



# BUSINESS WORLD

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# BUSINESS WORLD

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## Foreword

When I wrote my foreword for the March edition, we didn't know what was coming. I spoke of so much happening at our award-winning international network and I was looking forward to our May conference in Bucharest, Romania.

I also recall writing it prior to embarking on a trip to New York and Boston for what, unbeknown to me at the time, was about to become my last trip for several weeks, months, maybe the rest of the year.

I ended my message with signs of global positivity, improvements on the horizon, and upcoming economic stability. What did I know?

The world changed. Words such as lockdown, quarantine, social distancing, virtual meeting and their dreaded instigator, Covid-19 worked their way so effortlessly into our daily vocabulary. It just shows how one can never know what is about to happen and yet be prepared for several types of occurrences. And this is what I have seen.

The accounting profession was prepared, apparently and somewhat surprisingly. Overnight, people became confined to their homes, immediately forced into remote working. And it worked; we coped. Technology said, 'This is why you invested in us.'

Immediately, our Russell Bedford firms around the world had to react. Communication became even more important than ever before; it had to be transparent, regular and effective. Communicating with staff to ensure everyone was OK, and communicating proactively with clients to see how they could be helped through these unprecedented times. There were numerous government financial support initiatives to deal with, cashflow issues, restructuring advice to be given, as much as (if not more than) the general compliance matters on which to focus.

Our firms offered free webinars, advised businesses, and delivered online regular and updated information. I said right at the start of all of this that those firms who look after their clients will not only retain them, but will attract new business from those being neglected. We are now seeing exactly that; our

firms in all regions of the world are picking up a lot of new work and recruiting new people to perform this work.

For me, I'll admit it has been a personal challenge. Unable to travel and visit our members, I had to take a step back and see how we could adapt and adjust while continuing to offer considerable value and support to our member firms around the world. My team at central office reacted amazingly and we have been working so hard under such unique circumstances, developing brand new offerings for our firms. I've also been pleasantly surprised at how successful our well-attended virtual meetings have been; reaching and engaging people at all levels of our practices.

The accounting profession was never renowned for being flexible, yet this period has shown to me how wrong that traditional reputation was. The motivation, the dedication, and the efforts of our people throughout all regions have been tremendous. Human nature at its best.

As I write this, we're not through it yet. Businesses shall continue to navigate through difficulty and uncertainty, needing guidance from trusted advisers, requiring an even greater level of advice as they enter the new normal and prepare for life post-Covid-19.

Our firms and their people have shown resilience, adaptability and (more than anything) empathy and care. I commend them all and, as an international network, we are proud of all the great work and support provided to businesses, globally.



Stephen Hamlet  
CEO  
Russell Bedford International



# Leadership in challenging times



## About the author

**Eric Swenson**  
Los Angeles, USA

Eric is a workforce and leadership strategist whose companies support nearly 300 businesses throughout North America. He works with C-level executives to help identify talent, enhance corporate culture, develop leaders, and maximise productivity. A sought-after speaker, he speaks to organisations and conferences on topics ranging from leadership and management to workforce trends and issues.

His two brands, Tanzanite Leadership Development and Symmetry HR Outsourcing are sister companies to Russell Bedford International affiliate Rose, Snyder & Jacobs LLP.

Eric has written two books on management and leadership, and his third book, *Weaknesses*, will be published in January 2021.

[eswenson@rsjswenson.com](mailto:eswenson@rsjswenson.com)



The coronavirus pandemic has changed everything with businesses and individuals having to steer themselves through the unknown. Whether your business is in a region that has flattened the curve or one where coronavirus is accelerating, this is far from over; coronavirus is here for the long term. Because this is new, none of us can predict what's going to happen, how long it's going to last, or what the real long-term impact will be. Of course, it is not only businesses that will suffer; everyone is worried about jobs, family, friends, and what the future holds.

This extraordinary time has delivered a three-pronged emergency:

- an economic crisis
- a health crisis
- a crisis of the unknown.

We don't know what the world will look and feel like when the crisis is over, but in the meantime it has redefined effective leadership. The command-and-control leadership style has been obliterated; those who show compassion, emotional intelligence, empathy, and understanding are the new leaders.

As a leadership and workforce strategist of thirty years' standing, I've always started from a position of having done it, witnessed it, or led it. However, nothing compares to this. There's no manual or best practice that can help. Everything we do breaks new ground.

So what must a successful leader do? I say to all leaders, 'You must do what you always do, but now is the time to take it to a new level'.

## It's all about communication

When writing my first book in 2003, I discovered the key element of leadership. Whether you're a line manager, top corporate executive, or global leader; you can be the smartest person in the room, you can be the hardest worker, you can be a subject matter expert, but if you can't communicate effectively, you'll never be a great leader.

Today, that means you need to be effective one-on-one, in a group setting, or when giving a speech. As well as being a skilled face-to-face communicator, you must also be a competent video communicator. And you need to be a great writer because we all now communicate through Slack, text, email, and other technological tools.

The best leaders are great communicators. When people are nervous, as they are right now, they need to hear from you. I've never seen an employee survey that claimed there was too much communication. Now is the time to over-communicate. Even if you don't know the answer, communicate that you don't know the answer. Any response is better than no response.

When there's bad news, be upfront and immediate. Never hide bad news. I have a client with a successful business in the hospitality industry. He realised on a Thursday evening in early March he was going to have to lay off about half his team. He texted me the next morning, I gave him my thoughts and potential strategies. By noon, he addressed all his employees, preparing them for bad news. On Monday, he gave the bad news to everyone. He didn't delay and he didn't sugar-coat the message. As soon as he knew, he made sure his employees knew.

### You are always on stage

This crisis has revealed the strong leaders (and the weak leaders). Look at the leaders on the international stage. Who are people responding to? Which of them are making good decisions, showing empathy, and doing the right thing? True character is revealed during a crisis, and people respond to character. They look to leaders to signal that their life is going to be okay.

Your people take their lead from you. If you are calm, thoughtful, and empathetic, you'll put people more at ease. If you're not, that's an issue.

### It's all about emotional intelligence and empathy

Ask yourself these questions:

- What are your people thinking and feeling?
- What are their issues?
- Do you understand?

If you don't know the answers, ask. This is even more important for employees working remotely. People need to feel tethered to the organisation they work for. People crave connection.

Showing genuine compassion and empathy means understanding that every person is different, with different needs. Don't treat everyone the same. Now we must lead by understanding that one size fits one, not all.

As often as possible, connect individually with those you work for and those who work for you. Ask how they are and be sincere – you can't fake compassion.

### Show humility and gratitude

A few years ago, I started intentionally practising gratitude. Every time I get a little full of myself, I remember where I was in 2009 – a business crashing in the middle of a recession and facing bankruptcy. It's a constant reminder of the need to be humble, and therefore grateful for what I have today.

### How you do it is critical: be true to yourself

All you can do is your best. Make sure that, to the best of your ability, you create a sense of trust. Trust is a combination of transparency and honesty. Trust originates in your established values and ethics: when you're true to your values, decisions become easier.

You have established values, principles, and ethics whether you know it or not. If you haven't done so already, write them down and review them daily. Remember who you are and don't forget where you came from. Your employees are counting on you.

*“Your people take their lead from you. If you are calm, thoughtful, and empathetic, you'll put people more at ease.”*



#### About the author

**Federico Moares**  
Montevideo, Uruguay

Federico is a founding partner at Russell Bedford Uruguay, leading BPO & Advisory services.

A CPA, he graduated from Universidad de la República (Uruguay) and holds a Masters in Audit and Management from Universidad Europea Miguel de Cervantes (Spain).

As a corporate finance consultant with a focus on the IT industry, he is responsible for positioning the firm as a leader in the sector.

fmoares@rb.uy

## Uruguay – gateway for the software industry

Uruguay, a small country with a population of only 3.5 million people, is better known for its coast, its wines and its football than it is for its economic and business success. Until recently, Uruguay's economy was built on agriculture and livestock; and although these areas remain relevant, lately a shift has happened as Uruguay seeks to develop its service economy with a strong focus on the IT industry.

### Country overview

Located on the shores of the Rio de la Plata (River Plate) and the Atlantic Ocean, Uruguay is sandwiched between its much larger neighbours Brazil and Argentina – Uruguay's partners with Paraguay in the South American trading bloc Mercosur. Uruguay offers a calm, safe, business-friendly environment that is attractive to overseas investors looking to set up in South America.

### Political, economic and social stability

Uruguay has developed and maintained a strong political system based on democracy and the

separation of powers. Also, Uruguay's legal system offers a robust framework that remains consistent even with changes in government. Add to this a stable economy, and the incentives for people and businesses to come to Uruguay are many.

### Strategic location

Uruguay is founded on mostly European immigration. This means an important cultural affinity exists with most global economies. With an infrastructure built for world-class IT telecommunications and connectivity, and a time zone aligned with North America, Uruguay is an ideal business partner and location.

## High-quality people

The pool of talent in Uruguay is highly skilled and specialised, especially in the IT field. On offer are not just technical skills but also languages – as well as their native Spanish, more than 80% of IT professionals are fluent in English and 30% in Portuguese.

Uruguay's education system is free and delivers excellent academic results, while its one-laptop-per-child initiative (Plan Ceibal) introduces every child to technology from primary school age.

## Ease of doing business

There are many factors that make Uruguay an attractive country in which to conduct business. Starting a business is simple, quick and cheap, and a single tax system applies to the whole country. Local and foreign investors are treated equally with easy access to visas and residency. There is a free exchange of currency and unrestricted repatriation of capital.

## The technology value proposition

The software industry is a fundamental pillar of Uruguay's economic development. Promoted by Uruguay XXI – Uruguay's national investment agency, Uruguay's technology value proposition is founded on:

- experience of the Uruguayan IT industry in developing world-class solutions
- the existence of a technological and entrepreneurial ecosystem that focuses on start-ups as well as mergers and acquisitions
- its status as an ideal test bed for developing innovations such as the one-laptop-per-child initiative, fully implemented 5G network and a Covid-19 test-and-trace application
- the quality of its science, technology, engineering and mathematics (STEM) talent
- favourable regulatory framework, including 100% income tax exemption
- modern technological infrastructure including world-class data centres, fibre-optic broadband and long-term evolution (LTE) coverage.

## Tax benefits for the software industry

To attract software development businesses to Uruguay, the government has introduced various tax incentives.

## Software development services

Software development benefits from a 100% exemption from corporate income tax provided the business incurs at least 50% of its associated costs in Uruguay. Dividends arising from these activities are also exempt from taxes.

## Software production

Software production receives a tax exemption based on the ratio of direct development costs to total costs, with the condition that the business registers the asset in the Intellectual Property Register of Uruguay.

## Other tax incentives

Beyond those incentives specifically designed for the software industry, other, more general, tax incentives exist to benefit business activity in Uruguay:

- VAT reimbursement for exporters – businesses can obtain tax certificates for VAT on local purchases that they can use to offset taxes and social security contributions
- Trading – taxable income from intermediation activity is calculated as 3% of net margin, giving rise to an effective income tax rate of 0.75% (25% x 3%)
- Investment law – investment projects attract significant tax benefits on income tax, net-worth tax, and VAT, based on an index of requirements relating to new employment, decentralisation, exports, and research and development
- Free trade zones – focused on exports, 100% exemption from all taxes for industrial, commercial and service businesses with no restrictions.

*“Starting a business is simple, quick and cheap, and a single tax system applies to the whole country.”*





# Marketing in a Covid-19 setting



## About the author

Maria Gurrea Galve  
Zaragoza, Spain

Maria is deputy director at legal services firm Navarro Llima Abogados, a member of Russell Bedford International. She is a law graduate and MBA and specialises in business strategy, marketing and sales. She is currently a marketing and sales consultant/advisor at her own firm, senior associate consultant at the Spanish marketing consultancy Garrigos + Llopis and teaches marketing at several business schools. Maria was previously marketing director at Adidas HQ, responsible for key accounts, and a former global strategy director for Adidas Originals.

mgurrea@  
navarrollimaabogados.com

The Covid-19 pandemic has become one of the greatest ever challenges to businesses around the globe. To navigate a way through this crisis, businesses need to be bold and show creativity. Adversity presents opportunity, so in this article I will set out some ideas on how to steer your business through this crisis and come out the other side in even better shape than before.

## Be customer-centric

I have always believed that the customer sits at the heart of everything. So, during a crisis, the first thing you must do is take care of your customers – think about their needs and do everything you can to meet them. Be aware that their needs during the crisis may be different to before, so be prepared to adapt your offer. Even if your business isn't operating as it was before the crisis, now is the time to strengthen your ties with your customers by developing a relationship that goes beyond the merely financial. A broader supportive relationship will last longer than the crisis.

To help establish what business-to-business customers value, business consultants Bain & Company identified forty value elements across five categories that make up its B2B Elements of Value pyramid. The pyramid shows that six of the forty elements focus on creating value for customers during a crisis. A crisis creates moments of truth in a business-to-business relationship. Support your customers with values that feature towards the top of the pyramid and you will exit the crisis in a better position than when you started. Now is your opportunity to focus on being a partner and providing stability; put your offer out there, do the right thing, and help your customers when they need you. It's time to focus on these six Elements of Value:

- Be **socially responsible** by doing the right thing and not taking advantage of the current situation
- **Reduce customer anxiety** with regular and transparent communication
- Be **available** for your customers whenever they need you by offering help, products, and solutions
- Provide **stability** for your customers
- Support your customers by being **flexible**
- Do all this and help your customers to manage and **reduce risk**.

Speed is important; crisis management requires firm, determined, and agile decision making, even in the absence of all the information you might need or prefer. When your customers are in the middle of a crisis, you do not have the time to ponder over decisions.

## Understand changing consumer behaviour

Those of your customers operating in the business-to-consumer market may be concerned about consumer behaviour in a post-Covid world. Global lockdowns have fed more home-based consumption trends as consumers switched their spending to more home entertainment and online purchases. Will consumer behaviour return to pre-Covid norms once lockdowns are further relaxed? It is difficult to know until this happens. A study by Deloitte suggests a more gradual return to normal buying patterns as some will be more reluctant than others to resume their freedom of movement until confidence returns.

Reports by the Nielsen consultancy and the Spanish consultancy Garrigos + Llopis point to the following critical factors that will influence consumer behaviour in the months and years ahead.

- **Quality and efficacy** – consumers will demand greater assurances about the safety of the products they buy, so manufacturers will need to communicate widely about the reliability of their products and supply chains.
- **Traceability** – consumers will be far more interested in where their purchases originate, how they are manufactured, and their supply chains; preferences for local produce may grow and transparent communication will be vital.
- **Digitization** – with more purchases happening at home, and perceived barriers to online shopping all but disappearing, now is the time to embrace and accelerate development into online retailing, digital marketing, and customer relationship management.

## Build the brand you want to be

Finally, there is evidence that the way a business behaves during a crisis will be remembered and have an impact on its future brand and reputation. A business that leads and inspires will thrive while one that behaves cynically and seeks to profiteer from the crisis will suffer. The way a business treats its employees during the crisis will also reflect on its reputation; just as employees can be great advocates for a business, they can also be its greatest detractors.



# Going Global: taking your business further

Globalisation is not a new phenomenon but a continuation of developments that started in the nineteenth century. Globalisation is also not restricted to large multinational businesses; many small-and-medium-sized enterprises (SMEs), enabled by modern IT and communications, now look to expand overseas. However, before you consider going global, there are many areas to consider.

## Legal considerations

What is allowed in your local jurisdiction may be restricted to local businesses in another country. Governing laws and regulations may also differ significantly from what you're used to at home. Therefore, it is vital that you understand the local legal framework applying to your industry and confront any barriers before you enter.

For instance, China has a Special Administrative Measures (Negative List) for Access of Investment (often referred to as the National List), and a Special Administrative Measures (Negative List) for Access of Foreign Investment in the Pilot Free Trade Zone (often referred to as the FTZ List). For activities on the Negative List, businesses may need to consider using local partners.

## Trusted domestic partner

Expanding into new territories can be both exciting and challenging. While globalisation has heightened awareness of different cultures around the world, different languages, religions, and printed matter can create obstacles. Forming trusted partnerships with local businesses can help you achieve greater returns with less effort. Travel restrictions caused by the Covid-19 pandemic have made this even more important.

The Chinese private securities market is a good example. Until recently, foreign stake-holdings in fund management companies were limited to 49%. Although market liberalisation removed this limit completely in April 2020, most foreign investors (including well-known international investors) use local partners to help drive growth and market penetration.

For SMEs new to the Chinese market, it is worth considering using a trusted domestic partner to set up a locally owned entity instead of a wholly foreign-owned business. This can reduce compliance costs that apply to foreign-owned businesses, while repatriating profits overseas through a profit-sharing arrangement.

## Local compliance requirements

While striving for economic success when expanding globally, local compliance requirements are not something you can ignore until the last minute.

It is vital when expanding into a different jurisdiction to understand all local compliance requirements and the associated costs. In China, these considerations include:

- registration with the State Administration for Industry and Commerce (SAIC)
- annual reporting to SAIC
- registration with and reporting to customs
- registration with and reporting to state and local tax bureau
- registration with the social security bureau
- opening a bank account
- foreign currency controls.

## Help from local service providers

In China, the comprehensive requirements and different business environment often lead to foreign entities breaching regulations through ignorance rather than intent.

The Chinese authorities frequently invent, implement, and alter regulations and policies. Further, implementation of guidelines often employs local discretion and judgement, resulting in regional differences. Consequently, it is difficult to see policy changes coming, understand those policies, which are primarily communicated in Chinese, and ensure your business stays compliant.

You may find it helpful to seek help from locally based service providers so your business can focus on what it's good at. When choosing your service provider, it is essential you partner with someone who:

- is professional
- has employees who both understand the local language and can communicate in English or your preferred language
- understands the cultural differences and can explain and manage the expectation gap while ensuring compliance
- understands your business and your strategy.

The ever-changing globalised business environment has highlighted the advantages of using medium-sized accounting firms with international affiliation. SMEs expanding globally may not wish to pay the high professional fees the large accounting firms charge; however, they all need advice from someone with both local and international expertise who can make the connection between their home country and their overseas destination.

With the assistance of a network member firm, you will have everything you need in one place: multi-skilled resources and an international team of professionals. This way you will be set to succeed in the globalised business market.



### About the author

**Erica Xiong**  
Hong Kong, China

Erica has over 10 years of experience in providing Hong Kong and regional tax advisory and compliance services to multinational organisations in a wide range of industries. She is experienced in advising on tax-efficiency structuring, cross-border transactions, pre-IPO tax planning, tax due diligence and representing clients in handling tax field audits and investigation cases.

[ericaxiong@russellbedford.com.hk](mailto:ericaxiong@russellbedford.com.hk)



# Covid-19: catalyst for change

Before Covid-19 changed the world, some businesses considered social impact and sustainability nothing more than a nice-to-have programme. In other words, social impact programmes were not strategic to their business. The pandemic, and corporate responses to it, have highlighted what is important in guiding a business's choices during a crisis.

## About the author

**Pamela Cone**  
Seattle, USA

Pamela is founder and CEO of Amity Advisory. She helps organisations strengthen their social responsibility and sustainability programs to achieve holistic, compelling, and profitable social impact that is core to their business, consistent with their purpose, and collaborative with stakeholders.

[pamelacone@amityadvisory.com](mailto:pamelacone@amityadvisory.com)

Many senior executives, partners, clients, and employees are noticing that robust social impact and sustainability programmes are key to a company's credibility. It has become akin to a community buy-in or an unofficial licence to do business. This social commitment is crucial in good times but becomes even more important during a crisis.

## Covid-19 reveals a business's core values

Most businesses have mission or vision statements. Decisions made in response to the pandemic have revealed such statements as either mere window dressing or as strategic and core guides for the business. When a mission or vision statement is a central tenet to a business, it directs all decisions a business makes in response to this crisis or any future crisis. Doing the right thing now, based on a business's purpose and values, will contribute to its success in the post-Covid world.

"We can and must see this as an opportunity (albeit a forced one) to adapt and change for the better," said Richard Susskind, a legal technology advisor, during a webinar hosted by Legal Geek in April. "Companies can improve and recast themselves, using CSR best practices to help guide process, policy, and procedure decisions in this Covid world and beyond." Behaviour and decisions during the coronavirus pandemic illustrate and highlight a business's values, vision, and purpose – or not.

## Calling on social impact programmes to manage crises

Some may assume that they can set aside their corporate social responsibility (CSR) programmes during this crisis. However, a robust CSR programme is an integral component of crisis management.

Consideration and discussion of environmental, social, and governance (ESG) issues become increasingly important as we navigate the pandemic. After a slight drop in ESG news coverage during the early stages of the pandemic, April had almost double the news coverage of ESG issues than November, according to Bloomberg News. And, since the beginning of the Covid-19 outbreak, UK independent financial advisers reported a sharp rise in investor interest in the ESG performance of their investments.

Evidently, the pandemic is reminding or teaching us how critical social impact and ESG issues are to a successful and sustainable global economy. Rather than setting aside social impact and sustainability programmes during this crisis, we should amplify and enhance their components to help inform decisions.

## The coronavirus is changing public values

Mark Carney, the former governor of The Bank of England, told The Times of London, "Companies will be judged by what they did during the war, how they treated their employees, suppliers, and customers, and by who shared and who hoarded."

# *“How will current and future generations judge our behaviour and decision-making during this time?”*

In Carney’s view, people changed their values as unemployment rose and the economy faltered during the pandemic. The pandemic could reverse the slow transition from a market economy to a market society by exposing a gulf between what markets value and what people value.

In other words, a singular focus on short-term shareholder returns at the expense of all other stakeholders’ interests is no longer sustainable (if it ever was); nor does it serve the long-term interests of business or society.

## **This is our moment**

Perhaps personal and professional lessons learned as we deal with this pandemic will make us better prepared for the next global crisis: climate change. This pandemic and the challenge of climate change have the same characteristics: they are global in scope and intangible. Both require preparation, as well as coordinated global responses.

Will lessons we have learned from Covid-19 help us address climate change more successfully? Will the clear, blue skies that followed the pandemic’s travel restrictions become permanent? Will we work now to flatten the curve of the coming climate crisis before we run out of time?

Will we work to rectify many of the injustices of the economic system that have existed for decades, injustices that the Covid-19 pandemic has so painfully revealed? Rather than just recover from this pandemic, will we change for the better? Interestingly, #BuildBackBetter is a trending hashtag on social media. How will current and future generations judge our behaviour and decision-making during this time?

Now is our moment. Let’s ensure future generations celebrate our actions for being progressive, rather than view them as missed opportunities to create long-term sustainability for our businesses, employees, clients, customers, and communities.



# The future for Latin America



## About the author

**Daniel Ryba**  
Buenos Aires, Argentina

Daniel Ryba is a partner in Russell Bedford Argentina and a member of the board of Russell Bedford International. He is a consulting actuary, specialising in actuarial auditing and consulting. Prior to joining Russell Bedford Argentina in 2006, he was the chief actuary in the Argentinean subsidiary of a leading international insurance company and a consultant in a global firm of actuaries and employment benefits consultants.

[dryba@russellbedford.com.ar](mailto:dryba@russellbedford.com.ar)



Covid-19, by its pandemic nature, is having a major impact on economies around the world. However, as some parts of the world experience a fall in infections, confirmed cases in Latin America are rising sharply. As I write, Brazil has passed three million confirmed cases – second only to the US – while major outbreaks have occurred in Mexico, Chile, Colombia and Peru.

Recent statistics would seem to confirm Latin America as the new epicentre for the virus. On 10 August, the BBC reported that deaths in Brazil, Mexico, and Peru remain high while falling dramatically in the UK, Italy, and France. In the same article, the BBC quoted Dr Carissa Etienne – Head of the Pan American Health Organization – saying, ‘There can be no doubt our region has become the epicentre.’

There is no denying that Covid-19 is a humanitarian catastrophe but accompanying that is an inevitable economic crisis. We can’t avoid this but what impact has it had and what can we do to ensure a recovery once we have the virus under control? I asked my Russell Bedford colleagues elsewhere in the region for their experiences.

## The Covid-19 effect and the economic outlook for Latin America

Countries in Latin America began the Covid-19 journey from different economic bases. For example, here in Argentina the economy was already shrinking with high debt and lack of investment. However, Colombia started 2020 with two months of significant growth. ‘Covid-19 has put the brakes on this growth. We believe some sectors will begin to recover during the second half of 2020 while others will struggle, resulting in higher unemployment,’ believes Luis Carlos Robayo.



For those relying on tourism, Covid-19 and the ensuing restrictions on international travel have had a particularly unwelcome effect. 'As a major tourist economy, it is no surprise that in Mexico the most affected sectors are tourism and hospitality. The government's economic plan has helped the most vulnerable in society, but economic recovery depends on help for businesses,' says Javier Jiménez.

### Success in the current economic environment

While it is true that many sectors of the economy have been hit hard by Covid-19, this is not the case everywhere. Those businesses with an online presence and others able to react flexibly are showing some success.

In Uruguay, Bruno Foggiano has seen evidence of this: 'Those businesses that adapted quickly and found new ways of reaching their clients are faring better than others.'

In Costa Rica, Fernando Sanchez has also witnessed some positive signs: 'Businesses that have managed to make the shift to online sales and delivery have done well. Other sectors doing well include medical, retail, technology and communications, and agriculture.'

So what steps can businesses take to preserve and sustain growth during a crisis such as Covid-19? Roger Maciel in Brazil believes there are three important priorities for businesses looking to sustain themselves during the crisis: 'As far as possible, continue as normal while adapting to the new reality. Next, focus on your existing clients who know and trust your services. Also, secure the work environment for your employees and clients.'

### Surviving and thriving in 2021

Other than those businesses doing well during the crisis, the focus for many will be on surviving into next year. But having made it to 2021, what do businesses need to do to ensure they thrive, and where will they find new clients?

Here in Argentina, Daniel Intile will be focusing on 'service providers, especially in the IT community'. While in Colombia, Luis Carlos Robayo believes it is time to 'understand and use technology such as data analytics, big data, and artificial intelligence. There will also be opportunities to strengthen your offer by collaborating with other professionals.'

Looking for new clients, Ramiro Pinto in Ecuador is focusing on 'multinationals wanting to invest in Ecuador while also concentrating on retaining existing clients'.

### Opportunities in Latin America for investors

Once the pandemic and the crisis are over, will there be opportunities for inward investment? Roger Maciel thinks that '...the prospect of a strong US dollar may well see the flow of investment restart'. Daniel Intile believes that 'Latin America has always offered opportunities in raw materials and energy and some countries have reached a level where they can now compete globally'.

And which countries are best positioned to benefit from any future inward investment? Ramiro Pinto says, 'Colombia, Peru, and Chile may offer the most attractive investment proposition currently, while Ecuador's use of the US dollar as its currency should stand in good stead.' However, Javier Jiménez believes '...Mexico's dependence on the US and the reduction in the flow of exports from the US, and Brazil's reliance on China may deter some investors'.

### Be ready

Undoubtedly, the region is in for a rough ride – forecasts of large falls in GDP are commonplace. However, countries will come out of this, albeit with more debt and the prospect of higher taxes, and economies will recover. Being optimistic, this crisis gives businesses an opportunity to rethink their strategies to serve a market that may look somewhat different to how it did before the crisis. Businesses need to ready themselves for this.

*"Latin America has always offered opportunities in raw materials and energy and some countries have reached a level where they can now compete globally."*



#### About the author

**Anthony R. Carey**  
Dublin, Republic of Ireland

Tony Carey is managing partner and founder of Cooney Carey, Russell Bedford's member firm in Dublin. Tony has over 35 years' experience in corporate finance and business advisory services. His time as CFO of a large private concern gained him valuable practical commercial experience. His specialist areas include strategic planning, corporate recovery, financial investments, project funding and negotiation.

[arcarey@cooneycarey.ie](mailto:arcarey@cooneycarey.ie)

## Managing cash flow for success

There are several reasons why a business might fail but one of the most common is poor cash flow. However, with close monitoring and early intervention, it is possible to stay in control of your cash flow. In this article, I discuss how you can focus on managing your cash flow using better financial control and financial reporting. I also give you my ten reasons for preparing financial projections.

### Lack of cash and cash management

The biggest single reason for failure is not lack of profit but lack of cash. It is possible to sustain losses for a while but ultimately it will catch up with you when your bank or other creditors act and withdraw credit. Without close management of debtors, creditors, and stock, you will tie up cash, forcing you to borrow more.

It is critical that managing your cash flow becomes a daily activity. If you know exactly when you can expect cash to come in, and from where, you can manage more easily the cash you have to pay out. You can then be confident with your creditors about when you will pay them, which in turn will build goodwill.

Understanding your cash flow and managing your customers' and suppliers' expectations is vital.

### Financial control and information

Poor cash flow is often a symptom of a business with inadequate financial control and information, which is ultimately a route to failure.

In a small or medium-sized business, monitoring key performance indicators (KPIs) such as costs, budgets, and profitability of products and customers is important to understanding the current health of your business. Because they vary, you should

monitor KPIs such as sales, gross profit and wages more frequently than fixed costs like rent, rates, and insurance. As well as giving you a snapshot of the current position of your business, you can use this information to make proactive decisions about the future rather than react to circumstances as they arise.

### The power of projections – 10 reasons why

Financial planning is vital and projecting your business's future position well in advance is the most important step you can take towards this. Here are my ten reasons why financial projections should form an indispensable part of your financial systems.

1. **Business planning** – financial modelling helps you plan both strategically and operationally by posing 'what if' and 'what should we do' questions of key financial information.
2. **Decision making** – projections enable you to make decisive, well-informed and accurate decisions.
3. **Bank relationship management** – a high-quality projection tool will demonstrate the financial and management strengths of your business. Increasingly, banks rely on projected cash flow rather than historic performance.

# News in brief

4. **Raising capital** – many projects require equity investment; potential investors expect to see a comprehensive analysis that clearly shows the potential return and timeline.
5. **Monitoring performance** – projections give you a benchmark that helps you to compare with your actual key performance indicators. Use regular performance reviews to target areas needing attention and ensure your business stays focused.
6. **Viability analysis** – projections allow you to assess risk and opportunity and consider these in a variety of scenarios.
7. **Evaluate** – financial modelling gives you the opportunity to step back, reassess your position, and identify potential gaps and future opportunities.
8. **Communication** – projections offer you a comprehensive and visual way of communicating your plans to key employees, helping to illustrate why you've made decisions, communicate the business targets and ensure acceptance.
9. **Highlight best practice** – financial projections help you to predict the costs of running your business and highlight areas where you can use better methods.
10. **Allocating resources** – Understanding the financial impact of your decisions can help you anticipate problems before they happen. Your financial model should identify the future financial impact of poor decisions and enable you to better allocate scarce financial resources.

## What to look for in a projection tool

Whatever projection tool you choose to use, you need it to become the central focus of your financial controls. You need a tool that:

- produces an integrated report that projects cash flow, profitability, balance sheet and flow of funds
- projects movement on debtors and creditors control accounts, key measures if your liquidity is tight
- provides a break-even analysis
- projects sales, splitting them between target, committed, and gap (those to be sourced)
- documents fixed, variable, and discretionary overheads, while breaking down wages by person, type and function
- produces reports on a non-traditional and non-accounting basis so they can be understood by both finance and non-finance teams.

- **Russell Bedford's Brisbane member HMW Group announces expansion**  
HMW Group has opened the first of its additional locations in Maroochydore, on Queensland's Sunshine Coast, Australia. HMW already has several clients and contacts in the region and is looking to expand its offering.
- **Dar Al-Mohassaba joins Russell Bedford as full member in Yemen**  
Yemen firm, Dar Al-Mohassaba - Hassan Al-Dailami & Co, a Russell Bedford correspondent firm since 2012, has upgraded to full-member status. Established in 1992, Dar Al-Mohassaba formed as a partnership between Hassan Al-Dailami and Mohammed Shaiba. In 2010, Hassan Hantoosh and Khaled Ali joined the partnership. The firm has continued to succeed, despite Yemen's difficulties.
- **New Russell Bedford Professional Development package launches**  
Recently, Russell Bedford has diversified its offer to its member firms, focusing on new training packages to help members to invest in their people and achieve their goals. A new learning and development programme – Russell Bedford Professional Development – is the result.
- **Russell Bedford continues expansion in Africa**  
GKM (Gomez-Gnali, Mure & Associés) has joined as the member firm in the Republic of Congo, with offices in Pointe Noire and Brazzaville, the two largest cities in the country. The move further boosts the network's position in Africa, having appointed Angolan firm RBA - Auditores & Consultores, Lda in the Sub-Saharan Africa region earlier this year.
- **World Bank Doing Business 2020: UK consolidates its position**  
In this year's report, Comparing Business Regulation in 190 Economies, the UK maintained its standing in the top-10 of best places in the world to do business. Ranked 8th, it rose one place in 2019. Further, the UK is the second-highest ranked country among the influential G7 economies, and second only to Denmark among western European countries, finishing well ahead of rival European economies such as Germany (22nd) and France (32nd).
- **Düsseldorf member FRTG Group receives two prestigious awards**  
German news magazine FOCUS has chosen Düsseldorf member firm FRTG Group as a top tax firm in Germany for 2020. The firm was also listed in Manager Magazin as one of Germany's Top-10 Best Auditors, scoring an incredible 472 out of 500.
- **Russell Bedford's Asia-Pacific Conference goes online with record attendance**  
Bruce Saward, Russell Bedford chair, and managing partner of the Melbourne firm, opened the network's Asia-Pacific Conference 2020. Held online for the first time, the regional meeting experienced a record-breaking attendance, with more than 80 participants from around the world.  
Commending the resilience of Russell Bedford members, Bruce Saward said, 'They have shown an impressive skill in successfully navigating through what has been a challenging year, forging quality global relationships, and showing exceptional leadership.'





**Russell Bedford International**  
3rd Floor, Paternoster House  
St Paul's Churchyard  
London EC4M 8AB  
United Kingdom

T: +44 20 7410 0339  
E: [info@russellbedford.com](mailto:info@russellbedford.com)  
W: [www.russellbedford.com](http://www.russellbedford.com)