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'Between the Cracks'

An American Accountant Caters To Fringe of China Export Boom

BY MIRIAM JORDAN
Staff Reporter

Larry Lipsher isn't the kind of professional who touts his credentials by papering his office with diplomas. Instead, affixed to the walls of his tiny Hong Kong office are a ticket to a Grateful Dead concert and a Mel Brooks movie poster.

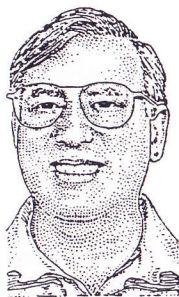
Obviously, this accountant isn't going after conventional types. "There are seven Western accounting firms in China — the Big Six and me," says Mr. Lipsher.

By leaving the multinationals to his larger rivals, the onetime accountant to rock stars says he's doing a thriving accounting and consultancy business that relies mainly on small, mostly American clients in Guangdong province, as well as Hong Kong. These businesses — involved in shoes, silk, gems and steel, among other things — use Mr. Lipsher as a guide through their home-country tax mazes and Chinese red tape.

"If you take a look at most of the non-blue-chip-corporation people, they're on the fringe. Surely, a good 30% of them are real offbeat," says the energetic 50-year-old who wears a jade earring in his left ear. "I deal with the people who fall between the cracks."

Accounting firms are scrambling to cash in on burgeoning opportunities in China. International heavyweights such as KPMG Peat Marwick and Arthur Andersen & Co. are beefing up their China staff to deal with the flurry of business activity across the border. Meanwhile, new Hong Kong-based consulting firms are sprouting like mushrooms to help foreign businesses enter China, while established consultancies are expanding rapidly.

But the Brooklyn-born, banjo-strumming



Larry Lipsher

Mr. Lipsher, who lives in Shekou with the 25-year-old Chinese woman he married last year, already has carved out a niche for himself. "I found an area where there's no competition," he says. "You have a Proctor & Gamble coming in ... Meanwhile you have a small firm like NJB Merz, a shoe exporter. Their needs are totally unrelated."

Mr. Lipsher, a longtime Chinese culture enthusiast, received a business license to operate in China in November 1990. He opened his one-man firm a month later, which he says made him the first independent Western accountant to set up shop in the country. He has since built a clientele of about 70 small businesses.

"I came here with absolutely nothing, just the prospects of putting something together of this nature," he says. "I've broken even, and I'm on the verge of doing something that is very, very nice. I'm finding people or people are finding me."

His endeavor has dovetailed well with China's economic reforms, under which much decision-making power has devolved onto local governments. Though Mr. Lipsher speaks only broken Cantonese, he has secured contacts at the local government level in southern China that help him break down bureaucratic barriers for Western entrepreneurs struggling with tax officials and trying to start a business.

"I have learned a lot about *guanxi* (connections) and backdoor contacts," he says. "You have to find the best Chinese go-between. I act as a Western go-between to find the right Chinese go-between to tackle a particular bureaucratic hurdle."

As an example of how he works, he cites the recent case of a U.S. electronics company that wanted to set up in China. Once the company's managers found him, he helped them decide to take on a joint-venture partner, rather than going it alone. He then identified the bureaucratic offices from which the company would have to obtain approvals and en-

Please Turn to Page 2, Column 3

Off-Beat Accountant In Shekou Caters To Fringe Clients

Continued From First Page

listed Chinese intermediaries to help in the effort. He developed a business plan for the U.S. company and its Chinese partner in English and Chinese once they reached agreement on their objectives.

Mr. Lipsher says that depending on the size and location of the client, the process of setting up in China can take three to 15 months, with the average being six months.

He is the first to admit that his work in China is a far cry from the 12 years he spent as a Los Angeles-based accountant for the likes of rock leviathans Pink Floyd and the Moody Blues and California baseball and basketball teams. But he adds that his decision to plant himself here was the logical result of a 25-year interest in China. Mr. Lipsher earned an M.B.A. with a specialization in the Far East at the American Graduate School of International Management (Thunderbird) in Arizona.

The growing number of Americans who, like himself, are working independently or for U.S. corporations in southern China also provide a steady stream of tax business. That's because many employers don't hire major accounting firms to handle the personal taxes of their staff. And as with corporate clients, individuals receive an initial consultation free of charge. "Seventy percent of these people are going to call me back after staying up until 3 a.m. trying to figure it out," he says.

Bruce Grill, a shoe exporter who does business in Canton, says he has recommended Mr. Lipsher to many people. "He's a terrific accountant," he says. "I don't know how many big companies would give such personalized service. I wouldn't know where to find them anyway. I've got Larry."

Mr. Lipsher says he charges about HK\$1,500 an hour to prepare individual income tax returns — 25% of what a Big Six firm would charge for the same service and comparable to rates of smaller Hong Kong accountants. His fees for management consulting vary.

After 20 years in the accounting business, Mr. Lipsher concedes he's tired of taxes and would prefer to devote more time to consulting. Meanwhile, he's branching out into other businesses — a burst of activity prompted, he says, by a midlife crisis.

In January, he and a Chinese partner opened a karaoke club in Chengdu that he says is already turning a profit. A pizza parlor, to be named "Lorenzo's New York Style Pizza" (Lorenzo is Italian for Larry), will open later this year, also in Chengdu. Mr. Lipsher says his recipe for success is a relatively inexpensive cheese from Yunnan province that has the texture and taste of mozzarella.

Whatever business he is pursuing at any moment, Mr. Lipsher says his earring serves as his calling card, setting him apart from other foreign businessmen in China. Like the Grateful Dead ticket in his office, it places him in a fraternity of business people who haven't completely abandoned the alternative lifestyle of 1960s American youth culture. It's a group that, increasingly, needs accountants.

As Mr. Lipsher himself puts it: "I have found more closet (Grateful) Dead heads here than one could ever imagine."