

## PITTSBURGH'S AMBASSADOR

### LOCAL FIRM MALIN BERGQUIST THRIVES ON SERVING INTERNATIONAL BUSINESSES

BY DANIEL HOOD

**M**alin Bergquist thinks the world of Pittsburgh — and it wants the world to know it.

The mid-sized Steeltown firm has built a strong practice in serving foreign companies that establish operations in the Pittsburgh area, and conversely, among U.S. companies looking to expand abroad. And one of the main strategies it has used to promote its International Business Group has been to boost its hometown as a great place for international businesses to enter the U.S. market.

The results are clear, for both Pittsburgh and Malin Bergquist: Over 340 companies from 30 countries contribute close to 50,000 jobs to the local economy, and the firm serves between 35 and 40 of those, in a practice that contributes almost a fifth of its revenues.

#### GROWING WITH PITTSBURGH

“It started with one client here in Pittsburgh in the early 1970s,” explained chief executive Jeffrey Deane. “That client is fairly well-known in Germany, and as Pittsburgh started to grow and expand, that one client resulted in our German practice growing substantially in the 1970s and 1980s.”

Word of mouth and referrals were the main drivers of growth for most of that period. “In the early 2000s, we realized what we had here,” Deane recalled. “We had a strong base, and figured out that it was unique and started to market it. The German base grew, and the international base grew. Instead of being known as just ‘the German firm,’ now we’re ‘the international firm,’ with clients from as far afield as France, Spain, Switzerland, Austria and India.

One of the keys to its success has been what partner Stephen Heilman describes as “leveraging whatever we can do for the city, and leveraging whatever the city’s doing.”

That can range from small things — Deane’s business card has an “Imagine Pittsburgh” logo on it, for instance — to large, such as the firm’s co-sponsorship of the Pittsburgh G-20



MB CEO  
Jeffrey Deane

Partnership, which used the city’s turn in the spotlight as host of the 2009 G-20 Summit of the world’s major economies to highlight its qualities as a place to do business. The firm created a Web site in German and English (it also has a German-language version of its own Web site) to share the success stories of local German-owned companies.

The firm was also instrumental in creating the German American Business Circle of Pittsburgh, a group that aims to help bring German businesses to the area and help them make the most of it. “We’re one of three companies that formed the group — a law firm and a manufacturing firm with very strong heritage in Germany,” explained Deane, who is also on the board of the British-American Business Council of

Pittsburgh. “It just had its 20th anniversary. It meets twice a year at the Hofbrauhaus here in Pittsburgh, spring and fall, and for the past several years, it has drawn crowds of 125, 130 or so folks, a very passionate group of people who love getting together. They enjoy the camaraderie more than anything else.”

But they also share best practices and — crucially — talk among themselves, according to Heilman: “Who’s your accountant, who’s your attorney?’ We were able to grow that.”

In 2009, Deane also established a German Executive Group, where 10 to 15 CEOs from German-owned companies meet as a support group.

“We’ve assisted local government — specifically the Allegheny Conference, a regional

# practice profile

## World, meet Pittsburgh

Malin Bergquist helps build its home city, and its client list



Malin Bergquist's Deane (at left) and Heilman (with the firm's German-language Web site in the background)

## AT A GLANCE

**Firm:**

Malin, Bergquist & Co.

**Offices:**

Pittsburgh and Erie, Pa.

**Chief executive:**

Jeffrey Deane

**Staff:**

Partners — 13; total — 95

**Year founded:**

1962

**Selected services for international businesses:**

Tax-efficient acquisition, joint venture and disposition strategies; foreign earnings repatriation strategies; expatriate tax consulting and advice; foreign tax treaty analysis; transfer pricing policies development and documentation; researching export tax incentives and viable export plans; audits of financial statements in local standards and IFRS.

economic engine — in helping them attract more German companies to the region,” Deane said. “Pittsburgh has a good story to tell, and local officials rely on us to help them recruit and woo these companies to come here.”

Heilman and Deane travel to Europe a couple of times a year, and visit prospective companies on the conference’s behalf. They also help with visiting businessmen: At the end of September, for instance, the firm helped to set up a lunch for 20 delegates from the German state of Lower Saxony to meet German CEOs from local companies to discuss establishing a presence in the area. “They can ask questions in their own language,” Deane explained. “We’ve been doing that for seven to 10 years. We’ve been a big resource for the

local government, and for the state, as well.”

Being a resource for boosting Pittsburgh has helped the firm raise its profile, but it’s only part of the picture: The other part is being a major resource for clients.

### INTERNATIONAL TOOLS

Interestingly, for a firm with a prominent international practice, Malin Bergquist hasn’t found that it needs much in the way of foreign language skills.

“We have survived thus far without having a concentration of foreign-speaking individuals,” Deane said. “Neither Steve nor I speak German, but Germans are very receptive. We have a few foreign-speaking individuals at the firm, but it hasn’t been a big barrier.”

What the firm does offer is skill in the issues critical to foreign companies coming to the U.S., and U.S. companies venturing abroad: experience and expertise in foreign accounting standards, international tax, and the ins and outs of establishing and running a business in another country.

Those skills apply regardless of where a company’s coming from or which direction it’s headed: “If a company is looking to operate outside, or come into, the U.S., we can easily provide them with a streamlined solution that runs through the firm,” Deane said.

“The knowledge is similar,” Heilman added. “There are some distinctions, obviously, in the tax or accounting, but it’s important for our staff to really have an overview, no matter whether

it's inbound or outbound — whether you're translating a statement into or out of IFRS."

More and more, the firm is finding that its expertise applies almost everywhere. "Ten years ago, it was country by country," Heilman explained. "Certain countries we were most familiar with, but with the acceptance of IFRS worldwide, that has limited the number of varieties of accounting standards, and that has really concentrated what we need to know."

Their expertise is widely recognized: Heilman and Deane teach courses on the convergence of GAAP and IFRS, serve as a resource on the subject for the Pennsylvania Institute of CPAs, and have been working with the American Institute of CPAs to write IFRS questions for the CPA Exam. (*For more, see "In Depth on IFRS," at right.*)

Besides the firm's in-house skills, one of its main assets is its relationships with other professional services firms across the country and around the world through associations and networks like the International Practice Group and CPAmerica. These give it both a deep well of expertise to draw on, and a strong referral network.

Deane cited a recent example: "I received a call 10 days ago from a U.K. firm, they have a client looking to buy a company in Los Angeles. They said, 'We trust you guys; can you handle the due diligence work on the firm they want to buy?'" Given Malin Bergquist's strong relationships with firms around the world, "We become the go-to guys in the U.S."

"It's not just restricted to Pittsburgh or Western Pennsylvania," Heilman said. "As our reputation has grown, to them, it doesn't matter if we're in Pittsburgh and the client is somewhere else — we can coordinate that with someone else or someone within our network of firms. We act as the lead person, we have the client relationship, and we're providing the solution."

To successfully leverage a network or association means much more than just joining up and getting a list of member firms, the two warned. "It can't just be an address in a book," Heilman said. "You have to have met these people and shared some time to get to know them."

Added Deane, "It takes work to develop those relationships — just joining a network doesn't really cut it. What good is it to join a network if you don't do the work of building the relationships? That is a crucial piece of growing an international practice."

## GOING FORWARD

With its skill sets, marketing efforts and international networks built, Malin Bergquist is

looking to both broaden and deepen its commitment to international businesses.

"We're in the midst of establishing a German desk, most likely in Mannheim, available for U.S. clients and for management in Germany, so if there are issues or questions, they can interact with us," Deane said. "We'll be rolling that out in the next couple of months."

The desk, which will have both U.S. CPAs and German nationals who have acquired the U.S. credential, could serve as an entrée to having a full-fledged office in Germany. The firm is still studying the issues involved, such as registration requirements in Germany.

A little further down the road, other parts of the U.S. may benefit from the sort of activity Malin Bergquist has brought to Pittsburgh.

## IN DEPTH ON IFRS

As you'd imagine, building a practice around international businesses requires a knowledge of international accounting standards — and despite their widespread adoption, that doesn't mean just International Financial Reporting Standards, according to Malin Bergquist partner Stephen Heilman.

"There's still a need to know some of the national standards," he said, citing Germany as an example. "Many non-public companies in Germany are still following the German code. They've updated it with IFRS, but they wanted to maintain a very distinct German flavor."

"Even with IFRS, there's oftentimes a national flavor of IFRS," he continued. "The IASB version is plain vanilla, but when they're adopted in a particular country, you need to understand if there are particular national regulations attached to that." Often, he added, "The differences are more subtle, they're more tweaks. Something may be permitted, but a certain country may say, 'This is the way we want it to be done in our country.' It's often related to tax — how the country wants the reporting to be done for tax purposes."

Malin Bergquist's experience with IFRS abroad would certainly give it a leg up should the Securities and Exchange Commission decide to adopt the international standards here in the U.S. "That's the \$64 million question," said chief executive Jeffrey Deane. "It's very much a roller coaster — excitement, movement, then it dies, and almost goes backward. My gut is that it won't totally die; there'll be some provision from the SEC to take the leap, whether mandatory or optional."

"We've developed a practice we feel is extremely unique, and we're seeing a void for international practice firms that are of a regional type flavor," said Deane.

"Especially in Northeast Ohio, around Cleveland, bankers have told us that they don't know of any firms that have what we have," Heilman said. The firm has been exploring that market, having discussions with firms there and looking into opening an office of its own.

In the meantime, there's still work to be done: While Deane noted that there was not a lot of new activity in terms of international businesses in the tough years of 2009 and 2010, "There has been a significant uptick in the last six to nine months. That's an exciting part of it." **AT**

At the same time, Heilman noted, "With all of the work on convergence, every year there are fewer and fewer real differences between U.S. GAAP and IFRS. There are always going to be distinctions, but we're whittling those distinctions down so there are fewer and fewer differences."

Convergence, though, is also bringing problems: "It is driving standards overload for small businesses, often with no benefit," he said. "All these changes are from convergence — and many of my own clients are asking, 'Why are we making these changes?'" That, he added, is one of the factors behind the current drive for separate private company standards in the U.S.

Curiously, that drive doesn't include the only major set of standards explicitly developed for small companies. "It's a shame that they didn't explore IFRS for SMEs as a solution," Deane said, though he did note that any switch would be difficult for private companies. "That's going to be a tough transition, a tough sell. There's going to be a lot of education, and [it's uncertain] whether the private business sector will be willing to go through that."

Whatever the outcome of the debates over IFRS and private company standards in the U.S., Deane feels that the firm's international capabilities, especially in IFRS, "show how unique our practice is. When you're in a room with eight to 10 accountants with IFRS expertise drafting CPA Exam questions, you have the Big Four, maybe a mid-tier firm — and Malin Bergquist."

# Malin Bergquist

## International Business Group Services

*Helping foreign-owned businesses to pursue their strategic U.S. goals and outbound U.S. clients seeking a “soft landing” throughout the world.*

- ✓ Audits of financial statements prepared in accordance with International Financial Reporting Standards (IFRS)
  - Technical accounting changes
  - Accounting policy procedures and manuals
  - Training for personnel
  - Internal controls
  - Internal audit plans
  - System for capturing and reporting data
  - Management reporting
  - Audit support – accounting records must support application of IFRS
  - Communication with capital markets
  - Financial statement presentation
- ✓ Audits of financial statements prepared in accordance with local statutory accounting standards
- ✓ Tax-efficient acquisition, joint venture and disposition strategies
- ✓ Strategies for tax-efficient repatriation of foreign earnings
- ✓ Expatriate tax consulting and advice
- ✓ Foreign tax treaty analysis
- ✓ Transactional taxes
- ✓ Developing effective and operationally sound transfer pricing policies and documentation
- ✓ Researching export tax incentives and viable export plans

#### Contact:

Jeffrey Deane, CPA, Partner  
Malin, Bergquist & Company, LLP  
3605 McKnight East Drive  
Pittsburgh, PA, 15237-6400  
USA

jdeane@malinbergquist.com  
Tel: +01 (412) 364-9395  
Fax: +01 (412) 364-2661



## Malin Bergquist

CERTIFIED PUBLIC ACCOUNTANTS

[www.malinbergquist.com](http://www.malinbergquist.com)