

Prepare a Brexit business plan for all eventualities

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New Vision-Net research suggests two-thirds of business owners think that doing business today is more expensive than before the crash, writes **Christine Cullen**



Higher employee salaries and insurance premiums are squeezing cash flows, meaning most businesses must forego long-term investment and planning.

This trend isn't good for Ireland's sustained economic growth or innovation. Factor in Brexit and this issue looks increasingly pronounced.

With bills to pay, it's understandable that a 'distant' geopolitical affair like Brexit is a low priority for many business owners and senior managers.

In fact, only a minority feel that it will have any impact, positive or negative. After 17 months of unrelenting speculation, Brexit complacency is understandable.

Yet the prospect of a hard Brexit is an increasingly likely outcome.

This means that few have contingency plans in place in the eventuality that the UK departs the EU without a trade deal.

In this scenario, many sectors of the economy may be blindsided by a wave of new trade tariffs, taxes, border checks and fragmented export markets, amongst the many other macro factors to contend with. Complacency isn't an option.

In the immediate aftermath of the British referendum last June, Ireland's mushroom exporters, reliant on the UK market for as much as 80% of exports, took a massive body blow.

Unable to cope with wild sterling fluctuations, 10% of all mushroom farms closed within four months. Other industries like hospitality are similarly exposed — more than 40% of all visitors to Ireland are British.

While our urban centres are relatively well positioned to attract new inward investment from UK-based multinationals, Irish SMEs are highly exposed to the fallout, particularly those that rely on the British market.

A disruption to trade will only compound current currency fluctuation issues.

Planning for a worst-case scenario will help to mitigate future risks and minimise the impact of a 'hard Brexit'.

Against this backdrop, the Government's decision to introduce a new Brexit Loan Scheme is welcome. However, other measures like the increase in commercial stamp duty will contribute to rising costs that may dissuade developers.

Business owners looking solely to Kildare Street or Brussels for solutions and protection is not enough.

Businesses need to take responsibility for developing their own tailor-made Brexit strategies that reflect the fluid nature of the current macro environment.

A key element of this is remaining flexible. Make sure your senior management are adequately informed of the potential impacts on your business of a hard or soft Brexit and are ready to adapt to each eventuality.

Every stream of the business should be feeding into this strategy, and should be resourced to roll it out.

Talk to people. This might sound obvious, but you are not alone in facing this challenge. Take advantage of other businesses in your industry, trade bodies like Enterprise Ireland, IBEC or the Irish Exporters Association, or your long-time suppliers or professional advisors.

Finally, the good news is that Brexit will also offer opportunities for those who can react fastest.

In times of great change, opportunities emerge. However, this means acting quickly and positively.

If a company's Brexit strategy is centred on 'protecting' their business, they may miss out on potential opportunities to 'grow' it.

Irish third-level institutions are already anticipating an increase in international research grants as a result of leading UK universities no longer being eligible.

Senior figures in the poultry industry see an upside too. While today's consumers typically opt for local Irish chicken, in the food service industry, a large proportion of chicken is imported from the UK.

Post-Brexit, poultry businesses foresee new opportunities for the sector to sell directly to the major players in the Irish and EU foodservice sector.

The outcome of Brexit remains a mystery.

This poses a challenge (and potentially an opportunity) too big to ignore. While many businesses will be spared the worst, having some sort of a plan, even if only for a worst-case scenario, is always preferable to none.

Christine Cullen is managing director of Vision-Net