



BUSINESS IN SERBIA as CFOs view it

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TPA Serbia is a member of the TPA Group and one of the leading companies in the field of accounting, tax advisory and auditing in Serbia.

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In September 2020 TPA Serbia has become full member of Baker Tilly International. Thanks to the cooperation between the TPA Group and the Baker Tilly International network, 12 countries of the independent TPA Group are connected globally, and we are able to provide quality services in all major business centers and regions worldwide.

The Baker Tilly International network is currently active in 146 countries, employing a total workforce of over 36,000 people in 742 offices and ranks among the "Top Ten" of the Advisory and Audit networks active across the world.

RESEARCH GOAL

The research aims to obtain information about market trends in the real sector, including the plans for reorganizing legal entities from the perspective of Chief Financial Officers (CFOs). A special aspect is dedicated to the challenges in the financial sector of global and domestic companies, with the purpose of sharing experiences that can be helpful to financial directors and other managers in improving the quality of planning and decision-making processes.

RESEARCH RESPONDENTS

The research included 55 respondents, CFOs of large legal entities, both global and local.

RESEARCH AREAS

Dynamic market circumstances, reset with COVID 19, raise a number of questions in the Republic of Serbia:

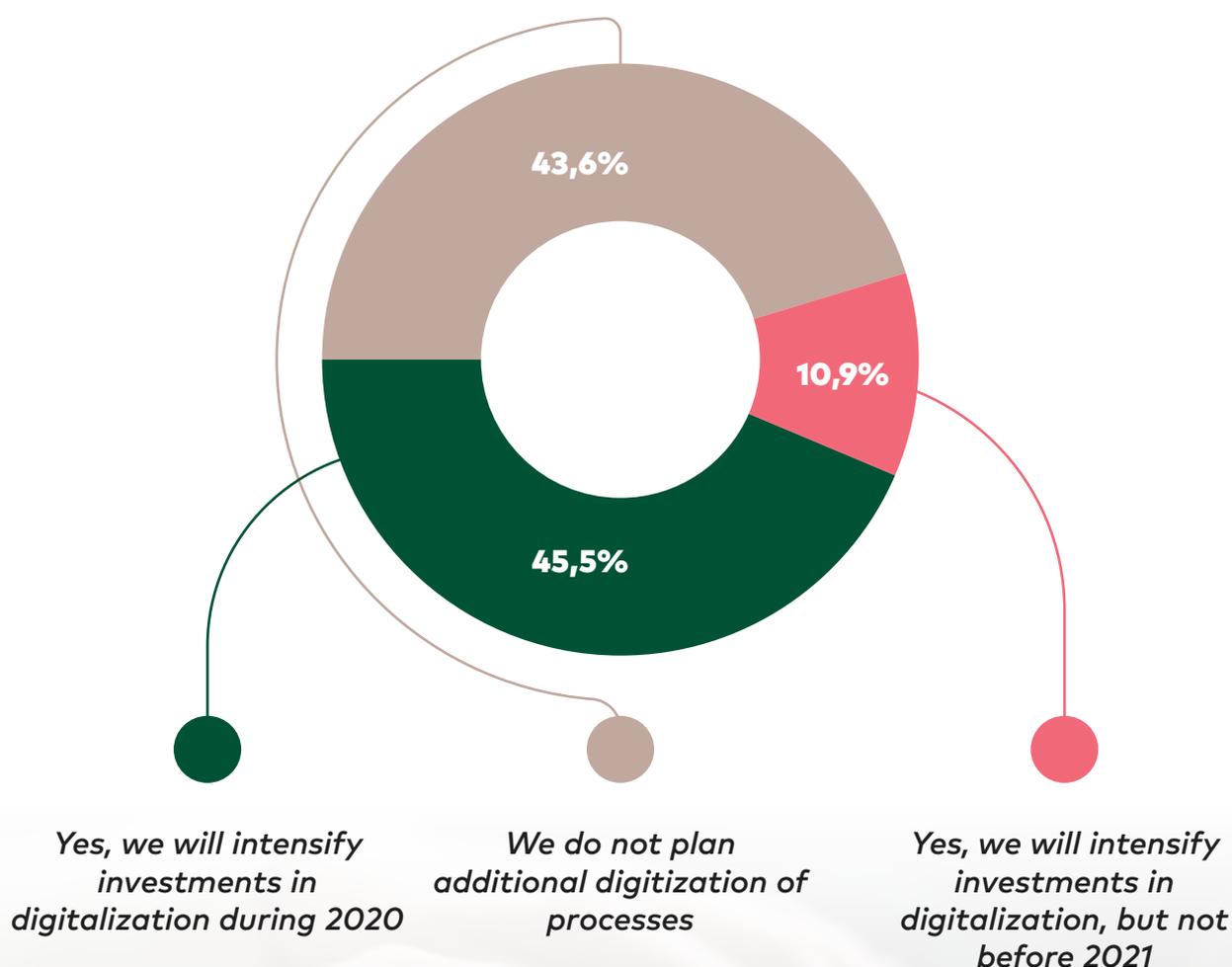
- How to maintain business liquidity?
- Is it necessary to intensify digitalization?
- How to establish an efficient work organization?
- Do we need to optimize office space?
- When is the right time to realize the planned investments?
- What is the role that CFO should pay more attention to?
- Do the challenges of globalization lead to a redefinition of the current supply chain?

The research results will provide a roadmap for improving the planning process with an aim of establishing an optimal management of the companies' resources and making the right decisions.

RESEARCH RESULTS



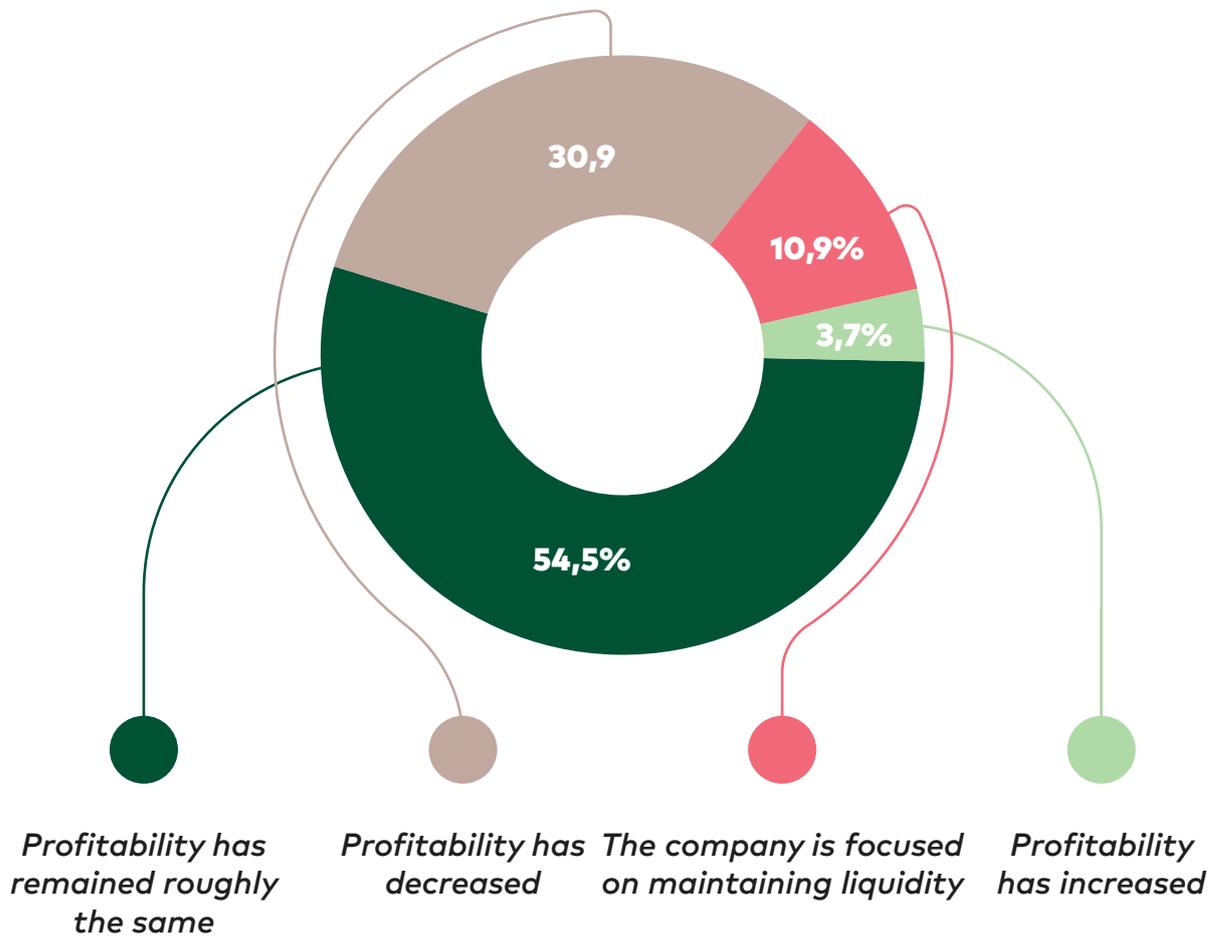
1. Given the impact of COVID-19, does your company plan any additional digitization of processes which had not been planned before COVID-19?



Digitalization of work processes is part of the agenda of most legal entities. As remote work and spatial distance have become everyday practices in the last few months, demands for digitization in work has been intensified. This is supported by the research results which indicate that the majority of respondents (45.5%) plan to intensify investments in digitalization, while 43.6% do not plan additional digitalization, and 10.9% plan to intensify investments in digitalization, but not before 2021.

2.

To what extent has COVID-19 affected the profitability of your company?

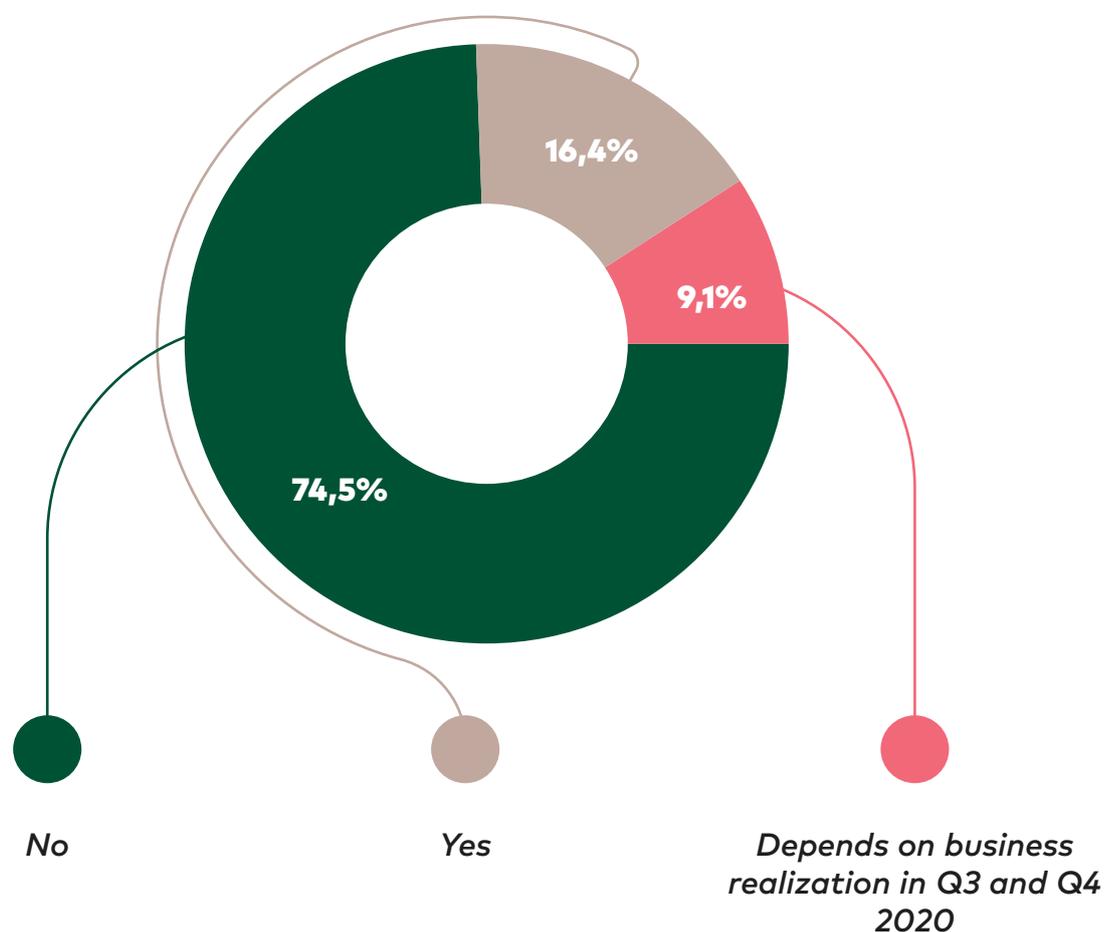


Planned projections for business realization were changed for almost 50% of respondents. Although 54.5% of respondents said that the profitability of their companies remained approximately at the same level, 30.9% respondents stated that profitability decreased, while 10.9% respondents said that the company is focused on maintaining liquidity, and 3.7% respondents indicated that profitability has increased.

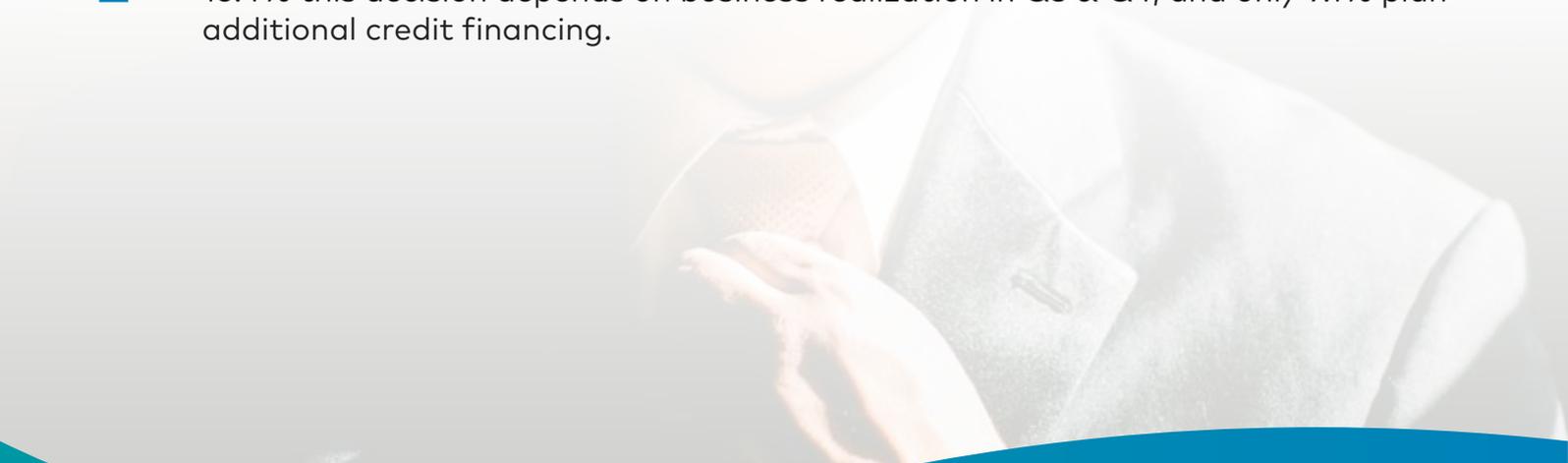


3.

Are you planning additional credit financing in 2020?

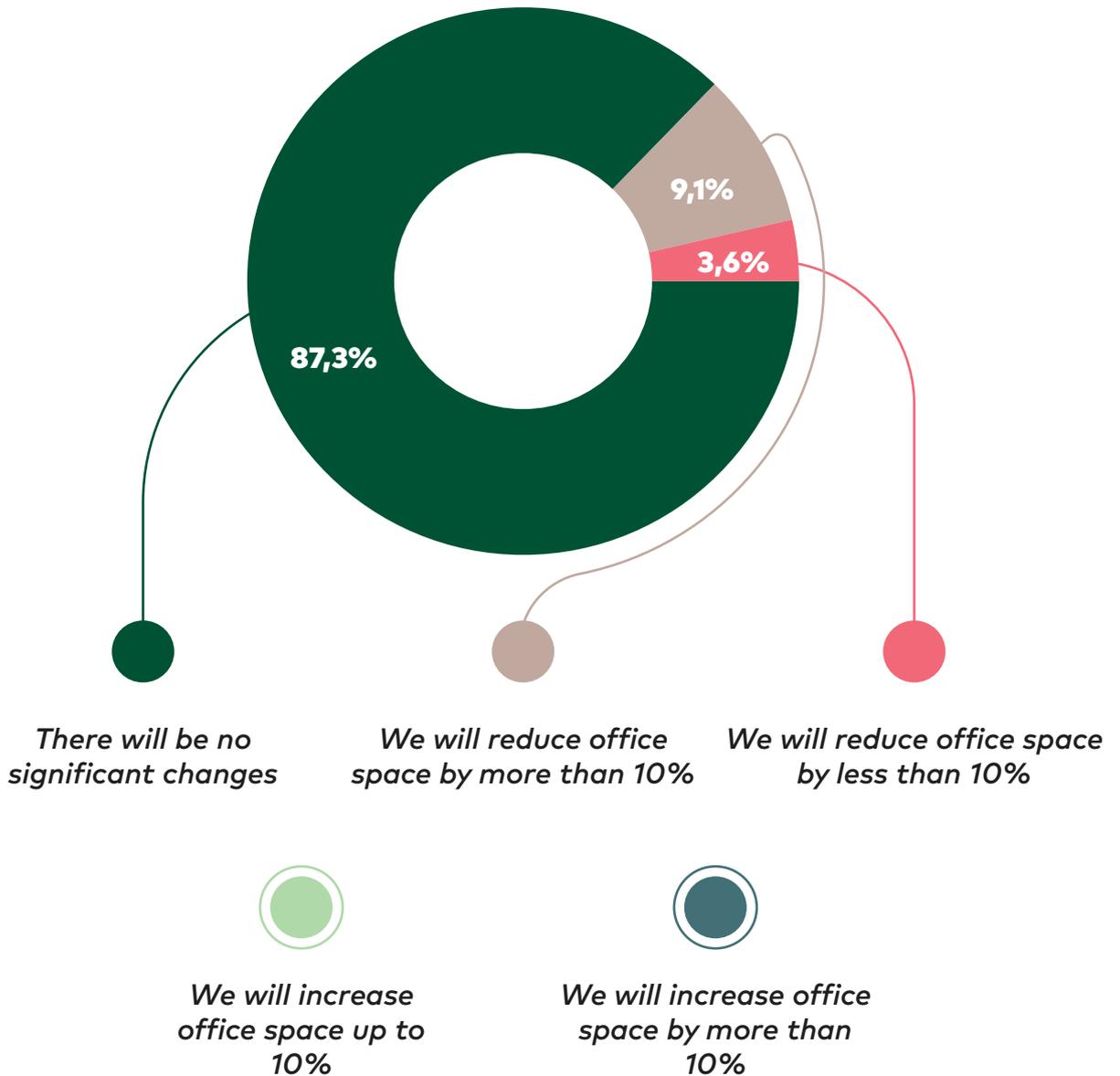


The package of measures adopted by the Government of the Republic of Serbia has contributed to avoidance or reduction of the need for additional credit financing for legal entities which are directly affected by the crisis. The largest number of respondents (74.5%) do not plan additional credit financing, while for 16.4% this decision depends on business realization in Q3 & Q4, and only 9.1% plan additional credit financing.



4.

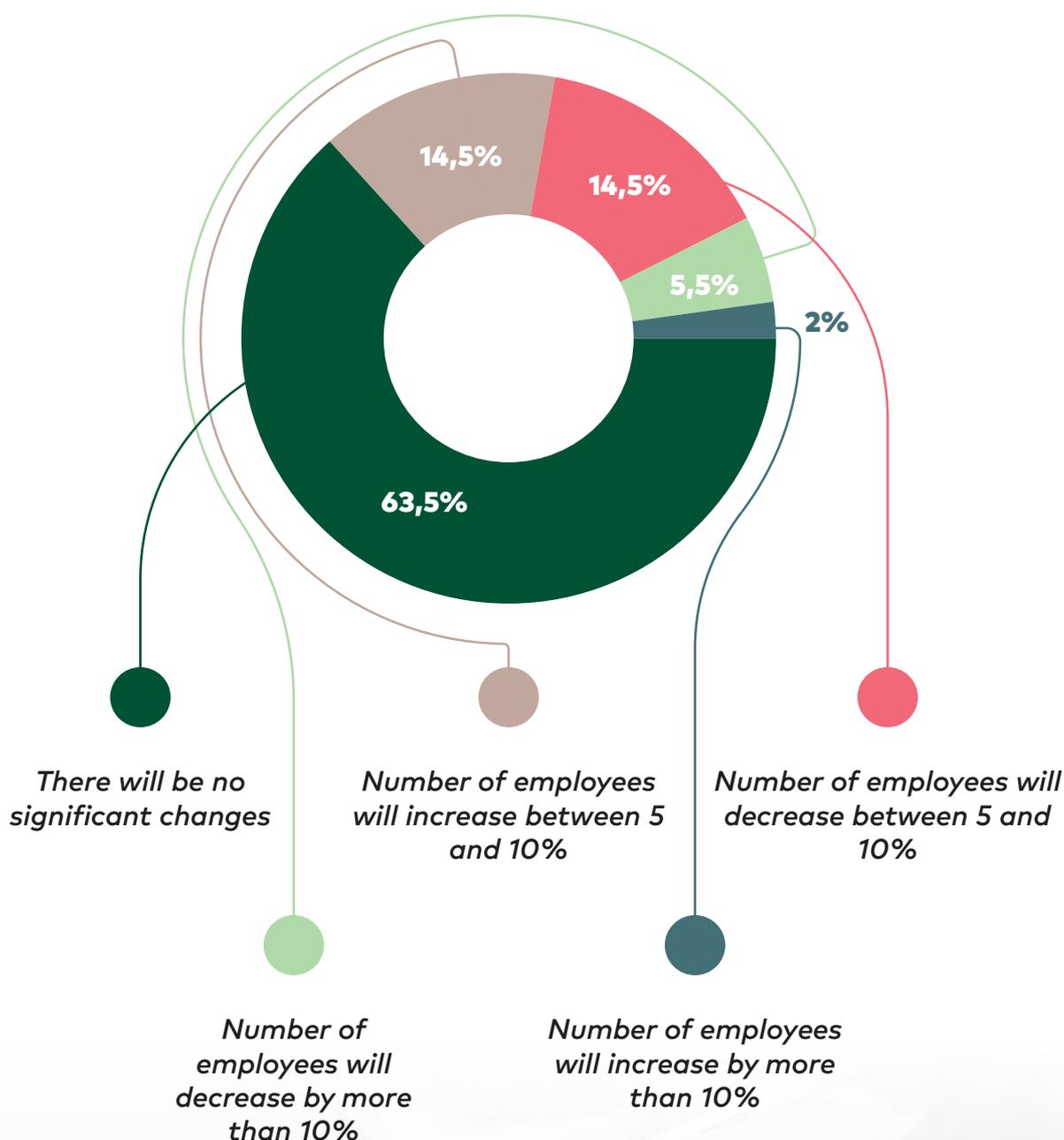
Due to the increasing amount of remote work, are you planning office space optimization in the upcoming period?



One of the most important decisions that companies are reconsidering refers to defining remote work as a business model. Decisions related to this topic will affect the real needs of the office space. The dominant number of respondents (87.3%) does not plan any significant changes in terms of office space optimization, 9.1% plan to reduce the office space by more than 10%, while 3.6% plan to reduce the office space by less than 10%.

5.

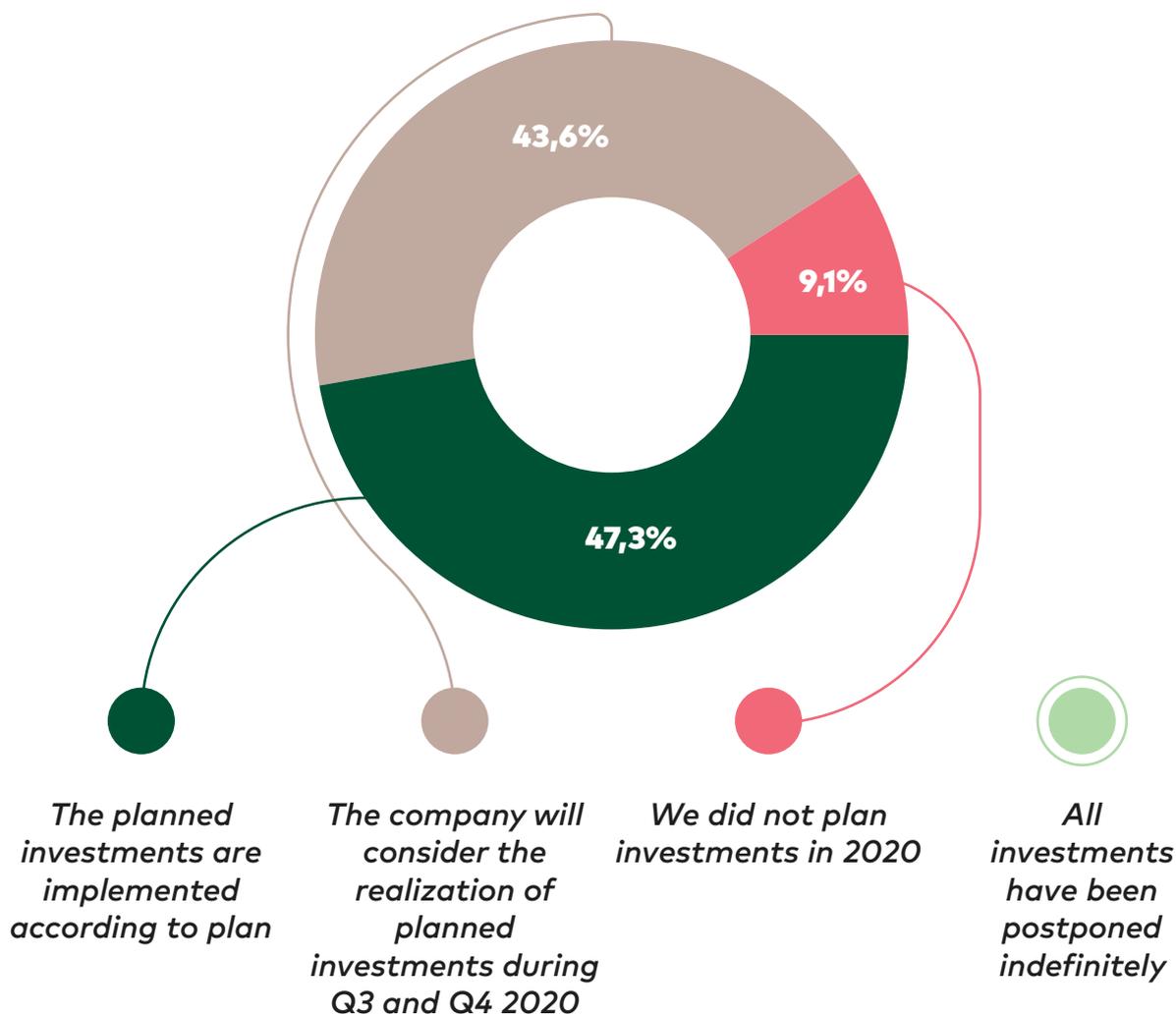
What is your prediction regarding the change in the total number of employees within your company in January 2021 compared to January 2020?



Both the economic consequences of Covid-19, and intensified digitalization will affect the reorganization of the personnel structure of companies in the following year. As for the change in the total number of employees within the respondent companies in January 2021 compared to January 2020, 63.5% will not have significant changes. 14.5% predict that number of employees will be reduced from 5 to 10%, while the same percentage predicts that the number of employees will be increased from 5 to 10%. 5.5% of the respondents think that it will decrease by more than 10%, and only 2% think it will be increased by more than 10%.

6.

Has the company, where you are employed, postponed the planned investments in 2020?

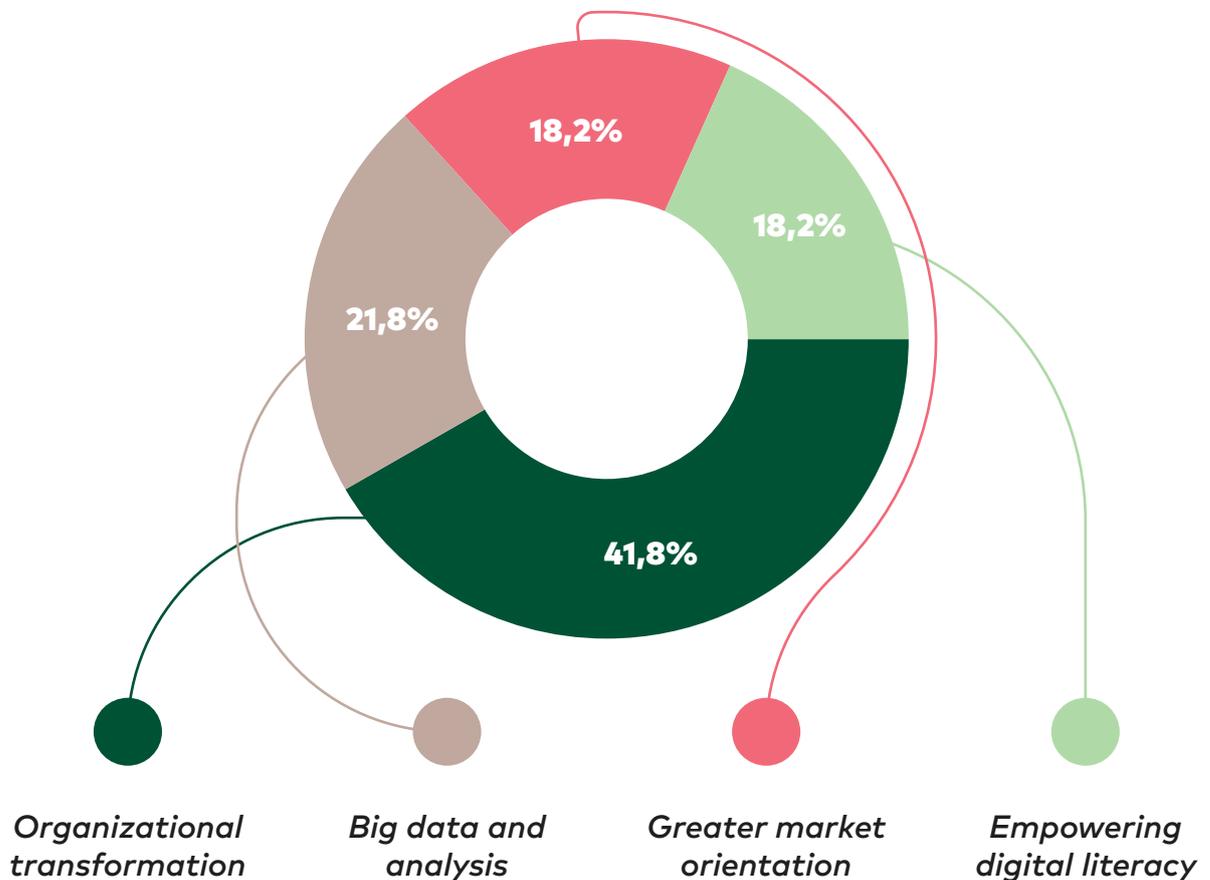


The results of the research indicate the existence of relative continuity of planned investments, which is supported by the fact that 47.3% of planned investments are taking place according to plan, 43.6% of companies will consider the realization of planned investments during Q3 and Q4, while 9.1% have not planned any investments. These results indicate that none of the respondents has made a final decision on postponing investments.



7.

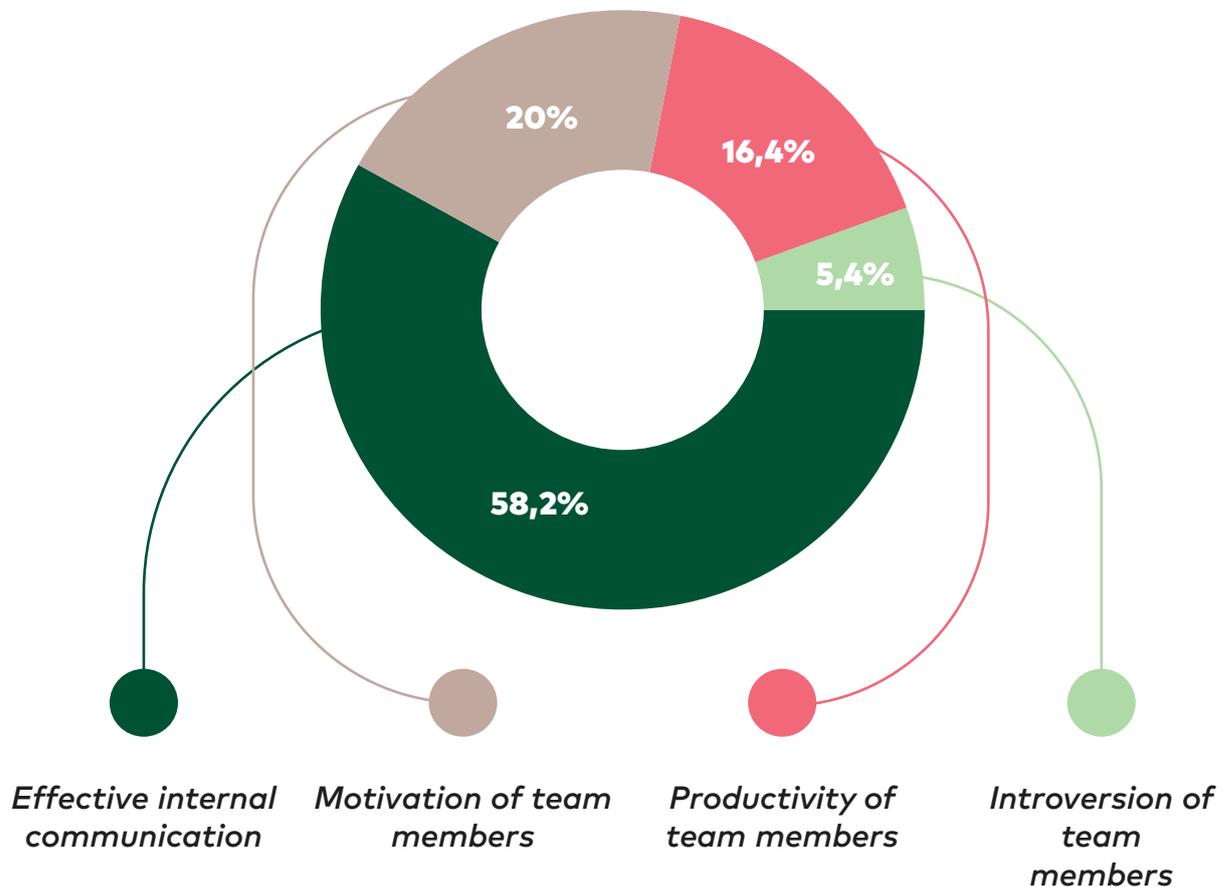
In addition to the traditional / standard roles, which of the following roles should CFO devote more attention to?



Market trends and the evolution of the function of financial directors require a redesign of the responsibilities and competencies of the financial function. Research indicates that there is a need to innovate both internal and external aspects of the work. 41.6% of respondents expressed the view that they should pay more attention to organizational transformation, 21.8% to big data and analysis, 18.2% to strengthening digital literacy, and 18.2% to a greater market orientation. The needs are very diversified, but they clearly indicate that reviewing the existing model of work is recommended.

8.

Taking into account dynamic market conditions, what is your biggest challenge, as a team leader, regarding people management?

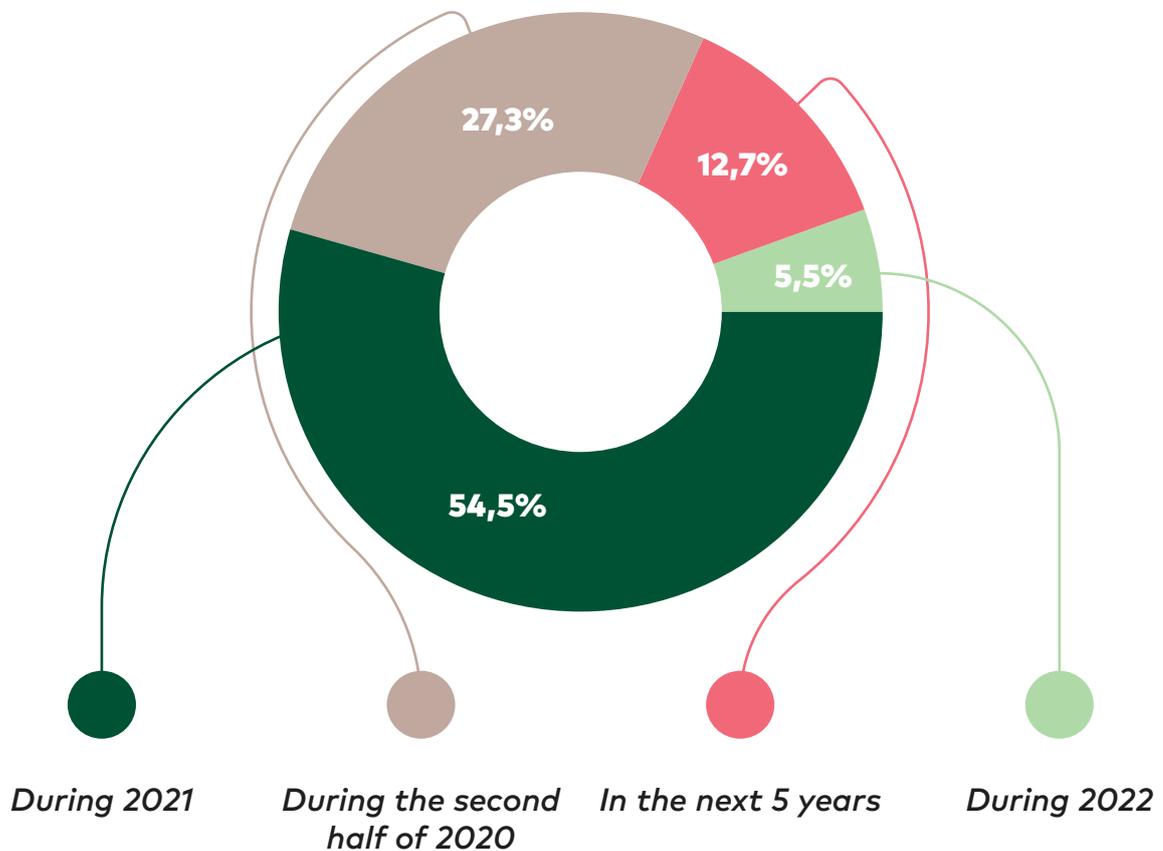


Reset of standard work models leads to a re-examination of the challenges encountered so far in team management. Is "online" leadership the future of leadership?

The majority of respondents (58.2%) believe that the biggest challenge in managing people is achieving efficient internal communication, while for 16.4% it is team productivity. For 20% of the respondents it is the motivation of team members, while for 5.4% it is the introversion of team members. Crisis situations often multiply existing challenges, so improvement of work models in regular business conditions is of great importance.

9.

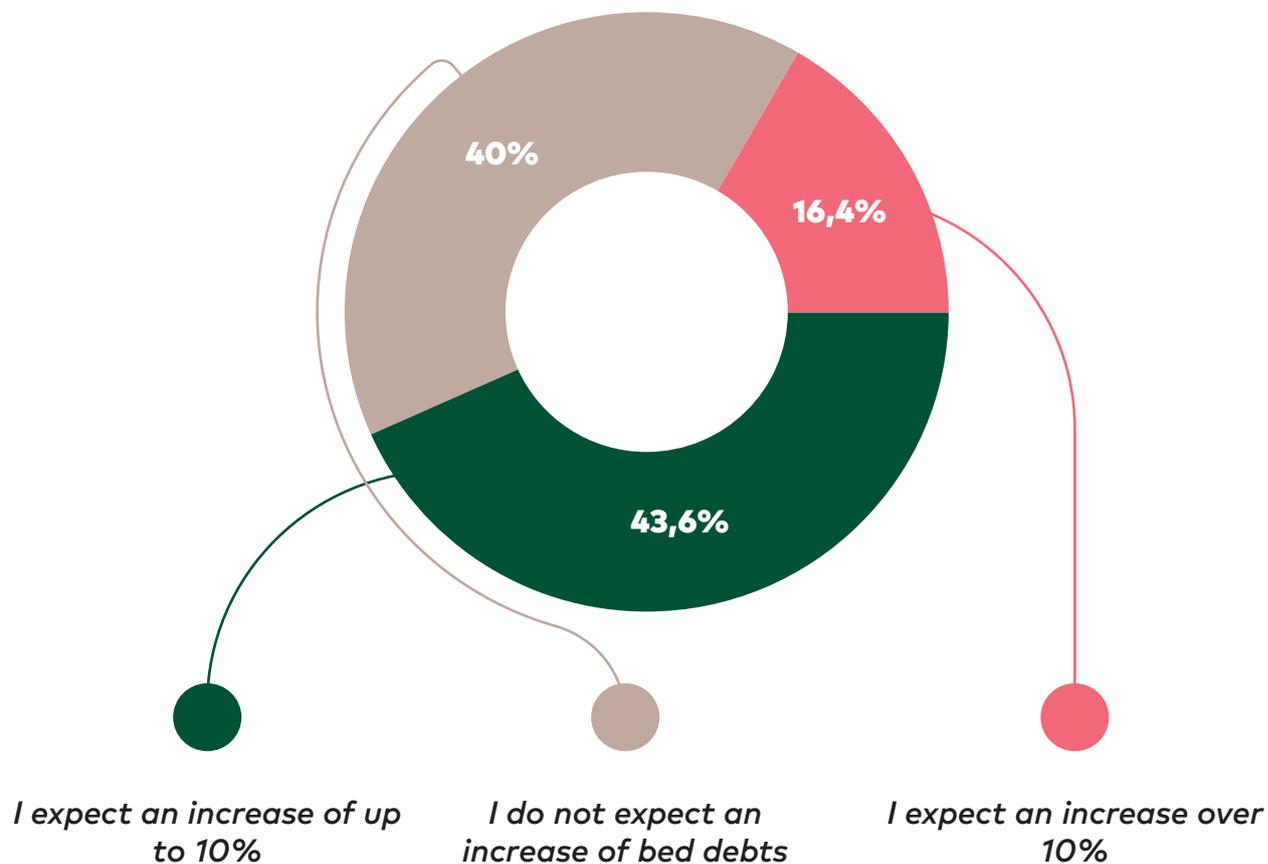
When do you expect the economic consequences of the crisis caused by Covid-19 to be most visible?



The speed of market changes affects the length of planning period. It is known that tourism, catering industry, car industry and aviation industry were among the first to feel the consequences of the crisis. Now, experts are making predictions about consequences of Covid-19 for the industries that are yet to feel them. 54.5% of respondents believe that the economic consequences of the crisis caused by Covid-19 will be most visible during 2021, 27.3% believe that it will be during the second half of 2020, 12.7% believe that it will be over the next 5 years and only 5.5% believe that it will be during 2022.

10.

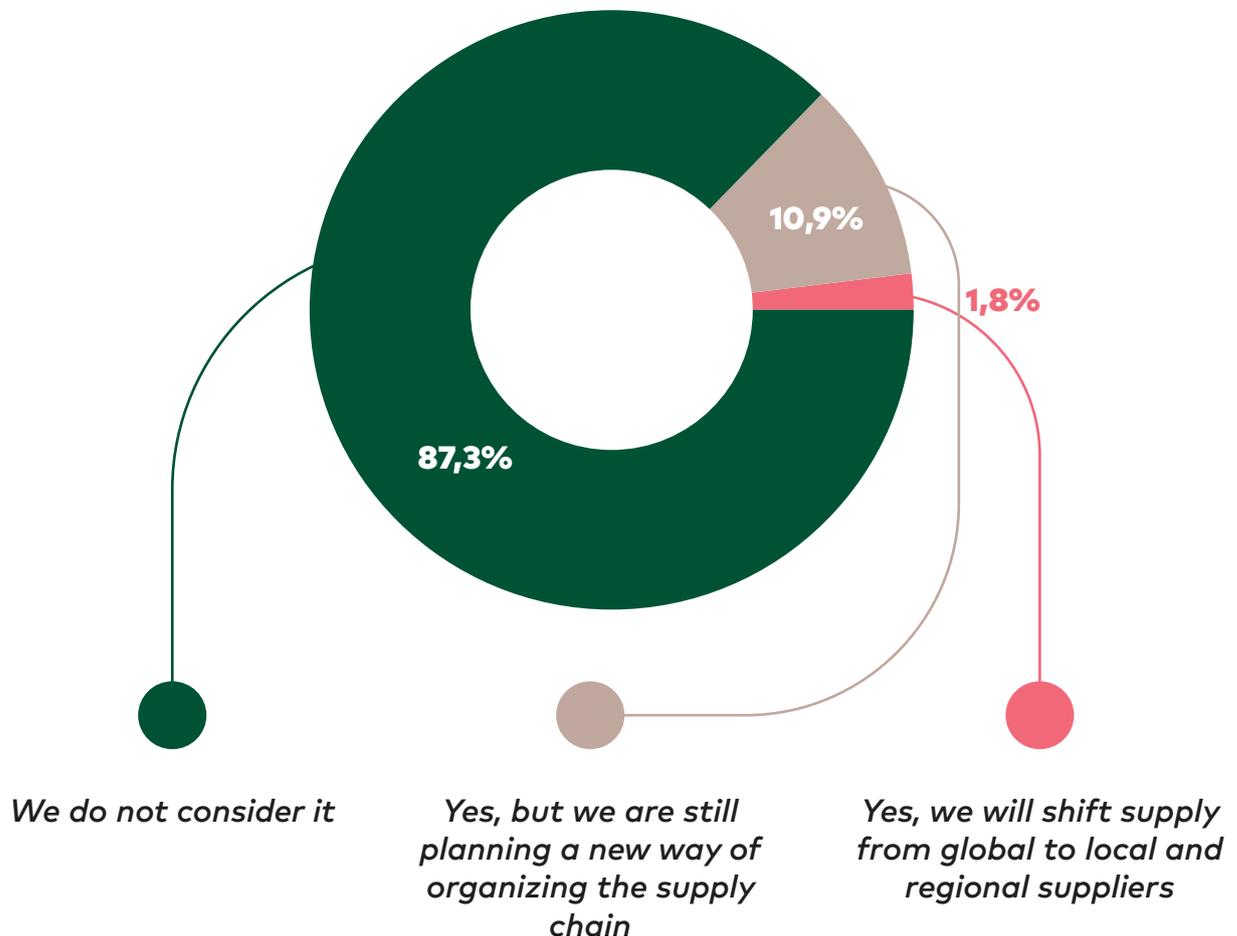
To what percentage do you expect bed debts of legal entities will grow in 2020?



Less predictable local and global market conditions affect the supply chain, cash flows and other important business indicators. According to the respondents, bed debt collection of legal entities is expected to increase. 43.6% believe that there will be an increase of up to 10%, 40% do not expect an increase in bed debts, and 16.4% believe that the increase will be over 10%.



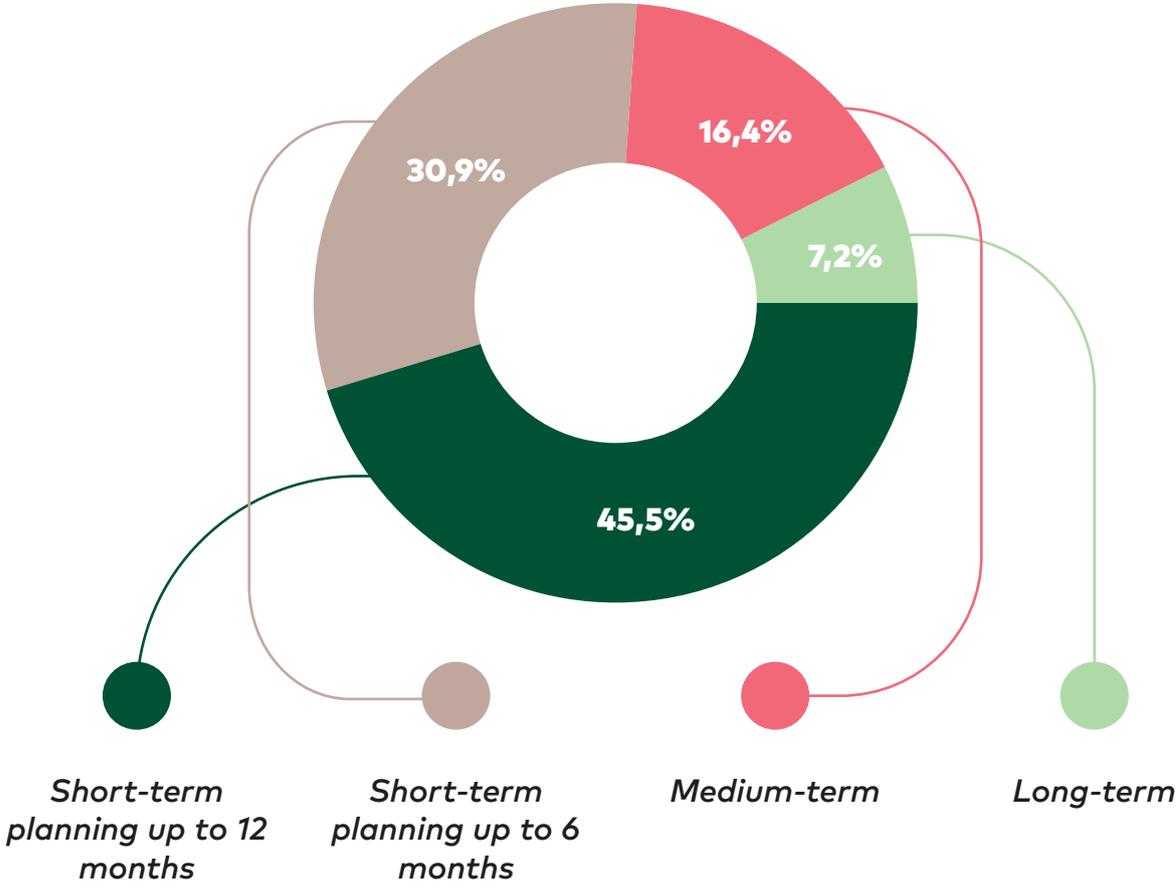
Are you considering redefining the current supply chain?



Border barriers in many countries affect the logistics sector. Consequently, companies whose operations require international transportation are reconsidering the possibility of supply chain optimization. The results obtained indicate that 87.3% of the respondents are not considering redefinition of current supply chain, 10.9% are still planning a new way of organizing the supply chain, while 1.8% have decided to redirect supply from global to local and regional suppliers. These data suggest that deglobalization (or localization) may be a chance for local and regional development.

12.

From the current position, which planning period are you focused on?

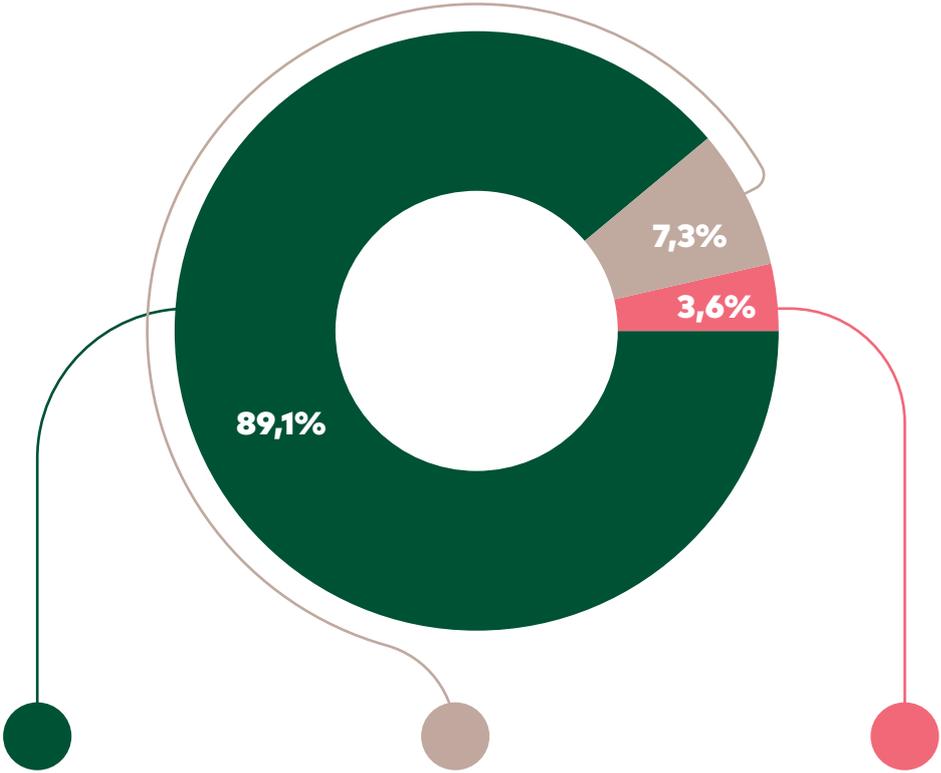


Planning timeline is dominantly focused on short-term planning from 6 to 12 months (where 45.5% of respondents are focused on planning up to 12 months, and 30.9% of respondents up to 6 months). On the other hand, 16.4% of respondents are focused on medium-term, 7.2% on long-term planning.



13.

Given the changes imposed by COVID-19, do you plan to reorganize your financial function by relocating some of its elements to external partners?



No, we have no such plans

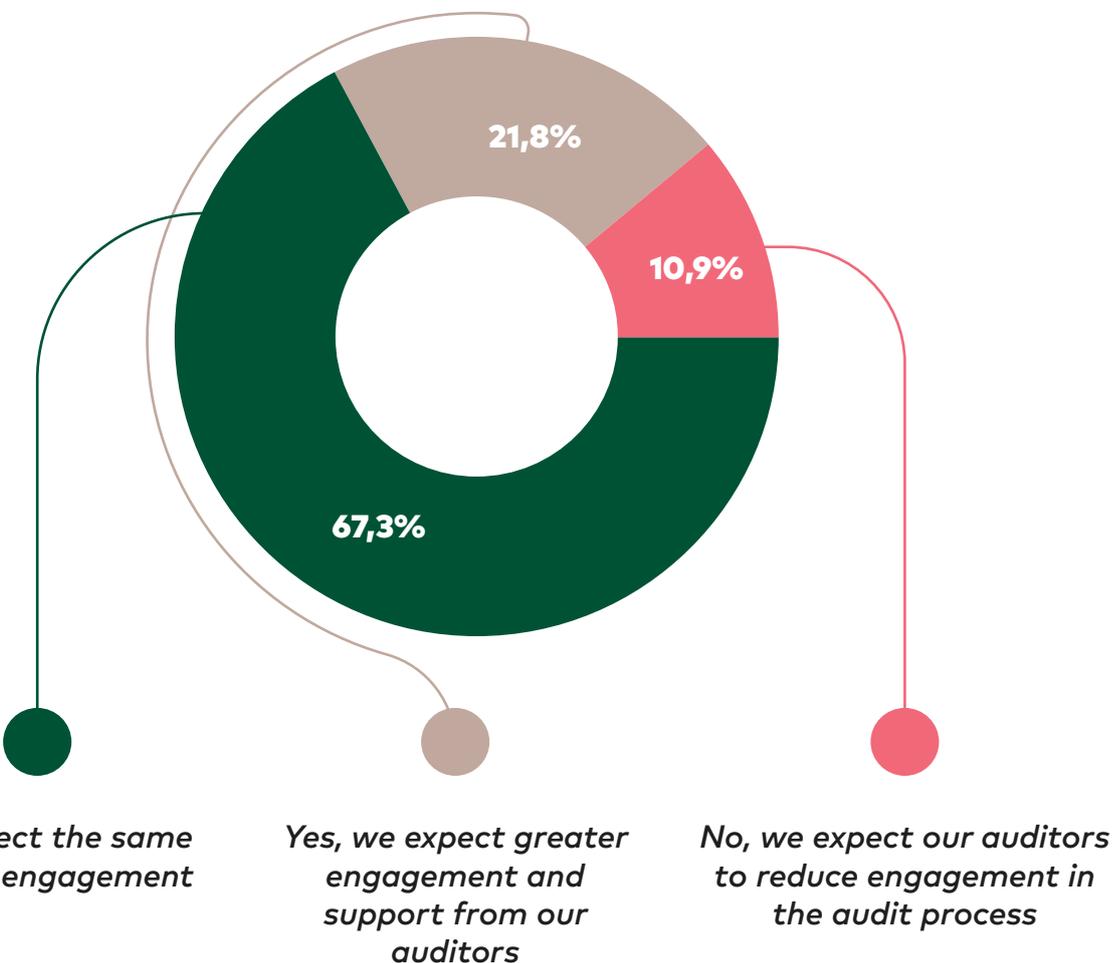
Yes, we plan to do that, but only if it turns out to be financially more advantageous

Yes, we plan to move some of the sub-functions to external partners (e.g. payroll, accounting...)

From the aspect of reorganization of the financial function and relocation to external partners, 89.1% of respondents have no plans for this type of reorganization. 7.3% plan to reorganize, but only if it turns out to be more financially advantageous, while 3.6% plan to relocate some functions to external partners.



Given the changes caused by COVID-19 have your expectations related to the audit company which audits you changed?

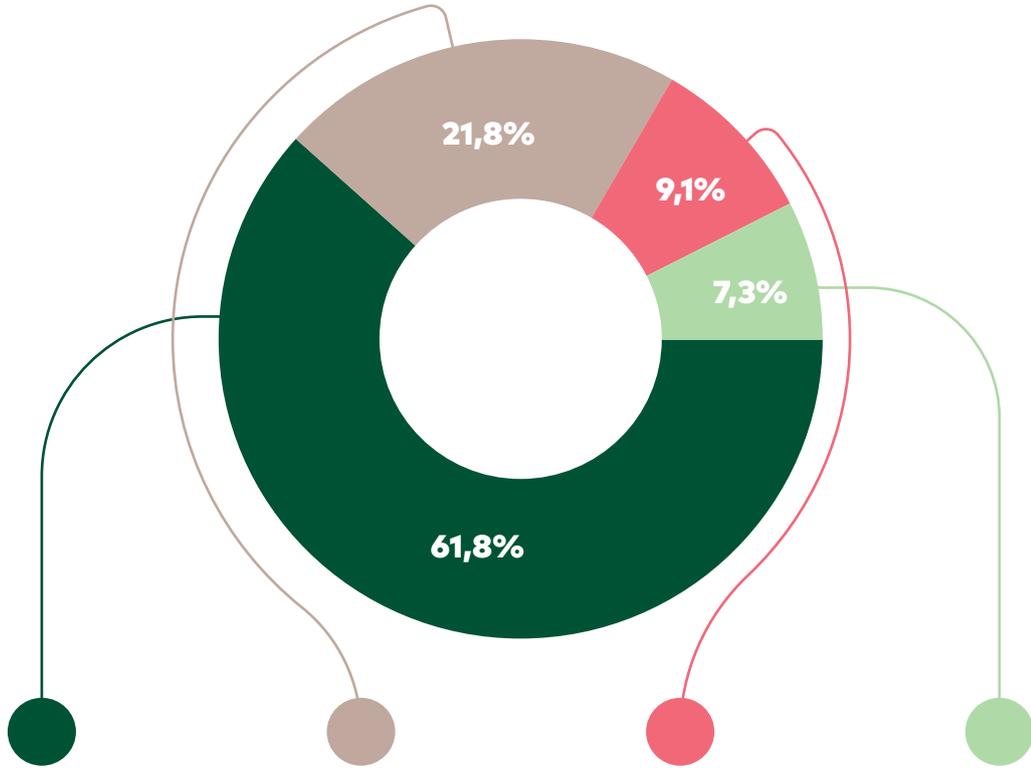


The largest number of respondents (67.3%) expect the same/unchanged auditor engagement considering changes caused by Covid-19. 21.8% expect greater engagement and support from the auditor, while 10.9% expect that the auditor will have reduced engagement in the audit process.



15.

Do you expect new packages of economic incentives from the Government in the fall?



Yes, but only to those industries that prove the negative consequences of COVID-19

No, I think that the Government does not have the financial potential to implement that

Yes, to all economic entities, because that is the only way to protect economy from collapse

No, I think that measures introduced so far have been sufficient

The results show that respondents express understanding for the industries that are most affected by Covid 19. Therefore, 61.8% believe that the new economic stimulus packages by the Government should be distributed to the most vulnerable sectors. 21.8% believe that the Government does not have the financial potential to implement this. 9.1% believe that incentive packages should be targeted to all industries, while 7.3% believe that introduced so far have been sufficient.



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Since 2020, he has been the Chairman of the Management Board of the TPA Group.

Bojan is also a visiting lecturer and an expert author in the field of taxes and M&A.



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