



BDO AMERICAS SURVEY
REFOCUSING ON BUSINESS
FUNDAMENTALS:

How business leaders in the Americas
are turning crisis into opportunity

BDO

CONTENTS



FOREWORD

A BUSINESS LANDSCAPE IMPACTED BY COVID-19



Albert Lopez
BDO Americas CEO

The pandemic has changed the business landscape irreversibly. In this new reality, transformation, human agility and creativity are imperative for turning crisis into opportunity.

How will business leaders navigate this new business landscape and the challenges and opportunities ahead? To answer these questions, BDO conducted research across North America, Latin America and the Caribbean.

Our survey results tell us that growth remains an important focus, but that the routes to growth are likely to be very different compared to only a few months ago.

What I find most encouraging about our survey results is that, in spite of the severity of the crisis, the overall picture is not relentlessly bleak. Notwithstanding a significant amount of disruption, organizations have weathered the last six months as well as could be expected - and have demonstrated their resilience. In the short term, times will be challenging, but most businesses and industries show cautious optimism going into 2021.

Our report highlights bold decisions taken by many businesses to ensure their future survival. To achieve their aims for the coming 12 months, business leaders are focusing their investments on improving productivity, adopting new technology and product innovation.

But our survey also reveals potential blind spots that need careful consideration. Most organizations consider

DARE TO BE BOLD

domestic sales as their most important growth driver. Yet the need to tap into international opportunities is more crucial than ever.

Other mission-critical questions surface too. Are organizations investing in the right areas? Have they sufficiently enhanced risk management and mitigation? And what about competing priorities? The need to rethink is clear.

RETHINK TO SURVIVE

At BDO, we are doing just that, supported by our global Rethink framework. This 3-stage model encourages a broad rethink around original business models and commercial assumptions. It can be used to manage business priorities, address issues and leverage thinking. It acts as an extra dimension for strategic level consideration and discussion, regardless of where in the cycle an organization sits, or the measures already taken.

We see the pandemic playing out across three main phases. First, businesses had to react to ensure their short-term survival. Next, operational changes have been necessary to build resilience. Finally, a fundamental rethink of strategy will be required to realize long-term growth ambitions.

At this time of change and uncertainty, I trust that this report will provide practical insights about how organizations in the Americas are building business resilience to mitigate the impact of the pandemic and turn crisis into opportunity.

Albert Lopez
CEO, BDO Americas



EXECUTIVE SUMMARY: REFOCUSING ON TEN BUSINESS FUNDAMENTALS

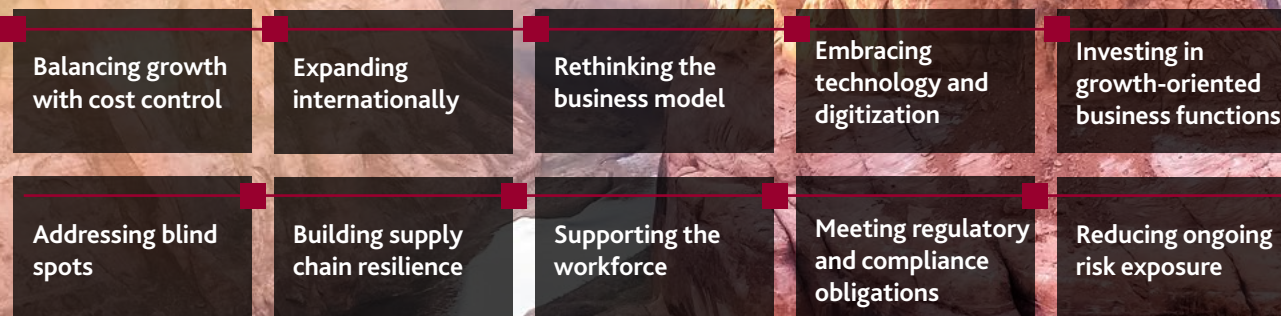
This year we have witnessed an unexpected set of twists and turns that have challenged business leaders right across the Americas from Northern Canada to the southern tip of Latin America.

Many business leaders have faced devastating economic blows caused by the global public health crisis and the subsequent fallout. Across all industries, leaders are planning for continued uncertainty into 2021 and beyond.

Undoubtedly, the world has changed because of COVID-19. However, there are clear signs of optimism and reasons to remain positive. Time after time business leaders have demonstrated their resilience and entrepreneurial spirit in finding pragmatic solutions to unprecedented challenges.

For those willing to make bold decisions, 2020 has provided a window to reflect on business purpose and strategy and to reimagine new business models and customer experiences that will fuel future growth.

Many leaders have used the last six months to refocus their attention on business fundamentals to better prepare themselves and their business for future success. Ten areas of focus have emerged at this time. Throughout this report we identify the practical changes business leaders are making:



With significant change occurring across the Americas in such a short space of time, BDO wanted to understand the impact directly from business leaders. We surveyed 320 senior executives across businesses in North America, Latin America and the Caribbean.

In summary, our research finds that:



The impact of COVID-19 has been significant and widespread

Just under half (**44%**) of businesses in the Americas describe the impact of the pandemic as 'severe' or 'major'. Many have had to respond to the crisis without the benefit of government support or subsidies.



The business climate is expected to remain uncertain for some time

While **41%** believe the business climate in their country will improve over the next six months, **31%** believe conditions will worsen. Those within North America are the most positive about the future, while business leaders in the Caribbean are the most pessimistic.



Priorities for leaders will refocus to productivity and cost control

When asked about their business priorities for the next six months, **72%** say improving productivity of business and management processes will become more important. Cost control and reducing overhead is an important priority for **63%** of the executives surveyed. **62%** agree they will look to cut 'back office' costs by at least **10%**.



Business model change is recognized as necessary to build organizational resilience

As executives seek greater resilience across their finances, operations and workforce, they recognize that fundamental changes are required. **63%** agree they will need to make changes to their business model to remain competitive and profitable.



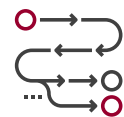
Executives realize they need to invest for growth, especially in technology

72% of those surveyed expect their spend on technology to increase, compared with just **5%** who anticipate a decrease. Other areas of increased investment include growth-oriented functions such as marketing and sales, as well as research and development.



Supporting the workforce is vital to maintain engagement and loyalty

Nearly half (**46%**) say investing in staff training and development will be an important way to keep team members loyal and engaged. **35%** say they will try to redeploy staff to new roles to avoid layoffs wherever possible.



Nervousness persists about what the future economy holds, so agility and scenario planning are crucial

Two-thirds of businesses surveyed (**68%**) say they are confident that their business will withstand another global recession caused by the pandemic. They recognize being adaptable and agile – as well as planning for different scenarios – will be important for future success.



ABOUT BDO'S RESEARCH



320

senior
executives



36

territories

BDO carried out research among **320** senior executives across **36** territories within North America, Latin America and the Caribbean. Respondents span a range of industry sectors. This research was carried out during late September and throughout October 2020 as many countries entered a second wave of the pandemic. Further details about our research methodology and participant demographics can be found at the end of this report.



North America



Latin America



Caribbean

CARIBBEAN: FACING THE IMPACT OF THE GLOBAL PANDEMIC



Across the **54** survey respondents from the Caribbean a clear picture emerges of a region still grappling with the devastation caused by the pandemic, particularly to its tourism industry.

OUR RESEARCH FINDS THAT:



Executives are facing more challenging circumstances

53% say the impact of COVID-19 has been 'major' or 'severe'. **36%** say they have had to make difficult decisions such as layoffs or reduced salaries. **64%** have switched to working from home.



A more negative outlook is anticipated

Just **36%** say the business climate in their country will improve, against **44%** who believe it will worsen.



Business leaders are focused on survival

40% say they are focused on business survival today. **38%** believe they have overcome the main challenges presented by the pandemic.



Productivity and cost control are the top priorities

82% say improving productivity will be very important for their future success. **80%** say reducing overhead and business costs will be very important.



Cashflow is king at this moment

71% anticipate making significant changes to cashflow to build financial resilience. Only **57%** believe they would withstand the impact of a recession caused by the pandemic at this present moment.



Significant numbers of jobs are at risk

40% say they expect their headcount to be lower at the end of 2020 compared with the start of the year.



Keeping hold of real estate

Just **17%** agree they will reduce their real estate requirements, and only **25%** say they will prioritise working from home as much as possible.

LATIN AMERICA: CAUTIOUS OPTIMISM ABOUT THE FUTURE



Across the **180** business leaders in Latin America who took part in our survey, a picture emerges of a region still finding its feet during the crisis and planning for recovery. Although executives feel they have responded well to the crisis far, they recognize further challenges lie ahead.

OUR RESEARCH FINDS THAT:



The experience of the pandemic has been mixed, but working from home is the new reality

43% say the impact of COVID-19 has been 'major' or 'severe'. **36%** say they have had to make difficult decisions such as layoffs or reducing salaries. A large majority (**83%**) have switched to home working.



Executives are, on balance, more positive about the future

41% say the business climate in their country will improve, against **33%** who believe it will worsen. **45%** say the business climate across the Americas as a whole will improve, while just **24%** say it will worsen.



Executives are focused on maintaining profitability for the moment

40% say that, although they have overcome many of the challenges presented by the pandemic, they are now focused on protecting profitability and maintaining their market share. Within 12 months, **58%** expect their focus to shift to be pursuing growth.



Productivity and technology are top leadership priorities

76% say improving productivity will be very important for their future success. **73%** say adopting new technologies and digital solutions will be very important.



Two-thirds believe they have built sufficient business resilience

66% believe they could withstand the impact of a future recession caused by the pandemic.



Executives' views are mixed about their future real estate needs

40% agree they will reduce their real estate requirements and **52%** say they will prioritise working from home as much as possible.

NORTH AMERICA: A REGION CONFIDENT ABOUT THE FUTURE



Across the **86** survey respondents from North America in our survey, a broader sense of optimism emerges. This group of business leaders feel more confident in their ability to emerge stronger from the public health crisis.

OUR RESEARCH FINDS THAT:



Government support was essential in helping businesses through the challenges ahead

42% say the impact of COVID-19 has been 'major' or severe for their business. **34%** say government support was essential to see them through the pandemic and a further **51%** say it has been important to help with cashflow.



Executives have a more bullish outlook for 2021

44% say the business climate in their country will improve, against just **20%** who believe it will worsen. **45%** say the business climate across the Americas as a whole will improve, against just **22%** who say it will worsen.



Organizations are more internationally oriented in their growth plans

Just over half (**51%**) say international sales are a significant driver of growth today. That compares to just **28%** in Latin America and **29%** in the Caribbean.



Leaders are refocusing on growth

Within 12 months, **68%** believe they will have overcome many of the challenges faced by COVID-19 and **45%** say they will be focused on pursuing aggressive growth.



Technology and targeting new markets top the list of executive priorities

64% say adopting new technologies and digital solutions will be very important for their future success. **57%** say targeting new markets will be very important.



Building cyber resilience is on the agenda

42% anticipate making significant changes to build greater cyber security and data privacy resilience in their organization.



Jobs losses expected to be lower than other regions

Just **15%** say they expect their headcount to be lower at the end of 2020, compared with the start of the year.



Organizations will offload real estate as they adapt to new ways of working

73% agree they will reduce their real estate requirements over the next 12 months.

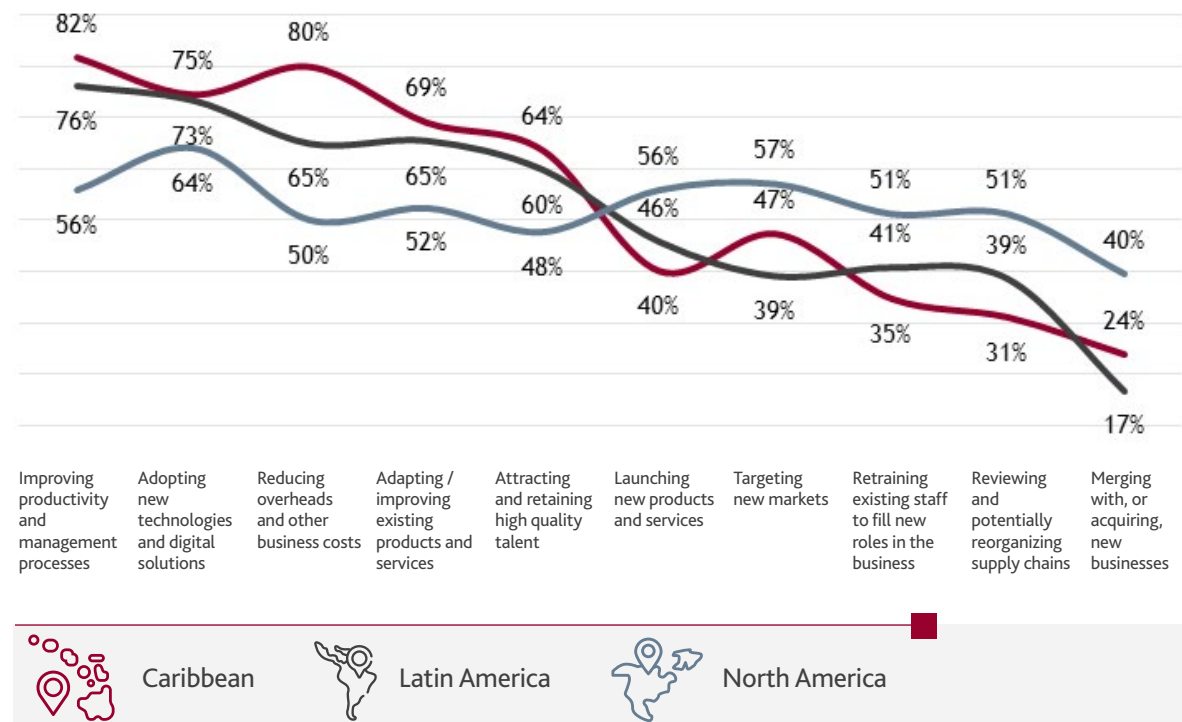
REGIONAL PRIORITIES VARY SIGNIFICANTLY

Executive priorities for the next 12 months vary significantly by region. In the Caribbean where, as outlined above, executives are more worried about the future, there is a heightened focus on improving productivity and reducing overheads: **82%** and **80%** in the Caribbean region see these priorities as 'very important' for their future success.

However, in North America, where business leaders are more optimistic about the future, there is a much greater focus on launching new products and services and targeting new markets, compared with their global peers. Although cost control and productivity remain important priorities for this market, they are secondary to more growth-oriented activities.

Organizations in Latin America appear to be treading a path somewhere between their Caribbean and North American neighbors, recognizing the need to balance competing priorities of growth and cost control. They are cost and efficiency conscious, but also recognize the importance of investing in technology alongside launching new products and services to fuel future growth.

How important will each of the following factors be in helping you to achieve your strategic ambition over the next 12 months?



ASSESSING THE SHORT-TERM IMPACT OF COVID-19 ACROSS THE AMERICAS

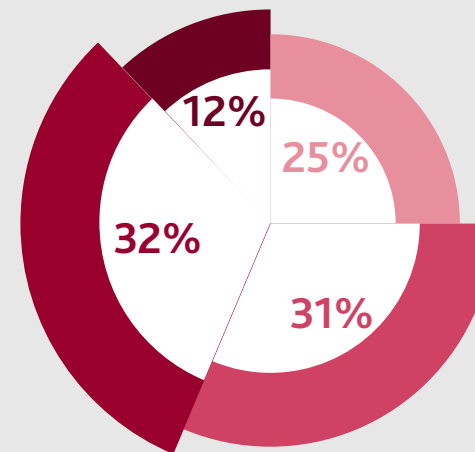
No part of the Americas has been immune from the negative impact on economic and business health. In many countries the number of coronavirus cases has been steadily increasing during the final months of 2020, casting doubt on the possibility of a sustained economic recovery in 2021.

Among the 320 business leaders in our survey, **44%** say the immediate impact of COVID-19 has been major or severe for their business. For these organizations, the pandemic has resulted in major losses of revenue and their finances have been placed under significant strain.

In the Caribbean, a region which relies heavily on tourism to fuel economic activity, the impact has been the most significant. There, **53%** describe the impact of COVID-19 as either 'major' or 'severe'.

However, not all the business leaders we surveyed have faced the same level of devastation. A quarter (**25%**) say they have experienced limited disruption and have been able to continue business as usual with only minimal adjustments necessary to their ways of working. A further **31%** describe the impact as 'mild'.

Which one of these statements best describes the impact of the COVID-19 crisis on your business?



- Limited:** minor disruption as we adjust to new ways of working, otherwise business as usual
- Mild:** some work delayed or cancelled, but we're trying to carry on as best as we can
- Major:** significant loss of revenue and reduction in output
- Severe:** finances under significant strain, drastic cost-cutting measures introduced

MAKING BOLD DECISIONS TO LIMIT THE DAMAGE

The immediate response to the global health crisis has forced executives in the region to make bold decisions to limit the negative impacts for their businesses. Our research finds that one in three businesses (**33%**) reduced salaries or conducted layoffs. Three in ten (**30%**) suspended business operations temporarily.

How organizations have managed these bold decisions varies across the Americas region. Some countries have labor laws that offer strong protection for employees. In these countries a reduction in wages has often been accompanied by reduction in hours worked. Elsewhere, some national governments have passed legislation offering financial support to businesses conditional on protecting jobs.

A switch to working from home has been widely adopted by businesses across the region and has now become the norm for many industries. This is particularly true within Latin America, where **83%** of businesses say they have switched to working from home in response to the pandemic. This switch does present a number of challenges that executives have had to overcome, from the difficulties of supervising and engaging a remote workforce to navigating local labor regulations, which do not always reflect the changes in working circumstances.

However, many businesses have also had to rely on the goodwill of their customers and suppliers to navigate this difficult time. Just under half (**47%**) have used the pandemic as a catalyst to renegotiate their contracts with suppliers, while **35%** have renegotiated with customers.

Our research shows a clear link between the businesses hardest hit by COVID-19 and those who have had to adopt these significant actions in the short term. For example, among respondents who describe the impact as 'severe' or 'major' for their business, **53%** say they have cut staff or salaries and **46%** suspended business operations, compared with just **20%** and **18%** respectively among those who describe the impact of COVID-19 as 'limited' or 'mild' for their business.

THE VIEW FROM EUROPE



A similar picture emerged in BDO's research among business leaders across Europe, completed in June 2020. In our European research report, **Combatting the crisis with business resilience**, we found that **30%** of European business leaders reported having to take bold steps to react to the initial phase the pandemic. **39%** said the impact of the crisis had been 'severe' or 'major' for their business.

Which of the following have you done in the immediate response to COVID-19?



73%

We switched to home working



47%

We renegotiated contracts with our suppliers



35%

We renegotiated contracts with our customers



33%

We had to take bold decisions, such as temporary unemployment, redundancies, reduced salaries



31%

We negotiated financing options with our bank



30%

We suspended business operations temporarily



6%

We did not experience any real impact

SUBJECT MATTER COMMENTARY: MANAGING UNCERTAINTY IN THE MONTHS AHEAD

Many of the economies within the Caribbean region are heavily dependent on tourism, which has been dealt a major blow by this global pandemic. Hotels that would normally expect to be operating with at least **80%** occupancy, for example, have been running as low as **20%**.

But the impact is felt far beyond hotels, restaurants and resorts. There is a large network of related industries that supports the leisure and hospitality sector, from taxi drivers and car rentals to wholesalers and agriculture.

Unlike economies elsewhere in the world, many of the Caribbean nations have not been able to provide ongoing government support and subsidies to keep struggling businesses solvent. One consequence is that we see an increase in numbers of staff layoffs and moves to part-time working in the industries hardest hit by COVID-19.

However, we see an entrepreneurial initiative kicking in across the Caribbean region to counterbalance these challenges. People are becoming more self-reliant and starting small businesses. They are finding imaginative and creative solutions to make things at home to sell to their local communities.

Brenda's top tips for managing uncertainty over the months ahead:

Be prepared for fluctuations in demand

With global travel restrictions changing rapidly, tourism and related industries will need to manage uncertain fluctuations in demand over the next 12 months. This means business leaders need to run agile and lean operations that can be scaled up or down according to demand. It also means that forward cashflow planning will be critical so that businesses do not get caught out by sudden spikes in demand.

Explore financing options

Keeping costs under tight control will continue to be important at this time. But if cashflow does become an issue, consider exploring the range of financing options available for your business. We have seen many of our clients successfully negotiate with their banks to arrange short-term loan facilities, consolidation of debts and other financing arrangements.

Prioritize employee safety, flexibility, and engagement

Many organizations in the Caribbean have been returning to the workplace for some time, and thankfully we see a high degree of compliance with new health and safety measures such as deep cleaning and hand sanitization. Some businesses have implemented new shift patterns to ensure a safe return to work. Leaders should be sensitive to employee wellbeing and provide as much flexibility as possible to enable workers to adapt to new ways of working and keep them engaged.



Brenda Duncan
Managing Partner
BDO Eastern Caribbean

GOVERNMENT INTERVENTION: A MIXED PICTURE OF SUPPORT

The extent to which businesses have been able to rely on government support varies significantly across the region. **14%** of the business leaders we surveyed describe government support as 'essential': without it they would have gone out of business. A further third (**33%**) say government support has helped them with short-term cashflow pressures.

Yet not all countries or industry sectors have been beneficiaries of government-backed business loans or wage subsidy programs. In the Caribbean region, for example, **44%** say they do not qualify for government support, or no government support was offered to their business. This contrasts with just **2%** of those survey respondents situated in North America.

How important has government support been in the continued survival of your business?



■ Caribbean

■ LATAM

■ North America

In North America, a third (**34%**) of survey respondents say that government support has provided an essential lifeline for their business at this time of crisis. Yet our survey also reveals **40%** of business leaders in North America have renegotiated financing options with their bank as well, suggesting underlying financial vulnerabilities may yet be exposed once government support schemes are withdrawn if an increased debt burden is not properly managed.

CAUTIOUS OPTIMISM: THE MACROECONOMIC CLIMATE AHEAD

Despite facing ongoing national public health restrictions that have in many cases depressed demand and limited their physical presence in the market, the business leaders in our survey remain cautiously optimistic about their future prospects. Although not directly addressed in our survey, the existence of a potential COVID-19 vaccine roll-out in 2021 may underpin this optimism.

Just under half (**49%**) anticipate that the financial performance of their organization will improve over the next six months, compared with only **17%** who believe the outlook will worsen. This suggests that many leaders now believe the worst of this crisis to be over, albeit the path to recovery will be a challenging one.

Similarly, when asked about the business climate in their country, more people believe things are heading in the right direction: **41%** anticipate conditions will improve over the next six months, compared with **31%** who say things will worsen.

THE VIEW FROM EUROPE



The sentiment of cautious optimism conveyed by business leaders in the Americas contrasts markedly with the views of European business leaders surveyed by BDO during June 2020. In that earlier phase of the pandemic more business leaders thought conditions would worsen than would improve over the next six months. Just **19%** thought that conditions in their country would improve, and **25%** said that the financial performance of their organization would improve, compared with **41%** and **49%** across the Americas.

Do you think the outlook for the following will worsen, stay the same or improve over the next six months?



However, views across the Americas region are far from universally positive. While respondents from North America are bullish about the next six month, in comparison to their peers, senior executives in Latin America and the Caribbean are far more uncertain about what the future holds. For example, whereas just one in five (**20%**) of those surveyed in North America say the business climate in their market will worsen over the next six months, that proportion rises to one in three (**33%**) in Latin America and **44%** in the Caribbean.

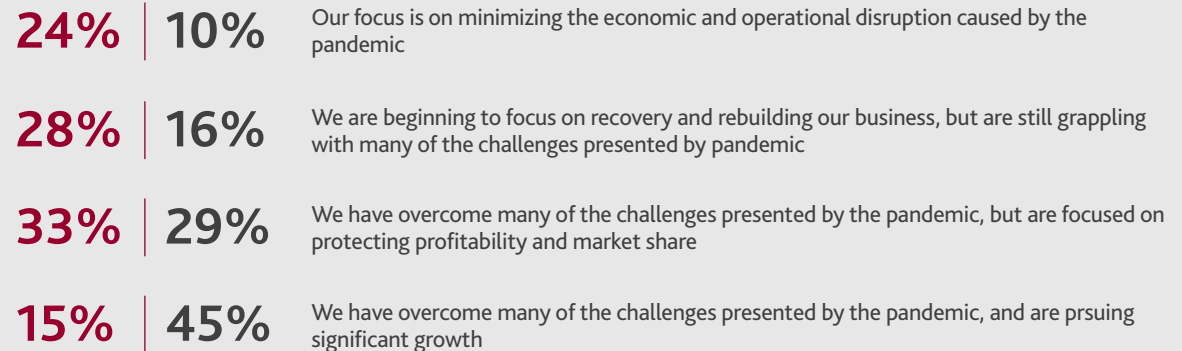
BUSINESS FUNDAMENTAL 1: BALANCING GROWTH WITH COST CONTROL

As business leaders look to 2021, they anticipate emerging stronger as the public health implications of the pandemic subside and national economies begin to reopen.

Today, however, many executives in the Americas region remain focused on dealing with the immediate impacts of COVID-19 for their business. Just over half (**52%**) say they are still grappling with the challenges presented by the pandemic: they are either focused on minimizing operational disruption or turning their attention towards rebuilding their business.

Over the next year, that focus is expected to shift towards growth and recovery. Within 12 months, three quarters (**74%**) anticipate having overcome many of the challenges faced by the pandemic. **45%** say they will be focused on pursuing significant growth, up from **15%** today. This suggests leaders expect to be a stronger position and better adapted to operating in a new business reality.

Which of the following statements best describes your organization's focus today? Where do you expect to be in 12 months?



■ Today

■ In 12 months

The biggest shift in sentiment comes from respondents in Latin America, where **58%** expect to be focused on significant growth in 12 months, compared to just **15%** today. Again, respondents within the Caribbean are less confident about a return to growth, with only **31%** anticipating their organization will focus on significant growth in the next 12 months. Instead, **40%** believe they will still be dealing with the disruptive impact of the pandemic and focused on rebuilding business fundamentals.

PRODUCTIVITY AND COST CONTROL RISE UP THE AGENDA

While growth is coming into clearer focus for 2021, business leaders recognize that this must be balanced with other organizational priorities.

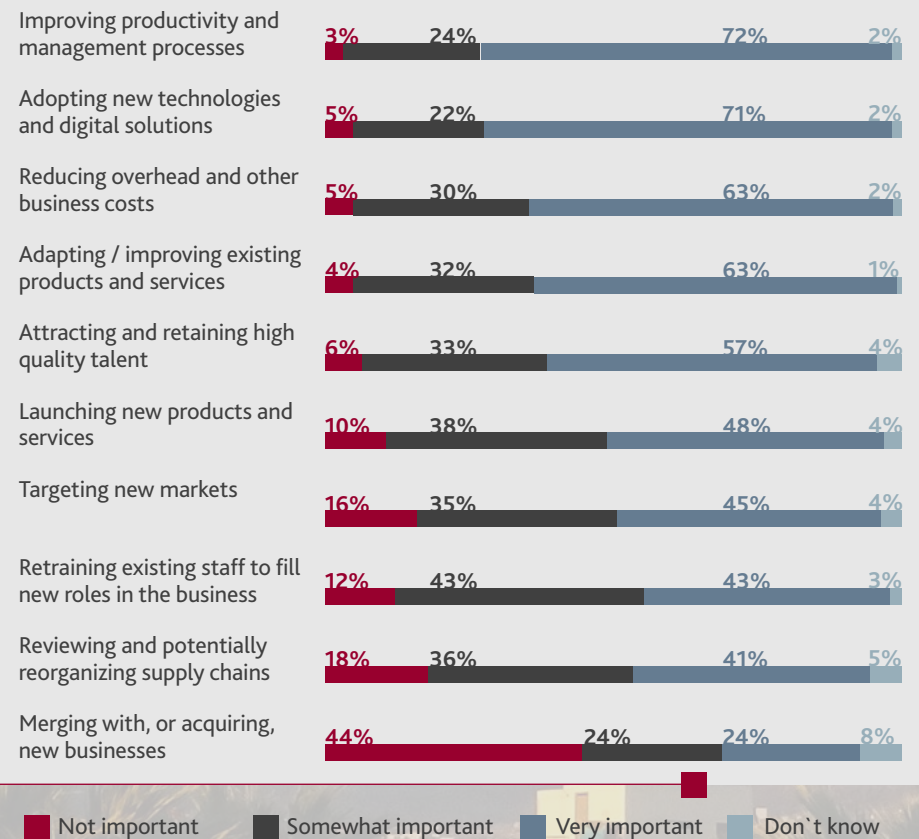
When asked about what will be important for the months ahead, **93%** say that reducing overhead and other business costs will be 'important', with **63%** saying this will be 'very important' to their future success.

Alongside tighter cost control, organizations are also pursuing productivity and efficiency gains: **96%** say this will be 'important' to their future success, with **72%** describing it as 'very important'.

This list of priorities considered most important to future success suggests that, while executives are eager to return to significant growth next year, they recognize that doing so will also require making significant changes to business fundamentals. They need to ensure they have their cost base under tight control, spending only in areas that will help drive forward growth and eliminate waste and inefficiency.

A focus on productivity and efficiency gains will also be important at a time when a third (**33%**) of those surveyed say they expect to reduce organizational headcount over the course of 2020. Many organizations will finish the year with a leaner and often more geographically distributed workforce, compared with the period prior to the onset of the pandemic. This explains why adopting new technology and digital solutions is considered very important in the path to recovery by more than seven in ten (**71%**) of our survey respondents.

How important will each of the following factors be in helping you to achieve your strategic ambition over the next 12 months?



Our survey points to a dilemma facing business leaders today: how to invest at a time of crisis to fortify your foundation for a successful future in a reimagined world.

On the one hand, business leaders are understandably becoming more cost-conscious, scrutinizing overhead expenditures to identify potential efficiencies. On the other hand, many costs have declined due to changes in our working environment, such as expenses related to travel, meetings and events, or certain training or recruiting activities. While these cost-saving measures may provide short-term improvements to profitability, executives need to be mindful that many of these costs will return when in-office work, travel, etc. resume.

Despite continued uncertainty, now is the time for executives to dare to be bold. Leaders have a unique opportunity to rethink the kind of organization they want to lead into the future, how they can reimagine their business for the new realities of work, and how they can restructure their cost base to accelerate change.

Stephen's top tips to build your organization of the future:

Budget smartly to keep costs proportionate

As businesses adapt to life after the pandemic, they should try to maintain their cost base as a percentage of revenue while also searching for efficiencies. Budget allocation processes need to be more agile and responsive to changing circumstances. As we move into the recovery phase, for example, organizations should consider increasing their spend on growth-oriented functions such as business development, marketing, product innovation and technology as an overall proportion of revenue.

Listen to your next generation workforce

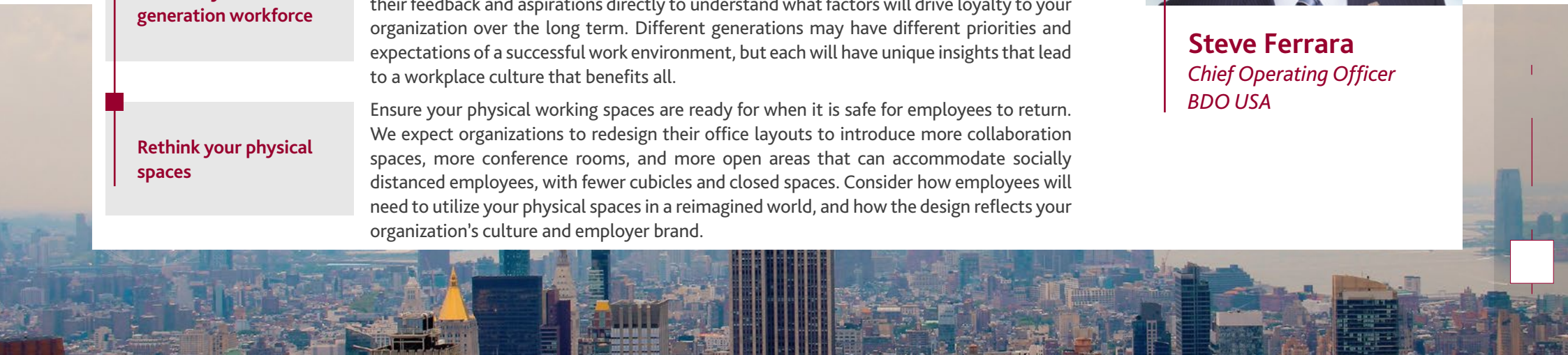
Leaders who want to reimagine their business for the future, should engage directly with their workforce to understand what makes an organization desirable to work for. Capture their feedback and aspirations directly to understand what factors will drive loyalty to your organization over the long term. Different generations may have different priorities and expectations of a successful work environment, but each will have unique insights that lead to a workplace culture that benefits all.

Rethink your physical spaces

Ensure your physical working spaces are ready for when it is safe for employees to return. We expect organizations to redesign their office layouts to introduce more collaboration spaces, more conference rooms, and more open areas that can accommodate socially distanced employees, with fewer cubicles and closed spaces. Consider how employees will need to utilize your physical spaces in a reimagined world, and how the design reflects your organization's culture and employer brand.



Steve Ferrara
Chief Operating Officer
BDO USA



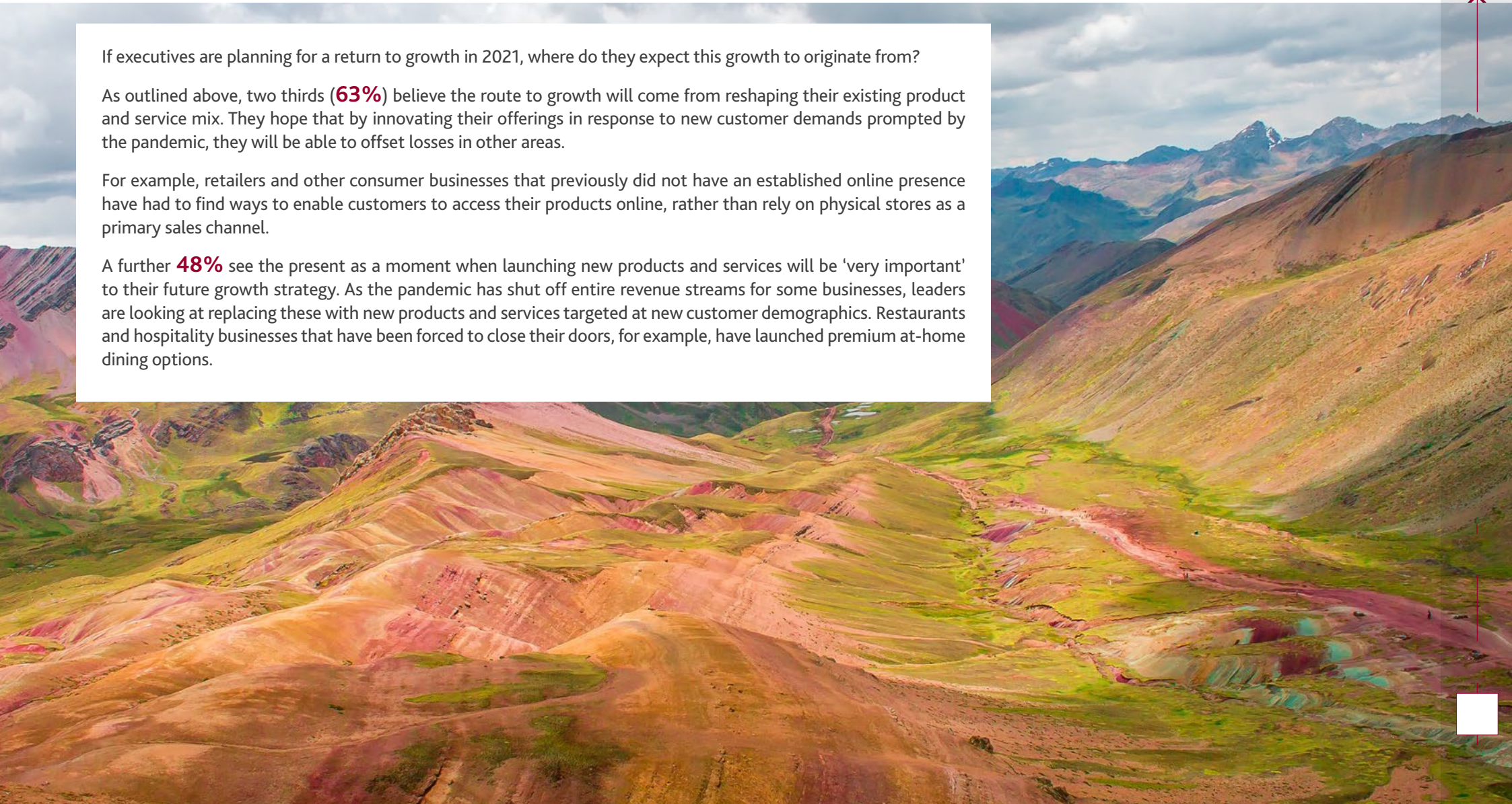
BUSINESS FUNDAMENTAL 2: THE DRIVE TO EXPANDING INTERNATIONALLY

If executives are planning for a return to growth in 2021, where do they expect this growth to originate from?

As outlined above, two thirds (**63%**) believe the route to growth will come from reshaping their existing product and service mix. They hope that by innovating their offerings in response to new customer demands prompted by the pandemic, they will be able to offset losses in other areas.

For example, retailers and other consumer businesses that previously did not have an established online presence have had to find ways to enable customers to access their products online, rather than rely on physical stores as a primary sales channel.

A further **48%** see the present as a moment when launching new products and services will be 'very important' to their future growth strategy. As the pandemic has shut off entire revenue streams for some businesses, leaders are looking at replacing these with new products and services targeted at new customer demographics. Restaurants and hospitality businesses that have been forced to close their doors, for example, have launched premium at-home dining options.



NEGLECTING INTERNATIONAL GROWTH OPPORTUNITIES?

How important are each of the following markets for your organization's commercial success today?

9% | 18% | 72% | 0% Sales within your domestic country of operations

41% | 22% | 34% | 3% International / global sales outside of Americas region

■ Not important: no sales originate from this market ■ Somewhat important: limited sales originate from this market ■ Very important: a significant proportion of sales originate from this market ■ Don't know

How important are each of the following markets for your organization's commercial success over the next 12 months?

10% | 23% | 67% | 1% Sales within your domestic country of operations

41% | 22% | 33% | 4% International / global sales outside of Americas region

■ Not important: no plans to expand into or grow this market ■ Somewhat important: we expect some growth or expansion opportunity in this market ■ Very important: we expect significant growth or expansion opportunity in this market ■ Don't know

Our survey results suggest that businesses across the Americas are more focused on expanding new services within their existing markets than exploring international growth opportunities.

Among those surveyed, **72%** say a significant proportion of their total sales originate from their domestic market today, compared with just **34%** who say a significant proportion of sales originate outside the Americas region. Four in ten (**41%**) say that none of their current sales originate outside of the Americas region at all.

It is surprising then to see very little change anticipated in the geographic sales mix over the next year. **41%** say they have no plans to grow their global sales footprint outside of the Americas region, while only a third (**33%**) are actively planning for significant expansion opportunities overseas. Similarly, the level of inter-regional trade – i.e. within the Americas region – is not expected to shift significantly over the short term.

Companies in industry sectors that can readily embrace a digital or online delivery model should not neglect the opportunities to consider increasing their exports to foreign markets. This is particularly important at a time when domestic markets cannot be relied upon to fuel significant growth and a return to profitability.

In recent years digital transformation has enabled organizations to operate seamlessly across borders. The pandemic has accelerated this process. The experience of 2020 has demonstrated that it is possible for organizations to work efficiently and effectively with a geographically distributed workforce.

This gives executives the license to think bigger when developing strategies to recover from the pandemic and pursue future growth. Although their domestic market is an important backbone for many organizations, it may not be possible to rely on domestic consumption alone to fuel expansion.

Technology makes it much easier to access larger markets, where customer demand is higher or where products can be sold at high prices or at better margin. This may be particularly true for product or service companies in Latin America and the Caribbean who can offer more competitive prices compared to companies in other markets worldwide.

Technology also means it is much easier to hire individuals outside of the domestic market and for them to work effectively as part of an organization's existing teams.

At this time of great uncertainty, leaders should not limit their growth horizons to their domestic market. Organizations that think creatively about how to tap into global growth can drive competitive advantage over their domestic peers and build greater resilience against economic recession at home.

Sergio's top tips for pursuing international expansion opportunities:

Model the tax and tariff implications on your cost base

It is important to calculate the impact of taxes and tariffs in markets where you wish to export products and services. This can have a significant impact on the price customers pay for your products and services, and on the profit you make. Leaders also need to factor in the cost of complying with local regulations to their cost of doing business internationally.

Understand the impact of exchange rate variance

Organizations that operate across multiple jurisdictions need to anticipate the impact of exchange rate variance when they sell products in one currency and pay suppliers in another. The effects within Latin America can be significant where we have seen large movements in local currencies against the US dollar in recent months.

Consider the benefits of a geographically dispersed resourcing model

When making hiring or resourcing decisions, ask yourself whether you need to rely on a workforce located close to your center of operations, or whether tapping into resources further afield will unlock opportunities for bringing new skills or the most cost-effective labor options into your organization.



Sergio Crivelli
Managing Partner
BDO Argentina



SUBJECT MATTER COMMENTARY: WINNING ON A GLOBAL STAGE

In the early days of the coronavirus pandemic, business leaders were mostly focused on crisis management. As organizations move towards the recovery phase, leaders are turning their attention to how best to rebuild their business into 2021 and beyond.

The businesses that will do well in the future are likely to be those that embrace digital and the opportunities that digital presents for targeting new customers and new geographic markets. Building a great website or mobile application is just one part of that strategy. Organizations also need to think carefully about their digital customer experience and how that translates across different growth markets with different cultural norms.

The Canadian economy, for example, has historically been an export-based economy. Here we have seen domestic businesses use digital channels to reach new customers elsewhere in the Americas and further afield. That movement towards digital investment has been further accelerated by the pandemic.

We also see North American companies reviewing their global supply chains in response to the global pandemic. They are turning to see markets such as Mexico, Colombia, Argentina, and Brazil to provide options for facilitating an agile supply chain infrastructure outside of their domestic market

Michael's top tips for winning on a global stage:

Do your research before you execute your strategy

Organizations that have been successful in expanding internationally do thorough research. They don't lose focus of their purpose. They develop a detailed understanding of the channels will be most successful in driving overseas business. Those organizations that go it alone – or who blindly follow their peers overseas without really understanding new markets – are typically much less successful.

Understand how the geopolitical backdrop is changing

In recent years leading economies have shown increasingly protectionist tendencies. The global pandemic has put further pressure on national governments to protect domestic jobs and industries and pursue a domestic first trade policy. However, geopolitical tides can change quickly, and executives need to be prepared to shift focus when they do. There is cautious optimism that the incoming administration in the United States, for example, may provide a basis for a renewed openness on some international trade issues.

Aim for agile supply chain integration

Organizations that are considering diversifying their supply chain overseas need to keep agility in mind, and carefully plan how any overseas activity will be integrated into existing business processes. While there may be cost efficiencies to be gained in outsourcing production or back office processes to other jurisdictions, executives need to weigh up whether any compromises in quality or speed to market are acceptable trade-offs.



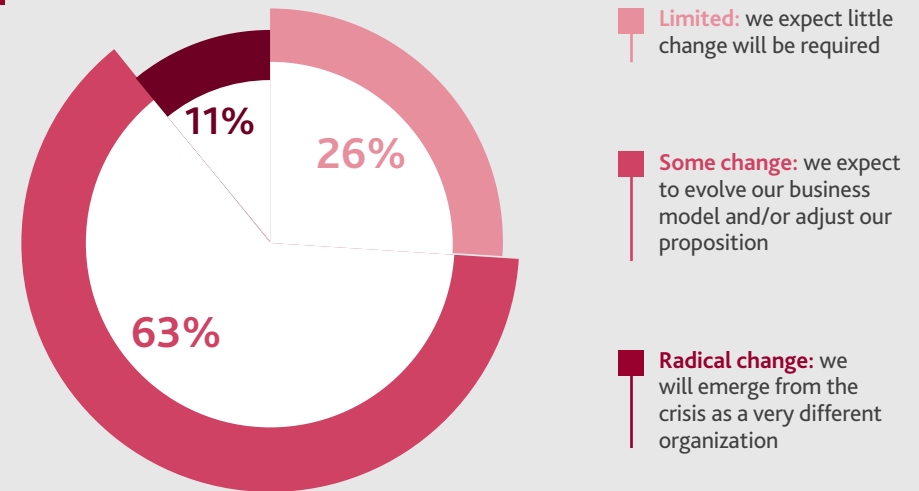
Michael Madsen
International Liaison Partner
BDO Canada

BUSINESS FUNDAMENTAL 3: RETHINKING THE BUSINESS MODEL

A majority of the business leaders we surveyed across the Americas say they are using this moment to rethink their organization's purpose, strategy and business model. **74%** recognize that a degree of change to their business model will be required to emerge successfully from the pandemic.

One in ten of the organizations we surveyed want to go even further: they are planning for radical business model change and expect to emerge a very different organization.

To what extent will you make changes to your organization's business model as you emerge from the crisis?



For the group of executives pursuing radical change, the pandemic is a catalyst to fast track changes to their product and service mix and to target customer segments, as well as their back-office systems and processes. They are proactively reshaping their business into a new operating model which they believe provides the best chance of future success.

BUSINESS FUNDAMENTAL 4: EMBRACING TECHNOLOGY AND DIGITIZATION

Our research reveals that executives believe technology will be a major enabler for achieving both their growth and efficiency goals. **93%** of our survey respondents say adopting new technologies and digital solutions will be important for achieving strategic success over the next 12 months, with **71%** of these describing technology and digital solutions as 'very important' for their strategy.

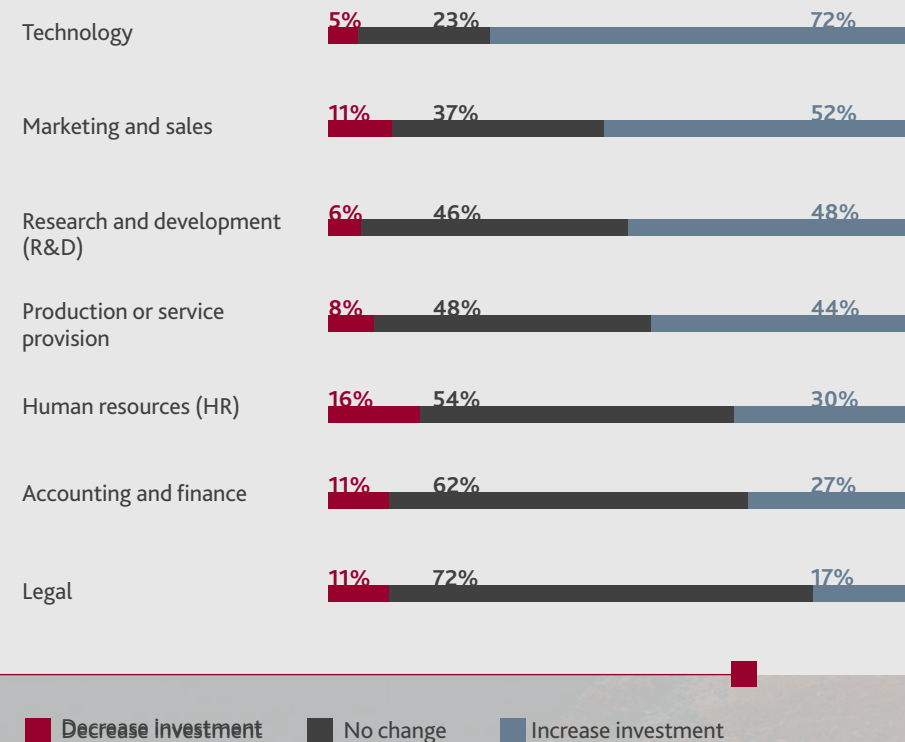
Given that most of the businesses surveyed have embraced working from home, it is perhaps unsurprising that technology has been vital in facilitating the response during the initial phase of the global pandemic. Those organizations that were not equipped to support virtual working have had to invest in systems to support their employees to transition to remote work. Even organizations that were previously used to a degree of remote work have found they have increased their adoption of video conferencing and online collaboration tools.

However, technology will play a significant long term role in how organizations respond to changes brought about by the global health crisis. The organizations that say they are pursuing radical business model change, for example, are embracing digitization, advanced data analytics and new online customer experiences to transform their offerings to customers and tap into new revenue streams.

For those businesses prioritizing efficiency and cost-reduction, an upfront investment in process automation and digitization can help reduce time spent on manual processes, eliminate waste and increase speed to market.

Among seven different business functions explored in our survey, technology tops the list for the greatest area of future investment. **72%** of business leaders surveyed said they expect to increase their investment in technology over the next 12 months to aid their recovery from the pandemic.

How will your investment in each of the following functional areas change over the next 12 months as your organization looks to recover from the COVID-19 crisis?



SUBJECT MATTER COMMENTARY: DIGITIZING YOUR ORGANIZATION

Since the outset of the pandemic we have seen organizations double-down on their technology initiatives. It is no surprise, therefore, to see technology emerge from our survey as a leading priority for future investment in 2021.

Initially organizations adopted new technologies to facilitate greater homeworking for their staff or to allow customers to buy products and services online. However, we now see executives build on the momentum of increased technology enablement to explore further opportunities to digitize their organization.

Customer and employee attitudes towards digital have been shifting for some time, and this has been accelerated by the pandemic. We now expect to have more digital information at our fingertips than ever before. It has become the norm to interact with colleagues, suppliers and customers virtually, and we don't expect that trend to change once a solution is found to the public health crisis.

Executives that embrace digitization find they benefit from access to enhanced business intelligence. For example, dashboards can give access to real time information about an organization's sales pipeline, customer experience and profitability.

Stephanie's top tips for embracing digitization:

Think holistically about your technology needs to prioritize investment

Organizations need to examine their technology needs in the round. We see a broad range of use cases from analytics, application development and client experience to cloud infrastructure, data governance and compliance. A good technology strategy will identify where investment will have the most transformative impact for your business, and how to phase change at a timescale that works for you.

Understand what ROI (return on investment) metrics are most important to you

We see organizations embrace digitization for a variety of reasons. Some want to reduce overhead and will look at measuring the man hours saved through automation activity and the impact this has on bottom-line profit. Others may need to increase revenue and will look at measuring increased wallet share of their customers as a result of digital initiatives executed. In this unpredictable environment when executives are very cost and efficiency conscious, being able to demonstrate a clear ROI calculation is incredibly important.

Identify strategies to encourage digital adoption

Whether you plan to invest in digitizing your front-end business or your back-end processes, you must not neglect the factors that drive digital adoption. That means focusing on the cultural and people changes that need to accompany investment in technology. Although the pandemic has increased people's comfort levels with technology, any digitization program needs to identify potential barriers to adoption and strategies for overcoming those barriers.



Stephanie Giammarco
*Partner and National Co-leader,
BDO Digital, BDO USA*



BUSINESS FUNDAMENTAL 5: INVESTING IN GROWTH-ORIENTED BUSINESS FUNCTIONS

Technology is a shared investment priority for business leaders across the Caribbean, Latin America and North America. In each of those regions it emerges as the business function likely to benefit from the most significant increase in investment over the next 12 months.

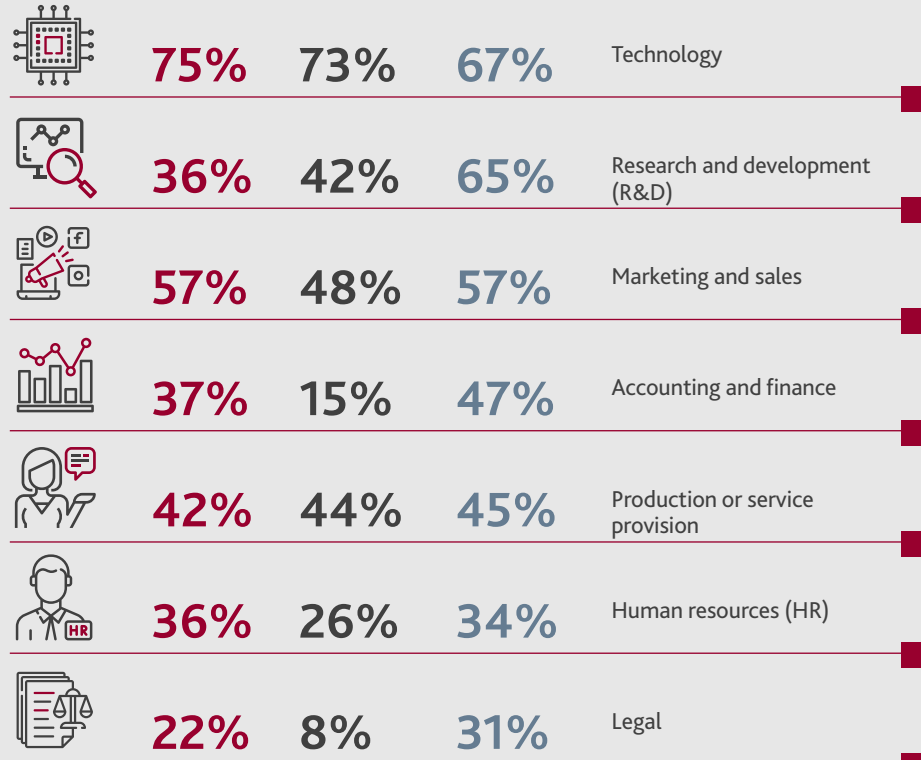
However, our survey also reveals executives are planning to invest in other growth-oriented business functions. Other areas expected to benefit from an increase in investment are marketing and sales (**52%** anticipate an increase) and research & development (R&D), where **48%** anticipate an increase.

Given executives tell us they are focusing on improving and diversifying their product and service mix in response to COVID-19, these functional areas are an obvious target for further investment to support their future growth strategy.

The move towards innovation is strongest in North America, where **65%** expect to see significant increases in R&D, compared with just **42%** in Latin America and **36%** in the Caribbean region.

To free up cash for new technology, R&D or sales initiatives, executives will need to deprioritize investment in other areas. Our survey shows that back-office functions such as legal, human resources (HR) and accounting and finance are lower down the priority list. It is likely that leaders across these functional areas will be asked to find efficiencies and cost savings so that resource can be redirected to growth-oriented priorities.

How will your investment in each of the following functional areas change over the next 12 months as your organization looks to recover from the COVID-19 crisis?



Caribbean



Latin America



North America

BUSINESS FUNDAMENTAL 6: ADDRESSING BLIND SPOTS

Business leaders recognize that the decisions they make today will have profound consequences for their future. That is why they are exerting significant effort to build a more sustainable and resilient business.

When asked about the areas of business resilience where they are making the most significant changes today, **58%** identify cashflow and financial resilience as a priority. They recognize the importance of reducing discretionary spend to build a financial buffer to withstand future periods of business disruption or downtime.

Similarly, building workforce and digital resilience emerge as important priorities. These areas of business resilience reflect the strategic organizational priorities to retain high quality talent and adopt new technologies highlighted across our research.

Our research points to blind spots that executives may not be giving sufficient consideration to as they build resilience across their organization. These include:



Environment, sustainability and governance

Just **22%** anticipate making changes in this area as they build resilience. With organizations looking to make significant changes to their strategy and operations within such a short space of time, it is important to have the right governance frameworks in place to ensure internal and external stakeholders have confidence in the future direction of the business.



Cyber security and data privacy

Just **20%** anticipate making changes in this area. This is surprising, given the importance of investing in new technology and moving to online business models highlighted in other areas of our research. Adopting technology across different touchpoints in the organization exposes organizations to much greater cyber risk.



Supply chain risk

Despite **40%** of business leaders agreeing that COVID-19 has exposed vulnerabilities in their organization's supply chain, just **18%** expect to make significant changes in this area. More insight on building supply chain resilience are provided in the next section of this report.

In which areas do you anticipate making the most significant changes to build greater resilience in your organization over the next 12 months?



58%

Cashflow and financial resilience



56%

Workforce engagement / new ways of working



52%

Digital transformation



42%

Organizational transformation



24%

Funding for growth



22%

Sustainability / ESG



20%

Cyber security and data privacy



18%

Supply chain

SUBJECT MATTER COMMENTARY: THE IMPORTANCE OF STRONG CORPORATE GOVERNANCE

Across the Americas region we have seen national governments and regulatory bodies make changes to protect the independence of the audit profession and to strengthen its codes of ethics. These changes are important because they provide certainty, clarity and transparency for client organizations, and they safeguard the integrity of the audit profession.

Alongside these developments we have seen changes to corporate governance codes. These are designed to encourage stronger oversight by management and more detailed and transparent company reporting. National regulators and other global oversight bodies – such as the Securities and Exchange Commission (SEC) and the Public Company Accounting Oversight Board (PCAOB) in the USA – have been more active in monitoring or enforcing infringements of corporate governance and audit regulations.

At a time of disruption such as the global coronavirus crisis, it can be easy for compliance and corporate governance to drop down the leadership agenda. This is especially true when many businesses have been focused on short-term survival, operations and cashflow.

However, a strong corporate governance framework builds confidence among an organization's stakeholders that significant changes made today are in its long-term interests and are implemented in a compliant way.

Gabriel's top tips for maintaining strong corporate governance and compliance:

Do not neglect corporate governance obligations

The pandemic is not a good justification for business leaders to ignore their corporate governance obligations. Our survey shows that only **22%** anticipate making significant changes to ESG (environment, sustainability and governance) over the next 12 months. Given the scale of changes being made elsewhere, we would have expected more businesses to use this opportunity to review their governance processes.

Try to foster a culture of good governance

It is important that organizational leaders work productively with their various stakeholders – shareholders, employees, external advisers, customers – to create a transparent culture of good governance. This builds a community of trust and facilitates better decision making.

Utilize technology where possible to provide greater oversight

The adoption of new technologies such as video conferencing means that it is easier than ever before for board members to meet to discuss governance challenges and to provide scrutiny on the work of the executive team. As businesses adopt more digital solutions, they will have access to a wider range of data and analytics about the business to provide ongoing assurance about its financial health and resilience.



Gabriel Llamas Monjardín
*Managing Partner & International
Liaison Partner, BDO Mexico*

SUBJECT MATTER COMMENTARY: TRANSITIONING TO A VIRTUAL WORKFORCE, WITHOUT COMPROMISING CYBER SECURITY

Within this past year we have witnessed dramatic shifts in working patterns. Organizations have learned very quickly how to work in new ways, supported by the rapid adoption of new technologies. Without the backdrop of the pandemic forcing the hand of businesses, many of these changes would have taken perhaps five or even ten years to implement.

These changes will have lasting impacts on how organizations deploy their workforce in the future. As we move into the recovery phase of the public health crisis, we anticipate many organizations will continue to offer flexible working solutions for their staff. They will accommodate some time working from the office and some time working from home.

Undoubtedly, managing a virtual workforce can make team collaboration more challenging. Yet technology solutions that facilitate collaboration are becoming more sophisticated, cheaper and easier to manage. At BDO, for example, we recently successfully hosted a global leadership conference completely virtually for more than 2,000 leaders replace by worldwide.

If approached in the right way, technology can help you to create virtual Centers of Excellence within your business. It is now much easier to share resources and ideas virtually. When making hiring decisions, replace by leaders can reach out further afield to access the best talent to join their team.

However, there are risks inherent in these new approaches that leaders need to address. For example, it is concerning to see just one in five business leaders in our survey saying they plan to make changes to cyber and data security.

Dave's top tips for transitioning to a digital workforce:

Do not neglect data and cyber security risks

As the volume of activity online has increased, so too has the associated data and cyber security risks. Cyber attacks on businesses have increased exponentially. It is important to make sure you have as resilient an IT infrastructure as possible. This means you need to identify potential areas of vulnerability across your network and close them off quickly.

Select the right digital tools for your business

Middle market sized businesses have typically found it easier to adopt some of these new ways of working. They can be more agile and are often unencumbered with complex legacy systems. However, when budgets are under strain it is important to select the right digital tools for your business. There are many affordable third-party solutions on the market to aid effective team collaboration and their features are improving all the time.

Consider transitioning your organization to the cloud

Organizations should consider taking advantage of the security that is built into many cloud-based solutions. Most cloud providers today offer much higher levels of security compared with hosting a physical server in your office or hosting your organization on a private cloud.



Dave Simkins
Chief Operating Officer
BDO Canada

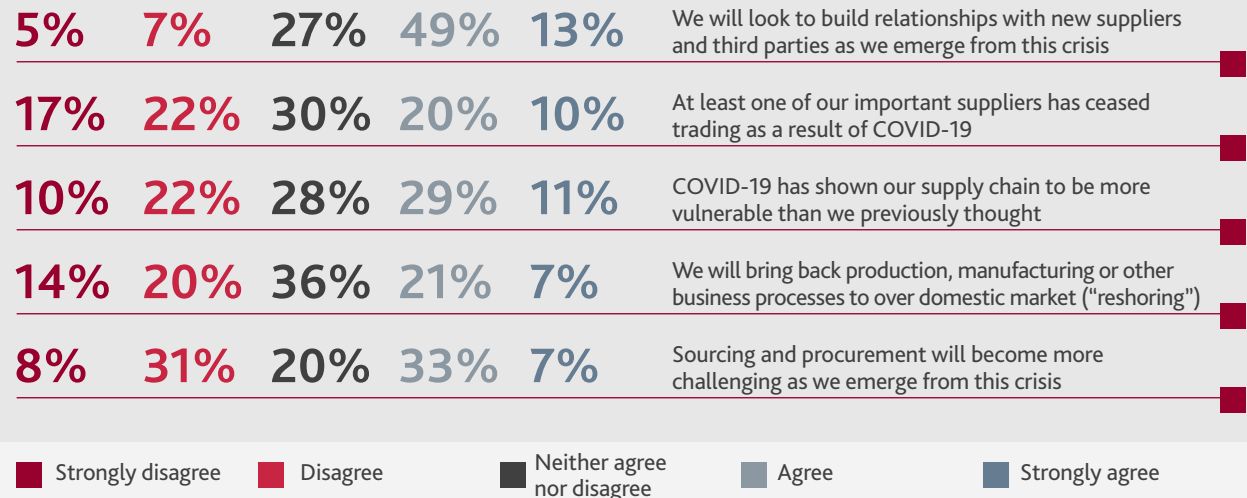


BUSINESS FUNDAMENTAL 7: BUILDING SUPPLY CHAIN RESILIENCE

Four in ten (**40%**) of the executives surveyed say that the COVID-19 pandemic has exposed vulnerabilities in the supply chain they were not aware of previously. A further **40%** anticipate that sourcing and procurement will become more challenging as a result of the crisis.

Nearly a third (**30%**) of the respondents to BDO's survey say that one of their key suppliers ceased trading at some point during the pandemic, putting additional strain on already vulnerable supplier relationships.

Thinking specifically about your organization's supply chain, to what extent do you agree that...?



When asked about the practical steps they plan to take to address the supply chain issues raised, survey respondents cited a range of initiatives, from increasing supplier due diligence to auditing their existing supply chain to address vulnerabilities.

There is consensus that one way to offset the supply chain risks highlighted by the pandemic is for organizations to diversify their supply chain. **62%** of business leaders we surveyed said they will look to build relationships with new suppliers and third parties as they emerge from the COVID-19 crisis.

More than a quarter are going a step further: **28%** say they plan to bring back production, manufacturing, or other business processes to their domestic market from overseas. This process, often referred to as reshoring, gives companies greater proximity and control over their supply chain and minimizes the risk of delays caused by freight and shipping or unexpected coronavirus lockdowns outside of their domestic market.



SUBJECT MATTER COMMENTARY: SUPPLY CHAIN RESILIENCE

A year ago, supply chain would have barely featured on a list of executives' top ten concerns. It was taken for granted and nobody worried about it. The pandemic has now put supply chain risk front and center of the executive agenda.

As we see from our survey, a significant proportion of organizations have had to deal with supplier failure or have encountered problems with sourcing over the last six months. Others have had to renegotiate supplier arrangements in response to fluctuating demand from their own customers. My sense is that up to 35% of companies may adjust their supply chain over the year ahead as businesses continue to deal with high levels of uncertainty.

These changes will play out against a political backdrop where international trade policy has already become more complicated and more fragmented over the last decade. High profile instances of infringement of intellectual property (IP) rights have also given executives cause for concern about offshore manufacturing in certain jurisdictions.

However, it is important not to rush into any change. Supply chain transformation is one of the more difficult processes businesses will do over time. It is just as important to get right as post-merger integration, and often as complicated.

If executed poorly, supply chain transformation can have a negative impact on brand reputation and quality control of products and services. If executed well, it can help organizations build greater long-term resilience.

Eskander's top tips for building supply chain resilience:

Understand where your supply chain vulnerabilities sit today

CEOs want to have confidence that moving supply chain is the right choice for the business. Before making any decisions, identify where vulnerabilities may sit today and what friction points arise: gross margin impact, tariff issues, supplier failure, IP infringement. For most of our clients, cost has not been the major driver for supply chain transformation. Instead they have sought to minimize third party operational risk.

Think holistically about the impact of changes to supply chain

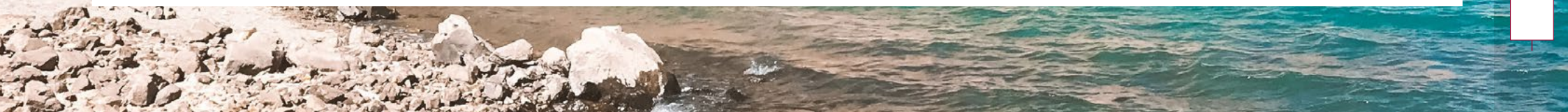
Once you have assessed your current supply chain and identified possible risks, you can begin to consider the options for change. It is imperative to think about any proposed changes holistically. For example, what are the tax or tariff implications of moving production to another jurisdiction? Will you be able to source goods or raw materials of the same or better quality? Model the likely impact of these changes before committing to a plan of action.

Plan your exit strategy

There are always risks inherent in changing suppliers. With any new supplier you will have to go through a period of proof of concept and quality testing with an initial batch of product. This takes time. You also need to consider when is the most appropriate time to tell existing suppliers about your intentions to terminate contracts, and whether you have the right covenants in place to protect your IP.



Eskander Yavar
Global Leader, Supply Chain



BUSINESS FUNDAMENTAL 8: SUPPORTING THE WORKFORCE

More than half (**56%**) of the executives surveyed identified workforce resilience as an area of focus for their business over the next 12 months. With many businesses switching to either a temporary or sustained period of remote working, it is more important than ever that businesses have the right strategies in place to keep their employees engaged and productive.

Our research reveals that businesses are adopting a range of strategies to support their workforce at this time. Some of these – such as investing in workforce technology and training and development programs – are designed to equip staff with the tools and skills they need to contribute, as they adapt to where and how they are working.

Other areas of focus – such as updating onboarding processes for new staff and investing in employee wellbeing initiatives – are designed to improve the experience for employees working from home and with limited in-person contact.

The pandemic has presented many learning experiences for businesses large and small about the best ways of engaging their people, providing them with greater autonomy and flexibility in how they design their work commitments to fit around the demands of their personal lives.

If these new ways of working become embedded into the working culture for the long term, executives will need to consider what this means for their real estate requirements for 2021 and beyond. In our survey, **45%** agree they will reduce their real estate footprint over the next 12 months. They will downsize their space requirements as they adopt remote working or flexible working solutions long term.

However, a third (**31%**) have no plans to downsize. These are typically businesses in sectors such as manufacturing, hospitality and healthcare, with very specific real estate needs. Instead they will look to make cost savings in other areas.

Which of the following activities will you prioritize to maximize workforce productivity and engagement as your organization recovers from the pandemic?



■ Top choice ■ Top 3 choices

SUBJECT MATTER COMMENTARY: KEEPING YOUR WORKFORCE PRODUCTIVE AND ENGAGED

In Brazil we have seen organizations find innovative ways to adapt to the challenges presented by the pandemic. One of the biggest challenges faced by all organizations is how to keep their workers engaged when it is not possible to work from their normal place of business. Digital working – facilitated through virtual collaboration tools and video conferencing – has become commonplace in just a matter of months.

Yet this new way of working presents significant hurdles that leaders have had to overcome. There are challenges inherent in working remotely: greater distractions, lack of ability to engage spontaneously with colleagues, the challenge of balancing work around personal and family commitments, limited access to technology or poor quality WIFI, and the mental toll of isolation for those living alone.

These challenges can all be overcome if executives are willing to explore creative solutions. Organizations that take care of their employees at this time will emerge strongest from the pandemic. They will see long-term benefits such as greater employer loyalty and productivity.

A happy and engaged workforce will produce better quality work. That will yield better experiences for your clients, which in turn will help your business in the long-term.

Raul's top tips for keeping your workforce productive and engaged:

Communication is vital

Regular communication is critical for helping employees to feel engaged and connected to their teams. Video conferences and video messages are a useful substitute when in-person meetings are not possible. Leaders have an important role to play. As the leader of BDO in Brazil, I make sure to communicate weekly to all staff throughout the pandemic, explaining how the firm is responding and what help is available to make sure that colleagues feel as supported as possible.

Try to accommodate different working styles

Not everybody will embrace working from home in the same way. Some people have made a smooth transition, while others need more support to adjust. Enhancing your training to staff will demonstrate a commitment to help them develop the skills they need to work effectively from home. Organizations also have a role to play in supporting the well-being of their staff, and minimize stress, even when working from home.

Do not neglect reward and recognition

It is important that executives take time to celebrate the successes of their staff over the course of this year, even if external market conditions remain uncertain. Where possible, maintaining regular performance review processes as well as pay rise and bonus discussions gives employees confidence that the business values their contribution, which will foster employee loyalty over the long term.



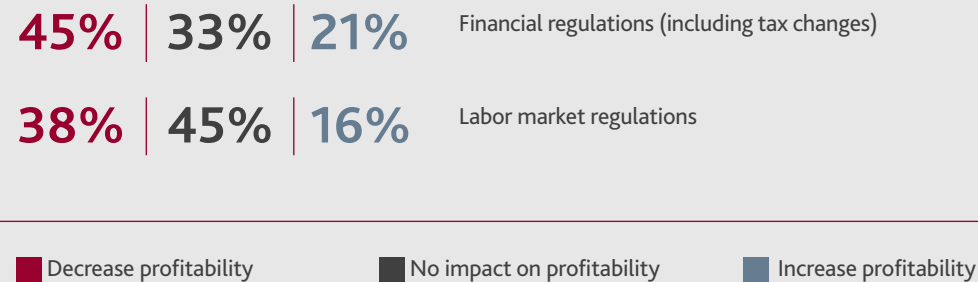
Raul Corrêa da Silva
Chairman and CEO
BDO Brazil

BUSINESS FUNDAMENTAL 9: MEETING REGULATORY AND COMPLIANCE OBLIGATIONS

Although a large majority (**86%**) of respondents to our survey are confident in their ability to maintain levels of regulatory compliance during this uncertain time, our research shows that business leaders are worried about the bottom line impact of maintaining compliance.

Our survey reveals that **45%** of business leaders believe new financial regulations, including possible tax changes, will have a negative impact on their profitability over the next 12 months, making the path to recovery more challenging. As governments look to rebalance public finances in light of the global pandemic, they may look at businesses taxes as one source of additional income.

What impact do you think complying with the following types of regulation in your country of operations will have on your organization's profitability over the next 12 months?



Labor market regulations are also considered a constraint on profitability, with 38% of those surveyed saying the additional time and costs associated with compliance will decrease their bottom line performance.

Again, a very different picture emerges across regions, with business leaders in the Caribbean region most concerned about the negative impact of regulation. In the Caribbean, **64%** say financial regulation will have a negative impact on their profitability, compared with just **53%** in Latin America and **22%** in North America.

Noticeably, business leaders in North America respond more favorably to financial regulation and tax changes, with **45%** believing the outcome to be positive for their business. This may suggest a positive reaction to the federal Tax Cuts and Jobs Act in the USA, for example.

SUBJECT MATTER COMMENTARY: NAVIGATING THE TAX LANDSCAPE

Prior to the pandemic, two trends were a major focus for the tax executive community: tax strategy and tax technology. Those two trends have not gone away because of the pandemic. Instead they have been amplified.

Whether you are a business that is struggling because of COVID-19, or has been doing better during the pandemic, managing cashflow is critical. Tax has an enormous impact on cashflow and so we see tax leaders increasingly being called on to help their organizations generate and manage cashflow at this time.

This has required tax leaders to move up the internal value chain to embrace a more strategic role inside their organization. Rather than being wholly compliance-focused, for example, tax leaders have become more closely involved in M&A planning and other strategic investment decisions.

In the technology realm, tax leaders have been working on designing and implementing digital transformation plans that address the needs of the tax function as well as the broader organization.

At a macroeconomic level, the pandemic has resulted in governments across the Americas operating at higher deficit levels than ever before. The result of that is that those deficits will likely be covered, at least in part, through changes to tax rates, tax laws, and tax policy.

Organizations that can better project the impact of these possible tax changes will be better able to prepare for them. Meanwhile, organizations that are behind with their technology and modelling capabilities will struggle.

Matt's top tips for navigating changes to the tax landscape:

Use technology to model different tax scenarios for your organization

Organizations on a strong tax technology path are better placed to model and quickly assess the impact of changes in tax legislation for their business. This can help inform the strategic investment decisions the organization needs to make as we move into the recovery phase of the pandemic.

Consider total tax liability when formulating growth strategies

Organizations planning for overseas growth should always consider their total tax liability. This is a measure of every kind of tax paid in every jurisdiction where a business operates. When an organization models its total tax liability it can better understand the impact of decisions such as offshoring a production facility or expanding global footprint. For example, a decision based on what is best for minimizing corporate income tax, might lose the benefits through increased tariffs or value-added taxes.

Make sure you take advantage of tax incentives

As a result of the pandemic we have seen many government programs designed to incentivize employment. These typically provide payroll tax breaks to businesses that maintain or expand their workforce rather than making layoffs. Some governments have launched programs designed to incentivize capital investment – new equipment, machinery or property, for example – while others are promoting innovation and R&D investment.



Matt Becker
*National Managing Partner of a Tax
BDO USA*

SUBJECT MATTER COMMENTARY: INCREASING ORGANIZATIONAL TRANSPARENCY FOR STRONGER GOVERNANCE AND COMPLIANCE

All organizations have had to make difficult decisions because of the COVID-19 pandemic. However, as executives seek to mitigate risk and put their business in a stronger position for the future, they need to have integrity and transparency as their guiding principles when taking tough decisions.

Unfortunately, we have seen a minority of organizations fail to honor their obligations with their clients, suppliers and employees since the pandemic hit. A small number of organizations have made improper use of subsidies or benefits granted by national governments that were intended to help those worst affected.

Some organizations – despite being well-intentioned – have made decisions without thinking through the legal and compliance implications. They have terminated employee or supplier contracts, for example, without following due process.

This suggests their legal and corporate governance frameworks need to be strengthened to ensure that executives can take decisions quickly, while remaining confident their organization is compliant with its legal responsibilities.

The risks associated with getting this wrong are significant. For example, we see some national governments audit how organizations have spent coronavirus relief funds and issuing strict penalties for non-compliance.

Paula's tips for maintaining a transparent, compliant organization:

Understand your legal obligations and their implications

To stay compliant, you need to start by building a robust understanding of your organization's legal obligations to its stakeholders: its staff, its customers and its suppliers. Only then will you be able to assess whether your pandemic response measures are legally compliant, or whether they breach contractual terms.

Foster a culture of transparency from the leadership downwards

To build a culture of transparency and openness, executives need to acknowledge the scale of the challenge facing their organization at this time. Sharing relevant information with colleagues will help them understand the basis on which any tough decisions are being taken and give confidence that legal obligations are being met.

Tighten up your corporate governance framework

An organization with a clear and effective corporate governance framework is better placed to measure risks and make informed decisions. It is also a more attractive proposition for investors, suppliers and customers. A strong corporate governance framework allows leaders to react more effectively to the crisis at a time when leaders need to take bold decisions.



Paula Giraldo Cuellar
Partner, Legal
BDO Colombia

BUSINESS FUNDAMENTAL 10: REDUCING ONGOING RISK EXPOSURE

The COVID-19 pandemic has brought to the forefront the importance of effective business planning and risk management processes.

BDO's recent European research, for example, highlighted a clear link between the degree to which an organization had a well-developed business continuity plan and the success of their response to the pandemic. Although businesses could not have foreseen the precise nature or the impact of the coronavirus pandemic, those with established risk management frameworks and detailed scenario plans were better prepared to respond to change.

With this in mind, have businesses learned the lessons of the pandemic?

Our research suggests the experiences vary by region. While 82% of organizations surveyed in North America say they have put appropriate steps in place to identify and mitigate future risks, that figure drops to 71% for Latin America and 61% for the Caribbean.

In North America, 71% believe their organization has the right strategy and operational resilience to deal with a future rise in COVID-19 cases. This figure drops to 58% for Latin America and 55% for the Caribbean.

One a scale of 1 to 5, where 1 is not at all confident and 5 is very confident, how confident are you about the following scenarios for your organization over the next 12 months? - % answering 'confident' or 'very confident'

89%	87%	84%	Regulation: We will maintain compliance during this uncertain time
69%	64%	79%	People: We will be able to attract and retain talent entering our industry
61%	71%	82%	Risk: We have put appropriate steps in place to identify and mitigate future risks
57%	66%	81%	Financial: We will successfully withstand the impact of a recession caused by the global pandemic
55%	58%	71%	Strategy and operations: Our organization is equipped to deal with a future rise in COVID-19 cases



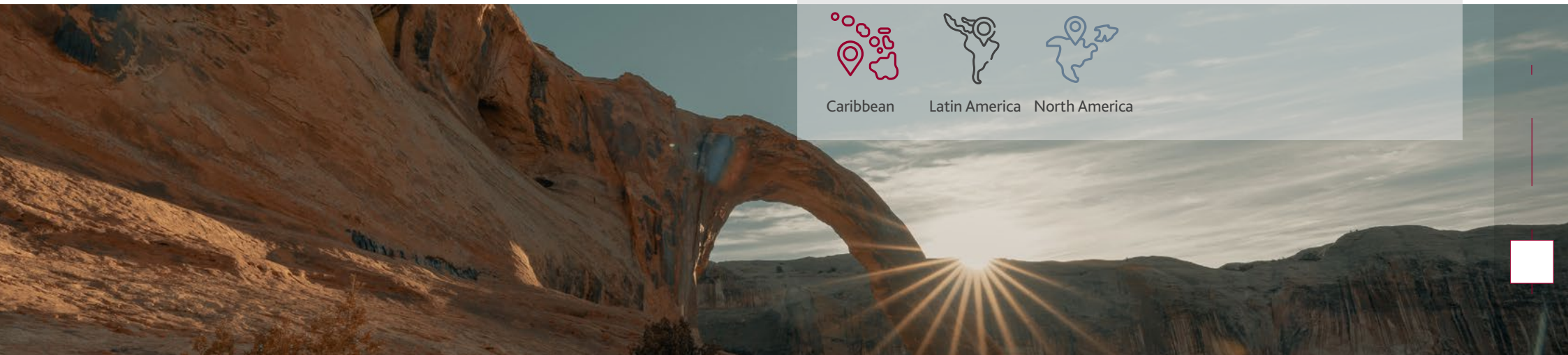
Caribbean



Latin America



North America



SUBJECT MATTER COMMENTARY: A SMART APPROACH TO RISK MANAGEMENT AND MITIGATION

Our island communities are very dependent on tourism and a small number of related industries. This makes them more vulnerable to unexpected shocks such as the coronavirus pandemic.

At times of crisis we often look to our past experiences for comfort and for lessons we can apply to our present challenges. The COVID-19 crisis is different. No business leader has been through anything quite like this before. It represents a real paradigm shift in the way we understand organizational purpose and strategy, and how we think about business risk and operations.

Successful leaders will turn this short-term crisis into long-term opportunities for their organization. To do this, they will need to move beyond the old modes of thinking. Rather than look to the past for solutions, we need to rethink the future. Leaders will need to work with their communities, employees, and suppliers to develop new visions, strategies and approaches that will work our new business environment.

My experience throughout the last six months suggests that most organizations remain focused on resilience building and improving their risk management. They want to make sure their organization can withstand the continued impact of coronavirus throughout the remainder of this year and into 2021. With solid foundations in place, they can dare to be brave about their future.

Gerd's top tips for adopting smarter risk management and mitigation approaches:

Formalize risk management approaches where possible

Many of the entrepreneurial or agile businesses I work with take a very informal approach to risk management. Everything is contained in the founder's head and never documented or shared. When business risks are constantly changing, it is important to have a well-documented and communicated risk management approach. This enables the management team to do more helpful business forecasting, and to plan mitigation steps to address the critical risks identified.

Take advantage of all the data available to you

With greater volumes of data and business intelligence available to executives, it has never been easier to model different scenarios for your organization and their risk implications. Take full advantage of the financial and operational data within your business, as well as publicly available external market and economic data. These two data sources combined can offer early warning signals on where vulnerabilities may exist in your organization, and help you prioritize your risk mitigation efforts.

Build resilience through diversification and innovation

One of the important risk mitigation steps organizations should consider is diversification. Across our island communities we see business that have been slow to embrace innovation over the last decade. The pandemic has increased the urgency for change and innovation across areas such as process management, technology and product and service mix.



Gerd Glaudemans
Managing Partner
BDO Dutch Caribbean

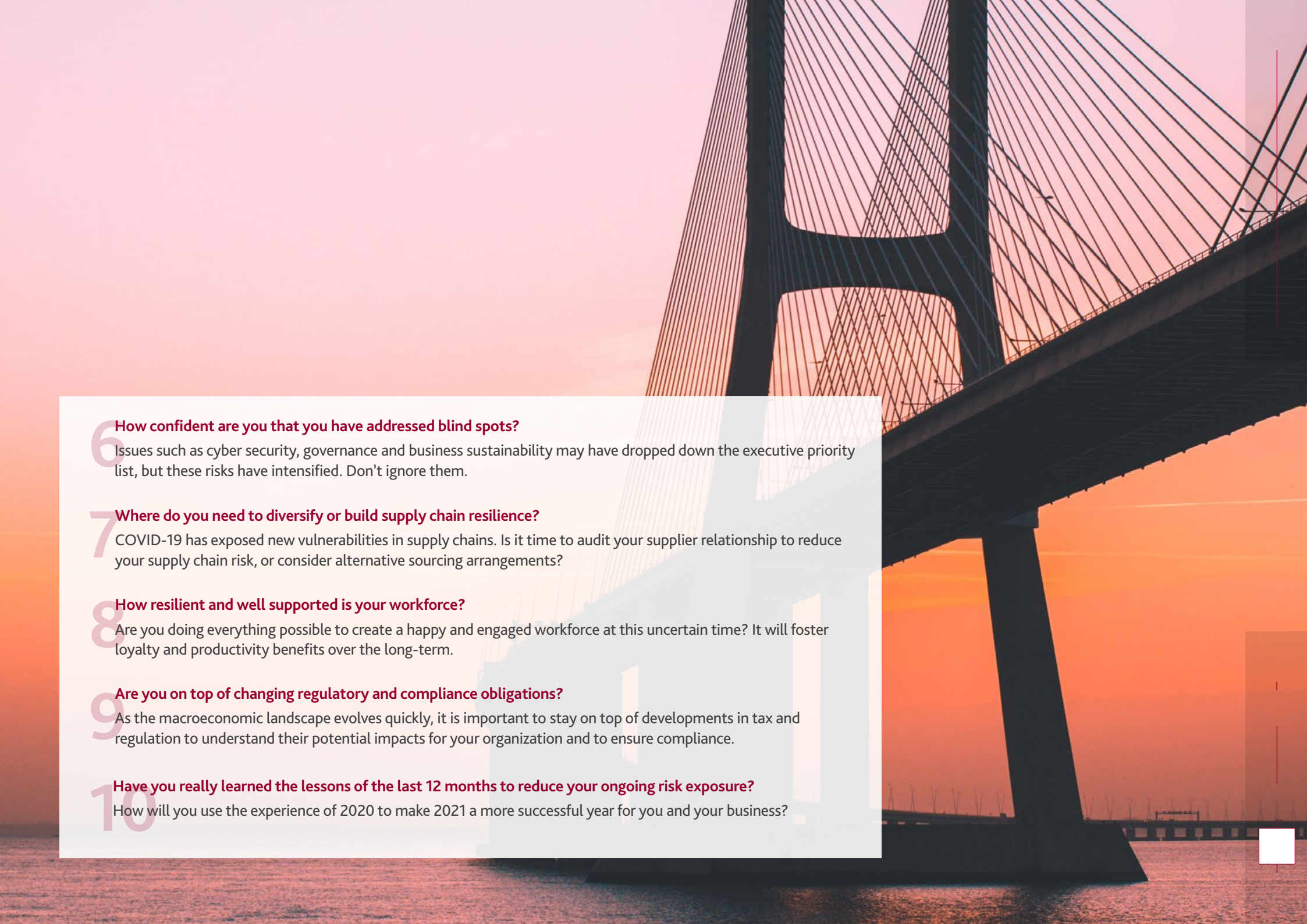


CONCLUSION: 10 BUSINESS FUNDAMENTALS TO A MORE RESILIENT FUTURE

As organizations look to 2021 with cautious optimism, now is the perfect time to refocus attention on business fundamentals and to plan for a more resilient future. With further uncertainty ahead, organizations need to be agile and capable of making quick decisions to capitalize on new opportunities as they emerge.

Based on the responses to our survey and the input from BDO's advisers, we have identified ten areas to consider. Ask yourselves the questions below to assess how well prepared you are what to address what is next for your business:

- 1 What is the right balance between investing for growth and controlling costs within your organization?**
Leaders need to reconcile these competing priorities within their organization to ensure they remain competitive.
- 2 Are you taking advantage of the drive to expand internationally?**
At a time when domestic markets remain volatile, geographic expansion can open up new growth opportunities. Technology makes this easier than ever before.
- 3 Where are the opportunities for rethinking your business model?**
The pandemic has provided an opportunity to rethink your organization's purpose, strategy, and business model. Are you identifying areas to improve and innovate your approach?
- 4 How can embracing technology and digitization help you achieve your growth and efficiency goals?**
When deployed in the right use cases technology can be both a catalyst for growth, improved customer experiences and better business intelligence. It can also provide significant efficiencies by reducing manual business processes.
- 5 Are you investing in growth-oriented business functions to support your strategy?**
Besides technology, are you paying close enough attention to sales and marketing, research and development, and product and service provision? These growth-oriented functions are important drivers of success.



6 How confident are you that you have addressed blind spots?

Issues such as cyber security, governance and business sustainability may have dropped down the executive priority list, but these risks have intensified. Don't ignore them.

7 Where do you need to diversify or build supply chain resilience?

COVID-19 has exposed new vulnerabilities in supply chains. Is it time to audit your supplier relationship to reduce your supply chain risk, or consider alternative sourcing arrangements?

8 How resilient and well supported is your workforce?

Are you doing everything possible to create a happy and engaged workforce at this uncertain time? It will foster loyalty and productivity benefits over the long-term.

9 Are you on top of changing regulatory and compliance obligations?

As the macroeconomic landscape evolves quickly, it is important to stay on top of developments in tax and regulation to understand their potential impacts for your organization and to ensure compliance.

10 Have you really learned the lessons of the last 12 months to reduce your ongoing risk exposure?

How will you use the experience of 2020 to make 2021 a more successful year for you and your business?

ABOUT OUR 320 SURVEY RESPONDENTS

With the help of Meridian West, an independent research consultancy, BDO surveyed 320 business leaders across the Americas region during late September and October 2020.

We received 54 survey responses from business leaders in the Caribbean, 86 from North America and 180 from Latin America. In total, 36 territories are represented in our research. We would like to thank all those who participated in our research for sharing their insights.

Respondents are senior, C-suite level decision-makers responsible for overall business strategy, finance and operations. 36% are CEOs and 31% CFOs, with the remainder comprising other C-level or business unit leadership roles.

The survey respondents represent a cross-section of industry sectors, with significant representation from financial services (17%), manufacturing (11%) technology and communications (11%) and consumer businesses (10%).

53% of those surveyed are from organizations with annual revenue in excess of USD\$ 50 million.



Industry sector

17%	Financial services
11%	Manufacturing
11%	Technology and communications
10%	Consumer businesses
6%	Professional services
6%	Natural resources and energy
5%	Real estate and construction
4%	Transport and shipping
4%	Agriculture
4%	Healthcare
3%	Not for profit
2%	Life sciences and pharmaceuticals
1%	Media and entertainment
14%	Other



Revenue

Less than US\$ 5m

20%

US\$ 5m up to US\$ 10m

9%

US\$ 10m up to US\$ 50m

18%

US\$ 50m up to US\$ 250m

33%

US\$ 250m up to US\$ 500m

12%

More than US\$ 500m

8%



Organization category

51% Privately held

15% Private equity backed

13% Subsidiary of international business

11% Listed

10% Public sector or non-for profit

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A close-up, profile view of a woman's face, focusing on her eyes and nose. Her eyes are a striking green color. The lighting is soft and warm, highlighting the texture of her skin and the intensity of her gaze. The background is dark, making the subject stand out.

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