

FOCUS

Managing in uncertain times

Smart decisions create lasting value

We are facing uncertainty at one of the biggest scales in the recent history. This time it is indeed unique as it has affected directly every individual person, business and nations in one or another.

Uncertainty prevails at any given point and that is the struggle an entrepreneur is facing in his day to day running and management of business. However, such uncertainties are small scale in nature and impact are also trivial. Its management sometimes becomes a routine exercise. At other times, uncertainty creates a real crisis that requires immediate attention. Threats can be existential, and circumstances are unprecedented. The speed at which events unfold, change and impact does not allow time to interpret them using the usual approaches.

The 'old' challenges are still present – new laws and regulations, new expectations from different stakeholders, new demands for services, changing funding landscape, cost escalation and much more, but in times of crisis there are even greater external threats.

Nonetheless, many of the usual approaches for managing uncertainty can be useful in times of crisis. Except that there has to be recognition that responses and actions cannot be based only on predefined response plans that were drawn up before the crisis.

Strategies and cautions.

- Strategy in uncertain times needs to take account of different factors. The status quo is almost never the right option. Think ahead – the immediate rescue phase should be quickly

followed by plans for building resilience.

- Strategies and tactics have to be developed on the premise that several different outcomes are possible. Monitoring and measurement of progress against the strategy is more frequent.
- Strategies have to become more dynamic and initially focused on the short-term period.
- Continued uncertainty and volatility of income dramatically increases the exposure to liquidity risk.
- Understand what capital, retained earnings and other reserves represent and look at the ease with which they can be made available in times of need; and if so, when, and how they should be used.
- Scenario planning is valuable in helping to cope with the uncertain environment and can help identify the drivers of change; sometimes actions have to be taken before proper scenarios are developed.
- Scenarios are different to forecasts and the range of scenarios should not be too simplistic. Focus on new scenarios should not mask important long-term trends or undervalue relevant existing strategies.
- When there is massive uncertainty, scenarios may be little more than guesses based on limited knowledge and approaches need to be able to adapt quickly as total uncertainty is usually transitory.
- Probability has less value for risks that occur outside the norm and the past is not the best indicator of the future.
- Think about the risks that could

impact the business's value chain. Look beyond the obvious – consider both direct and indirect drivers and short and long-term implications.

- If a risk has extremely high impact, it should be addressed, regardless of 'remote' likelihood. Risks of lower significance can escalate to a very high impact risk because of risk interactions.
- Governance structures, board and management competencies and frameworks for decision making may need to be revisited.

Liquidity, cash, reserves and capital management

For many businesses in crisis and facing uncertainty, the management of cash is key and immediate action may be needed. As revenues are threatened, cashflow for most entities inevitably requires more attention. Cash and working capital management should be linked with the risk management and forecasting process.

The effective collection of receivables will need extra focus as will financing and treasury issues. Forecasting cash burn rate using revised revenue and expenditure projections is important, as is understanding minimum cash requirements and available head room under different scenarios. Doing this carefully in times of uncertainty will also allow early consideration of additional finance needs.

Businesses will need to reconsider their financing arrangements and renegotiate existing arrangements where possible. This could include matters such as existing covenants, interest rates, repayment terms, government measures and incentives in uncertain times to help

businesses get back on their feet and running.

This means that businesses will need to focus beyond the profit and loss account and top-line growth. In the short term the focus will inevitably shift to matters such as the ability to pay employees and suppliers.

Strategy and scenario planning

During the periods of uncertainty, more rigorous, out-of-the-box thinking is called for. Due care needs to be exercised to review certain investments, projects and programs that may have earlier been planned and approved – they will likely need a rethink in view of the uncertainties faced and challenges posed by such uncertainties.

Risk management needs a rethink

Unprecedented events require a new awareness of the importance of remote

events that can have a significant impact.

Risk management needs an overhaul in turbulent times especially when:

- events are rare or unprecedented
- the rules are unknown or rapidly changing
- outcomes are driven by external factors beyond the business's control
- there is risk contagion and one risk can cascade into another.

Look beyond the obvious – consider both direct and indirect factors and then evaluate the short-term and long-term implications. There needs to be discussion about triggers and early warnings, how actions need to be prioritised, what risks can be mitigated and how others can be managed.

Many think that in times of grave uncertainty where the risks are too

difficult to identify, risk management assumes lesser significance. It also puts businesses into a better position to manage the unknown when it becomes known and should also help earlier identification of direct and indirect risks.



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Infrastructure – is it the foundation for a successful Tourism, Travel and Hospitality economy?

What is memorable travel experience?

As committee members of the Institute of Chartered Accountants, England & Wales, we are often asked what are the foundations for a successful tourism, travel and hospitality economy, which enjoy a steady growth in all aspects, from tourist numbers to RevPAR and everything in between.

For most of us, a memorable experience is a mix of both quantitative factors such as the cost of the holiday. Qualitative aspects, like feeling safe and comfortable when out and about. One of the foundations of a tourism economy is strong infrastructure.

Infrastructure – beyond bricks and mortar

When we think about infrastructure we tend to think about roads, bridges, and rail

connections, as these are one of the first things we see. We tend to only experience soft infrastructures such as telecommunications, recreational facilities and hopefully not have to experience the law enforcement and emergency services side of infrastructure.

Infrastructure contributes to travel experience

Dubai is a stellar example of how excellent infrastructure ensures both business and leisure travellers continue to return, year on year. Be it a successful Exhibition or simply quiet time on a secluded beach Cabana. Infrastructure is driving tourism. From swift airport immigration, a seamless ride, be it chauffeur driven or on a clean metro seat. To world-class cuisine at your favourite international hotel chain.

Governments are investing now

In preparation for the slow and safe opening up of the tourism industry, governments are making significant investments in infrastructure. It could be as simple as rest facilities at a rural campsite to provide fast and efficient 5G

connects, so the global traveller is seamlessly connected.

Returns in the years to come

Countries like the United Arab Emirates and Singapore continue to offer “something new” to travellers, every time they return. Be it the world's largest indoor waterfall to the world's highest viewing deck. History has taught us, and our economist readers will agree, investment in infrastructure, always pays off.



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Getting the Real Value of Internal Audit for business

It will be nice to hear two top executives in a casual talk about internal audit and how they stress on the importance and added value of internal auditors, but the reality is not as beautiful.

In real life, internal auditors, mainly those working in the industries face major challenges; the most prominent one is their reporting line/s. As you know Internal Auditors report functionally to the Audit Committee and administratively to the CEO, but is this actually as good as it sounds? The simple answer is NO.

Internal Auditors at the industries deal and report on daily basis to their ultimate auditee; yes, right the CEO, why? Because Audit Committee members, in most cases, are unavailable, they are not part of the executive team. Can you imagine the level of stress, discomfort,

and lack of objectivity this creates? Correct, huge lack of objectivity, why? Could you, as an employee, whether Internal Auditor or not work under the most powerful executive who is sensitive about your mission?

Now, why the above described situation is allowed at the companies?

1. Scenario one: lack of knowledge about what actually going on.
2. Scenario two, which is quite common: Conflict of interest.

You might read a lot about major scandals worldwide, embezzlement of billions by top executives, or providing financial uncappable clients with major facilities in billions. Do you really think that it is difficult to internal auditors to uncover and avoid those situations? No, it is not. It is so easy to prevent those; via strong corporate governance, where internal auditors don't report administratively or in

any other manner to the CEO, they should not report at all to the CEO.

I believe, worldwide, we had enough of those stories of funds embezzlement and abuse of power. Internal Auditors need to be left alone to do their job by being completely independent of the management they audit.

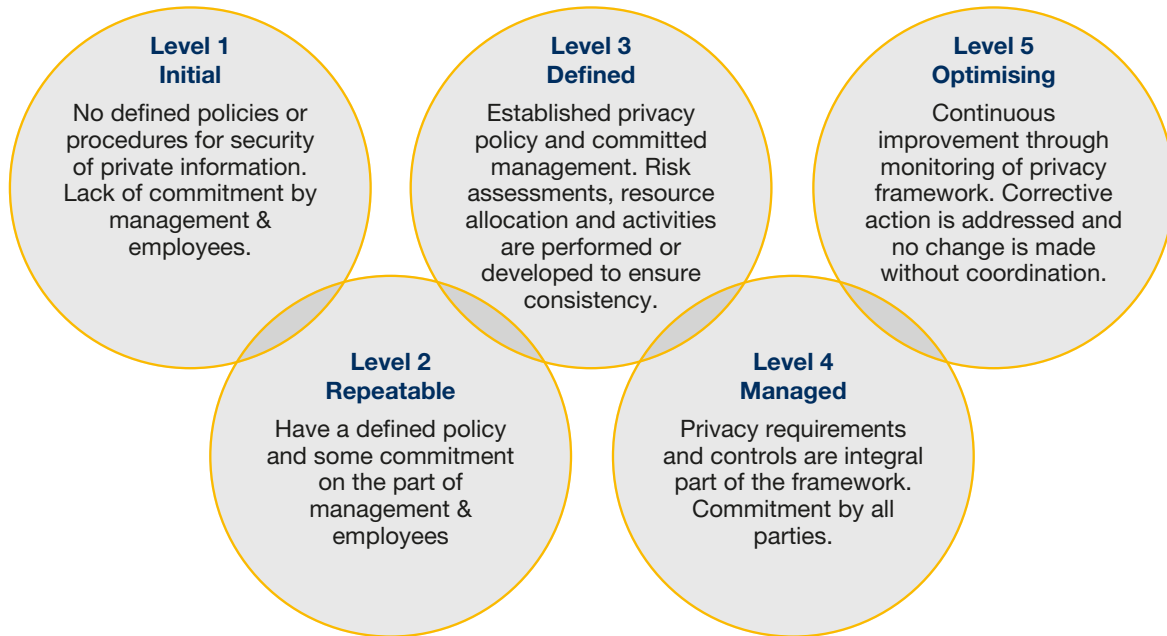


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Stay safe, stay secured with Data Protection Law 2020

Protection of privacy is a crucial element within risk management for organisations. With the unique COVID situation and advanced use of technology and data, protection of privacy has become even more challenging.

An important step in evaluating a privacy framework is to determine the current maturity and exposure level your organization:



All DIFC companies need to ensure the reputation of individuals and/or organisations is secured as per the new Data Protection Law could be exposed to legal liability, sanctions being imposed by regulators, diminished consumer and employee trust.

Risks associated with the privacy of information encompass:

- Personal privacy - physical and psychological
- Privacy of space - freedom from surveillance
- Privacy of communication - freedom from monitoring
- Privacy of information - collection, use and disclosure of personal information by others

The Generally Accepted Privacy Principles (GAPP) for creating an effective privacy program for managing and preventing privacy risks are:

Generally Accepted Privacy Principles	
Management	Privacy policy and procedures are defined, documented, communicated and accountable
Notice	Policies, procedures and purpose of collection, use, retention, and disclosure are provided in a notice.
Choice & consent	Individuals are told available choices, the organization gets explicit or implicit consent to collect, use & disclose personal information
Collection	Collection is limited to the purpose identified in the notice
Use, retention, & disposal	Use is limited to the purposes in the notice. retention is limited to the need stated in the notice or as required by law
Access	Individuals can access and correct personal information
Disclosure to third parties	Disclosure is limited to parties in the notice
Security for privacy	Physical and logical access controls exist
Quality	Personal information is maintained, complete and accurate
Monitoring & enforcement	Compliance and complaint resolution systems exist

Organisations should have a deep insight in Data Protection for governance and management purposes for areas such as, privacy policies, management of collected data and information, security

practices and technical controls to name a few. Remember, Data is the new oil and it is crucial how it is managed to comply with the Data Protection Law 2020.



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Is your organization prepared for Crisis management?

Global effect of Covid-19 has brought change in perception of the way of running business, especially traditional businesses have started to use technologies. Hence, the realization and advantage of technology.

Of course, lockdown and work with limited resource had major effect on

business, specially industries like Hospitality, Travel, Tourism, Restaurant and Retail.

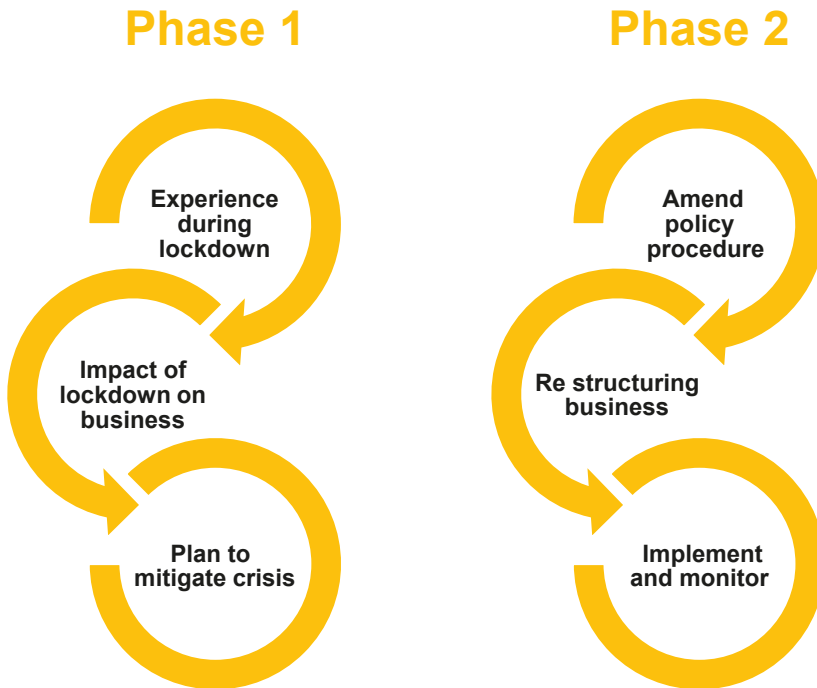
Where e-commerce has played a major role in becoming the main mode of purchase specifically, for retail sector and F&B.

Some of the top 5 reasons why business owners should start prioritizing crisis management:

- Lockdown is reimposed

- Flights operating (employees may leave back to home country.)
- Reduction of cost
- Effect of the crisis on Supplier and Customer relations.
- Logistic and transportation for export & import businesses.

It is recommended to do in-depth analysis of their experiences during lockdown, and start executing crisis management. Amending policies & procedures to identify the risk with remedy to minimize loses and handle similar incidents in the future.



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About Us

Your global partner

Crowe is ranked as the 8th largest accountancy network with globally more than 41,000 partners and people in over 130 countries.

We share a common purpose of building value for clients through international business. Still placing great emphasis on establishing long-term relations with each of our clients. This enables to work together in an atmosphere of openness and trust. Simply stated, it is how we live our core values – care, share, invest and grow.

The firm continually demonstrates a commitment to quality while serving clients through our international expertise and talent. Our commitment to the highest technical standards and integrity, ensures that our clients receive the most accurate and relevant advice.

We provide professional services by leveraging through extensive local experience and high level of partner involvement. Our aim to provide due diligence with care has enabled us to serve a diverse range of clients ranging from small family owned businesses to large multinational conglomerates.

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