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Italy – an enticing business destination

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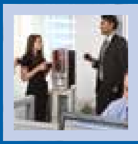

Italy – an enticing business destination

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Italy is home to some of the world's most famous brands: Ferrari, Armani and Barilla to name just three. But Italy is more than big brands: small and medium enterprises thrive here. Anyone looking to set up business in Europe should definitely look at Italy.

Economic landscape

Italy is the world's ninth-largest economy, relying mainly on services and manufacturing. The service sector makes up nearly 70% of total GDP with the largest contributors being the wholesale, retail and transport sectors. Industry accounts for around 25% of GDP with the biggest contributor being manufacturing. The remaining share of GDP comes from agriculture.

Italy experienced a welcome increase in trade volumes when it joined the euro zone. In 2014 Italy ranked eighth in the global exporters list and eleventh for imports; this is despite growing competition. Italy's main exports are mechanised machinery and equipment making up 24%, motor vehicles 7.2% and clothing and footwear with 11%.

Italy's main trading partners sit inside the euro zone, with Germany accounting for around 12.6% of exports and France 11%. Germany and France are also the two largest sources of Italian imports with 12.4% and 10.8% respectively.

Since 2008 Italy has been working to recover from the financial crisis and its economic policies and reforms reflect this. By 2020 these reforms are expected to contribute €3.4 billion a year to the economy.

Regulatory reforms

Despite the difficulties Italy has experienced since the onset of the financial crisis, it remains one of the world's most important economies and business-friendly countries.

Among the reforms the government has introduced, the Job Act is possibly the most important. It provides a comprehensive package of reforms that includes:

- relaxed employment protection legislation that links the level of protection with the length of tenure
- simplified regulation of certain contractual and employment relationships to meet the needs of employers, with more flexible regulation of employers' duties
- a new unemployment benefit scheme with stricter qualification requirements
- renewed active labour market policy with more effective employment incentives and improved employment services, designed to help the matching of the demand and supply of labour
- a revised wage supplement scheme for redundant workers; and
- a new single inspection agency that coordinates activity and avoids multiple controls in the same plant.

The 2015 Stability Law includes further provisions that provide a three-year cut in employers' social contributions and which remove the cost of the local tax charge for newly hired permanent workers.

Incentives for foreign investors

The Italian government recently introduced several tax changes that help foreign companies, in particular a research and development tax credit and a new patent box regime. There are also incentives to invest in manufacturing, and research and development, notably the Development Contract.

A Development Contract is an agreement between the Ministry of Economic Development, Invitalia – the agency in charge of incentives, and one or more companies investing in:

- manufacturing
- food processing and commercialisation of agricultural products
- tourism
- environmental protection, energy efficiency, and cogeneration projects

Incentives are available to companies looking to: set up a new, or expand an existing, manufacturing plant; diversify existing production by developing new products; or change the production process of an existing production unit.

The planned investment must exceed €20 million (€7.5 million for food processing). Companies may also ask for subsidies to help finance research and development activities that relate to the main development project. These incentives depend on the size of the company and the precise location of the project. For example, investments in the southern regions of Campania, Apulia, Basilicata, Calabria, and Sicily attract subsides of up to 45%, 35% and 25% of the total investment for small, medium and large enterprises respectively. There are subsidies of up to 10% available in some northern regions.

The 2015 budget legislation also introduced a patent box regime. This regime is available to businesses that:

- carry out business activities and produce income in Italy
- carry out research and development activity either directly or through research agreements with universities or other research establishments
- license, use, provide services using, or sell eligible assets in manufacturing.

The new regime is optional but once chosen it is final and effective for the next five fiscal periods, and it is renewable.

Italy for small and medium enterprises

The business system in Italy is very much one of a network of small and medium enterprises, many of them family run. This is particularly true for Bologna (capital of the Emilia Romagna region) and its surrounding area.

Bologna sits in a strategically important position in the heart of Italy, with a population of around 500,000. Alongside its cultural traditions, Bologna is one of the most important business cities in northern Italy and a crossroads for both goods and people.

Bologna's business composition consists of many small and medium enterprises with these characteristics:

- a capacity for networking, both in the industrial districts and supply chains
- an attachment to the local community, using local labour, contractors, services, and infrastructure
- an effective and widespread international focus
- managed by the owners.

This has turned Bologna into one of the most significant areas in Italy in terms of manufacturing companies – in 2014 the area exported more than €12 billion of goods, nearly twice as much as it imported.

Some industrial districts in Bologna boast world-leading companies in areas such as: manufacturing, the motor industry, electronics, fashion, and food. Add to these the emerging health and medicine, and culture and entertainment industries and the success is set to continue.

But Bologna does not buck the trend; it reflects the trend in Italy. This makes Italy an attractive proposition for enterprises looking to invest. As always though, be sure to seek local legal and taxation advice.

Buy-sell agreement – put it on your to-do list

Of all the business protections that companies routinely have in place, the one that seems to get the least attention is the buy-sell agreement. Business advisers observe that existing buy-sell agreements often go stale more quickly than most business owners imagine, especially when it comes to determining the value of their individual stake in their own business.

We often find businesses either don't have a buy-sell agreement, or where they do they haven't reviewed or updated it for some time. In this article we look at buy-sell agreements and why it is a good idea to have one.

Reviewing the basics

Buy-sell agreements generally apply to closely-held businesses. A buy-sell agreement (BSA) is a written agreement between the owners of a business that spells out what happens to each owner's share of the business in the event of another owner's death, incapacitation or some other unanticipated exit from the business. The BSA is an appropriate layer of protection for anyone who owns a business with other partners (family-related or not).

The best time to draw up a BSA is when all owners are healthy, on good terms and not contemplating leaving the business. In this way, everyone is in the same boat and will benefit equally from having a BSA in place.

There is no one-size-fits-all formula for a BSA. And there is no need to be overly predictive about the triggering events that might cause the BSA to kick in. You can't possibly foresee every scenario or account for every variable. Otherwise you may never get to the desired outcome of a reasonably complete BSA that is signed by all parties. So don't let a lack of specifics around triggering events hold you back from putting a BSA in place.

Valuing your business

Because your BSA will spell out how the departing owner's share will be bought and sold, it is important that your BSA specifies how you will value the business. There are several ways of valuing a business but they will mostly fall under the headings of *fair market value* or *fair value*.

Fair market value is designed to reflect the value of a business where a willing buyer and willing seller exist, with neither party being under any compulsion to buy or sell. Fair value reflects the value of a business where there is a forced sale.

The fine detail of each method and the names used to describe them may vary depending on jurisdiction.

Knowing which method to use

So which is the fairest method of valuation? It depends.

Fair market value may give an advantage to the buyer who is able to buy at a discount but leaves the seller (or the seller's beneficiaries) at a disadvantage. On the other hand, using fair value can mean the buyer is forced into buying at a premium when it doesn't suit; for example, the buyer already owns a controlling interest.

The most appropriate method of valuing your business will depend on its structure and circumstances. You may find you need a solution that sits somewhere between the two standard methods of valuation.

Professional advice – there's no alternative

Who can you turn to for help in drafting or updating a BSA? Since it is primarily a legal document, a lawyer well-acquainted with BSAs is an excellent starting point. But the ultimate litmus test for whether the agreement adequately protects your stake in the company will be to share an early draft with a certified valuation expert, and asking one simple question: if a triggering event were to occur, would you know what to do?

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BEPS – it only affects the multinationals, right?

Not if your business operates under a 'Patent Box' regime. Or if it benefits from interest deductions, utilises 'hybrid mismatch' arrangements, or if its operations involve transfer pricing. And not if you employ internationally mobile employees. Many of these issues will be addressed in future articles. More immediately, there are certain steps that multinational companies – and, more directly, their local offices – need to be putting in place now.

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Clare Munro is the senior tax partner with Russell Bedford's London firm, Lubbock Fine. Her focus is on looking for ways to improve clients' tax affairs to make for more tax efficient operations. She also has a background in international cross border transactions.

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The tax-planning strategies of Amazon, Google, Starbucks and others have been met with outrage from the press and general public, and also from SMEs finding themselves with a higher effective (and, in some instances, net) tax burden than the multinationals. The OECD's Base Erosion and Profit Shifting (BEPS) Action Plan, launched in July 2013, is a direct response to this, intended to stop multinationals exploiting differential tax regimes by 'shifting' profits to lower-tax jurisdictions regardless of where their operations are genuinely based.

The OECD's final BEPS proposals were published at the G20 meeting of finance ministers in October 2015. The various BEPS initiatives must be adopted by individual nation states, and many have already started to introduce legislation to address these – the UK's Diverted Profits Tax being a case in point.

Specifically, to the extent that the changes relate to the OECD's Model Tax Convention and Transfer Pricing Guidelines, their implementation is assured and should follow swiftly. The speed with which they are then implemented into existing bilateral tax treaties will be linked with the success of the OECD's proposed 'multilateral instrument', which the OECD has reported can be applied without any obvious technical barriers (though practical issues may be of more concern).

The proposed OECD rule changes that involve amendments being made by individual territories to domestic tax rules are likely to be widely but not universally adopted, though consistency and timing is uncertain.

So, what does BEPS mean in practice, who is it likely to affect, and what should your business be doing now?

Country-by-country reporting – what it means, and why it matters for local entities as much as their parents

Most attention on the BEPS reforms has focussed on transfer pricing, specifically new disclosure requirements announced under the OECD's Country-by-Country Reporting Implementation Package in June 2015. The OECD's intention is that tax authorities will now be able to integrate country-by-country (CbC) reporting into their regulatory frameworks, ensuring the swift introduction of new transfer pricing reporting standards to ensure greater transparency on multinational enterprises' (MNEs) structuring of their operations. This will involve a three-tier global standard for reporting of transfer pricing information:

- a CbC reporting template, giving a financial snap-shot of a company's global operations;
- a 'master file', giving an overview of a company's global transfer pricing policies, global business operations including intangibles; and
- a 'local' file, providing detailed information on any inter-company transactions entered into.

Now it is certainly the case that CbC reporting is only going to impact MNEs with annual consolidated group revenue equal to or exceeding EUR 750 million per year. For these companies it will introduce a new and onerous compliance burden, with the 'reporting entity' (the parent company) now required to disclose key information for each country in which it operates – including revenues, profit before tax, current-year tax accruals, stated capital, accumulated earnings, the number of full-time employees and net book value tangible assets.

But disclosure requirements under the 'local file' are going to have a very direct impact on subsidiaries and local entities – in many jurisdictions going much further than is currently the case. Local companies will now be required to provide information on local entity management and organisational structure, intra-group payments and receipts (in respect of products, services, royalties, interest, etc.), information on financial data used to calculate 'arm's length' amounts, and details of any advance pricing agreements (APAs) or other tax rulings pertaining to local entities.

Managing a group subsidiary or local (constituent) entity? Here's what you need to know

OECD recommendations indicate that first filings under the new country-by-country reporting requirements are likely to be required for financial years starting on or after 1 January 2016, meaning that a company with a year-end of 31 December 2016 will need to file a CbC report by no later than 31 December 2017. While this impacts, predominantly, the head offices of MNEs with annual consolidated group revenue in excess of EUR 750 million, constituent entities, too, are likely to face additional concerns. Information submitted by multinational head offices will now be available for sharing across all jurisdictions cited in the master file. In other words, information submitted by a head office in London will be accessible to tax authorities in Paris and Frankfurt. What happens if the UK tax authorities have access to information supplied by a head office in London that has not been seen by its local entity in Paris? As global tax managers come under ever greater pressure, there will inevitably be a trickle-down effect in ensuring all constituent entities are fully aware of (and in line with) information submitted by their head offices.

Data collection – are you ready?

A report mid-2015 suggested only 54% of MNEs were taking steps to prepare for CbC reporting. What actions should you be taking to ensure you are ready for CbC compliance requirements?

Parent companies should undertake a 'CbC Audit'. Local entities need to know what information their parents are likely to require, how it will be submitted, and what they need to do to be fully consistent with this. How far do local entities' reporting strategies meet the requirements of the 'local file'? How far are these consistent, group-wide? Have you considered a 'dummy-run' exercise to flag any inconsistencies in local reporting systems? Start thinking about your group's transfer pricing policies, particularly regarding the treatment (and allocation) of intangible assets. What restructuring might you need to undertake?

BEPS certainly isn't going to go away. The compliance burden on local entities is going to get more demanding, not less. The next 12 months could prove invaluable in ironing out potential inconsistencies before the first submissions are due next year.

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Turbulence is the new normal

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Faye Chua is head of future research at ACCA (Association of Chartered Certified Accountants) and leads its global research and insights programme that focuses on the future directions of business and the accountancy profession across a range of subjects. She has over 10 years of experience in research across different sectors of the economy and has worked in North America, Asia-Pacific and Europe. She is the staff expert on ACCA's Accountancy Futures Academy.

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Dramatic changes are sweeping the global economy as businesses, governments, and the public sector struggle to adapt to a state of near-constant flux. Against this backdrop, the Association of Chartered Certified Accountants (ACCA) has been looking at what the future could look like, and how the accountancy profession can influence that future, and best support businesses.

To help make sense of what is going on, and to prepare for the challenges ahead, ACCA's Accountancy Futures Academy has carried out a research study on drivers for the future. Its report, 100 Drivers of change for the global accountancy profession, draws on the insights of the members of the academy, and ACCA's other global forums and experts.

Forces shaping the business environment

Analysis of the drivers in the report suggests that the next decade will be one of critical forces affecting business.

Global economy
Globalisation continues against a backdrop of persistent economic turbulence and uncertainty and growing pressure to rethink the entire global economic and financial governance infrastructure.

Business environment
Growing business and regulatory complexity is growing at the same time as global competition intensifies and business cycles shorten.

Innovation and change
Rapid advances in technology are driving disruptive innovation, overhauling industry structures, challenging and reinventing business models and spawning new sectors.

Society and work
Shifting social values and work expectations, an increasing global population and an ageing society working far beyond current retirement age are creating challenges for how business manages and maximises its use of technology to cope with the demands of a diverse multigenerational, multicultural and multinational workforce.

Learning and development
The structure, techniques, distribution channels and costs of providing education and training are being transformed, with a growing trend towards online courses and accelerated learning.

How the accountancy profession will need to change

As business changes to react to the forces thrust upon it, the accountancy profession will need to adapt the way it supports business.

Trust and reporting
Pressures are increasing on the accounting profession to strengthen its public image and go beyond current financial reporting practices. The profession will need support businesses by providing a more transparent, simplified but holistic picture of a firm's health and prospects.

Regulatory expectations
An increasingly globalised business environment will create a drive to globalise accounting standards and practices. The profession will need to manage any increasing regulatory burden and compliance costs.

Intelligent systems and big data
There is potential to use intelligent systems, data mining and predictive analytics to exploit the repositories of 'big data' that firms are amassing. This could transform both the operational and interpretive elements of accountancy.

Organisational remit
There are increasing expectations that chief financial officers and accounting functions should play a greater role in everything from strategic decision making to the design of new revenue models.

Weathering the storm

As well as identifying the 100 drivers of change, the research sets out the must-dos for businesses and the accountancy profession to deal with the volatility and shocks while reaping the benefits of existing opportunities.

Imperatives for business

- **Plan for volatility**
  With uncertainty the new normal, businesses have to factor in turbulence as a very real possibility and develop strategies for different scenarios.

- **Build the radar**
  Preparing for a wide range of possibilities, while developing an ability to tolerate uncertainty, embrace curiosity, and anticipate what's coming around the corner will be critical development priorities.

- **Pursue technology leadership**
  The pace and disruptive potential of technology development has placed it at the heart of strategy and operations of businesses of all sizes. New mind-sets around managing technology will be necessary to exploit it and extract full value.

- **Prepare for true globalisation**
  Developing a global operating model is a priority requiring an emphasis on making the most of technology. Equally important is developing the capability of management to work with, and get the best out of, a multi-located, multicultural and age-diverse workforce.

- **Be curious**
  A critical success factor in a fast-changing environment is building a curious culture. This means nurturing an environment that is open to external ideas and encourages participants to forge strong working relationships across the entire business environment.

Imperatives for the accountancy profession

- **Embrace a bigger role**
  As businesses adapt to a turbulent environment, opportunities will emerge for accountants to expand their remit. Accountants can help businesses across all aspects of corporate decision making, from formulating strategy to defining new business models.

- **Establish ethical leadership**
  The profession must address public concerns. There is a perception that the profession could do more to highlight and prevent everything from small-scale financial irregularities to the major systemic failures that helped cause the global financial crisis.

- **Take a holistic view**
  There is growing desire for reporting to provide a business-wide view of organisational risk, performance and prospects. This holistic perspective must acknowledge the complexity of modern business, and encompass financial and non-financial indicators of a business's status and potential.

- **Develop a global orientation**
  The pace of global expansion of businesses is placing the spotlight on accountancy's ability to master the technical, language and cultural challenges of cross-border operations.

- **Reinvent the talent pool**
  The diverse range of demands and impacts on the profession is forcing a rethink of everything from training and development to recruitment. Entrepreneurial spirit, curiosity, creativity and strategic thinking skills could assume far more significance when choosing tomorrow's accountants.

Ten years from now

There are significant uncertainties about how these driving forces will play out. However, one thing is certain: the opportunity exists for accountants to support business by playing a more strategic part. This means providing the highest standards of integrity while adopting a broader leadership role.

The next decade will be one of critical forces affecting business.

Doing Business 2016: Measuring regulatory quality and efficiency

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

For copies of the national, regional and global Doing Business reports, visit:

www.russellbedford.com/doing-business

Entrepreneurs juggle so many tasks to keep their operations running that additional regulatory hurdles and red tape can get in the way of their ability to grow their business and, in turn, contribute to economic growth.

The World Bank Group's *Doing Business* report measures the ease of *doing business* for small and medium enterprises in 189 economies, with the goal of promoting more efficient regulations for domestic entrepreneurs. The *Doing Business* indicators, thus, broadly measure the complexity and cost of regulatory processes as well as the strength of legal institutions, spanning the life-cycle of a business, from start-up to closing. The 10 areas measured are — Starting a Business; Dealing with Construction Permits; Getting Electricity; Registering Property; Getting Credit; Protecting Minority Investors; Paying Taxes; Trading Across Borders; Enforcing Contracts; and Resolving Insolvency — to develop an overall ease of doing business ranking. Data is also collected on the regulation of labour markets but this is not part of the overall ease of *Doing Business* ranking.

An overall trend from the past 12 years of *Doing Business* research shows convergence towards best practices, as lower-income economies have improved more in the areas measured by *Doing Business* than high-income economies (which started with relatively stronger regulatory frameworks). This historical trend

is reflected in the findings from the latest report, *Doing Business* 2016: Measuring *Regulatory Quality and Efficiency*, which finds that over 60% of the world's economies improved their business regulations during the past year. Nearly three-quarters of the 231 reforms recorded over the past year were implemented in developing economies.

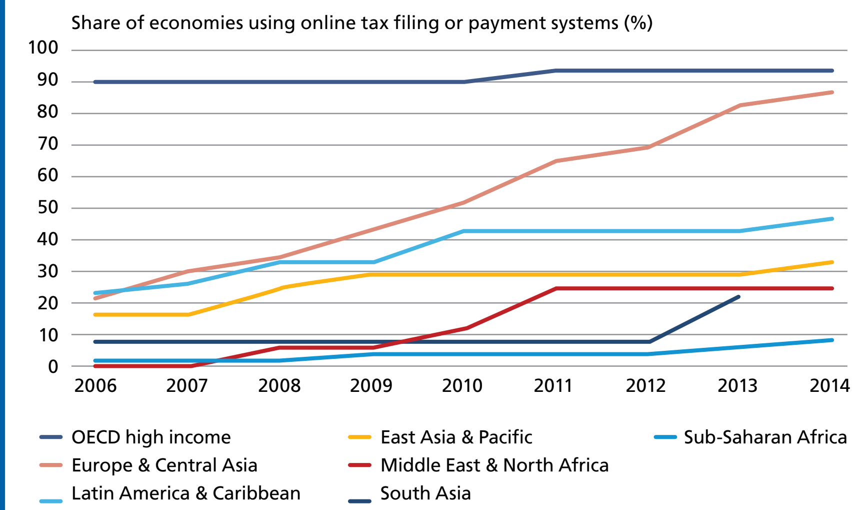
The largest number of these reforms were effected in the area of Starting a Business, which looks at all the procedures required to obtain a permit for starting a business as well as the time and cost involved in completing these procedures. Thirty-three out of the 45 economies that effected improvements in the area of Starting a Business were developing economies. India, for example, made significant improvements by eliminating the minimum capital requirement and a business operations certificate, saving entrepreneurs an unnecessary procedure and five days' wait time. Kenya also made business incorporation easier by simplifying pre-registration procedures, reducing the time to incorporate by four days. *Doing Business* data for the past 12 years shows that in 2003, it took an average of 51 days worldwide to start a new business. By 2015, this had been more than halved to 20 days.

Economies around the world are also showing improvements in the area of Paying Taxes, which records the taxes and mandatory contributions that a medium-size company must pay in a given year as well as the administrative burden of paying taxes and contributions. In the past 11 years, almost 80% of the economies monitored by *Doing Business* made significant changes to improve their tax regimes. The *Doing Business* 2016 report records that Vietnam reduced the frequency of VAT filings for companies with an annual turnover of VND 50 billion or less from monthly to quarterly. Also, The Gambia improved its bookkeeping system for VAT accounts to better track the input and output records required for filing VAT returns.

Both high-income and low-income economies offer online regulatory solutions for entrepreneurs. For Starting a Business, electronic registration is possible in more than 80% of high-income economies and in about 30% of low-income ones. In the past year, 11 economies enacted reforms to encourage electronic business regulation. For Paying Taxes, more than 40% of economies allow businesses to file taxes online and the majority of businesses use the online systems. In the past year, 18 economies established or improved online tax payment systems, which makes it the most common type of business reform for Paying Taxes.
Doing Business 2016 caps a two-year effort to significantly expand the benchmarks used to measure the efficiency of business regulation, such as the time and cost of complying with government regulations, to now include more measurements of the quality of regulation. This better reflects the reality of business operations on the ground. Analysis shows that efficiency and quality go hand in hand: economies that have efficient regulatory processes as measured by *Doing Business* also tend to have good regulatory quality. Economies of Europe and Central Asia have performed well on the new quality benchmarks, while those in the Middle East and North Africa region have performed less well.

Doing Business has become one of the world's most influential policy publications, in part because it offers the unique ability to analyse thousands of data points for multiple topics for hundreds of economies for more than a decade. Collecting these thousands of data points every year is possible thanks to more than 11,000 legal, tax, engineering and trade professionals in 189 economies who generously contribute their expertise, on a pro bono basis, to answer annual questionnaires about the time, cost, procedures and regulatory aspects of running a small business in their country. Russell Bedford contributes global research expertise to the *Doing Business* project.

Figure 1. Economies in Europe and Central Asia show the most progress in adopting electronic tax filing and payment



Source: *Doing Business* database

Since 2006 the use of electronic tax filing and payment systems has increased substantially in several regions of the world, with the most remarkable progress in Europe and Central Asia.

Doing Business data for the past 12 years shows that in 2003, it took an average of 51 days worldwide to start a new business. By 2015, this had been more than halved to 20 days.

Going public
– is an IPO an option for your business?

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Global activity in initial public offerings (IPOs) has soared in the past three years. In 2015, businesses raised more than US$180bn through IPOs, twice as much as in 2012. Although not right for all businesses, with market momentum strengthening many companies will consider going public. For a growing business that is well-prepared, an IPO can provide the capital it needs to boost development.

What is an IPO?

An IPO is the first sale of a company's shares to the public and subsequent listing on a stock exchange. The offer price for shares reflects an estimate of your company's value and the number of shares available. Once the shares are sold they become publicly tradeable on the relevant stock exchange.

Going public – advantages and disadvantages

The reason many companies go public is to raise capital to finance their future development. An IPO offers the best way for a company to raise money based on expectations of future growth and profit – in the last five years, IPOs have raised, on average, more than US$100m.

Once the IPO process is complete, the newly public company continues to have access to capital markets. If the stock performs well and market conditions permit, the company can raise further capital by issuing more shares to new or existing shareholders. This process is quicker than the IPO process.

However, there are also challenges that you need to consider before you begin the IPO process. Let's look at some advantages and disadvantages.

Advantages

- A greater ability to borrow – as the share price grows, equity in the company enlarges
- The ability to raise capital by issuing more shares
- Access to financial instruments that are only available to public companies
- More flexibility when considering a merger or acquisition – you can use shares as payment
- Ability to recruit, motivate and retain key employees with share options

An IPO offers the best way for a company to raise money based on expectations of future growth and profit

Disadvantages

- Complexity – an IPO consumes time and effort for senior management
- Risk – you may not raise the capital you hope to raise
- Decision making – you are now answerable to shareholders and a board of directors
- Shareholder expectations – you need to meet them

Is an IPO right for your company?

You should not think of an IPO as a fix for your financing needs; more as a way of transforming your business. You also need to consider your ability to handle the process of going public. In fact, your business should begin to behave as if it is public long before it begins the process of going public; investors will expect to see this. So what does this behaviour look like?

- Well-established and sustainable business model, ideally positioned to make the first move into new markets
- Good product or service with strong brand recognition
- Strong track record of results
- Experienced and credible management team
- Willingness to be transparent and disclose business information

The alternatives

Before you begin the process of going public you should consider the alternatives. Besides more traditional ways of raising finance or selling a business to a willing buyer, there are options that are similar to an IPO.

Private placement

This means offering shares in your business to a small number of institutional investors such as insurance companies and mutual funds. A private placement is less complex, with limited regulation and reporting requirements.

Reverse merger

This is the process where a private company effectively becomes public by buying sufficient shares in a public company. This is typically cheaper and less time-consuming than an IPO but no use if you need to raise capital.

Private equity sale

This involves you selling equity to a private buyer, usually institutional investors. This happens outside a stock exchange environment and is cheaper and less time-consuming. However, it dilutes the equity for existing shareholders.

The professional advisers you will need

Taking your company public is a complex process that will take between six and twelve months to prepare and complete. To make this achievable you will need to instruct external advisers with specific expertise.

Underwriter

Your underwriter will be an investment bank and is responsible for making your shares available for sale, structuring the transaction, and setting the price. The underwriter also provides market support after the sale is complete.

Independent auditor

Your auditor will audit your company's financial statements for the last three years in line with international financial reporting standards. The audit process will also include the financial data in the sale prospectus and other documentation such as due diligence and working capital reports.

Legal counsel

Your lawyers will draft all the transaction documentation necessary for the IPO process.

Public and investor-relations consultant

Your PR consultant will introduce your company to investors as an attractive investment proposition while also building your entire marketing and communications strategy.

In summary

Embarking on the path towards an IPO is not a decision you should take lightly. The IPO process is long, time-consuming and expensive. Whatever your reasons for considering it, think about the alternatives too. If you then want to proceed make sure you appoint the right advisers.

If you do it for the right reasons and prepare properly, an IPO can work wonders for your business and its reputation.

Three steps to **coping in a downturn**

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Since 2008 businesses around the world have had to cope with economic difficulties. Some economies suffered more than others. Some recovered quicker than others. Some are still recovering. Although the global economic crisis may have been painful, it was also an education and there are lessons we can all learn about coping in a downturn.

There's a well-known phrase in business: "When the going gets tough, the tough get going." We like to extend that a bit further by saying: "When the going gets tough, the smart business people make positive changes." In this article we look at three steps you can take to help you through an economic downturn.

Be innovative

One logical approach is to try something different. Business clouds often have silver linings: they force us to be innovative and to try new ways of working.

We saw this with one of our clients who, facing difficult trading, realised that his new products were very much a luxury rather than a necessity. He looked again at another, until now neglected, part of his business – rebuilding used products – and developed it to be affordable to customers. Changing his focus ensured his business stayed profitable in testing conditions.

Ask yourself these questions:

- Have you looked at old and established methods in your business to ensure you are not missing ways to innovate? Maybe there are new and more efficient ways of doing things.
- Can you use technology to solve problems you've come across that you may have thought insurmountable?

Increase transparency and trust

When times are difficult one of your biggest challenges may be keeping hold of your best people. When the recovery comes they will form the core of your experience and the base of your intelligence; you will need them if you are to take advantage of the recovery.

It is no coincidence that businesses with a culture of openness and transparency, those that share information with employees, foster trust among employees. This trust breeds loyalty and commitment. Businesses that operate on a need-to-know basis experience the opposite.

Employees who are developing their careers want their employers to tell it how it is, good or bad. In a downturn, when everyone has one eye on the future, this becomes even more acute. Make this communication personal too. Forget email; face-to-face communication is better. Talk about their career options so they can plan; if you don't they might just plan their careers elsewhere.

Even in a downturn, experience is a valuable commodity. Your best employees may have more choices open to them than might appear at first glance. Look after them or you might lose them. If you lose them, when the recovery happens you will have to go to the effort and expense of recruiting replacements.

Ask yourself these questions:

- Have you identified the key people that you want to keep?
- Is there information you could share that would build trust and help them plan their careers?
- What steps can you take to build a more trusting culture?

Future proof your workforce

If you can gain any benefit from a downturn, it is that a whole generation of employees have experienced one and have learnt how to manage through challenging conditions. This is valuable experience.

One of our clients has seen the benefit of this and, rather than wait until the next downturn, is investing in training and development. This includes financial literacy training. This client believes that improving knowledge in financial literacy will equip its workforce to be better financial managers. The client has also found that investing in employees builds trust and loyalty, increasing the likelihood that they will stay for the long term.

Ask yourself these questions:

- How are you developing your employees so they better understand how to manage in difficult times?
- Are your employees as financially literate as they could be?
- Do you understand the development needs of your key people? Have you planned to meet these needs?
- Have you discussed development plans with your key people?

Often the activities you carry out during a booming economy are not the right ones during a downturn. As we said at the beginning: "When the going gets tough, the smart business people make positive changes." Even during a time when the pressure to show a return on investment is at its highest, there are always steps you can take to prepare your people and your business to fly once the economy recovers. And it always does.

Hot-desking – the flexible office alternative

In the last four years our workforce has grown by 300%. If we had decided to give everyone their own desk we would have needed to move to bigger and more expensive offices, something we were reluctant to do.

When we looked at this more closely we realised that many of our client-facing professionals spent much of their time away from the office; this presented us with an alternative solution: hot-desking.

What is hot-desking?

Hot-desking, more familiar in the US as hoteling, is a work environment where staff do not have their own desk or workspace. Instead, when staff come into the office they use one of several shared workspaces. As well as individual workspaces, there will often be casual seating areas and conference facilities.

Factors you need to consider

The main attraction of hot-desking is it maximises efficient use of your office space. Experts agree this can save up to 30% of floor space. Hot-desking also creates an environment that encourages more staff collaboration. For hot-desking to work smoothly you will need the technology and IT infrastructure necessary to enable flexible and mobile working.

When introducing hot-desking there is one obstacle you may need to overcome: people's resistance to change and liking for their own personal space. When we introduced hot-desking we encountered some resistance and a sense that some staff felt deprived of a certain home-from-home feeling as they could no longer personalise their space with photos and other belongings.

Striking the right balance is a challenge and changing working habits doesn't happen overnight. You will need to manage carefully those people who try to undermine the change by reverting to old habits and attempting to re-establish geographical boundaries.

Steps you can take to ease the transition

We tried these steps when we successfully introduced hot-desking. They may work for you too.

Enforce a clear-desk policy
Ensure people clear the desk before they leave the office. Give everyone a locker to store their things as this will help to encourage a clear desk. You should also insist on a policy of returning documents and files to a designated storage area where all staff can gain access to them.

Create a comfortable and ergonomic work environment
Equip all your workstations in the same way to avoid any preference for one space over another. Add plants and pictures to make staff feel at ease and counter any desire to personalise the space.

Also consider providing a comfortable relaxation area with sofas and a television where staff can unwind without disturbing others.

Creating a comfortable and ergonomic environment aids productivity too while ensuring health and safety.

Make the most of technology
Being able to connect to secure Wi-Fi will help prevent staff tending towards a particular space for technological reasons. This also maximises the flexibility of your space. Staff also need to be reachable by phone regardless of where they sit.

Cater for teams
Provide dedicated small offices where project teams can meet to collaborate. Conference spaces and dedicated areas for very specific work, such as research, are also worth considering. Make these facilities available only when pre-booked.

In summary

The way we work is changing. Technology has made remote working possible and not all staff need to be in the office all the time. Hot-desking can offer a solution to your office-space needs provided you use the right technology and have a strategy to deal with cultural and health concerns.

With plenty of forethought, proper planning, and the right communication, hot-desking might be the way forward.

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