Brexit, Business Leaders and Investment

Perspectives across Global Executive Search

ODGERS BERNDTSON

Introduction

Two years after the UK voted to leave the European Union the terms of Brexit remain unclear, yet the impact for the business world both in the UK and internationally is being felt.

As leaders in global executive search, across functions and sectors, Odgers Berndtson is close to top executives in almost 30 countries, talking daily about their companies and people.

In the final countdown to Brexit, Odgers Berndtson has distilled these conversations into personal perspectives from some of the most senior people in the firm to take the pulse of corporate leaders.

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Kester Scrope
Chief Executive, UK and Asia Pacific

Two years after the UK voted to leave the European Union, the uncertainty about the nature of Brexit and therefore its longer term impact remain unclear.

Economic growth in the UK has fallen down the league tables of the G7. Business investment is down – according to the Bank of England 4% below where it would have been had the UK not voted to leave the European Union.

However Brexit is but one component. There are wider threats to the freedom of global market access, not least the threats of USA trade tariffs and the prospect of reciprocal action. There are many other sources of economic confidence and uncertainty – there always will be. However within the mix a couple of things come through clearly; businesses are resolutely global and are in a race to realise the potential of new technology.

New technology is at the heart of most strategies to face the challenges of worldwide market access and competition. This is evident in many of the insights that follow from our Partners drawn from across the world, sectors and functions. For example Mark Freebairn reports high demand for CFOs able to support growth via automation, and in Dublin, Mark O'Donnell observes that heightened agility in the face of change is the new normal for all leaders.

There also follows some insights from within Europe on various sectors looking to hedge their bets by staffing up alternative centres from which to service their European operations, for example in Life Sciences and Professional Services.

The global dimension is evident in the UK's biggest quoted companies. For the past two decades, as our research shows, the UK's business leaders have become steadily more international – with little over half of FTSE100 chief executives now British-born. Post-Brexit, we expect this to continue, as chairs seek to ensure major export markets and trading partners are represented on the board.

So it is with some irony that, as the UK leaves the EU, its biggest companies may look to increase the EU representation on their boards. Boards of the UK's leading companies are already more international than those of any other country in the world and, post Brexit, we believe this will continue.

However the old truth remains. Those who adapt will survive and thrive, those that do not will not.

International diversity in FTSE 100 CEOs in 2018

British 54 CEOs
American 9 CEOs
South African 5 CEOs
Irish 4 CEOs
Italian 4 CEOs
Dutch 3 CEOs
French 3 CEOs
Indian 2 CEOs
Canadian 2 CEOs
New Zealander 2 CEOs
Swedish 2 CEOs
Australian 1 CEO
Austrian 1 CEO
Chilean 1 CEO
Croatian 1 CEO
Danish 1 CEO
German 1 CEO
Mexican 1 CEO
Portuguese 1 CEO
Russian 1 CEO
Sri Lankan 1 CEO

International diversity in FTSE 100 Chairs in 2018

British 63 Chairs
American 9 Chairs
Irish 6 Chairs
South African 3 Chairs
Spanish 3 Chairs
Dutch 2 Chairs
Swedish 2 Chairs
Canadian 1 Chair
Chilean 1 Chair
French 1 Chair
German 1 Chair
Italian 1 Chair
Indian 1 Chair
Mexican 1 Chair
Russian 1 Chair

UK Company Boards set to be more European

Virginia Bottomley
Chair, Board Practice

Uncertainty is always a problem and an opportunity for business. The current state of global geopolitical unpredictability makes corporate planning more challenging than ever.

Britain may be preoccupied by Brexit, but our clients recognise that the UK will always have unique strengths which make it an exceptional country in which to do business. It enjoys the advantage of the English language, excellent universities and research, strong software, an impressive banking and fintech centre and an established ethos of integrity with sophisticated, principle-based legislation and respect for the rule of law. Above all, the UK has an extraordinarily international business culture anchored by London's unparalleled position as a global city and centre for finance, politics, culture and research.

UK company boards more international than anywhere else

Britain's international credentials at Board level are stronger than ever – no other major economy in the world has around 40% of its top 100 quoted companies led by individuals who originate from outside the country; the proportion of international Chairs, CEOs and NEDs continues on an upward trajectory.

Ask business leaders about the critical matters on their minds. They want Brexit solved and clarity on the rules of engagement going forward, but for most, it is not the number one issue on their risk registers. Depending on the sector, businesses are making contingency plans for less desirable Brexit outcomes, but enlightened leaders are focused on embracing the opportunities of emerging technologies and 4IR. Their primary concern is how to grow productivity and competitiveness in transformational global markets – which the UK can do best by collaborating with its international partners.

In the 21st Century, London-listed company boards have shifted from being highly British and male dominated to become diverse and exceptionally international. This positive trend will continue; our multi-national businesses will require expertise from countries and regions that take greater priority. After Brexit, I expect that the EU27 will be vital.

Chairs are now increasingly analytical about skill mix, and what their boards may need for the future. An audit and a remuneration committee chair, for example, are essential. They also look increasingly for gender and ethnic diversity, alongside experience from different geographies around the world. Determinants of the international focus of each business include major growth in key international markets, global supply chain management and regulatory issues.

Boards will want specific EU representation

As Britain leaves the EU, many boards are likely to require individuals with personal, cultural and corporate experience from EU27 countries. The EU will remain a vital market for the UK, and Britain's departure will enhance the value of European voices in the boardroom. Before Brexit, it was common to believe that the EU could largely be covered from London; the future will see businesses challenging that assumption. The UK coming out of Europe could have the effect of encouraging British companies to appoint more directors from the EU27.

Since the 2016 referendum, we have also seen a significant increase in the proportion of FTSE100 directors from outside Europe. Britain has a strong track record in global trade which leaves it uniquely well placed to build on international board diversity. As other international markets, such as India, China and ANZ, rise in importance for post-Brexit UK, we also expect greater representation from these parts of the world on the boards of Britain's forward looking and globally-focused corporations. The prevailing importance of Europe on UK listed-company boards is part of this continuing trend towards even greater internationalisation for British corporate governance.

> "Boards are more likely to want somebody from continental Europe as Britain leaves the EU."

HOW BOARDS OF TOP UK COMPANIES HAVE GROWN MORE INTERNATIONAL

There have been early signs of an international shift in top roles following the referendum result.

There has been a increase in continental Europeans appointed to executive roles – notably Chairs, NEDs and CFOs. We have also seen a continuing increase in internationally born top leaders in all roles, bar CFOs.

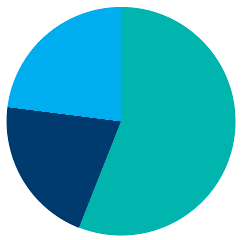
The changes overall are slight however, suggesting it's still early days to see changing attitudes being reflected across the composition of boards. However, it is already clear that:

- The proportion of UK-born top executives continues to fall, now accounting for just over half of all CEOs in the UK.
- Since the Brexit vote there has been a further increase in international board members across FTSE 100.
- There has been little change since the Brexit vote in proportion of continental European appointments (around 15%) and a slight rise in other international directors to 25.8% of the total (from 23.4%), The US is still the biggest source country, but in Europe this has changed from Ireland to Germany.

UK FTSE 100	2018	2016	2006	2001

CEO Role

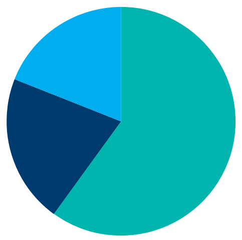
2018:



- UK Nationals: 56%
- Rest of Europe: 21%
- Rest of World: 23%

20 Nationalities

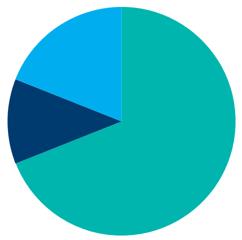
2016:



- UK Nationals: 60%
- Rest of Europe: 21%
- Rest of World: 19%

20 Nationalities

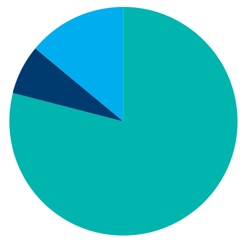
2006:



- UK Nationals: 69%
- Rest of Europe: 12%
- Rest of World: 19%

11 Nationalities

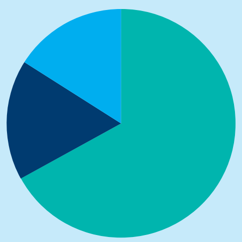
2001:



- UK Nationals: 79%
- Rest of Europe: 7%
- Rest of World: 14%

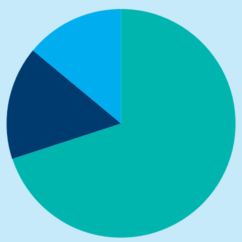
12 Nationalities

Chair Role (Exec & Non Exec Chairs)



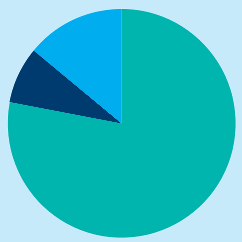
- UK Nationals: 67%
- Rest of Europe: 17%
- Rest of World: 17%

15 Nationalities



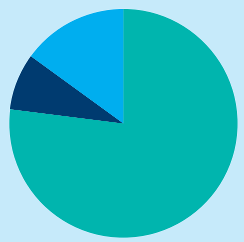
- UK Nationals: 70%
- Rest of Europe: 16%
- Rest of World: 14%

15 Nationalities



- UK Nationals: 78%
- Rest of Europe: 8%
- Rest of World: 14%

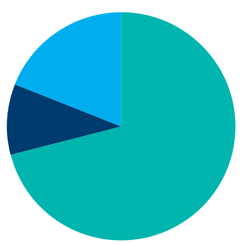
14 Nationalities



- UK Nationals: 77%
- Rest of Europe: 8%
- Rest of World: 15%

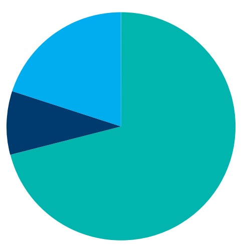
6 Nationalities

CFO Role



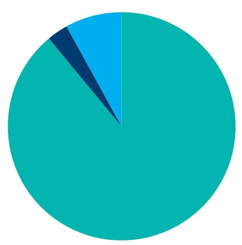
- UK Nationals: 71%
- Rest of Europe: 10%
- Rest of World: 18%

14 Nationalities



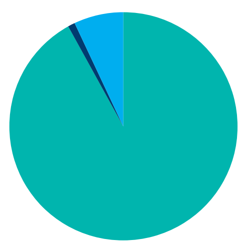
- UK Nationals: 71%
- Rest of Europe: 9%
- Rest of World: 20%

14 Nationalities



- UK Nationals: 89%
- Rest of Europe: 3%
- Rest of World: 8%

10 Nationalities



- UK Nationals: 92%
- Rest of Europe: 1%
- Rest of World: 7%

6 Nationalities

GLOBAL CORPORATE LEADERSHIP BAROMETER

FTSE 100	2018	2016	2006	2001
FTSE 100	86% of companies HQ in the UK	85% of companies HQ in the UK	93% of companies HQ in the UK	97% of companies HQ in the UK
	8 countries represented incl. the UK	9 countries represented incl. the UK	6 countries represented incl. the UK	4 countries represented incl. the UK

FTSE 100 board appointments since Brexit vote	July 2016	May 2018
Total FTSE 100 board members	1088	1056
FTSE 100 board members from Continental Europe	170 (15.6%)	161 (15.2%)
FTSE 100 board members from outside Europe	255 (23.4%)	273 (25.8%)
Main country of origin inside Europe	Ireland – 34	Germany – 33
Main country of origin outside Europe	America – 147	America – 146

FTSE 100 board appointments since Brexit vote

Name	Nationality	Role	Company	Start Date
Ken Bowles	Irish	CFO	Smurfit Kappa	December 2016
Javier Ferran	Spanish	Chairman	Diageo	January 2017
Peter Oswald	Austrian	CEO	Mondi	May 2017
Donal Murphy	Irish	CEO	DCC	July 2017
Thomas Dittrich	German	CFO	Shire	March 2018
Roberto Quarta	Italian	Chairman	WPP	April 2018
Birgit Conix	Dutch	CFO	TUI	July 2018
Dr Dieter Zetsche	German	Chairman	TUI	October 2018
Helge Lund	Norwegian	Chairman	BP	January 2019

*not yet in situ so not shown in FTSE 100

Europeans taking over Top Roles from UK Incumbents:

- Gerry Murphy (Irish) took over from Sir John Peace as chairman of Burberry
- Jose Vinals (Spanish) took over from Sir John Peace as chairman of Standard Chartered
- Marco Gobbetti (Italian) took over from Christopher Bailey as CEO of Burberry
- Johan Lundgren (Swedish) took over from Dame Carolyn McCall as CEO of Easyjet
- Kevin O'Byrne (Irish) took over from John Rogers as CFO of Sainsbury's

Automation biggest threat to City jobs

Anne Murphy
Head of Financial Services

We suspect technology and automation will have a far greater impact on employee numbers across financial services in the UK than Brexit.

Banks are being forced to take decisions and make contingency plans, yet we really haven't seen any significant impact in hiring at the senior level in banking and financial services, other than the need to have both non-executive and executive representation in their chosen post-Brexit hub.

And whilst we haven't yet seen any real indications that financial services firms are looking to move parts of their business from London, even if they do, I don't see many moving to Europe. More likely choices are New York, Hong Kong or Singapore – all global financial centres already and cities with well-developed infrastructure and regulatory environments.

In many cases the roles required in continental Europe post Brexit are more likely to be additional headcount, as opposed to jobs moving location, influenced by whatever conditions are finally set by central banks and regulators. Small numbers of trading and risk and control roles may need to move.

The financial services industry is awaiting clarity on how current back-to back-trading practices will work, passporting arrangements across the EEA, home/host regulation, complications around long-term products such as derivatives and insurance contracts, and, of course, the transition phase. A less specific, but very real issue, is how attractive a Brexited Britain will look to EU talent. Anecdotally we have heard at more junior levels it has become harder to attract people to London from continental Europe.

But crash-out or smooth transition, we believe the onward march of digital automation is a bigger threat to the number of jobs in the City than Brexit. Figures from PwC and the Bank of England bear this out. Whilst the Bank has estimated that 75,000 jobs could be lost due to Brexit by 2020, PwC anticipates the sector losing 350,000 from automation and digitisation by 2030.

This transformation also promises a huge opportunity for London, which is already the European leader in FinTech, and ready to embrace the tide of tech revolution. We're currently partnering with City UK on a research project to understand more clearly what the implications could be for roles across financial and related professional services and the impact on current and future leadership talent.

Getting things right in technology could position London to hold onto its crown as Europe's global financial centre.

> “Digital transformation is also a huge opportunity for London, which is already the European leader in FinTech.”

German industry feels the heat

Christine Kuhl
Partner, Frankfurt & Member of Global Financial Services Practice

I have a lot of contact with Germans working in financial services in London. Many say the atmosphere has changed. It feels like a new form of nationalism and many senior managers tell me they'd like to move home and to call if anything interesting comes up. I'm talking about the general atmosphere, not in the banks themselves but the public.

German banks cutting back

However, nearly every bank here is reducing personnel – so there aren't many positions to discuss. Whilst the European economy is quite good, we have still a financial crisis, or at least a banking crisis. The UK and the US banks recovered much faster than the German banks, which are still in a restructuring phase.

So although Frankfurt has been seen as a likely winner from Brexit, with thousands of bankers coming here and lots of new positions, as yet we're not seeing that. Instead a handful of executives from London have come. On our side banks are mainly looking for German CFOs and COOs with good contacts to the regulators and we really haven't seen any very large movement of bankers from London to Frankfurt yet.

Trade worries preoccupy industrialists

I'm convinced the impact on financial services here could be much less than on the manufacturing industry, for example in the automotive sector, due to the impact of Brexit. Senior executives I talk to worry about rising import and export taxes plus Germany having to pay more into the European Union. Many German companies have subsidiaries and production units in the UK and have a lot of concerns about how things are going on.

> “Senior executives I talk to worry about rising import and export taxes plus Germany having to pay more into the European Union.”

GLOBAL CORPORATE LEADERSHIP BAROMETER

Foreign direct investment and trade preoccupy Dublin

Mark O'Donnell
Partner, Dublin

From the day of the vote to leave Europe, Brexit had a material impact on business. On that first day we lost two assignments – and ever since it has created great uncertainty. Our clients are large corporates, multinationals or public companies and, if you exclude the American multinationals, they all have a very high dependency on the UK – especially those in the food sector which export up to 90% of their product to the UK.

Trade with UK a major concern

Clients are trying to be as Brexit ready as they can, scenario plan what may or may not happen – and all we can do is be agile and try to help with the new reality. There's a host of issues around getting product in and out of the UK and all the increased barriers to trade.

Food is a big issue but every client, be they in building materials, plastics, or whatever, is impacted. Ironically, in financial services – where “dam-bursting” kinds of activity were anticipated in banking, insurance and asset management – we haven't seen this yet. Outside of Bank of America, very little has happened here so far although it's now 2 years since the referendum.

Dublin is seeing a perfect storm. Brexit is massive, as is Trump because he came into power first and foremost to bring jobs back to America. That has a major impact.

Ireland has a huge dependency on foreign direct investment and most of this is by US multinationals. And then there's the pace of technological change. I suspect that huge uncertainty and ambiguity is the new normal. We've got at least three more years of this and even then, based on whatever the deal is, issues around trying to make it work will be a constant.

Leaders must be more agile

So really this means organisations and their leaders must become more agile, and better able to cope with uncertainty and change. Leadership teams need to say “look guys, nobody knows what's going to happen, so we need to be thinking on our feet and get into a position where we can be as nimble as possible”.

There is, I think, a positive impact in that Brexit has prompted many organisations and leaders to recognise they need to sharpen up, become more flexible and put in place more adaptable, multi-faceted people. We're working with them on this and succession planning to help identify and develop greater agility and more flexible approaches to talent.

> “Ireland has a huge dependency on foreign direct investment and most of this is by US multinationals.”

'Big Tech' ramps up UK presence

Apple is developing a new HQ in the iconic Battersea Power Station.

Facebook, Amazon, IBM and Microsoft are all extending their UK operations.

Google is building a billion dollar HQ in London's King's Cross.

US and tech lead inward investment

US was principal foreign direct investor in UK in 2017.

UK-based firms attracted £2.99bn of new funding, compared to £1.63bn in 2016.

London-based firms raised £2.45bn last year – that's 90% of all UK venture capital tech funding in 2017.

12,000 jobs from 451 projects created in London and Europe in 2017.

The UK attracted almost four times the £694m invested in German firms.

[London & Partners 2017]

Continental Europe gaining share

Europe increased its share of tech investment to 980 projects in 2016 - a ten-year high and 9% increase on 898 projects in 2015.

The UK's market share fell from 30% of all tech investments across Europe in 2015, to 27% in 2016.

Europe increased its share in 2016 by 9% – from 898 in 2015 – to a ten-year high of 980.

[EY, 2017]

GLOBAL CORPORATE LEADERSHIP BAROMETER

International specialists needed to grow the UK digital economy

Mike Drew
Head of Global Technology Practice

In the technology sector we are starting to see more gaps in organisations opening up because people are leaving the UK. It's not en masse, rather specific examples, but as we get closer to Brexit and leaving the European Union, this may gather pace.

Organisations need a strategy for succession planning, because certain skills are really hard to find, and some specialist roles can only be filled from outside the UK. This country doesn't always have the depth of talent needed, especially in emerging fields like artificial intelligence, deep learning and data science – or even highly technical roles like developers, where many specialists have come from Eastern Europe, or India.

They represent a valuable pool of talent that, as a result of Brexit, the UK risks reducing substantially. This will create a real issue for the economy unless there are sufficient replacements.

Employers considering if the UK is long term for them

Brexit has created a level of uncertainty which wasn't there before. No-one knows how this is actually going to end and that does affect hiring because it gives organisations pause for thought. They start thinking more about how much they really need the new hire, should it be based in the UK – or could it be based elsewhere and, if so, where? Both employers and also employees are stopping to think about whether the UK is a place for them long term.

So many companies are making short term decisions, which will impact the UK's ability to be competitive in technology longer term. We haven't yet seen a great deal of retraction or change in strategy by big employers in the technology industry, rather a number of examples of employers saying to us that non-UK residents who they employ in the UK are starting to leave. For example, one software organisation had three of its senior technical people resign within four weeks due to the uncertainty of Brexit. An example of where employees feel they can't commit their futures to the UK because they don't know if legally they'll be able to stay, or if their families will feel welcome now sentiment has changed. I think that the weaknesses that will come from all of this will be felt in the years to come.

UK status as European tech hub in question

Then, when you look at the technology hubs around the world, number one remains Silicon Valley closely followed by Asia, which has really been an emerging technology environment. Between the two sits the UK, often used as a launch pad to expand into Europe. Traditionally technology companies have evolved here and it's created a good talent pool across most areas. But Brexit opens the door for other countries like Holland, with a lot of similarities – they speak excellent English, are culturally not dissimilar to the Brits and also Americans, are in mainland Europe, have good travel hubs and so on – so it could become a very viable alternative base.

Ironically in the short term however, investment in UK technology companies has increased since the Brexit vote, so you could argue that North American companies haven't necessarily reduced their commitment to the UK. There is more investment in UK companies, which is fantastic. The negative however, is that these technology companies will need more people to grow and if they can't find the skills in the UK, they may relocate.

So if post-Brexit, the UK doesn't have a structure to enable these companies to recruit people from other countries, welcome them into the UK and give them skilled jobs in technology, the long term growth of the sector and its importance to the UK economy will suffer. I do think there is an opportunity for the UK to become a very strong digital economy and be attractive to many countries – but we must lay the right foundations now.

> "Technology companies will need more people to grow and if they can't find the skills in the UK, they may relocate."

Life Sciences: Investment Focus Shifts to EU

Chris Hamilton
Head of Life Sciences Practice

Life Sciences is a truly international sector and the UK has greatly benefited from being part of a single European community, both for R&D and commercial opportunity. Put simply, Brexit is a challenge that most people in the life sciences sector would rather not have faced. For example, the UK participates in EU-wide clinical trials and adheres to the same regulation and procedures as other EU countries. This allows it to actively drive R&D of real scale. Once we leave the EU it is by no means certain how easily we can continue to participate in such programmes, and therefore how attractive the UK will be as a destination for drug development.

There are additional uncertainties around the future of pooled research funding because so many of the collaborations that happen are multi-country. Working out where the UK might fit into that could be another hurdle. Whilst there have been a couple of notable investment commitments to R&D capability in the UK, it remains to be seen how this will pan out in the medium and long term.

> "The quality of the science that we produce in this country is exceptional, but attracting and holding onto talent will become increasingly challenging."

Knock on impacts of relocation of European Regulator

Another major factor is the European Medicines Agency (EMA), currently based in Canary Wharf. Approval of a new drug by the EMA gives automatic approval across the EU, albeit subject to local pricing and funding decisions. The EMA has announced it will relocate to Amsterdam, which could mean that to approve a drug in the UK, companies might also have to follow a local process.

Beyond this, the supply chain is a very big challenge, not least because any sort of customs approval process has the potential to slow down the movement of goods and, whilst this impacts all sectors, the production, storage and supply of medicines is particularly complex.

There's generally more scepticism around. We might develop brilliant drugs here but a UK launch may not be top priority for businesses eyeing larger, more immediate gains in the US and EU markets. The knock-on effect of the situation with the EMA are considerable.

Investment focus shifts

For some businesses based in the US, Asia or further afield, the UK feels like an increasingly uncertain market in which to invest. A client of ours based in Asia-Pacific recently took the decision to halt their UK based recruitment because of the increasing worry that Britain no longer has solid growth potential. People look at the UK from overseas and because of the uncertainty many don't have the appetite to invest serious cash here. Uncertainty over investment prevails.

Post Brexit lead for the UK in Clinical Trials?

As a practice, we're having conversations about a role where a company is making an investment, but instead of basing it in the UK they are looking to base it in continental Europe. Searches like this play to our strengths as we are a global practice and well used to moving talent across borders. The fact remains that the quality of the science that we produce in this country is exceptional, but attracting and holding onto talent will become increasingly challenging until there is greater clarity.

Sitting within a global practice, I think the future for our UK team will be in looking for opportunities that arise from Brexit – and there definitely will be some potential upsides. In the UK, Brexit might actually make clinical trials easier to run if we can relax regulation and facilitate a faster development process. The UK used to be a really good destination for clinical trials so post-Brexit there could be more businesses looking to relocate and grow their programmes here. The UK could become a haven for trials with faster legislation and approval rates.

I don't think there'll be less activity in Life Sciences for the UK post Brexit, but I do think it will be different. The UK has lots of SME's and AIM-listed healthcare and biotech companies and I don't think they're going anywhere. But taking a drug to launch, commercialising and then globalising it will call for more leaders with deep experience in European and US markets and, unfortunately the value of UK knowledge and expertise might become increasingly marginalised.

The jobs that will exist tomorrow will probably be more about how to take a UK-grown drug into Europe and the rest of the world.

Supply chain issues spark search for new-style leaders

Lucy Harding
Head of Supply Chain and Procurement Practice

The biggest worry in procurement and supply chain relates to the prospect of a hard Brexit, which potentially raises big issues around continuity and surety of supply for those with global supply chains. This impacts organisations across all sectors but in life sciences and pharma for instance it could literally have life-and-death consequences when manufacturing and moving critical medicines. Many pharmaceutical and manufacturing companies are contingency planning for a hard Brexit.

Organisations now have to decide where to start building inventories and holding stock to avoid disruption to their supply chain. So they're starting to think more practically about what they need to do. For example, do they need to build in or take additional warehousing space to avoid breaks in manufacturing?

We speak to many companies now who see the need for a different kind of leader, someone with a broader end-to-end vision of the organisation, who can understand the total flow of the products – where they're made, where they need to get to and how they're distributed – to understand the life cycle cost of production and distribution and make the right decisions.

So we're increasingly looking for senior people with broad leadership capabilities who can take an organisation through this period of uncertainty, and can deal with ambiguity and transformation at a senior level. They need to be agile, smart and adaptable – because with Brexit we're all in unchartered territory. Our assessments now focus much more towards behavioural capabilities and an ability to drive organisations and lead people.

There could also be an increase in additional resource required, probably more on an advisory or in a senior interim kind of basis, to help with this short term in some industries like pharma and manufacturing which have particular concerns over any physical blocks in the supply chain.

Global professional services firms build new continental hubs

David Webber
Head of EU Practice, Brussels

Belgium is the UK's fifth biggest trading partner, sparking much discussion here about the impact of Brexit on Belgium which, according to PwC, ranks fourth as the country hardest hit. It could benefit.

Businesses are hedging their bets and, in parts of their operation particularly effected, recruiting modest numbers outside the UK.

Big global firms building capacity in new European hubs

So far, however, the impact is less in industry and manufacturing than professional and business services. Unlike much of the rhetoric you hear in the UK I don't think there will be as much opportunity for UK businesses, unless they package themselves as European. Big professional services firms like Deloitte, EY and KPMG over the last twelve to 18 months have opened major new offices here, as new international hubs. They're far too big for a country the size of Belgium – they're clearly looking to use these to service a number of different European countries.

I've seen a number of businesses, mostly in consulting, recognising there will be a different environment after Brexit. Their UK base will then not be within the EU and they realise they may need to provide a different level of service. So at one level, Brexit is a catalyst for many professional services firms to expand. For instance, we're working for a UK consultancy in Belgium, France, Germany and Italy to identify and recruit new talent to grow their business.

Beyond this, many professional services firms have built up presences primarily in London and those key operations service most of Europe. Some now wonder whether, post Brexit, European clients will be so willing to come to London for business and professional services rather than access them locally. Also regulatory challenges around things like data protection – putting conditions around holding data on EU citizens – may require European clients to use EU based providers. Many firms now recognise that, if they want to service clients across the EU, that's where they need to have their European base. For other sectors such as aviation there will be operational requirements that require them to have an EU headquarters.

At the same time, we're seeing a high degree of interest from European professionals based in London looking for opportunities in continental Europe. I have a lot of enquiries from people in the UK – French, Italians, Germans and so on – looking for opportunities in Brussels and staff in consultancies happy to move out of London. I haven't had, unlike in previous years, non UK nationals saying "I'm open to an opportunity in the UK". We supported a London-based search earlier this year where candidates based in Brussels said they could not consider the role given the uncertainties over their long-term status in the UK.

EU lobbyists favoured to represent big companies

Brussels is also the centre of EU affairs, and one of the biggest challenges businesses are coming up against now is how are they represented after Brexit, especially if there is to be a hard Brexit. If you are a British bank for instance, how will you be represented here to German politicians, French politicians, European commission officials and so on. Accordingly, they're thinking carefully about who will speak on their behalf. The same holds true for trade associations, we have 3,000 in Brussels and many are looking also at their own representation. I know a few with British leaders which have been looking to change their leadership to have non UK nationals.

Lobbying is interesting because it's always been a very Anglo Saxon business model and there's been a very high percentage of UK firms and UK people within them. The Brexit decision has created an opportunity for non-UK firms. For instance, there's a new entity from Sweden that's running a very transparent, inclusive operation and already in the first few months of this year they've moved their office here and are winning lots of new accounts.

So Brexit seems to be giving everybody an excuse or reason to try something different – with the adage that if it fails, blame it on Brexit!

> "Many firms now recognise that if they want to service clients across the EU that's where they need their European base."

Finance chiefs look to automation for growth

Mark Freebairn
Head of CFO Practice

For a while now organisations have been talking to their legal advisors and asking for non-billable advice about what Brexit might mean. Now, for the first time, heads of finance are telling us they're paying law firms for specific advice as to what they need to do in the eventuality of whatever version of Brexit occurs. Larger, international groups are further ahead on this but really anyone with a supply chain outside the UK is thinking about it. And all the heads of finance we talk to are wrestling with the problem of how you solve a challenge without knowing what the challenge is.

More tangible is the impact on the UK economy of Brexit. For many companies, the UK has become a less attractive country to invest in, and many directors who sit on foreign boards tell us their companies' investment money is going into Southern and Northern Europe, Asia and pretty much anywhere else in the world before it comes into the UK. In time that will reduce the amount of foreign investment in the UK, and therefore its growth and profitability, so UK-based finance heads need to look for other means of driving growth and productivity. Technology – including greater use of automation and artificial intelligence – is increasingly one of the favourites to achieve that.

At a recent networking event we held for Chief Finance Officers (CFOs) three different people said "we've launched our first robot". All three were a success, and the CFOs were now looking at the potential cost savings that could result, leading into a very interesting conversation about how the savings created by robots might be taxed. There's no doubt that artificial intelligence and related technology, which can drive productivity and cost control, will become a bigger focus for the CFO and finance community – especially if business performance starts to trend down. This means that if the UK continues to lag behind other European economies in terms of growth, this country may start to emerge as a leader in its use of new technologies and automation.

> "Artificial intelligence and related technology which can drive productivity and cost control will become a bigger focus for the CFO and finance community."

A new dawn for flexible, independent professional work

Adam Gates
Principal,
Odgers Connect

Charlotte Gregson
Principal

A quiet revolution is underway in professional work, driven by demand for greater flexibility – above all for employers. Brexit, and the uncertainty it generates, is driving this across not only UK-based businesses, but those in Europe too.

Our experience is that the 'Brexit effect' has been to accelerate a longer-term trend for many organisations to reduce their core office headcount, including at senior levels, preferring non-permanent professional support where possible for specialist input and projects. Recently we asked Source Global Research, which specialises in the international consulting market, to investigate this further with senior corporate executives from 250 major employers from the UK, Switzerland, Germany and the Netherlands.

They found that almost a third (29%) expect to make greater use of independent consultants – as opposed to large consulting firms or permanent hires – as a direct result of Brexit.

"Almost 60 per cent of employers said greater organisational flexibility was a priority to meet the needs of their new business models."

For employers in the UK this rose slightly to 31% with demand particularly strong for senior specialists in risk and regulatory work, to help adapt to a new and unknown environment. In other areas too, notably linked to technology and innovation, companies want the benefits of accessing flexible specialist professional support without the high costs traditionally associated with large consulting firms or the need to recruit permanently.

External uncertainty fuelling demand for independent consultants

Brexit however appears to be just one of many greater uncertainties facing employers that is driving them towards a greater use of independent professionals. In the run-up to the first anniversary of the Brexit vote, we asked our own network of consultants why they were typically brought in to work on projects by organisations.

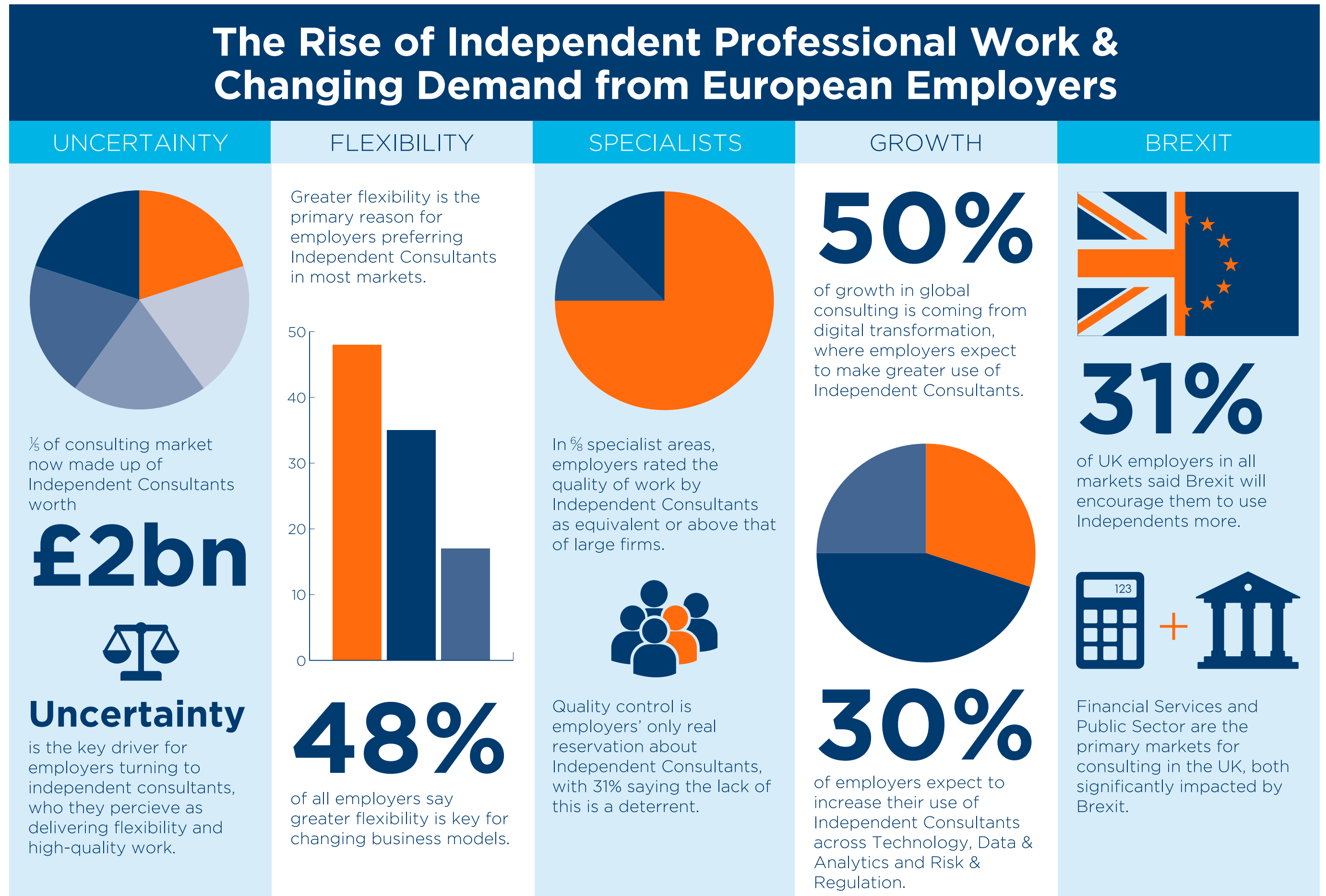
Almost 90% said external factors were very or extremely important to their work – including Brexit, but also relating to disruption, new markets and the global economy. An even higher number (96%) said they expect demand for their services to continue to grow – a finding mirrored in our research with Source, which found that almost 60% of employers said greater organisational flexibility was a priority to meet the needs of their new business models. Independent consultants came out top for flexibility – whilst still scoring as highly or higher than big firms on their quality of work. Almost half (48%) of all the executives surveyed gave flexibility as their primary reason for choosing to work with independent consultants, making this more important than price.

Employer demand for independents rising across Europe

One striking factor from our work with Source was the similarity in responses – and changing requirements – given by executives across European markets, suggesting that the genie is truly out of the bottle in a shift to a more fluid, and flexible professional workforce. We are also seeing, through the assignments allocated across our own consultant network, that these newer ways of working are helping to drive diversity – notably on gender.

Professional services firms, notably the big management consultancy groups, have for some time struggled to accommodate the needs of senior women with dependants – and now, it seems many of those women are voting with their feet and choosing independent work instead to gain the flexibility and control over their professional lives that they need. We found, for example, in a recent study of the gender split on consultancy assignments to clients of Odgers Connect, that 40% were led by female consultants – roughly twice the level women working at a comparable level in big firms. Meantime female and male consultants have overwhelmingly told us that taking control of their lives is the main reason working independently.

So it seems Brexit may have the happy side effect of accelerating a welcome shift at senior levels to more flexible ways of working, attracting high quality and more diverse professionals. The biggest current obstacle employers cited to Source was the difficulty of finding the right individuals to work with in this way. As demand grows, this will change – and it's up to us to help.



"The 'Brexit effect' has accelerated a longer term trend for many organisations to reduce their core office headcount, including at senior levels, preferring non-permanent professional support."

Universities fear collapse in student recruitment and funding

Alex Acland
Head of Education Practice

In higher education, the impact of Brexit is being felt in the recruitment of research academics and EU research collaborations. The international recruitment market for vice-chancellors remains resilient but the main consideration is whether the UK remains an attractive place to relocate to. Are we a friendly place that welcomes the most talented from around the world? The jury's somewhat out but it's an interesting question. Cambridge recently recruited its Vice-Chancellor from Canada and Edinburgh University from Hong Kong. We haven't had a tradition of recruiting VCs from Europe to lead UK universities – rather Australians, Canadians, and a few from the USA – because continental higher education has not undergone the same level of market reform.

Universities braced for plunge in applications from EU students

A greater area of concern is student recruitment. Post-Brexit, EU designated students will be re-classified as international students and will pay fees at the same level as other nationalities. The affordability and attractiveness of our universities to EU students will become a very different question and all universities are already dealing with a reduction in EU applications and student numbers, and preparing for further significant loss of income.

When it comes to research collaborations, the UK will lose its direct access to EU research funding and although the UK government could replace this funding pot, the other half of the story is our ability to join EU research bids and collaborative programmes. Research is a collaborative exercise, no-one does research by themselves and the most interesting advances happen through collaboration. Brexit will make it harder but not impossible for UK academics to collaborate with EU colleagues, and we are already seeing signs of UK teams being frozen out of new bids. European academics are saying "sorry I don't really want you on the bid team if you're not going to be around in a year's time".

> "Brexit will make it harder but not impossible for UK academics to collaborate with EU colleagues, and we are already seeing signs of UK teams being frozen out of new bids."

Elizabeth James
Head of Education Practice, Berwick Partners

Universities we speak to say they're being chosen as partners for international collaboration on research less and less. This isn't just within Europe, but internationally, because US and Asian universities are looking for partners in Europe with access to funding. They're also shunning universities based here, because the UK no longer has potential as a European research partner.

When the reality bites of not being able to bid for European research programmes, or win funding, I think there will be an absolute cliff-edge in terms of the UK's attractiveness as a destination for cutting-edge research. I just don't think this country has yet grasped the impact of Brexit on the international research community. The Chinese, for example, are aghast we could walk away from our current pole position on projects. We're currently talking to institutions in Dubai and they, too, see Brexit as total madness.

Looking Ahead

We anticipate a sharp increase in activity and impact across all areas and markets in the immediate run-up to the UK finally exiting the European Union. For more information on intentions around hiring, leadership and investment across these and other sectors please contact us.

About Odgers Berndtson

Odgers Berndtson is one of the leading international executive search and leadership assessment firms. Our reputation for excellence and integrity has been established over 50 years. We act as trusted advisors to clients who need help recruiting for important positions and assessing the development needs of their top talent. A truly global brand, Odgers Berndtson delivers worldwide executive search and leadership assessment solutions from more than 50 offices in 30 countries.

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