Eight firm and a top local firm. When all was said and done, there were six players left with gross fee income of over Nfl100.

	Nflm.
Deloitte Dijker Van Dien	453
Moret (including Brands)	445
KPMG Klynveld	
(excluding Wisselink)	439
TRN Groep	319
VB Accountants Kantoor	118
Dechesne, Ernst & Whinney	100

The largest merger between Van Dien, the Deloitte's firm, and Dijker en Doombos went into effect January 1, 1989. Dijker had placed itself on the market again, after talks broke down this summer with Price Waterhouse. Dijker was linked with BDO until this summer.

Although Dijker is the larger of the two firms, Van Dien's senior partner Luc van Zutphen takes over the top spot at the

combined firm. Most rivals view the merger as a good fit of two well established Dutch firms. The Dijker and PW six-month long talks broke down over "strategic opinions and some cultural differences." Dijker and Van Dien concluded the deal in only two months.

Both Dijker and Van Dien bring the mix of quoted clients and regionally-based advisory work to the merger. Deloitte Dijker Van Dien, as the new firm will be called, handle fewer quoted clients than KPMG. They estimate that only 8 per cent of their audits are quoted but believe their size will bring more quoted audits. Dijker boasts three Nfl1m plus audits in commodity trader Van Nella, along with investment houses Robeco and Wereldhaven.

Van Zutphen said: "The changing of auditors by big companies will come up more and more and we are well accustomed to the new mechanisms of proposals and will be prepared for it."

Other large firms are less certain that big companies will change auditors. One accountant said that tenders are usually put out to force down fees. Recently both Dijker and Van Dien firms have made

gains in the expanding field of government contract work. Thirty per cent of central government audit and consulting contracts are now open to bid from private firms. Privatisation of state-owned companies will also have an impact.

Van Dien scored early with the PTT — the post and telephone holding company — as well as the Schiphol Airport authority. Many more audits and consulting contracts are up for consideration. One immediate task for the firm's new management is putting the two office networks together. Both maintain large networks and split their offices into three types: offices in six or seven major cities which offer a full range of services, including management consulting; another 15 offices with auditing and tax staff; and 30 offices which provide supporting services for small businesses. These are staffed by accountant advisors from the second-tier professional body.

The combined firm intends to keep this range of offices, but will cut overlaps in locations. "One of the first things in integrating the two firms is tackling this net-

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Leading firms in the Netherlands - Staff data

Firm (note 1)	number of partners	number of qualified auditors	total prof staff (including partners)	change in number of prof staff	other staff	total staff (including partners)	prof staff/partner ratio
1.KPMG Klynveld	260	380	2,230	19	650	2,880	9
2.Moret	256	412	2,420	104	722	3,142	9
3.TRN Groep	199	255	1,981	N/A	865	2,846	10
4.Dijker en Doombos	123	248	1,767	(7.8%)	421	2,188	14
5.Van Dien Groep	110	133	1,222	95	329	1,551	11
6.VB Accountants Kantoor	40	109	1,080	15	100	1,180	27
7.Dechesne, Ernst & Whinney	54	96	857	-	40	897	16
8.BDO Camps Obers	43	55	498	53	118	616	12
9.Paardekooper & Hoffman	65	41	440	36	96	536	7
10.Arthur Andersen	18	27	290	46	59	349	16
11.Coopers & Lybrand	23	40	270	(22%)	90	360	12
12.Walqemoed Groep	23	43	457	N/A	23	480	20
13.Price Waterhouse	23	N/A	234	20	90	324	10
14.Brands & Wolff	41	N/A	N/A	N/A	N/A	N/A	N/A
15.Berk Groep	19	27	270	(25%)	40	310	14

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work," according to Van Zutphen. "Our goal is to do it as quickly as possible. We need a maximum of two or three years. It will be two years in Rotterdam and Amsterdam before we find a building that gives us enough space."

Further rationalisation of the extensive office networks is not being considered. They are common to most major firms. Servicing clients out of just the major cities in the west of the country would not be popular, firms said. Most major firms feel they must have a minimum of 12 offices in each provincial capital. The bookkeeping offices accentuate the issue.

### Moret takes over B&W

Moret, the Arthur Young affiliate, is also expanding, but in this case it is clearly a takeover. It has snapped up Brands and Wolf. The Nfl40m turnover firm has a strong Rotterdam practice. The takeover removes another second-tier firm from the declining list of targets for other expanding Big Eight firms.

Henk Neeleman, Moret's chairman, was attracted to B&W by its Rotterdam clients. "They have what we call some sub-top clients not in the major leagues in this country but good medium-sized companies in the region. We selected this firm after a careful investigation. We went to them knowing that they were going through some thought to their future position," he said.

Moret's choice of Brands was based on the quality of their work, style and location. Neeleman claims that most second-

tier firms have considered merging with a major outfit. Most second tier firms themselves discount this possibility. The largest, BDO Camps Obers, categorically declares "it is not for sale", but has just tied an international link to bring in more referred work.

The Brands takeover by Moret adds over 300 professional staff, spread through a 20 office network. Moret, like Deloitte, is moving fast to cement its merger which is effective January 1, 1989. They expect to complete the relocation of staff by the end of January. In Rotterdam, where Brands' staff are concentrated, will move non-operational Moret people out of their offices to make room.

Brands' clients include a few quoted clients as well as Schreiner Airways Group, the RS Stovis trading group and Total Nederland. Neeleman said, Moret will rely on organic growth for further expansion, but he does not completely rule out further acquisitions. He went on to say: "We think we are complete. We will consolidate and work at organic growth." He sees few quoted company audits still held by second-tier firms. He thinks that any changes in these audits will come through cross-border European company mergers where the parent imposes its auditors.

Moret is gaining local authority audits and its share of government work. It boasts 10-15 municipality audits including Apeldoorn and is bidding for assignments in Maasteight and Rotterdam. The firm has picked up the state pension fund audit worth near to Nfl1m. The firm has also been a long-time auditor of DSM, the soon-to-be-privatised state chemical

giant. More work can be expected with DSM.

Moret also claims the leading tax practice among Dutch accounting firms. (Loyens en Volkmaars, the independent firm of tax advisors, employ more tax professionals but its fee income is not available). Based on IAB figures the lead is likely to remain in 1989 with the combined Deloitte Diiker Van Dien edging just ahead of Moret plus Brands.

KPMG's probable relegation to third spot in the 1989 league may prove short-lived. Its January 1, 1989 link up with Wisselink, an independent tax firm, may well push it straight back to the top. This firm has 110 staff and "some Nfl25m" turnover according to Johan Steenmeijer, KPMG Klynveld's senior partner. This move could also make KPMG the largest Dutch tax outfit.

KPMG has spent much of 1988 digesting the Dutch leg of the giant worldwide merger of KMG and Peat Marwick. It retains a tight grip on the quoted company audit market. Recently KPMG picked up Ballasnedan, a major construction group, when it was taken over by British Aerospace, a KPMG client in the UK. In the central government sector, the firm has concentrated in internal audit activities.

Touche Ross Nederland Groep has been digesting its merger with de Tombe/Melsa Groep effective May 1, 1988. A spokesman said the firm has already combined offices in seven of the 12 major regional centres and expects to complete the remaining five in 1989.

The largest combination, in Rotterdam, was finished in December and all that remains to be combined are smaller of-

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fices. Staff training was linked up during the summer of 1988.

Both combining firms had similar types of work with about 40 per cent of fees from bigger clients and a large percentage from medium-size family business. It also claims Nfl3m of government work. Piet Hoogendoorn, a TRN vice-chairman, says: "Both firms were rather equal and that was one of the reasons for the merger. Before the merger we had research on that and there were no big differences."

Further mergers are not ruled out by TRN. "It is not one of our big items to become much bigger. If second-tier firms want to discuss, we will do it. But it is not our first option. The first option is to finish the integration and build a very-strong position," he said.

Significantly behind the big four Dutch accounting firms stands VB Accountants Kantoor, the privatised municipalities auditor. It has been in the private sector for two years and is still adapting. Its complaints that the major firms are undercutting their tender bids for municipality audits have subsided. NIRVA refused to take up these complaints, arguing that it did not get involved in commercial disputes and that there was no threat to quality.

Rumours that VB is a merger target increased after it announced it was seeking international links. KPMG is the ideal suitor and the two firms will resume talks on a co-operation agreement in the new year. The talks will center on audit methods, research and computer issues. KPMG believes it has a clear run for such an agreement and needs to strengthen its public sector audit list. But VB says other firms are also in the running.

## Coopers & Lybrand Continued from page 1

come distribution. A five member committee will govern Coopers and Lybrand Europe. Brandon Gough, senior partner in London, will chair the committee.

Willem Brocker will direct Coopers & Lybrand Europe from Amsterdam. Brocker said the organisation was "an attempt to make sure we're keeping pace in 1992." He added that Coopers & Lybrand saw a need to "provide cross border services."

The office in Amsterdam will be separate from the Amsterdam practice and is expected to be mostly for administrative and strategic personnel. One Coopers & Lybrand partner commented, "We're trying not to add another layer."

Alex D'Janeoff, who will direct merger and acquisition services (Euomas) from

The remainder of the Big Eight firms trail down the league. Ernst & Whinney successfully digested its own merger during 1988 and claims Nfl100m in fees. The old Ernst Dutch firm contributes less than Nfl20m to the total. Coopers and Lybrand boosted its position by merging with Bakker en Versteegh, a regional firm in the Limpurg area in the southeast of the country. It employs about 150 but this recent addition has yet to show through in the results table. PW missed out on Dijker and earned some flak for its high proportion of expatriate staff and referred work from home-grown firms.

The Dutch market in auditing, management consulting, and accounting remains buoyant with most firms showing strong growth. The healthy economy and privatisation by the centre-right government encourages this trend. On the tax front, legal firms have re-entered the market over the last two years but the competition is not fierce. The lawyers have only pursued tax advice work and not focused on compliance.

The Netherlands economy is expected to profit from the European single market. The country's efficient industry and non-protectionist stance make that probable. The country has already made an impact in international corporate takeovers. Accounting firms expects to do likewise and are putting resources and top staff into the growing Brussels-based Euro practices that cater to clients with continent-wide needs.

Last year Dutch accounting firms advertised for the first time. After an early splurge — Van Dien and TRN ran TV commercials — activity has settled. Most firms see newspaper advertising as the

Amsterdam, said "we're not expecting clients to be directed to the Amsterdam location." Client relations still will be co-ordinated out of the relevant branches.

D'Janeoff said his role will be to co-ordinate Euomas efforts throughout Europe.

"One or two co-ordinators in each country will report back to me," he said. He added that some European countries have a "more advanced mergers and acquisition practice than others," and that someone is needed to insure that the right knowledge is in the right place.

"One of our strengths is very national practices with professionals who have been trained with an international base. Deals are getting larger. There is a much more European outlook. With Europe it now makes sense to have somebody sit in the centre," he said.

favoured media for projecting their firm's image for prospective personnel. Only specialised advertising, for instance in municipality journals, is targeted at clients.

Extension of the European fourth company law directive to medium-sized companies from the beginning of 1989 is expected to have only a marginal impact. This will require the audit of companies with 50-250 employees, and either Nfl4-17m balance sheet total or Nfl8-35m turnover. The government's Geelhoes Commission is studying whether only NIRVA members will carry out these audits.

Accountant advisers, also represented on the Commission, are pressing to audit or provide a certificate for these companies. But the government is keen to deregulate and restrict burdens on these companies.

For its part NIRVA reckons that over 70 per cent of the 700 plus medium-sized companies are already clients of their members. Since many advisors are employed by NIRVA firms, a major shift in fees is unlikely.

The shape of the Dutch profession is clearer after the merger moves of 1988, but further consolidation can be expected as this wave dies away. The changing hands of major quoted audits may become the biggest threat to firms' revenues.

The increasing pace of cross-border corporate activity is likely to shape these increases. A strong European network will go some way to protecting home markets.

*Nigel Tutt, Brussels*

Peter Price, the director of Eurotax services at Coopers & Lybrand Europe, said the purpose of centring Eurotax in Amsterdam was to "improve the exchange of information and to further develop specific programs."

The new organisation is the main result of an extended strategy review carried out by three senior level partners at Coopers & Lybrand.

One Coopers & Lybrand partner said that Coopers & Lybrand Associates is currently conducting a similar review and is expected to report back by mid-year.

Representatives from Belgium, France, Switzerland, the UK and Holland are on the committee.

It is expected to recommend some structural changes in the consulting wing and increase the number of pan-European services offered.