THE KPMG Difference

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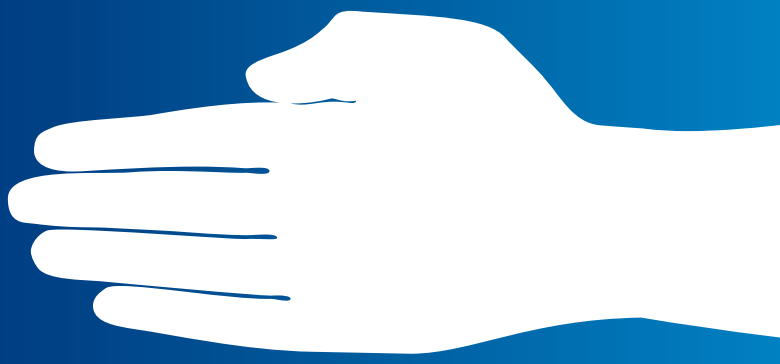
cutting through complexity

Adapting to change

Anticipating change



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Structure
Mobility
Ability
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Technology

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November 2014

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Finding the right balance

Realizing profit is essential for the long term growth and development of a company. However, today it is widely expected that companies not solely focus on making profits but that they also aim to find balance with the context in which they operate.

For example, they must find balance in their use of natural resources. Companies are held responsible for safeguarding the future of our planet and it is expected that their decisions and approach to sustainability reflect it. They also should find the right balance with their different stakeholders. Companies need to be relevant for and contribute to the wellbeing of their clients, their personnel, their shareholders and other stakeholders.

"Companies need to contribute to the wellbeing of their clients, their personnel, their shareholders and other stakeholders"

PATRICK SIMONS
Senior Partner

We already see that companies that operate this way have been more successful in connecting with all their stakeholders, have a deeper impact on their wider environment and build real long-term success.

In this edition, we see a wide variety of articles, that each describe what finding balance can mean in different domains. Through its transparent trading system, we learn about how Euronext provides a platform for companies to grow to the next level whilst striving for a perfect balance with their shareholders. From a more high-level vision, Herman Toch explains why we should lose our negative perception of profit. He sees tremendous opportunity to make profit sustainable and to create solutions to bring about a better world. We then speak to Ineos about how they succeed in using big data not only for their own optimization, but also for their clients, thus fostering increased client satisfaction. We go further into these discussions by taking a look at how companies can be attractive for all of their employees and the importance of increasing their appeal not only for high potential candidates but also for their current staff. And more concretely we identify cost savings and a positive environmental impact from creating a strategic combination of physical asset management and the procurement function.

These issues as well as the results of a KPMG survey carried out with Belgian entrepreneurs and a discussion on growth opportunities in the emerging market of Brazil, help us to shape the concrete value of striving for balance in all facets of your business.

KPMG experts are ready to help you make this journey.

News

KPMG in Belgium mourns the loss of Sophie Brabants

It is our sad duty to inform you that Sophie Brabants, our friend and colleague, passed away unexpectedly on 16 September.

Sophie was an Audit partner at KPMG in Belgium. She was trusted, respected, honored and loved by all those who knew her and whose lives she touched. KPMG was her home for all of her professional life, joining us in 1994, showing exceptional commitment to the firm.

Sophie was a very active member of the KPMG community, having served as Chair of the Audit Committee Institute and Chair of the business networking platform for women executives EX[e]CTLY FOR WOMEN. In addition, she played an important role in many other organizations outside KPMG.

Asset Management Lectures

KPMG will host a series of lectures covering various aspects of Asset Management. The presentations will be made by business people with relevant hands-on experience. They will provide the audience with unique insights on their daily challenges regarding Asset Management.

For more information on the exact topics and registration procedure, please contact **Elke Snellinx** (+32 2 708 37 23) or **Koen Bogers** (+32 3 821 19 81).

The lunches will take place on **on 28 November 2014**, **30 January 2015** and **27 March 2015**.

KPMG Accountants benefit Belgian SMEs

KPMG Accountants recently inaugurated its web pages (Kpmg.com/be/accountants) to highlight its varied service offerings to SMEs, non-profit organizations, liberal professions and public authorities from a broad range of business sectors and organizations.

The KPMG Accountants team includes over 150 advisers who have acquired a great deal of knowledge and experience. They can offer personalized support and advice tailored to your particular situation and needs.

KPMG Accountants uses the latest technologies and highly innovative e-tools for quick and reliable processing of your accounting documents. Through the secure SMEonline.be web portal, clients have unlimited 24/7 online access to their administrative and accounting documents, as well as to their financial information.

DECAVI news: next Insurance Academy seminar on 19 November 2014

The Insurance Academy, in collaboration with the KPMG network in Belgium, will conduct its next seminar on Wednesday 19 November 2014 concerning "Strategic Developments and Challenges for the Belgian Insurance Sector."

Contact: **Karel Tanghe**, KPMG partner for insurance (ktanghe@kpmg.com or +32 2 708 42 25) or **Laurent Feiner** (laurent.feiner@decavi.be or +32 2 520 72 24).

ACI Roundtable 20 June 2014 – Cyber Security and EU Audit Reform

KPMG's Audit Committee Institute (ACI) hosted its first **ACI Roundtable session** of the year on 20 June 2014.

The event, which was attended by over **45 directors and audit committee members**, provided attendees an opportunity to examine the hot-button topics of **Cyber Security** and **EU Audit Reform**.

For more information on ACI and future roundtables, contact **Wim Vandecruys** or info@auditcommiteeinstitute.be.

Euronext:

The competitive battle in stock market trading has taken another step forward. In the battle to be the fastest and therefore make the biggest profits, stock market firms are not only buying bandwidth, but now are even buying their own transmission mast. Is that a bad thing or not? We asked Vincent Van Dessel, CEO of Euronext, and Alain Baetens, Head of Listings at Euronext. Also an ideal opportunity to explore Euronext's IPO, technological developments, the societal role of the stock market and of course the future of the stock exchange.

Have you suffered from the crisis?

Vincent Van Dessel: "Actually, the stock markets have continued to function well during the financial crisis and exchange-traded products have experienced no problems. Prices may not have risen, but the stock exchange itself remained transparent and products remained tradeable. Don't forget that the crisis was caused, as has often happened previously, by a real estate crisis, and by products that were absolutely not transparent."

Alain Baetens: "Due to the financial crisis, banks have become stricter about lending. But businesses in Europe tend to rely on bank lending rather than raising funds on the financial markets. In Europe, the ratio is 70 to 30. In the USA, it is the other way around. But we are convinced that our volume will grow gradually in the future, partly due to further disintermediation, due to Basle III, MiFID II and Solvency II, and because as an exchange, we offer transparent access to the financial markets. Not only will large companies come to us, but also smaller companies.

growing business in a transparent trade system

In addition, funding via bond markets is growing enormously, not just by private companies but also by the public sector: local authorities have been coming to us, and recently the regions have used our services too."

How do you see the future?

Vincent Van Dessel: "The basics of running a stock exchange have not changed, and we don't see that happening in the future. We will have to continue investing in further educating businesses and investors. We need to make sure that people who invest know why they are doing it and how to do it. We have to make them aware that not only can they get a higher return, but at the same time, they are making a contribution to society.

The technical features of the stock market have also evolved considerably. But it is important that people should not get discouraged. The stock market remains a risk business, and you have to make sure that entrepreneurs and investors are still prepared to take risks. If there are no longer any parties who


Vincent Van Dessel


Alain Baetens

are prepared to do that, then we will grind to a halt. The stock market enables people to take risks in a transparent framework. We make the piano, and must make sure that it is correctly tuned, but we are not the ones who are performing or composing the music. We don't decide the assessments or the valuations of the companies. As far as regulation is concerned: we have to learn to live with it. If you compare a prospectus today with one from about 20 years ago, you will see that a lot has changed. What is really bad news is the 'one size fits all' principle in the current regulation: that needs to be changed. But don't get me wrong. We are for communication, in good times and bad. However, we must move away from a policy where one model is imposed on all businesses because that doesn't work.

"I've never had as much confidence in the market as I do today."

In addition, we want to develop our public auction further. Today, it is still partly physical, but we want to turn it into, as it were, the eBay of the financial markets."

Alain Baetens: "We also want to facilitate access for non-listed companies that wish to issue a bond and want to list it following a private placement. Because that is the first contact with us, and a possible step towards an IPO (Initial Public Offering).

Can you understand that people shy away from the stock market and regard it all with a degree of suspicion, among other things, because of technological developments such as *High Frequency Trading*?

Vincent Van Dessel: "That's scaremongering by some people and by the press, as well as by 'politicians'. If I talk to politicians about 'High Frequency Trading' and explain to them what it actually means, then it's as if a whole new world has opened up for them. In a manner of speaking, it is no more than sending a message by e-mail instead of by post. The trade itself remains the same. It is merely the way it is executed. The trade is programmed, but that helps increase liquidity and reduces spreads. If you can't trade with those 'traders', then you will trade with someone who is paying a worse price. It is actually about competition between 'traders', and that in itself is no bad thing for the stock exchange. Why does 'High Frequency Trading' exist? If information is available - and that's the case every day - then it can potentially influence the volume of business or the profits of companies. A large number of analysts monitor that data and interpret it as fast as possible. A little item of information can have an impact on a very large number of companies and alter the valuation of an underlying share. As a trader, you will only be able to benefit from the old market situation if you are the first to react to newly-available information. This is not purely about reacting fast. It is about being the first who can do something with the new information.

I have never had as much confidence in the market as I do today, because all the information is constantly converted into share prices. It has to be said that the stock exchange is the only transparent market in the world: you can see, anywhere and anytime, the price at which you are buying and selling. You can always see where you can find the best price, and there is automatic arbitrage between the various markets and various products so that the prices are consistent. You can monitor it everywhere. Compare that with the property market, or even worse, the art market. You are guaranteed to actually receive what you buy. That gave us something substantial to hold onto during the crisis."

Does the exchange also play a societal role?

Alain Baetens: "Nowadays, we are in contact with many companies to show them what a stock exchange is, and of course, we are mainly looking for businesses that are ready to float on the stock market. Is that the core function of the stock market itself? No, but in the current climate, it is very important that we go out to meet business leaders. A lot of education is required to demystify stock markets. It is an incredibly important task. But we also know that if we are able to convince a business leader, he or she still needs an intermediary such as a bank in order to prepare an effective stock market flotation.

But it is also our job to make businesses aware of the possibilities of an IPO. After the crisis, we saw that the banks were less involved in looking for clients for this kind of operation. It is striking that even large companies with turnover of one billion euro or more admit that they have never had a

strategic discussion about this with their banker."

Vincent Van Dessel: "In addition, we are drawing more attention to small and mid-caps, and providing small investors with more information. There are two reasons for doing that. On the one hand, the MiFID (Markets in Financial Instruments Directive) has been brought in to protect investors against intermediaries who sometimes proposed unsuitable investments to them and - even more difficult - to protect investors against themselves. Providing better information plays a crucial role here.

On the other hand, the model for financing analyses of shares has been squeezed by the setting-up - mainly by American and British banks - of competing exchanges or platforms such as BATS/Chi-X and Turquoise. The new trading platforms are only interested in large shares. Since analyses are, in that case, financed by the orders for large shares, the smaller shares are less and less in the spotlight."

Alain Baetens: "That is why we have launched two initiatives. Within EnterNext, which is aimed at companies with a market capitalization of less than 1 billion euro, the intermediaries receive a discount on the 'trading fees' of shares on which they do 'equity research'. In addition, Morningstar, a supplier of independent investment research, will publish share research for the 220 telecom, media and technology shares listed on the four European Euronext markets. This research is sponsored by Euronext itself.

We set that in motion ourselves, to focus attention on specific shares again. It is all about communication: if shares are unknown, they will not be traded. You should not underestimate those initiatives because actually we are subsidizing the market as a private company. That is also part of our societal role. We are thinking of the economy of the future. We are thinking ahead."

About Euronext's IPO

When ICE *(Intercontinental Exchange)* decided in 2012 to take over NYSE Euronext, at the same time it announced that it mainly wanted to concentrate on the derivatives market. The spin-off of the conventional share market in continental Europe was a logical consequence. The stock market flotation then helped *ICE* to finance the earlier take-over.

Due to the flotation, Euronext again has reference shareholders who currently own 1/3 of the shares. In Belgium, the *Federale Participatiemaatschappij* (Federal Venture Capital Company) is one of those shareholders.

Euronext operates in five countries: Belgium, the Netherlands, France, Portugal and the United Kingdom, and is the largest continental market, both in terms of market capitalization and trading volumes and amounts generated by IPOs.

The importance of an IPO

In an IPO or initial public offering, a business offers its shares for sale on the exchange for the first time. New shares are issued, which the company hopes will attract capital.

A stock market listing offers many advantages. A stock market flotation helps a company to:

- increase its equity by attracting capital;
- spread its sources of finance, in the first instance through the IPO and subsequently by means of capital increases and possibly bond issues;
- raise its profile at national and international level;
- increase its liquidity: shareholders can buy or sell the shares of the company at any time;
- stimulate external growth;
- improve its image;
- increase its credibility;
- have a valuation of the company available at any time;
- attract and retain good employees by offering shares or option plans for the personnel.

Vincent Van Dessel: "Take the example of a family firm where the 'pater familias' has been working all his life from early in the morning till late at night, and is still doing it when he turns 75. What's going to happen with that company? Are his children willing and able to take over the company and in that case, who will manage the company, or are there external parties who want to buy into it? If you have the ambition to keep your company, then an IPO is the only solution. It gives you the option to solve all the family problems. Lotus Bakeries and Duvel are examples. Omega Pharma floated on the stock market to facilitate its growth. Once your company has grown sufficiently and you have acquired the necessary experience, you can take control of it again. In the meantime, you have settled the family succession. And the family will be happy to go along with you. A stock market flotation gives you the possibility of increasing the professionalism of the business, while you remain a shareholder. A stock market flotation is also important because of how it is perceived on the market. You raise your profile, you can position yourself differently and you can finance takeovers, which are good reasons for going ahead. But it all comes down to showing ambition and sometimes that requires a change in mentality. You need to behave like a listed company before you float on the stock exchange. You have to allow outsiders to have a seat on the Board. You have to accept others scrutinizing your strategy. If you can't tolerate that, then you are not ready to float, and you should not even consider it."

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The fraudster's growing presence in Belgium

Companies are unprepared for fraud and theft of information from within. International organizations frequently exercise too little oversight of their operations in foreign countries. This is usually the case, as long as the operation is profitable. Local management is given relatively free reign, making these local subsidiaries "easy targets."

While companies believe that they have managed the risk of intellectual property fraud or information theft, many have only guarded against an external attacker and not the threat from within – the insider."

While companies in Belgium believe that they have managed the risk of intellectual property fraud or information theft, many have only guarded against an external attacker and not the threat from within – the insider. KPMG investigations in Belgium show that some local business managers take advantage of this situation, misusing their position of trust and taking decisions motivated more by personal benefit than the interest of the organization.

The Belgium government signaled its intention to focus more seriously on fraud in 2008, appointing a secretary of state to combat fraud and increasing enforcement and sanctions for fiscal and social fraud. Recent cases, however e.g., Omega Diamonds and massive diamond fraud, illustrate that fiscal and social fraud is treated rather arbitrarily in Belgium, with major trials regarding tax fraud usually settled amicably and fraudsters escaping prosecution, while smaller cases involve punitive sanctions.

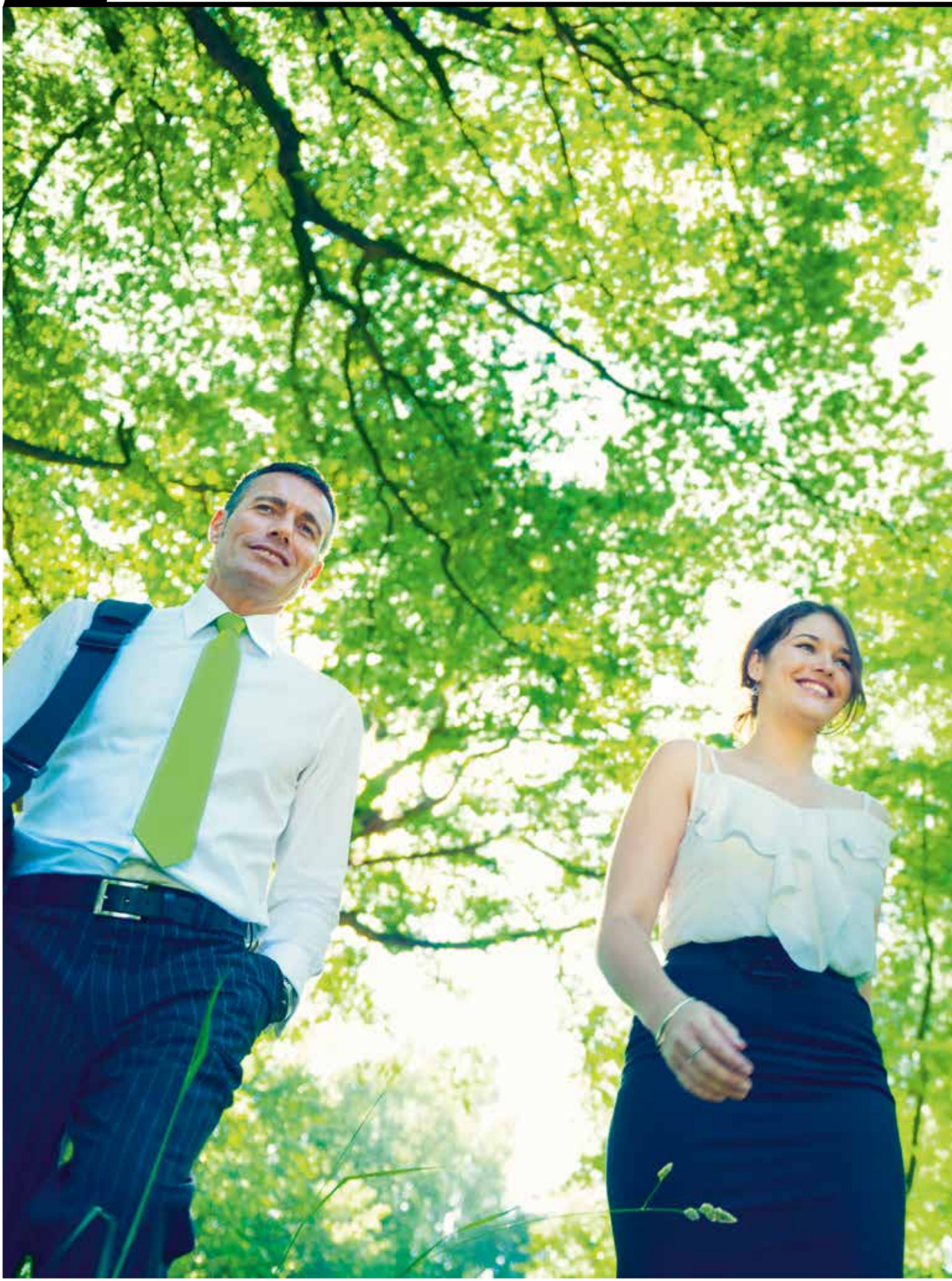
This approach to sanctions erodes the confidence of citizens in the treasury and justice departments. Furthermore, because the Belgium regulator is not active in pursuing white-collar criminals, whether internal or external fraudsters, companies frequently choose to simply fire the fraudster or have him or her resign, thereafter strengthening internal controls as needed.

This apparent contradiction, combined with strict privacy legislation and the regulation of private investigators, means that employers in Belgium have limited means to investigate potential fraud within their organizations.

The law regulating private investigators has recently been under discussion; by all accounts, if accepted, the draft bill will make investigating allegations of fraud even more difficult for organizations.

Many managers and Boards consider the risk of fraud to be a problem for other organizations, believing their own employees to be trustworthy and their business environment stable. In Belgium, a number of organizations have therefore given little attention to fraud risk management and fraud deterrence in the past, making the business even more vulnerable to fraudsters.

However, raising fraud awareness through training and fraud risk assessments enables organizations to deter fraudsters and in many cases prevent fraud from happening. But, the success of any antifraud measures ultimately depends on the culture within the organization; setting the right tone at the top is crucial in preventing fraud.



Profit and **society** in perfect **harmony**

"The transforming world offers businesses huge opportunities", says Herman Toch, author of the books 'Transform or Die' and 'Happy Profit', and in everyday life, CEO of Dreams & Fears. "Companies must regard the new challenges in this world as opportunities rather than threats. Only then will they be able to face the future with confidence. However, that requires firms to adopt fundamentally different ways of thinking, while daily business has to continue as usual." He outlines nine growth areas to not only make profit sustainable over time, but also to create a better world: the guide to 'Happy Profit'.

Herman Toch: "We are at a pivotal moment: it is not our own ego or our profit target that must be at the core of the business model, but rather the relationship with the customer, consumer or any other stakeholder. Any company will have to learn to start out from a clear and shared purpose. Although there is a lot of negativity about growth and profit, there is nothing bad or wrong about making a profit. We just have to find a different system that is sustainable for people, society and the environment. That is the aim of Happy Profit. Not profit maximization regardless of the impact on people and the environment (that is 'Bad Profit') or profit maximization with respect for people and the environment ('Good Profit'), but rather making profit where businesses create solutions for a better world. And this must derive from an authentic inner motivation. We have to switch our thinking from 'attracting people to your brand' to 'making your brand relevant for people'.


Herman Toch

Why do we need to be looking at the world through different eyes right now?

Herman Toch: "At a time when many crises are manifesting themselves simultaneously - just think of the financial crisis, the ecological crisis, the norms and values crisis, the ageing population, the mobility crisis, etc. - huge uncertainty prevails and there is a tremendous lack of confidence. On the other hand, new technological developments are making it possible, to a greater extent than ever before, for anyone to be creative and become an entrepreneur. Due to this bottom-up entrepreneurship, we can concentrate on our customers' requirements. This is crucial: as a business, we need to dare to ask ourselves exactly what we mean to people's lives and what people would lose if we no longer existed as a brand or company. To be able to survive, we have to become more human and work with a more intense customer focus. We must connect with people who are very self-confident and assured about life."

When you write that we have to look differently at relationships with our customers, you talk about five transforming paradigms. What exactly does that mean?

Herman Toch: "Traditional top-down power relationships are disappearing rapidly and new conceptual models are being introduced. Companies need to prepare themselves, because the structure of our business world is changing fundamentally. That can appear threatening but the evolution of the five paradigms also offers businesses unprecedented opportunities. In essence, the 'shift' boils down to companies needing to think and act differently: they need to switch from short-term to long-term thinking (from transaction thinking to relationship thinking), from linear

thinking to systems thinking (for example circular economy, usership rather than ownership), from centralized to decentralized (bottom-up, everyone is a maker and entrepreneur), mass to personal ('the segment of one') and from closed to open (open source, collaborative, consumer-to-business). Every business leader needs to see the consequences of these paradigm changes for the existing business, to assess the opportunities they offer, and then adapt the business accordingly."

What is the vision of profit within 'Happy Profit'?

Herman Toch: "We think very little about the why and wherefore of profit. Happy Profit wants to make profit sustainable: profit is not a goal but a reward that is achieved together with stakeholders and which develops sustainable solutions for the world. For example, the BMWi is not only an environmentally friendly vehicle, but there is a lasting solution to the mobility problem behind it. Happy Profit therefore creates not only tangible but also intangible value. That's important, because in the future, tangible value will become an easily replicable commodity while intangible value will drive the tangible value. This is not easy to incorporate into a strategic plan, because the creation of 'stakeholder value' is not only expressed in money terms. More specifically, the total value of a company in the future will be determined by the following factors: leadership capital, ESE capital (environmental, social and ethical values), trust capital (reputation of and trust in the company), human capital and relationship capital (relationships with the world around the company). What it boils down to is that your company must aim to achieve sustainable added value for individuals or groups. This is done from a totally different position of power and no longer from top-down thinking. That way you can make your brand relevant to the world and to people. A strong brand is a growth platform: there is dialogue, exchange and co-creation - in other words, a relationship that goes beyond merely the transaction. *In fine*, the brand offers a new perspective to the individual, who can look at him or herself in a different way.

"As a company, we must dare to ask ourselves what we mean to people's lives and what they would miss if we no longer existed as a brand or company."

You refer to nine 'highways' or nine ways for a company to grow and build Happy Profit.

Herman Toch: "These nine highways help you discover new opportunities and create intangible value, which in turn leads to more tangible value. The nine highways are grouped at three levels: at the level of 'the brand', 'our brand' and 'my brand'. Completion of that matrix leads to business models that are attuned to the new needs of the world around us. Of course, companies cannot jettison their existing models and structures from one day to the next. That's why an existing company has to create a 'safe' innovation space to seek, to experiment, to try out and even to make mistakes. It's 'fixing the plane while flying': starting up new activities and initiatives start to secure the future while not losing sight of or compromising the current business activities. In order to secure the future of his or her company, any CEO or marketer in fact should already be experimenting right now with new business models."

Can you be more specific about that?

Herman Toch: "I am thinking of business models that are applied within the sphere of circular economy, peer-to-peer economy, sharing economy, personalized economy and the makers economy. For example, we see closed loop and performance based business models, transparent and short supply chains, reuse of products and materials, access to products rather than ownership of products, peer-to-peer sharing platforms and marketplaces, extreme personalization, trust business models crowdfunding, CO-OP, marketplaces for makers, social enterprises ... Possibilities and opportunities abound for businesses."

What is the end result of that change?

Herman Toch: "Ultimately, you have to become a transformational brand: all at the same time, the brand must be authentic, relevant to people and connected with them. This is the only way to have an attractive brand that has impact on modern people. This long-term relationship between the company and stakeholders leads to a successful future for all. I call it my 'happy wheel of fortune."

THE BRAND	PROOF OF PURPOSE	IMPACTFUL INNOVATIONS	CRAFTMANSHIP 3.0
OUR BRAND	360° COLLABORATION	LIKE-MINDED PEERS	PEER-TO-PEER PARTNERING
MY BRAND	PERSONAL RELATIONSHIPS	TRUSTED FRIEND	THE INNOVATORS' CHOICE

Source: Book 'Happy Profit' – Herman Toch

The balancing act in numbers

Men in Belgium spend about **2.5** hours per day on household chores

The OECD average is **2.35**

Belgian women spend an average of **4.1** hours per day on household chores

People in Belgium work about **196.75** days a year

The OECD average is about **220.62**

In Belgium **4 %** of employees work more than 50 hours per week

The OECD average is **9 %**

In Belgium, full-time workers devote **65 %** of their day on average to personal care and leisure activities

The OECD average is about **62 %**

In Belgium **81 %** of those questioned said they have more positive experiences than negative ones on an average day

The OECD average is about **76 %**

Source: OECD Better Life Index

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Customer centricity through big data

The PVC sector has been through tough times in recent years: demand fell by 30% and there is no immediate prospect of a recovery. "As a B2B producer of a commodity like PVC, a fast changing business, it is important to remain focused and change course to better reflect the goals and expectations of your market and your customers. You don't need to convince the customers with the product anymore. Where we can add real value is in streamlined processes, providing quality services and high internal efficiency. Big data helps us do that", says Hans Mattheeuws, CFO & CIO of Ineos ChlorVinyls Belgium.

When LVM, part of Tessenderlo Chemie, was taken over by Ineos three years ago, the overall operation including the cost structure was put under the microscope, which led to recurring cost savings of 25%. "In any business, you can cut at least 10% of your costs without having much impact on your operational management," says Hans Mattheeuws. "You need to keep 'nice to have' and 'need to have' strictly separate or - put in financial terms - look at what changes the bottom line. That is essential to survive in an industry that is under severe pressure and where there is barely any scope to increase margins through product or production innovation. The advantage of such a thorough screening is that it will shift your focus, as far as it is possible, to meet your business and customer expectations."

Hans Mattheeuws

Is there a future for PVC production in Belgium?
"Our industry is saddled, as it were, with a cocktail of difficult ingredients: we are a commodity, operating in a declining market, with rising raw materials prices and high energy costs compared to other countries.
And now there is an additional element: large-scale extraction of shale gas in the United States. This gives the US additional competitive advantage in two ways: it cuts their energy costs drastically, and shale gas also provides cheaper derivatives such as ethylene which is the main component of PVC, at 50%. The American chemical and energy sectors have already made significant investments in recent years, and that is only likely to increase.
One example of a way to deal with this reality is to organize new ways of sourcing: so INEOS is going to build a new ethylene storage facility in Antwerp, which allows us to import this cheap raw material from the US and exploit other economies of scale. We do have the advantage that PVC production is largely geared to the local market, partly due to the relatively high transport costs and just-in-time delivery to customers in conjunction with sales on the spot market. But it remains a difficult exercise and we are continuously walking a tightrope."

Even in B2B for convenience goods, the customer experience is crucial. Using data provides added value that makes a big difference."

So how can you add value?

"We want to continue to respond to the needs of the customer, who in turn is responding to the changing business context and challenges. This responsiveness is essential in the dynamic world around us. It doesn't just apply to our branch of industry. So we wonder what the customer wants, when he wants it and how we can make it happen. Of course, this forces us to think across a very broad range throughout the organization, because it is not just about the product but also about the service we provide. The total price tag for this change of direction is also important, because we have to bring all our resources to bear: from IT and mobility via sales people who need to be informed at all times and everywhere, to communication that has to happen faster, so that issues can be identified more quickly, etc. It means that we must match our business architecture to the drivers that can make our business successful. In addition to the commodities in our product range, which unfortunately leave little room for us to differentiate ourselves, our streamlined processes in the broadest sense of the term and our ability to provide effective administrative service represent clear added value for our customers. Given the changes we went through a few years ago, it was not easy to implement this whole program, but in fact that challenge applies to all businesses.
Companies are constantly faced with this. Their basic processes are being disrupted and they are undergoing continuous change. So you have to get everything under control and see how you can hold your own in the 'competitive landscape'."

As CIO/CFO, how are you involved in this process?

"In short: the Finance department converts all transactional processes - which represents huge volume of data - efficiently into information to support the business. IT acts as an enabler and carrier in that process. So my departments form the central hub of data and technology resources: on the one hand, an ERP with all processes and transactions passing through it, and on the other, the entire IT infrastructure that makes it all possible. Data mining is not an end in itself, but it needs to enable the business to be well organized for the 'competitive battle'. Following the take-over by Ineos, a thorough screening of all data and processes was a first step, resulting in a significant cost reduction based on, among other things, quite a bit of 'reengineering' and restriction of spending. A second step was the implementation of new rules and processes, where we looked at the extent to which they are being implemented by employees. This is one important aspect concerning everything relating to compliance as well as internal audit.
Normally, this is accomplished by spot checks, but we wanted to go further, and monitor everything. It was a major operation that was very time-consuming, but is also extremely important because now it provides both internal certainty and auditor certainty."

So do you really monitor all transactions?

"Ideally, all transactions are screened, but that's not easy. The disadvantage of this method is that an enormous amount of data needs to be processed. We solve that problem by working via data mining so that at regular intervals I can see instantly - via an easy-to-interpret dashboard - what could possibly go wrong. The constant screening of all transactions is one of the significant differences compared to working via spot checks: your back door is guarded, as it were, and it ensures that your compliance and risk assessment are working the way they should. That's reassuring for the entire company because we are a commodity producer with low margins, so we can not afford any risks. Through proper coordination between all components of the business, and controlling all transactions and processes, you limit the risk, avoid surprises and the associated cascade effect. In fact, we not only control the transactional component in this way, but also risk assessment, the fraud component and even potential reputational issues.
In the future I want to move to a system of constant monitoring because 'continuous monitoring is continuous assurance'."

How do you create the link from data mining to meeting customer requirements?

"Data mining is great for getting a tangible picture of your processes to optimize them. In a manner of speaking, it is an insurance policy for the business. But you also get a qualitative return from it, which is more difficult to measure: the administration runs more smoothly, people are more confident and feel better about themselves and that has a positive impact on the customer. Let me explain: the people inside the company and the customers notice if a machine is well-oiled and running smoothly. In our case, customers feel that as a supplier, we are well organized, that we understand their problems and that we can help them when they report a problem to us or ask us for a solution. In fact, the link to customer satisfaction is quite simple: as a company, you must deliver the right product at the right price with the right service.
Good organization and matching of your products and services to the customer's needs is simply a part of the service that has to go with your product. So you are also responding to the needs of the customer."

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BRAZIL

an open playing field for the smart investor

The World Cup excitement and the promotional spotlight on Brazil have come and gone. But it is impossible to ignore the fact that Brazil presents a prime opportunity for potential investors.

From the smaller foreign company that has found a niche for its particular product or technological expertise to the multinational corporation whose Brazilian operation is among the largest of its international subsidiaries, it is clear that Brazil is in the game. During the recent and most severe global economic crisis in more than six decades, Brazil proved to be a solid strong economy and has been referred to as one of the largest consumer markets in the world. The general message is clear: Brazil can provide opportunities for all investors.

Nevertheless, establishing and operating a business in Brazil often involves navigating specific legal regulations and investors require a better understanding of the main factors that can affect investments in the country. The performance of multinationals looking to get their share of this ever-growing market depends greatly on identifying the right opportunities while dealing with the challenges of operating in a difficult environment.

We have put together some basic guidelines for doing business in Brazil[1]. These guidelines are not meant to be exhaustive, and it is not designed to provide the complex and detailed information required for decision making on investments.

However, since laws change frequently, comprehensive advice can always be sought from your KPMG experts in Brazil or Belgium before implementing any plan to invest in Brazil. We are looking forward to assisting you with the handling of your investment planning.

1 Future 2030, KPMG International, 2013.

TIPS AND TRICKS FOR SUCCESSFUL INVESTMENTS

ENSURE THOROUGH PREPARATION

- Do your homework:
  - The main pitfall of entering the Brazilian market is the fact that you must be (well) prepared.
    Knowledge of taxation, labor law and your specific regulatory and industry requirements are crucial;
  - Key risks that need to be addressed when looking into investing in Brazil are related to complex regulatory frameworks and difficult tax regimes.
- Get a foothold in the country through a sales office:
  - Through a representative office the company can manage risks and acquire local knowledge and intelligence while creating enough substance that would justify a larger presence;
  - By setting up a small office, a company can offer its clients support and establish a foothold in the market before entering the market on a larger scale.

PROJECT MANAGEMENT

- Work together with the government and involve other key stakeholders early in the process:
  - Starting a business is a learning process for both the entrepreneur and the government.
    An open dialogue during that process is a prerequisite to ensure that the results are satisfactory for both parties.
- Planning control and governance:
  - In Brazil proper control over project timing minimizes delays that will undoubtedly occur due to, for example, supply issues;
  - Delays in Brazil are inevitable as the infrastructure of Brazil is at maximum capacity. This means that, for example, imports take longer to clear in ports and this has to be taken into account when planning;
  - Governance of the investment is important, issues such as corruption and dealing with third parties can cause delays and frustration.

EMPLOY LOCAL STAFF

- Obtain local knowledge:
  - Employing local staff is crucial as these professionals possess the know-how of the industry, working with the government, regulatory frameworks and other local policies;
  - An additional advantage of employing local staff is that it provides you with an instant network in Brazil;
  - Hiring locals creates a high level of buy-in from all Brazilian parties to work together with the foreign investor.
- Train the staff:
  - Training of staff is crucial in achieving a successful investment. Staff in Brazil is becoming more educated and operates at a professional level but training of staff is still necessary; this also creates buy-in with staff members.
- Invest in local expertise:
  - Investing in local expertise is crucial to ensure you understand and properly manage specific risks related exclusively to the local environment. That is fundamental to the success of any project in Brazil.
  - Employing local staff makes project progress quicker as locals are more adept at navigating the demanding regulatory frameworks in Brazil.

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Big data and tax: what is the link?

'Big Data' is a hot topic. However, there is no universally-accepted view of the precise meaning of the concept of 'big data' and that applies even more so when it comes to tax. However, what is clear is that we are dealing with very rapid advances in technology combined with an immense growth of data. Existing capabilities for analyzing this data also bring a lot of opportunities. From the tax viewpoint too, data has become increasingly relevant in recent years. Terms that regularly slip off the tongue in this context are data mining, data analysis, trend analysis, etc. Businesses and government rely on it more and more.

The impact for businesses

It is in the interest of companies to use data optimally in the tax context, and more specifically for the management of the VAT process. In Belgium, most companies use an ERP (Enterprise Resource Planning) system such as SAP or Oracle to support their business processes. Such a system contains a mass of data, big data, which is often entered and processed by people who have no specific knowledge about VAT.

This data contains a wealth of information that is linked both to regular business transactions (which goods or services are sold, the quantities, the shipping and delivery address, etc.), as well as the 'master data' of customers and suppliers. Using specific software, data analysis can be performed on this data in a rather simple way. This technique is already being applied by auditors to map out potential business risks. But this procedure can also be used to assess VAT risks and quantify their potential impact. In doing this, a number of typical business scenarios are screened. Then the system can - in accordance with the VAT legislation - compare the deduced VAT logic with the logically-expected VAT treatment. Results that do not match expectations can be put in an exception list, and are subjected to further scrutiny - and in this way, potentially 'false' discrepancies can be filtered out of the list.

This data analysis is carried out based on a data dump from the ERP system. The big advantage is that a large volume of data can be screened over a specified period, which enables the exceptions to be listed in meticulous detail. In comparison with mere extrapolation of errors found in spot checks, this methodology gives a more accurate picture of the company's VAT compliance status.

Data analysis can not only be used to manage business risks, but also to analyze trends and optimize the cash-flow position, for example by efficient monitoring of the encoding of purchase invoices, timely monitoring of receivables, etc. This becomes even more important where parts of the 'purchase-to-pay' or 'order-to-cash' process are outsourced to a third party.

However, a concern remains that the ERP system needs to be fed with accurate and complete data. Correct 'master data', such as customer and supplier information, material codes etc. plays a crucial role in this. Incorrect 'master data' has implications for the efficient and correct handling of the entire process. The accuracy and completeness of this 'master data' can also be evaluated via data analysis, which may or may not be done by reference to external data sources, such as the central businesses database. In many cases, this exercise results in a 'master data' improvement process.

> *"Big data can be used not just to manage business risks, but also to analyze trends and optimize the cash-flow position."*

What about government?

Government will also make increasing use of various sources and forms of data to acquire new knowledge. The Netherlands has taken the lead in this respect: the Tax Administration makes arrangements with companies on the 'horizontal supervision'. This is where companies undertake, by arrangement with the tax authorities, to carry out a number of checks and undertake to pass on any negative results. The extent to which specific inspections take place in companies, depends on whether a 'Tax Control Framework' exists or not. Other countries are already requiring companies to submit a standard dataset (e.g. based on the 'Standard Audit File for Tax' - SAF-T) to the Tax Inspection services, so that a number of verifications can be carried out 'remotely'.

The tax administration in Belgium is already using data analysis, although it is in rather specific cases such as the audit of particular sectors. It is anticipated that the importance of these will increase further in the next few years. KPMG recommends proactive analysis of the data available in your company's ERP system and, on that basis, making the necessary corrections and optimizations. This kind of exercise can also provide additional benefits in other areas - such as time savings in invoicing, faster payment by customers and so on.

It is almost certain that the use of 'big data' for the management and optimization of the VAT process will continue to grow as time passes. Today, from the VAT viewpoint, we are still working with data from the past, but we predict that VAT decisions in future will be driven by detailed trend analysis and sales forecasts.

Procurement 2025: a future empowered by asset management

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According to a recent study conducted by the international KPMG network and FUTUREBUY[1], the mindset surrounding the procurement function is changing. The shift will take procurement focus away from being a purely cost saving role to a more strategic one, where getting more value out of the company's physical assets at lower cost will become the imperative. Making this shift will be challenging, yet aligning the expertise of both procurement and asset management will play an important part in the successful transformation of the role.

The new face of the procurement officer

Our premise going into this research was that asset intensive organizations that are better able to position procurement - of physical assets - supported by Asset Management principles, should be able to drive a more focused advance on change and adapt more readily to the rapid forces of change in the current global environment.

The results show that leading asset-intensive companies are pushing the boundaries of procurement to take on new evolving roles, in a drive to be 'all that it can be' to both internal stakeholders and the supplier community.

Moreover, chief procurement officers (CPO) view procurement's future role to be one that challenges many of the existing assumptions and perceptions of procurement as a 'cost savings enabler', evolving into a 'trusted partner' and finally becoming a 'supply chain innovator'.

KPMG has identified several new roles depicted as the 'FUTUREBUY' organization that procurement executives of asset-intensive organizations aspire to create by 2025. These roles include:

1 Financial Analyst: the ability to effectively perform a financial analysis and demonstrate financial expertise regarding the physcial assets that enable effective communication with the chief financial officer (CFO). The procurement function must possess a working knowledge of currency trends, capital market events, discount rates, total cost of ownership (TCO) modeling capabilities over the whole-asset life cycle and global economic indicators.

2 Internal Consultant: the physical asset procurement function is expected to be a credible source of additionnal support for stakeholders. He can explore solutions to their business problems and identify supply chain risks or technologysolutions. To achieve this, the procurement function must align itself to internal business structures. This function will need to drive consultations on business-level needs through targeted category strategies, so it can connect, listen and deliver business value to internal stakeholders

3 Intelligence Agent: procurement executives will need to establish new capabilities, developing centers of excellence that monitor and explore supply market intelligence. Predictive modeling in the form of total cost-to-serve models will lead to greater transparency with suppliers.

4 Relationship Broker: procurement teams are being asked to align their strategies directly with business unit requirements and to effectively link business unit managers to external suppliers. This requires increased contextual understating of business needs and skill associated with managing relationships in multicultural environments

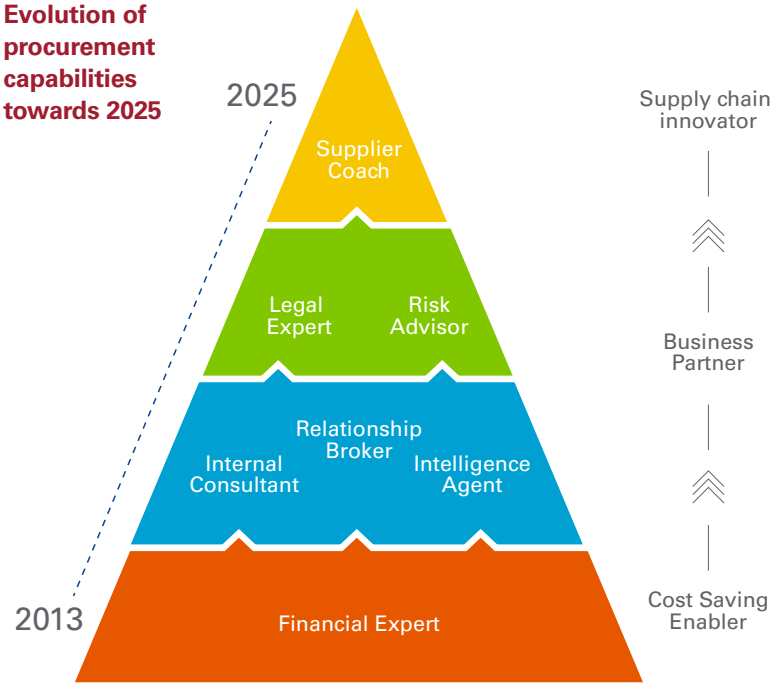
[1] FUTUREBUY is a group of experts that conduct research on procurement trends. The research discussed here is based on the FUTUREBUY research program, which includes the support of 25 CPOs.

5 Risk Advisor: as a subject matter expert, procurement must be able to provide accurate and in-depth insights on a variety of supply market risks, as well as supplier-specific risks related to the assets. In every asset management system, this role is key. Market metrics include elements, such as operational, financial, reputational, regulatory supply market risks and supplier-specific risks comprising financial health, relationship, human resource, performance and compliance risks.

6 Legal Expert: traditionally, many procurement organizations were viewed as virtual paralegal departments, and effectively charged with supplier contract compliance. Some of the many factors that require insight and management include asset safety requirements, intellectual property, country-specific issues, other forms of complexity and exposure based on integrated operations across the globe to minimize exposure to contractual risk.

7 Supplier Coach: as procurement becomes an active and trusted member of the enterprise strategy, they will be called on to deal more and more with creating network innovation. To enable innovation, the role of a supplier coach is imperative in creating the right type of relationships. In addition, procurement seeks to represent their suppliers as "champion" suppliers within the organization, effectively representing their capabilities to internal stakeholders.

Evolution of procurement capabilities towards 2025



Source: Chartered Institute of Purchasing and Supply (CIPS)

Establishing a vision for procurement transformation occurs in stages and requires successive levels of outcome-based trust development with stakeholders. The representation of a 'pyramid of capabilities' suggests that these levels of trust are hierarchical in nature, and require time and effort to create.

The future procurement function will have to educate stakeholders on the benefits of procurement involvement and the benefits of empowerment by asset management (increased cost savings, reduced supply risk, improved market intelligence, financial savings, etc.).

KPMG found that executives believe the most important elements on the CPO's agenda in the evolution of procurement is:

- enhancing supplier relationships;
- controlling and optimizing procurement analytics through centralized technology and

- continuing to manage the complexities of globalization.

KPMG recommends that asset intensive organization's procurement departments should consider the benefits of adopting industry standard principles for asset management, such as ISO 5500x.

Pushing the boundaries of procurement

The KPMG Global Asset Management Competence Centre, based in Brussels, is cognizant of the fact that key to the new procurement function is collaboration with asset management experts, who can support the procurement role transformation in two important ways:

1 Asset planning

The procurement organization must have a good understanding of demand planning in order to establish a clear and consistent asset management and integrated procurement decision-making process. Demand planning is a strategic exercise and covers the whole asset life cycle planning, from forecast (over the whole useful life of the assets) over planning (medium term) to budget (short term). Once procurement has an insight in demand planning, they should also be involved early in the 'Engineering & Design' phase when design, equipment and technical specifications of the assets have already been developed.

Procurement can also assist their asset management colleagues by analyzing if asset refurbishment would be able to extend the asset life to meet its operating requirement at an optimum cost.

Procurement should periodically establish strategic pre-procurement conversations with (potential) external and/or internal service providers in which the whole asset life cycle plan (validated by top management) is examined in order to address existing and future skills and capability gaps to establish sustainable and efficient supply chains.

Procurement is defined[2] as the business management function that ensures identification, sourcing, access and management of the external resources that an organization needs or may need to fulfill its strategic objectives.

2 Outsourced activities

Outsourcing is a method for organizations that want to perform certain asset management activities by an external and/or internal service provider. Procurement plays a role or should be involved in a number of relationships:

- Analysis of risks, opportunities and impact on the assets;
- Service Provider contract management;
- Processes and activities that are outsourced;
- Exchange of information and knowledge within the organization and with the service provider(s);
- Monitoring and review of the activities of the service provider(s);

Outsourced activities that are jointly planned should give the service provider(s) more reliability of resources planning (labor, materials needed, sub-contractors, etc.) and should lead to flexible contract prices and lower risk premiums.

[2] CIPS (Chartered Institute of Purchasing and Supply) definition

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Success stories
in a flat-growth economy

Most of Europe is facing a persistent period of economic stagnation, whilst disruptive trends are reshaping industry norms and boundaries, creating growth and development challenges for all businesses.

And yet, despite uncertain economic conditions, some companies still managed to present impressive growth figures: Zara has continuously delivered "GDP-plus" sales growth over the years[1]; IKEA has realized 31% sales growth since 2009[2]; the Saga Group (a British company focused on serving the needs of the over 50s) has 2.7 million customers and reported revenue of €1.5 billion in the fiscal year ended January 31st[3] and Daimler's car-sharing program Car2Go had almost 600.000 customers by end of 2013, leading the market in the car-sharing segment.[4]

But what is the secret behind their success? In order to unravel this mystery, we walked down their history lane and found quite a number of similarities in their track record.

These sectors understand the value of megatrends as new sources of growth[5]

1. New markets may emerge as certain demographic groups attain reasonable amounts of disposable income for the first time. Consider the rise of the global middle class: In 2009, they made up 27% of the world's population. By 2030, their share will jump to 60%.[6] And most of the middle class will reside in Asia: by 2030 they will account for 66% of the global middle class population and 59% of middle-class consumption.[7] The number of Chinese travelers was estimated at 57 million in 2011.[8] As an example of their new found spending power, they spent an average of €2.100, in that same year, in London's West End, three times more than tourists from other countries.[9] The rise of the financial services sector on the African continent has also been remarkable. Financial institutions are tapping into billions of dollars in deposits from Africa's burgeoning middle class, which is forecasted to triple over the next two decades.[10]

2. Within wealthier markets, **money** can **shift** rapidly between different consumers. The 'Silver Economy' (goods and services for consumers 60 and over) is quickly becoming a valuable source of growth for companies across all industries (e.g. cosmetics and financial services). European women who are 60+ represent 34% of the facial skincare market which is double the share of those under 25.[11] The share of 60+ consumption is expected to grow from 27.7% in 2005 to 35.2% in 2030. And the structure of consumption is also expected to shift from basic needs (food and housing) to non-essential goods and services (recreation and culture, restaurants and hotels).[12]

3. New market spaces emerge when **social values and behaviors change**. Digital Natives – who are always connected, communicating, clicking and sharing content – have shaped the Sharing Economy, which is a new economic model based on 'access to' rather than 'ownership of'. This trend is in fact a result of another megatrend Trading Down[13] that changed over time and at a certain point interacted with other trends like new technologies and decreased consumer trust in institutions due to the financial and economic crisis. According to the European Commission, an estimated €2.6 billion will have flown through the sharing economy directly into people's wallets in 2013. This figure doesn't even include the revenue generated by companies facilitating these flows. Annual growth rate is projected to exceed 25% ![14]

4. New technologies have always been a valuable source of new growth. And today a New Technological Revolution is taking place. Hon Hai/Foxconn – a major Chinese electronics producer – plans to integrate 1 million robots into its manufacturing processes in a mere three years.[15] 3D-printing is revolutionizing the health care industry: millions of personalized hearing-aid shells have been 3D-printed from scans of patient's ear canals.[16] And rapidly evolving digital capabilities – particularly mobile, social media, big data and cloud technologies – open up a wide range of new options for better customer experience. This entails developing customer-centric cultures, enhancing processes and exploiting 'social' data in more effective ways to understand the customer experience and trace back pain points.

Alert organizations acknowledge the disruptive potential of megatrends

Megatrends can also be game changing, posing survival risks for complacent organizations. Think about the impact of free navigation apps – downloaded on smartphones – on the market for devices made by TomTom and Garmin. In addition, there are no longer any boundaries. For example, in Belgium, one in five .be shopping sites is owned by either a French or a Dutch company.[17]

And every industry is at risk, survival is less certain even for well-established firms. In fact, the average time a company spends in the S&P 500 index has significantly changed in the past century. The average time a company spends on the S&P 500 index has declined from 75 years in 1937 to about 15 years in 2011. By 2025 it is forecasted to be 5 years.[18]

Innovation is more disruptive than ever. Until now, high-end products usually would see competition entering the market as cheap substitutes and then slowly increasing their quality in order to reach the high-end customer segment. Innovation helps companies beat their competitors both on price and quality right from the start and rapidly capture every customer segment.[19]

Organizations that don't anticipate change actively risk a growing mismatch with their external environment. The advertising industry, for example, is stuck in a failing business model and is reluctant to abandon it. And the Belgian banking industry operates in a particularly vulnerable sector too. In the last KPMG difference we highlighted the significant boundaries to be overcome by the Belgian banking industry in order to keep up with the rapid technological evolutions. According to Brett King - co-founder and CEO of Moven (a New York-based mobile banking startup) – we will see more disruption and changes to the banking and financial industry in the next 10 years than we have seen in the preceding 100 years.

"Digital Natives – who are always connected, communicating, clicking and sharing content – have shaped the Sharing Economy."

Winning strategies combine mutually reinforcing trends

Successful organizations have understood to not bet on one single area - e.g. on technology or emerging markets – but to combine multiple mutually reinforcing trends in order to create new business models.

The Saga Group for example, identified logical synergies between multiple trends in order to fully cater to the Silver Economy: an ageing population, health and wellness trends, loss of trust in financial institutions and online migration. It is now offering an online 'one-stop-shop' for seniors, covering holiday packages, a wide range of insurances, financial products and services, home care services, lifestyle magazines and even online dating.

The continued focus on Trading Down in combination with mobile technology has led to the pay-per-hour car market initiated in the US by Zipcar. Car2Go cleverly underpinned the megatrend Lifestyle and Convenience and created the ultimate convenient and trendy solution: it now

facilitates pay-by-the-minute and park your Smart anywhere at any time.

Customer Centricity: the sustainable growth driver

The real success of Zara and IKEA lies in their ability to create new market dynamics in their respective industries, reshaping customer's views of the present and the future. Zara pioneered the 'democratization of fashion' and made high fashion accessible to anyone by offering a similar design with less expensive fabric at much lower prices. The company even succeeded to design, produce, deliver and put a new garment on display in its stores worldwide in a mere 15 days. This meant a real big bang disruption for the whole industry, as the industry usually spends months planning for the next season.

Moreover, Zara constantly produces small batches of new goods, giving the customer a sense of scarcity ("if I don't buy it now, I will lose the opportunity") and hence encourages customers to visit the store more regularly, up to 17 times a year, whilst customers visit an average retail store in central London 4 times a year. Zara can present remarkable performance indicators that are the envy of the industry: unsold items represent less than 10% of stock (industry average 17%-20%), its inventory-to-sales ratio is 7 (H&M: 12 and Gap: 14), resulting in lower sale markdowns which ultimately contribute to higher profit margins.

IKEA's success story is quite similar to that of Zara in the sense that it also democratized interior design and created an ultra-lean warehousing system. A constant replenishment of fresh goods resulted in 684 million store visits and 1.3 billion web visits last year[20] And if you look closely, you will see that there is one clear common thread in their stories: Both Zara and IKEA have **put the customer at the heart of their business model.** Literally every activity in their business system focuses on delivering an exceptional customer experience. Zara for example, uses real-time customer data - hard data (e.g. orders and sales information) and soft data (e.g. customer reactions and the 'buzz' around a new style) - to drive its design, production and pricing activities.

"In high performing organizations, everything starts and ends with the customer. This means a real paradigm shift for organizations."

IKEA's customer experience on the other hand, is a bit extraordinary. The in-store shopping experience is not all that great (long queues, crowded and the DIY service), but surprisingly it does not discourage people to return to IKEA's stores. IKEA succeeded in cleverly managing customer's expectations through their marketing positioning statement "Your partner in better living. We do our part, you do yours. Together we save money". And effectively, to have quality furniture at an affordable price, you have to 'do it yourself' more.

In other words, in high performing organizations, everything starts and ends with the customer. This means a real paradigm shift for organizations whose business design puts the customers as the end receiver of a long chain.[21]

Conclusion

Windows of opportunity emerge constantly, even in a low-growth environment. Pro-active organizations spot them early enough in order to foster a clear vision of the future sources of growth and competitive advantage and then firmly allocate their resources to capture the best opportunities. Companies that fail to keep up with the disruptive trends, risk not even fulfilling what in the meantime has become an 'order qualifier' for customers. Successful organizations cleverly combine mutually reinforcing trends to create innovative business models and continuously put the customer at the heart of their business model as the narrative for a long-term success story.

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Winning the new war for talent:
companies must redraw battle lines

According to a recently released survey from KPMG People & Change, there have been some key differences in the war for talent, since the last survey was released in 2001. Although the war for talent is still as strong as ever, the focus has changed. KPMG gathered input from 335 People & Change consultants from 47 countries as part of the survey, which took place between March and April of 2014.

"In 2001, the focus was on attracting and retaining 'high potential' and 'high performing' employees. It's an approach that has become deeply engrained for many companies," said Robert Bolton, co-leader of KPMG's Global HR Center of Excellence. "In 2014, however, 66 percent of respondents are telling us it's much more important for organizations to have a holistic approach to talent management that addresses the needs of all employees."

The survey results signify a dramatic shift in HR methodology, brought about by a number of factors, including a shortage of skilled workers, the effects of increased globalization, competitive pressures resulting from improving economies and the changing career expectations of younger skilled workers.

"These findings should serve as a wake-up call to HR managers who may still be clinging to outdated approaches to talent management," said Bolton. "Addressing skill shortages throughout

Top 3 ways to address talent shortages

Survey respondents say the top three strategic approaches to addressing talent skills and shortages are:

1. Enlist and empower management in talent management – don't just leave it to HR
2. Focus on developing clear career paths
3. Take a holistic approach to talent management across the entire employee population in the market before entering the market on a larger scale.

Be better, be different

Respondents felt that rather than following industry trends and adopting off-the-shelf solutions, companies should seek to:

- Take a global view of their talent
- Develop distinct talent strategies tailored to their products, markets and business goals
- Engage in a more comprehensively planned approach that measures the impact of their effort
- Put powerful new data analysis capabilities to work to gauge their performance and fine-tune their people practices
- Monitor and measure their talent strategies and adjust them to improve results, meet future needs and create opportunities for employees to contribute more value
- Harness analytics to guide thinking and gauge success. Non-financial benefits of the sort offered by effective HR functions are difficult to quantify.

War for talent – winners and losers

There is little evidence that typical 'war for talent' practices that focus on high performers actually contribute to improved business performance. An analysis of the 106 original adopters of the 'war for talent' practices indicates that 15 years later such practices have not helped corporate survival and performance.

Only 25 percent of the organizations can be said to be performing well in their market place. A third have disappeared entirely. KPMG's HR professionals agree that it is time to turn to new, more holistic strategies for managing talent:

- Two-thirds of survey respondents say it is more important to address the talent needs of all employees, in the context of the business and its strategy
- Just over half agree or strongly agree that pursuing high potential talent at the team's expense puts the business at risk

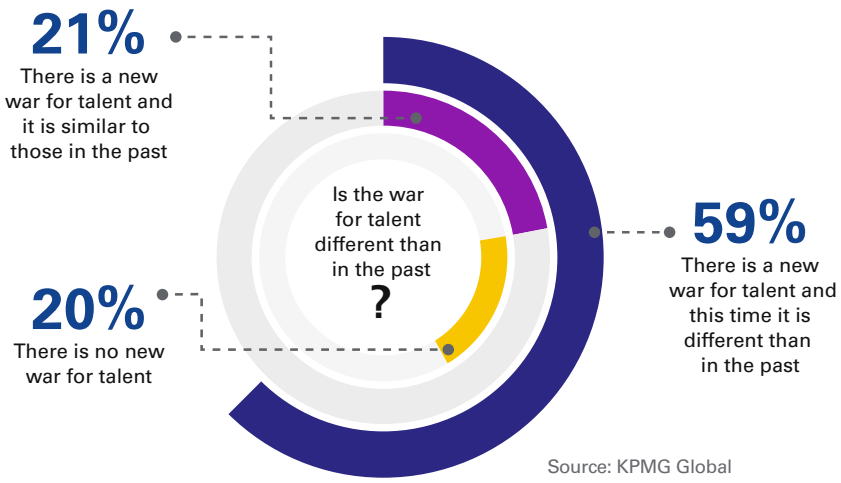
the entire organization, and not just at the most senior levels, should be a top priority in 2014 and will become critical over the next two years."

According to Bolton, there are a number of actions companies can take to give themselves an edge in the ongoing war for talent. "One thing many leading companies are doing is putting powerful new data analysis capabilities to work to help gauge their performance and fine-tune their people practices over time," said Bolton.

Some key findings of the survey

The majority of respondents agreed that there is a new war for talent, and this war is different than in the past. KPMG Human Resources consultants also believe that the most-often named root cause of talent and skills shortages is generational:

- Younger skilled workers seem less interested in traditional roles and see themselves as free agents, and management has been slow to respond
- The scarcity of people with skills required for new emerging roles is perceived as the most critical market shortage



Source: KPMG Global

We are sure that today great opportunities exist to create a differentiated and fresh approach towards talent management and for the HR function, one that is a demonstrable value driver for business – but it will require significant effort. Changing ways of working, the power of evidence-based people management and the increasing accessibility of technology means that the original status quo for HR is increasingly unsustainable. Organizations that are ahead of the curve and who take this more holistic view stand to benefit, while those who take a narrow approach with pre-conceived notions risk losing far more than simply the war for talent.

iDeas

Work out at work

Eight hours in the office, 1 hour in traffic and eight hours sleeping doesn't leave much time to pump your weights or get your cardio on. There is no doubt that office butt is an epidemic, but there are many ways to battle the workday slump. There's a reason that many people go home sore and exhausted after work, even if they're not moving much or at all. Standing still on your feet for long hours or sitting motionless camped out in your cubicle can be brutal for your body. To combat these symptoms, short but effective exercises throughout your day can help immensely. If you're running low on time to head to the gym, there's no reason why you can't get some quality mini-workouts in throughout your day. Here are some great ways to get in shape in your office without looking too ridiculous.

1 **Calf Lifts:** Constantly sitting down and not moving can cause your calf muscles to tighten, causing discomfort. Calf lifts are a great, low impact way to strengthen and tone your calf muscles. This exercise can easily be done right at your desk. Here are instructions on how to do a calf lift:

1. Stand up straight and either grasp a wall, a chair or your desk for balance. Your feet should be positioned parallel with your hips.
2. Raise your heels until you're on your tiptoes, like a ballerina, and try to balance the weight on the balls of your feet. Hold this position for 30 seconds to a minute and then lower yourself slowly.
3. Repeat this 15 times per set and try to complete three sets. Or as many as your break allows you.

2 **Wall Sits:** Most conventional work places have walls, which is great because one is necessary for this exercise. Wall sits, or wall squats, are amazing for working out your quadriceps and hamstrings.

1. Find a wall and have your back flat against it, with your feet out in front of you. Slowly begin to slide down the wall until your knees create a 90 degree angle (or less if you're not quite ready for that yet).
2. Hold onto this pose for as long as possible (20 to 60 seconds is recommended) and then return back to standing position. Repeat until the burn is felt.

3 **Desk Push Ups:** Using your own body weight to do strength training is a wonderful method when weights and dumbbells are not readily available (which is the case at most offices). While it may look a little odd to just drop the floor and start doing conventional pushups, desk pushups are a great alternative.

1. Stand a few feet away from your desk. Place your palms on the edge of your desk so that they are parallel to your shoulder.
2. Lower yourself until you reach the edge of your desk and push yourself back up.

4 **Sitting Leg Raise:** If you're a little shy about exercising at work, the seated leg raise is perfect for you. Sometimes standing up at your desk isn't an option but this isometric exercise can be done while sitting down behind your desk.

1. Straighten one leg out and hold the pose for 5 or 10 seconds.
2. Slowly lower the leg, but don't let your feet touch the ground.
3. Repeat with the other leg or with both legs if you're feeling adventurous.

5 **Cubicle Cardio:** Although this isn't one specific exercise, these are some tips on doing the little things that can really add up over time and contribute to your cardio workout.

1. Tapping your toes may seem insignificant, but some studies have shown that you can burn up to 350 calories a day by fidgeting. So turn on some tunes and get to tapping.
2. Taking the stairs instead of the elevator is a simple solution to increasing your daily cardio. The incline of going upstairs is great for your heart health.
3. Walking is low impact but helps the metabolism get pumping. Instead of e-mailing your coworker, walk to him/her. Instead of browsing on your phone during a break, take a gentle stroll around the block.

These are just a fraction of easy exercises that can be done in the privacy of your office. But exercise isn't something to be ashamed of. Talk to your boss and coworkers and rally them up for office exercises. Get a basketball hoop in the parking lot, have a weekly one hour yoga session in the conference room, ask the CEO to consider installing a gym (because there are plenty of options for wholesale used gym equipment). There are endless possibilities to working out at work!

Source: www.ezinearticles.com

A passion for...

Due to a recent arrival to Belgium from the KPMG office in Singapore, Kathy Lim, a Senior Manager in the Global Transfer Pricing Services team at KPMG Tax Advisers, has gone through a period of change. But through it all she has kept her passion for maintaining an active lifestyle – and in the process, striking a balance between work and her personal life. Here is how Kathy stays committed to her job, her health, her community and her family.

Where are you from?

I am originally from Singapore, where I grew up and had my first job with KPMG, in the Transfer Pricing team. However, as one thing leads to another, my husband and I now find ourselves in Belgium, raising our first son.

What is your passion?

A lot has changed in the last few years since I arrived in Belgium, but my focus and passion has stayed the same – I seek an active lifestyle, while balancing my pursuit for a challenging career and my personal life. I am fortunate to continue being part of a dynamic team at work, but several other aspects have changed – and I have had to balance my life differently to continue maintaining the active lifestyle I pursue.

How did you accomplish the balance?

If you had asked me this question three years ago, I would have said by playing Netball. Netball is an evolution of early basketball (likened to Korfball), played predominantly by females and most popular in the Commonwealth countries. I started playing netball competitively since I was thirteen, I captained the U17 Youth team back in Singapore, and continued to play competitively with a club that was sponsored by a major sporting brand. I even played for the Singapore KPMG netball team for 7 years! I loved working as a team, facing those challenges together and pushing each other through demanding trainings and tournaments. I was able to gel pursuing an active lifestyle with my work life quite nicely.

And today?
Well, in addition to managing a household, I have mainly had to focus on individual sports over team sports, with the former providing more flexibility to my schedule. I moved to Belgium with a new bicycle knowing that Belgium is famed for being a cycling heaven. Also, three weeks after giving birth, I bought myself a new pair of running shoes. I have kept running and biking since.

How have you managed the change?
Individual sports have different dynamics but the individual challenges such as endurance, are just as satisfying. Pursuing individual sports helps me to continue to stay active, which is my mantra. I mean, the main reason I stay active is to stay healthy, which I believe at the same time, helps maintain esteem and discipline. These days, I also find extra motivation to keep fit and active because I want to be a good role model for my son. I want him to ease into sports and be a natural to an active lifestyle. My bearings in life have changed and so have my motivations. These new motivations keep me focused on the trail.

How do you fit it all in?
It isn't always easy. There are so many yardsticks that we measure ourselves against and too many social moulds we try to fit ourselves into. I have come to realize that one size hardly fits all, and that I am responsible for making it work for myself. It is always easier to slip into inertia and find an excuse not to exercise. So, I manage everything through discipline and by setting short-term goals for myself. I can't be as picky about having a fixed routine every week, but I maintain a number of active days I target in a week. I continuously work on prioritizing, looking at the bigger picture, and try not to worry about the smaller stuff. Dishes and laundry sometimes just have to wait.

What other ways do you balance everything?
I enjoy the challenges my career has brought me, and I focus on investing in my development and challenging myself at work. My career aspirations have not changed alongside the other changes in life, and I believe that parenthood should not serve as a career penalty. On the other hand, as a parent, it is hard to see any child being in dire need. While I always have really valued giving back, now I value it even more, and think it complements the balance that I strive to reach.

I recently participated in the KPMG Make A Difference Day in Mechelen at, Sjarabang, a center that supports the development of children and adults with disabilities through arts and learning. I always enjoyed participating in these kinds of community events. In Singapore, they were also a big part of the KPMG culture. I think we can all do something more and put an effort into giving back to society, helping children in need, which I plan to act on personally over the horizon.

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KPMG survey highlights the biggest problems for businesses in Belgium

In May and June 2014, KPMG surveyed 184 firms established in Belgium concerning their biggest problem from the legal, taxation, financial and macro-economic viewpoint. This online survey shows that companies mainly struggle with the complex legislation, high taxes and tough lending policy of the banks.

Overall result: complex legislation at No. 1

Coming in at number one in the ranking of biggest problems is the complex and non-transparent legislation (16.13%), followed by high fiscal and parafiscal pressure (9.58%) and problems in obtaining bank loans and credit (7.9%). And rounding off the top 5 of biggest problems, high wage costs (7.23%), and - tied for fifth place - the fiscal instability and the impact of the overall economic situation/trends (both 7.06%).

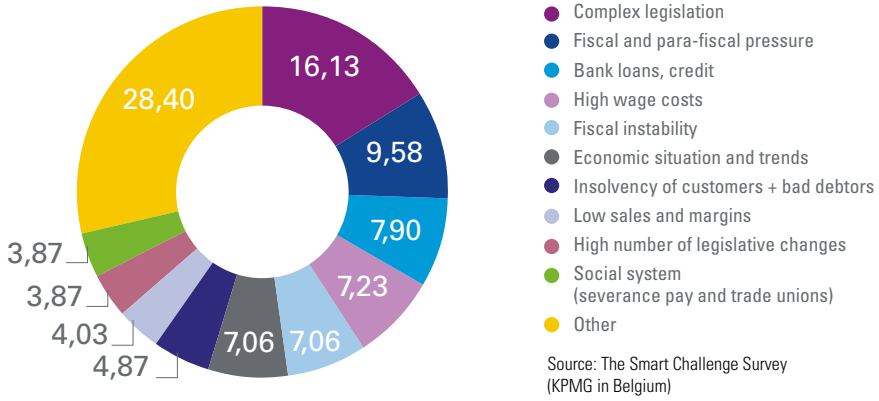
From bad debtors to trade unions

Companies are having increasing problems with bad debtors (4.87%) and contending with problems of low turnover and profit margins (4.03%). For 3.87% of firms, the large number of changes to the law and our employment legislation (specifically high severance payments and the power of the trade unions) are the biggest problem.

The four 'Number 1s'

Within the four categories, the following subjects rank highest: the high fiscal/parafiscal pressure (biggest fiscal problem), lending policy of banks (biggest financial problem), complex legislation (biggest legal problem) and problems in the context of international trade (biggest macro-economic problem).

Overall results – Top 10 ranking



Source: The Smart Challenge Survey (KPMG in Belgium)

How are entrepreneurs preparing for the future?

KPMG also asked in the survey how entrepreneurs are preparing for the future: innovation and product diversification are rated by almost one-third (31.54%) of businesses as the most important action point on their agenda. This is followed, at a considerable distance, by adaptation of company strategy to changing market conditions (11.54%) and consolidating the profits and financial soundness of the company (9.23%). In fourth place is the focus on finding and retaining good staff (7.36%), while the entrepreneurs (5th place) then call on the government to create more flexible labor laws and an overhauled industrial relations system (6.92%) as well as clearer and more stable legislation (6.92%).

More information on the results of the survey can be viewed at: **http://www.kpmg.com/BE/FamilyBusiness**

Sustainable Insight: Unlocking the Value of Social Investment

Companies around the world and their charitable foundations invest billions each year into social programs that aim to address some of the biggest challenges the world faces, from poverty, to lack of access to healthcare or education, to natural disasters, climate change and much more. But who benefits from these investments and how much? Do companies fully understand the value of their investments?

In this paper, KPMG presents research into reporting of social investment by 100 of the world's largest companies and their associated foundations. The results show that companies focus on measuring and reporting inputs to social programs (such as financial contributions, employee volunteering and product donations) but that reporting on the impacts of social investment is far less common. This paper aims to help corporate responsibility managers and others involved in social investment overcome some of the challenges to measuring and reporting on social programs.

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M&A jargon demystified

The AMandA dictionary

- ✓ 150 definitions
- ✓ Simple
- ✓ Accessible
- ✓ Clear

To provide you with a deeper insight into the technical jargon of mergers & acquisitions, KPMG professionals have published an explanatory dictionary in cooperation with Kluwer. With this glossary of more than 150 commonly used terms in company mergers and acquisitions, you will hopefully possess a more thorough knowledge of M&A.

If you need assistance in the area of M&A, you can rely on our KPMG specialists.

kpmg.com/be/mandajargon

Get your free copy now by sending an email to: info@kpmg.be

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Bookshelf

Over the Horizon: How corporate counsel are crossing frontiers to address new challenges

In 2012, we published Beyond the Law, a global study of how General Counsel (GC) are turning risk to advantage, which was based on a telephone survey of GCs around the world. The 2014 analysis explores more fully some of the findings of the previous study and consists of in-depth interviews with GC and other senior counsel in Europe, North America and Asia-Pacific.

The 2012 analysis found that GC were being called upon to play a more important role in how businesses operate and to move from being a pure legal counsellor to a business advisor. The study highlighted some of the challenges GC were facing as a result of their broadening roles. The 2014 analysis explores some of the themes that emerged from the 2012 survey to show how GC are managing different kinds of risk and guiding corporate conduct.

The evidence gathered from these new interviews demonstrates how many GC are becoming increasingly involved in matters that are not strictly legal, such as risk management and business strategy. As they continue this transition to a broader role, it is likely that even more will be expected from GC by the Board and senior management. GC will continue to rise to the challenge.

Reaction

This first edition of Reaction Magazine for 2014 appears at a time when the feeling around the industry seems to be one of guarded optimism. Although a number of downside risks remain, the global economy appears to be returning to reasonable, if unspectacular, growth. Certainly, recent trends in rising new housing starts in the US and falling unemployment in Europe, if sustained, are likely to have a positive impact on chemical industry demand. Chinese gross domestic product (GDP) growth seems to have settled at a 'new normal' of 7–8 percent per annum – still better than almost anywhere else – and we continue to see the rise of emerging economies across the Association of Southeast Asian Nations (ASEAN) region.

In this edition, we bring you a look at the portfolio rationalization activity in the industry and what leading companies are doing to maximize value on exit as well as a focus on cross-border tax planning and how this may be impacted by shale gas and the resultant shifts in global petrochemical trade flows. We also take an in depth look at some of the current opportunities and challenges in Africa and feature an interview with Paul Victor, acting CFO of Sasol, who discusses how it is driving growth on the continent.

Evolving Insurance Regulation

Regulatory change is fundamentally re-shaping the insurance industry, creating strategic and operational challenges for insurers. This year's report examines how regulatory change at a global and regional level is altering the face of regulation and explores the implications insurers confront in responding to these developments. This publication focuses on the growing role of new policymakers in insurance regulation, the pressure to align insurance rules to the banking model, the growing programs to assess supervisory compliance, the growth of consumer protection laws and the latest insurance risk and International Financial Reporting Standards (IFRS) accounting changes.

HGM Tracker

Rising domestic confidence in many developed markets is not yet translating into an increase in cross-border acquisitions. Deals between developed market acquirers and high growth market targets (D2H) continued the downward trend of the last 3 years, falling back to 2009 levels in H2 2013. To put it in context, 2009 was the low point of the global downturn, with the fewest D2H transactions since 2005. High growth market acquirers appear to be more proactive, prioritizing deals in developed markets over investments in other high growth markets. Currency fluctuations, too, could be influencing the pattern of deals coming out of key high growth markets, such as South America.

The HGM Tracker looks at deal flows between 15 developed economies (or groups of economies) and 13 high growth economies (or groups of economies).* The Tracker is produced every 6 months to give an up-to-date picture of cross-border merger and acquisition activity, with the current edition featuring deals between July and December 2013. Established in 2003, the Tracker includes data from completed transactions where a trade buyer has taken a minimum of 5 percent shareholding in an overseas company. All raw data is sourced from Thomson Reuters SDC and excludes deals backed by governments, private equity firms or other financial institutions.

* The 15 developed countries or groups are: UK, US, Canada, Spain, France, Germany, Netherlands, Italy, Australia, Singapore, Hong Kong, Japan, Europe (Other), the Offshore Group and Oceania. The 13 high growth economies or groups are: Brazil, Russia, India, China, Central & Eastern Europe (CEE), the CIS (Commonwealth of Independent States), Malaysia, Southeast Asia, South Africa, Middle East & North Africa, Sub-Saharan Africa, South America (excluding Brazil) and Central America & the Caribbean.

The full reports can be accessed by using the KPMG app.

Available on the iPhone App Store

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Structure
Mobility
Ability
Resources
Technology

"Nothing is more permanent than change"

Herman Nijns
CEO of Randstad

"Companies are more than just a structure, they are projects!"

Luc de Brabandere
Corporate philosopher

KPMG

Finding the right balance

The lively debate on the balance between profitability and responsibility to a variety of stakeholders is about what it takes to achieve it. Thanks to its comprehensive experience and global network, KPMG can guide you and help you understand how your business can carry out this delicate balancing act.

kpmg.com/be

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