FTI CONSULTING™

BREXIT IN THE BOARDROOM:

THE VIEW FROM BUSINESS

EXPERTS WITH IMPACT™

Contents

Introduction

Welcome to FTI Consulting's Brexit in the Boardroom survey report.

With the Brexit deadline of 29 March 2019 now looming, the reality is starting to hit home and businesses across Europe now believe that it really is going to happen. In Phase 2 of the negotiations, discussions have turned to the UK's trade arrangements and what the transition period will look like, but much uncertainty and speculation still remain.

In our latest survey, Brexit in the Boardroom, we spoke with over 2,500 leaders of large businesses across four major EU economies (France, Germany, Spain and the UK) to better understand how their organisations are reacting to events and planning in this time of high uncertainty.

It is encouraging to see that many businesses across Europe are taking action to understand and deal with Brexit, or will be in the near future: 83% of organisations have Brexit taskforces in place.

It is surprising, however, to see that the overriding sentiment from our survey was one of business confidence – 68% of firms overall feel that they are 'prepared' for Brexit despite the deep political uncertainty over what form it will take. In addition, most are feeling positive about their business performance in the 12 months following Brexit. This air of confidence in the future is in marked contrast to the assessment of many economists and analysts who see significant post-Brexit issues for both UK and EU27 economies, and a lack of clarity in the outcome that is making business decisions challenging.

From what we are already seeing in our clients' businesses, taking early action to deal with the impact of Brexit is essential to being able to mitigate the consequences, plan ahead, manage disruption to customers and maximise potential to benefit from new opportunities. For businesses to be able to make optimal decisions about their future in the post-Brexit world, it will be important that they have a full understanding of all potential outcomes, and the required time to take action. In this regard, the proposal of a minimum two-year transition period may have calmed collective nerves, and postponed some of the more radical contingency plans; but in our view, now is the time for businesses to ensure they have the full picture and don't just plan for the optimal outcome. We believe the phrase 'plan for the worst and hope for the best' is highly relevant at this time.

I hope that you will find the survey results interesting. Please get in touch if you would like to discuss how we can help your business prepare for the Brexit challenges ahead.

John Maloney
Head of Brexit Taskforce

Executive Summary

Our findings show that while 64% of businesses across Europe are concerned about the UK's departure from the EU, the vast majority are also relatively optimistic about the likely impact that Brexit will have on their business growth. Yet with much still to be determined around the outcomes of Brexit, and our results showing that much is still to be done for businesses to be ready, is this sentiment overly optimistic?

This survey was conducted during and following Phase 1 of the Brexit negotiations in December 2017. We asked over 2,500 companies in the UK, Germany, France and Spain for their thoughts about Brexit and its likely impact on their business.

The questions have been divided into three parts: (i) what businesses think will happen in the negotiations; (ii) what they believe the impact will be on their business; (iii) how they are preparing themselves.

Key findings include:

- **Timing:** 75% of firms expect clarity on the UK/EU relationship by June 2018, at which point 'irreversible changes' will be made to their business planning.
- **UK deal:** 65% of all businesses believe the UK will retain tariff-free access for goods, 59% that free movement will remain and 52% that ECJ jurisdiction will continue.
- **Impact on turnover:** 88% told us that they expected to see turnover remain the same or increase in the first year following the UK's exit from the EU in March 2019.
- **Impact on employees:** 64% of all firms expect to see some increase in employees following Brexit. Only 10% anticipate a decrease.
- **Level of concern:** 74% of UK business expressed concerns about Brexit's potential impact compared to an average of 61% for German, French and Spanish firms.
- **Preparedness:** Unsurprisingly perhaps, UK firms appear to be the most prepared of all four countries we surveyed, closely followed by Spain, then Germany and, least prepared, businesses in France. In all four countries the industry that felt best prepared for Brexit was financial services, whilst manufacturing firms demonstrated lower levels of preparedness.
- **Response of business:** 85% of UK firms have established Brexit response structures, with 84% in Spain, 82% in France and 80% in Germany. However, only 40% are focused on dealing with supply chain issues and just 24% are planning to engage with or influence policy makers.

We are therefore left with a slightly contrasting set of conclusions. On the one hand, companies are telling us that they believe the outcome of Brexit may not be substantially different from the status quo and that the impact will be less severe than many others have predicted. On the other hand, they are also clearly taking it seriously enough to allocate resource and money to internal teams that are preparing for and managing events as they unfold.

This duality should be of concern to both policymakers and business leaders. It's an indication that the potential severity of Brexit has not yet been fully factored into business planning – perhaps because the outcome of negotiations is still unclear at this stage, because businesses simply believe that a 'soft Brexit' deal will be done, or because the wider macroeconomic conditions appear relatively positive so any impact is offset by general economic improvement.

Whatever the reason, the data our survey has produced will provide food for thought for UK authorities and the EU institutions, as well as those companies who have potentially not addressed the full range of issues that are arising from Brexit or the maximum range of outcomes. We believe that if they have not done so already, they should now consider doing so.

We end the report by highlighting a range of different business structures adopted by companies across a variety of sectors in response to Brexit. There is no one-size-fits-all approach, but best practices can be identified to ensure that firms are well placed to address the various operational, financial and legal issues that will inevitably arise.

How we can help

FTI Consulting has established a dedicated team to help clients address the challenges to their business posed by Brexit. We offer a full range of services ranging from policy analysis and intelligence, counsel on potential implications for operations, supply chains and employees, as well as advice on the regulatory systems across EU jurisdictions. Our presence in major European capitals enables us to offer these services across the continent and provides us with reach to policymakers on both sides of the negotiations.

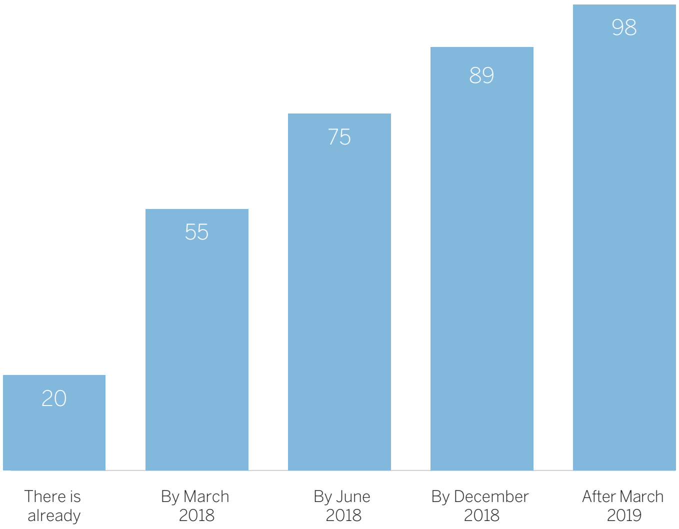
What do businesses think will happen on Brexit?

The first set of questions we asked businesses related to what they think will happen on Brexit in terms of the timeline and outcomes, as well as whether they think Brexit will have a positive or negative effect.

When will companies have clarity on Brexit?

A surprisingly large number of companies expect to have clarity about the future relationship between the UK and the EU by early Spring 2018. Over half (55%) of all firms across the four countries said that they expect to have clarity by March 2018, with that number increasing to 75% by June 2018.

CHART 1: When do you expect there to be absolute clarity on the UK's membership with the EU? (cumulative figures in %)

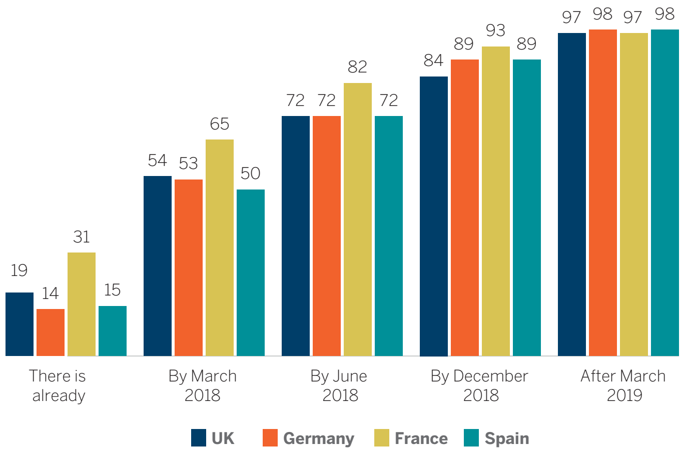


Given that, historically, negotiations with the EU tend to run up to the "11th hour", as Secretary of State for Exiting the EU, David Davis, told the UK Parliament's Brexit Select Committee in October 2017[1], this optimism is surprising. Negotiators on both sides have frequently referred to the need for clarity for businesses 'as soon as possible', but it's unlikely that either the UK or the EU could offer any assurances that such clarity will be given in the timeframes put forward in our survey.

There is also some disparity between the opinions of business people across the four countries we surveyed on this subject. French businesses seem to be far more confident than their counterparts in saying when there will be clarity on Brexit. In fact, 31% of French businesses say they have clarity now – compared with 19% in the UK, 15% in Spain, and 14% in Germany. This is even more pronounced in financial services, where 40% of French firms say they have clarity on the future UK-EU relationship now, as opposed to 22% in the UK, 20% in Germany, and 17% in Spain.

[1] BBC News, "Brexit: May 'confident' MPs will get vote before exit", 25 October 2017, found at http://www.bbc.co.uk/news/uk-politics-41747036

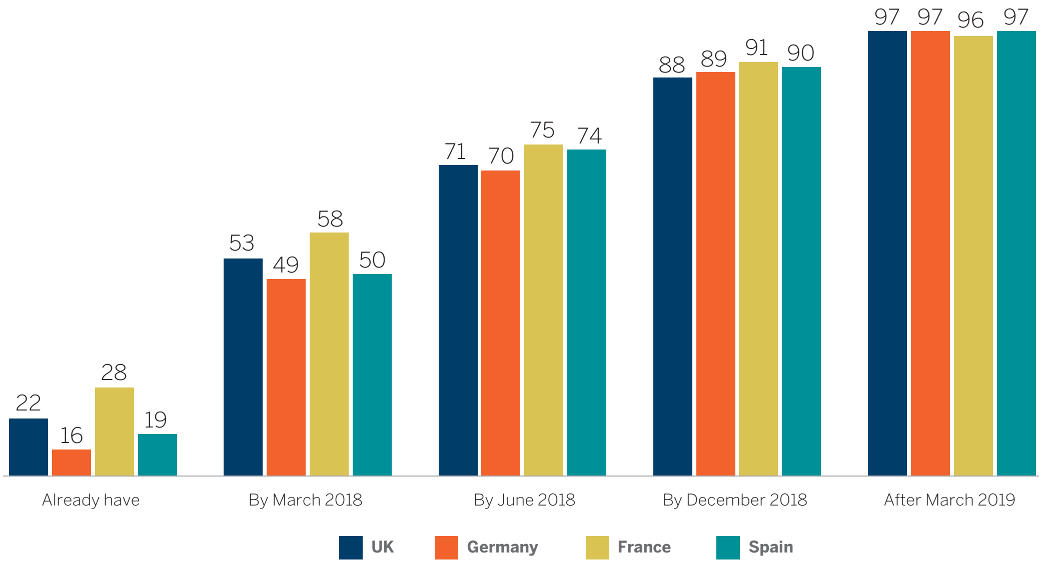
CHART 2: When do you expect there to be absolute clarity on the UK's membership with the EU? (cumulative figures in %)



Companies also expressed the need to make 'irreversible' changes to their business in similar timeframes to when they expect to have clarity on Brexit. When asked for a timeframe, 53% of respondents said they would make such changes by March 2018, and 73% by June 2018. Indeed, just over a fifth of all companies said they had already made those decisions. And, again, French businesses appear to have done more than their counterparts. For example, in financial services 36% of French firms said they had already made irreversible decisions, against 27% in Spain, 26% in the UK and just 14% in Germany.

From these results, we can see that businesses are generally expecting to deal with Brexit – both in terms of knowing what will happen and making the key decisions needed – in the short term, and certainly a lot sooner than either UK or EU negotiators have indicated. This may suggest that there is some complacency within businesses concerning the potential impact of Brexit, or that they believe an outcome to be within easy reach. In more practical terms, it could simply be a reflection of the necessity of making irreversible decisions soon in order to secure the future prosperity of the company, regardless of the outcome of negotiations. What is clear from these responses is that the next few months are critical for the Brexit negotiations to provide the kind of clarity that businesses need. It is therefore important that businesses engage directly with political leaders and officials from both sides, and outline the challenges they are facing now, if their concerns are to be factored into the negotiations.

CHART 3: When do you expect your company to make irreversible decisions on how to prepare for Brexit? (cumulative figures in %)



A majority of companies intend to make 'irreversible changes' to their business by June 2018, slightly less than half a year before the end of the actual negotiations. At that moment in time, there might be clarity about the length of a transition period, but most aspects of the future relationship will have yet to be determined. The future relationship will set out trade rules that will govern UK-EU commerce for years to come. It will be key for companies to stay informed of the technical details of the negotiations as they could have significant business impact. This is where we see that having an overview of developments across London, Brussels and other European capitals can add real value.

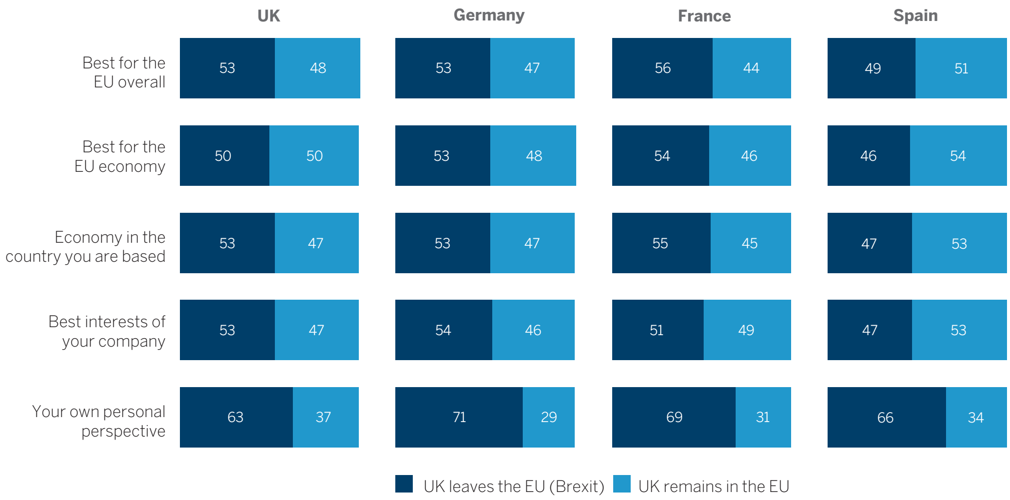
Hans Hack, Senior Managing Director, Financial Services

Is Brexit a positive or a negative?

When asked about the UK leaving the EU, a small majority of companies in the UK, Germany and France believed that it was 'best' for the UK to leave the EU. However, Spanish firms tended to see Brexit as more negative – with majorities across the main sectors saying that the UK remaining in the EU was preferable.

What is interesting to note is the change when it comes to personal perspectives. When asked this question, individual respondents tended to be more in favour of Brexit than when they answered in relation to their business, their country's economy or the EU economy. UK respondents were slightly less positive than the other three countries but, as chart 4 shows, significant majorities in all countries said it was best for the UK to leave the EU – at an average of 67%. This compares to 52% saying Brexit was best when asked in relation to their business or the economy. This could indicate that, when unshackled from their managerial responsibilities, company leaders are more relaxed about Brexit and – in fact – just want politicians to 'get on with it' so that they can return to a stable business climate. It is also interesting to note the differences here between those responding to our survey and the public interventions by business representative bodies in those countries. The Bundesverband der Deutschen Industrie (BDI) and Mouvement des Entreprises de France (MEDEF) – the equivalents to the UK's Confederation of British Industry (CBI) – have made plain their serious concerns about Brexit. Why so many of the businesses in these countries seem to take a different approach when asked individually is unclear.

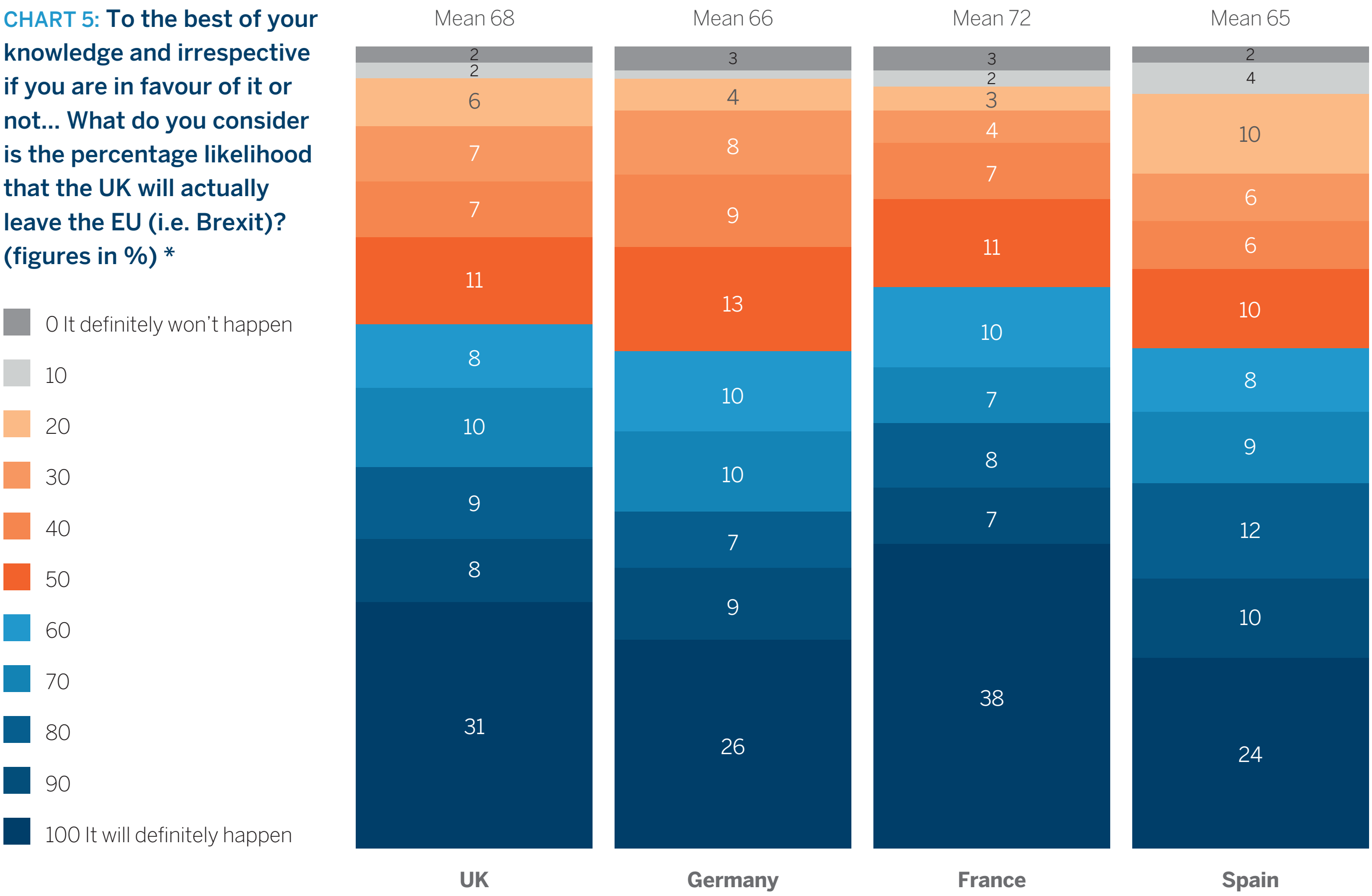
CHART 4: With regards to the following perspectives, do you think it would be best for the UK to leave the EU (Brexit) or remain in the EU? (figures in %)*



What will be the outcome of the Brexit negotiations?

Most businesses agree that Brexit will actually happen. On average, 30% of companies across the four countries said that Brexit will definitely happen, with a further 47% saying it has a greater than 50% chance of happening. French businesses were most certain, with a mean percentage chance registering at 72%, against 68% in the UK, 66% in Germany, and 65% in Spain. These numbers were fairly consistent across the sectors. French financial services businesses were the most certain Brexit will happen (at a mean of 79%), whilst Spanish manufacturing firms were the least certain (at a mean of 55%).

CHART 5: To the best of your knowledge and irrespective if you are in favour of it or not... What do you consider is the percentage likelihood that the UK will actually leave the EU (i.e. Brexit)? (figures in %) *



*Please note that the standard convention for rounding has been applied and consequently some totals do not add up to 100%

Secondly, we asked a series of questions about what deal the UK will have after it has formally left the EU – regarding tariff-free access for goods; free movement of EU citizens; financial passporting into the single market; and jurisdiction of the ECJ.

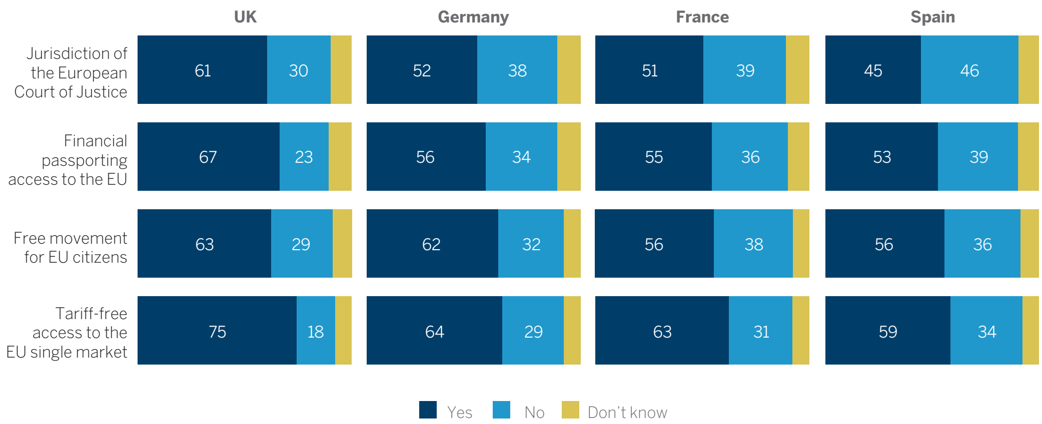
Oddly, most businesses believed the UK would have all these elements, with tariff-free access for goods scoring the highest at 65%, against 59% for free movement, 58% for financial passporting, and 52% for ECJ jurisdiction.

Perhaps unsurprisingly, UK businesses were more optimistic than their counterparts. 75% of all UK firms said they would have tariff-free access for goods, whilst 64% of German, 63% of French, and only 59% of Spanish firms agreed.

On the more contentious issue of financial passporting, UK financial services firms were again far more optimistic about securing these rights than their counterparts. A huge 71% of financial services firms believed that they would have financial passporting rights post-Brexit (lowering slightly for all UK businesses to 67%), with 59% of German, 56% of Spanish, and only 51% of French financial services businesses saying the same. Even though these numbers are lower than in the UK, they are still remarkably high considering the fact that senior EU officials have made it clear that the UK leaving the single market means a loss of financial passporting rights as part of a future trading relationship. As Michel Barnier, the EU's chief negotiator himself, said in November 2017: "The legal consequence of Brexit is that the UK financial service providers lose their EU passport."[2]

What is even more surprising is the number of businesses who believe free movement of EU citizens and ECJ jurisdiction over the UK will be maintained. For example, 76% of Spanish financial services firms believed free movement would be maintained. Tellingly, 65% of British financial services firms believed that ECJ jurisdiction would continue – reflecting the fact that passporting rights are intricately linked to ECJ jurisprudence and a vast array of EU regulation.

CHART 6: Which of the following do you consider the UK to have once it leaves the EU (i.e. Brexit)? (figures in %)



Overall, businesses' attitudes to the deal the UK will have after it leaves the EU were relatively optimistic. Yet despite the considerable levels of debate in the media and in Brussels, much is still uncertain around how the UK will engage with the single market after Brexit (although 65% of our respondents thought the UK will continue to have tariff-free access for goods and 59% said the UK would still be subject to the free movement of EU citizens), and crucially, how this might affect businesses. Companies in both the UK and wider Europe should seek to anticipate these potential changes and have in place flexible plans that will help their businesses survive and thrive. Taking early action to understand the potential outcomes and their impact by scenario planning is key to success with any organisation and, in these circumstances, even more so. We are already seeing with our clients that this kind of planning can help businesses be more nimble and embrace changing circumstances as an opportunity.

Meloria Meschi, Senior Managing Director, Economic Consulting

[2] Michel Barnier, quoted in Jon Stone, "Brexit: UK banks will lose 'passporting rights' after Britain leaves EU, Michel Barnier says", Independent, November 2017, found at http://www.independent.co.uk/news/uk/politics/brexit-passporting-rights-banks-financial-servicesmichel-barnier-speech-talks-david-davis-a8064836.html

Conclusion

Given the difficulties and compromises both sides faced during Phase 1 of the negotiations, it is interesting to see the levels of confidence amongst business leaders. This could offer potential comfort to Brexiteers, who might argue that this shows that businesses are operating rationally and not seeing Brexit as some sort of cataclysmic event. On the other hand, others may view these figures with some dismay at the lack of concern across the four countries we surveyed – particularly when the rhetoric from both sides seems to discount a number of options that businesses would favour.

As we will see in the next sections, however, businesses are in fact taking significant actions to mitigate the risks of Brexit and ensure the change is managed effectively.

What will be the impact of Brexit?

There's no doubt that Brexit will impact on businesses in different ways depending on the country where they are based and the sector(s) they operate in.

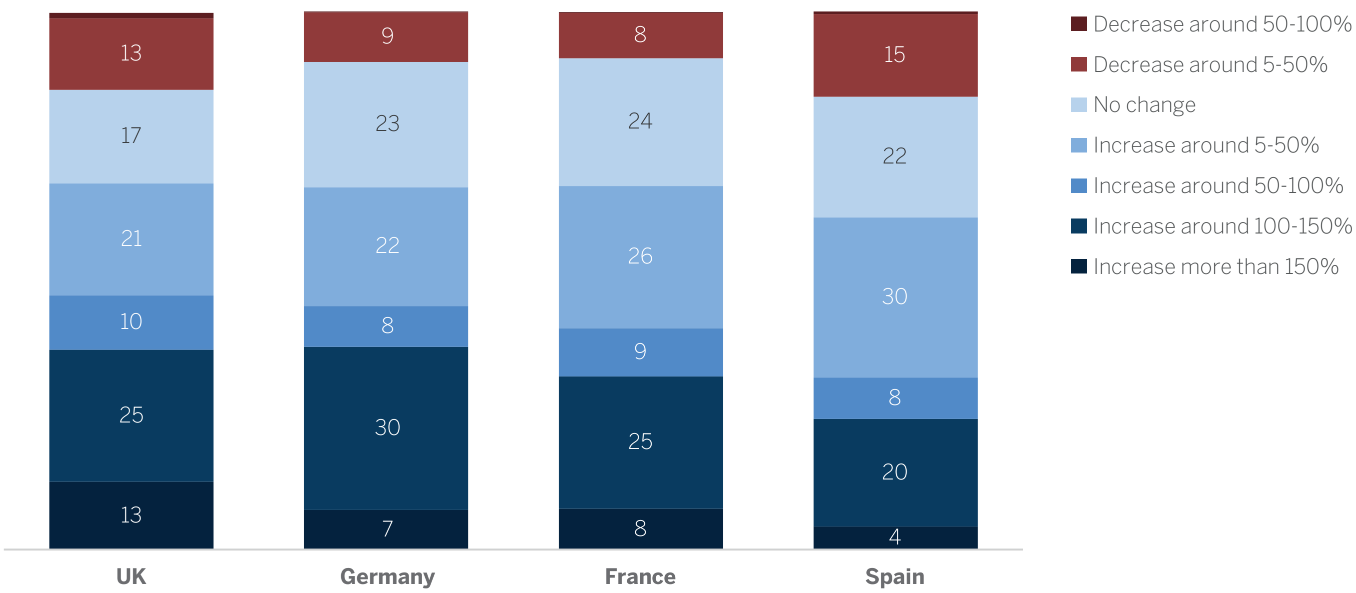
For a better insight, we asked business figures to comment on the impact of Brexit in three critical areas – turnover, employees and clients/customers. The results show, once again, that there is a level of confidence about the relative impact of Brexit.

What will be the impact of Brexit on turnover?

A remarkable 66% of all firms surveyed said they expected to increase turnover in the first 12 months following Brexit, with only 12% expecting a decrease in turnover. This was consistent across the UK, Germany and France – although Spanish businesses tended to be marginally more pessimistic, with only 62% believing that they will see a turnover increase following Brexit against a 68% average for the other three countries.

This was also consistent across key industries – for example, 73% of professional services businesses in Germany expected to see some increase in turnover, compared to 69% in the UK and France, and 66% in Spain. UK-based financial services firms expected to see the highest average increase in turnover across the four countries and the main sectors, with a mean increase registering at 60%. This optimism from one of the sectors seemingly most at threat from Brexit in the UK could be seen as unusual, but is possibly a reflection of the potential for EU financial services firms in the UK to reduce the size of their operations, providing UK firms with opportunities to claim that business.

CHART 7: How do you think your company would be impacted in terms of turnover in the first 12 months of the UK formally leaving the EU (i.e. Brexit)? (figures in %)



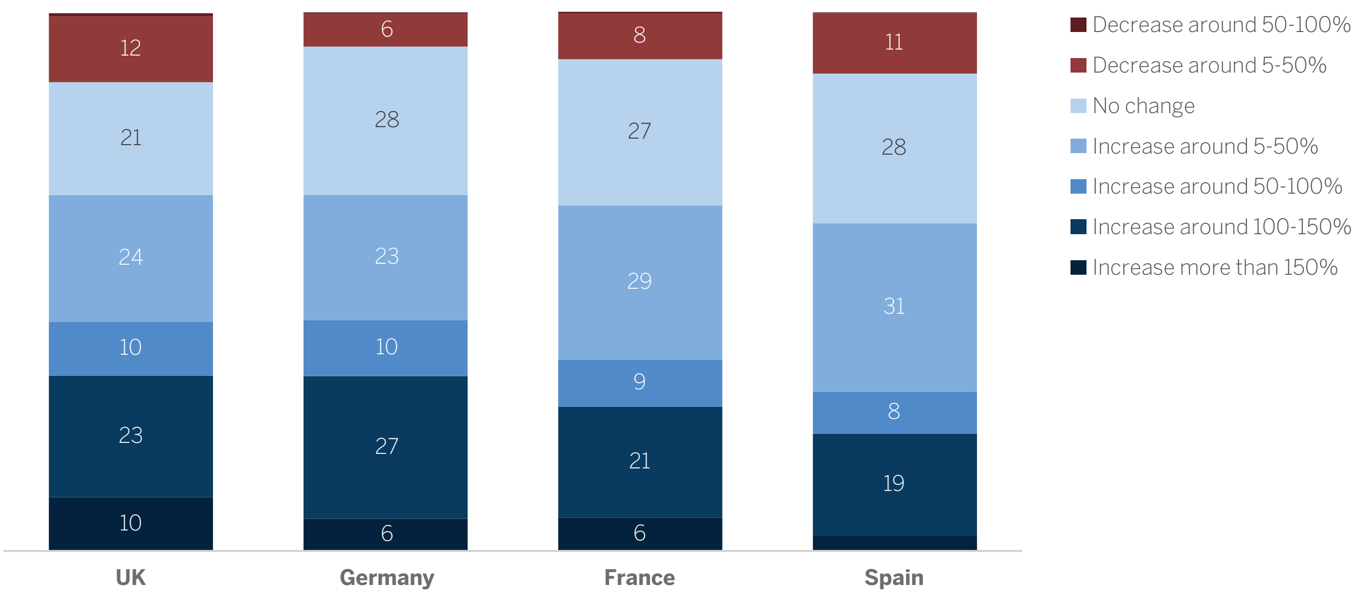
What will be the impact of Brexit on employees?

When it comes to the number of employees in each firm there is a similar story – a majority of companies expect to increase their headcount in the 12 months following Brexit, some significantly so. 64% of all companies surveyed expected to see some increase in employees following Brexit. Indeed, around 29% of respondents said that employee numbers would double or more in that timeframe – although this was slightly less in Spain at 22%, compared with 33% in the UK and Germany, and 27% in France.

Only 10% of all businesses expected to see a decrease in employees – with the most in the UK at 13%, compared to 6% in Germany, 9% in France and 11% in Spain. Less than 2% of respondents said their number of employees would decrease by half or more.

In terms of sectors, manufacturing firms expect the smallest average increase in employees, with the mean increase across all four countries being 39%, compared to 44% in financial services and 46% in professional services. Just over a quarter of all firms expected no change in the number of employees in the year following Brexit.

CHART 8: How do you think your company would be impacted in terms of employee numbers in the first 12 months of the UK formally leaving the EU (i.e. Brexit)? (figures in %)



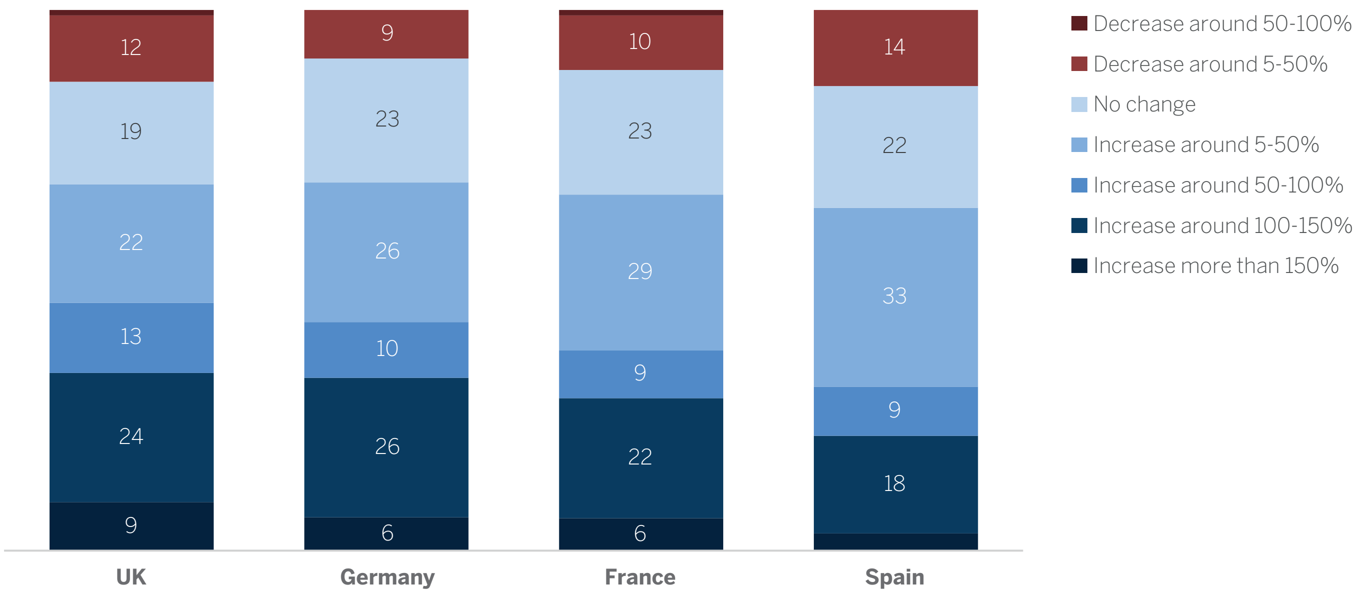
83% of respondents have established a dedicated Brexit response structure – for example a taskforce or dedicated team. It's essential to ensure that, in terms of people and change, the agenda addressed by that team is sufficiently broad, covering employee engagement, talent retention, scenario planning and the shaping of a workforce that can evolve and change to meet new challenges and to work within new frameworks. Of equal importance is the way your Brexit team works – consulting with people across your organisation, ensuring they feel they are helping to shape the agenda and that they are informed of what is being discussed and agreed. In a time of great uncertainty and, potentially, significant disruption, communication with your people needs to be exemplary – frequent, empathetic, proactive and humane.

Matthew Solon, Managing Director, People & Change

What will be the impact of Brexit on client/customer numbers?

Again we see a remarkably similar picture when it comes to clients and customers. 66% of all firms expect to see an increase of some sort in the 12 months following Brexit – with the mean increase being 47%. Spanish firms, once again, are more pessimistic than their counterparts, with an expected mean client growth of only 37% – compared to 46% in France, 52% in Germany and 53% in the UK.

CHART 9: How do you think your company would be impacted in terms of clients/customers in the first 12 months of the UK formally leaving the EU (i.e. Brexit)? (figures in %)



As UK and EU politicians embark on the next round of Brexit negotiations to look after the best interests of their electorates, businesses are left to look after the best interests of their investors. Our research cuts through the media headlines to assess how they're actually mitigating against likely outcomes and the complexity of this for them directly – as well as indirectly for their clients. We're seeing creative ways to mitigate against restricted access and supply chain disruptions. To not consider these actions could be seen as being negligent in the eyes of their investors.

Dan Healy, Managing Director, Research

Conclusion

Generally speaking, those firms that responded to our survey seem to think that Brexit will not have as big an impact as some have suggested. Only small numbers of respondents (less than 1 in 8) foresee reductions in turnover, employee numbers and clients/customers in the short term following the UK's departure in March 2019 – and these decreases average 10-12%, although slightly higher in the UK and Spain than in Germany and France.

Most interestingly, between a fifth and a quarter of firms believe that there will be no change at all as a result of Brexit – for example, 29% of French manufacturing firms believe there will be no change to their turnover in the year following Brexit. In fact, the vast majority of firms are optimistic that turnover, employee numbers and clients/customers will increase following the UK's departure from the EU – even in the UK. Some of this can be explained, presumably, by firms thinking they will be able to gain customers from existing UK operations. In other places, this optimism could be explained by the changes Brexit will bring about for domestic consumers – particularly in the UK. For example, 67% of UK professional services firms foresee growth in employee numbers following Brexit, at an average growth of 48%; perhaps to manage new business that will result from the decrease in EU firm activity in the UK. More cynically, it's possible that the figures indicate a worrying degree of complacency about what might actually happen (especially in the case of no deal) and a high degree of confidence in the global economy offsetting any negative impact for growth across the region.

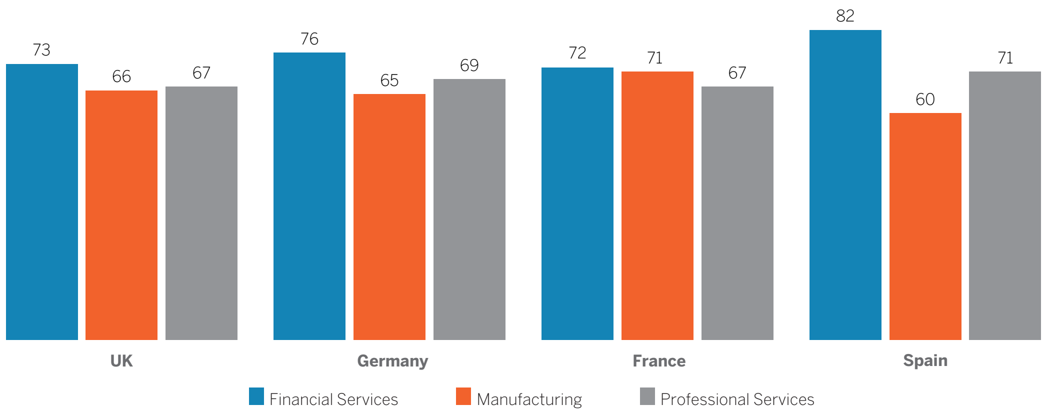
What are businesses doing to prepare for Brexit?

The final set of questions we asked in our survey related to the preparedness of businesses and how they are responding to the challenges internally.

How prepared are businesses for Brexit?

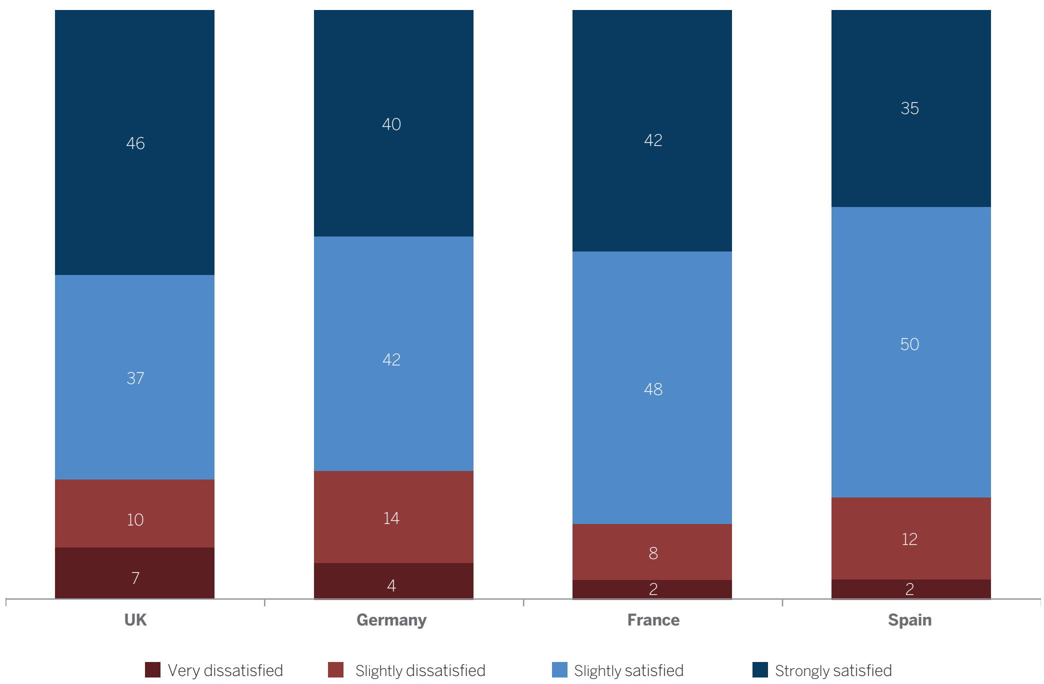
In terms of preparedness across the four countries, 68% of firms feel prepared for Brexit – with those numbers fairly consistent across the board. Overall, the financial services sector appears most prepared, as chart 10 below demonstrates.

CHART 10: How prepared do you consider your company is for the impact of Brexit? (% answering 'prepared')



Although around a quarter of businesses say they are still not fully prepared for Brexit, a very high percentage indicated that – where they have done so – they are confident in the structures they have established to manage it. 85% of all respondents said they were either 'very satisfied' or 'slightly satisfied' regarding their Brexit response to date. This rose to 90% in France, with Spain on 86%, the UK on 83%, and Germany on 82%. Interestingly, when we break this down the UK has the highest levels of 'very satisfied' at 46%, compared to France at 42%, Germany at 40% and Spain at 35%.

CHART 11: How satisfied are you that your current Brexit response structures are adequate? (figures in %)*



*Please note that the standard convention for rounding has been applied and consequently some totals do not add up to 100%

What are businesses doing to prepare for Brexit?

We then asked companies a series of questions about how they are responding to five key elements of Brexit preparedness:

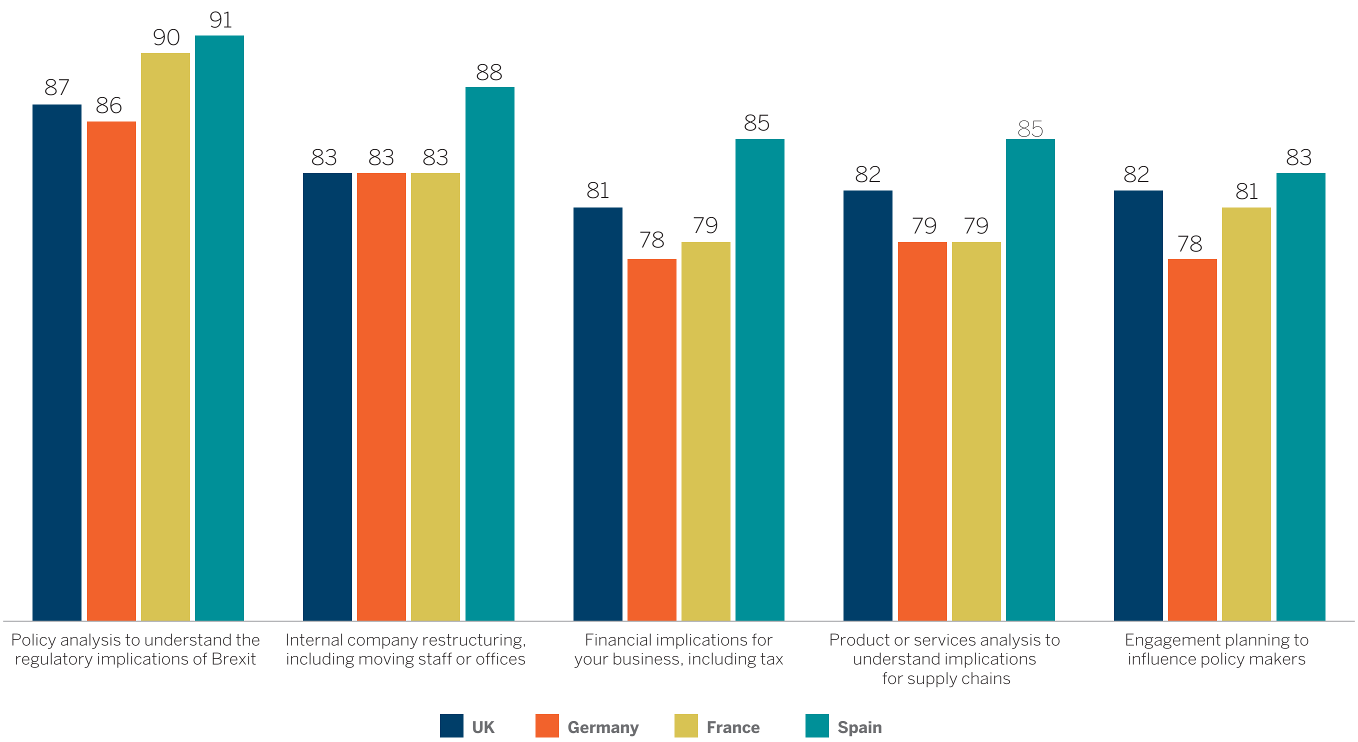
- Policy analysis to understand the regulatory implications of Brexit;
- Internal company restructuring, including moving staff or offices;
- Financial implications for the business, including tax;
- Product or services analysis to understand implications for supply chains; and
- Engagement planning to influence policy makers.

The first issue of policy analysis appears to be the best understood, with an average total of 89% of all respondents saying this area is being undertaken well. Financial services firms were highest among the three main sectors, scoring an average of 93%. This level reduces slightly across the other four key areas, with issues of internal company restructuring at 84%, and financial implications, supply chain analysis, and engagement planning all at 81%.

German businesses were marginally less confident that they fully understood the key issues compared to the responses from businesses in the other countries surveyed. For example, 78% of German manufacturing firms said that supply chain issues were being undertaken well, versus 86% of UK and Spanish firms, and 84% for France. Across all sectors, however, Spanish firms appear to better understand the implications of the issues in the five areas – an example being in manufacturing firms where 88% of Spanish respondents said the issues were being undertaken well against 84% in France, 83% in the UK, and 80% in Germany.

When we broke the figures down by the three key sectors, financial services firms were more likely to answer that the issue was being undertaken well than those firms in manufacturing or professional services. Within the same questions, we also asked businesses whether the issue was important to them. Perhaps surprisingly, internal company restructuring carried the least importance for our respondents, with 40% claiming that this area was 'not important' for them. This is against 37% for supply chain issues, 36% for engagement planning, 34% for financial implications and 33% for policy analysis.

CHART 12: How well is your company undertaking the following as a consequence of the UK leaving the EU (i.e. Brexit)? (figures in %)



What internal company structures have been established?

Formation of company taskforces

We asked whether businesses had established a Brexit response structure, for example a taskforce or a dedicated team. A massive 83% of respondents said they had and, of those, over 60% said that the team was 'fully prepared', with the remaining 40% saying it was 'partly prepared'.

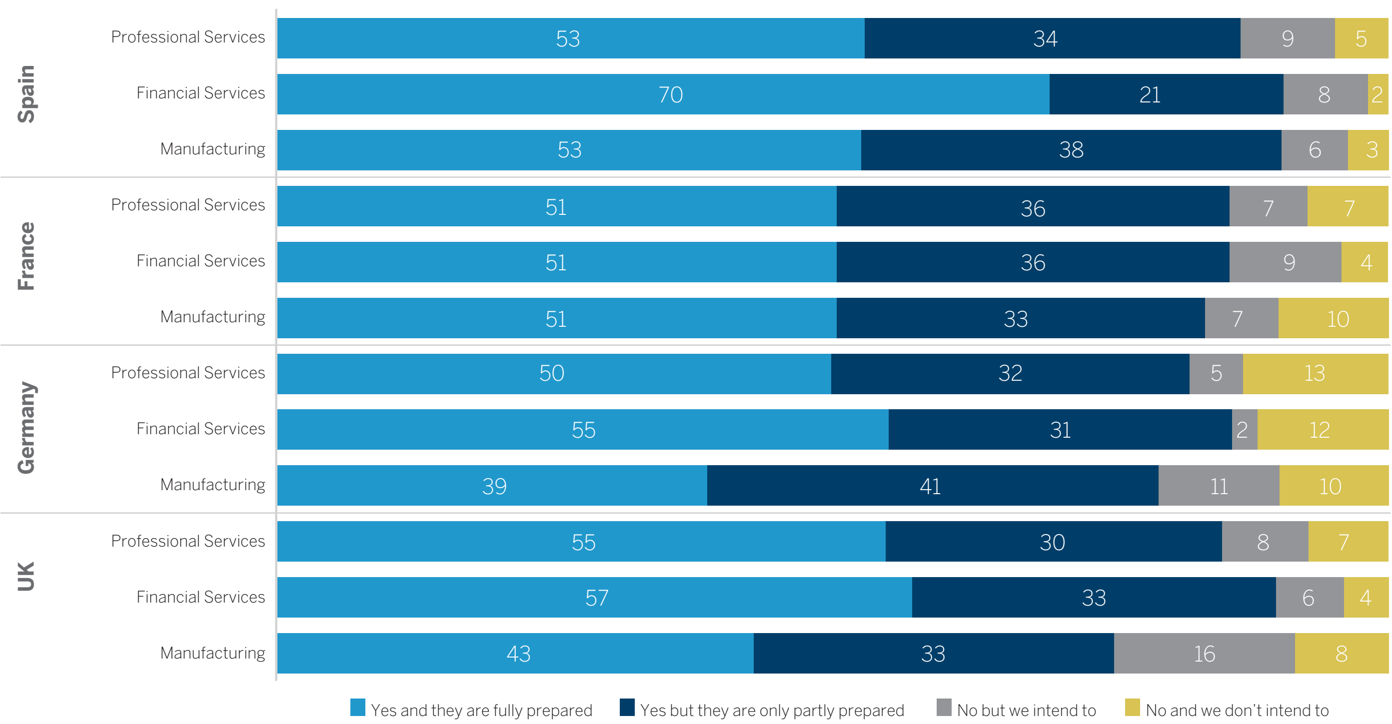
A further 8% of respondents said they hadn't yet established a Brexit response team, but intended to do so – with the remaining 9% saying they did not intend to do so at all (up to 12% for German firms).

Unsurprisingly, UK firms are more likely to say they have established Brexit response structures. 85% of UK firms confirmed they had one, with 84% in Spain, 82% in France and 80% in Germany. Nonetheless, what is slightly at odds is the response of UK manufacturers – only 76% said they had established a Brexit team/taskforce, whereas 80% of German, 84% of French, and 91% of Spanish manufacturing firms said they had.

In terms of sectors, financial services firms again are the best prepared. 58% of financial services firms said their Brexit response structures were 'fully prepared', against 52% in professional services and just 46% in manufacturing.

These structures were also established very soon following the Brexit vote. 50% of those with a Brexit response structure established it by October 2016, and 75% had done so by the time Article 50 was triggered in March 2017.

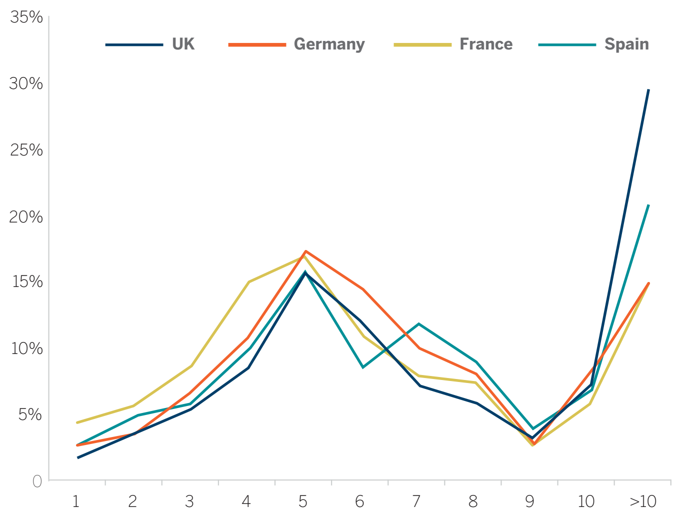
CHART 13: Do you have a Brexit team/taskforce/unit to help your company to prepare for the UK leaving the EU (i.e. Brexit)? (figures in %)*



Composition and size

These teams tend to be led at the highest levels in an organisation – a total of 82% of respondents said they were being managed directly by c-suite leaders, with 55% saying the CEO was in charge. This figure was slightly higher in the UK than for the other three countries at 64%, with Germany at 57%, France at 50% and 48% in Spain.

CHART 14: How many people are working in the Brexit team for your company?



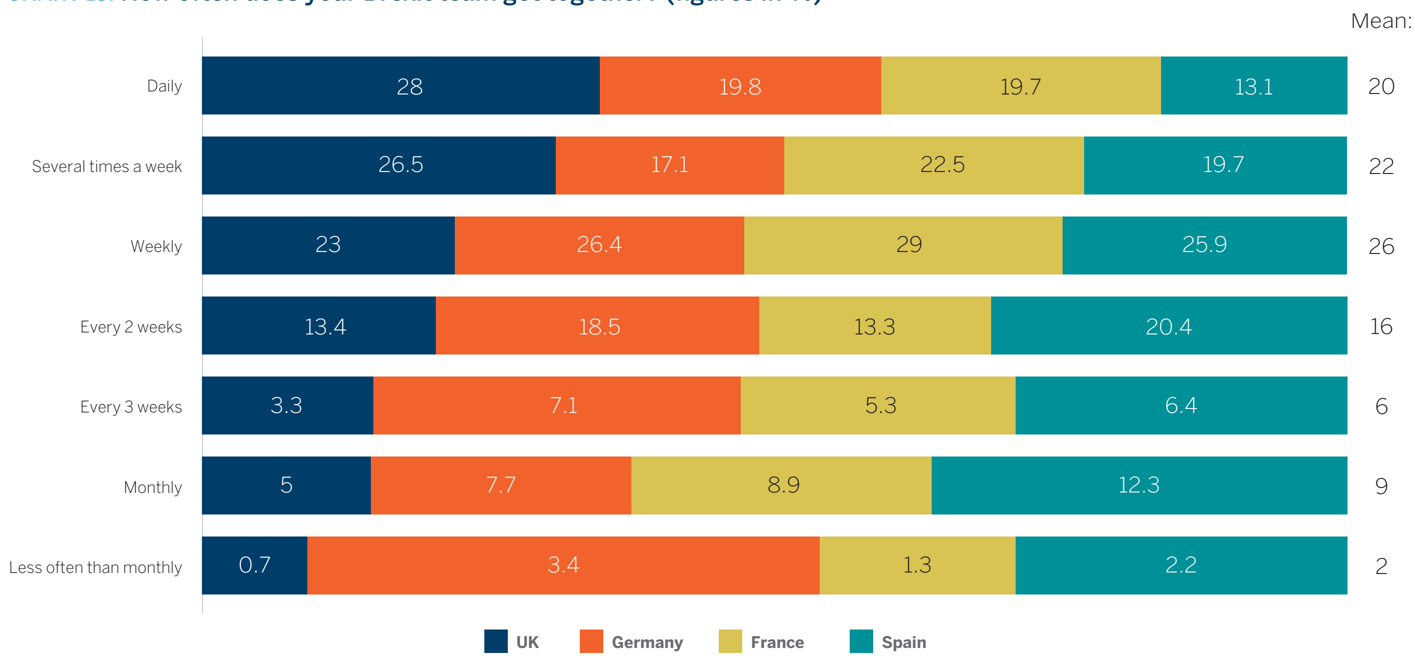
The average size of these Brexit response structures was between 7-8 people, although 20% of all respondents said the team had more than 10 members. These figures were again, understandably, higher in the UK, with 30% of UK firms saying their Brexit team was more than 10 strong, against only 15% in France and Germany, and 21% in Spain. Financial services, once again, top the table in terms of size of team, with 29% saying their Brexit response structure was over 10 people in strength, against 24% in professional services and only 15% in manufacturing firms.

Level of activity

These teams also appear to meet very frequently, with the average being 10 times a month. 20% of respondents said they meet daily; 22% said several times a week; and a further 26% said once a week. Again, the UK is marginally more active than its counterparts – 28% of respondents said their teams met daily, whereas only 20% of German and French firms said the same, and just 13% in Spain.

Activity within the teams has also remained fairly stable – 56% of all respondents said that activity has stayed the same since the team was established. However, 22% said activity had accelerated, which you might expect. But what was not expected was the 22% of respondents who said activity had actually slowed since they established their Brexit response team. Even more startling, financial services firms showed the biggest response rate for decreasing activity; although this was far more pronounced in the UK. 31% of UK financial services firms said activity had slowed since the team had been established, whilst 20% of German, 13% of French and just 7% of Spanish financial services firms said the same.

CHART 15: How often does your Brexit team get together? (figures in %)*

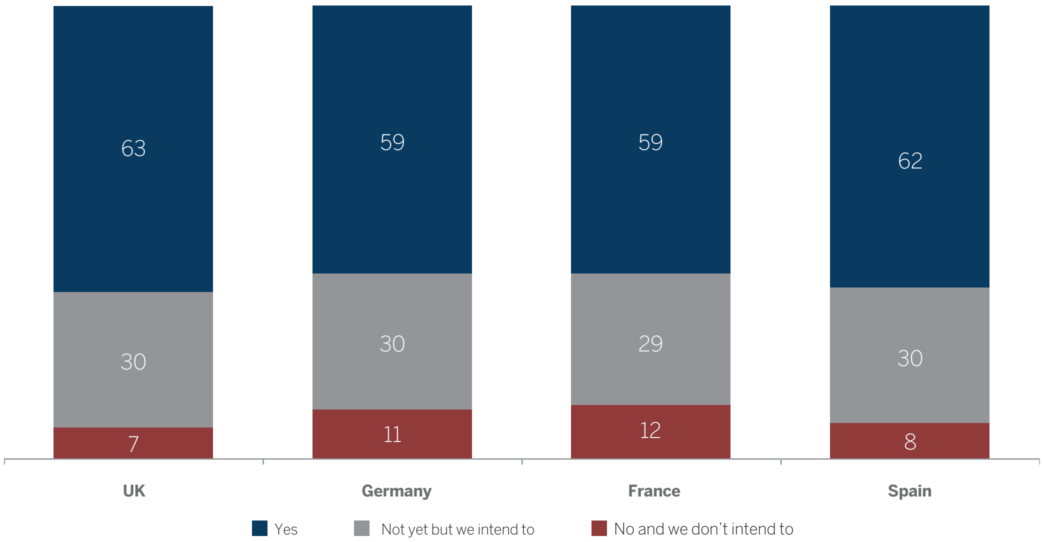


*Please note that the standard convention for rounding has been applied and consequently some totals do not add up to 100%

How are these teams funded?

Of all respondents 61% said that they had a budget for the team and a further 30% said they intended to have one in the future. There was a consistent story here across the four countries and between the sectors – although, overall, UK firms were least likely to have no budget at all, with only 7% saying there were no plans for a budget, against 8% in Spain, 11% in Germany and 12% in France.

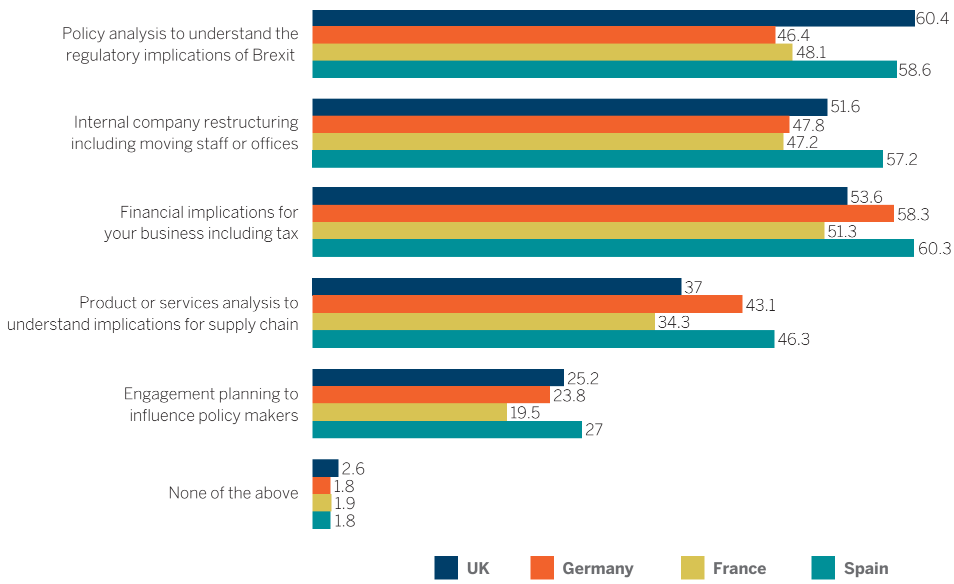
CHART 16: Does your Brexit team have a separate budget? (figures in %)*



What functions do these teams perform?

Over half of all respondents said their teams were dealing with policy analysis, company restructuring issues and financial implications. However, only 40% said they were dealing with supply chain issues, and just 24% were dealing with engagement planning to influence policymakers. Of this latter figure, it was particularly surprising to see just 25% of UK firms saying they were considering engagement planning as part of their Brexit response team. Given the approach of the Government to solicit information and data to help inform policy development, this is an alarmingly small number – especially with the capacity issues in the Civil Service. These results may also suggest that businesses don't believe they can have a real impact on the outcome of the negotiations – a worrying assumption given how influential they will be in implementing any deal.

CHART 17: What are the functions performed by your Brexit team? (figures in %)

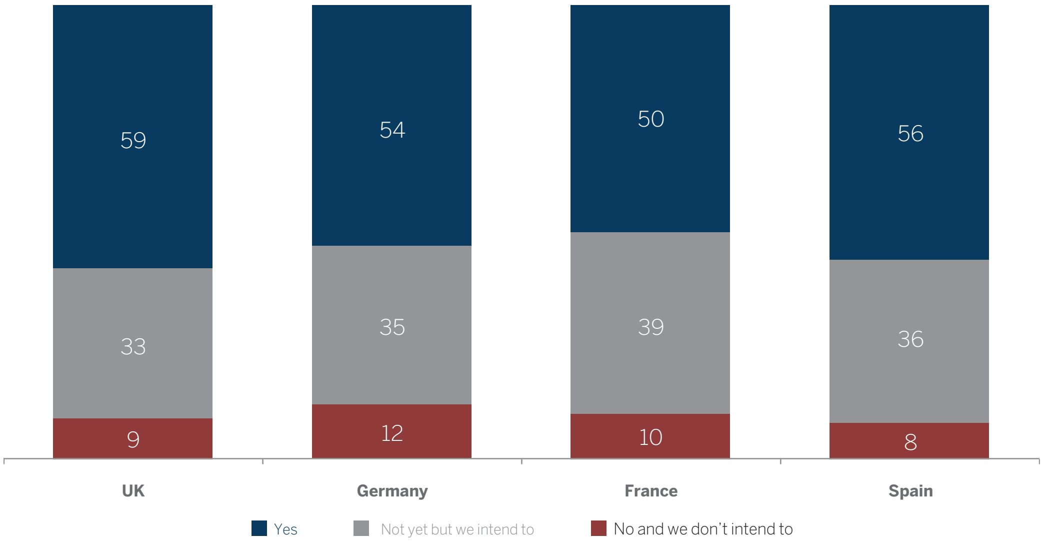


What external sources are businesses using?

To supplement the work of their own Brexit teams, a large number of respondents told us that they are employing the services of consultants in their Brexit work. 55% said that they had done so already, and a further 36% said they intended to but hadn't yet done so. Only 10% said they had no plans to use consultancy services. Fewer manufacturing firms said they would do so – with less than half (49%) saying they had used these services, against 58% in both financial services and professional services.

A similar picture emerged concerning the use of trade associations, with 59% saying they had used their trade associations' services, and 31% expressing an intention to do so in due course.

CHART 18: Is your Brexit team using consultancy services? (figures in %)*



Overall, 68% of the companies in our survey believe that they are prepared for Brexit and 83% already have a taskforce in place, but the areas that companies are focusing on is telling. For example, elsewhere in the research we saw that 63% of respondents overall agreed that conducting product or services analysis to understand the implications of Brexit on supply chains was important for businesses, and yet we see from Chart 17 that only 40% of taskforce structures are actually looking at supply chain issues. We find when we work with clients that the supply chain issues are often bigger than first thought. Many businesses have assumed they have little impact from Brexit, but exit from the customs union and EEA could profoundly impact supply chains. Most European businesses have intermingled supply chains where components and sub-assemblies cross multiple borders.

John Maloney, Senior Managing Director & Head of Brexit Taskforce

*Please note that the standard convention for rounding has been applied and consequently some totals do not add up to 100%

Conclusion

This set of questions offered some of the richest information about what companies are doing in response to Brexit. We found that the majority of them are, as you would expect, preparing for the impact of Brexit. They suggest that the key issues are being dealt with – large numbers said that issues regarding regulations, company restructuring and financial implications were being tackled and were already well understood.

This is perhaps a reflection of the internal response of companies to establish teams to manage Brexit impacts. Most said they had a large team that met frequently and had done so very soon after the UK referendum in June 2016.

It is no surprise that UK leaders believe they are the most prepared of all four countries we surveyed, closely followed by Spain, then Germany and, least prepared, France. As for most of the other questions we asked, financial services appeared to be ahead of the pack, whilst manufacturing firms demonstrate lower levels of preparedness.

Overall, this is an encouraging message from companies and, again, reflects a general view that they are managing the issues created by Brexit more effectively than some commentators and media headlines seem to suggest. On the other hand, some might argue that our data reveals that companies are worryingly complacent in their response to Brexit and, possibly, have not fully grasped the potentially serious implications. Considering the fact that nobody can say with any certainty what will happen in the negotiations, there is a distinct possibility that these attitudes will change over time. The UK's chief negotiator, David Davis, wrote early in the New Year that the next round of negotiations will produce "thunder and lightning" and are likely to undergo a number of uncertain moments. What is certain is that businesses across Europe will hope that the storm clouds will move on quickly and there will follow a period of stability that will enhance their opportunities for growth.

Case studies: Company Brexit Structures

In addition to the qualitative data we gathered through our survey, FTI Consulting's Public Affairs team in London collated a number of case studies that show, in a practical sense, what companies have done in terms of establishing a Brexit response structure.

Large, cross-border and highly regulated firms

All the organisations in this category that we spoke to have established a steering team that reports into the executive board and has a dedicated staff and financial resource. Working groups of dozens more staff sit below the steering team. Generally, these are led by an operational managing director with significant input from government relations. Other steering team members include legal, compliance, regulatory affairs, strategy, PR and HR. On the whole, it is the large financial services firms that are ahead of the curve in terms of their thinking and resourcing, a result no doubt of the complexity of their businesses and regulatory requirements, as well as the demands of the Bank of England and the European Central Bank to ensure they are prepared for Brexit.

Other large multinationals

Many of these organisations also have taskforces reporting into the executive board. However, they are less likely to have a dedicated secretariat resource and fewer, if any, working groups below the taskforce.

In this category, it is those with larger supply chains that are more heavily impacted, requiring 6-12 months for their contingency planning.

Medium-sized enterprises and smaller

Many of these organisations are aware there may be problems further down the road but at present are continuing as normal, with a view that they will adapt when required to do so. If there is a point of contact for Brexit, it is someone who mixes the responsibility with their regular day job, normally in a public affairs role. There is a reliance here on the relevant trade associations.

What these examples show is that companies are approaching Brexit in very different ways. Some have established large, dedicated teams – others have adopted a less formal approach. The lack of clarity around the nature of the future UK-EU relationship is making it difficult for businesses to know exactly what they should be planning for. As the negotiations progress what is clear is that businesses need real detail.

Fiona Holryode, Managing Director, Public Affairs UK

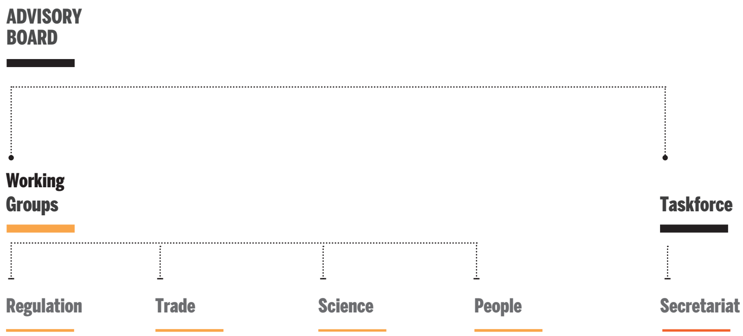
Manufacturing

Pharmaceuticals company

The company is in the process of establishing a set of working groups combined with a taskforce to advise on key issues relating to Brexit.

The working groups are split into the four key areas identified in the initial scoping exercise, with the taskforce covering cross-cutting and strategic issues not fitting within any of these categories.

The advisory board sets agendas and topics for the working groups and taskforce to develop.

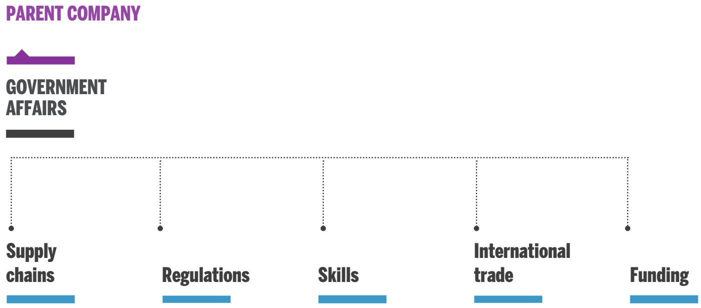


Defence and security

Owned by an EU parent company, this UK-based defence and security firm has taken a less formal approach to managing Brexit.

The head of government affairs identifies key policy issues for the company and reports these to the parent company on an ad hoc basis, or during key milestones in the Brexit process.

Staff within government affairs and other teams are then commissioned to analyse specific issues of relevance to them, whilst some of the work is outsourced to consultancy services.

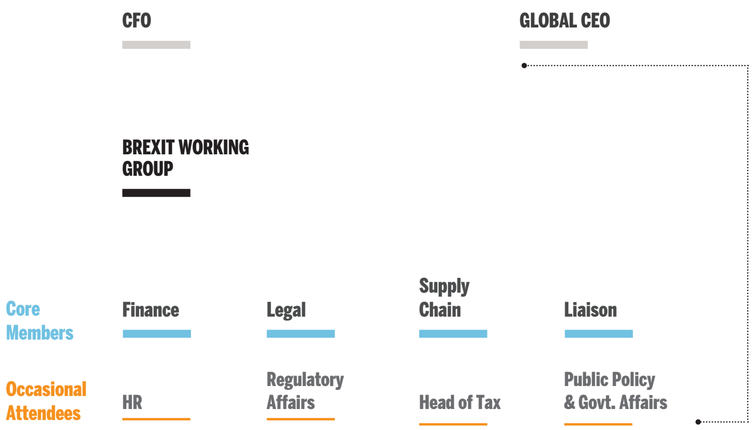


Multinational food, snack and beverage company

Brexit is primarily a business-led issue, with an internal working group led by the CFO.

The working group includes finance, legal, the Head of Customer Liaison and the Supply Chain Director. HR, Regulatory Affairs, and Public Policy & Government Affairs (PPGA) also take part in the group when required. Additional senior leaders (e.g. Head of Tax) have also attended the group.

PPGA provides a monthly update note to the Global CEO. A central budget has been created that teams can 'bid' for in the case they require consultancy services, which have been used particularly around supply chains.



Professional Services

Logistics company

Group communications has responsibility for Brexit, with public affairs currently taking the lead, reporting into the managing director of communications on a day-to-day basis.

At present the working group that leads on Brexit is not too formalised and does not have a separate budget.

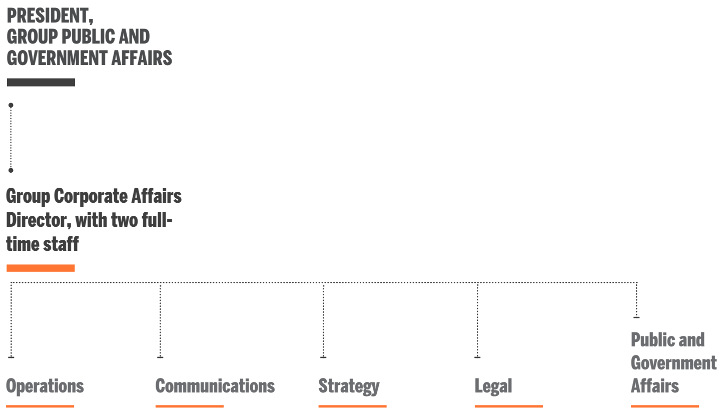
The main areas covered are tax, international, regulation, public affairs and legal.

The structure is anticipated to shift once there is more clarity around Brexit, with the international business unit expected to take a leading role.

Telecommunications company

The company has established a cross-business team, with two staff coordinating the activities of the business units. The President, Group Public and Government Affairs (PGA) is responsible for the work, and the Group Corporate Affairs Director leads the day-to-day activity.

A mixture of operations, communications, strategy, legal, and PGA work on the activities, depending on requirements. The team does not have a separate budget.

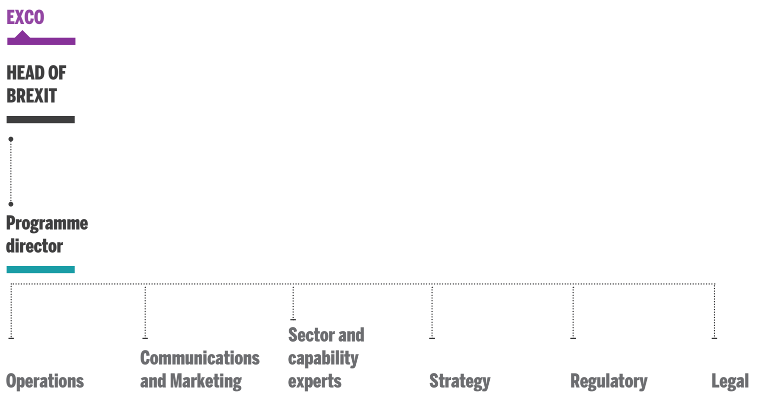


Business services company

This company was one of the first to appoint a dedicated Head of Brexit with its own programme director.

The Head of Brexit reports into the UK board but is also a member of the UK ExCo board.

The unit is comprised of a small and dedicated team designed to incubate, accelerate and troubleshoot a joined-up approach across the organisation. It has its own budget and some augmentation of marketing and communications resource. A mix of sector and capability experts, operational, communications, marketing, strategy, regulatory and legal personnel are also involved.

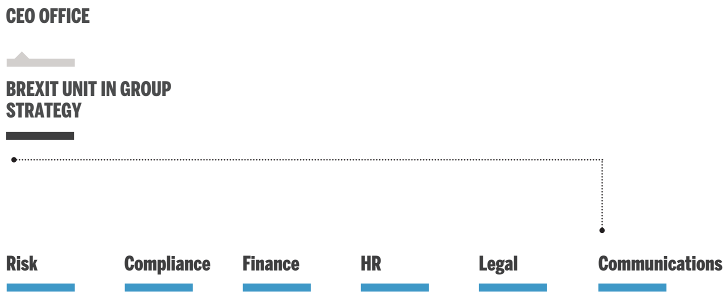


Financial Services

Insurance company

Responsibility for Brexit lies with a separate team in Group Strategy.

The team reports into the CEO's office. It does not have an additional budget.

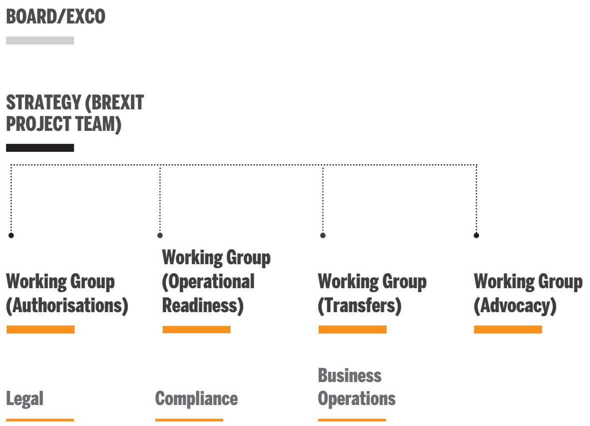


Bank

The Brexit approach is being driven out of strategy, with a project team and external consultants working to the head of strategy, who then reports into the Board/ExCo.

Rigorous governance and ownership structures are in place, with regular steering committee meetings to unite the accountable executives in each of the working groups. Legal, compliance and business operations all feed in, and external consultants also provide support.

Allocated resources have been scaled up over time.

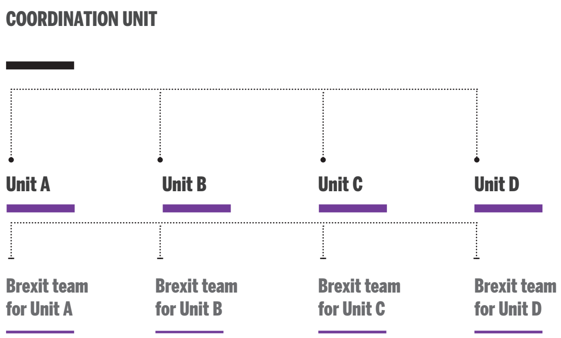


Multinational conglomerate

A large international group of businesses has designed a central coordination unit to manage all Brexit business across its business units, which sets the direction and key challenges across the group.

Each business unit then organises and operates its Brexit response in the way they see fit, feeding information and findings back up to the coordination unit.

Each business unit is supported by its own Brexit response teams, who have various sizes depending on the sector they work in. Sectors with larger, more integrated regulatory regimes will necessarily require bigger Brexit teams, for example.



Meet our Experts

FTI Consulting can help your business with your Brexit objectives:

- A dedicated Brexit Taskforce with unique cross-sector expertise and extensive experience of working on complex challenges
- Broader business advisory functions enabling us to identify solutions and best position your business for potential change, to mitigate any risks and identify the opportunities
- Dedicated teams in both London and Brussels supported by an extensive network of offices around Europe and in all major business centres across the world

To continue the discussion around Brexit and what it means for your business, or to speak to us about any of the issues raised in this survey, please contact our team of experts below or email **FTIBrexitTaskforceEMEA@fticonsulting.com**

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Methodology

This research was conducted by FTI Consulting's Strategy Consulting & Research team from 4-19th December 2017, involving n=2,568 senior decision makers in large corporates across the United Kingdom, Germany, France and Spain.

The country-specific breakdown is as follows:

- United Kingdom: n=642
- Germany: n=632
- France: n=646
- Spain: n=648

Please note that the standard convention for rounding has been applied and consequently some totals do not add up to 100.

Further information on the results and methodology can be obtained by emailing **dan.healy@fticonsulting.com**

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