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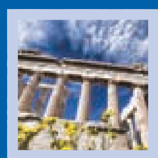

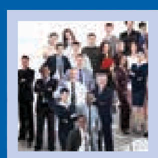

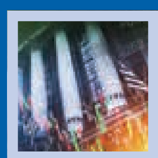

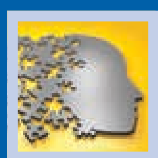

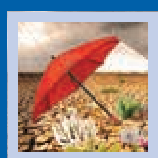

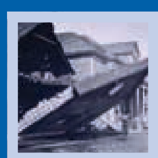

Greece's foreign investment revival

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Everyone is aware of Greece's recent economic woes: the bailouts and extraordinary budget deficits dominated the headlines. However, Greece has made progress in correcting the imbalances that led to the crisis in the first place. Suddenly Greece is looking far more attractive to foreign investors.

- Between 2009 and 2017 Greece improved its structural budget balance by 17% – more than twice that of any other nation in the EU-IMF bailout programme.
- The cost competitiveness of the Greek labour force is back in sync with its trading partners.
- The external deficit has gone, GDP has risen by 15 percentage points between 2008 and 2015.
- The Greek banks have restructured and refinanced and are now far more robust.
- Structural reform of labour and product markets, as well as the public sector has taken place.

All these improvements will contribute over time to a Greek economy with much improved growth potential. In fact, during 2016 the economy returned to positive growth showing an increase of 0.1%. Forecast growth for 2017 is 2.5%.

Foreign direct investment

Foreign direct investment (FDI) is heavily weighted towards EU member states. Germany is the largest investor by a long way, followed by France and the UK. German FDI, at €12.4 billion in the period from 2005 to 2015, exceeds that of France and the UK combined. This was largely due to Deutsche Telecom's investment in OTE, Greece's largest telecoms provider.

Foreign direct investment in recent years has focused mostly on the tertiary sector (commercial services), attracting 74% of all foreign investment. The secondary sector (manufacturing and industrial) follows some way behind with 24% of foreign investment.

This heavy leaning towards the service economy was largely due to the developing Greek financial system, a more open telecoms market, and stimulated trading. Latterly, Greece has seen increased investment in real estate and other business activities. Looking ahead, there is considerable scope for a resurgence in foreign investment activity in the tourism sector.

Investment in the secondary sector occurred mainly in manufacturing, such as chemicals, food and beverages, and machinery. The potential for further investment in this sector is great.

Incentives for foreign investors

To achieve further economic development by attracting FDI, Greece introduced a new incentives law in 2016. The main aim was to support existing businesses, create new businesses, and support the less developed areas of Greece.

Suddenly Greece is looking far more attractive to foreign investors.

To benefit from the incentives, projects must fall into at least one of these categories:

- Creating a new business
- Extending an existing business
- Diversifying into new product areas
- Fundamentally changing an existing business
- Acquiring the assets of a closed business (provided there is no connection between buyer and seller).

Satisfy one or more of these conditions and a business can benefit from these incentives:

- Exemption from tax on Greek profits
- Government grants for eligible costs and expenses
- Leasing subsidies to ease the purchase of new equipment
- Subsidies for the costs of new employment.

Law and taxation

While Greek companies pay tax on their worldwide incomes, foreign companies only pay tax on the profits they earn in Greece. Greek corporation tax currently stands at 29% while there is a 15% withholding tax on dividends.

Greek law 2190/1920 is the single most important piece of corporate legislation. Modifications in 2016 to enable the law to cope with modern business trends and globalisation have reduced the time and costs to form new companies.

In 2014 Greece introduced new Greek Accounting Standards that are closer to the International Financial Reporting Standards (IFRS).

Greek free-trade zones

Greece has three free-trade zones in the ports of Piraeus, Thessaloniki, and Heraklion. Foreign goods coming into these zones are free from custom duties and taxes provided they are subsequently re-exported.

Getting the right advice

If you are considering doing business in Greece it is essential you seek professional and expert advice. This is particularly true in the areas of financial statements and auditing, corporate taxation, and transfer pricing.

Specialist advice is also important if you are looking to take advantage of the business incentives available under the new investment law.

Doing Business 2017: Equal opportunity for all

How would you feel if a judge cared more about what your opponent said in court, simply because your opponent was a man? What if the law allowed your brother to use your family's land as collateral for a loan, but you were not allowed? What if you couldn't start your own business because your spouse wouldn't sign an approval? These are some regulatory obstacles that women entrepreneurs face in certain economies around the world.

The World Bank Group's *Doing Business* report measures the ease of doing business for small and medium enterprises; for the first time, *Doing Business 2017: Equal Opportunity for All* has added gender components so the data can more closely represent reality for men and women. The Doing Business project's goal is to promote more efficient and egalitarian regulations.

Doing Business measures regulations under ten topic areas in 190 economies, including Somalia for the first time this year. To develop an overall ease of *Doing Business* ranking, the ten areas measured are: Starting a Business, Dealing with Construction Permits, Getting Electricity, Registering Property, Getting Credit, Protecting Minority Investors, Paying Taxes, Trading Across Borders, Enforcing Contracts, and Resolving Insolvency. Data is also collected on labour market regulations but this is not part of the overall ease of Doing Business ranking.

Doing Business 2017: Equal Opportunity for All finds a record 137 economies implemented 283 business reforms between June 2015 and June 2016. The bulk of the reforms were carried out in the areas of Starting a Business, Paying Taxes, Getting Credit and Trading Across Borders. Brunei Darussalam, Kazakhstan, Kenya, Belarus, Indonesia, Serbia, Georgia, Pakistan, the United Arab Emirates, and Bahrain were the top ten improvers last year in areas measured by *Doing Business.* New Zealand took first place in the overall ease of doing business rankings.

The previous thirteen editions of the *Doing Business* report assumed the case study entrepreneur was a man. This year, gender components for the Doing Business ranking were added to Starting a Business, Registering Property and Enforcing Contracts because studies show gender disparity in these three areas impacts economic development. The research builds upon data collected by the World Bank Group's *Women, Business and the Law* report. Hence, Starting a Business now measures if women are required to complete additional start-up procedures. Registering Property now measures legal gender differentiations in property rights for land ownership, use and transfer. And Enforcing Contracts now measures whether women's and men's testimonies have the same evidentiary weight in civil courts. *Doing Business* research finds that economies with these regulatory limitations on women have fewer women working in the private sector both as employers and employees.

Doing Business 2017 also expands the Paying Taxes indicator to cover post-filing processes – what happens after a firm pays taxes – such as tax refunds, administrative tax appeals and tax audits. Doing Business finds that OECD high-income economies process VAT refunds most efficiently, in an average of 14.4 weeks, with Europe and Central Asia region following closely behind at 16 weeks. The data shows that, on average, businesses spend six hours correcting an income tax error and preparing and submitting additional documents or payments. In 74 economies, an error in the income tax return, even if the taxpayer voluntarily reports the issue, is likely to trigger an audit.

This year's report also presents data on a pilot indicator: Selling to the Government. The public procurement data covers five main areas: accessibility and transparency, bid security, payment delays, incentives for small and medium-size enterprises and complaints mechanisms. The data shows that 97% of the 78 economies analysed have at least one online public procurement portal. In 37% of 78 economies, payment occurs on average within 30 days while in 48% of the economies suppliers can expect to receive payments between 31 and 90 days following completion of the contract.

The *Doing Business* report has become one of the world's most influential policy publications, providing as it does an annual report card on the state of health of economies, based on detailed diagnostics on regulatory systems, the efficacy of the bureaucracy and the nature of business governance. The report owes its success, in part, to years of collaboration and feedback from a network of 11,000 legal, tax, engineering and trade experts around the world who volunteer their time to answer research questions. Every spring, the Doing Business team distributes questionnaires to experts in 190 economies and their responses are the foundation of the annual report that is published in the fall. Russell Bedford contributes global research expertise to the *Doing Business* project.

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For more information on the Doing Business project, please visit **www.doingbusiness.org**

For copies of the national, regional and global Doing Business reports, visit: **www.russellbedford.com/doing-business**

Alternative equity markets can supply the capital you need

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There is a feeling that a lack of external funding sources has led to slow growth in the SME sector in recent years. One route to funding that many SMEs have not considered is a listing on one of the many alternative stock exchanges aimed at SMEs. In this article we will examine how a stock market listing can offer an alternative way of raising finance.

Why consider a stock market listing?

There are several reasons why you might consider listing your company on a stock exchange. One major reason is to raise capital for investment but there are other reasons too:

- It becomes easier for you and investors to realise an investment by trading shares
- It makes it easier for investors to invest by creating a market for your company's shares
- It gives your business a value
- You can incentivise your employees using share options
- It increases your profile and business credibility.

Despite the obvious advantages many SME owners consider a stock market listing unfeasible. A lack of knowledge of the governance requirements, the legal and regulatory frameworks, an inexperienced management team, and a perceived high cost of entry are often enough to deter most SME owners.

However, there is an alternative designed with SMEs in mind; what we might call an alternative equity market.

Alternative equity markets

There are many of these alternative equity markets (AEM) around the world, some better known than others. Examples include:

- AIM (UK)
- NASDAQ (US)
- Alternext (Europe)
- NSX (Australia)
- ChiNext (China)
- KOSDAQ (South Korea)

An AEM offers a share trading platform primarily for SMEs wanting to gain entry to capital markets to raise finance to fund growth plans. AEMs are particularly attractive to young businesses on a steep growth curve, management buyouts, and family run businesses. Since the global financial crisis, banks are sometimes reluctant to lend to small businesses, and AEMs offer the opportunity to raise capital from both private and institutional investors.

Raising capital through an AEM

While timescales will vary depending on the jurisdiction, preparing to list on an AEM will take several months. The various stages you will need to go through include appointing advisers, legal and financial due diligence, and preparing the necessary documentation.

It is important you get the planning stage right otherwise you can jeopardise the whole exercise. Also, don't underestimate the amount of management and financial resources you will need; right from the outset you should create a team of key executives and business experts to manage the process.

Marketing is important too. The success of any stock market flotation depends entirely on raising the required capital by attracting the necessary investors.

Life after flotation

A successful stock market listing is not the end: being listed brings new challenges. These include:

- Sensitivity to market fluctuations that are beyond your control
- Responsibilities to shareholders whose interests may differ from yours
- More stringent corporate governance requirements
- A need for regular communication with investors to maximise the benefits and attract more investment
- Possible loss of ownership through being acquired by another firm.

However, done properly a stock market listing can give you the capital you need to invest and take your business to another level.

Peruvian stock market reform and the creation of the MAV

The primary stock exchange in Peru is the Bolsa de Valores de Lima (BVL). In comparison with its Chilean and Colombian neighbours, it is a small player, both in terms of market capitalisation and trading volumes. It is also heavily concentrated towards mining stocks.

To address this, the Peruvian government introduced reforms. While one of the reforms sets out to boost participation in the BVL, another created the MAV (Mercado Alternativo de Valores) as an alternative aimed at SMEs.

The MAV as an intermediate platform for SMEs

The MAV serves a specific niche: SMEs that are new to capital markets. In forming the MAV, the regulators focused on reducing the cost and regulatory burden for SMEs wanting to access capital by listing on the stock market. SMEs can use the MAV to list equity shares, short-term financial instruments, and bonds in both the primary and secondary markets.

The MAV offers SMEs certain advantages over the BVL:

- Only one risk assessment, rather than the usual two, saving SMEs around $15,000
- Half-yearly financial reports, instead of quarterly, reducing accountancy costs
- Standard templates for SMEs to use reducing legal costs.

The MAV follows the model used for London's Alternative Investment Market (AIM). According to the latest AIM 15-year report, published in 2010, that particular exchange has grown from 10 constituents in 1995 to 1200 in 2010. In the same way the MAV differs from the BVL, the AIM offers much greater flexibility than its counterpart, the London Stock Exchange.

The MAV and its potential to grow

In Peru, SMEs account for 70% of employment and 40% of GDP. However, only 20% of business finance comes from the capital markets. This suggests the MAV can grow significantly and offer a boost to SMEs and the Peruvian economy.

> AEMs offer the opportunity to raise capital from both private and institutional investors.

Five Eyes on the Fence – Human Capital

About the author

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Tony is a Certified Public Accountant and founding partner of Rose, Snyder & Jacobs, the Los Angeles member firm of Russell Bedford International. His client responsibilities include tax and management consulting advice to closely-held corporations, family-owned businesses, partnerships, and the high-net-worth individuals who own them. He is author of the business guides *Say Hello to the Elephants* and *Five Eyes on the Fence: Protecting the Five Core Capitals of Your Business.*

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Protecting the five core capitals of your business

In my book Five Eyes on the Fence, I debunk the myth that the health of a business can be judged by its bottom line alone – by its financial capital. Instead, I assert that financial capital is a by-product of four other capitals:

1. **Human capital** includes the personalities, intelligences, behavioural traits, values, attributes, and motivators of a person, a family, or a company.
2. **Intellectual capital** is a company's and its employees' knowledge and experience.
3. **Social capital** is a company's network of people and associates.
4. **Structural capital** includes a company's processes, systems, and ways of delivering its products or services.

A company that pays attention to only its financial capital has a high probability of failing. The company is keeping only one eye on the fence. The recipe for a company's success is much broader and includes the interrelationship between all five capitals. In this series of articles, I will examine how the five capitals form an intricate web, and how you can make decisions based on how the five capitals interact.

I will start by looking at human capital.

Human Capital

Who you are as a person means a lot. Not only do you possess certain intelligences (the things you are good at) and values (the core and aspirational motivators to behaviour), you have an internal wiring that describes how you put your intelligences, as anchored by your values, into action. This striving instinct that describes your action is called 'conation'.

The components of intelligences, values and conation define you as a person. Let us consider these components further.

Intelligences

We all display intelligence in different ways. The noted educator, Dr. Howard Gardner, has written extensively on the fact that individuals display varied intelligences. One person may be intelligent musically while another may possess great interpersonal skills. In other words, we are not all good at everything, but we are all good at something.

When applied to the right setting, a person's intelligences can create huge value. Sadly, we primarily recognise people with verbal, linguistic, logical and mathematical intelligences to the exclusion of others. Yet, successful businesses recognise that all the intelligences are valuable, and they take time to identify and put to use the intelligences of the people who are the members of that business.

One person's intelligences, whatever they are, are just as important and valuable as the next person's. All can be put to good use in a business.

However, recognizing intelligences is not enough. How one uses his or her intelligences also matters. This brings us on to the second component.

Values

We can tell a lot about people and organisations by looking at how their values direct their intelligences. Whatever your values, they will often underlay how you express your intelligences.

We can classify values into two sets:

1. Foundational. You either acquire these values genetically, or you absorb them into your being from your parents and other role models. Regardless, they feel innate.
2. Aspirational. These are values you wish to express. Sometimes, these are borne from negative experiences with respect to your health or security. Sometimes, they come from a desire to emulate positive strong images in your life, e.g. heroism or spirituality.

Your values are not fixed. You will prioritise, reprioritise, and change your values depending on your stage in life. Your priorities as a young parent, for instance, will differ from those as you approach retirement.

We all have values, but failing to identify them stops us from using them to their fullest extent. By recognising and naming our values, we can make decisions that better reinforce and honour our values.

Now we will focus on what translates knowledge and desire into action.

Conation

Your conative strength is the third part of your personal human capital. Think of it like this: if you want to do something (your values) and you know how to do it (your intelligences), conation is the way you look when you do it. It is one's instinctive make up.

Your conation is your striving instinct, a term coined by Kathy Kolbe who created the industry standard for measuring conation – the Kolbe System™. Her two early books, Conative Connection and Pure Instinct, explain in detail that, able to act freely, people will initiate or resist according to their conative attributes.

The Kolbe System™ describes a person's striving instincts and how a person will go about solving a problem being free to act without restraint. Kolbe segments these characters into four types of energy:

1. Gathers and shares information: Fact Finder
2. Arranges and designs solutions: Follow Thru
3. Deals with risk and uncertainty: Quick Start
4. Handles space and tangibles: Implementor

We all go about solving problems in a way that feels right to us as individuals. What feels right will be determined by an in-built natural wiring that drives us towards a particular style of problem solving. Kathy Kolbe proved, scientifically, that if someone asks us to act in a way that runs contrary to our natural wiring we will feel strain and stress.

The Kolbe System™ points out that what we identify as workplace burnout could well arise from a situation where someone with a particular conative make-up is in a position of having to act for long periods of time outside a natural mode of operation. Burnout occurs when that person has no option but to find relief by getting away from the situation causing the stress.

Applying human capital in a business setting

You should start examining the human capital in your business by asking these questions:

1. Do you understand your employees? Do they understand you?
2. Do your employees understand the core foundational and aspirational values of the business?
3. Do you have the right people doing the right things?

It pays to know your employees; you are more likely to retain them if you treat them as individuals rather than cogs in your machine. Plus, your team will be stronger if your employees work within their value set, intelligences and conation.

Consider drawing up an alternative organisation chart based around the intelligences, values, and conation that each role demands. This might seem like a lot of work, so start with the departments or employees that are under-performing. You will likely find a gap between the intelligences, values, and conations you need them to show and those that they have naturally shown.

Taking a strategic approach to risk management

When we think of risk we usually think of danger and the chance of something bad happening. This then gives you two things to consider: the likelihood of it happening and the potential damage it may cause.

Nevertheless, most successful business people understand that taking risks is essential. They also understand the premise that risk and return work in tandem: the higher the return you're looking for, the more risk you need to take.

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Risk management and its role in corporate governance

The way we've just defined risk is relevant to the way we examine it in a strategic context and how we deal with it from a governance point of view. In particular, once you've defined your corporate mission, strategies and objectives, you must identify the risks that threaten these aims and then decide the steps you'll take to mitigate those risks. Indeed, when you define your business strategies you must actively consider your appetite for risk and how much risk you are prepared to tolerate. After all, there is no point setting a business strategy or objective if you are unwilling to tolerate the risk you need to take to achieve it.

To develop the right risk management and control processes it is useful for all stakeholders to discuss the issues and reflect on the main factors that will determine your approach to risk management. In this sense, it is important to consider modern environmental factors that now significantly affect any approach to risk management.

These include:

- Technology
- IT and fraud related risk
- Environmental changes and natural disasters
- International politics
- Interest rates and foreign exchange fluctuations
- Inconsistent energy supplies
- Uncertain employment markets
- Business failures.

These risk factors have led companies to manage risk in a more systematic and interdisciplinary way using complementary and alternative solutions to the traditional ones, which merely transferred risk to the insurance sector using insurance policies.

An evolving international regulatory framework

Evolving international regulation may see new corporate governance rules aimed at improving the transparency of performance indicators and related risk factors.

The perception of the international political and financial community supports this view. In its 2015 Global Risks Report, the World Economic Forum (WEF) stated:

"…in a world where risks transcend borders and sectors, the motivations underlying the Global Risks report at its inception in 2005 – to shed a light on global risks and help to create a shared understanding of the most pressing issues, the ways they interconnect and their potential impacts – are more relevant than ever."

Environmental and political risks dominate

Perhaps unsurprisingly, given the global financial crisis, economic risk was at the forefront between 2007 and 2014. In 2015, economic risk took a back seat in favour of:

- Potential water shortages
- Global spread of infectious disease
- Weapons of mass destruction
- Regional conflicts and wars
- Failure to deal with climate change.

Managing risk in a global context

These issues are sufficiently important to make assessing risk in a global context extremely relevant to risk and control governance. An external environment characterised more and more by an increasing level of complexity results in a progressive broadening of perspective among those responsible for internal controls. This means you must focus on your company's long-term goals and the strategies you intend to follow by answering these two questions:

1. Does your business have the necessary resources to pursue its goals?
2. Does your organisational structure contain the resources you need to follow your chosen strategies?

Put differently, modern-day risk management requires your business processes to consistently respond to, and work towards, your long-term business goals.

In conclusion, those who have to deal with managing risk and internal controls must broaden their perspective: as well as understanding individual processes they must also develop a deep understanding of their business's policy and strategy.

This article is based on the first chapter of the book ***Risk and Control Governance – a Value Creation Perspective*** by Fabio Accardi, part of the *puntOorg* book series (general editor Luigi Maria Sicca).

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…modern-day risk management requires your business processes to consistently respond to, and work towards, your long-term business goals.

The top three commitments made by highly effective leaders

Jack Welch, of GE fame, said, "Before you are a leader, success is all about growing yourself. When you become a leader, success is all about growing others."

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One of our clients, the Chief Financial Officer (CFO) of a regional grocery business, identified a growing growing problem with shrinkage – the loss of inventory due to damage, employee theft and shoplifting. She was frustrated because she couldn't get her colleague, the Chief Operating Officer (COO), to take responsibility for it. He saw it as a finance problem and she saw it as an operations problem. The trouble was, she believed the only way to tackle it effectively was by involving operations.

However, she didn't let this lack of enthusiasm stop her. She went to the COO and got him to agree to co-sponsor a shrinkage committee with her. They got people from three or four areas of operations to sit on the committee as well as one of the senior financial managers. She persuaded her COO that this committee should be an ongoing project. She further persuaded him that they should both attend the meetings but that their managers should jointly spearhead the work. After a year, she was able to step aside as sponsor and the COO, now comfortable with the scope of work of the committee and proud of its achievements, carried on.

What made this powerful was, firstly, that she used her influence where she didn't have direct authority but where she could see a business issue that needed solving. Secondly, she was able to create an opportunity to develop managers at the next level and give them cross-functional experience. In doing so, she ensured that an important challenge got tackled by the people most able to make the changes happen.

In 2016 we, at Big Tree Strategies, conducted research into the practices of highly effective leaders. We interviewed leaders from many different industries and in many different roles, including CEOs, COOs, CFOs, and HR leaders. We asked them:

- What challenges are you facing in the exercise of your leadership?
- What approaches are you taking in solving these challenges that you have found to be the most effective?
- How are you developing your people? And what is most effective in making that happen?

The top three challenges that the leaders spoke about were:

- **Impact of technology and Big Data** – keeping up with the amount of information and taking advantage of the right technological tools
- **Shifts in generations and aspirations** – the baby boomers retiring and the younger generations having different expectations from the workplace
- **Disruptions to traditional business models** – everything from Uber to Airbnb and the impact of how these new models are changing the face of business.

Highly effective leaders commit to their own accomplishment and that of their teams.

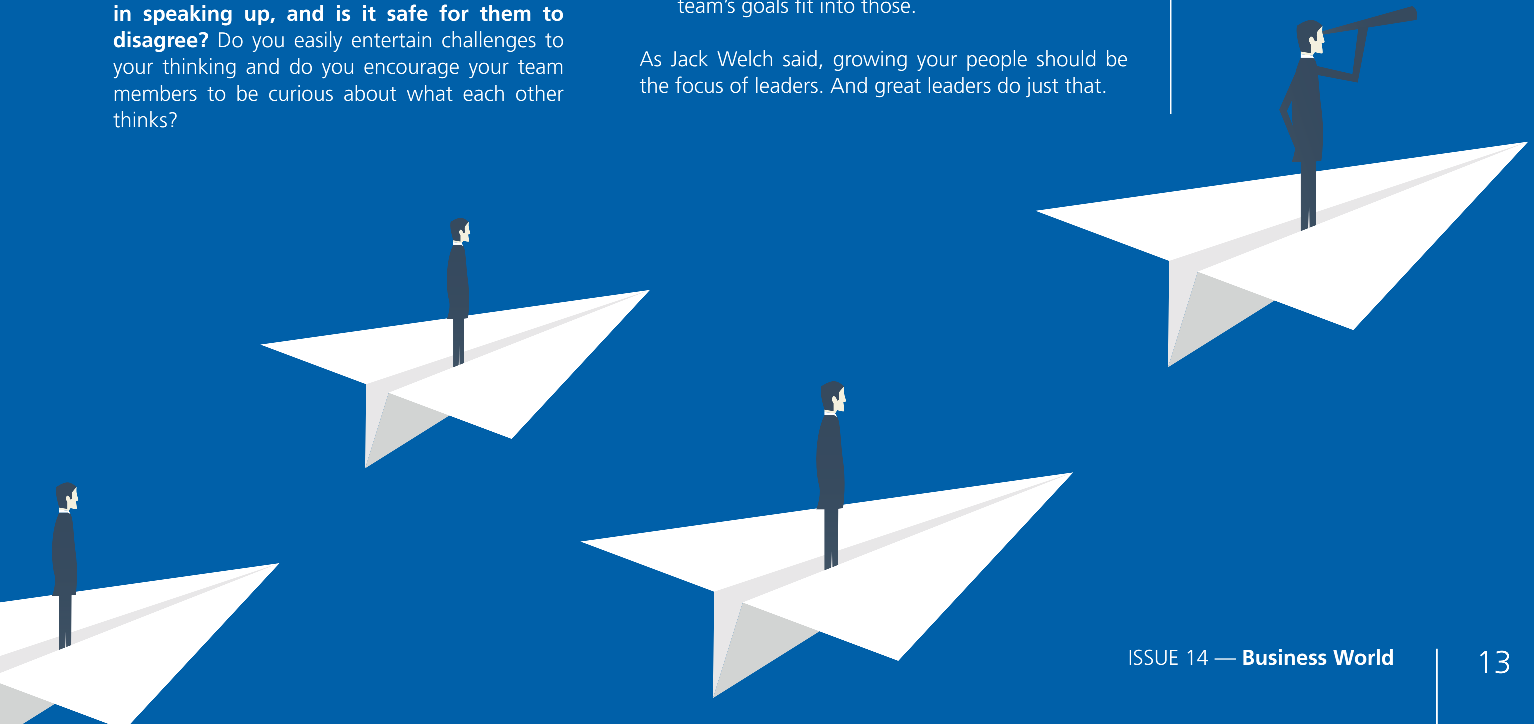
In meeting these challenges, there has never been a greater need for leaders to do the right things and to do them well. What emerged from the research was that these leaders are committed, in their quest to be effective, to do three things:

Commitments highly effective leaders make	Why it's important
Highly effective leaders commit to creating a secure environment in which their people can do their best.	Highly effective leaders know that making a safe and trusting environment in which their people can grow and develop their skills leads to the growth of leaders and the success of the business.
Highly effective leaders commit to articulating the meaning of their work and living by their core philosophy. They create meaning in their own lives and in that of their team members.	When asked, these leaders can articulate the philosophy that guides them. They communicate to their people the reasoning behind the work that they do. They provide a clear vision of the desired objectives. And their people work harder because they are enrolled in the vision.
Highly effective leaders commit to their own accomplishment and that of their teams.	They have a systematic approach to keeping people on track. They recognise the importance of developing leaders who develop other leaders. This leads, in turn, to higher productivity and effectiveness.

As a result, we created a list of three questions for business leaders to ask themselves:

- **What is your core philosophy as a leader?** If you can articulate this, then you will have a strong moral stance on which to found your decision-making.
- **How comfortable are your team members in speaking up, and is it safe for them to disagree?** Do you easily entertain challenges to your thinking and do you encourage your team members to be curious about what each other thinks?
- **What system do you have in place for ensuring your team members achieve their objectives? How do you track their achievements? Every week? Every two weeks? Every month?** The most effective systems we heard of included bi-weekly meetings, continual reviews of objectives and progress, and some form of strategic blueprint that gave the organisation's goals and how each team's goals fit into those.

As Jack Welch said, growing your people should be the focus of leaders. And great leaders do just that.



The importance of planning for uncertainty in business

About the author

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My favourite comedian of all time is Buster Keaton. He is recognized as one of the top three silent film comedians, along with Charlie Chaplin and Harold Lloyd. Buster is also known as one of the greatest stuntmen ever.

Buster took many risks in performing his stunts, most of which were anticipated and carefully planned out. For example, one of his iconic stunt scenes takes place in the final minutes of the 1928 film *Steamboat Bill Jr.* He is seen standing in the middle of a street during a cyclone when the facade of a house collapses over him. Amazingly, Buster happens to be standing where the facade's open second story window falls and he emerges unharmed.

This scene, judged as the riskiest stunt in silent film history, wasn't a matter of guesswork or luck. Buster and the film crew took extraordinary measures to minimize the risk of Buster being killed by the façade. The size of the window opening gave Buster all of two inches of clearance on either side of his body. A nail was placed at the exact spot where Buster needed to stand. The façade was a fully-formed, heavy-weight structure so that the movie's manufactured hurricane-like winds would not blow the prop off its intended path.

In business today, senior managers take many calculated risks. They occur during contract negotiations, determining what products to develop, evaluating which distribution channels and markets to pursue, and hiring the right employees. In a perfect world, these risks have been carefully considered and planned for within the context of a fully-formed business plan.

Revise your financial forecast

One of the outcomes of a proper business plan is a financial forecast that, ideally, looks ahead three to five years. The plan should have a balance sheet, P&L and cash flow forecasts. We often get questions about how much effort to invest in projecting the various elements of the forecast, and how frequently the forecast should be updated.

In today's environment, revising the forecast should be an ongoing effort. Generally, the greater the relevance of an item to the decision-making needs of management, the more frequent that item should be reviewed. Everything from the Four P's (product, price, place, promotion) to general market conditions are relevant examples.

Like Buster's nail in the ground, you may need to know on a daily or weekly basis where revenues are headed. This calculation can impact everything from inventory needs to headcount requirements. Other items may require a far less frequent review. For instance, many companies will find that their facility costs tend to remain static over a long period of time; therefore, their costs may not be that material to the company's bottom line.

Anticipate unforeseen risks

But sometimes, risks appear out of nowhere. They require managers to not only react swiftly, but also to work harder at anticipating unforeseen risks and their ramifications ahead of time.

In his 1924 film *Sherlock Jr.*, Buster is seen running across the top a moving train. As he runs out of train, he leaps and catches the chain of a railroad water tower. His weight causes the chain to be lowered and, with that, water comes pouring out of the spout and knocks Buster to the tracks. He then gets up and runs away.

At the time, filming was suspended for two days because Buster was sore and experiencing headaches. About a decade later while examining x-rays during a physical exam, Buster's physician asked him when he broke his neck. At first Buster couldn't recall, and then he remembered filming that *Sherlock Jr.* scene ten years earlier.

That was a risk that neither Buster nor the film crew anticipated. But today's business leaders cannot ignore planning for an unexpected risk. Management needs to have a back-up plan prepared in advance for such things as natural disasters, security breaches, cyber-attacks, health epidemics and supply chain disruptions, to name just a few. How will you communicate with your employees, customers, vendors and those who have financed your business? Does your business plan have a worst-case scenario for dealing with a three- or six-month delay in funding? What if revenues are cut in half due to economic conditions beyond your control?

These extraordinary events must be 'forecasted' and made part of an implementation plan, reviewed often and updated periodically. Like Buster's collapsing façade, the risks can be real – and the window for error can be small.

News in brief

- Russell Bedford International has strengthened its representation in Cyprus with the appointment of two new firms.

  InterTaxAudit Auditors & Consultants Ltd, based in the capital Nicosia, was founded in 2002 and has become a very substantial firm of chartered certified accountants, ranking within the top-20 audit firms in Cyprus.

  Isotax Limited, located in the second biggest city, Limassol, is a firm of chartered certified accountants, established in 1998, and specialising mainly in audit and tax.

- Lee Green & Co Pty. Ltd. has been appointed as the network's first member firm in Adelaide, South Australia.

  Established in 1989, Lee Green & Co is a four-partner accounting, audit and advisory practice.

  With strong international connections, especially to South East Asia, the firm provides a broad range of accounting and tax compliance, management accounting, business consulting and audit and assurance services.

- Lubbock Fine, London member of Russell Bedford International, has announced a joint-venture arrangement designed to expand its operations in the Gulf beyond the Dubai International Financial Centre (DIFC) and into 'mainland' Dubai, UAE.

  A new entity, Russell Bedford Mohamed Al Hashmi Chartered Accountants, has been set up in compliance with local licensing laws. The new firm is registered as an audit practice with the Department of Economic Development, Dubai.

- The Russell Bedford network has selected El Maguiri & Associés as its first full member firm in Casablanca.

  The firm was established in 2004 (as Darly & Co.) by Dr. Issam El Maguiri, who is currently president of the Ordre des Experts Comptables, the national CPA institute.

  Based in the centre of the economic capital of Morocco, El Maguiri & Associés offers a full range of accounting, auditing, tax, legal, due diligence, management consulting and financial consulting services.

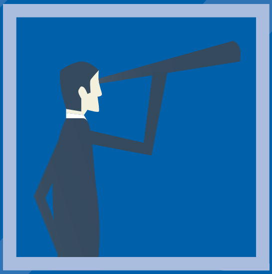
- The network has further strengthened its presence in Switzerland with the five offices of KBT Treuhand AG (KBT Group) joining the existing firms in Geneva and Lugano.

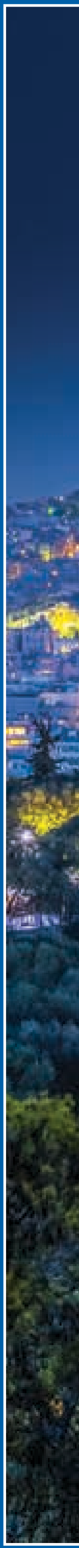
  Founded in 1990, KBT Group is a full-service accounting, tax and audit practice, based primarily in the German-speaking region, with offices in Zurich, Aarau, Baar (Zug), Nyon (Vaud) and Sarnen (Obwalden). With six partners and a team of some 60 staff, the group offers a broad range of services to both domestic and international clients.

- Russell Bedford has boosted its Latin American network by appointing Casco & Asociados as its first full member firm in Asunción, Paraguay.

  Based in the centre of the capital city, Casco & Asociados has three partners and 25 personnel.

  With a strong focus on statutory, tax and internal auditing, the firm provides a broad range of accounting, tax advisory and business consulting services.





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