UHY

global

ISSUE 8

UNDER PRESSURE
CAN ETHICAL INVESTMENT SAVE THE PLANET?

PRICE OF PROTECTION
NEW WORLD ORDER THREATENS GLOBAL TRADE

FAITH OR HOPE IN CHARITY?
GROWING SCRUTINY OF THIRD SECTOR

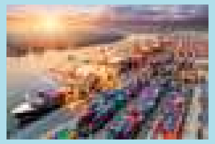
THE BRIGHT CONTINENT
THE RISE OF AFRICA'S TECH MARKET

The network for doing business

IN THIS ISSUE

3
SLEEPWALKING INTO A CRISIS
Growing calls for ethical investment

4
A NEW WORLD ORDER?
Uncertain future for cross border trade



8
IN NEED OF CHARITY
Third Sector's unique challenges

11
CLIENT STORY
Caplin Point

12
PERSONAL PROFILE
Meet René Pérez Ordóñez

14
INNOVATIVE AFRICA
A new age of opportunity and enterprise

17
GLOBAL NEWS
Headlines for international business

18
SUCCESS AND SUCCESSION
Role of family businesses in the global economy

21
COGS AND WHEELS
The crucial role of training

22
SERVING CLIENTS, SERVING COMMUNITIES
Global stories from our remarkable people

WORD OF WELCOME

A very warm welcome to issue 8 of *UHY Global*, our biannual magazine for business. *UHY Global* addresses a wide range of international topics, of interest to the clients we serve and those we hope to serve in the future. Through these features and news pages, we aim to show what makes our network tick.

We are managing through times of significant social and technological change. The regulatory landscape is toughening up across the world, together with an upswing in protectionism, populism and plain uncertainty. It is no wonder that organisations can feel a little stressed.

That is where I know UHY can assist. UHY member firms comprise over 8,200 professionals across 100 countries, supporting every kind of client from tech startups to corporates to multigenerational family businesses. Many of the challenges and opportunities we examine in this issue of *UHY Global* serve to illustrate the value of having a reputable and trusted advisor by your side in volatile times.

You will see from the headline opposite, taken from the World Economic Forum's 2019 Global Risks Report, that environmental threat is not something we can ignore. I believe that business and governments can step up and make a crucial difference to our world for future generations. We take a look at what responsible investment means, and its role in funding the climate deficit.

While sustainability is becoming a key driver of global business, our feature on the ups and downs of global trade in 2019, *New World Order?* sets the scene for many of the other issues businesses are experiencing when trying to expand across borders. Trade wars, Brexit, new nationalism – all are conspiring to make it harder. And it is not only private enterprise that is suffering: the third sector has never been under such scrutiny as it is today. International scandals have thrown a shadow on charitable organisations so that governance and financial accountability is more of a priority than ever. We look at this in our article *In Need of Charity*, and seek opinion from some of our member firms who have extensive experience in the sector.

In our roundtable feature *Innovative Africa*, we talk to UHY's African member firms about how technology hubs are bringing an exciting new age of opportunity and enterprise to some of Africa's less affluent economies; while elsewhere in this issue you can read about *Success and Succession* in family-owned businesses. On that note, I am also proud to include in this edition a personal profile on René Pérez Ordóñez, one of UHY's managing partners and entrepreneurs, who has established his own family business of UHY member firms across Central America.

If you enjoy *UHY Global* and would like to read more on our featured topics or UHY member firms, an expanded digital edition is available at uhy.com/publications. Or please feel free to contact me directly at rdavid@uhy-us.com if our network can be of further assistance to you.

Richard David
Chairman, UHY International

SLEEPWALKING INTO A CRISIS

With our oceans choking in plastic and our schoolchildren marching in protest to save the planet, is there the will – and the money – to fix it?

It is the World Economic Forum's Global Risks Report 2019 that asks if the world is sleepwalking into a crisis. According to the report, 'Global risks are intensifying but the collective will to tackle them appears to be lacking.' Their annual survey once more found environment-related risks topping the charts, and not least failure of environmental policy. The European Union has identified the need to 'mainstream' funding for environmental and social sustainability.

The OECD too has published its 2019 report Global Outlook on Financing for Sustainable Development, which proposes that the private sector is called on not just to help underwrite the United Nations' sustainable development goals for 2030, but 'to engage as partners in the development process, to invest in areas critical to sustainable development, and to shift to more sustainable consumption and production patterns'.

INTEGRATING ESG

The good news is, in the world of institutional investment, environmental, social and governance (ESG) criteria are rapidly gaining momentum as investable factors in organisations. There is a growing business case for integrating ESG into investment decisions as companies with strong ESG credentials are seen as more viable, better run and in tune with brand community sentiment. A lot of work is being done to better define ESG variables, so that corporations and financial providers alike can more clearly set out their stall. Ultimately, this is less about saving the planet and more about long term risk management and return on investment, but it is a start.

GOOD GUYS AND BAD GUYS

However, notwithstanding the pleas from global thinktanks, asset managers with a fiduciary duty to act in the best interests of their investors realise that client demand for an ethical dimension is growing significantly. It will become particularly acute when millennials and generation X become the significant investors. They have long held a natural concern for the environment that previous generations have not.

Consequently we are now seeing a diversification of asset models that reflect investments aligned with investors' personal values and where funds can make a positive impact.

Impact investing works in a number of different ways. Positive screening means including the stock of companies whose business is built around serving environmental or social-based needs. Examples might be alternative energy players or organisations with very strong diversity policies. Conversely, portfolios can negatively screen (exclude) those perceived to be doing the opposite – oil or tobacco industry businesses, for example.

GREEN EARTH, BLUE PLANET

Perhaps the most encouraging trend, is the development of financial instruments that appeal specifically to investors looking for environmental returns. Examples include the issuing of green – and blue – bonds. In 2016, Luxembourg launched its Green Exchange, cited as the world's first platform dedicated to environmentally-friendly securities. Today, it lists almost half of all green bonds globally.

Last year, the Seychelles government, in conjunction with three private institutions and overseen by the World Bank, launched the world's first sovereign blue bond—a pioneering public and private sector-designed product created to support the islands' sustainable marine and fisheries projects. And in February this year, the Nordic Investment Bank listed its Nordic Blue Bond to support water management and protection projects.

Clearly, innovative financial products like these are indicative of a growing will to support green and blue initiatives at a domestic level. If our global interconnectedness can propel responsible impact investing into the mainstream, there is still a chance that governments will secure sustainable growth, hit internationally-agreed climate targets, clean up our oceans, and get our young people back behind their desks.

LEARN MORE

You can read more on this important topic in our digital edition of UHY Global at www.uhy.com/publications including the key trends emerging from WEF's 2019 Conference in Davos, Switzerland, and how one UHY client in the US is set to shake up the food transport business in the context of WEF's food waste reduction warning.

For more information about UHY's capabilities, email the executive office, **info@uhy.com**, or visit **www.uhy.com**

A NEW WORLD ORDER?

AS POPULISM AND NATIONALISM THREATEN TO DESTABILISE TRADITIONAL TRADING RELATIONSHIPS, UHY MEMBER FIRMS CAN HELP BUSINESSES NAVIGATE THE CHOPPY WATERS OF CROSS-BORDER COMMERCE

In February 2019, Bank of England governor Mark Carney told an audience of senior City of London figures that a new global order was threatening international trade.

Carney, head of the UK's national bank, talked first about the implications of Brexit, but his message was targeted more widely than the UK's exit from the European Union (EU). In fact, he suggested Brexit might be a 'canary in the coal mine' for a new era of global economic retrenchment.

"It is possible that new rules of the road will be developed for a more inclusive and resilient global economy," Carney said, before delivering a warning. "At the same time, there is a risk that countries turn inwards, undercutting growth and prosperity for all. Concerns over this possibility are already impairing investment, jobs and growth, creating a dynamic that could become self-fulfilling."

RESTRICTIVE MEASURES

His concerns appear well founded. In January, the International Monetary Fund (IMF) warned that the global economy was weakening faster than expected, thanks to trade wars and populist governments wedded to policies of protectionism. At the same time, the United Nations' (UN) trade and development body, UNCTAD, published figures showing a 19% fall in global foreign direct investment in 2018.

Have we entered a new era of nationalism and protectionism? The rise of restrictive measures suggests so. World Trade Organisation (WTO) members added an average of 11 trade restrictive measures every month between October 2017 and May 2018, including tariff increases, import tax increases and stricter customs regulations.

National leaders are driving these measures. Most famously, Donald Trump's 'America First' agenda has seen US withdrawal from the Trans-Pacific Partnership (a trade agreement between 11 countries bordering the Pacific Ocean), and a trade war with China involving the tit-for-tat imposition of trade tariffs worth billions of dollars. The US has also threatened tariffs on a range of goods from the EU.

A wave of global populism followed in the wake of Trump's election to the US presidency at the end of 2016. In May last year, Italian voters placed power in the hands of two populist parties, the Five Star Movement and the League. Relations between the EU and Rome have been strained by the new government's spending plans, which may breach EU rules.

> There is a risk that countries turn inwards, undercutting growth and prosperity for all.

Is Italy becoming anti-European? Cristiano Fasanari, partner at FiderConsult Srl, a UHY member firm in Italy, says the Italian government is pushing back against some policies, but remains a committed member of the EU. "There is no declared scepticism over the EU," he says. "I would say that there is disagreement with some EU policies and with the strict application – almost an imposition – of a restrictive budget policy and financial ratios."

Italy is far from alone in electing a populist government with a more nationalist and inward-looking agenda and, often, a corresponding suspicion of traditional trading relationships. In fact, the four most populous democracies in the world are currently governed by populist leaders: Narendra Modi in India, Donald Trump in the US, Joko Widodo in Indonesia, and Jair Bolsonaro in Brazil. Populist ideas have swept through Europe, resulting in both far right nationalist governments like that of Viktor Orbán in Hungary, and anti-establishment sentiment of the kind expressed in the UK's Brexit referendum vote.

GLOBAL TRADE TOO IMPORTANT

More economic protectionism sometimes seems inevitable in populist times. But in Brazil, José Bendoraytes Filho, advisory partner at UHY Bendoraytes & Cia, does not believe that the Bolsonaro government will follow President Trump down a road of hard protectionism, despite mutual admiration between the two leaders.

"The current Brazilian government does not have as much of a protectionist character as many people think," he says. "Although Brazil is in line with US immigration and trade policies, it does not have the motto 'Brazil First'. We are a country open to other markets and have a balanced trade with a high level of imports."

José says that, with taxes and unemployment high, Brazil's global trade is too important to the economy to risk.

He adds: "There is a constant search for the conquest and maintenance of foreign markets through development and export agencies, as well as the Brazilian embassies abroad that today function as true promoters of Brazilian products."

But while a generally positive sentiment towards global trade persists, the Brazilian government has expressed frustration with Mercosur, a trading bloc comprising Argentina, Brazil, Paraguay, Uruguay and Venezuela. German chancellor Angela Merkel recently warned that the Bolsonaro government's attitude was making a trade deal between Mercosur and the EU more difficult to reach.

José says that Mercosur imposes limitations on the bilateral agreements member countries can make outside the bloc, and many Brazilians agree with the government's intention to reduce Brazil's engagement with an economic and political union they consider restrictive.

ANTI-ELITE, ANTI-ESTABLISHMENT

President Bolsonaro has vowed to modernise Mercosur rather than leave it altogether. But the desire to strike bilateral trade deals as a more independent nation state finds an echo in the UK's vote to leave the EU.

Brexit was an unashamedly populist movement, driven by anti-establishment and anti-elite rhetoric. Nigel Farage, the movement's self-styled 'man of the people', has said that European integration showed 'a complete lack of understanding of how human beings operate,' and that 'globally, the world is breaking down into smaller units'.

The anti-EU movement in the UK was a blow against open borders and what Farage characterised as an out-of-touch political elite as much as a trading bloc. But 'leavers' believed that, in economics too, the world was 'breaking down into smaller units'. They insisted, and continue to insist, that a country with a proud trading history would be more than capable of holding its own outside what they view as the EU's stifling embrace.

BUSINESS UNCERTAINTY

That theory has yet to be properly tested. What we are seeing now from business, says Martin Jones, partner at UHY Hacker Young in London, UK, is a period of retrenchment, in response to both Brexit and wider global trends.

"Inevitably the uncertainty is affecting investment levels and new cross-border activities, and also causing businesses to delay hiring staff due to concerns over the economic outlook," he adds.

Alan Farrelly, managing director of Irish member firm UHY Farrelly Dawe White Limited, agrees that business decisions have been delayed or postponed because of the fog around Brexit – a fog that is unlikely to lift any time soon, regardless of the precise moment of separation. Ireland is the state in the EU economy most dependent on trade with the UK, and considerable resources are being expended on preparing for whatever Brexit might bring.

"In terms of advice on Brexit, we work with Intertrade Ireland who provide a grant of EUR 2,500 (around USD 2,825) to assess a company and their exposure to the threat of Brexit," says Alan.

"This allows us to consider a company's import and export flows to assess their overall business disruption exposure. Outputs include our clients seeking alternative suppliers and customers in new locations, most often inside the EU. This has represented real challenges in terms of pricing, testing and logistics."

More widely, Alan believes President Trump's policies and Brexit are symptoms of a new trading reality that will have significant impact for years to come.

"As we all know, trade deals are not negotiated in real time – there are considerable time and resources required to find agreement," he says. "With Brexit, the road ahead for both Ireland and the UK may be challenging, with jobs losses, loss of business confidence, stressed decision-making and prolonged intergovernmental tensions. None of these are conducive to good trading conditions."

AN OPPORTUNITY TO SHINE?

In these circumstances, what advice can professional service providers give? Martin Jones believes global uncertainty makes life tricky, but also gives UHY firms an opportunity to shine, establishing themselves as trusted business advisors in difficult times.

"Despite the uncertainties, all businesses still need to plan for the future, and hence it is important to understand the risks and opportunities that could emerge," he says. "It is important to remain positive as a business advisor in this situation and seek to establish a competitive advantage for the business amid all the change, based on an assessment of the opportunities and risks. It does make the role harder, but potentially more enjoyable and rewarding."

José Bendoraytes Filho also sees opportunities for member firms to excel, as well as to promote UHY's global network more widely and champion its deep pool of local knowledge.

"I think every difficulty brings opportunities. I always advise those seeking to develop transnational operations to understand the culture of the country, its customs and values. For this, I always recommend that you seek local quality advice," he says.

Perhaps counter-intuitively, the consensus is that in an era marked by isolationism, UHY member firms should be readier than ever to give expert advice to clients looking to expand operations beyond home markets. In the UK, that might mean helping clients reduce their exposure to the EU. In Brazil it could mean manoeuvring businesses around any obstacles imposed by the redrafting of the rules of Mercosur.

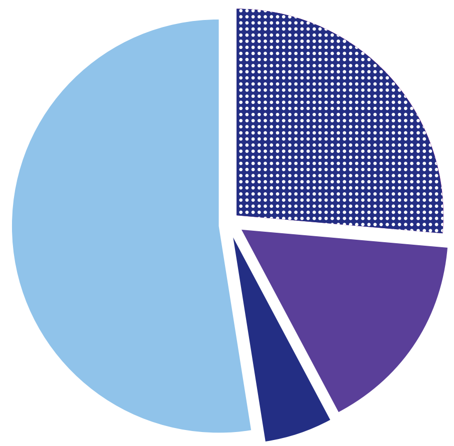
Ultimately, some trading arrangements may change, and others may emerge. Populism will eventually subside and protectionism ease. And when the shouting stops, Cristiano Fasanari says that successful businesses will still look to expand. They just need the best advice to help them do so.

"In my opinion, this situation is not permanent and will end. So I would not discourage customers who intend to invest internationally. I would rather explain that, even in this period, maintaining a position that is limited to a local market is a disadvantage compared to global competitors.

"With the right attention, investing internationally is still necessary for future success." ■

For more information about UHY's capabilities, email the executive office, **info@uhy.com**, or visit **www.uhy.com**

> *I always advise those seeking to develop transnational operations to understand the culture of the country, its customs and values.*
>
> **— José Bendoraytes Filho, advisory partner, UHY Bendoraytes & Cia**



IN NEED OF CHARITY

SEX AND FINANCIAL SCANDALS HAVE ROCKED PUBLIC TRUST IN NONPROFIT ORGANISATIONS AND PROMPTED TOUGHER SCRUTINY. GOOD ADVISORS HAVE NEVER BEEN MORE IN NEED...

In Australia, it is the Royal Flying Doctor Service. In the UK, Cancer Research is often number one. In the US, the Malaria Consortium is always near the top of the charts.

Charities and not-for-profit organisations like these are valued and trusted, which is why they often feature in roundups of worthy destinations for public money. This is no surprise: organisations that help those in need, or offer valuable cultural, scientific or educational services without taking profit, have traditionally enjoyed widespread public admiration.

Yet that respect can no longer be taken for granted. In some countries, while faith in organisations like these remains high, trust in the not-for-profit sector as a whole has plummeted. Recent research for the Charity Commission in the UK found that people now trust charities less than a stranger in the street. In the US, a poll commissioned by the Chronicle of Philanthropy revealed that one in three Americans lack faith in the not-for-profit sector.

It would seem that we no longer instinctively regard not-for-profit organisations as 'good'.

A SECTOR WITH 'A PROBLEM'

Baroness Stowell of Beeston, chair of the UK Charity Commission, admitted last year that the sector 'has a problem'. "People clearly are less trusting of institutions and of those in positions of authority than they once were," she said. "But that's not because our parents and grandparents were more naïve. It's because people now have more evidence to prove their suspicions. They are more sceptical of those in powerful roles or in positions that were once associated with respect, because they can see or have experienced directly how those groups really have let them down."

Have charities let us down? A series of high-profile global scandals has eroded public trust in the sector. In 2018 a sex scandal rocked UK-based global poverty charity Oxfam, after aid workers were found to have been using sex workers in countries where they worked. Meanwhile charities and not-for-profits are facing public and regulatory pressure over high executive salaries and, in some cases, aggressive fundraising methods.

The upshot is that third sector finances are under the microscope in a way they never have been before. The public, and the governments they elect, demand ever increasing accountability.

Marilyn Pendergast, partner at US member firm UHY LLP in Albany, New York, says: "There is clearly a greater expectation and need for transparency in organisations that are publicly supported, whether through government sources or private donations, than for private companies which are not publicly traded. Both stakeholders and users of services have the right to expect openness and clarity in the information which is available to them."

ABSOLUTE TRANSPARENCY

Not-for-profits face increased scrutiny by regulators on one side and by organisations specifically created to monitor their spending on the other. Last year, the group Charity Intelligence Canada publicly advised donors against giving to the professional ice hockey team charity, Calgary Flames, accusing it of a lack of transparency and high fundraising costs.

> "Third sector finances are under the microscope in a way they never have been before."

Such scrutiny is becoming the norm and can be damaging. A Money for Good poll in the US found that a majority of donors favoured charities that received good ratings from charity validators like Charity Intelligence, despite some debate over how fair those ratings are. As a result, not-for-profits have to be absolutely transparent about sources of wealth and how money is spent.

But the necessity for absolute transparency can be complicated by the sheer size and diversity of the sector. Marilyn says: "Not-for-profits can be very small, such as a community food bank which relies solely on contributions from neighbours and volunteer services, or they can be large national or even multinational foundations providing charity resources with budgets in the multimillions. Their missions are also widely diverse. In the US they cover the gamut from agricultural research organisations to zoos and everything in between."

Subarna Banerjee, head of UK member firm UHY Hacker Young's national charity and not-for-profit group, says there are 160,000 charity organisations in the UK, many of which are largely unknown to the public because they are 'woven into the fabric of British business'. The larger public are generally unaware that they are operated by charities.

To take one example, the clothing retail chain Primark is owned by a company called Associated British Foods (ABF), and 59% of ABF is owned by the Garfield Weston Foundation (GWF). GWF, the second largest UK charity by asset size, is a family-founded trust which has supported UK charities with grants for the past 50 years. Few UK consumers have heard of GWF, but many will know the institutions it supports, from the Shakespeare Globe Trust to the Imperial War Museum, Oxford University and the Yorkshire Sculpture Park.

UHY Hacker Young audits GWF's financial statements, and Subarna says grants and large historic endowments are another ingredient in the nonprofit funding mix: "This is not public funding, either from individuals or through government grants, but it still needs to be thoroughly audited and accounted for."

REGULATORY OVERSIGHT

Regardless of the origins of their funding, governments and regulators are expecting more from charities, whose humanitarian or altruistic credentials are no longer enough to protect them from intense scrutiny.

In the US, new nonprofit accounting standards came into effect in 2018, requiring extra disclosures around not-for-profit classification, allocation of expenses and liquidity, among others. And Kirsti Armann, managing director at UHY member firm Revisorgruppen AS in Oslo, Norway, says that a similar spotlight is now directed at Norwegian not-for-profits, and that tax and tax status attracts particular scrutiny.

"It has also been the desire in Norway in recent years for greater transparency when it comes to the financial reporting of charities and not-for-profit organisations," she adds. "In fact, over the past 15-20 years the tax authorities in Norway have, to a greater extent than previously, exercised control over not-for-profit enterprises, especially regarding tax and tax position."

With a requirement for greater transparency and reduced public confidence, many not-for-profits with limited budgets are finding it difficult to stay on top of expectations. This means keeping up with guidelines that can appear to change almost by the year. As in the US, the latest update to UK accounting standards for charities came in as recently as November 2018. In Norway, Revisorgruppen AS regularly assists not-for-profit clients with their transition to the 'good accounting practice for nonprofit organisations', a recently introduced alternative to the reporting required under the Norwegian Accounting Act.

Sungesh Singh, audit and assurance partner for New Zealand member firm UHY Haines Norton (Auckland) Limited, says that reporting regulations in the country have changed twice in recent years, in 2005 and 2012, and 'quite strict reporting deadlines have been established'.

"The result, I would say, is that public confidence in the charities sector in New Zealand, from a reporting point of view, has become 'moderate'. The transparency and the reporting requirements are relatively new, and I believe that it will take a fair while before it matures into a well-established reporting arena full of good information about what our charities do, where the money is spent and – most importantly – what the outcomes are."

He adds that, since the new regulations came into force, charities in New Zealand have been struck off as a consequence of delayed reporting.

Growing complexity, greater scrutiny and a large, diverse sector does offer opportunities for UHY's global network to help. "The smaller organisations rely on us to make them compliant," says Subarna. "And even the larger not-for-profits have difficulty keeping up with legislation. We can do that for them."

Sungesh agrees: "Given the huge number of charities in New Zealand, and the increased level of transparency requirements from a reporting point of view, firms like UHY are very much in demand."

DIVERSE NEEDS, LONG RELATIONSHIPS

UHY LLP in Albany, New York, provides services to a range of not-for-profits, from colleges and museums to healthcare and social assistance organisations. The needs of these organisations are diverse, and Marilyn Pendergast says they often go way beyond traditional accountancy services: "Chartered and certified public accountants can provide value to their clients in many ways in addition to the traditional audit and taxation functions."

"For colleges, for example, changes in demographics of students and the lack of significant endowment funds can create budgeting challenges. That is where we can be helpful in the evaluation of expenditure, helping management and the board to develop a plan for future continuance and growth."

Museums may face the need to upgrade facilities, requiring long-term financial planning. Healthcare charities need help navigating a changing regulatory landscape. Valuation and business planning services can be valuable for many not-for-profit organisations.

> "Smaller organisations rely on us to make them compliant."
>
> — **Subarna Banerjee, audit partner, UHY Hacker Young**

There are also sound business reasons for developing a not-for-profit focus, says Subarna. The success of campaigns like The Giving Pledge, which encourages wealthy people to give significant amounts to philanthropic causes, have helped to spark a new philanthropy movement. UHY member firms may be regularly asked about the tax or inheritance implications of charity donations and endowments, by individuals and businesses.

"It is also true that the charity sector is immune to some extent from the economic cycle," he adds. "Not-for-profits, especially those that receive funding from the government and endowments, can be relatively financially secure, even in difficult times for the wider economy. For professional services providers it is possible to forge very beneficial long-term relationships, if you are prepared to stay on top of regulation, offer good advice when required and keep them compliant in the face of tougher regulation."

The message is clear. As rules get stricter and public scepticism grows, not-for-profits need good partners – and the authority, expertise and accountability they bring – more than ever. ■

For more information about UHY's capabilities, email the executive office, **info@uhy.com**, or visit **www.uhy.com**

CENTRAL AMERICAN SOLUTION

LOCAL KNOWLEDGE, AN EXTENSIVE REGIONAL NETWORK AND PERSONAL SERVICE MADE UHY A KEY PARTNER FOR THE REGIONAL DISTRIBUTOR OF AN OVERSEAS PHARMACEUTICAL COMPANY

> "We work with UHY because of their professionalism and coverage in the area."

Founded in 1990, Caplin Point Laboratories is an Indian producer of over-the-counter medicines, operating mainly in Latin America. In the early 2000s the business opted to skip the crowded regional export markets of South Asia to focus on less competitive regions in the Dominican Republic and Guatemala.

Caplin's founder, C.C. Paarthipan, braved drug lords and unhappy competitors to create a base in the region, but early challenges no longer exist. Today, Caplin Point has 2,000 products licensed across the globe and operates in 11 Latin American countries (and parts of Africa).

OVERSEAS OPERATIONS

Chennai-based Caplin Point supplies around 4,000 pharmacies in Latin America and employs 300 people. Its regional distributor, Neoethicals, sends medicines to wholesalers and retailers in Guatemala, El Salvador, Honduras, Nicaragua, Costa Rica, Panama, Ecuador, Chile, Venezuela, Paraguay and the Dominican Republic. Caplin Point bills between USD 60m and USD 80m per year.

Such a large and diverse operation requires considerable cross-border cooperation, not least from outsourced professional service providers. Neoethicals is based in Guatemala, where UHY's involvement is coordinated by René Pérez Ordóñez, director at UHY Pérez & Co, Guatemala City. As Neoethicals' regional operation grew, it required support and local knowledge across other Latin American countries.

REGIONAL RELATIONSHIP

The strength of UHY's network in the region was a key consideration for Neoethicals. Work was referred to other member firms as the company expanded, firstly to UHY Auditores y Consultores, S.A. in Honduras. More recently, member firms in El Salvador (UHY Asesores Y Consultores, S.A De CV) and the Dominican Republic (UHY Canahuate Calderon & Asociados) have contributed to the expansion of Neoethicals and the advance of Caplin Point products into Latin American markets.

The UHY member firm network in the region collaborates on the company's financial and fiscal accounts, using its wide local knowledge to offer authoritative legal and financial advice as well as critical information for Neoethicals' business model, such as extended payment terms.

Mr Hector Valdez, general manager of Neoethicals, says, "We work with UHY because of their professionalism and coverage in the region. We have a wide distribution network across several countries with their own fiscal and legal requirements, so it is good to work with a business with local expertise in each of our markets."

Neoethicals considered a Big Four provider, but preferred a more personal service as they expanded, particularly as the Latin American pharmaceutical market is less stringently regulated than elsewhere.

LOOKING TO THE FUTURE

In just 13 years, Neoethicals has evolved from a new entrant in the Central American market to leading supplier of consumer pharmaceuticals. Its expanding product list includes vitamins, antibiotics and cardiovascular medicines. Caplin Point aims to move further into South America and north into the US in coming years.

UHY member firms support that expansion and have enabled the integration of new wholesalers and pharmacies. "We need an accountancy firm to help us minimise risks and comply with different tax regulations and policies – UHY member firms have been of great assistance here," says Mr Valdez.

Thanks to UHY Pérez & Co, and UHY colleagues from other countries, Neoethicals benefits from reclassified accounts and improved financial statements. Despite challenging markets, Caplin Point has a better understanding of its reach and impact across Latin America.

"With UHY member firms, we have achieved good management of fiscal, legal and statistical controls," says Mr Valdez. "It is reassuring to know that if and when we target new markets in the region, a UHY firm can help us with the information we need to progress." ■

For more information, contact René Pérez Ordóñez, UHY Pérez & Co, Guatemala: **rperez@uhy-perez.com**

BELIEVING IS SUCCEEDING

René Pérez, founding partner of UHY Pérez & Co, learned from childhood that to be the very best at anything you do, you have to work hard, be respectful and put joy and passion into every task.

René (second from top) with members of his extended family

As a small boy in Guatemala he walked to school every day and because he lived in a poor neighbourhood where the majority of children did not have shoes, he played football with his friends in bare feet. He describes his childhood as a happy one and claims that his mother's love and encouragement always gave him the confidence and determination to achieve.

"When I was little I wanted to become a heart consultant because in those days, medicine was considered the best profession to be in," says René. "When I realised that our family did not have the resources to put me through medical school, I chose instead to train as an auditor. It was a decision which turned out to be absolutely right – I set out to become a professional in an international audit and consulting firm and this is exactly what I have achieved."After graduating as a public accountant, René became a resident manager and audit manager at two of the most successful Big Four firms in the world before deciding, in 2004, to set up his own firm.

"The time was right. I was elected superintendent of tax administration of the Republic of Guatemala in 2001-2002. I am so proud to have started from scratch and 15 years later we are thriving. Our current monthly payroll is now higher than our annual income in our earliest years."

> "I am so proud to have started from scratch and 15 years later we are thriving."

GIVING BACK

UHY Perez & Co has expanded and continues to be a growing family enterprise – his son Omar is now a partner at UHY Auditores y Consultores, S.A., Costa Rica and UHY Auditores y Consultores, S.A., Honduras, whilst another son, Bryan, is a partner at UHY Asesores y Consultores, SA De CV in El Salvador. René's daughter, Fabiola, is UHY Perez & Co's administrator, and his oldest son René is about to graduate.

"My aim now is to consolidate our offices in Guatemala and across Central America so we are better positioned to help communities develop exceptional entrepreneurs, and advise the countries we work in about how to create new opportunities and stimulate greater economic growth," says René.

Conscious of all the support he has had over the years, René is keen to mentor newcomers to the profession – "Giving back makes me happy. I want us to work together to create a more balanced society. I want to contribute towards making sure the next generation will be the best in every way. If I can make my mark and contribute towards developing a better Guatemala and indeed, a better Central America, I will be happy. Everything I do I approach with love, hard work and transparency."

Consolidating all that he has gained from and given to, René has created and self-funded a foundation called Fundación Pérez, which is dedicated to creating community programmes for those in need. "Since establishing the firm we have tried to help as many people as possible – when we first started we had eight employees despite only needing five. Now, with time and growth, we have plenty of work for everyone. This is where the idea of creating a foundation came from.

"The principle of the foundation is to support people in distress with our own resources, and in the future we may accept funds from other businesses and organisations. So far, we have equipped a computer centre in Retalhuleu, where there is a home for abused children whose education and wellbeing we also look after. Last Christmas we gave gifts and food to 120 children from another centre for abused young people. We have also kitted out a school with as many desks as they needed and provided 3,000 pairs of shoes for poor people in San Agustín Acasaguastlán, El Progreso.

"There are so many people in desperate need in Guatemala and around the world, but we want to do what we can to help some of them in our own country and throughout Central America," says René.

In recognition of his reputation for outstanding professional service, René was nominated President of the Latin American Institute of Tax Law in 2018. Clearly an expert and dedicated accountant, always looking for new ways to make a difference, it is no wonder that René is so well thought of throughout the UHY network and Central America.

HAPPY FAMILY

Attributing much of his success and concern for his community to his early upbringing, René says, "I grew up on banana farms where my mother worked. I was very happy and I always felt so loved. Those days of walking around without shoes paid off. I never take anything for granted."

"Nowadays I laugh at so many things and am thankful for the good and the bad. Being grateful for what I enjoy makes me happy. Happiness is part of my DNA – I am happy being with my wife at home or when I am at work or socialising with people I love. Even when things are difficult I seem to manage to switch to being happy quite quickly," he says.

Married for 41 years and with four children and 11 grandchildren between the ages of 27 and seven months old, René considers himself a lucky man. "My incredible mother would say that my mission is accomplished but I am still keen to reach out and build our business both for UHY and for enabling local communities to flourish."

Thinking back to his childhood René believes that playing soccer from infancy taught him some important lessons – "I learned that to be a winner you have to have discipline, a sense of teamwork, positive leadership skills and a good understanding of what it takes to be a champion. I only stopped playing soccer when I turned 60 and I loved and benefited from every minute of it.

René has been a keen footballer since he was a child

"I am proud to be a part of UHY and to be bringing new business into the network. I am also incredibly proud to be a Guatemalan. A businessman called Carlos Paiz said that if you can dream it you can achieve it. I could not have put it better myself and I am living proof of this." ■

To find out more about UHY Perez & Co visit **www.uhy-perez.com**

> "Everything I do I approach with love, hard work and transparency."

INNOVATIVE AFRICA

HAS TECHNOLOGY COME OF AGE?

African technology hubs are buzzing with startup activity, but a buoyant sector still has hurdles to overcome

In April this year, online retail marketplace Jumia became the first African technology startup to list on the New York Stock Exchange. The business – dubbed the African Amazon – boasts around 81,000 active sellers and operates in 14 African countries.

The historic listing caps a momentous couple of years for African technology companies. Tech startups broke funding records in 2018, securing USD 334.5 million in investment. More startups in more countries received more funding than ever before.

Tom Jackson, co-founder of Disrupt Africa, the company that compiles the figures, said: "Investment levels are not the only way of gauging the health of local ecosystems, but they are a valuable way of following the sector's progress and demonstrate that, increasingly, if you have an innovative tech solution to a problem, with a strong business model, there are pathways to funding should you require it to scale."

NIGERIA LEADS THE WAY

The overall figures remain modest compared to comparable statistics for Europe or North America, but they reveal a concentration of successful startups in a handful of countries. Nigeria has emerged as the most attractive hub for startup funding in Africa, with 58 startups raising a total of USD 95 million in investment in 2018. It is no coincidence that Jumia, along with a number of other major African technology companies, is headquartered in Nigeria.

Lawrence Etukakpan, head of business development at Nigerian member firm UHY Maaji, says the sector is an increasingly significant contributor to Nigerian prosperity.

> Technology companies are very important to the development of the Nigerian economy.

"Technology companies are very important to the development of the Nigerian economy," he says. "More technology hubs are being established in the country, giving hope for a knowledge economy and improved job opportunities. Technology innovation is seen as one way out of poverty. Today, technology contributes 11.81% to the GDP of the Nigerian economy," Lawrence says.

The success of the sector meant that Nigeria was able to overtake South Africa as the top destination for tech startup investment in 2018, with Kenya making up a strong top three. But 'Disrupt Africa' notes that new tech startups are emerging across the continent, with Egypt an especially strong contender. Uganda, too, is enjoying a spike in startup activity. Last year the country became the beneficiary of International Trade Centre funds aimed at strengthening the competitiveness of micro, small and medium-sized enterprises in the country's information and communications technology (ICT) sector.

"Tech hubs in Uganda have been growing in number for the past seven years, since the first tech hub, Hive Colab, was set up," says Sameer Thakkar, CEO at UHY Thakkar & Associates in the country's capital, Kampala. "A year later, another hub, WITU, focusing on empowering women entrepreneurs and technologists, also opened."

That picture is not replicated everywhere in Africa's large and diverse continent. Some nations have no real technology sector to speak of; others have technology sectors that show less promise. Makafui Azasu, a senior associate at Ghanaian member firm UHY Godwinson CA, believes technology companies could play a significant part in helping to revolutionise the national economy of Ghana, but a lack of basic infrastructure is stunting their development.

"Tech companies are important to the economy of Ghana, but current government policies do not create enough room for their relevance to be seen and they are not fully supported. That is not likely to change in the coming decade, as far as I can see," he says.

xxxxxxxx

A GROWING INCUBATOR NETWORK

Ghana's tech sector may be limited, but it is sustainable. Makafui believes that dedicated technology hubs and incubators are supporting technology startups in Ghana, by offering 'technical support in terms of infrastructure, physical space and also networks with tech hubs outside Ghana to help offer ideas and guidance'.

He is not alone in the belief that technology hubs are driving the digital economy in many parts of Africa. In Nigeria, Lawrence identifies 55 established private technology hubs, and more are planned. In addition, the government has acknowledged the importance of the tech sector to Nigeria's economy by creating its own network of state-owned startup incubators. Together, these conducive, specialised spaces are nurturing Nigeria's digital economy.

"These innovation centres continue to provide young startups with high speed internet access and free training," says Lawrence. "They have made it much easier for self-starters to access best practice, legal and regulatory information, marketing and investment networks. They also provide mentoring opportunities."

Similarly, Ugandan technology companies are benefiting from a growing network of tech hubs and innovation centres, currently around 20 in number. Like Lawrence, Sameer says they provide a range of benefits, from cost-effective office space and networking opportunities, to access to angel investors, venture capitalists and potential mentors. "These are places where like-minded startups, technologists and investors are able to informally socialise and support each other with ideas, relationships and advice," he adds.

On the island of Mauritius, Dominique Samouilhan, partner at UHY member firm UHY & Co, says that, while there may be no official tech hubs, technology companies are finding ways of coming together – particularly in information and communications technology (ICT).

Some business people have set up co-working centres to attract young entrepreneurs wanting to incorporate their own startups in the ICT sector.

"These co-working centres stimulate interaction between startups, with the aim of building future relationships and sparking new ideas. Some bigger enterprises have also created angel funds to assist ICT startups financially."

A GATEWAY TO AFRICA

Mauritius is an interesting test of Africa's ambitions in the tech sector. The Indian Ocean island nation lies 2,000km off the continent's south-east coast, but its relative isolation has not stopped the Mauritian government from announcing ambitious plans to support and grow the technology sector. "ICT has become more and more important to the Mauritian economy and it is one of the objectives of the government to make ICT a major pillar of the economy in years to come," says Dominique.

That support includes a 'Digital Mauritius 2030' strategy and a specific focus on digital government and artificial intelligence (AI). Today, the ICT sector contributes around 5.6% of Mauritian GDP. The government wants to increase that contribution to around 10% by 2030, and sustain 50,000 jobs (out of a total population of 1.2 million).

Mauritius has advantages in this regard. Most importantly, it is seen as a safe place for foreign investment, ranking highly on measures of economic competitiveness, good governance and economic freedom. That has had knock-on benefits for the country's technology sector.

A number of major international players – Accenture, Ceridian, AXA Assistance, Huawei and Orange Business Services, among others – are already using Mauritius as an ICT centre.

"It is anticipated that more international players will choose the country as a platform for their penetration into Africa," says Dominique.

The presence of international players provides knowledge, infrastructure and potential partnerships, and inspires local entrepreneurs. To some extent, that is happening across Africa. In April Google announced the opening of its first AI centre in Africa, in the Ghanaian capital, Accra. From this base, Google aims to partner with universities and policy-makers and help drive the development of AI across the continent.

CHALLENGES REMAIN

The tech sector clearly has a significant role to play in the economies of many African countries, and that role is certain to grow. But as the sector matures, scaling presents new challenges. In Ghana, Makafui says sector growth is likely to be stunted by inconsistent broadband coverage coupled with an erratic power supply.

Ghana is far from alone. Infrastructure problems limit potential in many African nations. "In Nigeria, too, the cost of doing business is higher because of a lack of basic infrastructure such as power, good roads and dedicated broadband service providers," says Lawrence.

> "Infrastructure problems limit potential in many African nations."

Sameer identifies an issue with outdated, unsupported technology. Ugandan technology firms are often reliant on equipment that is approaching obsolescence. "With last July's end of support for Windows Server 2003, for example, organisations that had not migrated away from the platform by the deadline were exposed to security threats and regulatory mandates that were no longer addressed with patches and updates," he says.

The other threat to sector growth in many countries is a dearth of qualified talent. As Dominique says: "The main issue is probably the mismatch between degree holders and the labour market. There is a real need for software engineers, web developers and so on. The educational training content and patterns must be reassessed."

In Nigeria, Lawrence says the cost of training and obtaining relevant qualifications can prove a barrier to startups looking to scale. Meanwhile, Sameer sums up the situation in Uganda: "To say IT talent is in demand would be the understatement of the decade. Even if you land a gem, competing salaries from other companies in desperate need is a constant worry."

While UHY member firms may not be able to do much about the IT skills gap or erratic broadband, as Dominique explains, they are often asked to do far more for inexperienced tech startups than accounts and tax compliance alone.

"We accompany them along their way towards growth," he says. "We assist them in raising finance with banks and investors. We use our network to introduce these entrepreneurs to potential venture capitalists, business incubators and investors. Moreover, we help them with the preparation of their business plan and feasibility reports, which then enable them to get facilities with banks."

These fragile young businesses need all the help they can get. The technology startup sector is increasingly important to the economies of many African nations, buoyed by a growing network of hubs and incubators and record levels of investment. But it will take updated infrastructure, improved technical training and excellent professional services to ensure the sector's obvious promise is fulfilled. ■

For more information about UHY's capabilities in African countries, email the executive office, **info@uhy.com**, or visit **www.uhy.com**

NEW CHIEF FOR WORLD BANK

Former US government official and economist David Malpass becomes the 13th president of the World Bank

Malpass took over from interim president Kristalina Georgieva in April 2019 and is expected to serve a five-year term. Georgieva stepped in following the resignation of Jim Yong Kim in January 2019.

Having served in the Treasury and State Department of the United States (US) government under the Reagan and George Bush administrations, Malpass was a chief economist at New York-based global investment bank Bear Stearns, before founding his own macroeconomic research company, Encima Global, in 2008. Senior economic adviser to Donald Trump during his 2016 election campaign, he was Under Secretary of the Treasury for International Affairs for the Trump administration prior to his appointment to the World Bank presidency. He has served on various boards, including the Council of the Americas and he National Committee on US-China Relations.

Malpass says that he is committed to uphold the World Bank's commitment to reducing poverty in the poorest countries and fighting climate change. He has urged World Bank staff to work towards achieving 'broad-based growth for every borrower, and a stronger, more stable global economy for all'.

GDPR ONE YEAR ON

In its first review, the European Data protection board (EDPB) has identified over 206,000 cases in the first nine months of the application of the General Data Protection Regulation (GDPR).

Implemented in May 2018, GDPR is designed to provide greater control over their private data. It affects all businesses and organisations that hold and process the personal data of EU citizens, regardless of their location, with fines for non-compliance.

Of the cases identified in the EDPB report, around 65,000 were data breaches reported by data controllers, and around 95,000 were the results of complaints relating to activities including telemarking, promotional emails and video surveillance.

Administrative fines have been issued in 11 countries. These include a social network operator in Germany, who failed to secure user data, and a firm in Poland for scraping public data on individuals and reusing it commercially. By far the largest fine to date was issued by the French data watchdog, when it fined Google EUR 50 million (over USD 56.2 million) for failure to adequately inform users about its data consent policies.

The Netherlands was the first EU country to release its own GDPR fining policy in March 2019.

For further information and guidance, see the EDPB website: **edpb.europa.eu**

100 YEARS OF THE ICC

Founded in the aftermath of the first world war, the International Chamber of Commerce (ICC) celebrates its centenary in 2019.

The group of industrialists, financiers and traders who came together in 1919 to create the ICC did so with international cooperation in mind, describing themselves as 'merchants of peace'. They are credited with laying the foundations for global rules around trade, investment and finance which, until that time, did not exist.

Throughout its 100-year history, the ICC has been an advocate for global trade relations. In 1927, the Chamber reported to the League of Nations on lowering tariff barriers. It was the only private sector organisation granted accreditation at the 1945 Conference on International Organisation in San Francisco, US, which resulted in the creation of the Charter of the United Nations (UN). The ICC has continued to work with the UN since this time, serving as the voice of business in several UN specialised agencies including the Commission on International Trade Law, whose remit is based around removing legal obstacles for international trade. The Chamber was granted UN observer status in 2016.

The ICC is also responsible for establishing the World Chambers Federation in 1950, which today unites around 12,000 chambers of commerce around the world.

A series of ICC centenary events are running globally throughout 2019 and into 2020. For more information, visit **https://100.iccwbo.org/**.

SUCCESS AND SUCCESSION

FAMILY-OWNED BUSINESSES PLAY A FUNDAMENTAL ROLE IN THE GLOBAL ECONOMY – BUT THERE ARE CHALLENGES TO ENSURING THAT THEIR SUCCESS CONTINUES FROM GENERATION TO GENERATION

The list of the top 750 family businesses globally released by Family Capital in 2019 has many familiar names with a long history of family ownership: US company Walmart, founded in 1945, ranks number one, with brands including Volkswagen (est. 1938), the Ford Motor Company (est. 1903), BMW (est. 1916) and Tata Sons Ltd (est. 1868) all ranking among the top ten.

According to family enterprise and wealth expert John Davis of MIT Sloan School of Management, many of the largest companies in any economy are family-owned. Not only that, but family companies tend to perform better and survive longer than those that are not family-owned. Whether large or small, they are 'an ecosystem that underpins the economy,' he says – one that is 'set to grow even more important and influential in the years ahead'.

Around the world, family-owned businesses are not just important but fundamental economically. They make up over 85% of all companies in Spain, and 90% in Germany, driving both GDP and job growth. They generate over half of GDP in the UK, and in the United States (US) they employ 60% of the nation's workforce and create 78% of all new jobs. In Japan, family-owned small and medium-sized enterprises (SMEs) account for up to 99% of all companies and employ up to 70% of the workforce.

> *Family companies tend to perform better and survive longer.*

But neither continued family ownership (or majority ownership) nor long-term survival is guaranteed. Among the many issues faced by family-owned businesses, succession planning is one of the most challenging.

The economic impact of family owned business is significant in terms of both their success and failure. But it seems that succession planning – perhaps key to long-term success – is not always high on the agenda.

"A decrease in the population overall and an increase in people living to older ages, means we are seeing a growing number of SME owners who are 70 years or older," says Morito Saito, director and COO at UHY Fas, Tokyo, Japan. Business succession has been identified as an urgent issue in Japan, so much so that in 2017 the government's agency for SMEs announced a five-year plan to help tackle issues around business succession.

Morito continues: "Approximately one third of all Japanese companies do not have a succession plan in place, and many companies go out of business because they cannot find suitable successors. Despite being home to some of the oldest family-owned businesses in the world, around 6.5 million jobs and JPY 22 trillion (over USD 198 billion) in GDP could be lost by 2025 if this trend continues."

But the challenge is multifaceted, and family dynamics also come into play: "Each family needs to understand that they have a different role in the business – this may be in the management of the business, or they may remain involved as a silent partner," says Morito.

The story is similar elsewhere. The Institute of Family Business in Spain recently described family businesses as 'the backbone of the Spanish economy', but reported that around 68% did not have formal succession plan. Similarly, despite contributing over 60% of GDP, a recent survey of family businesses in the US reported that only 23% had a 'robust, documented business succession plan'.

Marilyn Pendergast, partner at US member firm UHY LLP in Albany, New York, counts a family business owned and managed by the fourth generation among her clients. She sees succession planning as critical for any business venture – but crucial for the survival of family businesses.

"It is a daunting challenge with many elements involved, and each business and each family will have different solutions," says Marilyn.

Sometimes there is a clear candidate for taking over the management of the business; other times there may be multiple family members who believe they should inherit the business but do not necessarily have the skillsets or the work ethic to continue it successfully. Each business and each family will have different solutions.

At UHY LLP, Marilyn and her colleagues have taken a unique approach to the succession question: "One of the things we have done for family businesses is to run a succession planning workshop for all family members – those currently involved in the business, those who are not, and their spouses and partners – to provide a clear picture of what the alternatives may be, and to ensure that there are no unrealistic expectations."

HISTORY AND LEGACY

In Poland, Adam Trawinski, head of the tax and legal department at UHY ECA Group in Warsaw, has a similar experience of the issues around succession: "Succession planning always requires a tailored approach, but it is difficult to lead a family through succession if a succession plan has not been implemented in advance – and, unfortunately, some businesses do not survive."

However, Poland's case with regard to family businesses also raises a rather different set of challenges. "Poland has always been an enterprising nation, but the opportunity to run even a small business during the communist era was limited," says Adam. "Privately-owned businesses only started coming back into the country following the change of political system in the late 1980s."

The number of family-owned businesses grew significantly from the early 1990s onwards, and as their founders reach retirement age they are now facing the issue of succession for the first time. But this is not the only challenge.

"Many of the businesses that were established at this time were small shops and workshops. Over time, and with the opportunities offered by Poland's accession to the European Union, many of these have become larger entities that are now able to compete effectively in local and international markets. But while the owners focused on developing and growing their businesses, they did not always focus on ensuring that the formal side of things – the business structure – changed with it. We are finding now that we often need to combine succession planning with restructuring the business."

> *Each business and each family will have different solutions.*

FAMILY DYNAMICS

Bernard Fay has first-hand experience of working successfully alongside his brother Joseph as co-managing partners and co-chairs of UHY Fay and Co, Spain, for over 35 years. He also sees succession planning as fundamental to the success of a family business, but recognises the challenges of transition from generation to generation.

"The transition from first to second generation requires generosity and understanding on both sides," says Bernard. "The founder must be prepared to cede power and accept that their successor will want to lead the business their own way; while the second generation must understand that the founder still has an important advisory role to play and ensure that they provide them with the economic security that allows them to step back."

Bernard believes that the most risky transition occurs when family businesses are passed on from the second to the third generation – or the 'generation of cousins'. "Around 80% of family-owned companies disappear at this stage, either through sale, merger or simply failure," he says, the reason being that, at this stage, there is a risk of too many people becoming involved.

"The third generation usually needs to implement a policy of dividends," says Bernard. "It is not possible for all family members to earn a living from the business, but as shareholders they need to receive a return. Looking after the wider family is important to avoid conflict."

Andrew Timms, partner at UK member firm UHY Hacker Young in Nottingham, agrees. "One of the big issues to consider is that family businesses do not necessarily need to involve all the family. At some point, each family needs to go its own way and be financially in control of their own destiny. In the best scenarios, once the initial business is created and successful, wealth is also created outside of the businesses through other investments – at that point, it is more likely that, from generation to generation, wealth can be retained across the family. There is a different dynamic between creating the wealth and keeping the wealth."

THE EXPERIENCE OF YOUTH

Of course, the notion of being in control of your own destiny has another impact on success and succession, as Johannes Bitzer, managing partner at Dr. Langenmayr und Partner mbB Wirtschaftsprüfer Rechtsanwälte Steuerberater in Munich, Germany, explains: "Succession planning is often hampered by the fact that it is now much less common for children to follow in their parents' footsteps – they want to follow their own interests and go into other occupations."

> Generational differences and life and work outside of the family business can bring benefits.

This is also seen elsewhere. "Even if they are running well, many family-owned companies in Japan go out of business because there is not a suitable successor," says Morito Saito.

"The next generation does not always share the vision and interests of their forebears, despite a strong tradition of respect for elders and their values."

But generational differences and the experience life and work outside of the family business can also bring benefits.

"Differences between generations in business have always been there – but what is new today is that, in general, the younger generations are much more savvy about technological innovations," says Johannes. "For businesses, this is noticeable not only in IT and communications technology, but also in marketing and sales – the innovative use of new sales channels and marketing strategies is almost always initiated by the younger generation."

"It is an incredibly good thing for the next generation to have worked for someone else, experienced a different environment, got some professional training and come into contact with a variety of external influence before coming into the family business," says Andrew Timms.

Marilyn Pendergast agrees: "I see differences between older and younger generations as a positive factor for family-owned businesses – the important thing is that they are committed to the success of the business and are able to communicate openly and positively."

"Businesses need to constantly adapt and grow in order to survive," she adds. "New ideas are the spark which can keep the business relevant – and old dogs can be taught new tricks."

That a family-owned business will remain under family control from generation to generation is far from a given. The issues around succession are complex and careful planning is essential. UHY member firms have a wealth of experience of working with family-owned businesses, often through successive generations, and understand the issues that can arise with areas such as succession planning. ■

For more information about UHY's private client services capabilities, email the executive office, **info@uhy.com**, or visit **www.uhy.com**

GEARING UP FOR THE FUTURE

Our regular *Cogs and Wheels* page takes a look at what makes a successful international network tick. In this issue we look at the vital role that training plays. New generations of young talent, new technologies and new regulation all demand personal development solutions that are flexible, scalable and relevant.

With intelligent technology poised to shake up the capability mix of most professional services providers, it is now more important than ever for accountancy firms to future-proof themselves from the risk of falling behind. Having the right knowledge and skills to meet client needs is a challenge, and one made more complex by a changing workforce with different aspirations, attitudes and approaches to learning.

INFLUENCE AND SUPPORT

The member firms that comprise the UHY international network are independent businesses, responsible for their own professional qualification and certification. The network's measures on quality control ensure every member firm is fit for purpose and delivers exceptional levels of client service, wherever in the world they are. But the need for overall direction and support in navigating change, and the need for appropriate investment in skills and capabilities for today and tomorrow, means there is a lot that a network can do to facilitate a successful future for its members.

UHY's Membership Training Working Group plans and delivers a comprehensive training resource available to all firms, including webinars on key topics from technical updates to practice management, and a series on effective leadership. The group is led by Board member Alan Farrelly, managing director of UHY Farrelly Dawe White Ltd, Ireland.

"The international focus of our training programme is essential for the consistent delivery of services by UHY member firms," says Alan. "We are striving to achieve a standard whereby clients can move seamlessly through the network as they expand into new markets and territories – I believe this is what they expect, at the very least. Training our member firms and developing an ethos of 'international best practice' is therefore a key priority."

Education has also become a fundamental component of every UHY international meeting. Each event includes workshops and breakout sessions on audit, tax, marketing and business development. Keynote conference speakers are carefully chosen to inspire and inform delegates on current issues, from working with different cultures to the impacts and opportunities of new technology. The meetings also provide crucial networking time for UHY colleagues across the world to meet and share their experience.

THE NEW GENERATION

For UHY member firms, succession planning has always been a vital ingredient. UHY's flagship young leaders event is the UHY Forum, held annually in Grazalema, Spain, and is now in its eighteenth year. The comprehensive business programme mixes personal mentoring with management and commercial skills training and an in-depth senior level understanding of the network's strategic objectives.

Forum founder Bernard Fay, co-managing partner, UHY Fay & Co, Spain, director and former chairman of the UHY Board, says: "Being at the UHY Forum reinforces the sense of belonging to a thriving global organisation with a strong international mindset and culture. Our goal has always been to see UHY's young talent flourish. It is also important to give them a voice, to hear what the younger generation thinks of UHY and what their expectations are."

PEER TO PEER

UHY member firms around the world invest their time and money in getting and keeping the best people for the job. Larger firms have developed comprehensive and innovative management development programmes of their own, and are happy to share their techniques and experience directly with UHY colleagues in other countries. It is an inherent part of UHY's unique 'working together' culture.

Technical and process expertise is frequently shared across borders too. From audit teams learning a new software, to tax teams sharing experience of new regulation, peer-to-peer learning is an effective means to build both expertise and relationships. 'Awayday' visits to other firms in different countries for groups of junior staff, are also an increasingly popular initiative and help to instil the international culture of UHY at every level of the business.

UHY also operates a secondment scheme, which provides a process for UHY member firms to either fill a short-term specialised human resource or skills requirement, or to address the career development of employees for future roles within the employing firm.

For more information about UHY's capabilities, email the executive office, **info@uhy.com**, or visit **www.uhy.com**

WISE WOMEN MEAN BUSINESS

Like many success stories, it started with a conversation. Back in 2013, Sue Hites, business development director, and Susan Orr, audit partner, both at UHY LLP, St Louis, US, held a meeting to discuss ways of developing and advancing the careers of women in the firm.

Those initial ideas grew and eventually coalesced into a movement for women at UHY but one that also spoke to women in the business community at large. "Initiatives for women succeed when there is buy-in from leadership," says Sue. "Our office managing partner agreed there was value in providing workshops to develop the women in our firm."

This movement became known as WISE (Women Invested in Success and Excellence) – a community of women focused on leadership, advancement and career opportunities. "After hosting a few events, UHY Advisors, Inc CEO, Tony Frabotta, heard about us and WISE became formally embedded in the whole of UHY-US," says Sue.

As well as internal initiatives promoting growth and retention and professional development, a third strand of WISE centres on corporate connections – hosting clients, prospects and referral sources. "We found these external events very successful," says Susan.

WISE has hosted several external events through its Corporate Connections committee – formal ones with keynote speakers as well as social networking events. In May 2019 the very first WISE women's conference was held in St. Louis, with the theme Wiser, Better, Bolder. As well as the conference boasting some high-profile guest speakers, Sue, Susan and Heather Lewis (senior marketing associate and co-chair of the WISE corporate connections committee) were determined that its legacy of providing valuable content would be remembered for years to come.

"It was inspiring to see so many amazing women in one room who have made it a priority to invest in themselves to build their network and gain professional knowledge at the same time," says Heather. "Our speakers delivered insights on how to build a brand and learn to stand out. The event wrapped up with a panel of female presidents who learned first-hand how they got to their position and what obstacles they had to overcome. We are thrilled with how well it went and the energy in the room was palpable."

"Executives and business owners have told us there wasn't anything like WISE when they were coming up the ranks and they appreciate what we are providing – so much so that they often bring women from their team to our events."

For the WISE movement and community, this conference is just the beginning: plans for the future include a continued focus on empowering women and providing valuable tools to assist in their development and future successes.

CLOUD TEAM A CLEAR WINNER

The cloud accounting team at UHY Hacker Young in Manchester, UK, are walking on air after being named Young Professional Team of the Year at the Insider North West Young Professionals Awards 2019, sponsored by Insider Media.

Judges praised the team, who beat off other shortlisted teams including Big Four representatives, as innovative and effective with figures showing excellent results.

The awards celebrate individuals and teams under 35 who have made a difference over the past year with their dedication, expertise and dynamic approach.

The Manchester team's head of cloud accounting, Stuart Hurst, says the award is a real endorsement of his team's positive and dynamic approach in promoting cloud services as the future of accounting: "The team work incredibly hard to foster a confident and positive view of cloud accounting as the way forward and clients invest their trust in our advice. I am enormously proud of their professional capability and knowledge – the future is a bright one indeed."

FIGHTING WASTE AND POVERTY

Above: Members of the UHY Hacker Young audit team spent a day volunteering at FareShare. From left Tim Greenlaw, Daniel Watt, Nick Robinson and James Chandler.

UHY Hacker Young in the UK has completed a hugely successful year supporting FareShare – the UK's largest charity fighting hunger and food waste – its national charity partners for 2018/19.

FareShare redistribute surplus food to charities who turn it into meals – last year they processed enough food for 28.6 million meals. The charity redistribute food to frontline charities and community groups including homeless hostels, children's breakfast clubs, lunch clubs for older people, refuges and community cafes.

UHY Hacker Young fundraisers have taken part in sport sweepstakes, bike rides, bake sales, golf days, quizzes, raffles, and many more including several individual staff challenges.

Zoë Paradine, UHY Hacker Young's Marketing & BD Partner and National Executive Director, HY Group Marketing says: "FareShare is the UK's biggest charity fighting hunger and food waste, and at UHY Hacker Young we are proud to support this wonderful cause. There are many hungry mouths to feed in the UK and FareShare is there to meet that need, with the additional benefit of cutting food waste at the same time. Every GBP 1 that is raised helps to provide four meals to vulnerable people across the UK, and through the efforts of fundraisers in our teams across the UK we are thrilled to have smashed our target and raised over GBP 10,000 (USD 13,000) – and the cash is still coming in. That's thousands of meals provided and a lot of waste reduced."

UHY Hacker Young has announced its new charity partners for 2019/20 as Children with Cancer UK."

LET US HELP YOU ACHIEVE FURTHER BUSINESS SUCCESS

To find out how UHY can assist your business, contact any of our member firms. You can visit us online at **www.uhy.com** to find contact details for all of our offices, or email us at **info@uhy.com** for further information.

Design: Flex with UHY International. Editorial: Flex with UHY International. Photography supplied by UHY member firms, their clients and from stock.