

highgrowth knowledge company

Are you on board or jumping ship? Businesses respond to the EU Referendum



A High Growth Knowledge Company research report for the leaders and owners of ambitious businesses

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Rationale and Thanks

We carried out this research in response to the many questions and concerns raised by our clients and others when discussing their plans and aspirations about their businesses. Each time they raised uncertainty around the forthcoming Referendum as a key issue: the lack of specific information about their issues, extreme debating stances and the unknown short and longer-term impact on their business.

As leaders in fast growing companies they are accustomed to making decisions with incomplete information and drawing on their knowledge and experience to make good choices. To grow their companies, they research and evaluate issues that matter to them, but have struggled to find coherent and practical guidance and information to support either a **REMAIN** or **LEAVE** position.

We decided to ask a range of high growth businesses about their concerns. Are they sharing those concerns with their staff or customers? Were they alone or did others share the same concerns? Were they planning for a post-Referendum Britain?

We would like to thank the many individuals and their companies who took part in the research. Many took time to share thoughts in interviews and in online commentary.

We would like to say a special thank you to Mike Lusby from Box 4 Consulting for his help in conducting the research.

Objectives and Methodology

High Growth Knowledge Company, working with Box 4 Consulting, conducted an authoritative research project from 13 May to 6 June 2016 to gain a snap-shot of fast growing companies' views on the EU Referendum.

Specifically, our objectives were to:

- Assess the preparedness and progress of businesses in anticipation of the impact of the Referendum
- Highlight the most common areas of concern

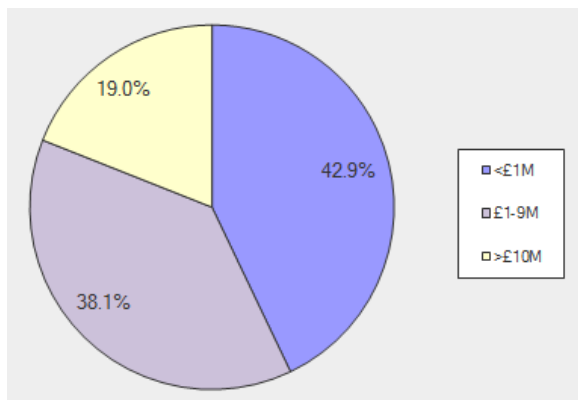
In doing so, we have been able to provide an element of benchmarking for other companies.

Our approach was a combination of face-to-face and telephone interviews and self-completion questionnaires. Interviews typically lasted between 30 minutes and an hour.

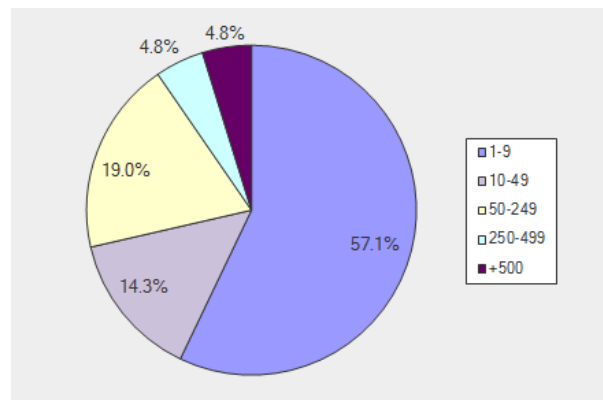
Whilst some qualitative comments are included below, complete respondent anonymity has been maintained.

Who responded?

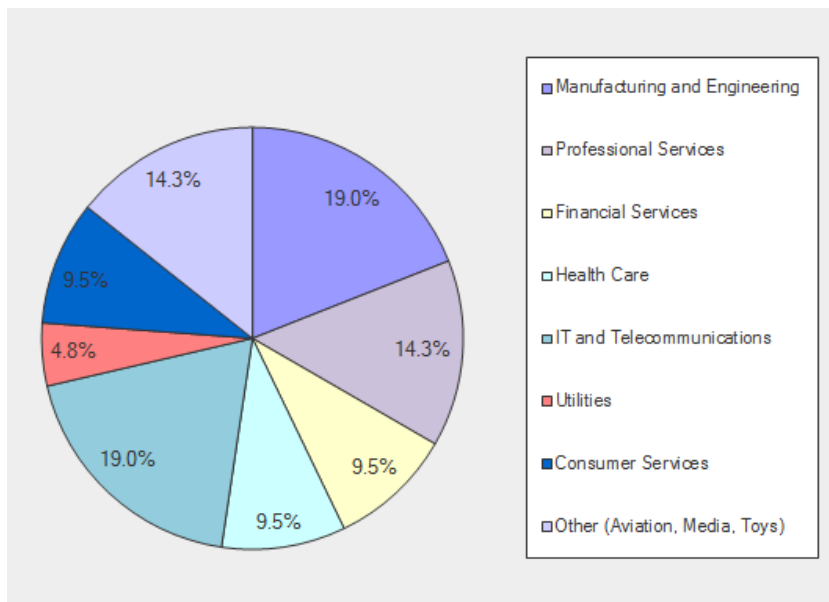
Fast growing SMEs based in the South West took part in the research. Most respondent companies are well established businesses with 57% starting more than 10 years ago with 57% employing less than 9 FTEs; 81% reported annual company turnover between £1-9M. No particular sector is dominant but Manufacturing and IT and Communications were the largest at 19% each. Individual respondents are predominately male, typically owner/directors and with 38% in the 41 to 50 age category.



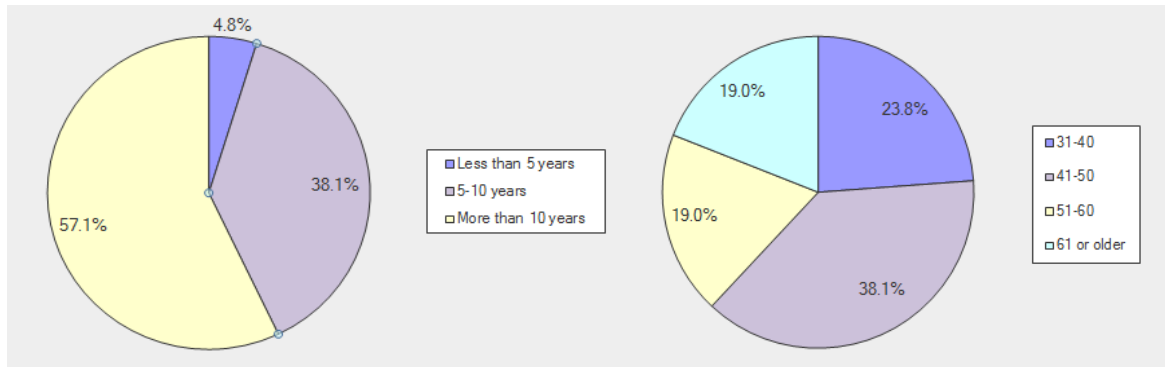
Turnover



FTE

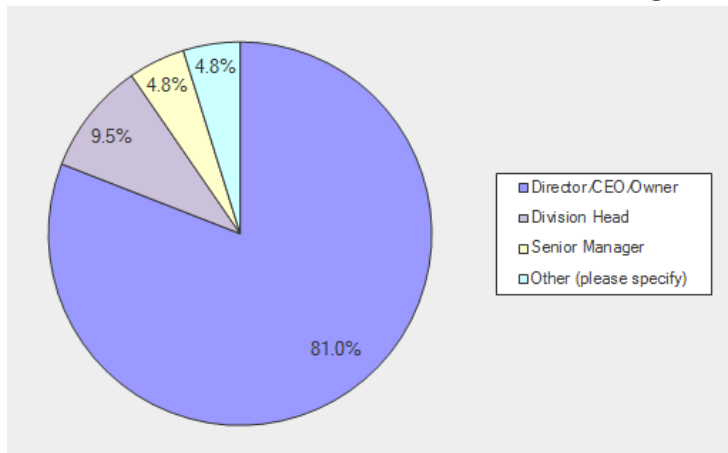


Sector



Years business established

Age of respondent

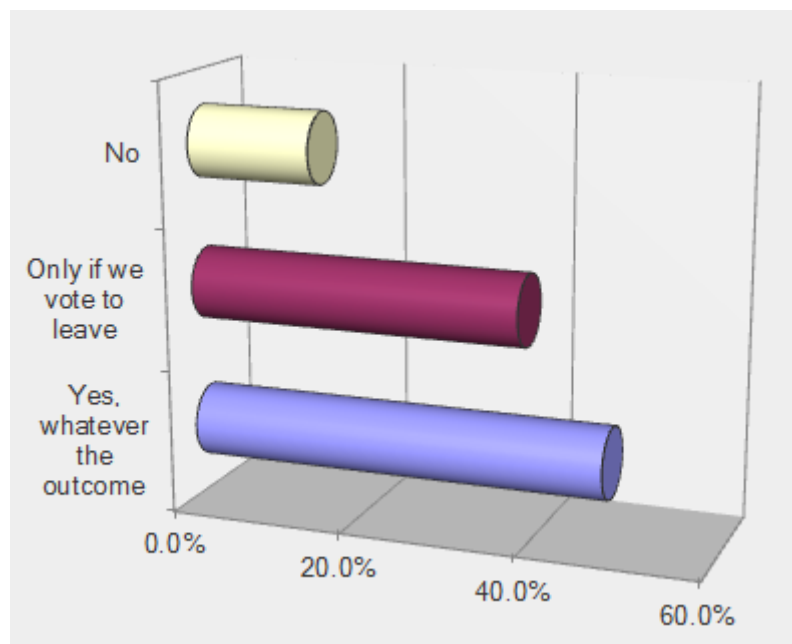


Seniority of respondent

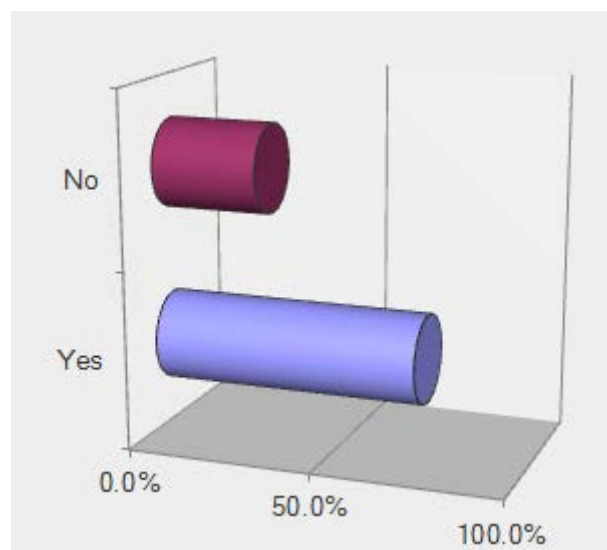
Belief

Our opening questions were aimed at finding out to what extent respondents felt there would be an impact on their business, and any change as a result of the Referendum.

Do you think the EU Referendum will have an impact on your business?



Do you think there will be change irrespective of the outcome of the Referendum?



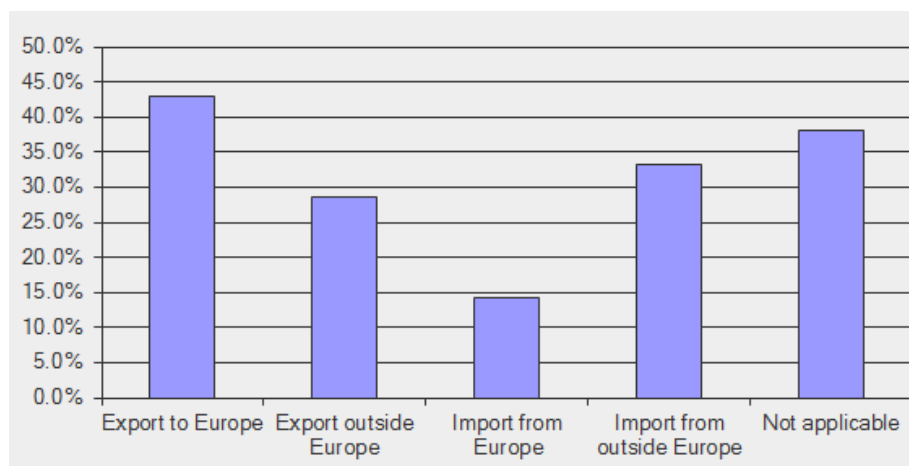
Not surprisingly, the results from these two questions correlate. Over 70% of respondents felt there would be some kind of change whatever the outcome, and over 85% think that there would be an impact on their business if the UK votes to leave the EU. Almost half thought there would be an impact whatever the outcome.

One of the respondents who thought there would be no impact at all on their business because all their business was conducted within the UK.

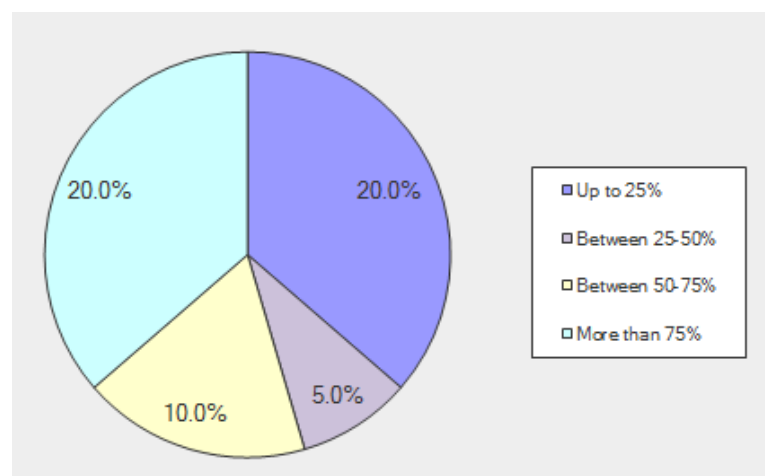
Imports and exports

We wanted to find out the extent to which our respondents were already trading overseas (importing or exporting), and what they thought the impact of leaving the EU would be on their ability to do business.

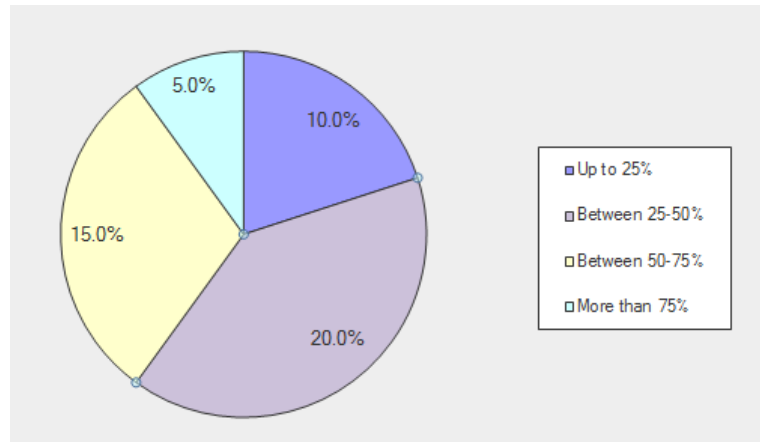
Do you export or import already?



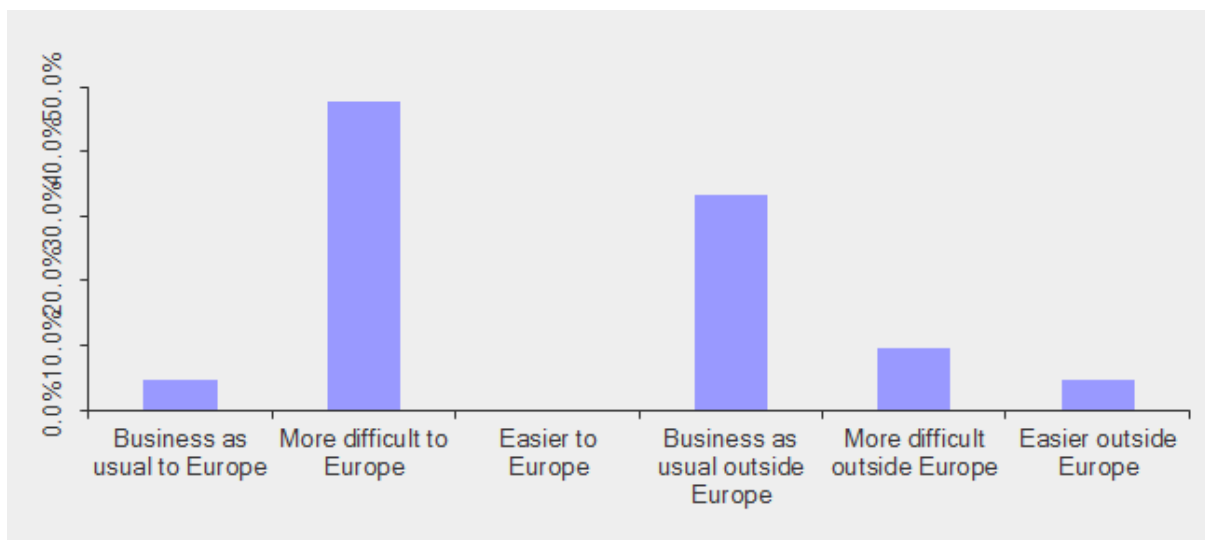
Approximately, what %age of your turnover make up your exports?



Approximately, what %age of your costs do you spend on imported goods or services?



If the UK votes to leave the EU, what effect do you think this will have on your ability to trade overseas?



No respondent thought it would be easier to trade to Europe, and only 5% thought there would be no change. Almost 50% thought it would be harder to trade with Europe; 10% that it would be harder to trade outside Europe. We know of at least one company that knows it will face higher trade tariffs on their exports if we leave.

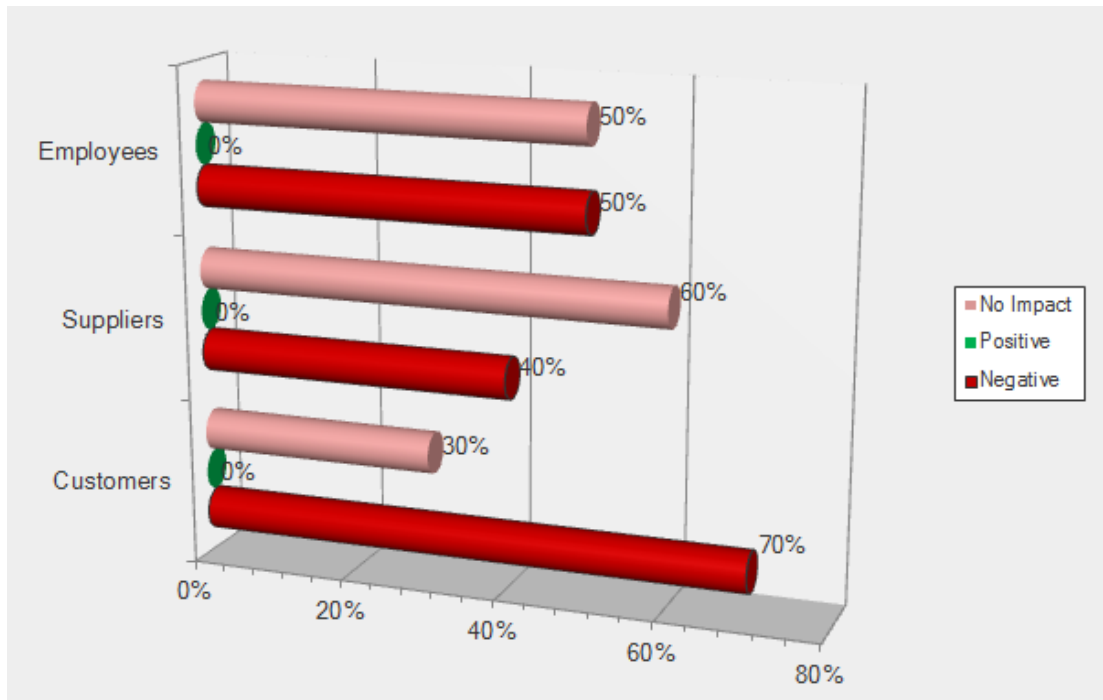
'I'm concerned about the cost and time for product re-registration if we leave'

We also asked whether respondents would look for new countries outside Europe to trade with, and 14% thought they would.

Impact

We then went on to ask some more specific questions about perceived impact, beginning with the respondents' customers, suppliers and employees.

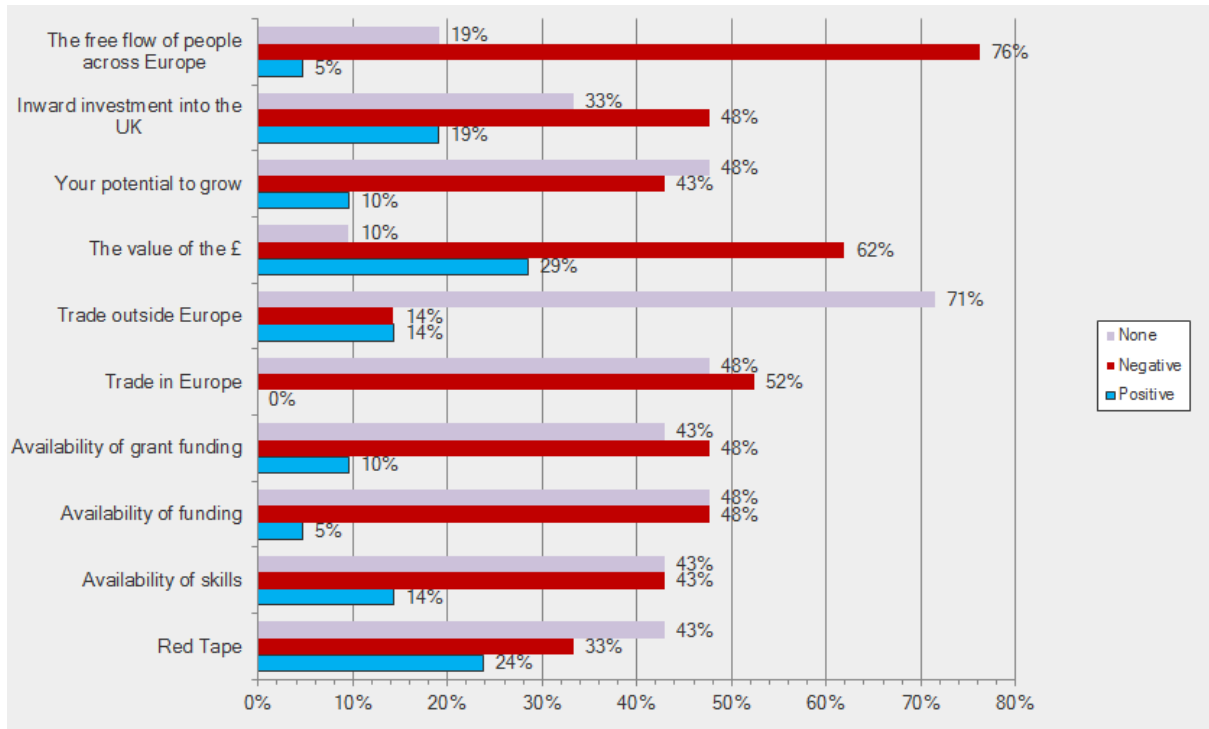
What impact do you think a vote to leave the EU would have on your...?



This response is quite startling. **100% of respondents thought there would be no upside for customers, suppliers or employees.**

Respondents were then asked to consider their own businesses in terms of the potential effect of the UK voting to leave the EU on a range of widely discussed subjects in the debate so far.

Considering your business, what do you believe will be the long-term impact of leaving the EU would be on the following?



Responses in some areas are perhaps predictable – for example, a large majority (76%) thinks there would be a negative effect on the free flow of people across Europe. But others appear to go against what leading representatives of the campaigning groups have been saying:

- **Red tape** – 33% thought the impact would be negative, outweighing the 24% who agree with the Leave campaign that red tape will reduce
- **Skills** – 43% thought the availability of skills would be negatively impacted, against only 14% thinking the problem would ease. Given we hear regularly about a skills crisis in the UK, this has to be of concern
- **Funding** – 48% thought there would be a negative impact on funding, and 48% that inward investment into the UK would be adversely affected.
- **Exchange rates** - a whopping 62% thought there would be adverse pressure on the £ if we vote to leave, although interestingly nearly 30% thought there would a positive effect on the £. As with so much of the debate, there are compelling arguments from ‘experts’ on both sides
- **Growth potential** – only 10% of respondents felt that their potential to grow would be improved if we vote to leave the EU. This is a telling response, as much of the Leave campaign has been talking about how much better off we

would be, and bucks the commonly held view that entrepreneurs generally feel the UK would be better off leaving.

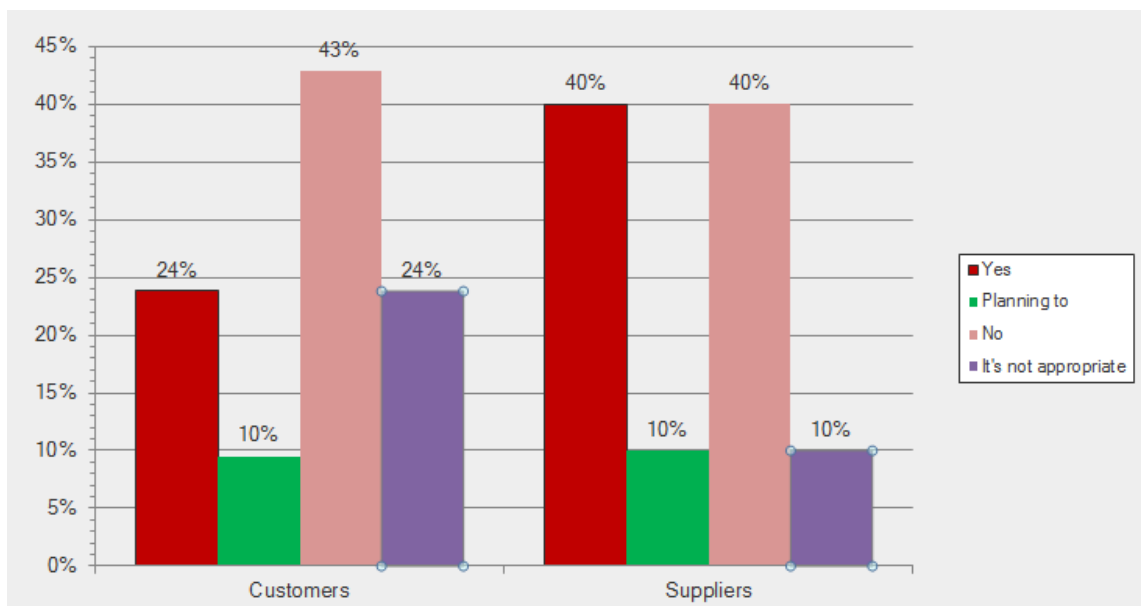
Generally, these results do not show a great deal of confidence in the benefits of leaving, and correlate back to the previous question about impact on customers and suppliers.

*'(Brexit) puts our breakeven point back by years'
'Leaving the EU will send us back years'*

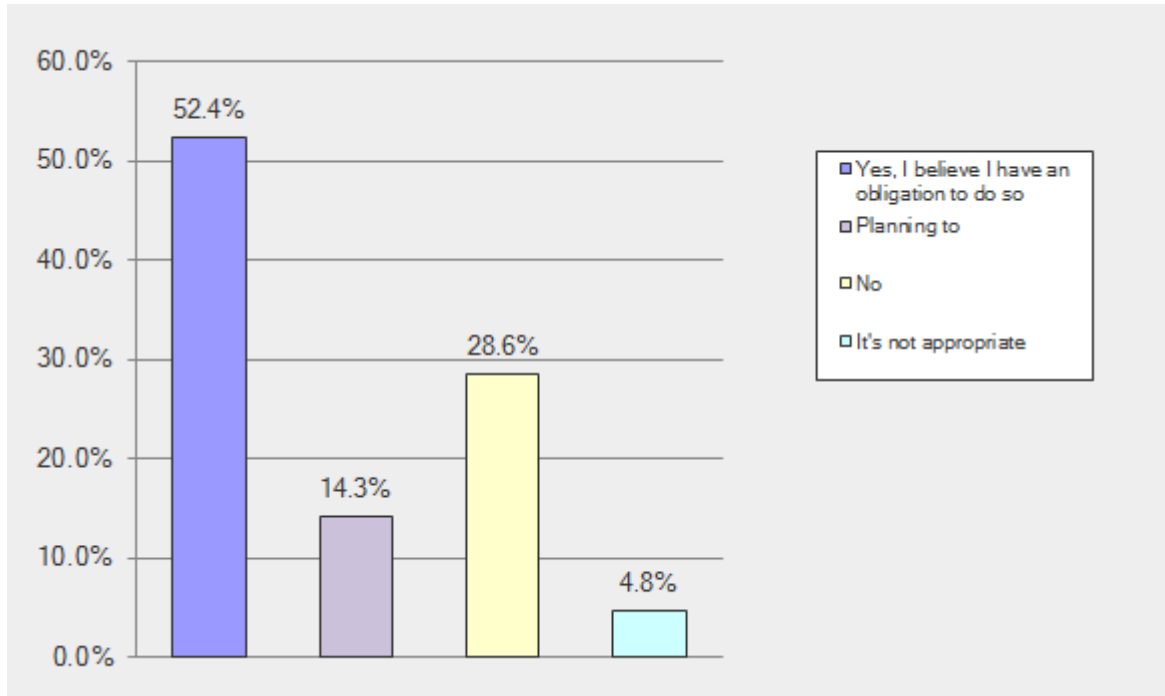
Communications

With all this uncertainty, we wanted to know to what extent our respondents were communicating with their customers, suppliers and employees.

Have you discussed any potential impact with your customers or suppliers?



Have you discussed any potential impact with your employees?



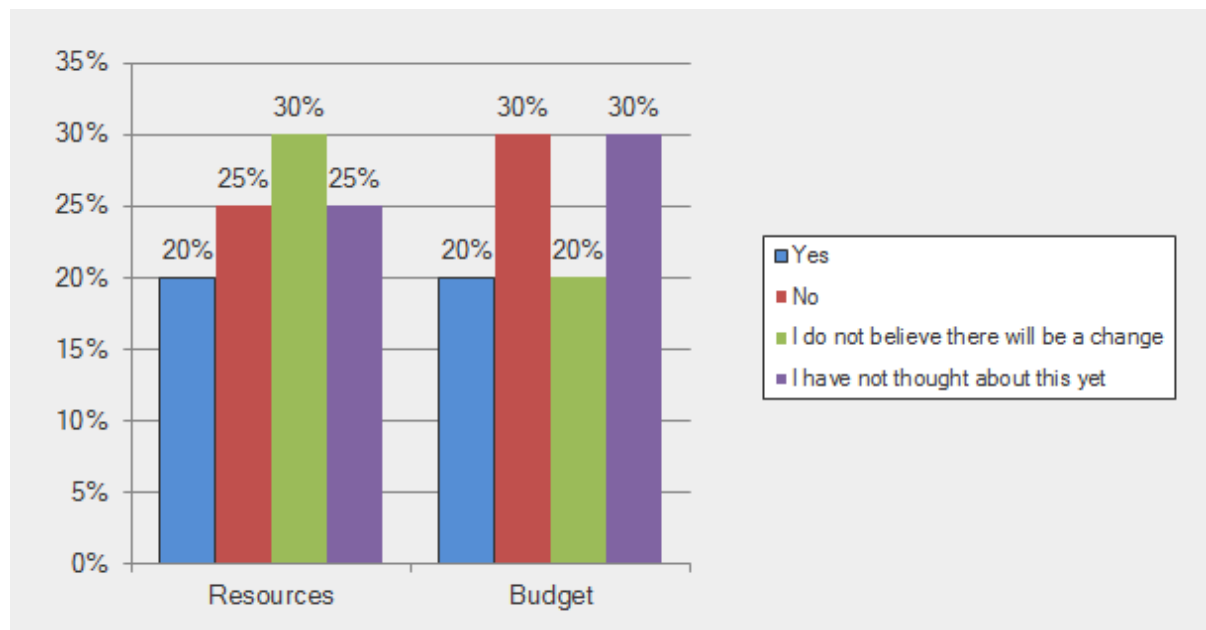
Business owners seem to be very internally focussed in the debate, and it's reassuring so many are talking to employees, and especially that they feel they have an obligation to do so. A director's fundamental duty of care and skill focuses on their responsibility to wider stakeholders, especially employees.

'I've spoken to staff to reassure any concerns'

Readiness for change

Perhaps the most important aspect of this research was our attempt to gauge the readiness of businesses to any perceived change coming about as a result of the Referendum.

Considering the resources and budget you need, how prepared are you for the change?



These responses correlate to those set out above, where 85% replied that they thought there would be change if the UK voted to leave the EU, and 50% irrespective of the outcome.

One in five businesses have followed through with more strategic activities in planning for change, evaluating the resources and potential changes to budgets depending on the outcome of the vote.

But over a half have not yet thought about what they need to do, or perhaps are not planning to do anything until after the Referendum, or – and this is probably most likely – have simply not been able to find a reliable, unbiased source of information that they can tap into.

***'I've asked many people for information but little available'
'I've turned off listening as so much contradicting evidence'***

Conclusion

It's never easy to draw conclusions from a survey such as this, which is not statistically significant, and competing with such a lot of 'interference' from the campaign groups, politicians, media and others. The debate has been loud, but there remains a frustration across business that they have not been 'informed'.

***'I've turned off listening as so much contradicting evidence'
'...can't stand to hear the bickering'***

The level of engagement with suppliers and customers is concerning. This feels like a lost opportunity, as, regardless of the outcome, we believe businesses should be drawing on the trust and goodwill built up in their relationships to explore opportunities post-referendum. What's most interesting is nearly a quarter think that it is not appropriate to speak to their customers.

Almost every business poll we have seen, and most business events we have attended, demonstrate that business generally is in favour of remaining in the EU. Nothing in our respondents' responses suggests they are any different. Perhaps if businesses were communicating more, the apparent difference of opinion between business and the general public would be less.

The jury is out on the continued availability of European funds, such as Horizon 2020 and ERDF, which are providing greatly needed support for innovative SMEs, as well as larger businesses. There is little reason for the EU to continue to provide access to these funds, but some commentators believe the money will come back to the UK anyway, given we will no longer have to pay a contribution.

The financial costs and benefits of the EU has been a major cornerstone of the debate, and there have been numerous claims on both sides about not only the benefit the UK gets in return for our contribution, but also exactly how much it is, and how much we will 'get back' if the UK leaves.

We have also started to detect what could perhaps be a backlash against the fact that we are having this Referendum at all. Do we not elect our Government to make decisions like this on our behalf? And why are we asked to mediate on what others might describe as an internal Conservative Party disagreement?

***'Crazy situation we should never have been in'
'We should not be having this referendum'***

Finally, we do not want to put words into our respondents' mouths, but we believe from what we have learnt that we can infer three broad conclusions from what our respondents told us:

1. The Referendum is going to have an impact, whether we vote to Remain or to Leave
2. We're not sure what the outcome is going to be (how can we be? No country has ever left the EU before, so in reality nobody knows), but
3. Whatever the outcome, if we leave it's probably not going to be good.

In other words, 'Only uncertainty, disruption and distraction to come from EU Referendum,' say fast growing SMEs.

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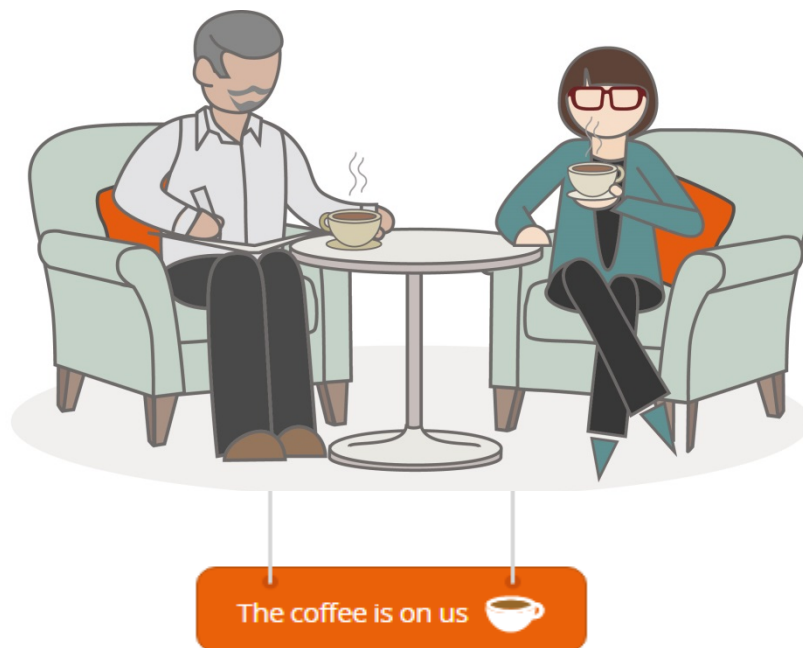
High Growth Knowledge Company delivers consultancy and advice to ambitious businesses that expect measurable results. We blend knowledge and research with current business thinking, combined with a practical approach gained from our experience of working with high growth businesses.

Being a critical friend is about building confidence, providing a sounding board, space and time to listen, backed by sound advice, which is practical and reassuring at times of challenge and change.

Everyone needs feedback. Contact us to find out more about how we can become your critical friend.

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