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MANAGING PARTNER'S MESSAGE

Frankie Chia
BDO Singapore

According to the latest quarterly survey of economists released by the Monetary Authority of Singapore, it has been pegged that the next quarter's GDP growth is between 2-4%. While numbers say a different story, it is no doubt the domestic economy is growing in a stable pace.

In an annual study conducted by BDO Global, BDO International Business Compass, Singapore was ranked number two. Countries were analysed based on macro factors, the tax aspect, political situation and social standing for medium businesses. The excellent business conditions of Singapore has been widely applauded, ideal for international trade and foreign investments.

Singapore recently hosted the Southeast Asian Games, for the first time after twenty-two years. Its emphasis on supporting a sporting culture amongst Singaporeans seems to be paying off and will continue; Singaporean athletes garnered the second highest number of gold medals, behind Thailand.

The possibility of 'Grexit' and 'Brexit' highlights crucial lessons to SEA: disparities among nations' economies and societies do matter, and regional institutions are not always able to provide solutions to the problems that result from these differences and from other pressures. A range of existing and emerging issues are converging to demand ASEAN's immediate attention. While one may lament weaknesses in regional cooperation, it is still key to addressing many of these issues at a national level.

I hope this quarter's issue of BDO Connect will enlighten you as we share our insights on the industry within Singapore and beyond.

Enjoy!

CONTENTS

Key Changes to the Auditor's Report on Financial Statements

The auditor's report on the financial statements, especially those of listed companies, is going to look different and be substantially longer from December 2016 onwards. These substantial changes to the auditor's report will not only affect auditors, but will also require additional communication with and the direct involvement of management and those charged with governance ("TCWG").

In January 2015, the International Auditing and Assurance Standards Board ("IAASB") issued a set of new and revised International Standards on Auditing ("ISAs") on Auditor Reporting, which will be effective for audits of financial statements for periods ending on or after 15 December 2016. This was in response to calls by investors and other users of financial statements for enhanced auditor's reports that are more informative about the audit that was performed.

In Singapore, the Institute of Singapore Chartered Accountants ("ISCA") is currently working on local adoption as part of Singapore Standards on Auditing ("SSAs") and an exposure draft was released in May 2015 detailing the proposed changes to SSAs. SSAs are substantially aligned with the ISAs, however certain local amendments are made to conform to the Singapore statutory and regulatory environment.

What will change?

Auditor's reports for all entities audited under ISAs/SSAs will change, however some of the new requirements are only applicable to audits of listed companies. The key changes are tabulated in the next page.

Key audit matters

The most significant change will be the reporting of key audit matters ("KAM") for listed companies, as required by the new ISA/ SSA 701 *Communicating Key Audit Matters in the Independent Auditor's Report*. The reporting of KAM is intended to provide more transparency about the audit that was performed by giving more information about those matters that, in the judgement of the auditor, were most significant in the audit of the financial statements.

So which matters in practice are auditors likely to include in the KAM? KAM are to be selected from matters communicated to TCWG (based on existing requirements) i.e. in the Singapore context, typically those matters reported by the auditor in the presentations to the Audit Committee. As KAM are intended to be entity-specific (rather than generic), their selection and description is largely based on the auditor's judgement rather than prescribed by the standards. The auditor chooses the most significant from those matters which required significant auditor attention during the audit and must specifically consider:

- areas of higher risk of material misstatement/ significant risks;
- areas of auditor judgement relating to the financial statements involving significant judgement (such as accounting estimates); and
- the effect of significant events or transactions during the year.

Examples could include going concern, impairment of goodwill, a significant business combination, complex revenue recognition issues etc. The description of KAM is to include why they were considered most significant, how they were addressed in the audit and reference to the related disclosures in the financial statements. It is up to the auditor's professional judgement whether that might include details of the auditor's

Mandatory for LISTED ENTITIES, voluntary for others		
1.	**Key audit matters**	• New section to communicate matters that, in the auditor's judgement, were of most significance in the audit.
2.	**Name of engagement partner**	• Requirement to disclose the engagement partner's name, with a "harm's way" exemption.
ALL audits		
3.	**Ordering of sections**	• "Opinion" to be presented first, followed by "Basis for Opinion" i.e. to place audit and entity-specific information first.
4.	**Enhanced going concern reporting ("GC")**	• Descriptions of the responsibilities of management and the auditor for GC. • Separate section when a material uncertainty about GC exists and is adequately disclosed in the financial statements. • New requirement for the auditor to challenge the adequacy of GC disclosures in "close call" situations when events or conditions are identified that may cast significant doubt about the entity's ability to continue as a GC, but no material uncertainty exists.
5.	**Statement about auditor's independence and ethical responsibilities**	• Affirmative statement about the auditor's independence and fulfilment of relevant ethical responsibilities, and disclosure of the applicable jurisdiction or reference to the IESBA *Code of Ethics for Professional Accountants*.
6.	**Enhanced description of auditor's responsibilities**	• Enhanced description of auditor's responsibilities and key features of the audit to provide greater transparency and understanding of the role of the auditor and the nature of the work. Some jurisdictions, but probably not Singapore, may allow part of this (standardised wording) to be included outside of the body of the audit report.

approach, procedures, findings or other observations. The auditor must also determine an appropriate balance between technical accuracy and understandability in their choice of language and the level of detail to be included in the KAM.

The Singapore context and experiences elsewhere

As noted above, the ISAs include certain requirements applicable only to listed companies. In developing the standards the IAASB noted that specific jurisdictions may wish to extend those requirements to other Public Interest Entities ("PIEs"). In the Singapore context, ISCA has considered this as part of its adoption process. Although the initial proposal is to limit reporting of KAM to listed entities at initial adoption, questions have been included in the exposure draft on whether other PIEs (such as all financial institutions) should be included, and it is also possible that the requirements could be extended to these or other entities.

In the UK, the FRC introduced an auditor reporting standard effective since 2013 that requires reporting by listed companies of risks that had the most effect on audit strategy and how they were addressed, which is similar to the reporting of KAM required by the ISA/SSA 701. There are also initiatives with similar objectives underway by the European Union (EU Audit Regulation) and the US PCAOB, and effective from 2014 in the Netherlands. Research conducted in the UK indicates that the reaction from investors has so far been very positive.

Reading the annual reports of UK listed companies for 2013 and 2014, that include descriptions of risks that had the most effect on audit strategy and how they were addressed, is a good way to form an idea of what reporting of KAM under ISA/SSA 701 will look like. performed.

What should management and those charged with governance be mindful of?

We recommend that management and audit committees begin to think about the impact of the new requirements now given the increased level of disclosure in the auditor's report. Reporting of KAM in particular will result in additional time and effort by the auditor, as well as additional communications between the auditor, management and TCWG. In practice, robust discussions are expected about KAM, and sufficient time must be allowed for this in the audit timetable. There will also likely be an increased focus by users of the financial statements on the disclosures in the financial statements that are highlighted in the KAM. The financial statements disclosures continue to be the responsibility of management.

For listed companies with a 31 December year end, it may be a good idea to develop an understanding during the audit of the 2015 financial statements about the types of matters likely to be reported by the auditor. Management may wish to reconsider the extent of disclosures in the financial statements on these areas, and also to make sure that effective communication is in place between the auditor, management and TCWG to allow for timely reporting on the 2016 financial statements once the new requirements are effective.

For more information:

1. Visit the IAASB website for copies of the ISA standards and other resources, including Illustrative Key Audit Matters at: www.ifac.org (Auditor Reporting)
2. Visit the ISCA website for the Exposure Draft and an Explanatory Memorandum detailing proposed local amendments at: www.isca.org.sg (Auditor Reporting)

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New Revenue Standard Likely to Be Deferred to 1 January 2018

1 January 2018 is shaping up to be a significant date for first-time application of new accounting standards. 1 January 2018 is the application date for the new financial instruments standard, IFRS 9 *Financial Instruments* (FRS 109), the date when Singapore incorporated companies listed on SGX must adopt full IFRS, and is also likely to be the application date for the new revenue standard, IFRS 15 *Revenue from Contracts with Customers* (FRS 115). At their April 2015 board meeting, the International Accounting Standards Board (IASB) tentatively decided to defer the effective date for IFRS 15 from annual reporting periods beginning on or after 1 January 2017, to annual reporting periods beginning on or after 1 January 2018. Early adoption will still be permitted. The tentative decision was a result of the US Financial Accounting Standards Board (FASB) deciding to delay the US equivalent for a year, and preparers requesting more time for implementation due to the complexity of the standard and the significant changes that would be required to systems and processes. The IASB has issued an Exposure Draft proposing the new effective date with comments due by 3 July 2015.

Will there be any changes to IFRS 15?

Readers should not view this tentative decision to defer the standard as an indication that either this standard will be withdrawn, or that the standard is going to be subject to major changes, or be rewritten. The proposed deferral is simply an acknowledgement of the complexity of the standard and the length of time that an organisation will need to properly implement the standard. Although the IASB and the FASB may be making technical changes to the wording, issuing more guidance, etc., the requirements of the standard will not change.

Next steps

IFRS 15 is here to stay (although likely to be delayed for 12 months), and in many cases it is likely to change the pattern and/or amount of revenue recognised. We recommend that you start considering the implications of IFRS 15 on your revenue recognition policies, because you may require extensive changes to your accounting and other information systems, as well as to bank covenants, employee remuneration targets, etc. This is particularly important if your business generates revenue from contracts that span multiple reporting periods.

More on IFRS 15

For more information on IFRS 15, including a range of publications and webcasts, please refer to the IFRS 15 section on the BDO International website at BDO International | Revenue Recognition.

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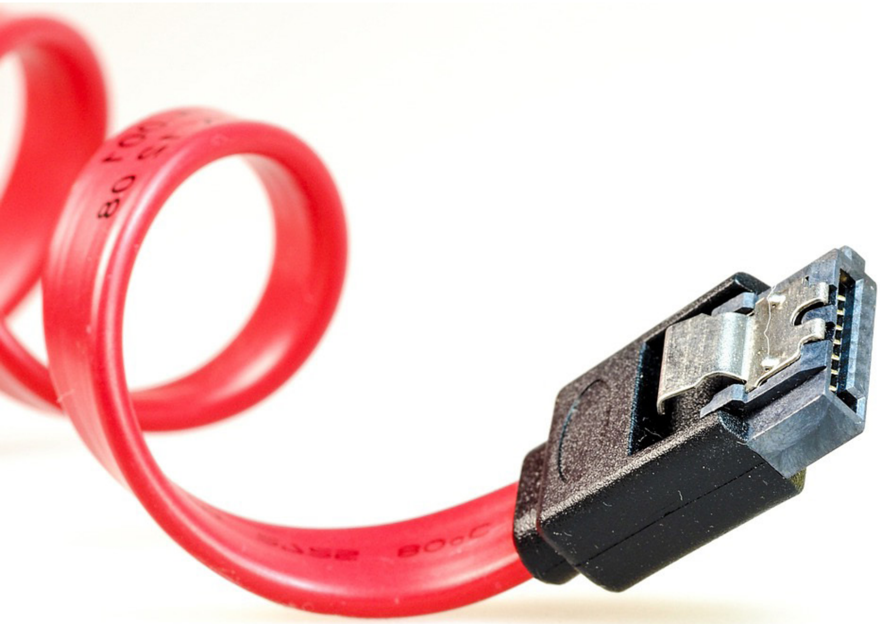
Establishing an Effective Internal Audit Function

Establishing an effective internal audit function is hardly a revolutionary topic. Most if not all would agree that internal audit has a higher chance of success when it is structured on an organisation's risks and needs.

It is widely accepted that internal audit serves as the third-line of defence within an organisation's internal control framework. It provides independent, objective assurance and advises on activities that improve an organisation's operations and add value to the Board of Directors (Board) and senior management, who are positioned as the first-line of defence.

Internal audit, by convention, offers compliance and periodic audit on operations. However, such limited scope is no longer sustainable in today's business environment. To further enhance its relevance and value, internal audit needs to be involved in Enterprise Risk Management, Fraud, Cybersecurity and Information Technology security assessment. Risk management is forward-looking as compared to compliance where reviews are performed on past activities.

It is also in the Board's interest to push for internal audit to incorporate strategic and emerging business risks reviews in its scope, besides its contribution to good governance, especially given the heightened emphasis on corporate responsibility and accountability. When establishing an internal audit division strategy must drive tactics. Key strategic issues are sometimes overlooked. It is useful to look at cases where there have been internal audit-related shortcomings. Some of the key weaknesses found in SOX Section 404 internal control reports are: lack of a comprehensive or effective internal audit program/function; lack of independence in the internal audit function; staffing problems and inexperienced internal auditors.



Going beyond compliance

We increasingly see stakeholders asking, if not demanding, internal auditors to address strategic and emerging business risks. The Institute of Internal Auditors (IIA)' 2014 The Pulse of the Profession identifies strategies for advancing internal audit in a report titled "*Enhancing Value Through Collaboration: A Call to Action*." The report examines changing expectations from key internal audit stakeholders based on the findings of four major industry surveys conducted in the first half of 2014. A mutual set of actions to accommodate this changing landscape of internal audit is necessary. It takes two hands to clap after all. For a start, internal auditors need to manage expectations with their primary stakeholders, i.e., the Board, the Audit Committee and senior management and structure their activities accordingly. The Board, on the other hand, needs to encourage internal auditors to go beyond mere compliance audits and develop an increased focus on business value-added reviews.

Communication is key

A clear and open communication between both parties would help bridge the needs and expectations of the internal auditors' primary stakeholders. It is essential for the Board and senior management to keep the internal auditors updated with key developments concerning the company's business and strategic plans. To be highly regarded by the top management internal auditors need to develop effective communication process outside of the scheduled audits.

Moreover, the Board needs to provide the internal auditors with a mandate of an appropriate authority and of an applicable structure that supports its enlarged scope, besides independence and objectivity. The mandate which is typically set out in a written charter must be compatible with the charter of the Audit Committee and consistent with the standards of IIA.

Getting the right balance

To evolve from a function primarily focused on financial risks to one that covers a broad spectrum of risks, internal audit has to recruit staff with more diverse backgrounds and work experiences. Organisations are also increasingly more global than before. At the same time, the Board (or Audit Committee) has to play its role too. Having provided the mandate, the Board (or Audit Committee) should also be critically reviewing the composition of the internal audit function.

Internal audit's value proposition is only as good as the skills the function brings to the organisation. There has to be a right blend of capabilities or each of the internal audit assignments. Nonetheless, it has proven to be a challenging exercise. It depends on the availability of resources to form a team that is well-informed on the local rules and regulations paired with business acumen.

One option for the Board is to look internally to supplement the internal audit function. Experienced employees with specialised skill sets are an asset as they are familiar with the organisation's operations, structure, culture and internal control environment. Organisations could consider secondment of these experienced staff to the internal audit team, either on a project basis or for a period of time. For such an arrangement to be successful, appropriate on-the-job training for experienced staff is required to fill in the gaps of internal audit methodology. The Board should be mindful of the potential downside of this arrangement, i.e., the secondee cannot be involved in auditing the area that they worked in. Consequently, the Board needs to ensure proper structure in place to maintain objectivity and to avoid any possible perception of conflict of interest.

Establishing the suitable internal audit setup

Strengthening the internal audit function via secondment is not a sustainable solution in the long run. The Board may explore the option of co-sourcing or outsourcing internal audit arrangement. Multinational companies and government bodies tend to recruit an in-house team of internal auditors due to the size of operations as well as the number of rules and regulations to be complied with. However, even for these organisations, it remains a perennial challenge to recruit and form an internal audit team that can deal with diverse risks and subject matter expertise. Outsourcing or co-sourcing internal audit arrangement can help an organisation attain flexibility and reduce costs by complementing existing personnel and providing access to variable skill sets.

Some common types of co-sourcing or outsourcing audits are Information Technology, Enterprise Risk Management, Human Resources and Payroll audits. The primary rationale for such an arrangement ranges from being a cost efficient solution to also protecting your company's sensitive information. Furthermore, there is also a strong demand for specialisation and expertise in Enterprise Risk Management. Although the Board is not expected to be thoroughly well-informed about risk management, they should be aware of the risks and understand risk management. Particularly because Enterprise Risk Management implementation is still at its infancy in the business world of Singapore. Hence getting an external service provider would reap strategic value. Organisations with limited in-house specialists could also tap on internal audit firms.

The price tag

As good stewards of the organisation, the Board rightfully has to get the bang for the buck. There is no simple answer or formula to determine the internal audit budget. The budget should be driven by the complexity of risks an organisation faces. There are some crucial factors when planning the budget. Besides the internal audit plan and the scope of work, it should factor in employee competency and the availability of resources and the maturity of risk management. The organisation needs to ensure that its audits are performed efficiently and at a high quality as much as possible.

Not unlike any other business

The Board plays a critical role in establishing an effective internal audit function. Change is constant, and the evolution of internal audit is no exception. An internal auditor needs to constantly communicate with his/her stakeholders to ensure that he/she is focusing on areas of concern. Internal audit is often regarded as an extended arm of the Audit Committee to conduct ad hoc and routine internal control review in order to discharge Audit Committee's oversight responsibilities in risk management and internal control. A progressive Board will also engage internal auditors to focus on business value-added reviews to address strategic and emerging business risks. This requires the Board (or Audit Committee) to right-size the internal audit unit based on the organisation's risk profile. The internal audit division's human capital strategy should reflect its mission, role and required competencies.

Lastly, the key is to note that internal audit is agnate to any other business process. Its performance and value contribution can be measured if clear value drivers have been established at the start and effective measurement protocols are developed. Look beyond the organisation to identify leading practices that can improve process of internal audit performance.

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Reliving Tradition and Embracing Innovation in Family Businesses

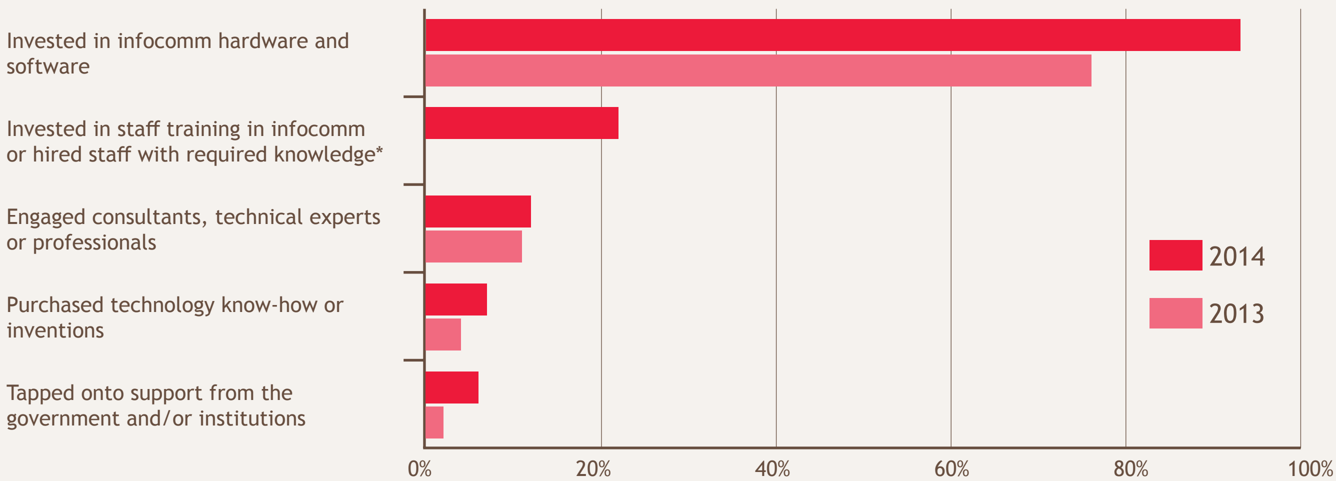
In 2014, Small and Medium-Sized Enterprises (SMEs) in Singapore constituted 99% of the businesses in Singapore and employed 66% of the total workforce[1]. The Singaporean government's renewed emphasis on productivity and innovation in the Budget 2015, especially towards SMEs, has made many business owners realise that innovation is vital not only for their businesses but for the national economy as a whole. In the face of growing international competition, Singaporean SMEs must innovate to remain competitive in the global business landscape.

Differences Between Invention and Innovation

In a recent survey conducted on 2,836 SMEs by DP Information Group (DP), there are positive signs that SMEs are embracing change to remain more competitive. In the last 12 months of 2014, 64% of SMEs have invested in strengthening their in-house technology, up from 58% a year ago. 93% of those that invested in technology chose to upgrade their hardware and software. However, only 12% engaged consultants, technical experts or professionals and only 7% purchased technology know-how or inventions.

Nevertheless, SMEs should understand the clear distinction between invention and innovation, bearing in mind that not every invention is destined for innovation. Innovation involves tapping into more efficient and effective ways of processing materials, utilising new technology to develop and manufacture products and coming up with creative and sophisticated distribution channels and business models. It also involves convincing customers to use existing products in different ways before launching new products. Firms who have successfully cultivated an innovative culture typically have established and sophisticated processes, thus allowing them to scan the market for upcoming trends. They are then able to familiarise themselves with new technologies and product features which enable them to develop new products from the prototype stage to commercialisation.

ACTIONS TAKEN TO STRENGTHEN IN-HOUSE TECHNOLOGY INNOVATION CAPABILITIES



*not asked in 2013 survey

Source: SME Development Survey 2014, DP Group

Innovation in Family-Owned SMEs

Innovation can be a challenging process as firms must undergo the necessary process of transitioning into a more established, mature business aiming for long-term success. Many SME owners often wonder if the path to innovation is worth pursuing. Additionally, many SMEs are family-owned and may have limited resources, and can therefore be resistant to change.

However, family-owned SMEs may be more innovative than their counterparts due to the long-term focus of such businesses. For example, in the German automotive industry, family-owned car manufacturers such as BMW and Audi are known for their continuous technical innovations and their focus on safety, comfort and efficiency. Nevertheless, due to the nature of the family influence in these firms, they are often perceived to be stable, conservative and traditional. Such attributes are typically assumed inhibit innovation and change.

How then can family-owned SMEs strike the right balance between encouraging innovation and maintaining tradition? How do they find the synergies between stability and tradition with an entrepreneurial spirit to enable them to exploit future opportunities? In this first of a two-part series, let us take a look at the challenges of family-owned SMEs and how these factors could be mitigated to address such challenges.

Overcoming Factors Inhibiting Innovation

Family business owners have to acknowledge that family-owned firms are different from non-family firms. This is due to their unique organisation structure and governance, resource availability, goals and, most importantly, their history. There are several factors that are unique to family-owned firms that must be managed to ensure they do not impede innovation.

Firstly, many family businesses tend to be thrifty and are unwilling to take on additional debt or other external financing measures to fund research and development (R&D) because of the fear of dilution of ownership. Product development can require highly skilled and experienced employees and technology-intensive equipment and, depending on the industry, the development period may take several years. In reality, this can translate into the business investing large amount of money with no guarantee of returns. Therefore, it is important for family-owned SMEs to develop a clear investment and cooperation strategy to fully utilise external resources, to show how these investments will be used to achieve the business's short-, medium- and long-term goal. There should also be full transparency regarding the business's R&D spending. Family-owned SMEs could look at partnering with other similar family-owned businesses facing the same challenges regarding innovation, to

INNOVATION-INHIBITING FACTORS IN FAMILY BUSINESSES

reduce the investment barrier and spread the risk across different partners. Family-owned SMEs should also encourage more informal exchanges and/or formal cooperation to allow employees to gain complementary skills and knowledge, thus encouraging employees to remain open-minded and thereby avoid the "tunnel vision" mind set.

Secondly, emotional attachment to a particular product or brand can render businesses reluctant to replace them. This is especially so in family-owned SMEs where rich histories and deeply-rooted traditions are often prevalent. "Achievement Myopia" is a phenomenon that occurs when business owners overvalue their past success at the cost of underestimating the need for change, often to the detriment of the business. Family-owned SMEs need to constantly remind themselves to be objective about their particular products or brands. It is understandably not easy to do, especially for business owners and long-term employees who have committed so much to the business. It is therefore advisable for family-owned SMEs to constantly remind themselves that the way to remain competitive is to revisit their processes and products, so they can adapt and change their business model to newer, emerging trends.

Finally, inflexibility in family-owned SMEs are often a hindrance to innovation and can be due to the long-term nature of the employment of their employees. Workplace uniformity reduces diversity and discourages the introduction of innovative or even radical ideas into the existing system. Family business owners and long-serving employees can become very comfortable with a certain way of doing and running the business, which can turn into inflexibility after an extended period of time. This is aggravated when family-owned SMEs routinely hire people with similar educational backgrounds, reducing the opportunities for an injection of new ideas into the business. However, this could also partly stem from the challenges SMEs face more generally in attracting talent into their businesses. The problem worsens for firms who are uncomfortable in engaging external professional advice from third party consultants or experts. In combination, these contributing factors to can thus restrict family-owned SMEs from being able to detect future trends and to develop innovative products. It is of utmost importance that businesses recruit a workforce from diverse backgrounds and skills. Family-owned SMEs should also establish a clear and updated development plan to encourage continuous training and education for its employees. This will help the family-owned SME to maintain an updated knowledge management system and skilled workforce that can focus on upcoming trends and development.

Innovation and the ability to change is critical for any firms' survival and legacy-building. Nevertheless, there remain obstacles that family-owned SMEs face that impede innovation, from limited resources, emotional attachments and inflexibility. With determination and a shift in mind-set, these factors can be mitigated to encourage innovation. In the next series, we will look at the strengths of family-owned SMEs and how they can leverage on these factors to encourage innovation, while striking the right balance tradition and modernity in the business.

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Why Brand Culture Matters

A brand is a company's most powerful and valuable intangible asset. It is how the consumer, employees, partners or investors identify a company. It is what they communicate, connect and interact with. It is the personality and the image. Brand culture as such, plays a supporting role in providing value and meaning to brand. It humanises the business model.

What is Brand Culture?

Drawing closely upon the anthropological concept of culture and numerous marketing studies, brand culture is the way of being within the company. It is how people working within the company communicate, interact, engage and react internally and externally. It comprises a set of symbols, shared values, beliefs, behaviours, and assumptions. In other words, brand culture is the "heart and soul" of a business.

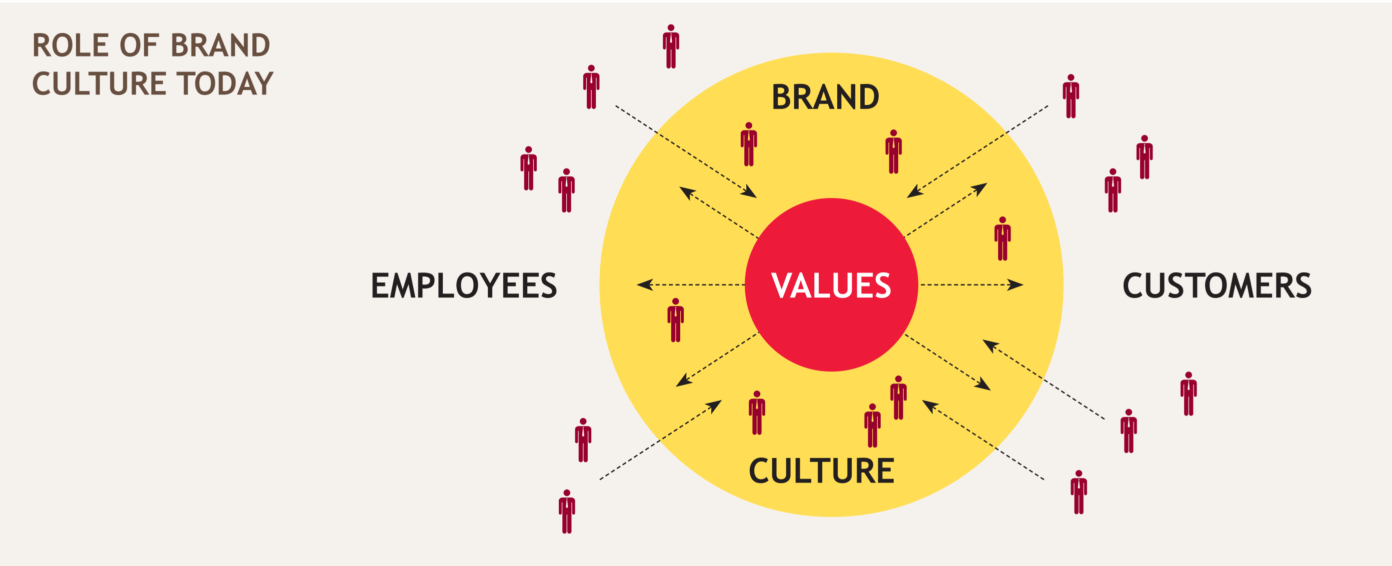
When a consumer interacts with a brand that aligns and connects with their most deeply-held values, beliefs and sense of identity, they are basically both drawing that brand into their own world and entering the world of that brand. The key to unlocking the mystery of what the consumer desire is to create a world that the consumer can enter.

This is the idea behind brand culture.

Brand Culture Now and Then

The concept of brand culture has been around for over a decade or so. However, the need to understand the mechanisms of brand culture has become more evident nowadays.

As brand consultants, we are finding that, more often than not, when we sit down and have an honest chat with the CEO and management-level of a company, their biggest worry is only about how the business can increase its profits. They fail to see the importance of aligning the company internally around a single vision and purpose to achieve their ultimate goal. With the absence of a strong, clearly-articulated set of core values driving behaviour, employees often feel unmotivated and lost. Or, if there is a clear set of core values, employees do not see anyone living those values and they become cynical, jaded and demoralised.



Source: ID Branding, Whitepaper, "Give Them Something to Believe In: The Value of Brand Culture")

In the eyes of the business, brand culture is still a fuzzy concept, an intangible aspect that cannot be justified and quantified in a short period of time. Thus what is lacking now in most businesses, especially within small-medium enterprises (SMEs), is the perseverance and persistence to oversee the positive long-term impacts on the overall organisational processes and performance.

Today, businesses are starting to realise that importance of brand culture and people play an important role in driving a change in their business values, which ultimately affects their bottom-line to a large extent. Companies are shifting their focus in their businesses from product/service-centric to customer-centric, and finally to being people-centric (i.e. employee, customers and other stakeholders).

One good example would be that of the award-winning branding consultancy, Landor Associates Singapore. Landor sees the true value of people and internal branding to appeal and align internal stakeholders such as employees and management's views and feelings towards the brand.

"My First Day" programme which comprises a ride in a limousine to and from work, lunch with the boss, an afternoon massage, and afternoon tea with the whole office, showcases the things that a Landor Associate employee gets to enjoy and experience on his or her first day at work.

The president of Landor's Southeast Asia and Pacific regions and managing director of Landor Singapore, Nick Foley, understands the importance of creating an environment where people love working, which will indirectly affect the various aspects of the business such as the quality of work and how each employee represents the brand. By harnessing the desired brand culture well from day one, Foley looks to attract and retain the right talent for the company, so as to boost up the business's bottom-line indirectly.

So Why Brand Culture Matters

Brand culture is important as it not only adds meaning towards the business, but also gives meaning to the stakeholders such as employee, investors, partners and consumers in order to drive the business.

Companies must build a brand culture that is ingrained in the heart and soul of the organization and radiates outward as a natural set of actions based on a common ethos and worldview. This brand culture will not only unite employees in a common purpose and vision, it will also draw in consumers and engage them in a deep and meaningful relationship that exceeds the traditional marketing goals of brand preference and brand loyalty.

Ultimately, companies will be able to benefit from brand culture as it helps the business to uniquely differentiate itself from the rest of the competition, and provide the business a competitive advantage as competitors cannot easily imitate them.

As management guru, Peter Drucker states, "culture eats strategy for breakfast". No matter how far reaching a leader's vision or how brilliant the business strategy, neither will be realised if not supported by people, and ultimately an organization's culture. Thus, brand culture is an incredibly powerful factor in a company's long-term success.

> A brand may be viewed not solely as a sign added to products to differentiate them from competing goods, but as a semiotic engine whose function is to constantly produce meaning and values.
>
> *Benoît Heilbrunn*

Brand Culture in a Nutshell

Today, winning brand cultures that are built and sustained over a long period have these three similarities:

1. Hire the right people

Build and sustain your desired brand culture, starting from recruitment. It may be tough but crucial. Zappos's CEO, Tony Hsieh, believes in hiring the right people into the company so as to ensure and uplift the right mindset and culture within the company.

2. Believe in people

Communicate and build relationships and trust not just externally, but internally as well. Gain City's brand essence of trust and sincerity has been aligned and visible across all levels of the company. CEO, Mr Danny Teo wins the heart and mind of the employee with his delegation of authority and responsibilities based on trust.

3. Walk the talk

Leaders and employees have to align their actions, speech and behaviour in order to inculcate the desired culture. Fortune awarded Google the number one spot in its 2013 list of "100 Best Companies to Work For." This marks our fourth time at the top and the honour reflects their ongoing efforts to create a unique workplace and culture.

There are no hard and fast rules in creating a successful, desirable and enduring brand culture. There is also no one-size-fits-all strategy. Brand culture takes time to develop, so do not expect immediate or over-night changes.

In order to compete and survive in today's fast paced landscape, brands not only have to stay apace of culture and embrace a cultural shift, but also to operate much like a culture. This will help brands stay relevant to consumers and be sustainable over time.

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Singapore News

BDO Blood Donation Drive

BDO had its first ever Blood Donation Drive on 4 June to commemorate World Blood Donor Day. We worked with Bloodbank@HSA to organise this event. The experience was definitely a fulfilling and eye-opening one. We are proud of our staff who took this occasion to donate blood and save lives. We hope to continue doing such activities in the future.

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