News, views and analysis from Russell Bedford International

Russell Bedford
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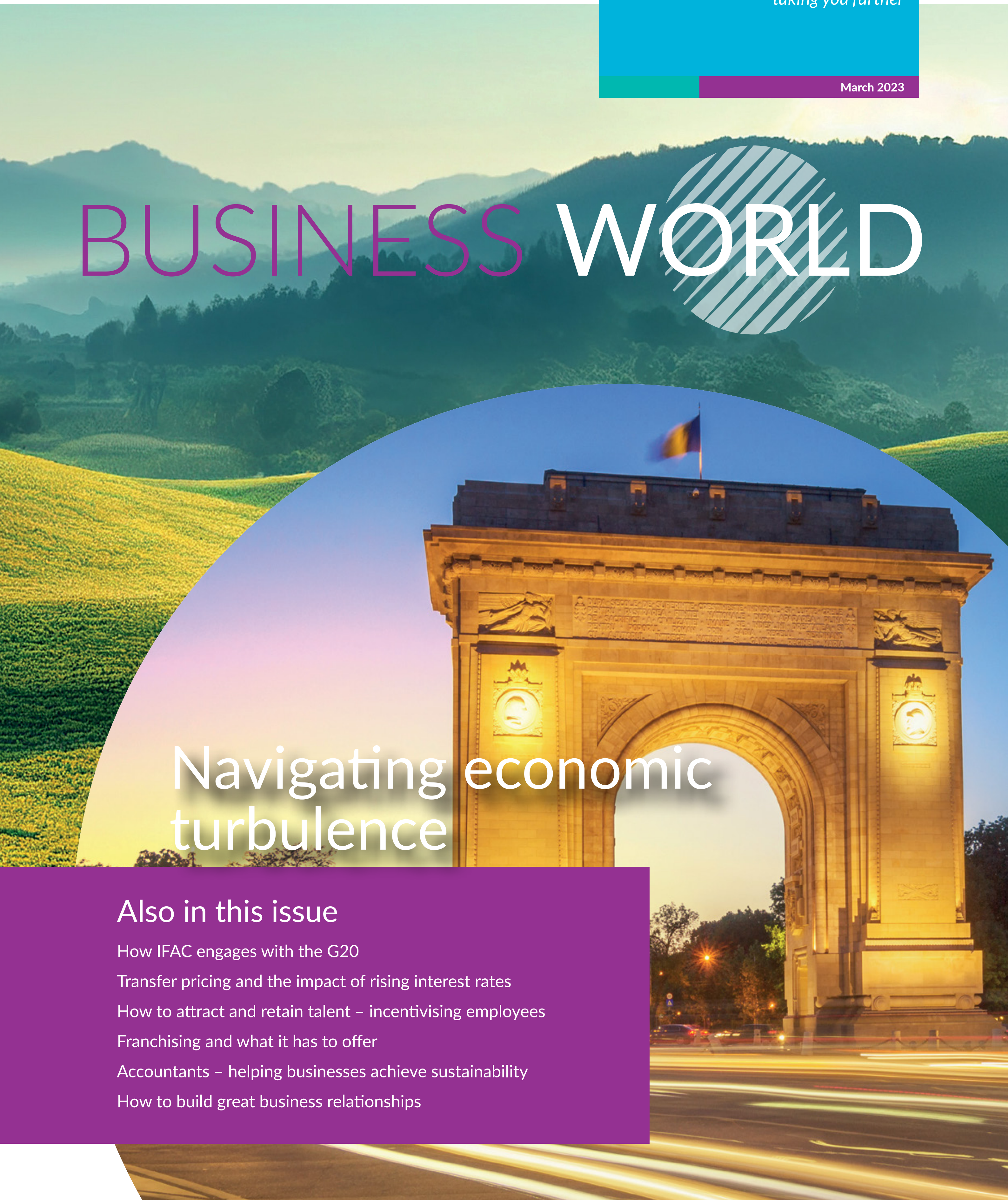
March 2023

BUSINESS WORLD



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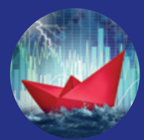

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Stephen Hamlet
CEO
Russell Bedford International

Foreword

Time flies between each edition of Business World and, after reviewing my foreword from September's edition, I realised just how much we've accomplished since then. Three key achievements spring to mind.

Firstly, in Vienna we held our first physical Annual Global Conference since the pandemic, welcoming around 200 people from all regions of the world.

Then we travelled to Valencia for our Young Partners and Managers meeting. The energy shown by our younger generation never fails to impress and, despite the challenges the profession faces in attracting new talent, leaves me feeling positive and optimistic about our future.

Finally, in December we came together again to celebrate *taking you further* day and it was wonderful to see our firms from around the world raising money for charity while promoting their membership of our incredible network.

The end of 2022 gave us the opportunity to reflect on yet another incredible year for Russell Bedford International. I was proud to report a further 9% increase in global revenues, adding an additional $60m and taking the network beyond $750m in total. While we coped brilliantly during the period of lockdown and restrictions, it is the in-person events where our people genuinely connect and continue to build relationships based on integrity and trust. Looking back on a full calendar of physical meetings fills me with joy and I am looking forward to further interaction, engagement, and collaboration during 2023. If our successful first conference of 2023 in Punta Cana with our North and Latin American regions is anything to go by, it's going to be a great year.

Our network's continued growth and development aligns perfectly with our strategy to offer quality services to businesses as they embark increasingly on journeys of international expansion. Our network showed great strength as it emerged from the pandemic, and in a world of continued uncertainty and challenge this is a credit to the resilience of everyone in our member firms who have displayed such commitment and dedication.

As Chief Executive, I was delighted to strengthen my central office team with new talented people and I look forward to the extra offerings and fresh focus we can provide to our members, along with exciting developments and new initiatives at board level.

It is always a pleasure to start a new year on such a high note, especially this year, our network's 40th. As we celebrate this milestone we shall focus on further advancements and greater opportunities.

It is fantastic to be part of a group that thrives and progresses each and every year, while collecting yet another award, this time for our Wellbeing initiative, demonstrates the importance we place on looking after our people.

Our coverage has increased too – we are now represented in 110 countries. This enables us to support even more businesses as they venture into new territories, and I am pleased to have made such significant progress in respect of all our strategic priorities.

I thank everyone at Russell Bedford firms for supporting our network and their clients. My thanks also go to our board of directors and my executive team colleagues, as we continue to go further together to a better future.

About the author

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Andrei is a partner at Russell Bedford's Romania member firm 3B Expert Audit, where he is responsible for special audits.

Andrei holds a Master of Business Administration specialising in financial management and international banking and is a member of ACCA, Chamber of Financial Auditors, Romania (CAFR) and Chamber of Certified Chartered Accountants, Romania (CECCAR).

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Navigating economic turbulence

Even in the midst of last year's economic gloom forecasters were already predicting that 2023 would continue in a vein of economic uncertainty. It seems to be a widely held perception that, after a pre-pandemic time of relative calmness, the world has entered a period of global economic turmoil.

But do the economic indicators back this up? Chief economists surveyed by the World Economic Forum appear to think so, predicting in January 2023 that geopolitical faultlines will continue to influence global economic activity. More than half expect a global recession in 2023, leading to weak demand, high borrowing costs, and a worsening cost-of-living crisis.

Economic outlook

If we are heading for recession, how bad can we expect it to be? In the latter stages of 2022, many economists believed that some leading economies such as the UK and the EU had already entered recession.

In the US the picture was a bit more mixed, while higher interest rates are dampening the housing market, jobs continue to grow, and the service sector is surprisingly robust. However, the previously announced Federal Reserve interest rate increases are expected to act as a handbrake on US economic performance in 2023 with growth grinding to a halt or even contracting.

As for wider global economic performance, few economists are optimistic especially as China continues to fight Covid infections. Further, the war in Ukraine continues to pose a significant risk for businesses, especially those in Europe that continue to experience the logistical and financial challenge of sourcing increasingly expensive energy from alternative markets around the world.

Facing up to the challenges

This negative economic outlook prompts the question: how should business owners react? Should they go defensive by cutting operational expenses, laying off staff, and optimising their supply chains? Those same chief economists would appear to think so as, in their responses, the majority cited these as their top three actions.

However, of all the challenges facing chief financial officers, more than half of 234 surveyed by Gartner cited recruitment and retention of staff as the biggest challenge they face in 2023.

This is especially pertinent to the accountancy profession where retaining key people is crucial to success.

A time to build resilience

With all the uncertainty and fear of recession, even the most optimistic may be finding it difficult to be hopeful about 2023. This calls for perseverance, determination, and brave decision making. When facing business uncertainty it is essential to build and empower a strong team with diverse skill sets. Perseverance will help you to achieve the goals you are enthusiastic about, goals that the less persistent may see as impossible. Prepare also to be versatile as this will help you to think critically and logically, in turn allowing you to accept and integrate new ideas and perspectives by constantly acquiring the knowledge and skills that each situation demands.

2023 – a year of two halves

Last year was challenging and the first half of 2023 looks likely to offer more of the same with inflation remaining high, global growth slowing, and geopolitical concerns continuing. During this turbulence business owners need to focus on three key areas:

- building cash reserves
- understanding the most profitable activities and maximising them
- emphasising delivery and client retention.

By focusing on these key areas, you can survive a recession and be ready to thrive afterwards when, according to most economists, we can look forward to a brighter outlook in the second half of 2023.

Navigating a new landscape

100% expect geopolitical faultlines to continue realigning global economic activity

Factors expected to have significant drag on business activity in 2023:

91% weak demand

87% high cost of borrowing

63% expect global recession in 2023

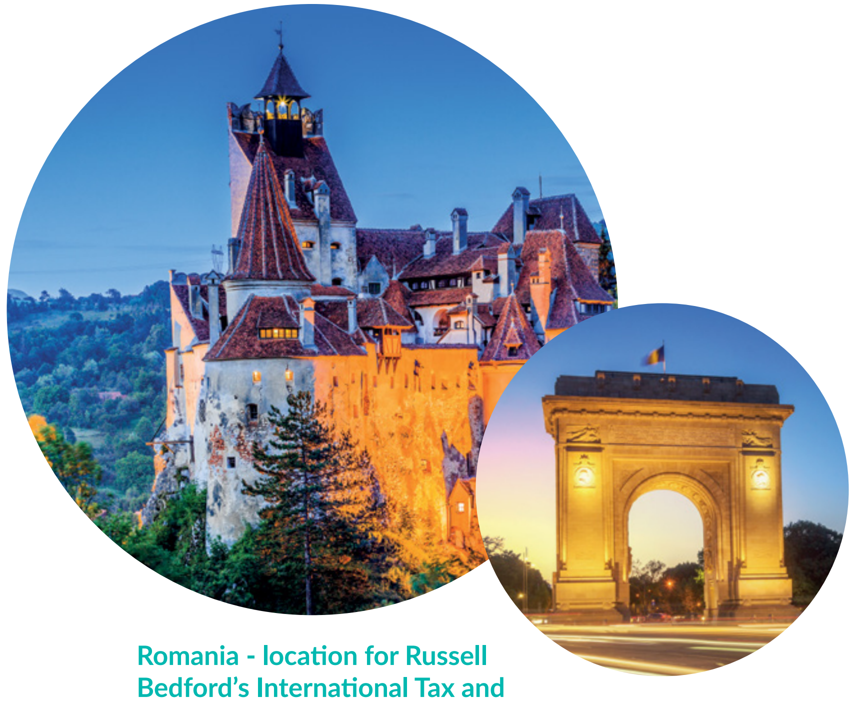
Expected business response to potential economic headwinds in 2023

86% reduce costs by cutting operational expenses

78% reduce costs by laying off workers

77% optimise supply chains

Source: Chief Economists Outlook, World Economic Forum, January 2023



Romania - location for Russell Bedford's International Tax and EMEA Conference 2023.

About the author

Scott Hanson
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Scott is Director, Policy & Global Engagement at the International Federation of Accountants (IFAC). He is responsible for coordinating IFAC's engagement strategy with global organizations and non-accountancy stakeholders. Scott also leads IFAC's policy and advocacy related to anti-corruption, anti-money laundering and economic crime, and oversees IFAC's engagement in donor-funded capacity building initiatives.

Scott holds a B.A. from the University of Chicago, a J.D. from Brooklyn Law School, and has visited over 80 countries.

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How IFAC engages with the G20

In November 2008, at the height of the global financial crisis, Washington DC hosted the very first G20 summit. Now an annual event, the G20 summit brings together the leaders of the nineteen largest world economies, plus the European Union, to focus on the global economic issues of the day. This focus gives the G20 a unique role compared to other multilateral assemblies such as the G7, which focuses on security issues; the OECD, which focuses on global policy issues; and the United Nations.

The Business 20 (B20) started in 2010 as the official business engagement forum of the G20 and has progressed to become an institution in its own right. The B20 is the voice of business across the G20 members, and globally, and makes important policy recommendations to the G20 leadership.

IFAC and the B20 and G20

The International Federation of Accountants (IFAC) – the global organisation for the accountancy profession – plays a leading role as the voice of the profession in these crucial global fora.

Through the B20, IFAC has consistently been a network partner and task force member, helping to advance more specific and detailed policy points around many key global priorities, such as:

- sustainability reporting
- accrual accounting in the public sector
- the adoption of the International Public Sector Accounting Standards (IPSAS)
- whistle-blower protection
- a fit-for-purpose, global, anti-money-laundering policy framework
- implementing existing global commitments related to anti-corruption.

Further, IFAC has issued a G20 Call to Action on behalf of the global accountancy profession for several years, mirroring its engagement with the B20. In 2022 this focused on the interconnectivity of sustainability, public financial management and anti-corruption, and global cooperation.
It is essential that IFAC delivers its message to global policymakers on behalf of the more than 3 million professional accountants at our 180 member organizations in 130 jurisdictions. The breadth and depth of the global IFAC membership gives our voice a unique value on the global stage.

Engaging through the Covid pandemic

The IFAC message evolved during the pandemic. In 2020, for example, IFAC published its G20 Call to Action, Moving Forward, Together (available at ifac.org), recognising the conflict between the short-term emergency of the pandemic, and the continued importance of long-term priorities.

As the pandemic continued in 2021, IFAC turned its focus to the need to actively rebuild, in order to achieve a more sustainable, inclusive, and prosperous society.

In 2022, the situation changed significantly. Acute stresses in the global economic landscape drove IFAC to broaden its consistent messaging around supporting global cooperation to include working towards conflict resolution, supporting efforts to embrace diplomacy and dialogue to resolve global conflicts.

B20 Summit

This theme in IFAC's 2022 G20 Call to Action set the tone for the November 2022 B20 Summit, which took place in Bali, Indonesia. The summit began with a discussion, hosted by Arsjan Rasjid, Chairman of the Indonesian Chamber of Commerce and Industry (KADIN), of the importance of the Five Ps:

- peace
- prosperity
- people
- planet
- partnership.

Chairman Rasjid reinforced the business message that without peace, there is no economic growth.

G20 Summit

The B20 Summit was immediately followed by the G20 Summit, which included a number of high-level meetings, with participants including US President Joe Biden and Chinese President Xi Jinping. The G20 Summit closed with the publication of a consensus communique reiterating the interconnectivity of peace and prosperity, acknowledging the effect of security issues on the global economy while recognising that the G20 is not the ultimate forum for resolving global conflicts. The communique also recognised the valuable work of the International Sustainability Standards Board (ISSB) on consistent climate related financial disclosures that operate reliably across disclosure jurisdictions.

Looking ahead to India

India has assumed the presidency of the G20 and B20 for 2023, and IFAC is already deeply engaged in the new cycle. At a side meeting at the World Congress of Accountants, which took place in Mumbai, India in November 2022, IFAC President Asmâa Resmouki met with the former Indian G20 Sherpa and current Minister of Commerce and Industry Piyush Goyal and raised the importance of the global accountancy profession's engagement in the B20. Since then, IFAC has been appointed Network Partner of the B20's new ESG in Business Action Council, and attended the B20 Inception Event in Gandhinagar, India, on January 22-24.

IFAC looks forward to continuing its engagement with the B20 and G20 in 2023, under the Indian presidency, on behalf of the global accountancy profession.

"Russell Bedford welcomes and supports IFAC's new call to action. Our global professional services network is closely monitoring the international developments on sustainability. We are increasingly taking action to inform, equip and empower our people on related matters."

Stephen Hamlet,
CEO of Russell Bedford International

Transfer pricing and the impact of rising interest rates

During 2022, central banks around the world such as the US Federal Reserve and European Central Bank introduced successive increases in base interest rates. This tendency has continued in 2023, and further increases are expected to help curb rising inflation.

About the author

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Airam joined Russell Bedford in Spain in 2022, following eight years in the Global Transfer Pricing Services practice of KPMG Spain. During this time, Airam did a secondment in KPMG's New York office.

Airam has wide experience managing and leading global transfer pricing documentations covering more than 30 jurisdictions. He has also been involved in the design and implementation of transfer pricing policies, as well as in restructuring and M&A projects. With regards to tax audits and agreements with and between tax authorities, such as Advance Pricing Agreements (APA) and Mutual Agreement Procedures (MAP), Airam has worked with the tax and competent authorities in multiple jurisdictions.

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Interest rates that central banks control determine the rate at which commercial banks can borrow. When these interest rates rise, commercial banks tend to pass on the increase to their own borrowers in the form of higher interest rates. This raises an important and specific question: how does this affect transfer pricing? In this article we consider some of the potential implications for financial transactions between related parties.

The arm's-length principle

The overarching principle of transfer pricing is that related parties involved in controlled transactions shall conduct themselves in the same way that third parties would behave in similar circumstances. Therefore, if external influences such as interest rates are changing, it follows that there might be implications for the arm's-length nature of financial transactions between related parties. This is true for both new and existing transactions.

New and existing financial transactions

Generally, the arm's-length nature of financial transactions should be evaluated every time a financial instrument is granted or amended.

In this context, any financial agreement that carry tacit or automatic renewal capability merits close attention, particularly if any of the parties can oppose the extension of the agreement. At arm's-length, third parties would aim to renegotiate the terms and conditions, considering current costs as well as available funding and investment opportunities.

Funding value chain

In multinational groups it is usual to centralise third-party debt and then grant intercompany funding to related parties. At arm's-length, a lender would only lend if the financial transaction produces a positive outcome. Consequently, in the context of rising debt costs, multinational groups should analyse their funding value chains to ensure they are feasible for transfer pricing purposes.

Further, transfer pricing policies should avoid increasing intercompany interest rates to a point where they exceed those available on the open market.

Borrower's cash position

Intercompany financial transactions must align with transactions that third parties would undertake in similar circumstances. This means considering both a lender's and a borrower's circumstances.

In recent years, low interest rates have led to bank deposits receiving little interest, having a direct impact on the related parties' opportunity costs. With interest rates rising, banks are beginning to offer returns on deposits. This creates an expectation that a borrower with significant cash deposits might partially or totally repay a debt (if allowed under the agreement). Similarly, at arm's-length, a company might only be willing to lend to a related company where the return exceeds the expected return of alternative investments.

Debt capacity and balance structure

Higher interest rates can make borrowing less attractive, leading borrowers to prefer equity-intensive funding structures. Therefore, it is important to understand that it is not only interest rates that drive the arm's-length nature of an intercompany financial transaction but all conditions of the funding agreement. This includes any debt-to-equity proportion or interest coverage ratio.

Following OECD guidance

In view of the OECD's Base Erosion and Profit Shifting project (BEPS), most jurisdictions have incorporated interest-capping, thin capitalisation and earnings stripping rules. Rising interest rates may affect a borrower's capacity to comply with these regulations, making intercompany debt less attractive than other funding alternatives.

The January 2022 edition of the OECD Transfer Pricing Guidelines for Multinational Enterprises and Tax Administrators incorporates the report Transfer Pricing Guidance on Financial Transactions: Inclusive Framework on BEPS: Actions 4, 8-10, issued in February 2020.

While most jurisdictions follow, directly or indirectly, the OECD transfer pricing guidelines, local practice or regulation may also prevail. This means it's not possible to be definitive and the advice of local transfer pricing experts is invaluable.

How to attract and retain talent – incentivising employees

In a world of volatility, uncertainty, complexity, and ambiguity (VUCA) everything changes rapidly. This makes it important to act quickly, be flexible, and adapt to circumstances. Attracting and retaining employees in this changing environment is a concern for employers.

Until now, talent management has focused largely on developing and retaining employees. However, to achieve strategic business objectives, businesses must focus on attracting the right employees with the right skills.

To attract and retain the right talent in a competitive market, employers must address employees' priorities that extend beyond salary and benefits, to include incentives such as flexible working and opportunities for career development. So how do you attract and retain great talent?

Attracting talent

In considering how to attract talent we will consider three areas:

- how to advertise a position
- how a business brands itself as an employer
- the employee value proposition

Advertising a position

A job description that simply lists tasks, duties, functions, and responsibilities, leaving a job seeker with more questions than answers, no longer works. Businesses are now using more creative ways to advertise such as animated advertisements, recruitment videos, and captivating recruitment slogans.

Employer branding

An employer's brand is crucial in attracting the right people. This means demonstrating to candidates the business's culture, values, and opportunities. Significantly, 84% of job seekers consider the reputation of a company important when they decide which jobs to apply for. Developing a strong brand as an employer helps candidates to assess how they may fit in a company, helping ultimate employee engagement and retention.

Employee value proposition (EVP)

An outdated EVP is one that focuses on financial and non-financial benefits to motivate employees. A more modern EVP is one where an employer provides the support, recognition, and values that enable employees to achieve their potential.

Getting the EVP right will drive talent management, both from an attraction and retention viewpoint. So a business must communicate its EVP clearly and effectively if it is to optimise its brand as an employer and attract top talent.

Retaining talent

In this part we will consider how the following are key to retaining talent:

- work-life balance and flexible working
- employee autonomy
- open-door policy

Work-life balance and flexible working

A focus on employee satisfaction, health, and wellbeing will contribute to efficient business performance. While salary necessarily remains an overriding concern for employees, it is no longer the only consideration. Businesses must offer more to retain the best talent.

In a post-pandemic world, different considerations now influence employee engagement and retention. Most employees now consider hybrid or remote working, flexibility, and work-life balance as valuable employee benefits that enhance job satisfaction and morale.

Employee autonomy

Promoting employee autonomy offers many benefits. Employees feel less pressure and are more confident, which leads to heightened job satisfaction, employee engagement, and motivation. This encourages creativity, innovation, trust, and productivity. Ultimately, an autonomous culture breeds leaders, promotes skills development, and leads to better employee retention.

Open-door policy

A policy where management encourages an open dialogue with employees creates a collaborative, high-performance, and respectful work environment. A business that exercises an open-door policy will enhance team communication and improve retention – when employees feel heard and valued, they are more likely to stay loyal.

Attracting and retaining top talent is crucial for the success of any business because talented employees drive innovation, productivity, and overall business performance. Businesses must focus on creating a strong employer brand, while offering competitive salaries and benefits, if they are to attract and retain the talent necessary for business success.

About the author

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Khatuna is a HR consultant at RB AAC (Georgia). She is responsible for executing the management of all HR processes within the company, including recruitment, employee motivation and retention, developing and managing human resource policies and delivering training for employees, while dealing with various other HR-related issues. At RB AAC she also provides HR services to the clients of the company.

Khatuna is a HRCI Certified SPHRi professional with 15 years' working experience in executing HR management for small and large companies in a variety of industries. Since 2017, she has served as a subject matter expert and exam development volunteer for the HR Certification Institute.

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Franchising and what it has to offer

About the author

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Anne-Hélène is a partner at Russell Bedford's Lyon member, Pyramide Conseils. She has more than fifteen years of experience, including several years in large audit firms, small and medium sized firms and creating her own practice.

Throughout her professional career, Anne-Hélène has developed varied knowledge making her a real expert today. She is skilled at addressing the different challenges experienced by companies and entrepreneurs, by personally advising her clients.

She offers added value through her cross-disciplinary skills in the fields of public accounting, commercial law and international business, which allow her to offer a diversified range of services.

She is passionate about enriching her knowledge through experience and supporting her clients in taking their businesses forward.

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For many entrepreneurs going it alone and building a new business is an exciting prospect. However, it is also fraught with risk. The prospect of building a brand and reputation from scratch, with few or no customers, can be a challenge, and the costs associated with setting up, running, and maintaining a business until it can support itself while also covering day-to-day personal living expenses can be a worry.

An alternative to stepping into the unknown is an idea that, while operating successfully for many years, has become increasingly attractive of late: the franchise model. In this article we will explore franchising and what it has to offer.

What is a franchise?

At its core, a franchise is a contractual business relationship between two parties: franchisor and franchisee. For a business owner wanting to grow organically, offering access to a proven brand and product to other entrepreneurs is a cost-effective way of growing a business both in scale and geographical reach. In doing so, the business becomes a franchisor.

For an entrepreneur wishing to work independently and build a business, investing in a franchise offers a proven method of entry to a market or industry, allowing a quick start-up with the backing, support, and visibility of an established brand.

The terms and conditions that underpin this contractual arrangement are set out in a franchise agreement.

The franchise agreement

It is important to be clear that in any franchise scenario overall control of the business and how it operates and markets itself always rests with the franchisor; the franchisee merely holds a licence to operate under a brand umbrella for an agreed duration. Consequently, the franchise agreement needs to protect both parties but given the risk of brand and reputational damage that one rogue franchisee can potentially cause, the franchise agreement will necessarily lean quite heavily towards a franchisee's obligations to a franchisor who will expect the highest standards of business conduct.

Equally, a franchisee is entitled to expect certain standards of service and support from a franchisor. Thus, the franchise agreement will set out the obligations incumbent on both parties, covering areas such as:

- how the franchisee will operate the franchise
- any geographical restrictions on operation
- the duration of the agreement and any options to extend or renew
- initial franchise fee – a one-off cost of entry
- royalties and ongoing fees – usually a percentage of franchise turnover
- use of intellectual property such as trademarks and logos
- support available from the franchisor such as marketing, technical, and business development.

"An entrepreneur can start with a ready-made and proven business model trading under a recognised and successful brand that automatically attracts customers."

Investing in a franchise – advantages and disadvantages

Ostensibly, there are many advantages to investing in a franchise. An entrepreneur can start with a ready-made and proven business model trading under a recognised and successful brand that automatically attracts customers. Add to this the benefits derived from the franchisor's marketing and advertising activities, together with training and development, and technical support, and it begins to look like the franchisee has several advantages over the independent business owner trying to build a business. However, these benefits come with a cost.

Investing in a franchise is not cheap. To gain quick entry to a market or industry by riding on the back of an already successful business means paying for the privilege. This appears most obviously as the licence to trade under an established brand but, depending on the type of business, may also extend to expensive fitted premises and equipment. McDonald's is an obvious example.

Most tellingly perhaps, owning a franchise is not quite the same as owning a business. To protect its brand, a franchisor will lay down strict requirements to ensure consistency of product and service, and brand protection. In signing up to these requirements, a franchisee inevitably sacrifices the control and flexibility that an independent business owner enjoys. Some may view this as an advantage as it removes much of the day-to-day business risks; others may see it as too restrictive.

Investing in a franchise – do your homework

The success or otherwise of a franchise opportunity relies largely on each party fulfilling its obligations. It is this rigid legal structure that reassures many potential franchisees. Therefore, it is vital that you enter and invest in a franchise opportunity with your eyes open; do your homework and find out as much as you can.

However, you are not completely in the dark as it is incumbent on a franchisor to provide information to enable potential franchisees to make informed decisions before entering into any contractual arrangement. This takes the form of a pre-contract that provides information on:

- the franchisor
- the franchise business and network
- market data
- past business results
- the clauses that will appear in the contract.

Armed with this knowledge a potential franchisee is in a much better position to decide.

For many entrepreneurs looking to set up in business, the franchise model offers many attractions. However, there are significant costs involved that need careful consideration alongside the potential benefits. Before committing to investing in a franchise, it is sensible to seek independent advice from experts in the field of franchising.

About the panellists

Deanna Salo
Chicago, USA

Deanna is a CPA and managing partner at Cray Kaiser, Russell Bedford's Chicago member firm. She executes assurance, strategic and tax planning services across the client portfolio. For closely held and family-owned businesses, she focuses on the value she can bring to the family and owners. For non-profit clients, she manages internal control procedures, budgeting, governance issues and audit compliance procedures. Deanna has also handled special M&A engagements on the buy and sell sides.

Deanna holds a Bachelor's Degree in Accountancy from University of Arizona.

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Mike Sweeney
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Mike is a tax partner at Russell Bedford's Adelaide member, Lee Green. Since 1992, he has developed his career in taxation, earning a strong reputation for his work in biotechnology, property, wholesale, not-for-profit organisations and start-up businesses around Australia and in Singapore. His particular professional interest is in developing strategies which build business growth.

Mike has a Bachelor's Degree in Accounting and a Masters in Taxation. He is a CPA, CA, registered Tax Agent and Chartered Tax Adviser.

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Accountants – helping businesses achieve sustainability

In recent years the issue of sustainability has taken on increasing importance in all walks of life, both personal and business. Russell Bedford deems sustainability, and the impact of business on society and the environment, as one of the key global challenges. To confront this issue, Russell Bedford set up its Social Impact Committee with the task of promoting action among its global member firms. The committee launched with a panel discussion at the network's global conference in October 2022; Business World asked three members of the panel – Lina Lemessiou, Deanna Salo, and Mike Sweeney – for answers to some key sustainability-related questions.

Why has sustainability leapt to the top of the agenda?

Deanna Salo: Sustainability affects everyone. It affects our success and how we connect with each other. We find that clients look to their accountants for help in all kinds of ways, retraining of their skilled staff and redesigning of their business model, for example. Professional advisers must stay in touch with their clients' needs in order to keep them abreast of what's around the corner.

Is it just a box-ticking exercise?

Mike Sweeney: Not at all. Between 2030 and 2050 there are many sustainability-related targets to contend with and 2030 is a mere seven years away. Discussions with clients around the practical implications on areas such as supply chains and logistics need to happen now.

Why is sustainability important at a personal level?

Lina Lemessiou: Sustainability is such a broad concept that we cannot divorce business activities from our personal lives. If we want to achieve a better and more sustainable world, we all have to contribute personally, and businesses will need to address all the angles if they want to remain trusted, respected, and profitable.

What are the most important issues for businesses to consider?

Mike Sweeney: Sustainability isn't just about climate change. We also need to consider the next generation of businesses and the skills and other resources they will need. Accounting firms for example, looking at the talent pool while considering diversity we need to ensure we produce enough skilled accountants to support business needs.

Do you see any barriers to success?

Deanna Salo: One issue is the compressed window of time in which we have to deliver for our clients and the available resources to do so. So we need to automate, innovate, and maximise our resources to meet clients' growing and changing needs. This means we need to be talking to clients now, so they understand our issues and we understand theirs.

Where are we right now?

Lina Lemessiou: With sustainability being such a broad subject we have to start somewhere and implement policies in a measured and gradual way, starting with an altered mindset. While understanding of the climate challenges is relatively well-formed, work is still needed around the wider sustainability issues. It's not possible to do everything at once so all participants – individuals, businesses, and governments – need to prioritise and plan accordingly.

Mike Sweeney: While needing to think about the social impact of our actions, as businesses we can't lose sight of the fact that we, and our clients, need to be profitable. We need to consider the needs of right now without sacrificing the future.

What is the outlook for recruitment and retention in a sustainability context?

Deanna Salo: As a profession we've tended to recruit from a specific educational and experience background. In our firm we now look at non-traditional applicants with broader skills and experience; we can create a sustainable workforce if we think creatively and invest in training.

Have the United Nations Sustainability Development Goals made a difference?

Lina Lemessiou: The publication of the SDGs drove the momentum and mobilisation that led to a diversity of guidance and frameworks to follow, both mandatory and voluntary. We are now at the stage where global effort is being made to harmonise and consolidate this information, aiming to make things easier to understand, adopt, and implement.

Is it enough to rely on people's best efforts to drive sustainability-related change?

Deanna Salo: While we must acknowledge there is still a gap, as trusted advisers we can support clients to build sustainability into their business models. We can help them to incorporate sustainability into their budgeting and forecasting, and improve workplace environment and infrastructure. This presents an opportunity for all sides to practise in areas we might not previously have thought possible.

How do you make busy professionals care about sustainability?

Lina Lemessiou: The regulations in place or in the pipeline initially target large corporations. However, these corporations run supply chains comprising many smaller businesses. To remain on, or make it onto, these supply chains smaller businesses will find themselves having to comply with sustainability requirements. Businesses may also find sustainability plays a part in securing funding as the financial services sector begins to make sustainability a criterion in providing finance.

What final thoughts and actions can you offer?

Mike Sweeney: Pick something that drives people to get up in the morning and go to work. Harness that passion and let them drive by giving them the tools and the impetus to achieve. Then get out of the way.

Deanna Salo: Change only happens as a result of a traumatic event, business evolution, or a deliberate decision. Make that decision then take small steps but with genuine intent. You may well find that your business already has all the necessary ingredients to take you to your sustainability goals. All businesses have unique characteristics that can contribute to achieving sustainability.

Lina Lemessiou: Raise awareness of sustainability. Start gradually; don't try to address all the aspects at once. Take a building-block approach and build sustainability one block at a time.

Lina Lemessiou
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Lina is Director of Professional Standards at Russell Bedford International; joining in November 2022 after working at EFRAG (European Financial Reporting Advisory Group). She was initially involved in the launch of projects to stimulate innovation and best practices in the field of corporate reporting in Europe, and then moving to central management for the development of draft European sustainability reporting standards.

Lina holds a degree in computer science from the University of Manchester. She is also a Fellow member of the Institute of Chartered Accountants in England and Wales.

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Michael is a former primary school teacher with extensive experience of teaching, coaching, leading and team membership. He is a published author and regular blogger. His life-long passion for and interest in fitness, wellbeing and growing people has led him to building online professional and personal development courses with his company Kataholos.

Michael is experienced in public speaking, delivering for both the public and private sector regionally, nationally and internationally. A regular speaker for Russell Bedford, Michael will be delivering leadership material at the 40th Russell Bedford Annual Global Conference in October 2023 in Montreal, Canada.

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How to build great business relationships

The most successful businesses understand that every solution and success can be created and found through partnerships and mutually dependent working relationships, particularly if your business operates internationally and cross culturally.

Make the effort to cultivate great relationships and you will create something special in your company: loyalty, trust, and a passion for your cause. Without these relationships, your business may depend on price, a transactional and impersonal approach to relationships, and people's changing preferences.

Currently, there are three key challenges facing businesses around the world:

1. recruiting and retaining skilled staff
2. communicating problems while preserving a sense of community in a mixed global environment
3. managing cash flow and financial problems while seeking to maximise returns on investment.

Four ways to cultivate great relationships with clients and your team

1. Remember that you are involved in three relationships each day: with yourself, your people, and your environment. Develop the habit of self-analysing problems through these three lenses. You can do this using self-reflection, by improving your communication skills through self-study and Continuing Professional Development events, and environmentally through your CSR and ESG strategies and activities. When making strategic decisions, always consider the impact on yourself, your team and your environment.
2. One of the biggest challenges to building and maintaining great relationships is dealing with the consistent uncertainty of global business and with the ever-changing dynamics of relationships.

Use regular self-reflection questions and statements such as these to help to stabilise and focus your mind:

- How can I work with this?
- What is my plan to move forward?
- Is it reasonable or realistic to expect this?
- How can I show love today?
- I am an adult; I can handle whatever happens
- Not everything will go how I would like
- Not everyone needs to like me
- I will start from what is possible

Regularly repeating self-reflective questions and statements such as these will calm your mind. This allows you to present yourself to others as calm, consistent, and possessing a can-do attitude, motivating them by setting a positive example.

3. Raise your standards in your relationships by asking yourself these open-ended questions:

- how can I treat my people better?
- how can I establish boundaries and keep them in place for the good of me and my people?

The first question will remind you to keep raising the bar to be considerate and caring towards others: people know and appreciate when you are making the extra effort for them. The second question will help you and your team avoid burning out and spending too much time working in an always-on mindset that can drain both the quality and productivity of your work.

4. Take a long-term view – think five-to-ten years ahead. What does this look like?

Will a current problem be resolved by then? Very often, they will be. This long-term view will allow you to feel calmer, react less and bring better energy and presence into how you interact with others. Technology is usually efficient and reliable, but we are not machines. You must give your people time to develop; be brave and empathetic enough to let them make mistakes. If you don't, you may create pressure for your people who might feel that their position becomes untenable. A great deal of people who resign their positions do so not because of money but because of poorly communicated expectations, an unsupportive company culture, and a lack of professional support and development.

It takes time and patience to create something valuable, including people. Allow them the time and space to grow with you.

Next steps

Here is a simple three-step process to help you to implement these suggestions into your company culture:

1. decide which of these four techniques you are going to implement and tell your leadership teams to hold you accountable
2. give yourself a measured time frame to implement it, perhaps ninety days, and consider how it could provide a boost for one of this year's strategic goals
3. think ahead, how will you know if it is successful? What kind of improvements or results would you expect to see? Are there visible metrics and numbers on your KPIs? Is it an improved retention rate of your staff? A better morale? Track your progress and feedback with your leadership teams to set the next steps for future success.

Implementing these techniques can create positive and tangible successes that can help with any recruitment and retention, community building, and cash flow issues you might have. There is no limit to how well we can treat each other. Enjoy the possibilities that this offers you and your people, and I wish you every success.

News in brief

New Dawn Chartered Accountants joins Russell Bedford in Lesotho

Russell Bedford International has announced the appointment of New Dawn Chartered Accountants as its member firm in Lesotho, Southern Africa. New Dawn is a firm of chartered accountants and auditors established in 2011 through the acquisition of an existing practice.

Americas Conference launches Russell Bedford's 2023 conference season

Russell Bedford opened its 2023 conference season with the Americas Conference (Conferencia Iberoamericana and North American Regional Meeting). The conference took place at Hotel Barceló Bávaro Palace, Punta Cana, Dominican Republic from 19–22 January.

CPA Firm DPB joins Russell Bedford in Florida

Russell Bedford has announced the appointment of De La Hoz, Perez & Barbeito, PLLC (DPB) as its new member firm in Miami, USA. A full-service CPA firm, DPB performs domestic and international accounting, tax and consulting services for entrepreneurs, family businesses, and high net worth individuals.

Russell Bedford grows by 9% building on its consistent growth trajectory

Following the release of its annual Global Performance Report, Russell Bedford International has revealed another strong year which saw the network increase its global revenues by 9%, demonstrating continued growth in all regions.

Zenith Audit joins Russell Bedford as new member in Azerbaijan

Russell Bedford International, has announced the appointment of Zenith Audit as its member firm in Baku, Azerbaijan. Previously the member of another top-20 international network, Zenith Audit is ranked as one of the leading and most successful audit practices in the country.

New appointments announced to the Russell Bedford global board

Following elections, Russell Bedford has announced a new global chair and board directors who were confirmed at the network's annual general meeting on 22 October 2022.

Daniel Ryba (partner at Russell Bedford Argentina) succeeds Bruce Saward (partner at Saward Dawson, Melbourne) as the network's new chair. The network has also appointed two new global board directors: Mike Sweeney (principal at Lee Green, Adelaide) to represent the APAC region and Emmanuel Dupeux (partner at Saint-Honoré Partenaires, Paris) to represent EMEA.

HCA Chartered Accountants recognised at The Irish Accountancy Awards

Russell Bedford's Belfast member, HCA Chartered Accountants, received three nominations at the 2022 Irish Accountancy Awards. The firm was shortlisted in two categories: Medium Practice of the Year and Advisory Practice of the Year, while principal John Hannaway received the Accountant of the Year award.

Russell Bedford members gather in Vienna for the 39th Annual Global Conference

Almost 200 guests descended on the majestic city of Vienna, Austria for the 39th Russell Bedford Annual Global Conference at the Vienna Marriott Hotel on 19-23 October 2022.

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