

MOORE STEPHENS

Future Vision

Global Business Issues for the
Manufacturing and Distribution Industry

MS Global M&D News
Spring 2019

PRECISE. PROVEN. PERFORMANCE.



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Mark's Perspective

PRECISE. PROVEN. PERFORMANCE.

Welcome to *Future Vision*

We are excited to launch the inaugural edition of *Future Vision*. Our e-Magazine will be a quarterly publication focused on global business issues facing the manufacturing and distribution industry. Our articles fall under 5 broad categories, including stories celebrating collaborations and new client wins, and a section in which we interview the rising stars of Moore.

This is a time of change for the Moore network, the M&D industry and business in general. Political unrest in many countries, the uncertainty of Brexit, U. S. and China tariffs, coupled with a global mix of strong and weak economies has business owners needing the advice of a global service provider more than ever. Not to mention the influence of robotics and other forms of Artificial Intelligence in the workplace, daily occurrences of ransomware incidents and requirements of GDPR security moving to the US. These disruptive forces create opportunities for us to be an invaluable business partner to our clients and future clients. I believe the power of the Moore network gains strength each time we solve a client problem together, ask each other for help, or pass along an article written by another member.

Myself and the other members of our M&D group view this newsletter as a way to help you understand what is happening in our industry and how we are helping our clients navigate through these times of change.

Thanks for taking time out of your busy lives to read our newsletter. We hope you enjoy it, and we look forward to adding new members and authors to the M&D group!

Best regards,

Mark L. Fagan

Leader, MSIL Global M&D Collaboration Group
Partner, Citrin Cooperman

Success in Collaboration From the Client's View

MK Repetti, Communications & Content Leader for Citrin Cooperman spoke with Rich Luce, COO & CFO of Rosco Laboratories in Stamford, CT about his relationship with Citrin Cooperman and the Moore Stephens Network.



About Rosco: Founded in 1910, Rosco is a leading global manufacturer of creative lighting solutions, including LED lighting, backdrops, color lighting filters, gobos, fog effects, scenic products, and dance floors for the motion picture, television, theatre, live entertainment, architectural, and photography industries. The company is based in Stamford, CT, with locations in Austin, TX, Hollywood, CA, Canada, England, France, Spain, Brazil, and China. The company has been honored with four Oscars from the Academy of Motion Picture Arts and Sciences.

Q: Rich, as CFO and COO of a global company, how do you view your relationship with Citrin Cooperman and Moore Stephens?

A: I have a great relationship with Citrin Cooperman. When I have my 2:00 AM moment where I need something, I can reach out to my team at Citrin Cooperman. That's a huge differentiator for me in terms of my relationship with our advisors. I've known Mark Fagan since I started my career at BDO right out of college, and I have a great personal and professional relationship with him. We have a very transparent relationship; he's objective, understands his role, and is a key advisor to our leadership. Since becoming a client of the firm, I've worked closely with several members of the team, including George, Chelsea, Omar, and Gianna, who are all great to work with. The Moore Stephens firms generally communicate through Mark and George, but I have great relationships there as well.

Q: Over the past years, how has your business changed?

A: Our business has changed exponentially over the last few years. What began as an expendables business over 100 years ago has developed into a business focused more on lighting systems and capital goods. There's been lots of disruptive technology over the past few years that has changed our industry and forced us to change our business model. For instance, lighting colors used to be produced by switching out colored

sheets of gel that were placed in front of the light. Now, coloring is coming from color mixing LED light fixtures. Our product portfolios had to change to remain a leader in the industry. The path to market has also been disrupted. This industry has traditionally sold their products through a dealer / distribution model. In recent years, new services have been added, such as architectural lighting design, which has led to Rosco opening new divisions of the company and expanding into new product markets.

Q: What services is Moore Stephens currently providing?

A: Outside of our domestic work with Citrin Cooperman, we use Moore Stephens firms in Canada, Spain, China, and France. Dan Natale in Canada handles our tax work up there; Fernando Fernandez in Spain does our agreed-upon procedures work; we're currently engaging Gaolei Li of the Moore Stephens Da Hua firm to essentially act as our accounting department in China; and we worked with Christoph Schlotthauer in France for a consultative project last year, and are looking to bring them on for more work in the near future.

Success in Collaboration From the Client's View Cont.

Q: What advantages are there to using Moore Stephens firms for most of your foreign locations?

A: Because of our long-term relationship with Citrin Cooperman, and their membership with Moore Stephens, when I need to make a change in our foreign operations, I start with Moore Stephens. Mark Fagan has relationships across the world with these companies, and it's valuable to us to be able to call him and have his help getting us set up with Moore Stephens firms across the globe. They have the expertise we're looking for where we don't currently have expertise. Our needs are different depending on each location, and the Moore Stephens firms have worked out well for us so far.

Q: As your business has developed and changed, have your needs from us changed? How so?

A: When entering a new product market segment, a business generally has two choices: to build it or to buy it. In some cases, the most efficient thing to do is to acquire a start up in need of capital, distribution, and infrastructure. This is the route we chose when we acquired our LED lighting business in France. That acquisition came with a company in China, which presented a new challenge for us. We needed to build out our team in China, including accountants. With one phone call to Mark, we were introduced to the Moore Stephens firm in China, who will be a critical relationship for us. As we continue to expand our operations there, the Moore Stephens firm will essentially be my accounting team, our trusted advisors on the ground there. As our French business will become more relevant in coming years, the Moore Stephens firm in France will become more of an asset to us, as we'll look for advisement on transfer pricing and maximizing our R&D credits. Brexit may also have an impact.

Q: What do you see in the future for Rosco as a global distributor, and how can we help?

A: Over the last 16 years, as Rosco has grown and evolved, so has Citrin Cooperman. The firm has added resources, especially on the consulting side, that have allowed them to scale with our business. Since I don't see a scenario where Rosco or Citrin Cooperman will outgrow each other, I'm confident we'll continue our relationship for the long term. That said, the additional resources have been very important to us, whether it be the Moore Stephens relationships, IT consulting, or complex tax consulting. Different models will require back office support. We'll have to work really hard to manage the tax implications of the intergroup charges. Currently, we're working with Scott Gallagher and Paul Daily of Citrin Cooperman's International Tax Practice to begin this process. Additionally, because our business is evolving, we're working on upgrading enterprise systems and how we interact with customers. We have to remain relevant and we currently are lacking in customer-facing technology. We're engaging the Strategy and Business Transformation group, led by Steve Ronan, to consult on this project. Change is the new constant at Rosco. We expect to continue to adapt our structure to best serve our market place and customers and are confident that Moore Stephens will be there to help.

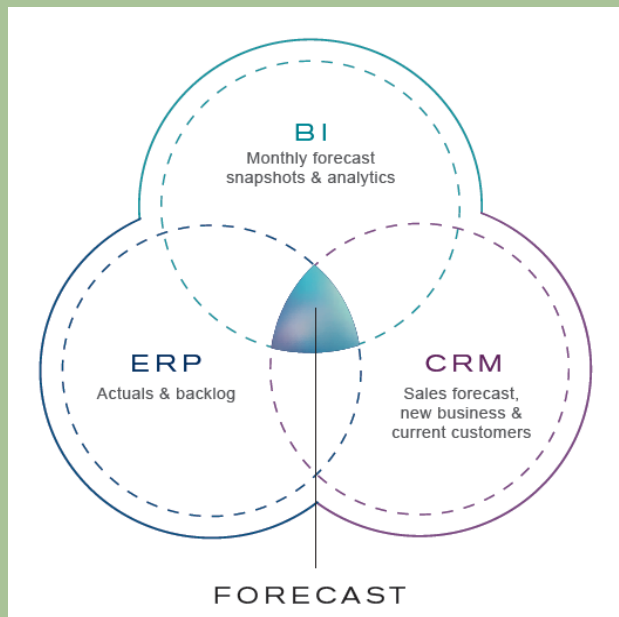
The Value of Integrated Systems

By Jeffrey J. Russell, Esq., Partner, Armanino LLP, U.S.

If your front-office systems (for sales, marketing and other customer-facing functions) and your back-office systems (for accounting, tracking, fulfillment and operations) can't communicate, you end up with silos of information. As a result, your daily business processes can't run seamlessly.

Executing an order-to-cash process, for example, may involve much paper and manual transfers of information as the order makes its way from department to department.

Systems integration removes these silos, so you can streamline your processes and enable your employees to do their jobs more efficiently, using whatever interface they need. It also gives you clear visibility into your business, from the moment a quote is approved until you collect payment.



For high-tech companies, this translates into improvements in key industry-specific capabilities, as well as core business processes. These key capabilities include:

- 1. Forecast Management** You can pull in external point-of-sale (POS) data from distributors, tie it into your systems and analyze it to forecast demand, so that you can determine how much to produce in the next three to six months.

- 2. Connected field service** Product maintenance/repair services are scheduled with a field service technician in the CRM system. The technician can then use their mobile device to order replacement parts onsite, or to bill their time and invoice the customer for the service call.

- 3. Samples management.** Your customer can request a sample from a website, and the request automatically goes from the website into your CRM system. The salesperson can view and approve the order and electronically send it off to accounting, which approves it and automatically sends it to fulfillment. Meanwhile, all the information flows back to the salesperson, so they can make sure the samples are shipped on time and arrive on schedule.

- 4. Distributor relationship management.** Distributors and manufacturer's representatives can log opportunities, record accounts and contacts, request samples and submit return material authorizations (RMAs), etc. via a portal. This makes it easier to manage these many relationships and respond quickly to your markets and customers.

- 5. Customer self-service.** End customers can use a portal to access knowledge base product and troubleshooting information or submit a case, which can then be automatically routed to a technical specialist. This helps you meet service-level agreements, improve your customer service and contain costs.

The right platform of integrated systems also enables you to easily integrate new functionality down the road. You may want to add business intelligence for analytics, for example, or connected field service capabilities that leverage the Internet of Things (IoT) with predictive signals that enable you to schedule preemptive repair and replacement. This flexibility allows you to evolve on your own terms.

(This is an excerpt from *High-Tech Manufacturer's IT Playbook* from Armanino. [Explore the full playbook](#), including the top 9 system challenges facing manufacturers and the value of a data warehouse.)

Beware

By David Seiden, Partner, Citrin Cooperman LLP, U.S.

United States Sales Tax Laws Have Been Overhauled and Could Affect Your Business

On June 21, 2018, the Supreme Court of the United States (“SCOTUS”) issued its opinion in *South Dakota v. Wayfair*, a landmark sales tax nexus case that has rightfully raised concerns for many international sellers. The Court ruled that states can require an out-of-state (or out-of-the-country) seller to collect sales tax on sales to customers in that state, even though the seller lacks any in-state physical presence.

SCOTUS ruled that under certain circumstances an economic presence can create nexus (i.e., a sufficient connection with the state), requiring a seller to register, collect and remit sales tax in a given state. In the months since the *Wayfair* decision, many states (over 35 states to date) have adopted “economic nexus” provisions or policies that require out-of-state sellers meeting certain sales thresholds to register, collect and remit sales tax.

Background

In *Wayfair*, SCOTUS considered the constitutionality of a South Dakota sales tax law that required certain out-of-state sellers to register for, collect, and remit South Dakota sales tax. Under the law, a seller had sales tax nexus with South Dakota if, in the current or previous calendar year, the seller:

- had gross revenue from sales of taxable goods and services delivered into the state exceeding \$100,000; or
- sold taxable goods and services for delivery into the state in 200 or more separate transactions.

Historically, the determination of sales tax nexus depended on whether the seller had a physical presence in the state. The physical presence nexus standard had been in place for over 50 years and was confirmed in at least two previous SCOTUS decisions (the latest being *Quill Corp. v. North Dakota* in 1992). Over the years, the physical presence standard was expanded to not only include a company’s own activities or property, but also the activities of its agents in the state. Post-*Wayfair*, the economic nexus standard has become law in over 35 states – meaning a multitude of states now have laws or policies in place asserting jurisdiction to impose sales tax collection

responsibilities on companies that meet certain sales thresholds. Thousands of companies that had historically not been required to collect and remit sales tax due to a lack of physical presence will now be burdened with understanding the many different state and local tax laws and filing potentially hundreds of sales tax returns annually.

Considerations for International Sellers

Sales and Use Tax Obligations. For years many international companies assumed that since they did not have a permanent establishment in the United States or were “protected” by a tax treaty, the companies were not required to adhere to a state’s sales tax laws. This assumption is incorrect. While the lack of a permanent establishment in the United States or protection by a tax treaty affords international companies certain federal tax benefits, such protections do not exist for state and local sales tax purposes.

The *Wayfair* decision should be a call to action for international companies doing business in the United States. The most immediate impact is on retail sellers (i.e., companies that sell taxable goods and/or services to end users) with significant sales into a state that asserts economic nexus. Taxable sales can include: software, software as a service (“SaaS”), information, equipment, etc.

Call to Action

International sellers delivering taxable products and/or services into the United States should:

- Determine magnitude of sales and transactions by state.
- Determine if company surpasses the economic nexus thresholds (i.e., dollar amount and/or transactions) established by each state. Please note that the dollar/transaction volume thresholds varies on a state-by-state basis.
- Determine if a company’s products/services are subject to sales tax in state(s) where company exceeds economic nexus thresholds.
- Determine if company has any historical sales tax collection exposure.
- Develop internal policies/procedures to monitor current and future sales tax collection responsibilities.
- Evaluate sales tax automation software to minimize efforts in complying with the many different state and local sales tax collection and reporting responsibilities.

Beware cont.

Conclusion

There are approximately 10,000 different state and local sales taxing jurisdictions, many with different rules relating to tax rate, taxability of products and services, and economic nexus thresholds. The one thing most of these jurisdictions have in common is the focus on generating as much tax revenue as the United States Constitution will allow. Given the SCOTUS 2018 *Wayfair* decision, many states have aggressively changed their sales tax laws (i.e., from purely a physical nexus standard to rules that include an economic nexus standard) and increased enforcement of such new laws.

Companies should act with a sense of urgency to ensure compliance with the numerous new state and local sales tax laws. A seller of taxable products/services that is deemed to have economic nexus in a given state(s) and does not collect the applicable sales tax will become liable for the tax that should have been borne by the buyer. State and local taxing authorities are aggressively launching initiatives to identifying companies that potentially have nexus under the new laws. Once a state contacts a company regarding nexus, options to resolve any past liabilities become limited.

On the Rise

An Interview with Zac Radbone, MSIL London

This section will take an inside look at some of Moore Stephens's new rising stars. Each quarter we will ask a set of questions to help us get to know him or her, find out what drew them to the Moore family, what their current path has been, what excites them about the future of the firm, their goals, and more.

For the launch of our first issue of M&D Future Vision, we asked Zac Radbone to tell us his story. Zac serves as the Global Digital Strategy and Content Manager for MSIL. His role includes designing and overseeing a digital strategy over the global network and implementing a content/marketing strategy across multiple channels including social media platforms and websites. Zac is based in London.



Q: Zac, rumor has it this role and the move to London was a dream job for you – can you tell us about the road that led you here and why this is such a fantastic role for you?

It's been an unorthodox journey for me to get here. I was a corporate advisor at the Moore Stephens office in Adelaide, Australia, while studying corporate finance full time. Shortly after Anton was appointed as the Global Chief Executive Officer, he was sending around video updates of what's happening in the network. And late one evening just sitting at my desk in Adelaide, I decided to respond to one. I told him that we lacked a digital presence of a global accounting network. I thought that given the size of the company he probably wouldn't even care what I had to say. But sure enough he replied 30 minutes later, and it led to me being invited to the international conference in Singapore in November where I gave a speech in front of all the leaders of our network.

I'll never forget the moment I got off stage and Anton came over to me and said, "So you passed your job interview."

Q: How did you develop a passion for social media?

I'm an extremely sociable and outgoing person by nature, social media is something I have instinctively understood from the moment I started using it. I find it fascinating how these platforms have completely changed the way we engage with the world around us, and how business is conducted. I believe we are only at the beginning as well, with immersive technology and 5G around the corner we are about to embark on another technological evolution. The growth of tech and social media is not linear, its exponential, and only getting steeper.

An Interview with Zac Radbone, MSIL London cont.

Q: Can you share your most interesting story on your journey so far?

Where do I start... I think moving to London, one of the financial hubs of the world, from a small town in Australia, with no friends or family has been interesting, but very grateful for the support I've had at MSIL.

Q: What can you share about what's coming down the road for MSIL and social media?

Each social media channel has a different approach, we are one of the largest networks in the world, but our story until now has gone largely untold. We will be utilizing the more traditional Social Media platforms such as Instagram and Facebook to tell the story of our network, our people and our firms. Additionally, we will be tapping into unused resources from all our firms, and leaders to drive content for our LinkedIn pages. We are in the process of professionalizing all Social Media streams, although comparatively we have a long way to go.

Q: How do you hope the MSIL social media strategy will help increase awareness throughout the network? What should the Moore family know about how to take advantage of the resources you are providing to us?

Through this whole branding process there are many gaps digitally that we are identifying from MSIL to our member firms. There has been a substantial lack of cross pollination of information between our member firms that we are only just starting to get on top of now. You can expect us to start highlighting leaders of industry from around the network to our youngest and brightest stars. Through highlighting these on our social channels, we believe it will raise significant awareness of our global network and thus increasing the potential collaboration between offices. I would encourage everyone to follow our Instagram and LinkedIn to take advantage of the specialist insights that we will be sharing.

Q: How do you think social media and the use of digital content can impact our push to look at the M&D industry on a global level?

Previously there has not been enough social media collaboration globally, thought leadership pieces have been kept in silos instead of shared around the networks social media channels which can have a true ripple effect. For example, if the Global M&D Community Group produces a report that looks at M&D on a macro level they would share this to not only their distinct firm's social channels, but it should also be distributed throughout MSIL channels so that we can broadly share our co-developed products to both our internal network and external contacts. By continually pushing out content the likelihood our firms/global groups can generate leads increases dramatically, LinkedIn is the most used social-media platform amongst fortune 500 companies, we are currently underutilizing this!

Q: What excites you about the road ahead for MSIL?

As a network in terms of key processes and protocols we have so much that we can improve on, and our network is big enough that we can instigate some impactful and meaningful change but agile enough that it won't take years to implement them.

Q: Outside of MSIL, what brings you the most joy?

Australian Rules Football (It's like American/Rugby combined, biggest sport in Australia!) and Surfing, although I'm not getting out as much now I live in London!

The Brexit Effect

By John Stanford, Director, MSIL

The UK politicians have hardly covered themselves in glory when it comes to providing clarity on the shape of its desired trading relationship with our international partners. Given the huge complexity of the negotiations that followed the most indecisive 'decisive' vote of all time it is hardly surprising that there is no single voice that stands out from political maelstrom.

For the manufacturing industry, this uncertainty has led many who once thought of the UK as forthright and progressive in its trade and its products, as now seeing the UK as ... well ... indecisive.

How did we get here?

How did this happen and what are the decision points? In June 2016, the UK voted on a simple question, "*Should the United Kingdom remain a member of the European Union or leave the European Union*", with the only available answers as "*Remain*" or "*Leave*". However, this fundamentally hid from voters the myriad variations of "*Leave*" that were being considered.

- Do you vote to stay in the Customs Union (allowing free trade between EU countries and charging the same import duties)?
- Do you vote for the Single Market (effectively a market with reduced, or no, trading tariffs or restrictions)?
- Do you vote to limit immigration (the Single Market is premised on the free movement of people between EU states)?
- Do you just want to 'take back control' (the ECJ, European Court of Justice, currently has a ruling in disputes as to what the UK can and cannot do)
- Do you vote to leave everything (effectively reverting to WTO rules and theoretically enabling the UK to set up its own trade agreements with other countries)?

It is important to understand that those who voted might have agreed with all of these reasons, none of them, or perhaps just one or two.

Now we have to agree what we really wanted and it's no wonder that this is proving impossible. In 2017 I wrote an article¹ that called for the UK to stop treating this debate along party lines – it was clear to me before the Referendum, and then more so after the vote, that any attempt to make a purely party-political decision was doomed to failure.

¹Brexit Negotiations – Compromise or Crisis, published Nov 2017

So here we are, 34 months on and we still have no clear proposal, and the Government has finally started cross-party talks to see if a consensus can be reached to put a proposed agreement in front of the EU.

The Effect on Business

Business has fallen into a form of stasis for many months now. How can organisations make strategic decisions without clarity as to what is being demanded or what is likely to be negotiated? Consequently, whilst much has continued as usual the impact on investment has been such that a form of paralysis seems to have gripped the country.

As we neared Brexit Day (29 March 2019) many in the UK believed that No Deal would be reached and we would consequently fall out of the EU and under WTO rules. The Prime Minister tried and failed (3 times) to get her proposal through Parliament. She then gained agreement to defer the leaving date to 22 May 2019 (one day ahead of the European Parliament elections – how could the UK remain in the EU and vote in Members of the European Parliament when it was trying to leave the institution?).

However, this was never likely to give us enough time to reach a decision when it had already proved impossible in over two and half years so consequently the leaving date has been pushed further back to October 31, 2019 – a 'Flexextension', meaning that we can leave earlier if we have agreement but must go then if one is not reached.

What is Happening in Manufacturing?

Manufacturing accounts for 10% of the UK economy but it still accounts for nearly 50% of UK trade. And, amazingly, under all this uncertainty, GDP grew by 0.2% in February (Manufacturing itself hit 0.9%).

Whilst this confounded economists the answer lies in the fact that manufacturers rushed to stockpile ahead of the original March deadline with many thinking the UK would crash out of the EU without a deal. Now that the deadline has been deferred, it remains to be seen if the stockpiling continues or if these reserves are run-down, thereby deflating the market once more.

In the car industry, production has dropped by 9% since the referendum. If the UK leaves without a deal it is projected that production will drop further to perhaps only a little over 50% of its pre-referendum size. Key to this is that investment has dropped by 80% and, of

The Brexit Effect cont.

course, trade under WTO would not be the frictionless activity it is now with many international partners, and there would be higher levels of tariffs. Big carmakers such as Jaguar Land Rover, Ford, Toyota, Nissan and BMW have all issued warnings about the impact of a no-deal Brexit.

To put this into more perspective, total UK exports were \$395Bn in 2017 making it the 10th largest exporter (down from £436Bn in 2012). Car exports represented 11.4% (\$45Bn) with 20% of that figure (\$8.8Bn) going to the US.

Top 5 Exports from the UK to the U.S.

Cars	Transportation	19.00%	\$8.81Bn
Packaged Medicaments	Chemical Products	7.20%	\$3.24Bn
Refined Petroleum	Mineral Products	5.20%	\$2.34Bn
Hard Liquor	Foodstuffs	4.20%	\$1.89Bn
Aircraft Parts	Transportation	3.40%	\$1.55Bn

Top 5 Imports to the UK from the U.S.

Planes	Transportation	12.00%	\$5.60Bn
Gold	Precious Metals	10.00%	\$4.78Bn
Aircraft Parts	Transportation	3.70%	\$1.74Bn
Crude Petroleum	Mineral Products	3.60%	\$1.69Bn
Gas Turbines	Machinery	2.80%	\$1.31Bn

Source: OEC (Observatory for Economic Complexity) 2017

Equipment manufacturers are amongst those who are stockpiling where components are sourced from the EU since they will not wish to suffer delays in the post-Brexit world. That said, those who source and construct within the UK feel that they are set for strong growth but with a downside to consumers that this will restrict choice.

And what of the future?

The majority of British manufacturers expect orders from the EU countries to reduce as a result of leaving the EU – a situation that is of course concerning to the UK economy. To counter this, the UK is embracing the latest industry trends, otherwise known as the Fourth Industrial Revolution (Industry 4.0). Indeed, it will be essential that efficiency through the judicious use of technology is explored. Perhaps Brexit will actually provide the catalyst for this action.

According to research, the majority of manufacturers expect Brexit to accelerate the use of artificial intelligence and automation technology in industry. This could allow for an increase in manufacturing volume, and thereby enable business to meet potential demands from global markets.

Technology is also expected to help drive down the cost of production to enable Britain to compete with global prices, and to allow efficient adaption and development of new products and strategies for our new trade partners. There are many examples where British industry has already stepped up to the mark and perhaps the world's view of the UK as a reliable, organised and formidable presence will once again be restored.

The “One Belt, One Road” Initiative

MSIL Develops a Strategy for Member Firms

By Jeff Blackbeard, Regional Director, MSIL

It is one of the most ambitious economic programmes in history. The ‘One Belt, One Road’ (OBOR) initiative was first unveiled by China’s Xi Jinping in 2013. Since then, it has gathered momentum to span around 60 countries. But what is it?

In essence, it is a development strategy to create infrastructure and investments ultimately in as many as 150 countries across Europe, Asia, Middle East, Latin America and Africa. The Chinese government characterises the initiative as a ‘bid to enhance regional connectivity’. With some commentators estimating the initiative will mean around USD 1.3trn being committed by 2027, it is a once in a century commitment by the world’s fastest growing economy with many of the countries on the (OBOR) corridors standing to benefit from improved infrastructure, transportation and other economic benefits.

Jeff Blackbeard, Middle East and Africa Regional Director has begun working with member firms along the OBOR corridor to ensure these areas of the network are prepared to potentially benefit from the initiative. “Building on the existing strengths we have in our client base for manufacturing, maritime logistics and construction provides an ideal platform for strategic partnerships and co-operation,” says Jeff. “The OBOR initiative has illustrated China’s rebalancing from export-led growth towards a strategy of more active global participation,” says Blackbeard.

The OBOR presents clear opportunities for Moore Stephens firms to provide expertise and support. Due diligence exercises, facilitating partnership or joint venture arrangements with inbound Chinese investors and with clients of local Moore Stephens member firms, being some of the immediate examples. East Africa has been one of the earliest areas of the globe to be impacted by the OBOR programme. In Kenya, Joy Bhatt is already positioning Moore Stephens for success.

“Finding the right partners and providing the strong support networks through our understanding of local companies, the regulatory environment, market conditions, and the business cultures and practices of both China and Africa will support our success,” says Joy Bhatt, senior partner of Moore Stephens Kenya. “A

strong working relationship with Moore Stephens Da Hua is a key element in this client service model, adding enormous value to our clients from China.”

The investment of Foton Motors in 2006 into combining manufacturing, sales and services into the Kenyan market brought the company closer to its customers and the markets it serves in East Africa. Foton has now expanded its operations into several African countries, including Kenya and Egypt. “This trend of Chinese companies moving manufacturing capacity closer to the markets in Africa is a strategy we will see more of in the future,” says Bhatt.

Chinese companies, with the support of various international funding agencies are providing huge amounts of funding to develop African infrastructure in the forms of new rail links and ports to facilitate continental trade. These investments are paving the way for the manufacturing, distribution, service centres and retail operations to follow.

Jeff Blackbeard has been facilitating OBOR strategy sessions with partners and staff within his region. These strategic planning sessions help to determine the level of readiness to work with Chinese clients, and also to develop specific growth plans that cover aspects of brand building, sector collaboration and global mobility – key MSIL trends for 2019 and beyond.

“There is a big opportunity for MSIL firms to benefit from the OBOR initiative, which can be supported by the wider collaboration efforts that are now gaining momentum across the network. A key element of the strategy as we move ahead will be to engage our Mandarin speaking specialists in tax and advisory services as well as more closely link with MS global experts in manufacturing, supply chain management and transfer pricing. East Africa is one of the first areas to be impacted by the OBOR initiative and it is already driving high activity levels and economic benefits. By acting now to prepare, the other areas of the network can be very well positioned to take advantage of the opportunities this will bring and meet future client demand.”

The “One Belt, One Road” Initiative cont.

Key Data

All firms were contacted, and we have received 63 responses to date (24%). Of these firms, 30 already have Chinese clients (11%). However, 58 (22%) have registered an interest in exploring business with China.

Regarding knowledge of the Belt and Road we asked about your awareness of the initiative, whether you were planning a specific strategy, and whether you would be interested in becoming more involved in this strategy.

How aware are you of OBOR?	14% (very)	35% (basic)	51% (not aware)
Have you got a strategy for OBOR?	5% (yes)	22% (thinking)	73% (no strategy)
Do you wish to be involved in developing a OBOR strategy	33% (actively)	59% (interested)	8% (not interested)

Focus

Naturally enough, when we look at the services provided then we are covering both Audit and Tax services. However, when we look at the key sectors of the network¹ it is encouraging to see that each is strongly represented amongst those respondents with Chinese clients or an interest in developing an OBOR strategy.

Manufacturing & Distribution	47%
Real Estate & Construction	43%
Energy, Mining, Renewables	13%
Shipping	10%
Other	40%

¹ 2018 World Survey including Firm Data enabling firms to indicate their key sectors, services and client activity.

Interestingly, a number of firms are already undertaking marketing activity with China (whether this is through trade visits to Da Hua or through directly with Chinese clients) which, in itself, indicates that perhaps efforts could benefit from being more coordinated – joint materials, joint meetings, joint proposals etc.

What Next?

A team has been formed within MSIL Executive to work on the OBOR Strategy and it will be looking for input from interested firms. We are already looking at where our key sectors have specific relevance to the Chinese Belt and Road strategy and, over the coming weeks and months, we will be researching where we can use the strengths we already possess and where we need to develop further capabilities.

Further updates will be provided in future newsletters, on the intranet or via the OBOR Collaboration Group.

Connect to our newly-formed [OBOR Collaboration Group](#) to find out further information about the work we are undertaking or how you can get involved. Alternatively, please contact Jeff Blackbeard (jeff@msdbn.co.za) or John Stanford (john.stanford@moorestephens.com).

What Breed of Consultant Are We?

By Gareth Pollit, Director, Moore Stephens South Africa

When asked to put pen to paper, or rather a finger to my hardly visible key board we were in the middle of Stage 4 Load Shedding on a balmy (Durban word for uncomfortable, hot and sweaty) evening. What better time to consider the meaning of life and the dark art of consultancy?

Load Shedding is the art, developed by the South African National Power entity, Eskom, of cutting off electricity as the system cannot cope with demand. It comes in 4 stages. Stage 4 currently being the worst, though some predict new stages will be added as the situation progressively deteriorates to a complete system breakdown.

But hey, there is a solution according to ESKOM. Like a marvel comic superhero out of the mire comes "The Consultant". In the case of Eskom, Italian Consultants.

This is where we "The Consultant" enter the scene. We are not sure what type of consultant is required because the system is so chronically in disarray that one breed of consultant will not be enough.

What needs fixing? What expertise does Eskom need?

The question is the same for Moore Stephens as it is to Eskom. What is it that our Clients require? Why do they feel the need to approach us? Why would they approach us?

The question for Moore Stephens is should we be consultants? This catch all word does not encapsulate what we do, what we can do, and what we aspire to do. Budgets, raising finance, governance controls, physical resources to meet demand, agreements with third parties, programming, strategy, reducing HR challenges, bookkeeping, taxation, audit, technical knowledge...the list is endless. Eskom's Italian consultants must be exceptional people to be able to fix all that. The point being that a consultant can be anything or everything dependent on your needs and perspective. So, when Moore Stephens steps up and says we are a professional services firm made up of accountants and consultants - what do we mean and what do we want to mean? We cannot be all things to everyone - nor should we be.

Over the (undisclosed) years of my professional life I have probably only gained three pieces of exceptional advice or learnt from experience that I would share.

Firstly, cash is king (Ah I understand that, says the Accountant). Secondly do not be afraid to ask for help (just do it in time). This is not a sign of weakness but actually shows you have an understanding of the situation. How many of us stand up and cry for assistance? Thirdly, stand back and take the big picture in. (I have a 24-hour rule of not acting out of a sense of pressure and panic - my doctor likes this one!) I will come back to this, but it starts to paint the landscape of the Consultants environment.

How did Eskom decide overnight what consultant it needed? They obviously did not look after my first rule. They currently are in debt to the tune of US \$30 billion! The signs were on the wall of disarray in the planning and implementation stage many moons ago, but no one has stood up and taken ownership of the problem and sought assistance...until now. Rule 2 was never in the minds of the Eskom Board.

Senior management has had so much political interference that the CEO has changed over 12 times in the last decade. There goes rule No 3.

Perhaps you are now getting the picture of my understanding of the complexity of the Consultants world. Consultancy is in my opinion too broad a word, not only do we not understand what or who it is but neither do our Clients new and old. We need to redefine perceptions, or let's disrupt the world of Consultancy to our favour. I provide food for thought.

I would propose that within our Professional services offering, we start to unbundle the consultant's world. The operative word being Services to cover as many disciplines of professions as you could imagine.

Even services is too broad but it's a start. I would share how I see my role. I am not a consultant. I am a single professional resource that is prepared to combine to work with other resources to provide what is required by our Clients. Sometimes our Clients do not know what they want, sometimes they have a very clear idea. In fact, they are probably good at Rule 2. They have reached out for help. We need to provide the assistance. in a phrase "We have your back."

What Breed of Consultant Are We? Cont.

What's all this got to do with me I hear the mass MS community ask. I consult on financial matters and that is sufficient. Perhaps this is where we lose sight of our opportunity. After all we are in the business of making money...cash is king, but the same is true for our clients. So why do we just stick to the cash items. There is so much more that our clients need and if we can structure ourselves to leverage those opportunities in support of our clients in a knowledgeable and value for money approach perhaps that gives a guide of the direction we should take.

Enough of this writers' ramblings which I hope will receive reaction in future editions. Back to a real, current, life example that starts to unpack the raft of professional services we can deliver. The client is Glengineering (Pty) Ltd South Africa which provides a case example of the type of engagement we have with entrepreneurial clients.

Glengineering (Pty) Ltd

We were approached in 2016 by an entrepreneur to provide assistance in raising capital for a new venture in the business of a new metal roofing system. Regrettably at the time we had to decline as his ideas were in infancy and he needed to carry out substantial R&D. In late 2018 we revisited to enquire how he was getting on, which to cut a long story short has resulted in a mandate to assist not only in the raising of the capital for his venture but to support all of his business development. His forte is the clever R&D thinking. So, this one client who approached us for financial assistance is now relying on us to walk his path and assist in his total business development.

Our client roofing system purports to redefine the metal roofing market through its ease of installation and performance characteristics that are superior to his competitors. His groundwork on the R&D side is nearing completion but his support systems, strategy and business development and marketing require considerable support.

Our job has been to obtain a complete understanding of his business, his dreams and ambitions, his strengths and weaknesses in the way he carries out business. MSAA is not an expert in his field. He is the expert, but we are the right partner to be his sounding board, to help him develop, to see the bigger picture and to provide guidance on a host of services. To date this has

included, review of the product, review of his existing legal arrangements, establishment of a global strategy, development of financial models. We have engaged specialists in and out of house. Our role is managing the process for him, to enable him to see the forest from the trees. This hand holding, sounding board, appears time and again to be what our clients value.

We now have some challenges to work on, as part of the need to raise circa US \$750k as seed money. We require to identify "in country" partners to help him manufacture and distribute. Our client is fully flexible in this regard, seeking proposals from interested parties that will help him achieve his goals. Moore Stephens is managing this process and wishes to utilise the MS global network and collaboration to help achieve our client's aims.

The Collaboration Group is the ideal starting point ...the challenge is to get the MS network to read the detail of this project, to reach out with support or ideas, to participate in the project.

Full details of the project and others are maintained in the Opportunities Folder of the M&D Collaboration Portal.

Concluding the question is what does a MS consultant need to have in their skills set? Well firstly the ability to listen hard to the client's initial needs but also have a vision of the bigger picture to foresee the future needs and how we can guide the process of growth. Another key skill is patience, as the entrepreneur often wants to move quickly with the business idea but does not always want to spend time on the details and practical steps of implementation. Therefore, a MS Consultant needs to be able to provide this support to the client in ensuring the building blocks are in place and that the right questions are asked to guide the clients on their growth path.

We just need to capsule all this in our marketing and service sector offering.

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