



Wish list for Brexit...

By way of introduction, it's been 14 months since the referendum, with another 18 months of uncertainty and probably more with the recent announcement that there will be a 2 year transition period beyond March 2019.

A few years ago Hoggett Bowers hosted a lunch with the theme "a letter to George Osborne"... it was hypothetical as it was not actually sent to him. More recently, David Davies, now Secretary of State for Exiting the EU, has been a guest at one of the Hoggett Bowers lunches. Also Greg Hands, currently leading the Department for International Trade, as Minister of State, was a speaker at a Hoggett Bowers

Breakfast event, a few days after the referendum result.

So, at our most recent CEO lunch, we asked our guests to offer their respective contributions to a letter to David Davies, cc Greg Hands, stating their priority business needs from the exit negotiations.

One of our guests from a global communications and advertising agency

"His request to Government amidst all of the fog of ambiguity, is to be concise and clear on the Brexit plan and give reassurance that talent from the EU who are working hard will be welcome to stay."

opened the discussion by making the point that the Brexit decision would have a massive effect on his industry, citing that it had created uncertainty leading to paralysis, disguised as “not yet” or we have delayed, which is really a euphemism for we are terrified.” He then went on to say, “we are a talent rich business, people are our business, and we are at our best when we reflect on where society is and point to where it is going. Therefore essential to this business needs to continue to be a multi – cultural work force of different creeds & beliefs.”

A food manufacturing CEO supported the view that people are key to the ongoing success of his business too. “With over a quarter of our workforce coming from the EU, we definitely want to maintain this tremendous hard working ethos”.

These views were also confirmed by another leader from the construction materials sector who commented that they have similar issues with employees. Within his business, a large percentage of their drivers come from outside of the UK, and therefore a real challenge moving forward will be where they will find relevant skills and resources.

He commented that there were other real issues facing his business to remain competitive in the UK market, and a similar problem for all export or manufacturing industries, primarily due to the relative value of the pound. Another challenge was the under investment in roads and mobile networks infrastructure in the UK, citing that when fleets of vehicles are stuck in traffic, it has a real impact on the productivity of his business and in

addition network connectivity and digital transformation in many cases lag behind our European neighbours.

Highlighting different challenges, a CEO from the food manufacturing sector explained that his business exports most of their products to Europe and potentially upon the UK leaving the EU, they would be hit by very high tariffs. A mitigation plan for this would be to close manufacturing capability in the

“He therefore concluded that until a deal is done, a clear transition agreement to stay in the single market would be best for all businesses.”

UK, and build this in the EU.

A different view was put forward by a leader in the property sector who outlined that on balance, uncertainty is great. “I thrive on uncertainty, as either I am buying or selling. We live in a country where the Government cannot sort out planning, to effectively deal with housing demands from a growing population. Even without Brexit, the industry needs to build 266,000 new homes each year for the next ten years. Currently, the industry is not even close to this figure. However, he explained that their challenge is people. Who is going to build the new developments? “Go to any building site, in the UK and certainly in London, it is not the indigenous population who are building”.

To continue the discussion, our Chair asked the guests “So as an industry, what are you doing about it? Brexit is inevitable, so what are you going to do to tackle the talent shortage that will

affect the majority of businesses represented today?”

The CEO of a construction business commented that London is the economic powerhouse and one of the leading cities in the world. Population growth is going to happen, whether Brexit happens or not. So it is a problem without Brexit. Brexit just makes it worse. How do you solve it? Ultimately it is changing the skills, the training, and development of the offsite manufacturing but why make it harder?” So going back to Brexit, this is all about people”.

A CEO from Aerospace and Defence outlined that this sector is characterised by large global multi-national companies, citing that these businesses can only be successful with free movement of people and parts. Without this free movement across the EU he feared that this would have a detrimental effect on business performance.

“His request to David Davies would be for the Brexit negotiation team to urgently articulate a clear and strong business case for UK being outside of the EU.”

The CEO in the building services sector said we now have a situation where the Government will be distracted by Brexit for the next five years and other key issues facing the UK such as the ageing population, healthcare, and education will not be a priority.

A CEO from the technology services sector continued the debate outlining

that for some businesses, particularly in the financial services sector, have already made their decision and moved to Dublin, Germany and France. He commented, “There are a lot of cranes in Frankfurt! “London will always remain a main city from a cultural, leisure and travel destination, but will it remain the main city from a financial standpoint?” Many major financial institutions are already making contingency plans.

Responding to these comments about the financial services sector, a business leader from the global insurance sector said that for her organisation, the Brexit decision does not really have an effect on day to day trading. With operations in Europe, their plan will be to set up a holding company in an already earmarked European destination and parented out of there. The impact for this strategy will be extra cost, which means this needs to be passed onto customers through higher premiums. The difficulty for their business is uncertainty, and in the context of their business, a decision of what to do needs to be made by January 2019, in order to give sufficient time to go through a legal process to transfer insurance policies from one company to another. If there is no clarity on the situation by this point, then they will have to assume “hard Brexit”, even if a different outcome is reached by Government in the proceeding months.

A CEO from the Energy sector boldly stated that the Brexit vote was a big mistake, we should not have done it, but we did and now we should get on with it! “He stated that he has been to a number of similar networking events, and was getting bored with the topic! He commented that we have had much

bigger problems than this in the past, and Brexit is a good smoke screen to stop addressing other immediate issues. All sectors are facing skill shortages and we have continued to bury our heads in the sand and keep bringing people in from other countries, rather than training our own people. Therefore, how do we get more apprentices from the UK? “Let’s just get on with tackling our own talent shortages with proper solutions and let Government get on with the wider Brexit issues”.

Another utilities CEO agreed, outlining that many business leaders have managed uncertainty for decades. He added that “come what may in terms of Brexit, as business leaders our job is to manage through adversity and uncertainty, often basing decisions with at best 80% of available facts, and 20% unknown.” He commented that whilst there is greater uncertainty for every type of business, what will be the same, is that some businesses will do well in the coming years, some will not.

The opportunities lie with businesses willing to take that extra risk and have the foresight to see the bigger picture to derive plans for the business, rather

“Ultimately, the businesses that do well and survive are the ones who make effective decisions on the information they have at that time. Sometimes we just need to move forward and take a level of risk around those decisions in order to succeed.”

than focusing on the whinging and moaning on the current issues. Whilst each business leader has different

challenges, he pointed out that as business leaders, their role is to manage risk and look for the opportunities. If the risk is too high, then other solutions have to be looked at such as managing the cost base, diversify the business or ultimately cut back or even drop back into the trenches”.

A food manufacturing CEO concluded that the UK economy will survive post Brexit, because business leaders will take action. However, the big unknown is whether new economic activity will actually flow to the UK. Therefore the UK will need to become far more business friendly to counteract companies moving or setting up their business outside of the UK.

In conclusion, this snapshot across various business sectors highlights the common theme of the Government needing to move forward and to provide as much clarity as possible for all stakeholders. The people issue is high on everyone’s agenda and business also has a responsibility to Government to make them fully understand the consequences of their actions.

Organisations are generally taking a pragmatic approach in terms of ‘business as normal’ until clarity is achieved and at the same time starting to plan for differing scenarios. It is not all negative as there are also opportunities to be exploited with the more agile organisations seeking competitive advantages which might have not been there if the referendum vote had gone the other way.

In the meantime, our letter to David Davies is in the post and would a letter to Michel Barnier be any different?

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