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MENA NEWSLETTER

Issue 1, 2021

Dear Members and Friends

I hope this finds you and your families healthy and safe. As we approach the end of the first half of 2021, it is safe to say that the world is in slow recovery. The pandemic has now become a part of our daily lives and is expected to remain so for the next few years.

As most of the world emerges from lockdowns, we have seen a spurt of pent up demand across most sectors. Consumers are using the funds that they have saved up from reduced commuting, and reduced vacationing over the past year and are spending on discretionary items, which has boosted the retail sector. Many have decided to move to larger properties which has led to a boom in the sale of larger houses. Investors and High Net Worth individuals that are not satisfied with their countries handling of the Pandemic have started looking to redomicile and move to countries that have had a better track record during the Pandemic.

Banks have remained financially strong through the crisis, primarily due to the lessons learned from 2008-2009, and have taken the lead in offering financing for the above expansion and growth. With the Federal Reserve in the USA having confirmed that rates will not move up until 2023, I expect to see private and public long term debt issuances to continue to surge in the coming months across the region. Also with lower interest rates promising to be around for a while, we are already seeing an increase in risk-on activity by investors, investing in the equity markets that has led to markets across the world touching all time highs.

Internationally the Tokyo Olympics will continue, but without spectators. Locally, the UAE has planned to hold Expo 2020 in Dubai in October 2021, in full swing with visitors from all countries welcome to attend, while keeping a very close watch on any new outbreaks of the virus and also taking into account countries vaccination rates.

While the UAE is planning on holding an in-person Expo, we at MGI have chosen to be more conservative and will be hosting another virtual MENA Region meeting on the 13th of July 2021 - just a few days from now. I hope to see all of you in attendance, as we have an exciting series of sessions planned that I hope you all with benefit from.

I hope we will be able to meet each other in person very soon, but for the time being I wish everyone a healthy and restful summer and a prosperous and safe rest of the year.

Faiyaaz Rajkotwala
Area Leader
Middle East & North Africa

Greetings!

Trust all of you are doing great and your families. The easing of pandemic restrictions has started allowing us to come back to our working life slowly and gradually. We sincerely hope that as markets are opening up, the business climate will only get better from now on.

The region has witnessed some fascinating developments in recent times and would like to take the opportunity to keep the members informed on the same.

Dubai has prepared to exhibit to the world how Expo 2020 would transform the global economy driven by opportunity, mobility and sustainability, the three main pillars of innovation.

While USD 15.5 billion was budgeted by the Dubai government for Expo in 2019 including expenses for new hotel facilities and infrastructures, 2020 had seen an allocation of USD 18.1 billion.

First of its kind in the region and also the largest in the Arab world, the Dubai expo kept all construction works running amidst the covid-19 pandemic and ensured that all building constructions were over by October 2020 itself.

To get an idea of how big it is, the Dubai expo covers an area of 4.4 sq Km and is double the size of Monaco but took only 40 weeks to be completed with exclusive facilities for public transportation by metro and highways and the metro can transport 23000 people per hour. The expo also houses an exhibition centre with an area of 45000 sq meter and halls that can accommodate 20,000 people.

The new regulatory amendments in the UAE permitting 100% foreign ownership of mainland or onshore companies are set to open more doors of opportunities for businesses and investments to foreigners. It would undoubtedly boost the country's overall economy through increased FDI that we have long cherished and worked for.

We believe that the Middle East region will make a faster recovery and will be leading in innovation and strategies.

Piyush Bhandari
Area Leader
Middle East & North Africa

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MGI MENA REGIONAL NEWS

MGI Worldwide CPAAI Middle East region strong position in World Rankings

The Middle East region was ranked 11th in the International Accounting Bulletin [IAB] annual 2021 World Survey Report.

This is a testimony to the growth of the membership in the middle east.

MGI MENA MEMBER NEWS

Al Hamli & Partners appoints Development and Quality Director

Hassan Masoud joined the firm with 14 years' experience in providing audit and compliance service to leading domestic and international corporations in USA, KSA, Qatar, Bahrain and Egypt.

Hassan will be involved in developing work in the audit sector as well as quality control, managing the company's relationship with clients and creating new services complementary to audit activities.

He is a US CPA and CMA holder and has an accounting degree from Ain Shams University in Egypt

La Générale d'Audit & Conseil (GAC) capitalises on IFRS implementation in Tunisia

Application of IFRS standards in Tunisia has been made mandatory from the 2021 financial year.

GAC's financial institutions department was in a priveledged position and managed to obtain several tenders in banks and insurance companies competing successfully against the big four in this area.

The firm has also developed know-how in setting up Temenos' ERP T24 in Tunisian banks. Temenos Transact is the most successful and widely used digital core-banking solution in the world. Using cloud native and agnostic technology, Temenos Transact provides the most extensive and richest set of banking functionality across retail, corporate, treasury, wealth and payments with over 1000 banks in 150+ countries.

GAC is happy to share their expertise in Temenos with other member firms and to jointly work togther to build this business

M&M Al Menhali successfully onboards new client IVANTI

IVANTI is a billion dollar IT software company headquartered in the USA. It produces software for IT Security, IT Service Management, IT Asset Management, Unified Endpoint Management, Identity Management and Supply Chain Management.

ivanti

Ivanti expanded into the Middle East, with the opening of it's office in Dubai in 2018.

M&M Al Menhali will provide business support activities and advisory services to their Middle East operations. "Having IVANTI as a client solidifies our position as a leading provider of professional services to the IT industry" said Sudhir Panikassery, Managing Partner for M&M Al Menhali

Member firms in Tunisia joined forces and successfully concluded a World Bank project.

In October 2020, Nadia Yaich, partner at MGI Business & Financial Consulting (MGI BFC) reached out to Chiheb Ghanmi, Partner – Financial Services from La Generale d'Audit et Conseil (GAC) to submit a proposal for a World Bank project

This was an opportunity with a credit risk insurance company in Tunisia that received funding from the World Bank for capacity building in field of financial transactions, risk management and IT.

With Nadia's experience in risk management together with Chiheb's experience in banks and insurance companies both firms decided to collaborate to submit the proposal.

This successful joint effort is an example of how members can and should use the network to collaborate, combine their respective specialisations to acquire new clients and jobs. With over 250 member firms in the network there is no limit to the support that is available to fellow member firms.

Partners from both firms recommend members to continually network and discuss with each other, to better understand their businesses and brainstorm opportunities for cooperation to grow their practice

MGI KICA International signs memorandum of co-operation with HPNI Health Consulting.

MGI KICA International, recently signed a memorandum of co-operation with the Health Professionals Network HPNI to provide internal control, audit and quality management to the healthcare sector and hospitals in Lebanon.

The memorandum was signed at Al-Faqih Hospital by Mr. Yusef Abdullah Fakih, Chairman of HPNI Board of Directors and Rabih Kerbaj in the presence of members of the Board of Directors and General Managers of both companies.

The memorandum covers the comprehensive cooperation and coordination of the financial, administrative, medical auditing, quality management and training amongst others.

MGI KICA International will support HPNI with professional staff and technical knowhow.

Reaching out & connecting with each other

Al Hamli & Partners have had a zoom discussion with fellow member Boubyan Consulting Company to discuss cooperation and to work jointly for consulting and training services in Saudi Arabia

Ghassan Al-Majed and Mahmoud Fahmy from Al Hamli together with Hesham El Sakka from Boubyan Consulting exchanged ideas and experiences. They further explored opportunities to develop business, how they can support each other via sharing of resources

MGI GLOBAL NEWS

MGI Worldwide CPAAI strong position in World Rankings

The International Accounting Bulletin [IAB] recently published its annual 2021 World Survey Report and MGI Worldwide CPAAI is delighted to be listed as the World's 11th largest Association.

The IAB World Survey includes fee income from 30 Networks and 22 Associations. As a hybrid organisation, MGI Worldwide CPAAI is both a Network and an Association, with a majority of firms in the network.

New members

Scholes Chartered Accountants in Scotland joins the MGI Worldwide Family!

With offices in Scotland's capital, Edinburgh, and Kirkwall in the Orkney Islands, at the very top of Scotland, just off the North Coast, the firm has strong

technical capabilities in delivering accounting and auditing work under UK accounting and auditing standards and advising on a range of UK corporate and personal tax issues. The team is also well versed in advising clients on many aspects of the devolved Scottish tax system.
Scholes Chartered Accountants serve clients operating in a wide range of sectors, in particular renewable energy, agriculture and hospitality being among the top 3.

Webinars

The ***Tech on Tuesdays*** webinar has a strong and loyal following. Host and trainer David Benaim a Chartered Accountant himself understands the needs of accountants.
David shares recent enhancements and updates to the Microsoft suite of products and unveils what's coming next.

The various specialist groups have also organised webinars on topics like global VAT, litigation & valuation, marketing and members who contribute and organise country specific doing business webinars

NOTE: Most webinars are recorded and available in the members section of the website

Circle and regional meetings

With the travel restrictions still in place in many parts of the world, majority of MGI Worldwide meetings for the first half of the year have been virtual meetings.

Having virtual meetings meant that more representatives from member firms were able to attend the meetings. Members got to meet more members albeit virtually

PROFESSIONAL NEWS FROM AROUND THE WORLD

Strengthening international independence standards

The International Ethics Standards Board for Accountants® (IESBA®) has released revisions to the Non-Assurance Services (NAS) and fee-related provisions of the International Code of Ethics for Professional Accountants (including International Independence Standards) (the Code). The revised NAS and fee-related provisions significantly strengthen the guardrails around auditor independence in two important areas that have the potential to create incentives influencing auditor behavior—non-assurance services provided to audit clients and fees.

The revised NAS provisions contain substantive revisions that will enhance the International Independence Standards (IIS) by clarifying and addressing the circumstances in which firms and network firms may or may not provide a NAS to an audit or assurance client. The revised provisions include new requirements that expressly prohibit firms and network firms from providing certain types of NAS to their audit clients, especially when they are public interest entities (PIEs).

The revisions to the fee-related provisions of the code include a prohibition on firms allowing the audit fee to be influenced by the provision of services other than audit to the audit client; in the case of PIEs, a requirement to cease to act as auditor if fee dependency on the audit client continues beyond a specified period; communication of fee-related information to TCWG and to the public to assist their judgments about auditor independence; and enhanced guidance on identifying, evaluating and addressing threats to independence.

The revisions are effective December 15, 2022.
Go HERE for more details and resources

The International Accounting & Auditing Standards Baord (IAASB) has raised the bar for quality management.

Three new and revised standards (ISQM1, ISQM2 & ISA220 (revised) strengthen and modernize the audit firm's approach to quality management. Through the standards, the IAASB is addressing an evolving and

increasingly complex audit ecosystem, including growing stakeholder expectations and a need for quality management systems that are proactive and adaptable.
The standards direct audit firms to improve the robustness of their monitoring and remediation, embed quality into their corporate culture and the "tone at the top", and improve the robustness of engagement quality reviews.

The standards are effective December 15, 2022. They replace the IAASB's current standards, International Standard on Quality Control 1 and International Standard on Auditing 220.
Key Changes

- Increases firm leadership responsibilities and accountability, and improves firm governance
- A risk-based approach focused on achieving quality objectives
- Modernizes standards to address technology, networks, and the use of external service providers
- Increases focus on the continual flow of information and appropriate communication internally and externally
- Proactive monitoring of quality management systems and timely and effective remediation of deficiencies
- Enhances engagement partner's responsibility for audit engagement leadership and audit quality
- Clarifies and strengthens requirements for a more robust engagement quality review

The IAASB released two guides to help stakeholders implement its suite of quality management standards.

- First-time Implementation Guide for International Standard on Quality Management (ISQM) 1, *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements*
- First-time Implementation Guide for ISQM 2, *Engagement Quality Reviews*

The IAASB will also issue an implementation guide for International Standard on Auditing 220 (Revised), *Quality Management for an Audit of Financial Statements*, in Q3.

Please visit https://www.iaasb.org/focus-areas/quality-management for more resources on how your firm can prepare itself for these changes.

IFAC teams with IIRC on integrated reporting assurance

The International Federation of Accountants (IFAC) is partnering with the International Integrated Reporting Council (IIRC) on a joint initiative for providing assurance services related to financial and nonfinancial metrics.

The initiative, called "Accelerating Integrated Reporting Assurance in the Public Interest," aims to help more businesses implement integrated reporting, which brings together traditional financial reporting with other issues such as environmental, social and governance (ESG) reporting, along with human capital and other matters. The joint initiative launched on Friday and will be rolled out in installments. It aims to raise awareness of integrated reporting issues, drive conversations among stakeholders, and encourage providers of assurance services such as accountants and auditors and users of those services.

The program comes at a time when more investors are contributing to ESG funds and regulators are asking for more consistent information about them, encouraging standard-setters to harmonize their different frameworks. The IIRC is in the process of merging with the Sustainability Accounting Standards Board (SASB) to form a group called the Value Reporting Foundation by the middle of this year, and it may also include the Climate Disclosure Standards Board. They are also working with the Global Reporting Initiative and the Carbon Disclosure Project to harmonize their standards. Meanwhile, the International Financial Reporting Standards Foundation has proposed to create an International Sustainability Standards Board that it would oversee alongside the International Accounting Standards Board. That proposal has received support from IFAC. The American Institute of CPAs has also been encouraging more accountants to consider providing assurance services.

"Integrated reporting assurance, and indeed providing assurance on all nonfinancial (including sustainability) information, is a critical element in the future role of accountants, requiring them to apply their professional expertise to assurance engagements that enhance the credibility of corporate reporting," said IFAC CEO Kevin Dancey in a statement. "Practice needs to develop quickly in this immature part of the reporting and assurance world, particularly to provide confidence in narrative and forward-looking information. Professional accountants, as preparers and assurance providers, are uniquely qualified to help lead the way in this important area."

The first installment of the joint initiative describes what integrated reporting assurance involves for organizations, auditors and others. This initial installment also discusses the difference between the two types of assurance — limited and reasonable — and what's required of auditors and organizations to strive for reasonable integrated reporting assurance.

"We believe the move toward assurance of integrated reports, particularly the move from limited to reasonable assurance, should lead to improvements in the quality of integrated reports and underlying business practices, and enable investors and other stakeholders to have more confidence in the information reported about the business and its resilience," said IIRC CEO Charles Tilley in a statement.

SASB, which is in the process of merging with the IIRC, is already working with groups like the AICPA on assurance services. "The ability to assure the disclosures that companies are making around SASB standards is something that we have always been very interested in," said SASB chair Jeffrey Hales during a press conference Friday. "I think where we're actually seeing real positive improvement and progress in that respect is more companies getting assurance, and third-party assurance being more comprehensive, not just being reviews, but even being examinations, like a higher level of assurance being provided. There's a lot of potential progress there.

We've been working with some of the professional associations, for example, like our ongoing effort with the AICPA because they're looking at this as well. A lot of the assurance on this type of information does come through the guidance provided by the special associations. This is certainly a topic that we're interested in. We want to be able to facilitate the high-quality controls and assurance of these types of disclosures, to the extent that we can facilitate that process. It is something that we think about as well when we're designing the standards and trying to think about the extent to which the information would lend itself to third-party assurance."

Feedback on the joint initiative between IFAC and the IIRC and the first installment can be sent to IFAC director Stathis Gould at stathisgould@ifac.org.

Source: Accounting Today

Small Firms Remain SMEs' Most Trusted Advisors Through the Pandemic

In every jurisdiction, small and medium-sized enterprises (SMEs) continue to suffer disproportionately from the economic fallout of the COVID-19 pandemic. And while SMEs have always relied on and had strong relationships with their accounting advisors, the pandemic affirmed and strengthened those relationships.

Small-and medium-sized practices (SMPs) are key business advisors to their SME clients, as this past year has shown. SMPs continue to guide SMEs—helping them remain solvent, connecting them with government programs, providing emotional and practical support and otherwise advancing their efforts to stay in business. All of this while also navigating their own sea of change.

To gauge how the pandemic has altered the range of services SMPs have delivered, the ways SMPs have responded to the new dynamic and the most important issues facing firms everywhere, IFAC informally gathered perspectives from nearly two dozen SMPs representing a diverse mix of countries. The following takeaways paint a picture of the current state of SMPs and their critical importance—particularly to small businesses—under these unique economic circumstances. They also offer a window into how SMPs can turn pandemic pain points into positive long-term transformation for their own practices as they continue to safeguard the critical role SMEs play in communities around the world.

Remote work models and mental health issues create an opening for more transparency and support

When asked to name the most urgent concerns they face, SMP leaders overwhelmingly pointed to a variety of issues arising from remote work arrangements. Among the most prominent were adverse effects on employees' and clients' mental health.

For firms that weren't already predominately remote, the new work arrangements strained tech budgets, employee culture, client relationships and productivity. Firms have had to take extra care to maintain a collegial work atmosphere and to keep clients responsive. In jurisdictions where employees are returning to the office, decisions about which pandemic measures to keep and which to do away with have become difficult. SMPs have had to adapt to employees' general preference for remote work and the firms' desire to boost productivity and restore a degree of normality to the workplace.

These challenges led many SMP respondents to identify mental health as a significant concern—for their clients as well as their employees. Several firms reported that clients' anxiety and mental burnout have created an additional work challenge. Several accountants said it was important for them to remain calm and reassuring as they ran through clients' financial options, and to keep their focus on the task at hand. One accountant in the United Kingdom described the need to "be there almost as a friend."

The emotional toll felt among SMEs and SMPs has, in many cases, had the unforeseen benefit of forcing SMPs to invest in recalibrating their business operations and in finding balance in their work environments. The opportunity and demand to put in place more intentional mental health resources and more transparent cultures to talk openly about fatigue and burnout is unmistakable and invaluable.

Accountants' indispensable support elevates the profession's significance among business leadership

Many governments have offered financial support packages for small businesses during the pandemic, but the disbursement of funds has been complicated by ever-evolving, often convoluted rules and eligibility requirements. In response, SMPs have become de facto facilitators, deciphering legalese, directing clients to suitable programs, assisting with applications and effectively navigating them through the entire process.

An accountant in Germany recalled taking extra steps for a small business owner. "I have a client who operates two truck stops," he says. "Because of his mixed sales (fuel and food) he did not qualify for government subsidies." As his client tightened its belt, he kept a watchful eye on new legislation. When an amendment was passed that made his client eligible, he got to work: "Very quickly I managed to do all the paperwork with the application of the subsidies, and he received a huge amount of money to get through the rest of the lockdown." An accountant in Tunisia also described the need to stay abreast of the latest COVID regulations and be able to communicate them both clearly and quickly to clients.

SMPs have become their clients' guides beyond their usual scope, underpinning the role of SMPs as drivers of business strategy and long-term value creation. While this can certainly raise the need for closer attention to ethical considerations, it has also reinforced the fact that accountants are an integral part of economic resiliency. The profession can use their hard-earned trust during this crisis to broaden their role and continue to provide a wide range of services to support the leadership and decision-making functions of any business.

As SME needs grow, so do the opportunities for SMPs to serve as the trusted advisor

Some SMPs dread the financial wakeup call that has and will continue to come when government support runs out. Understandably, accountants are concerned that clients' financial troubles could affect their own cash flows. Others point to a long-time fact of working with SMEs: many small business owners offer a valuable product or service but lack robust financial skills.

Nevertheless, as accountants imagine a post-pandemic future, many expect their role with SME clients to continue to grow. An accountant in South Africa suggested that businesses have come to expect their accountants to be vocal advocates for them. For example, "SMEs expect their accountants to negotiate on their behalf with technology companies that can assist them to digitalize their operations," she said.

An accountant in Malta believes that SMPs should embrace this expanded role and help their clients build their businesses back better than they were pre-pandemic. In particular, he contended that accountants should consider helping their client businesses become more accessible to customers through a "robust and efficient online shop of their products and services," supporting digitalization of internal processes and advising on the organization of hybrid remote work models.

An Australian accountant captured the value of the profession's strong reputation going into the pandemic: "Professional Accountants as trusted advisors were the first people that business owners turned to for help in working out a strategy that would enable them to be able to operate in a COVID world." While the lasting effects of the pandemic on small businesses won't be fully understood for years to come, the respondents revealed a strong international consensus among SMPs that the pandemic has only strengthened this dynamic.

Faced with daunting financial realities, small business owners are increasingly turning to their most trusted advisors to ensure long-term viability, and SMPs are well-positioned to smartly cultivate the immense value only they can provide.

By Christopher Arnold, Head of SME/SMP and Research, IFAC

MGI MENA COUNTRY UPATE

On June 7, 2021, Jordan published the Regulation No. 40 for the year 2021 in its Official Gazette ("the regulation"). The regulation introduces formal transfer pricing ("TP") requirements in accordance with the provisions of the Article 77/A of the Income Tax Law No. 34 of 2014 ("the Income Tax Law") and comes into force 30 days after the date of publication in the Official Gazette.

The regulation requires transactions between related parties to be dealt with on an 'arm's length basis', i.e. on similar terms and conditions that could have been agreed upon, if the persons involved in the transactions were independent. In addition, taxpayers are required to comply with annual TP documentation requirements as follows:

- TP disclosure form – To be submitted by the time the tax return is due. The form is expected to include certain information on related party transactions including the nature of transactions, the TP method, etc.
- TP Master file and Local File – To be maintained with the TP disclosure form and submitted upon request by the Income and Sales Tax Department ("department"). An exemption is provided for natural persons and small establishments with arm's length value of related party transactions not exceeding 500,000 Jordanian Dinars ("JOD")
- Country by Country Report ("CbCR") and notifications – CbCR notification to be submitted by the time the tax return is due and CbCR to be submitted within 12 months from the year end. Requirements applicable to both Jordan headquartered and non-Jordan headquartered multinational Groups with consolidated revenue more than JOD 600 million (approx. EUR 695 million / USD 845 million)

This issuance of formal TP requirements by Jordan demonstrates its commitment as an inclusive framework member to implement the recommended actions as per the Organization of Economic Cooperation and Development ("OECD")'s Base Erosion and Profit Shifting ("BEPS") Project.

Source: PwC website

Incentives announced by the Government as part of Oman Vision 2040

As part of the Sultanate of Oman's Vision 2040 plan and with the aim of achieving high economic growth, His Majesty Sultan Haitham bin Tarik approved Oman's Economic Stimulus Plan on 3 March 2021.

The plan contains a broad range of tax incentives for companies including enhanced relief for 2020 losses and an extension of the period for which withholding tax on dividends and interest paid to certain nonresidents is suspended, together with various reductions in fees, and measures intended to encourage local and foreign business investment, improve the labor market, and promote employment. In addition, there are targeted reliefs for small and medium-sized enterprises, and relaxations of certain banking regulations.

Tax incentives

Incentives relating to taxes include the following:

- An income tax exemption for a period of five years from the date of commercial registration for all companies that operate in the Economic Diversification Sectors as from 1 January 2021 through 31 December 2022, subject to the terms and conditions to be issued by the tax authorities.
- A deduction of the lower of OMR 10,000 or 1% of the tax due from the total corporate income tax payable based on the tax return for the next year. The relief will be available only to taxpayers who meet the relevant tax filing and payment deadlines.
- Tax losses incurred for the year 2020 may be carried forward indefinitely and offset against taxable income until fully utilized; the usual carry-forward period would be five years.
- Corporate income tax payments may be paid in installments for 2021 and the additional tax (1% per month on late payments) arising from the 2021 installment payments is waived.
- An income tax exemption for a period of two years (2020 and 2021) for hotels.
- Extension of the suspension of withholding tax on dividends and interest for a further period of

five years as from 2020 (i.e., the withholding tax will not apply during this period).
- Exemption from tourism and municipality taxes through 31 December 2021.
- Postponement of payments to the government of tourism and municipality taxes already collected by hotels and restaurants through 31 December 2021.
- Fee reductions and exemptions

The following reliefs relating to fees are introduced:
- A 50% reduction on environmental permit fees that are renewed in 2021 throughout the period of validity of the permit or license.
- Exemption from fines otherwise arising from expired environmental permits where the permits are renewed within three months.
- A 25% reduction for the period January 2020 through December 2022 on the land lease value in the special economic zone in Duqm, and in industrial estates affiliated to the Public Establishment for Industrial Estates.
- A new fixed tariff option for high electricity users (consuming 100,000 kilowatts per hour or more) currently subject to a cost-reflexive tariff.
- Incentives to improve business and investment environment

To encourage local and foreign investments in Oman, the following incentives have been announced:
- Investors may conduct or practice their business and investment activities after obtaining a preliminary license to engage in business and are not required to wait for the final license.
- Companies registered under the Foreign Capital Investment Law will be treated in the same manner as Omani-owned companies for commercial registration fee purposes.
- Three licenses for the recruitment of expatriate employees will be granted to foreign investment companies immediately after registration in the Commercial Register.
- The Ministry of Commerce, Industry, and Investment Promotion will sign a service agreement for all strategic investment projects valued at more than OMR 1 million, setting out the rights and duties of the parties during the period of investment.
- Companies may own land plots of 5,000 square meters or more for conducting licensed activities, subject to certain terms and conditions.
- Incentives for small and medium-sized enterprises

The following targeted incentives were announced to support small and medium-sized enterprises in Oman:
- A reduction in the corporate income tax rate to 12% (from 15%) for 2020 and 2021.
- Postponement of loan payments to the Al Raffd Fund through 31 December 2021.
- A maximum limit of OMR 10,000 for the award of government procurement tenders when an owner is a Riyada card holder.
- Labor and employment incentives

The following incentives were announced to help improve the labor market and promote employment:
- The allocation of OMR 20 million to the 2021 budget for training job seekers to prepare them for employment.
- A reduction in recruitment fees for expatriates renewing their licenses to work as part of the non-Omani workforce.
- Banking incentives

Proposed relaxations to banking and finance matters include:
- The continued postponement due to COVID-19 of loan repayments by citizens who have been laid off until further notice or whose wages have been reduced through the end of September 2021.
- Instructions to banks to continue responding favorably to requests to postpone repayments of interest and capital by all borrowers affected by the COVID-19 pandemic for a further six months through September 2021.
- Incentive packages such as the lending ceilings and the facilitation of borrowing for sectors affected by the pandemic and productive sectors, to continue to help banks and other financing institutions bear their responsibilities in supporting the economic recovery in Oman.
- The Central Bank of Oman must work with banks and other financing institutions to reschedule loans to match the new cash flows of borrowers to guarantee their ability to repay and meet their contractual obligations without imposing rescheduling fees.

Source: Deloitte website

Requirement to submit Arabic financial statements

After the issuance of the Law No. 7 of 2019 (in relation to protection of Arabic Language), in April 2019, the GTA issued the Circular No: 14 of 2019 requiring all the taxpayers to submit their FS in Arabic for the taxable years starting on 1 January 2020 and onwards.

In 2020, all income tax returns are now required to be submitted through Dhareeba. The income tax return filing module in Dhareeba currently does not specify that only Arabic FS should be attached. The Dhareeba system currently does not have an "automatic control/check" to verify whether the FS attached by taxpayers in Dhareeba are in Arabic or English. While the GTA has not issued any further official guidance with respect to the requirement to submit FS in Arabic (or whether FS in English only will continue to be acceptable), considering the provisions of the Circular 14 of 2019, there is a potential risk that the GTA may at a later stage reject the submission on the grounds of non-compliance (i.e. on the basis that submission of FS in Arabic is considered mandatory).

Based on our informal inquiries, the GTA has been reminding to submit Arabic FS starting from the taxable year ended 31 December 2020 and thereby comply with the requirements under the Circular No: 14 of 2019. We therefore recommend all the taxpayers to comply with the instructions contained in the Circular 14 of 2019 while submitting their annual income tax returns in Dhareeba unless any official guidance is issued by the GTA allowing taxpayers to submit their tax returns along with English FS.

Source: PwC website

Taxes on corporate income

The Finance Law 2021 amended the Corporate Income Tax(CIT) rates applicable in Tunisia as follows:

- The general CIT rate applicable to profits realized from January 1st, 2021 will be 15% (instead of 25% before the amendment);
- The rate of 20% (applicable to small enterprises) has also been reduced to 15%;
- The CIT rate of 13,5% applicable to enterprises operating in strategic sectors, as provided by the finance laws 2019 and 2020, has been increased to 15%.
- The rates of 10% (for agriculture & social sectors) and 35% (for financial, assurance, automotive, telecom and other important sectors) have not been modified.

UAE Announces 100% Mainland Company Ownership for Foreign Nationals from 1st June (Update)

The UAE has long been the Gulf's leading destination for foreign direct investment and the final years of the last decade have seen the emirates attract more foreign investment than the other GCC nations combined.

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The UAE introduced a new law allowing 100% foreign shareholding in onshore limited liability companies and the government confirmed that this law will come into force from June 1.

In November 2020, the UAE created a framework and announced the removal of restrictions on 100 % foreign ownership and doing away with the requirement of a major 51% Emirati shareholding for the onshore companies. The other requirements of a company's board represented by a majority of UAE nationals and chaired by an Emirati were also scrapped. Though the original enforcement of this change was scheduled in December last year it was postponed primarily to widen the scope of sectoral inclusion.

The much anticipated and long-awaited reform was originally approved by President His Highness Sheikh Khalifa bin Zayed Al Nahyan last year.

Abdulla bin Touq Al Marri, the Minister of Economy of UAE pointed out, "The amended Commercial Companies Law aims at boosting the country's competitive edge and is a part of UAE government efforts to facilitate doing business."

Mr Bin Touq claimed the amendment in the commercial law will further enhance the country's attraction as a preferred business destination to foreign investors and entrepreneurs alike. It will also promote the FDI inflow to some vital economic sectors, he commented.

The changes announced are part of a series of measures introduced to make the UAE a more investment and business-friendly destination, including the offer of 10-year visas for those investing AED 10 million in a company or a UAE based fund and awarding citizenship to talented foreign nationals.

His Highness UAE Vice President and Ruler of Dubai, Sheikh Mohammed Bin Rashid Al Maktoum recently pointed out how foreign direct investment into UAE's economy grew by 44% in 2020 to AED 73 billion (USD 20 billion) while overall FDI decreased by 42% on a global basis because of Covid-19 related travel restrictions.

Since the change in foreign ownership law was announced last November, a growing number of potential investors have shown interest in setting up wholly-owned startups in the UAE. The enforcement of the new law from June 1 is now expected to transform that interest into reality and may even facilitate more mergers.

It is expected that sectors like defence and oil and gas will remain to be in the UAE's negative list and the new law will not apply to these sectors.

Big businesses and foreign nationals who were earlier sceptical about entering into business with a local and not very familiar partner, will be attracted to the UAE for new company formation.

The UAE government has still not issued the detailed scope and implementation guidelines of this new law but as per earlier briefings, the sectors likely to be included for 100% foreign ownership are administrative and support services, entertainment, health care, construction, education, F&B, manufacturing, renewable energy, transport and logistics.

The world economic institutions including the IMF, OECD, and World Economic Forum have already identified foreign investment liberalisation as a potent booster for economic and industrial growth by creating a competitive business environment, promoting knowledge and facilitating technology transfer. FDI can help improve productivity manifolds compared to what indigenous resources can alone attain.

Source: Intuit Management Consultancy

IDEAS & BEST PRACTICES

A foundation for the future firm

As a profession whose primary stock in trade is knowledge, accounting has not traditionally called for the sort of major capital expenditures that characterize, say, car manufacturing or energy production or making semiconductors. According to the conventional wisdom, a firm’s major assets go home every day in the heads of its partners and employees; there isn’t much call for splashing out massive amounts of cash on chip foundries or sprawling refineries, or even on expensive intellectual property.

At most, accounting firms might have wanted capital to acquire another practice, or even to fund a broader acquisition strategy; occasionally, the owners might decide to buy the office building they work in, as an investment. But otherwise, “investment” in the sense of spending money in advance on the assets and tools needed to support the establishment or growth of a business has not been much needed in accounting.

That is going to change.

Technology will drive much of that change, as it upends all kinds of businesses and creates powerful new capabilities that accountants will want and need to adopt — or to create themselves. Going forward the profession will find itself investing much more in a number of areas:

Investing in and around technology. The first wave of technology in the accounting profession digitized what firms already did on paper; there was, therefore, something of a limit to the technologies they could be expected to take on board. The next wave, which is already beginning, will see an endless stream of innovations that firms will need to adopt, understand, and often be able to build themselves, both for their own work and their clients. Now it’s robotic process automation, artificial intelligence and blockchain that firms need to invest in; in five years, it will be some completely different list of game-changers.

Investing in people. It’s not uncommon for accounting firms to talk about how they invest in their staff, and it’s true that this is one area where the profession has made major strides. But it’s going to need to significantly increase its investments as the variety of skills that staff and future partners need expands — and as that variety continually changes and requires updating. Firms may also find that they need to start investing in a range of expensive non-accounting specialists, such as data analysts, coders, business development professionals and subject-matter experts of all kinds; these will not be entry-level hires, and firms will need to support their higher salaries until they begin to pay off.

Investing in new services. Compliance work is rapidly being commoditized, and the profession will need to develop higher-value-added consulting and advisory services to compensate. Advisory work will eventually be much more lucrative than compliance work, but that may take some time — and firms will need to make investments in the transition. For instance, the partners who lead the charge in these new areas will need to devote themselves to them full-time, which may mean they can’t maintain a regular book of business; the firm will need to support them until the new offerings get off the ground. Acquiring an already-established practice can be a shortcut to profitability but is in itself a major investment.

All that is a long way of saying that going forward, the accounting profession is going to need to invest in its own future much more than it has in the past. Fortunately, the returns will be greater than they have ever been.

Daniel Hood Editor-In-Chief, Accounting Today

5 ways to get your team to think like a CFO

By Jeanne Hardy

There’s an enormous opportunity for accounting and financial professionals to go beyond traditionally outsourced services to offer high-value advisory services and partner in more meaningful ways with small businesses.

Less than half of the 31 million small business owners in the U.S. feel knowledgeable when it comes to accounting and finance. And among those smaller businesses with 50 or fewer employees, less than half have their own CFO or controller.

Millions of these businesses are open to, and looking for, a more engaged and proactive finance team, but the industry has been slow to deliver.

Why? One major reason is that it requires a deliberate shift in the way accounting and financial professionals interact with clients. In order to evolve into a more advisory-focused firm, principals need to inspire everyone on their team to break out of the task-oriented mindset and start thinking like a CFO.

Here's how to empower your team to make the shift:

Ask tough questions that make think them beyond the transaction mindset
You can help your team think more like a CFO by getting them to weigh in on more than just the transactional elements of their work. Ask engaging questions that get them thinking about their client through a more strategic lens. Ask them what they're seeing, what's changed with the account, and what's new for the client.

Teach them to look for advisory moments
The opportunities to offer more advisory-oriented services are endless; teams just need to know how to spot them. Let's say a client mentions casually that they're thinking about moving from their current office. That's an advisory moment — an opportunity to engage on a deeper level. Train your team to capture these moments by offering helpful guidance. Offer to review the lease for them or run the numbers with a higher rent payment. You want to condition your team to insert themselves into the decision-making process.

Balance people skills with heads-down work ethic
Identify the people on your team who are fantastic with clients and put them front and center in not only interacting with clients, but also in advancing your firm's advisory practice. It's not only about people skills, though. Your heads-down workers are the ones who see the day-to-day changes and that's where opportunities emerge. Encourage everyone on your team, whether they're client facing or not, to communicate and share their insights.

Put the focus on the client relationship rather than the short-term deliverable
Help your team shift into a more advisory mindset by emphasizing the importance of building a relationship with clients. Oftentimes, business owners aren't familiar with the full range of services and expertise that is available to them, and it's up to your team to build a relationship that opens the door for deeper conversations. That way, when a client confides that they might be, for example, considering expanding into a new service or thinking of making some big hires, your team will be there to offer valuable support and guidance.

Be patient; big change takes time
This kind of fundamental shift in mindset takes time. Focus on planting seeds of change that, over months, begin to evolve into a new way of thinking. Be patient and allow incremental change to seep in and permeate your firm's culture.

The bottom line
Small business owners are desperate for the insights accounting and financial professionals can provide. There's never been a better time to empower your team to adopt a more strategic and proactive attitude when engaging clients. This will help you demonstrate more value to your clients, shift into an advisory role and take your own firm to the next level.

Jeanne Hardy, CEO And Founder, Creative Business Inc.

Seven Performance Boosters for Your Firm

By Sandi Leyva

If you're ready to have your best year ever, then your first step is to plan to do something different. You won't get to the next level doing SALY – same as last year. Here are seven things to consider doing differently in 2021 that will help take you to the next level:

Move from reactive to proactive. Work on fine-tuning your project management during busy season so that your results improve at each step of the way: getting new clients, onboarding them easily and systematically, delivering the service, getting paid, and retaining the customer.

If you don't have a plan, then the first place to start is to get one, even if it's not perfect or not complete. You can always improve, and when you take the first step, even if it's a baby one, you've made a tremendous amount of progress toward your goal rather than if you just stood still in inertia.

Look at one part of your firm and make a small improvement. Identify a weak link somewhere in your business and fix it. It can be small, but if it's your weakest link, you just raised your firm to a higher level. Keep identifying and fixing your weakest links, and your entire enterprise will be much better for it.

Systematize something that's worked in the past and repeat it. No need to reinvent the wheel if you've found the magic formula. Do the magic formula over and over again, perhaps more often, and you'll increase your results.

Listen to your clients and roll out a new service offering that they are asking for. A huge part of the battle for getting new clients is getting people to trust you. Why not leverage the people who already trust you – your current clients – and serve them in a new way? Increasing your revenue per client is a great way to help your clients even more and to boost your bottom line at the same time.

Hone your skill. We spend a lot of time working on our core competency – the service we deliver to clients – and getting better at it. Why not get better at a marketing skill? Or project management? Or listening? In order to move from technician to CEO, we need to broaden our skills a great deal.

How do you know something is working unless you measure it? Add procedures to measure your business through metrics called KPIs – key performance indicators. Only then you can begin to see where you need improvements. When you do this you'll naturally be able to improve your revenue and your profit margin.

Stop for a second when you reach a goal and celebrate all the hard work you did that paid off and got you there. Give yourself a reward, practice gratitude for what you received and then set your next goal.

Sandi Smith Leyva, CPA.CITP, helps small business owners get more clients, boost their revenues, and achieve their dreams using painless, low-cost marketing strategies.

Top 10 Steps to Maximizing Profitability

How to manage your most important metrics.

Given the significant responsibilities that accountants in public practice carry, it is only right that they should be rewarded with strong earnings and maximum profitability.

However, maximizing profitability is not as simple as raising billing rates and controlling costs. It is a disciplined process that will influence your culture and become part of your everyday routine.
Optimize your profit potential with these 10 steps.

1 – Scale Your Practice
Expanding the service connection with clients leads to stronger loyalty, heightened satisfaction, and a growing top and bottom line for your firm. Determining the potential for expanded services and the ability to provide that degree of increase is the core of scaling your practice. Create a roster of services that you deliver along with which clients receive them, and then make a list of clients for whom services can be expanded.

Quantify the number of new fees available if you successfully increase service to clients. The goal is not to maximize the number of clients, but to have clients getting the maximum service. As you transition into expansion, be mindful of a practical goal. One hundred percent of your clients accessing all your services may or may not be realistic, but generally, 50 percent of your clients using 50 percent of your services is a realistic goal. Think about services you do not currently offer and whether potential demand justifies adding them.

2 – Profile Your Business
Determine the model client for your practice. Each firm brings varying skills and preferences for client service. As a result, the model client will not be the same from firm to firm. The definition should be primarily a function of the services you like to provide or have the best ability to provide.

In some cases, it is a compliance client, for example, tax returns and financials. Other firms want to provide significant consulting services along with compliance. Be as granular as you can on the service and as descriptive as possible about the client. You may feel your model is best delivered to closely held enterprises or businesses that are global or niche-based. You may have sales volume parameters for your model, as well as operating history attributes. Also, look for a level of fee appropriate to the services and value you are providing.

The easier it is for a referral source to understand what you are looking for, the more productive that referral source can be. The better you define yourself in the market, the easier it will be for potential clients to understand your concentration and react accordingly. Definition yields efficiency and economies of reaction time and performance. The more narrow your definition, the more specialization will come – and the greater the value your service will be to potential clients, existing clients and employees. The heightened value of your services will result in higher profit and longevity.

3– Filter with Fees
Fees can be both a magnet and deterrent for business. Accountants must use fees to their advantage. Set minimum fees for all engagement levels. When time is at a premium, especially during the busy tax season, minimum fees are vital.
To set a minimum fee, consider factors such as the true and average time of a project, targeted net realizable rate, expertise, position in the marketplace, the complexity of the type of project, and your cost structure – including annual training and technology utilization. The more specialized your practice and the more sophisticated the project, the more success you will enjoy from minimum fee and value fee structures.

4 – Grade Your Clients
Stratifying your client base with grades ranging from A to D will make an important impact on how you allocate resources and prioritize your time. The criteria for each grade should be based on factors that are tied to the promptness of payment, frequency of referral, level of fee, engagement realization, and the potential to grow the relationship.
This grading system does not include a factor for the personality and the demands made by the clients. Clients expect A service. Being properly available to your best clients and not bogging down your system with the needs of lower-tier clients will allow for more emphasis on the better clients which will then generate enhanced profits and efficiencies.

5 – Manage Your Metrics
CPA firms track key performance indicators (KPIs) to better manage the business. Some factors are lagging, some are leading and some are real-time. Traditional metrics like billing, collections, realization, and utilization are valuable and should be part of a dashboard that is available easily at a minimum to the leadership of the firm and, at best, to all of the players.

Beyond the traditional factors, productivity per hour is a must to target, monitor, and achieve. Too many firms get hung up on their realization percentage and not on the effective hourly charge and collection rates. When budgeting your firm's finances, target a total net profit for the owners and relate that to the number of performance hours to come to a target charge hourly rate. For example, if your net profit was 40 percent and you wanted a profit for the partners of $1,000,000 with optimally 10,000 charge hours generated from your timekeepers, you would need an average rate of $250 per hour to hit the target. In a firm with multiple areas of specialty, you would have different rates for each department, but overall the goal would be for the full firm to come in at that net profit target.

6 – Enforce Engagement Restrictions
All engagements over a particular threshold must be budgeted. The threshold should take into consideration your most typical client by service and the next tiers both above and below them. The budgets need to be inserted into each client's module in your time and billing system so that tracking actual to budget can be automated, and variances can be handled in real-time. Depending on your package, you may have the ability to lock down an account when a percentage of the budget has been reached that is beyond the percentage of completion.

If you do not have a lock-down mechanism through your time and billing package, it is important to issue a report when accounts hit the 50 and 75 percent levels so a decision can be made about continuing the services — or approaching the client about additional fees or alternative service options. You will want to have a lockout in every circumstance when a client is behind in payment beyond a standard set by the firm.

7 – Persistently Manage Workflow Priorities
Time is a critical lifeline in an accounting practice, and poor utilization of time will impair profitability and lower morale. Work assignments and engagement tracking should be transparent, and the management

of priorities should be centralized. Depending on the firm's size, scheduling may be done by consensus through a management group or may be assigned to one person.

Many practice management software packages contain workflow tracking modules and will interface with the firm's tax preparation package. The more automated your workflow system is, the better your efficiency and profitability.

8 – Employ an Incentive-Based Compensation Program
Motivated personnel works diligently and more efficiently. Depending on the level of employee and the nature of responsibility — whether administrative, accounting or supervisory — the achievements to be incentivized and the results to be rewarded will be different. The most productive incentive systems will reward team-based results and individual achievements. Goals need to be formulated with a "reach" component. Monitoring of results must take place during the year, and there needs to be ongoing coaching for performance.

Incentive systems should be simple to administer and understand. The financial rewards to employees, which can be a mix of compensation and fringe benefits, should be distributed twice a year — after busy season and before the end of the calendar year. The owners of the firm should have bonuses that are incentive-driven and those bonuses should also be distributed at least twice a year.

9 – Emphasize ROI
CPA firms routinely invest time and money in their business. Every member of the organization must have tangible production goals with values attached. Client service hours and billings are a natural yardstick, but other tasks have value, as well. While functions may not be chargeable, they will bring varying value. Blanket administrative or unassigned time has no value for the accounting team; however, marketing, client goodwill, and firm projects do have value. Every person must deliver a dollar value of annual firm value to justify compensation. Investment in software and business lines must generate certain savings in hours and dollars or new revenues. The risks that come with certain efforts must be factored into ROI.

10 – Benchmark Referrals
Strong referral sources are vital to the stability of an accounting practice. Referrals from current and past clients are necessary for the health and perpetuity of your firm, but so are non-client-based referrals. As you build your referral system, do your homework to determine the potential for referral for a given party, their history with others, and the nature of the competition for the referral. Each year, set targets for either the number of opportunities or the dollar level for each source and work towards exceeding the goal. Firm profitability will improve if you follow the 10 action steps noted here, but improvement is not restricted to these recommendations. Each firm has its own culture and challenges. However, profitability should be a major focal point for your firm — just as you insist it should be for your clients.

BY Ira S. Rosenbloom, CPA (LR), is the chief operating executive (COE) of Optimum Strategies, LLC, a niche CPA practice succession and management engineering firm that specializes in mergers and acquisitions (M&A), succession plans, and other transition measures that focus on M&A-readiness, realistic valuation and market expectations, deal structuring, and integration processes designed to maximize client and staff retention.

Embracing the AI wave

By Amy Vetter

Artificial intelligence has been a hot topic in accounting for years. Reliance on data automation will only increase as the decade marches on. Firms that seek to remain a step ahead would be wise to reckon with AI today, no matter the scale on which they are able to do so. In order to do that though, it's important to take pauses in the business to lift up at a higher level and determine the best path forward.

Before we begin exploring the state of AI in 2021 and beyond, let's begin by defining what we mean when we say "AI." AI is a broad category of technologies that covers a huge range of operations, but the definition provided by Britannica is a good starting point. They define AI as "the ability of a digital computer or computer-controlled robot to perform tasks commonly associated with intelligent beings." Think of AI as the umbrella under which almost all of your automation technology lives. The field of AI encompasses subcategories like machine learning (ML), deep learning, native language processing, and computer vision. As Deloitte's State of AI in Enterprise report shows, many firms are already leveraging these technologies — and those who aren't now plan to do so soon.

We may also break down AI into "narrow AI" and "general AI." In the accounting space, the possibility of general AI, an artificial intelligence that can comprehensively automate entire operations, is still a long way off. On the other hand, the applications for narrow AI, the ability of computers to perform specific tasks, are constantly increasing and becoming more sophisticated. It is in the arena of narrow AI where most firms can increase automation, improve efficiency, and free up time to spend on high-value advisory services.

Paving the way for an AI-powered future

At the largest firms, those with the resources to invest in large-scale AI adoption, it's time to begin adopting systems that allow for the greatest harnessing of the technology. These days, technology and strategy must go hand in hand if you want to get the most from either. In fact, many large firms are beginning to alter their data collection systems in order to make them more amenable to machine learning, even if that comes at the expense of easy interpretation by humans. The richer the insights you can glean from your AI systems, the better of you will be, and providing machines with rich, usable data is a huge part of that.

In order to do this, it means creating a strategic vision of what you want to look like as a firm and how you want to work today and 5 years from now. You want to make sure it's not just talk, but actionable strategic initiatives that the whole firm can get around and know how to align their personal objectives to. Leaders can begin by analyzing all of their decision-making in the context of its ability to dovetail with AI that today is manual or information that isn't easily at their fingertips. Look to harmonize your systems and procedures in accordance with your technology that you currently have or that is available for your needs. One important thing to note on this topic is that very few firms, even those with plenty of capital for R&D, have opted to develop bespoke in-house systems. Even though this may seem like a competitive advantage, when utilizing software from companies that develop this technology and monitor it on a daily basis can simply be better at providing what you need because they are getting feedback from customers from all over and developing new features throughout the year. As such, shopping for solutions is often more prudent than developing them in-house.

Getting on board today

Of course, most firms won't have the capability to adopt the very latest technology, but that doesn't mean they can't begin taking advantage of automation today. Odds are, you already rely on some form of AI to power portions of your business. Even better, you're probably well equipped to adopt more uses. As the pandemic forced even the most old-school firms to transition to cloud-based operations. These platforms make leveraging AI easier than ever before.

A good exercise to determine where you have room for automation is to write out your processes for dealing with a client each month. After breaking them down step-by-step, look for the places where you rely on manual data entry or computation. Let's say, for example, you want to automate payroll processes. You may decide to use an app to not only complete payroll, but allow you to forecast projections based on the app's AI analysis of your data. Instead of having to crunch the numbers yourself to generate these forecasts, you can leave it up to sophisticated AI. The same can be done for a whole host of processes, both for client-facing and internal operations. Having advanced data of this kind doesn't just free up time and energy; it also provides greater insights that allow you to do the other parts of your job better. In that sense, it's a total win-win.

Embracing the AI wave

The most important advice I can give you about the ever-growing role of AI in accounting is to embrace it head on. The genie is out of the bottle and it's not going back in. I'm not making a bold prediction when I say accounting will never return to a pre-AI environment. As scary as change may be, now is the time to pause, assess and embrace the AI you can use today and prepare for the applications you'll be using tomorrow.

Amy Vetter President And CEO, QuickStart Training Inc.

The 5 Key Skills of Innovation

By Gary Bolinger

Peter Drucker once said, "Every organization, not just businesses, needs one core competency: innovation."

One core competency. That is powerful. In today's pandemic environment and, as we prepare for the post-pandemic environment, it is more important than ever in businesses of all kinds, including CPA firms. CPA firms need to prepare to assist clients for the world ahead. There won't be a return to "normal" as we remember it for some time. And that means CPA firms must innovate in client service to add value in this new environment.

Innovation sounds big. Innovation sounds big because we tend to think about historic innovations, and they were big. You know … the wheel, the printing press, railroads, mass production, airplanes, the electric light bulb, television, the internet and cellular phones.

But not all innovation is big. Think about two types of innovation.

Sustaining innovation:

- improves existing products and services
- develops existing markets with better value

Disruptive innovation:

- helps create a new market and value network
- does not take place with established competitors

Sustaining innovation is something that perhaps isn't even consciously thought about. It is just something that good businesses do to improve process and/or product. Business owners are required to engage in sustaining innovation every day to remain competitive. But we don't think about that as innovation.

Disruptive innovation is different. There could be something big there. You ask yourself, what can we do to differentiate our firm? And the answer is that there is plenty that can be done to differentiate your firm. But not in respect to compliance services. All CPA firms are selling the same basic product.

You need to think about how next-generation CPA firms will create value. Some firms are, but they all seem to be thinking the same thing. Wealth management is a popular choice. Information technology is as well. But if many firms are moving to wealth management and IT, and that is the direction you decide to go, you are still competing in the same market. You are continuing to compete with those "established competitors."

So, what is innovation?

- The introduction of something new (absent innovation, there is nothing new and, as a result, no progress)
- If an organization isn't making progress, it is difficult to stay relevant in competitive markets
- Change is inevitable, and in most cases, innovation creates positive change

If that is what innovation is, how do you do it? Well, there are five key skills.

Question (and make sure that you ask provocative questions)

- challenge the status quo and consider new possibilities

Observe small details

- behaviors and activities of customers, suppliers and other companies that might suggest new ways of doing things

Network

- gain radically different perspectives from diverse backgrounds
- talk to people not like you, people who think differently, people with different perspectives on value creation

Experiment

- relentlessly try out new experiences, take things apart and test new ideas

Associative thinking

- connect previously unconnected ideas
  - draw connections from questions, problems or ideas from unrelated fields triggered by questioning, observing, networking and experimenting
- see your firm and your client's business in new ways
- imagine innovative new business models, products and services.

Talk to your firms' partners and professional staff about this process. Partners aren't the only ones with innovative ideas. Also ask your clients for ideas on how client service could be improved, what services could be a part of your offerings. Ask provocative questions about what your firm can do to help in this new "normal." PwC did a study a few years back and learned that:

- 54 percent of companies said that customer engagement strategy helps define innovation from early ideation, and
- 35 percent of companies said customers are their most important innovation partners

So, plan a few meetings with select clients to learn how your firm can be different in the future. Ask those questions, the provocative ones. Perhaps ask what your firm could do that would create more value and insight for the future of their business. Don't discount their responses. Observe how they create value (you might gain a few insights there). Their thoughts and actions can lead you to new ways of value creation and distinguish you in the marketplace. And at all costs, avoid the status quo.

Gary Bolinger, CAE, a longtime advocate for accountants as advisors, is vice president of client relations at Oodles LLC, a software company for CPA firms seeking to expand advisory services. He served as the CEO of the Indiana CPA Society from 1990 to 2018.

How the Managing Partner Manages the Partners

By Marc Rosenberg

This is a saying I developed about partners that stands as tall today as it did 20 years ago: "As the partners go, so goes the firm."

This means that the partners are the drivers of the firm's success. To be sure, non partner personnel are critically important to the firm's success, but nowhere near the level of the partners, who

- Bring in the clients
- Keep the clients
- Help clients grow
- Satisfy clients' needs by cross-selling services
- Mentor staff, helping them learn and grow
- Embrace the firm's core values and spread the word to others
- Manage the firm and provide leadership to all

Managing partners would love nothing better than for all the partners to consistently perform at such high levels that they don't need to be managed. But such is not the case. Not even close.

One of the most important aspects of the managing partner's job is to manage and supervise the partners' behavior and performance, helping them focus and succeed in the areas listed above. This post explains how good managing partners do this.

The Supreme Challenge in Managing Performance
The biggest challenge is to deal with old-school, damaging attitudes about what it means to be a partner. Examples:

- "I worked my way up the ladder and made partner. That means I made it!"
- "I have acquired such a high level of skill, knowledge, experience and judgment that no one needs to manage me."
- "Being a partner gives me the inalienable right to do whatever I want whenever I want. Trust me. I know what I am doing."
- "I'm an owner of this firm. No one tells me what to do. As an owner, I have a right to be informed of everything that's going on in this firm."

One might be tempted to summarize these statements as "Being a partner has its rank and privilege."

Wow! What's a managing partner to do? How can partners with attitudes like these be managed? All is not hopeless. Read on!

Management Is a People Job
In their book "Managing For Dummies," authors Bob Nelson and Peter Economy have this to say:
"Management is a people job. If you're not up to the task of working with people, helping them, listening to them, encouraging them and guiding them, then you shouldn't be a manager."

Easily the most important and impactful technique for managing partner behavior and performance is face-to-face communication with the partners. Anyone who aspires to be a great managing partner should practice the principles of the best book on management ever written: "The One Minute Manager" by Ken Blanchard and Spencer Johnson. The book says there are three secrets to being a good manager and each of them takes only about one minute to do.

- **One-minute goal setting**: Make it clear what the responsibilities are and what the person is accountable for.

- **One-minute praisings**: Give crystal-clear, periodic feedback to others on how they are doing. Praise people immediately. Be specific. Shake hands or touch people (appropriately!) in a way that makes them feel good about their success. Catch them doing something right.
- **One-minute reprimands**: Give crystal-clear feedback when people fall short of expectations. Be specific. Give the feedback in a style that communicates unhappiness with the behavior; don't attack them as a person. Reassure them that you think well of them and that they are highly valued. You will be successful with the one-minute reprimand when you really care about the welfare of the person you are reprimanding.

Other philosophies of "The One Minute Manager":

1. The best minute you spend is the one invested in people.
2. Feedback is the breakfast of champions.
3. Everyone is a potential winner. Some people are disguised as losers. Don't let their appearance fool you.

Another way of understanding the importance of management as a people job and the power of face-to-face communications is a passage from George Bernard Shaw's "Pygmalion." You may be more familiar with the movie and Broadway musical version, "My Fair Lady." Professor Higgins is an arrogant, pompous man of wealth. He brags to his friend Colonel Pickering, a sweet, kind man with gentlemanly ways, that he can transform a Cockney working-class girl (Eliza) into a lady.

This passage, delivered by Eliza to Higgins and Pickering, has always been a favorite of mine because it articulates what a great manager is:
"The difference between a lady and a flower girl is not how she behaves, but how she's treated. I shall always be a flower girl to Professor Higgins because he always treats me as a flower girl and always will.
"But I know I can be a lady to you, Colonel Pickering, because you treat me as a lady and always will."

The message: People who feel good about themselves produce better results.

Marc Rosenberg is a nationally known consultant, author and speaker on CPA firm management, strategy and partner issues.

Assessing Your Leadership Team

By Anthony Zecca

One of the most critical factors affecting the ability of a firm leader to be an Edge leader versus a center leader is the effectiveness of the leadership team. There is a direct link between the strength of the leadership team and the firm leader's ability to lead from the edge. A strong team allows the firm leader to lead whereas a weak team forces the firm leader to manage.

Center leaders appoint or promote individuals to leadership positions generally without any objective model of what is needed in the position to drive success and to support the firm's strategic objectives. Center leaders promote based on what they think they know about the individual or based on putting someone on the team who will be a team player – someone the center leader knows will not rock the boat. All too often, the center leader will promote or appoint someone to a leadership position because they have been there the longest or based on friendship.

The question is, are the individuals being promoted or appointed the right ones to drive the long-term vision and strategic objectives? In center-led firms most often the answer is no.

Edge leaders choose leadership team members based on the skills that are needed for success and/or to fill a gap in the Edge leader's skill set. They don't value compliance from their leadership team. Edge leaders value confidence and independent thinking within a strong team mindset. Edge leaders know that it is the total leadership team that makes the difference in the firm's success; center leaders think it is their leadership that makes the difference.

As the firm leader, you can't begin to assess your leadership team until you have defined the qualities, skills and personality your leadership team needs to reflect. A critical component necessary to effectively assess your leadership team is to develop a talent profile for each leadership position. The profile should define the skills and talents necessary for leadership success in each position. The talent profile is the critical tool for completing the assessment of your team and is critical to determine what leadership gaps exist. Once the gaps are identified the firm leader can then determine what steps can be taken to address those gaps.

As stated above, if you have the right person with the right skills in the right position, it all works.

Over the years, clients have retained me to work with them to develop growth and profit strategies as well as related strategic plans. Part of that process generally includes evaluating the leadership team as well. When I look at leadership teams not just in accounting firms but in other organizations, there are four common leadership challenges that I evaluate in my assessment of the leadership team's effectiveness.

Creating Alignment

The lack of a leadership team that is aligned with the skills necessary to achieve the long-term strategy of the firm is by far the most common negative characteristic affecting the overall performance of the firm. This results in the firm leader spending too much time managing versus leading. In far too many firms, leadership does not operate as a well-coordinated team.

If you are a parent or have a niece or nephew who is five years old and learning to play soccer on a team, you will clearly understand the metaphor. It is impossible to get a team of five-year-old kids to play position soccer regardless of their skills when they all instinctively run to the ball, all trying to kick the ball. They lack the skill and ability to think as a team, and they end up playing as individuals based on what they think they should be doing, not playing to achieve the game strategy to win.

In the case of five-year-old kids, that's completely understandable and part of the learning process. Unfortunately, for a leadership team who have learned their leadership habits and built their skills – good and bad – over time, the challenge for the firm's Edge leader is how to change that group of individuals into a well-coordinated, talented team of Edge leaders aligned with the skills necessary to drive the firm's success. It takes time to achieve the alignment, but it starts with the talent profile.

Center leaders tend to choose members of their leadership team for the wrong reasons as noted above. This selection process keeps the center leader focused on managing versus leading. It also keeps the center leader comfortable.

Edge leaders by contrast see the firm's leadership team, starting with him, as a team whose collective skills make the firm and leadership stronger. The firm Edge leader knows that to lead, he must have a team that strengthens him, that allows him to lead and not manage and that shares his vision for the firm. Edge leaders desire alignment of their team; center leaders desire obedience from their team.

So how do you create the alignment?

- Complete the talent profile noted above.
- Evaluate each leader's skills, experience, behaviors, attitude and style against the talent profile. A huge mistake many firm leaders make is basing their evaluation on, "I know this team, or this individual having worked with them or her." The rabbit hole this can lead to is an assessment based on emotion versus objectivity. This assessment should be completed utilizing four steps:
  - ➢ an upward evaluation by the team each leader manages
  - ➢ each leader should complete a self-assessment against the profile
  - ➢ retain a consultant to complete an independent evaluation of each leader and compare that evaluation to the output from (a) and (b)
  - ➢ as the firm leader, develop your own evaluation of each member of your leadership team based on your experience with each individual and the results they are achieving
- Utilizing these steps, develop a gap assessment for each leader that compares their current profile against the desired profile.
- As the firm leader, most likely you have a pretty good sense regarding how each member of your team would respond to a personal development program focused on closing the gap between their current state and the talent profile. This step would involve you (with or without the consultant you may have retained) meeting with each member of your leadership team. The focus of the meeting should be a discussion regarding areas where there is

room for improvement. It is important that you listen first and then explain why the areas of improvement are important to ensuring that the entire leadership team is aligned with the overall vision and strategic direction of the firm. It is essential that each member of the leadership team "own the responsibility" for their development and ultimate alignment with the profile because you, as the leader, can't just force it.

- Accountability and monitoring are necessary to ensure that there is sufficient progress against each individual's development plan. You should meet quarterly with each individual to discuss their progress and to provide one-on-one coaching to help each individual reach success in their leadership – a win/win/win for you, the firm and the individual. Depending on the specifics, it may be beneficial to retain an outside coach for some members of your team as well.
- Finally, the above steps should be repeated as needed based on changes in the firm (growth, mergers, new service lines, etc.), as well as on the progress each leadership team member makes relative to their improvement plan.

The above may sound daunting and time-consuming for you as the firm leader given your other areas of responsibility. However, think about what Larry Bossidy (author and former CEO of Allied Signal) has to say about talent: "There is no way to spend too much time on obtaining (recruiting, promoting) and developing (training) the best people." That is the bottom line.

No Edge leader has every single skill or is the perfect leader. Great Edge leaders understand this and build leadership teams that complement their skills and fill the gaps where needed. Edge leaders look for members of their leadership team who are strong in areas where they might not be as strong. Edge leaders understand that the strength of the team is driven by the strength of each individual member, including himself.

Center leaders tend to surround themselves with individuals who tend to say "yes" versus challenging the leader's thinking. Center leaders see themselves at the center of the leadership team, with each team leader viewed as a spoke of the wheel. Edge leaders by contrast see the leadership team as a star with all positions connected and joined as one.

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