

# Business Matters

Issue 3 2019



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# How can the public sector reinvent itself?

By: **Lori Rockhead**, Director, Advisory

Best-in-class companies, of the past decade, have been built on innovation and capitalised on disruption. Not surprisingly, the drivers of change in the public sector are very similar to those which are impacting companies:

- More informed, more engaged, and more demanding customers;
- New technologies;
- Aging population;
- Higher service expectations; and
- Loss of trust in institutions and professionals.

As a result, public sector organisations and politicians are changing how they approach responding to the needs of the public, to become more collaborative, flexible, and innovative. This is particularly true for policy formation and transforming services to better meet the needs of the public.

## NO MORE LOOKING IN THE REAR-VIEW MIRROR

The traditional method for formulating policy and program solutions has been for civil servants to formulate options based on historical information, current data, and an understanding of the

issues which need to be resolved. Decision makers would select the option which they thought best met the objectives and then reveal the new policy ready for an eager public audience. In theory, the problem would be solved and the public would be satisfied that their needs were met. The reality though, has been very different.

Increasingly, the public has not been welcoming of the 'solution' which was generated through extensive research, thought, and consideration. In fact, the public has become much more willing to 'throw back' the solution often flummoxing the sincere intentions of those who were instrumental in formulating it.

## LESS TRADITIONAL, MORE DYNAMIC

In the face of the 'traditional' model for policy development proving to be less effective, governments are moving to more dynamic models such as co-design of policy and programs. This includes gathering input from the very people who are receiving the services or who will be impacted by the policy.

So, what are the new tools being deployed to bring public services in line with public expectations? Highlighted are four important concepts which are being used by the public sector to increase alignment and provide greater value.





**User centricity** or putting the client at the center of consideration has been a model of choice for some time, particularly in human and social services. What is changing is an increased willingness on the part of governments to co-design policy and services with users, advocacy groups, and other stakeholders. Co-design can be challenging and needs to be supported by accurate and objective information to avoid the ‘loudest’ stakeholders being appeased at the expense of others. On balance though, co-design can lead to greater user satisfaction with the outcomes.

Technology is creating new ways for centricity in transportation, with services being provided on demand and shifting to schedules which better reflect the transportation needs of the public particularly those who are reliant on public means of transport. The recent entry of Uber into the public transport sector has the potential to radically change the integration of transportation systems.



**Mixed systems** are also not new. Governments have been using a variety of internal, for profit, and not-for-profit providers to deliver services for years. Alternative providers are selected for their specialist skills, coverage of a geographic area(s), or to provide options in terms of approach to service delivery. What is new, is mining the data from mixed systems to create better service options so that the public can select the service delivery or deliverer that best suits their needs. Mixed systems also provide the public sector with greater insight into what aspects of service delivery the public values and benchmarking cost of delivery. For example, in the U.S., charter schools and school vouchers, giving parents a choice in terms of where to educate their children, has provided a wealth of data on the effectiveness of various educational programs.



**Contestability** has risen in importance in response to the public’s demand for greater accountability. Contestability provides governments with the enabling policies and processes for addressing persistent and egregious failures by publicly funded or publicly delivered services. Contestability is the process and authority by which governments can dismantle or replace service providers, typically after an organisation has been identified as falling below the necessary standard and been unable to turn its performance around. Or in some cases, a pernicious failure in duty of care to the public has resulted in loss of faith in the organisation or its leadership.

Whether the risk that an entire organisation, programs, leaders and/or units could be summarily replaced actually improves accountability and performance in the long run, remains to be seen.



**Stewardship** has been in place for most public sector owned or controlled institutions for a long time. The new state of play involves greater autonomy balanced with greater accountability for performance by those who sit on public sector boards. This has come about through lawsuits and public protests where boards failing to meet their legislated mandates or adhere to current standards of behaviour. As a result, governments have increased their due diligence of board appointees, and emphasized suitability and diversity in selecting board members and greater enforcement of compliance with conflict of interest rules and regulations.

All four elements share one enabler: a reliance on data and analytics. For example, public transport systems can use electronic ticketing on passengers’ phones to track actual traffic patterns in real-time rather than rely on statistical desktop assessments of needs (user centricity). Availability of real-time data enables governments to relinquish day-to-day control of the operation to private operators (mixed systems) without losing sight of the contractor’s performance (contestability). Opening a system to private operators and public scrutiny enhances transparency, accountability and service efficiency in the spirit of good stewardship of public services in the information age.



Lori Rockhead is KPMG in Bermuda’s Infrastructure, Government and Healthcare Leader, and she focuses on strategy, people and change, transactions & transformation. If you need to deliver results on projects involving complex transformation, Lori welcomes the opportunity to speak with you.

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# Were the financing trends just as hot as the summer?

By: **Steve Woodward**, Managing Director, Sector Lead, KPMG Enterprise

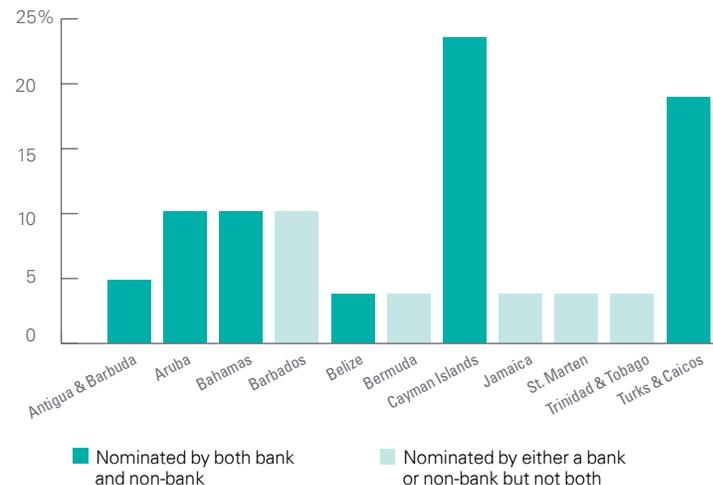
Our [2019 Caribbean Hospitality Financing Survey](#), now in its 15th year, is where you can read all about the trends in the region’s hospitality and tourism, as well as the outlook for the future of the industry.

After nine consecutive years of increasing confidence levels, this is the first year where we have seen a correction in confidence levels for both banks and non-banks, which includes private equity firms, family offices and developers. Despite this correction, the financing community maintains a healthy appetite for financing tourism projects in the region, provided certain fundamentals are in place. In fact, the appetite of financiers is primarily directed towards financing existing hotels for expansions, renovation and refinancing. However, whilst there has been a reduction in appetite for financing acquisitions, there has been a surprising ‘uptick’ in appetite to fund new builds, particularly by banks.

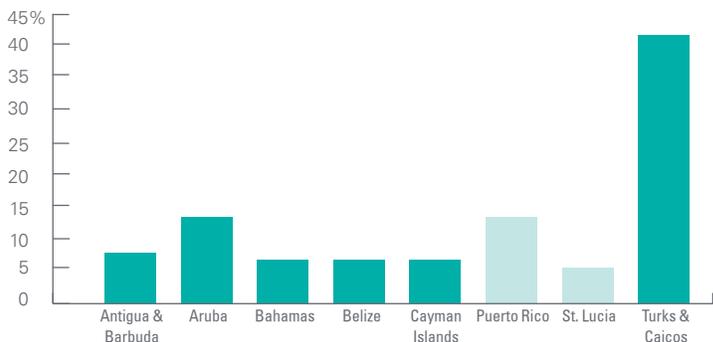
## LESS IS MORE

In the survey, we had a look at which Caribbean destinations financiers are most bullish about. We saw 13 different destinations put forward, but only six were selected by both banks and non-banks, as you will see in the charts. From our perspective, this really does support what we have seen in recent years – the financing landscape has changed. It now involves financiers favouring a small number of jurisdictions, for what could be any number of reasons, rather than financing projects across the entire region.

**Banks’ top countries for new financing**



**Non-banks’ top countries for new financing**



## TAKING CARE OF BUSINESS

What all financiers can agree upon is that either financing is more readily available this year or there has been no material difference when compared to 2018. It is also interesting to note that half of non-banks believe it has become more difficult to conduct business in the Caribbean; only approximately 1/3 of banks share this view.

Banks' view on financing environment this year compared to last year

Non-banks' view on financing environment this year compared to last year

■ Financing more readily available ■ No material difference



Banks' view on level of difficulty to conduct business in the Caribbean

Non-banks' view of level of difficulty to conduct business in the Caribbean

■ More ■ Less ■ Just the same



## WHAT ELSE?

The most critical issue for both banks (100%) and non-banks (100%) remains airlift. For banks, the second most important issues were the ability to recover from hurricanes (72%) and crime (72%). Non-banks also attributed great importance to the ability to recover from hurricanes (88%). However, the other issues provided by survey respondents included labour availability concerns, seaweed (sargassum) and the prospect of a U.S. recession.

While it was unsurprising to see that hurricane recovery as an issue has assumed increased importance for all players following the 2017 hurricane season, it was interesting to see the spectre of a U.S. recession raise its head for the first time in a number of years. Airlift, crime and labour availability are all perennial issues for the Caribbean that governments have been grappling with to attempt to increase the relative attractiveness of their jurisdictions. Sargassum bloom, which has really only become a major issue for all islands this year, adds to the issues faced by the region and has yet to be satisfactorily addressed.

### Mike Penrose

Senior Manager, Advisory, KPMG in Bermuda

Financing is only one of the areas we cover in the [2019 Caribbean Hospitality Financing Survey](#) – find out what is hot (or not). Once you have had an opportunity to read the report, please get in touch with Mike Penrose or me, as we would be pleased to have a chat about the findings or any other business issue that your organisation is facing.



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# Your Business Matters

At KPMG Enterprise, we believe performance is not only measured by the service we provide, but also by how well we know our clients' businesses and their needs. We go to great lengths to understand where you want to take your business to deliver ideas, insights and actions to help you get there, faster.

We will even provide pool side assistance.

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## Are you ready to uncover insights for a successful family business?

In three easy steps, our Family Business Dynamics Assessment online self-diagnostic tool will provide you with a complimentary report, and it will help you assess your family business across six key areas. The tool is designed to give you further insight into the capabilities needed to support the goals and objectives of your family business. It also compares your results with other family businesses, both globally and in a similar industry.

To uncover insights for your family business, visit:  
<https://dynamicsassessment.kpmg.com/>

Once you've had an opportunity to complete the Family Business Dynamics Assessment, please get in touch with us, as we are ready to speak with you about the results and next steps.





# Addressing human rights in business

## Boardroom questions

### WHAT ARE HUMAN RIGHTS ISSUES FOR BUSINESS?

Potentially, negative impacts on people caused by a corporation, its suppliers or associated parties which might include:

- Use of forced labour or child labour;
- Underpayment of workers;
- Unsafe or unhealthy working conditions;
- Displacement of communities;
- Use of excessive force when protecting assets;
- Damage to people's health, e.g., through pollution;
- Discrimination against employees, e.g., on the basis of race, gender or sexuality;
- Depletion or contamination of water sources; and
- Infringing rights to data privacy.



### Non-compliance with regulations and standards

- Growing pressure from international guidelines and standards such as the UN Guiding Principles on Business and Human Rights (UNGPs).
- Increasing litigation over corporate human rights infringements.
- Increasing human rights legislation (e.g., UK Modern Slavery Act, 2015).



### Company purpose

- Failure to address human rights issues undermines company purpose, culture and values.



### Damage to reputation and relationships

- Scrutiny from media and NGOs leading to brand damage and possible loss of market share.
- Stricter customer demands on human rights performance.
- Poor performance can lead to loss of or difficulty in attracting employees.



### Loss of investors and increasing lender scrutiny

- Possible loss of investors due to a human rights scandal (pension funds increasingly active on the issue).
- Banks might implement stricter human rights lending conditions. Some stock market indices demanding greater transparency.

Observing the highest standards of human rights is integral... to the credibility, effectiveness and sustainability of business – now and in the future.”

**CEO, Global Insurance company**

[www.ohchr.org/Documents/Issues/Business/ForumSession5/Statements/MarkWilson.pdf](http://www.ohchr.org/Documents/Issues/Business/ForumSession5/Statements/MarkWilson.pdf) | Retrieved February 21, 2017

**BOARDROOM QUESTIONS**

- 1 Do we fully understand the human rights impacts of our company now, and in the future?
- 2 Is our brand at risk of being targeted in a future media or NGO human rights campaign?
- 3 Who in our company is accountable for human rights issues?
- 4 Are we compliant with all national and international human rights regulations and guidelines?
- 5 Do we have adequate human rights policies, due diligence processes and systems (including grievance and whistle blowing mechanisms) in place?
- 6 Are we confident that there are no unfair or unsafe working practices at our own operations, or at our contractors, suppliers or franchisees?
- 7 How does our business growth strategy take account of potential human rights risks? Are our merger & acquisition or joint venture activities exposing us to new human rights risks?
- 8 Do we have the appropriate internal capability and expertise to identify and address human rights issues?
- 9 What opportunities are there for our business to contribute to improving human rights and support the UN Sustainable Development Goals (SDGs)?

Business can only flourish in societies in which human rights are respected, upheld and advanced.”

**CEO, Global Consumer Markets company**

Enhancing livelihoods, Advancing Human Rights: Human Rights Report 2015

**WHAT ACTIONS COULD THE BOARD CONSIDER?**

-  Set the tone at the top by appointing a Board member with responsibility for human rights.
-  Ensure the Board, CEO and/or Chairperson are clear in their commitment to respect human rights.
-  Set up a cross-functional working group including the sales, procurement, operations, legal, ethics, safety and human resources functions to implement the human rights policy.
-  Build human rights actions into annual business unit plans and ensure accountability sits with heads of business units.
-  Integrate human rights risks into the corporation's risk management process.
-  Ensure there is a clear line of reporting to the Board on the most severe human rights risks and impacts so issues can be escalated rapidly.

Please connect with Stephen if you would like to discuss these boardroom questions.



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# In the spotlight



**James Annandale**  
Audit Senior

James grew up on a farm outside of Pretoria South Africa, and has decided that it is time to leave the farm behind (for now) and explore the big, wide world.

James went to the University of Pretoria from 2012 - 2015, where he attained a Bachelor of Sciences in Accounting

Sciences as well as an Honors in Financial Accounting. In 2016, he started his articles to become a CA (SA), and to do this James joined the KPMG Johannesburg office in the IAP (Industrial, Automotive and Pharmaceutical) Audit division. He was at the Johannesburg office for three years until 2018, where he had a wide variety of clients ranging from large IT businesses to a listed gas company and manufacturing entities. Once he completed his articles, James was offered a short-term rotation with the KPMG Los Angeles office. James was in Los Angeles for four months, where he was part of the audit of an S&P top 500 company which dealt with commercial real estate and investments.

In his spare, time James enjoys watching and playing sports. His go-to sports are rugby and cricket and the teams that he supports are obviously the South African ones. James is really looking forward to playing cricket and rugby in Bermuda, and he has already joined the Police rugby team for pre-season training.



**Michelle Storey**  
Audit Senior

Michelle is her given name however, she is fondly called Mich by her close friends and family. She has one older sister, back in Barbados, who is also a qualified accountant by profession, and who shares her love of travelling to new places. It has only been a short four months since Michelle has been in Bermuda, and her sister has already been

to visit Bermuda twice so enough said there. Michelle has managed to see quite a few sights in her travels; however, there are still many experiences she wishes to have which include visiting the Palm Islands in Dubai, the Seven Sacred Pools in Hawaii, and the Meeru Island in the Maldives to name a few.

Michelle joined KPMG in Bermuda as an Audit Senior on the Enterprise team, and she has more than more than six years of audit experience. She attained her Bachelor's Degree in Accounting & Economics (Hons.) at the University of the West Indies, Barbados, and proceeded to join her sister in the auditing world shortly thereafter. Michelle gravitated towards banking audits within the financial services sector early in her career, as this is where she gained most of her auditing knowledge and experience that afforded her opportunities to be Team Lead for both local and regional audits within the Caribbean. Michelle has also been involved in charity work. The Rotaract Club of Barbados; one of the junior arms of Rotary International, where she served as the Deputy Director of the Club Service Committee and was charged with the planning and organisation of activities targeting member recruitment and retention within the club.

Michelle gladly welcomed this opportunity to work at KPMG, as she saw it as a new and exciting experience and a way to gain a different outlook on auditing within an international market. Michelle expects her time with the firm to be one of growth, learning and further development.



# Management and communications courses



## What's on in October?

Our Management and Communications courses provide opportunities for people to reach their full potential. KPMG is committed to helping organisations develop and train their employees so they can produce exceptional business results. We focus on specific performance needs and objectives, and design our programmes to address real work challenges. Courses contain practical techniques, relevant examples, interactive learning, meaningful discussion and coaching.



### Critical Thinking for Decision Making

October 7 | half-day, \$395



### Being a Skilled Manager

October 10 | one-day, \$750



### Giving Feedback & Managing Difficult Conversations

October 17 | half-day, \$395



### Communicating with Impact

October 18 | one-day, \$750

If you or someone you know in your organisation would like to register, please contact Jennifer Outerbridge, Programme Administrator at [jenniferouterbridge@kpmg.bm](mailto:jenniferouterbridge@kpmg.bm) or call her at 295-5063 ext. 426.

The courses are held at the KPMG offices in Crown House on Par-la-Ville Road. We provide continental breakfast with all courses and lunch with one-day courses.

### Discount for multiple registrations

We offer a discount for multiple registrations. If your company registers two or more participants the same time in any of the full-day courses, we are pleased to offer a discounted fee of \$650 per participant. (There are no discounts for the half-day courses). KPMG in Bermuda is an approved provider of Continuing Professional Education credits.



**For more information, please contact:**

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