

HLB

HLB
International
Winter 2016

insight

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What's happening in the network

As one of the leading global accountancy networks, HLB International has continued its growth with the addition of these new member firms.

New members

Bangladesh
S F Ahmed & Co
 - based in Dhaka

Reunion
Expertise Comptable Conseils
 - based in Saint-Denis

Reunion
Atectam & Partners
 - based in Saint-Denis

Italy
Studio Taxlex
 - based in Florence

Awards

Dave Stene honoured at 2016 MNCPA Awards

Dave Stene, HLB Chairman and Partner at Eide Bailly, received the Distinguished Service Award at this year's Minnesota Society of Certified Public Accountants (MNCPA). The award is the highest honour of the MNCPA and recognises the service Dave has contributed to the profession in his various leadership positions over the past 30 years.

Anniversaries



HLB Sheehan Quinn
 Dublin 40 years



HLB DBA
 Celebrates its 10 year anniversary
 France

To celebrate its 10 year anniversary, HLB DBA gathered the entire staff for a two-day celebration in a leafy and cozy setting nearby Paris. Over the course of the two days, and albeit surrounded by flood and rain, the team were delighted to have shared the time together outside of their traditional professional environment



Latest News



HLB International winners at The Accountant & International Accounting Bulletin Awards

HLB International was celebrating with the announcement that two member firms were successful at this year's The Accountant & International Accounting Bulletin Awards.

Prime Advice Consulting Group (HLB Russia) won in the Advisory Project of the Year category. The award was given to a local firm or global network/association which has worked on an advisory project of significant importance or scale and demonstrated the organisation's abilities.

WithSmith+Brown (HLB USA) were announced as winners in the Employer of the Year category. Jurors commended the firm for its voluntary turnover rate of only 6.3% as well as its innovation in recruitment through social media and video marketing.

Several HLB members were also finalists this year:

- Simon Byrne (HLB Sheehan Quinn, Ireland), finalist in the Young Accountant of the Year category
- Foo Kon Tan LLP (HLB Singapore) finalists in Employer of the Year category
- Guru & Jana, Chartered Accountants (HLB India), finalist in the Thought Leadership Initiative of the Year
- Bill Hagaman (Withum, HLB USA) finalist in Personality of the Year category
- David Stene (Eide Bailly, HLB USA) finalist in Lifetime Achievement category

Previous HLB International winners include Amy Askew, Kader Kaneye and Suzyo Mulenga in the Young Accountant of the Year category

China expansion on the horizon for German companies

More and more German companies are considering a presence in China for participating in the worldwide economic growth. At their 'Business Opportunities for Medium-Sized Companies' event in September, HLB Stückmann presented possibilities and conditions for such investments. Several companies reported on their first experiences and exchanged recommendations and best practice. In addition, HLB Stückmann's China Desk Team were present and available to all participants for in-depth questions and structuring advice.



COGEP Learning at the 71st Congress of the Institute of French Chartered Accountants in Brussels



French member firm COGEP's subsidiary COGEP Learning is a specialist e-learning provider, whose team participated for the first time at the annual Congress of the Institute of French Chartered Accountants, held in Brussels from 28-30 September.

The firm's presence there was a success. Delegates showed a keen interest in this modern solution which has a strong focus on the high quality of the recording and the

selection of presenters who are specialists in their field.

But questions went far beyond the technical aspects of the product. Visitors COGEP spoke to appreciate the fact that e-learning fits in well with the contemporary work environment employer's aim to create these days: flexibility is key as e-learning solutions allow you to study when and where you like. And let's not forget the positive impact on budgets as long hours of travel to and from training locations are a thing of the past.

Stéphanie Blaut, member of COGEP Learning, explains that the solution was at the outset tailored towards the needs of the accounting profession as it respects CPD obligations in France: "Then we realized that our training catalogue which is divided into three large

categories: Accounting, audit, taxation, HR and legal questions; Management (stress at the work place, people management) and Health & safety and risk prevention, would be just as useful for many of our clients who are confronted with the same training needs and are often interested in the same topics."

The training catalogue is available at www.cogep-learning.com and offers two choices: Buying access to individual training sessions in the same way you would buy a book or a piece of music online. Making e-learning available to businesses (be it in accounting or other industries) with their own branding and tailored to their needs.

Latest News

Hazlewoods launch series of tax videos

Hazlewoods have produced a new series of tax videos, following the Woods family and the day to day tax issues that they come across. The video series promotes the tax services Hazlewoods provides. Their first video focuses on employee share schemes for companies looking to incentivise their staff whilst protecting their upfront cashflow position.

The videos star Benjamin Pritchett, a local from Cheltenham, who proves that kids really do know best. Ben may only be six, but that does not stop him solving his family's tax concerns. Ben relished his chance to tell his onscreen parents what to do. He said: "I really enjoyed filming the videos and meet-

ing the other actors and film crew. I worked hard, but I also had great fun! I would love the chance to do more acting again in the future."

Ben's mother Anna said: "It was really exciting for Benjamin to do these adverts. It was his first audition, so we had no idea that he would be successful and get the opportunity to play the lead role for a prestigious company like Hazlewoods."

To see the first video in the series go to <http://www.hazlewoods.co.uk/news/ess-video.aspx>



Contexpert receives the 2016 Excellence Award from The Body of Expert and Licensed Accountants of Romania

October saw Romanian member firm Contexpert, ranked first place among the accounting firms in Bucharest by The Body of Expert and Licensed Accountants of Romania. The award represents a recognition of the high quality of their audit, accounting, tax and payroll services; their working systems and of the rising business volume. "Contexpert's solid position in the market places the company among the first ten accounting and business consultancy companies in Romania, outside the Big Four. Our expertise, proactive attitude and the high standard of

services are appreciated by clients and we thank them for their confidence and collaboration", declares Sorin Istrate, Contexpert's Managing Partner.

Contexpert has become a successful business through the total dedication of the management and employees. Currently, Contexpert has a portfolio consisting of over 150 national and international companies developing businesses with significant market figures and it is getting ready to celebrate 20 years of activity in January 2017.



Conceito & Sunrise Company represents in Portugal the International brand Bearing Point

Conceito, in association with three former partners of one of the Big4, has founded the Concieto & Sunrise Company which will represent in Portugal the International Business Consulting Firm BearingPoint, thus having constituted BearingPoint Portugal.

BearingPoint Portugal begins its activity today, with a team of 10 consultants with international experience in management consulting, and this will be led by the executive partners Manuel Lopes da Costa, André Santos Ferreira, and Pedro Duarte António.

Conceito Sunrise Company is the majority shareholder of BearingPoint Portugal, which, in Portugal as in other countries, will be devoted to Management Consulting, namely business valuations, expert opinions, reorganization and business restructuring reports, financial analysis, economic and financial appraisals, professional training, review of environmental and sustainability reports, and technology and management consulting.

With its head office in Lisbon, on Fontes Pereira de Melo Avenue, Bearing Point

will bring to Portugal a new approach to Management Consulting, offering management skills and functional expertise based on the distinctiveness of each client and its industry, as well as an ability to adapt its strategic insights to the particularities of each project.

BearingPoint in Europe is present in 22 countries and employs over 3700 consultants and 153 partners. With revenue in the European market of 563million euros in 2015, it has the objective of reaching 1 billion euros by 2020. Worldwide, and thanks to its strategic alliances, BearingPoint is present in 78 countries with a staff of over 10 thousand consultants.

For Grupo Conceito, this investment is a part of its growth strategy, aligned with activity diversification in its business area. In this way it is positioned at the level of the Big4 in Portugal, not only pertaining to the level of turnover, but also considering the services provided that embody the best international practices, distinctive for the close and direct relationship it establishes with its Clients.



HLB introduces new E-learning portal

HLB International introduces our new E-learning portal exclusively for HLB members. Replacing the HLB Academy on the intranet, the new system provides HLB members with access to manage all of their training and professional development from a centralized, easy-to-use learning portal.

To access the portal, members will need visit the 'Academy' page on the HLB intranet.

Currently, the portal hosts e-learning courses provided by Thomson Reuters. We have a fair usage policy on all Thomson Reuters courses.

Also available are HLB International courses specifically designed for HLB members. All new members will be required to complete the modules upon joining the HLB International network.

Moving forward, the portal will be updated with new courses from Thomson Reuters and HLB International.

US AS

**Insight discovers
the expertise of
some of our member
firms across the USA**



■ Feature

How to stop picking up peanuts while the elephants march by



At this year's International conference in Scottsdale, Valerie Laufenberg from our member firm in Wisconsin, Smith & Gesteland, delivered a presentation on the 80/20 rule for Business Life. Valerie expands on this concept for Insight.

Would you believe that?

- **80% of your sales come from 20% of your customers**
- **80% of your purchases come from 20% of your vendors**

AND
- **80% of your HR problems come from 20% of your employees?**

If not, take a look around! Better yet: run the data on your business to prove it. If you do believe it, how are you aligning your time?

This theory isn't a new phenomenon. It's the principle of imbalance, developed in the late 1800's by an Italian economist, Vilfredo Pareto.

80/20 can be applied to virtually everything. A great example is your kitchen: you use 20% of the pots/pans/utensils in your kitchen to prepare 80% of the food. Is your kitchen organized accordingly or is your fruit cake pan given the same priority as your everyday casserole

dish? In business, 80% of our results come from 20% of our inputs. Such can be applied to many areas of the business: quoting, mistakes/defects, warehouse organization, sales team alignment, transaction processing, etc.

This all seems obvious, right? Sure it does. The problem is, most businesses don't know who or what the 80's are. And, if they don't know who/what the 80's are, it's hard to know where they're making money and how to align themselves appropriately.

80/20 allows you to treat your best customers better, ensuring that your top customers aren't subsidizing the others. In return, these customers become raving fans of your business, and revenues from these customers increase and profits improve.

For example, the 80/20 principle can be used to revamp your sales efforts. If you analyze where your growth is generated, you will find that 80% comes from your existing customers which account for 20% of your total customer base. Do you know who those customers are? Find out and spend the majority of your time getting to know them better than they know themselves. Then, do the same for your top prospects.

Through the discovery process, one of our clients realized that over 100% of the current company profits were being generated by their top customer, a large domestic OEM. After finding this, they re-aligned all departments ensuring they were over-serving this account. Within 6 months, the account was happier, much more secure and buying more.

Not only do businesses using 80/20 enjoy extremely satisfied customers, but, also, our clients are able to find time, literally. When introducing the 80/20 principle, one of our advisors points out that "a vast majority of what you do is poorly conceived, poorly executed and beside the point." To put it another way, 20% of your efforts

produce 80% of your results, therefore, you're wasting a majority of your time in any given day. 80/20 allows you to focus on the "things" that produce results. The challenge is to identify those things that you must do well, never fail at them, and do less of the things that don't contribute to the overall outcome. In some cases, it is possible to eliminate low contributors altogether. In return, you'll find time.

The 80/20 process can be applied to you and your client's products, services, customers, employees, vendors, policies, and facilities. We work with clients to help them apply these principles to improve their businesses. By making 80/20 thinking part of their routine, they focus on the critical few things that really matter to their clients, their business, and their lives. It creates time.

Valerie Laufenberg is the Partner of the Profit Enhancement Solutions group, a division of Smith & Gesteland, LLP.

■ **If you analyze where your growth is generated, you will find that 80% comes from your existing customers which account for 20% of your total customer base.** ■

■ Feature

The Evolution of New Media: Making Money in a World Where Digital Streaming Rules

The Los Angeles economy revolves around entertainment and Green Hasson Janks is the premiere accounting firm servicing privately held, high-growth entertainment and media companies in Southern California. As a business advisor, Green Hasson Janks is well aware that the industry moves quickly and is driven by technology and industry disrupters. In October, Hollywood insiders gathered at a cocktail reception to watch industry experts discuss everything from monetizing streaming to video-on-demand services on a global scale. The forum also served as the release part for their Green Hasson Janks 4th annual Entertainment and Media Whitepaper, *The Evolution of New Media: Making Money in a World Where Digital Streaming Rules*.

Below is an excerpt from the whitepaper. To download a copy of the complete whitepaper, go to www.greenhassonjanks.com/publications

Executive Summary

Streaming services have emerged as significant disrupters in the entertainment industry. With this in mind, the Green Hasson Janks 2016

Entertainment and Media Survey and industry expert interviews focused on global distribution rights and monetization within the context of a world where video streaming services are growing exponentially.

Given the new environment, this paper explores what producers and talent need to do to maximize monetization in the digital space and prepare for the future.

Streaming Services Have Rapidly Transformed The Industry

In the early days of streaming media, many entertainment leaders wondered if consumers would pay for content beyond their cable television channels — this was a cost that had already been accepted and was likely to continue, despite the options offered by subscription video on-demand (SVOD) services. Netflix was initially launched as a way to access the enormous amount of content that had already been viewed on television or in movie theaters, but Netflix has now become a leading source of new programming for consumers worldwide and gives content creators and talent a greatly expanded market for their talents — and a whole new world of monetization opportunities.

Globalization: Where Industry Growth Will Be

With digital largely eliminating the need for land lines, there will inevitably be growth in the developing world. Some areas may not even have electricity or running water,

but they have phones. Statistically in Asia, there are three times as many people in India as in the U.S., and China's consumers use mobile phones more than the U.S. Green Hasson Janks survey respondents and experts agreed that Asia has the biggest potential for SVOD growth, with 79 percent pointing to it in the survey.

Will Tiao, producer at Formosa Entertainment, adds that “in Asia they are much more advanced than we are in this area. Most people in Asia consume content on their phones. They never really went to the traditional form. I see much more experimentation over there. They love a one-stop shop, so the digital channels are broad. It’s about convenience.”

International Tax Implications

One major step is aimed at addressing Base Erosion and Profit Shifting (BEPS), which refers to tax planning strategies that exploit gaps and mismatches in tax rules shifting profits to low or no-tax locations where there is little or no economic activity and resulting in little or no overall corporate tax being paid. The G20 and some other countries have agreed-upon guidance on how to address BEPS.

A likely outcome will be that every country will implement it slightly different from each other so companies will need to understand multiple regulations in multiple jurisdictions.



■ They love a one-stop shop, so the digital channels are broad. It’s about convenience. ■



Insight spoke to Nancy Young, Tax Principal at Seiler LLP, our member firm in San Francisco

You're Seiler's China Desk representative. Can you tell us what that involves and the types of clients you have worked with?

As the China Desk representative, I coordinate all US-China engagements and services for international clients, both inbound and outbound. I pull experts from different practice areas and assemble the best team for each engagement. There are a lot of team works involved. I have worked with high technology (hardware and software) companies, real estate partnerships and high net worth families. Our engagements have touched on needs for tax due diligence, financial statement audits, international structuring and a multitude of cross-border high-net-worth individual and family matters. It spans a wide range.

What are the latest trends and challenges of doing cross border business, particularly between the US and China?

In addition to seeing an uptick across the board in US-China activity, we're also seeing cross-border transactions between US and other Asia-Pac countries, Europe and Latin America. Focusing on US-China matters, we see are seeing more Chinese investors interested in buying US companies, and more Chinese companies who want to expand their business operations into the US. On the other hand, more US companies want to sell products to the Chinese market. The challenges we see are language barriers, movement of capital, and significantly different regulatory environments. These challenges apply to both inbound and outbound transactions.

Has China's slowing economic growth influenced your clients' plans for the future?

Most of our clients who want to get into the Chinese market are selling high technology products. Since these products are usually new and unique, China's slowing economic growth hasn't impacted their future plans that much.

The recent election campaign has put the spotlight on the USA. Has it affected how corporations view doing business in the US?

This year's presidential election season has definitely been a unique one. There are many different points of views in the US, and there will always be. That being said, the US political and economic systems are more than just one presidency or one congress. Our fundamentals stay the same: strong and stable.

President-elect Trump has proposed reducing the US corporate tax rate from 35 percent to 15 percent and repealing the corporate alternative minimum tax (AMT). This will make the US international tax rules to be more in line with those of other countries. The lower proposed corporate tax rates are expected to attract more foreign corporations to do business in the US. US-based corporations may be more willing to move their overseas operations back to the US too.

What are your thoughts on the rise of emerging markets? Has this had any impact on the US's standing as a key business destination?

The rise of emerging markets has provided global businesses and investors more opportunities. Certain business activities have to be conducted locally. However, that shouldn't affect businesses' decisions to set up their headquarters, research and development centres, and high technology manufacturing facilities in the US. The US skilled labor force, flexible business structures, and innovative environments will continue to attract corporations to do businesses in the US.

Where do you see the future for internationally minded clients, particularly in relation to emerging markets?

Internationally minded clients should consider keeping emerging markets in their investment portfolios. If they aren't doing business directly in the emerging markets, they can consider investing in businesses that are. Emerging markets that have great infrastructures, stable political and economic environments are expected to do well.

USA-China



■ Feature

Withum's Global Summit

Withum held its Fourth Annual Global Summit at the Harvard Club in NYC in September. Kathleen Hays from Bloomberg Radio moderated three riveting panel sessions revolving around the 2016 Presidential election. Panelists from SMA Law Firm, Hogan Lovells, AICPA, Stroz Friedberg, HLB International and Withum led compelling discussions on topics including cyber security, congress and international business policies as well as a view from outside the U.S.

Bloomberg Advantage broadcast live from the event and interviewed four panellists on their respective subject matter.



■ Perspectives

Six steps to instilling a quality-driven business culture

Forming a quality-driven culture at work should be a priority for all business leaders, not only those working in the service sector. Employing a workforce that is motivated and empowered to deliver high-quality customer service is critical for any business looking to achieve long-term goals and secure a position of lasting value in its chosen marketplace.

For senior management teams, providing the necessary guidance and vision is key to promoting a quality-driven culture. Standards are set from the top and communicating the aims and goals of a business will help to establish a positive business culture.

The journey towards a quality-driven culture can be split into six distinct steps:

Step 1 - Articulate:

setting out and communicating a clear set of values and a distinct business vision is an essential task for business leaders. A start point and an end goal must be established and understood by all employees. Teams can be coached in preparation for the culture transition through workshops which introduce them to the behaviours that will need to be adopted so that they start to live and breathe the firm's cultural ethos.

Step 2 - Permeate:

once cultural goals have been established, they need to be integrated into existing business models so that they permeate the day-to-day running of the organisation. Everything the firm says and does should reflect this new vision and set of values, from the hardware it uses, to the look and feel of the offices, its marketing collateral, its customer service and training programmes. A consistent approach to messaging and the company's vision should be evident across the business.

Step 3 - Empower:

in order for a business to continue delivering high-quality services as it grows, employees should be empowered to act as brand ambassadors. The business' vision and values need to be clearly understood and training programmes may be necessary to ensure that individual employees are able to present the firm to the marketplace in a positive and impactful way. Star performers within a business can be positioned as cultural leaders, inspiring others and encouraging a focus on self-development.

Step 4 - Standards:

meeting quality standards should be a priority for any business and by establishing standardised ways of doing things; organisations can ensure these are met in every customer interaction. Forging links between standardised tasks and the cultural ethos of the firm will help these to become second nature - employees will no longer have to think about whether they are doing things the right way.

Step 5 - Blame-free:

fostering a blame-free culture will encourage employees to be open about errors and mistakes, allowing them to be dealt with quickly and effectively. Generally, customers do not expect business services firms to be infallible, but they expect any issues which may arise to be dealt with in a professional and up-front way. Encouraging the development of an open and honest corporate culture, which encourages issues to be reported internally, will allow the business to take appropriate action.

Step 6 - Reward:

a key management principle revolves around the idea that the right behaviours should be rewarded, so that they can be repeated. Linking performance-based criteria to reward mechanisms such as flexible working, pay reviews and bonus payments will underline the importance of quality standards within the organisation.

Creating a new corporate vision and introducing a quality-driven culture is an important first step for service sector businesses. However, the acid test lies in an organisation's ability to retain its new corporate culture and vision by investing in its people and training.

Martin Atkins is partner and head of business services at HLB UK member, Menzies LLP.

■ **Star performers within a business can be positioned as cultural leaders, inspiring others and encouraging a focus on self-development.**

6 STEPS

Perspectives



Forward Thinking Hotel Accounting

French Duncan has a long history of providing expert, specialist services to the hotel sector. Many leading hotels now contract out non-core services such as housekeeping, leisure and spa facilities and even their food and beverage operation, preferring to focus on the core business of maximising profitability on the sale of rooms using real time Revenue Management to increase occupancy and rate. The availability of real time information is critical to this, allowing operators to change strategy quickly and effectively.

How can we as accountants and advisors adapt to these changing needs?

For many years accounting and financial information has been historic in nature - monthly accounts presented in a spreadsheet perhaps 7 or 10 days after the month end. Whilst the importance of accurate financial information is critical, the time delay in its availability limits the opportunity to take decisive, corrective action. At French Duncan we believe that these days are in the past and that real time financial information can be available to decision makers whenever and wherever they want it.

We have developed a revolutionary online accounting service specifically for hotels - replacing the outdated

internal model with a product enabling hotel operators to have key financial information at their fingertips when they need it and in the format of their choice.

French Duncan's Hotel Accounting facilitates integration of the daily financial information received from the hotel's Property Management System providing up to date information on a daily and cumulative basis. Using leading online software this information can be presented graphically providing a snapshot of the individual hotel or group of hotels' performance. This will allow the operator to quickly establish areas of concern and to take the appropriate corrective action. These dashboards will not only provide information on the previous day's trading but will provide a real time update of Business on the Books, highlighting gaps in future occupancy and allowing online booking channels to be opened or updated. This is a powerful combination of information - present and future.

Although entirely suitable for an individual hotel property, the service becomes even more potent in a multi-site business and our leading software is also able to deal with groups where there are multicurrency and multi-jurisdictional tax rate requirements, making it suitable for international businesses as well as those based in the UK. Increasingly UK operators now have responsibility for continental or international hotel properties

- this is readily dealt with by our all-encompassing service.

Some of the features of our hotel accounting service are:-

- Automation - income, banking and purchase ledger all fully automated, eliminating the time consuming and expensive issue of manual data entry
- Uniform System of Accounts for Lodgings Industry - management accounts are presented in this industry standard format
- Dashboards - real time income and KPI statistics are available daily
- Fully managed accounts payable - incorporating Bacs payments and supplier statement reconciliations to ensure accuracy, completeness and efficiency
- VAT management - all industry specific VAT issues dealt with
- Detailed monthly accounts pack with powerful Business Intelligence reporting
- Cash Flow Forecasting
- Real Time, Online information

A truly unique and powerful service offering!

Ian Bremner is Director of Outsourced Accounting at French Duncan LLP, part of the HLB network based in Scotland, UK.

Design Thinking: What can accountants learn from it?

The capacity to innovate via complex problem solving was identified as the number one critical skill for the 21st century professional, business person and entrepreneur operating in an ever more complex, dynamic and fast changing world.



Design thinking is an approach to innovation that uses deep customer understanding, problem framing, a range of ideation techniques, iterative prototyping, and critique to generate and develop implementable concepts that meet user needs. In a nutshell, Design Thinking is a proven and repeatable problem solving protocol – and discovering new opportunities – that any business or profession can leverage on to achieve extraordinary results. We can think of it as a creative process of building ideas, in contrast with critical thinking, for instance which builds on breaking down ideas.

Popularised in the 1990s by Stanford University, or designed as a service by firms like IDEO, Design Thinking became mainstream in the business press at the beginning of the century and consists of the following phases (Stanford University approach):

1. **Empathize: observe, infiltrate, collaborate and engage**
2. **Define: find root cause and explicitly frame the right problem**
3. **Ideate: focus on idea generation through diverging and converging methods**
4. **Prototype: iterative generation of low-resolution artefacts**
5. **Test: reflect on results and refine prototypes**

Accountants are usually blessed with impressive analytical skills and hard work ethics that propel them towards professional success. Dana Born, the former President appointed Dean of the faculty for the U.S. Air Force Academy and a Behavioural Sciences and Leadership Professor, noted that at the threshold of an IQ of 120, the only thing that can sustain individual

success is emotional intelligence, the ability to monitor your own and other people’s emotions and label them appropriately, and use this information to guide your thinking and behaviour.

Let’s have a combined look at phases one and two of the design thinking process.

Empathize

In a complex world and rapid changing profession, technological breakthroughs and disruptive business models threatening the traditional accounting firms’ models, clients tend to value more personal, customized insights as well as integrity. To build a trust relationship, accountants need to go beyond their expertise and connections to truly embrace a human-centred approach to their work. The Empathize mode is the work we do to understand people, within the context of our professional engagements. It is our effort to understand the way they do things and why, their physical and emotional needs, how they think about the world, and what is meaningful to them. Empathy is understanding what others are feeling, either because we have experienced it, or have actively tried to put ourselves in their shoes. This is, by far the most effective way to build genuine trust with our clients.

Define (the right problem)

Our success in a professional engagement is measured by the quality of the deliverables produced to solve our client’s most pressing challenges. However, when we think about it, it all starts with the capacity to identify the right problem. And more often than not, the way the client presents the situation is not the true, right problem. The Define mode of the process is all about bringing clarity and focus to the problem to solve. It is our chance, and

responsibility, as professionals to define the challenge you are taking on, based on what you have learned about the client and about the context. By leveraging our expertise and gaining invaluable empathy for the client, this stage is about making sense of the widespread information we have gathered, and make a true, sustainable difference to the client. The use of techniques such as the five Whys, Personas...will help identify the root causes.

Each step of the design thinking process can be analysed in a similar way to steps one and two, and leveraged to provide us sustainable competitive advantage in the long run both at individual and firm levels. The world is changing and so is the professional services industry. Disruption is around the corner and whether we acknowledge and act to adapt to the signs of change or not will determine our future as the next generation of professionals ahead of the curve.

Top 10 skills in 2020

1. Complex problem solving
2. Critical thinking
3. Creativity
4. People management
5. Coordinating with others
6. Emotional intelligence
7. Judgement and decision making
8. Service orientation
9. Negotiation
10. Cognitive flexibility

Source: Future of Jobs Report, World Economic Forum



As home to three of the world's top ten most liveable cities, Australia is attracting people, as well as businesses, from all over the world. Australia attracts a diverse range of industries, from agribusiness, mining, education and tourism sectors, to specialist service sectors including media and telecommunications, financial, scientific and technical services.

One of the main reasons for this is that the Australian economy has achieved 25 years of consecutive growth, and provides a safe, low risk environment to do business. With its triple A credit rating, the Australian economy is estimated to be the 12th largest in the world and is also forecasting the highest economic growth rate to 2020 amongst major advanced economies.

With its commitment to innovation and science, the Australian Government has launched a National Innovation and Science Agenda, which includes a suite of initiatives worth \$1.1 billion over four years. The initiatives include significant tax incentives for early stage investors; grant funding, government co-investment in new

start-up companies, the new \$500 million Biomedical Translation Fund and a Global Innovation Strategy.

Favourable tax incentives offered by the Australian Government for research and development activities (providing up to 43.5% cash refund) are also highly attractive to local and international companies.

Australia's rich history of supporting and driving innovation is currently seen in the burgeoning tech industry. Within the last two years, Victoria has attracted a host of well-regarded Silicon Valley start-ups including Gro Pro, Slack, Square and Zendesk. These companies have all set up Asia Pacific headquarters in Melbourne.

Start-ups are a focus and priority of the Australian Government as well as the governments of the states and territories of Australia. As an example, the Victorian State Government has established a \$200 million Future Industries Fund to support high-growth sectors as well as the \$60 million innovation fund, LaunchVic. In addition to start-ups, Australia has seen significant growth in the biotechnology sector. Victoria,

in particular, is home to one of the world's largest biotechnology clusters, consisting of international and local companies. Victoria is a medical research and new product development state, with medicine and health sciences strengths of the Melbourne research and tertiary education sector.

More than half of the Australian ASX-listed life science companies are based in Melbourne and many are partnering with multinational companies, such as Roche and Siemens Healthcare.

With forecasted growth for the next five years, continued large scale infrastructure investment, as well as an Australian government focus on creating positive economic conditions and innovation, the time for investing in Australia is now.

Australia is open for business, and we look forward to assisting those taking up this exciting opportunity.

Joelle Tabone is a Partner within the Melbourne Business Advisory Division of HLB Mann Judd Melbourne.

■ Case Study



HLB DBA (France) & HLB Van Daal (Netherlands) share winning lessons on how to get a cross border standing ovation from a grateful client.

Steelcase was founded in 1912 as the Metal Office Furniture Company in Grand Rapids, Michigan. They produce a comprehensive portfolio of products, furnishings and services for the workplace and healthcare and education spaces.

It started in Paris in 2012. Steelcase engaged HLB DBA to undertake due diligence works on three dealers in Paris. A year later, they were looking for expertise from the Netherlands. Through a series of quick communications between the client and HLB offices, in the space of just one morning, HLB Van Daal & Partners were contacted to assist the client. A few months later, the due diligence works were finalised and the deals had been signed successfully, with a very satisfied client.

“HLB supported the three very different transactions in a very professional way. They identified all of the key issues and their points shaped the negotiations and enabled us to reach a successful conclusion and close out the deals. Their advice was practical and commercial. Subsequently the new super dealer in Paris has performed very well and Steelcase was extremely satisfied with their advice and support. In 2013 HLB in the Netherlands were engaged to undertake due diligence on a merger of our dealer in Amsterdam with an independent dealer. Again their advice was accurate, easily to understand and commercial. The deal has now closed and the initial performance of the combined entity is very encouraging.”

HLB DBA discussed with HLB Van Daal this experience to identify some winning lessons applicable for HLB member firms beyond the deal in question:

- Be opportunistic: the first opportunity with a large account may not look ‘sexy’ (in terms of fees, timing, repeat business opportunities in the Big Four’s den) but it often starts like that
- Deliver timely responses: whether we are able or not to do the job, it is key to keep the ball rolling to give an answer to a partner as quickly as if we were one firm
- Prepare to win it all or lose it all: if the primary HLB firm doesn’t find the answer a client requires abroad, it will start to lose front of mind recognition and risks having competition in its own base

- Provide consistency in services rendered: both members should not be shy of sharing deliverables;
- Ensure consistent pricing: share fee structure and engagement letter promptly so as to avoid missing the potential quotation. Mention the need for a discount if necessary as a common investment for entering or keeping the client
- Remember the client is unique: Steelcase wanted practical advice during the due diligence and capacity to assist post-deal to make the corrective actions happen in the acquired target. There was no need for them to have a heavy memorandum. Each situation however may be different, so it’s important to share what will make the difference for the client
- Take your time: first identify the business opportunities and then share whatever is needed for winning the opportunity
- Demonstrate your work: gather as many testimonials as possible

■ **HLB supported the three very different transactions in a very professional way.**

■ Tech Side

Cyber Security: More important than ever



In the wake of all the recent hacks and leaks from large corporations such as Yahoo, Home Depot and Target, the term “cyber security” is making headlines—and threats to organizations have never been greater. The impact of cyber threats has changed the landscape in which governments, corporations, and individuals operate. However, relatively few people truly understand the implications of cyber attacks. Ponemon Institute’s 2015 Cost of Data Breach Study reports that the average cost of a corporate-level attack was \$3.8 million in 2015, nearly 25% higher than the year prior. Additionally, they found that businesses can expect to pay, on average, \$154 per sensitive or confidential record stolen. In their 2015 Data Breach Investigations Report, Verizon predicts that an organization will spend between \$52,000 and \$87,000 on one thousand stolen records. And it’s only going to increase from there. The cost of data breaches is expected to reach \$2.1 trillion by 2019, with the average cost of each breach exceeding \$150 million by 2020. Data compromise and system breaches have become commonplace in our society—one billion personally identifiable information records were stolen in 2014 alone.

Cyber Security Defined

Cyber security falls under the umbrella of IT (information technology) and is specifically related to IT security and the transmission of data from one place to another. When data is moved through a medium, there is always concern about it being read or intercepted in some way. Cyber security is the protection of digital data and the systems on which it is stored, moved, and accessed across both trusted and untrusted mediums.

The Need for an Objective View

A mistake or malicious act in cyber security can lead to loss of data, trust, customer base and more. If not properly managed, cyber risks can lead to an organization’s demise. To effectively manage cyber risks, boards and executives need greater transparency in their IT activities and independent evaluation of their data protection.

While many companies maintain in-house IT capabilities, employees often lack the appropriate experience and understanding to support a well-rounded culture of cyber security—especially in smaller companies. In most organizations, IT departments are willing to provide information related to IT operations and risks, but only when requested. They

are either engrossed in the responsibilities of daily operations or have found comfort in independence granted by an organization too bewildered or overwhelmed to consider what questions they should be asking IT. Because of this, it is often very beneficial for companies to hire an outside consultant to take an objective look at current cyber security measures and determine whether the appropriate preventative, detective and response capabilities have been established.

The Threat from Within

Research conducted by the United States Computer Emergency Readiness Team (CERT) found that the most likely architects of cyber attacks are system administrators or other IT staff with privileged system access. Stories of white-collar crime, employee fraud and insider threats permeate our newsfeeds. Company and customer data, including financial, health and proprietary data, can be viewed, modified or erased by those responsible for developing and administering systems. It is important to validate the information provided by your organizations IT professionals with an independent assessment.

An Always Evolving Plan

In today’s highly volatile,

threat-ridden business landscape, it is imperative that companies both large and small have a comprehensive cyber security plan in place. It is not a question of if, but when an attack will happen. Your plan should contain both short and long-term goals and cyber security measures. As threats, regulations, markets and technologies change, successful businesses must remain agile and up-to-date with their cyber security plan. This plan should include activities such as conducting risk assessments, identifying and protecting critical data, executing network vulnerability assessments, and deploying software updates and patches.

Be Proactive

It is impossible to predict what could be in store for the future of cyber security, but it’s incredibly important for businesses to be aware of current social and technological trends so they can be proactive in protecting their business rather than reactive. Working with an external cyber security consultant to build a plan for preventing, detecting and responding to an attack could be the key that saves your business from the inevitable cyber-attack.

Anders Erickson is Risk Advisory Senior Manager at Eide Bailly

Events

HLB Football tournament

It was that time of year again, time for HLB Europe's annual football tournament.

After London, Amsterdam, Bielefeld and Antwerp, it was HLB France's turn to organise the event which has become an institution on the annual HLB calendar.

And once again it was a great success as we were able to welcome more than 70 players and supporters from 8 countries (the UK, the Netherlands, Belgium, Norway, Sweden, Germany, Denmark and France).

Needless to say, football at HLB is a serious business with every team giving their absolute best. However, meeting colleagues from other countries is just as important as it helps us to connect with people we might be working with tomorrow. With that in mind, evening entertainment was organised in a typical Paris Bistro with Champagne and French food. The weather was perfect and we spent the entire evening networking on the terrace while soaking up the Paris atmosphere and discussing where next year's tournament should take place.

The winners this year were the team from Danish member firm Beierholm and Hanne from HLB Belgium who won a special prize for the best player. We thought she deserved it as she was the only female player and terribly brave.

A big thank you from HLB France to all of you who took part. We had a great time and hope to see you again next year.



Uzbekistan played host to the 2016 Eurasia Regional Conference

The annual HLB International Eurasia Regional conferences took place from 29 September to 1 October in Samarkand, Uzbekistan and brought together 15 professionals from Armenia, Georgia, Kyrgyzstan, Russia, Poland and Uzbekistan.

The conference was an opportunity to hear about the latest developments as well as to discuss the future challeng-

es over the coming year in the Eurasia region. The group discussed regional planning for business development, followed by technical topics relating to the audit quality assurance review results and issues for the region, HLB audit manual and IFRS updates.

Guest speaker Mr. Nematulla Karimov, Chairman of the council of the chamber of Auditors of Uzbekistan, presented the phases of development of the audit profession in Uzbekistan; the audit related legislative requirements and the current challenges on implementation of IFRS in the country.

The delegates also had the opportunity to visit ancient cities of Bukhara and Tashkent, see the very beautiful ancient monuments and hear about the history and culture of Uzbekistan.



Annual HLB SPAIN Meeting in Las Palmas de Gran Canaria

The Spanish firm members of HLB International met for two days in September to celebrate their 3rd Annual Meeting with over 20 participants and representatives of all firms.

During the round table sessions, specific topics were discussed in a more technical matter such as: the relevance of an efficient supervision of the Annual Accounts prepared by the client, the auditing reports of entities without regulatory framework,

supporting tools for auditors' daily tasks and the reasoned pronouncements of the Supreme Court in insolvency matters.

On the other hand, subjects related to the management of the firms were also addressed such as the planning of the succession, the professionalization and growth of firms and the analysis of available resources in the HLB International webpage.

On Friday 23rd, the Steering Committee meeting was held, in which, the situation and perspectives of each firm and the short term Action Plan was reviewed, taking into account technical, quality and commercial aspects.

HLB Spain counts with 12 offices located across the country. All HLB Spain member firms are well established on a local and national level and maintain close contact and collaboration with other

HLB International members through different meetings and conferences.

The member firms that are part of HLB Spain are: HLB Bové Montero y Asociados (Barcelona, Madrid, Valencia and Palma de Mallorca), Charman Auditores (Bilbao), Consultores Sayma (Bilbao, San Sebastián and Vitoria), Luján Auditores (Las Palmas de Gran Canaria) and THM Eduardo Molina y Asociados (Málaga and Marbella).

Initiatives

Corporate Social Responsibility at Foo Kon Tan

Singapore member firm Foo Kon Tan has been running Corporate Social Responsibility (CSR) programmes for the last eight years, with active participation from staff and partners alike.

“By volunteering our services, we help our people realise there is a lot we can do to better the lives or bring that needed joy to someone’s day. It also fosters engagement, allowing employees to become part of something bigger than the sum of its parts,” comments Kon Yin Tong, Managing Partner.

The firm have developed a CSR Framework. At the heart of this strategy lies meaningful management and staff engagement. This is aimed at fostering positive relationships within the community. Foo Kon Tan is always excited to give their employees, interns and

their family members the opportunity to be part of their CSR efforts. They consider employee satisfaction as one of their fundamental goals and hold with deep conviction that it is key to achieving high organisational performance.

Recent activities have include:

- Collaboration with the Food Bank in Singapore to provide food to the community or allow Foo Kon Tan staff to sign up as a volunteer with them.
- Nature walk in the local community
- Foo Kon Tan’s partners use their position and ‘voice’ as market leader to promote responsible business practices in volunteering on various committees.

The firm also gives back to society by providing book prizes and scholarships to needy students from various tertiary institutions and book prizes. These are reflected on their website: <http://www.fookontan.com/corporate-social-responsibility>



2016 Shazhu Bay Beach clean up

Chairman Vincent Chang led the staff of HLB Candor Taiwan CPAs to participate in the 2016 Shazhu Bay Beach clean-up. The garbage picked up weighed a total about 102.2 kg.



HLB Germany runs in HLB colours

Over 30 participants from HLB Germany took part in this year’s ‘Offenbacher Mainuferlauf’. Participants can run 5, 10 and 21.1km.



Forthcoming Events and Conferences

European Planning Meeting

Madrid (Spain)
12 – 13 January 2017

Indian Sub-Continent Meeting

New Delhi
11 – 13 February 2017

Australian Conference

Melbourne (Australia)
18 – 19 May 2017

North American Conference

Hawaii (USA)
21 – 24 May 2017

Asia Pacific Conference

Melbourne (Australia)
15 – 18 June

Audit and Tax Conference

Toronto (Canada)
5 – 8 July 2017

International Conference

Malta
18 – 21 October 2017



