SHAKESPEAREMARTINEAU

BREXIT MEANS BUSINESS – BUT NOT AS WE KNOW IT

How in 2018 mid-market businesses expect Brexit to impact on them and what they can do to prepare

The UK's historic vote to leave the European Union (EU) remains the pivotal issue of our time.

Brexit will impact on every business sector in some way with far reaching consequences for our economy and society now and in the future.

It's been a year since the UK triggered Article 50 giving notice of our plan to leave the EU and starting the clock's countdown to agree the terms of the split on 29 March 2019.

Trade negotiations are now underway but are turbulent and progressing slowly, amplifying the uncertainty that's existed for many months.

A year ago we reported the findings of our in-depth Brexit survey to mid-market businesses across the UK on the eve of Article 50 being triggered.

Now, with just one year to go until the Brexit deadline and the country's departure from the EU, we've returned to that influential group of business leaders across the UK to capture their views and outlook on Brexit today.

This report covers the findings of our 2018 survey. It looks at what over 500 leaders of mid-market businesses tell us they are experiencing around Brexit. It also compares the sentiment of a year ago, and recommends actions businesses can take to be equipped with the best possible advantages for a post-Brexit economy.

About the survey

During late January and early February 2018 we conducted a survey of mid-market business leaders across the UK to understand their reactions and responses to Brexit. The results have been analysed by independent research company Nisus Consulting.

This report is based on the responses of 514 cross-industry business leaders. Most (75%) have between 50 and 1000 or more employees and 70% have been operating for over 20 years.

The survey asked questions on topics identified as key areas of impact including trade, immigration, and the UK's influence.

Respondents took the opportunity to provide an even greater number of open comments than in our 2017 Brexit survey. As a result, the findings give quantitative data and rich qualitative trends.

Mid-market businesses are the understated powerhouse of the UK economy. A year ago we carried out a survey to explore the sentiment around Brexit of this important group of wealth-creators. We've returned to shine further light on their thinking now, with just a year to go before the UK will leave the EU.

Our 2018 survey was undertaken at time when a new phase in the negotiations was widely being perceived as a breakthrough, rather than an opening at last for the pertinent issues to be discussed. A high level of optimism might have been apparent. But instead our survey reveals a shift away from the buoyancy of last year to a darker, more downbeat mood around Brexit.

Its full effect has yet to hit the economy but uncertainty has taken to root to permeate the opinion of business leaders. There's a marked unsteadiness in confidence that an effective trade deal will be reached and deep-seated concern about the impact on the labour market. Lack of central guidance means they are forging ahead with running their businesses but most still feel unable to make contingency plans for the future.

Recent position statements announced by the UK and EU underline the huge differences still to be bridged. Alongside the political tumult, they are a reminder of how much there is to negotiate in an improbable and extraordinarily short amount of time. A transition period, still not guaranteed, will be vital – although it is unclear just how much it will deliver in the way of practical help for businesses.

Due to its complicated and indeterminate nature, Brexit is unlike most other institutional instability. What is certain is its vast potential to fundamentally re-write the rulebook for how business is done in the UK.

As commercial advisors, we know that adaptable mid-market businesses can be relied on to do everything they realistically can to be ready for the unparalleled changes ahead.

Now is the time to take action.

Adam McGiveron
Head of Brexit
Shakespeare Martineau

Executive summary

Mid-market businesses are the breeding ground for innovation, ambition and entrepreneurialism. Small enough to be agile but large enough to command scale and opportunity, they make a large and growing contribution to the UK economy.

The sentiment of this forward-thinking and influential group of leaders is an accurate measure of the business community's mood just one year before Brexit. It also indicates the level of readiness felt by this economic powerhouse to preserve and progress the future prosperity of the nation.

Key findings of our survey:

78%

agree businesses require immigration to fill a skills gap

18%

expect a comprehensive trade deal with the EU will be agreed, disappointing 79% who would like it to happen

60%

believe the UK is strong enough to be independent from the EU, down from 73% in 2017

People are needed to fill the skills gap, and immigration constraints after Brexit will widen it

- 78% of businesses require immigration to fill a skills gap
- 72% think migration restrictions will make the labour market less flexible to demand
- But only 21% have analysed the impact on their business of immigration and limits on the free movement of people

Positivity around business opportunities has given way to doubt and misgivings about the damaging risks to trade

- 79% of businesses want to see a comprehensive trade deal agreed with the EU – but just 18% expect it to happen
- Belief in the size of the export market growing after Brexit has faded compared with 2017, with almost half of businesses now expecting it to decline
- Evidence is starting to emerge that some businesses are being held back by Brexit, with 15% having already pulled or planning to pull projects

Confidence has tumbled in the UK's ability to be independent after Brexit

- Belief in the UK being strong enough to be independent is looking bleaker – only 60% of businesses think it has the strength needed, down from 73% a year ago
- Over half (58%) of businesses think the UK's global influence after Brexit will decrease, representing a significant rise in negativity on this issue
- Inward investment is also set to decline say 57% of business leaders, up from 42% in 2017

Uncertainty restricts preparations

The effect of Brexit has yet to hit. But the political uncertainty and vacuum of details has eroded mid-market businesses' confidence on the likelihood of positive economic outcomes. With the timer switched firmly on, businesses should take realistic and cost-efficient steps to explicitly prepare for Brexit.

Just over half of business leaders, similar to last year, have taken actions to mitigate potential risks. The most popular steps taken or planned remain the same as in 2017: communicating with employees about Brexit, and analysing different trading possibilities.

People are needed to fill the skills gap, and immigration constraints after Brexit will widen it

78% of businesses believe immigration is required to fill a national skills gap

72% think migration restrictions will make the labour market less flexible to demand

But only 21% have analysed the impact on their business of immigration and limits on the free movement of people

Many factors contribute to a successful business. But the most valuable part is people. Any plans to move a business forward start with access to talent and a labour supply. Brexit will end the free movement of people. So how do UK businesses think this will affect them?

Our survey shows that immigration changes and the skills shortage remain the area of greatest negativity and concern amongst business leaders. It's a mood that has deepened since last year.

Over three-quarters (78%) agree that businesses require immigration to fill the skills gap in the workforce – a 4% increase on last year. They also rate the likelihood of restrictions on immigration widening the skills gap after Brexit as being almost 7 out of 10.

One in four businesses (25%) in our survey relies on overseas workers, having a fifth or more of their workforce made up of migrant labour. For one in twenty respondents, migrants make up over 60% of their workforce. Clearly there is a reliance on overseas workers to keep the wheels of industry turning.

Worryingly, business leaders expect one of the biggest changes after Brexit to be the negative impact of a stemmed flow of skilled foreign workers moving into the UK. The number expecting this level to decrease has risen from just under two-thirds (63%) in 2017 to almost three-quarters this year (73%).

Just 12% predict an increase in skilled workers coming to the UK after Brexit, while the number thinking it will stay unchanged has almost halved over the year, from 28% to 15%. This sentiment is reflected in concerns about the flow of skilled foreign workers currently here moving out of the UK after Brexit. More than half of business leaders (58%) expect this to increase, while a quarter (26%) think it will stay the same.

These are strong indications that business leaders are recognising the need for immigration on a commercial level. It's an interesting result considering a large, and increased, number of business leaders (72%) say Brexit is likely to cause migration restrictions that will make the UK labour market less flexible to demand, a rise of 12% on last year.

However, the enduring state of uncertainty has continued to reinforce a sense amongst business leaders that it is too soon for them to plan for Brexit. Indeed only a third (33%) of respondents have carried out the relatively easy and low-cost action of communicating to their employees about the impact of Brexit on the business.

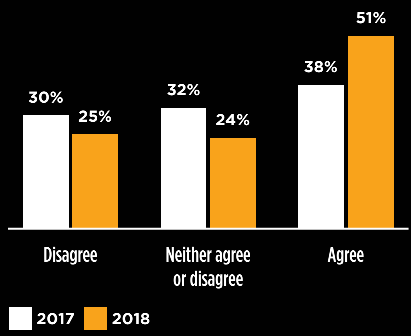
And despite concerns about Brexit's impact on skills and labour supply, only a fifth (20%) of business leaders have analysed potential immigration scenarios and the implications for their workforce. A further 29% are planning to, but over half (51%) have no plans for it.

Reducing immigration was a key catalyst in the vote to leave the EU and the Government remains committed to getting net migration down to a 'sustainable' level. The current picture shows a steep drop in net migration, with EU citizens accounting for three-quarters of those who chose to return to their native country.

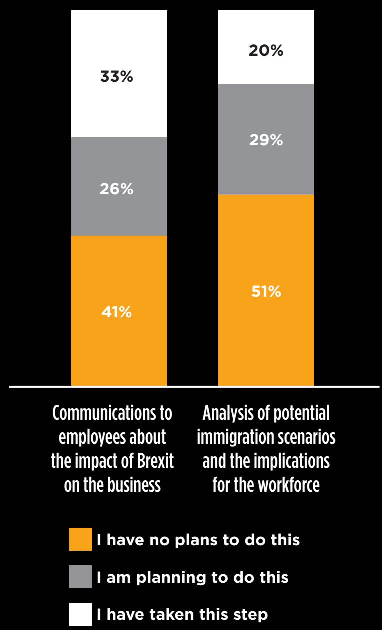
In 2017 our survey respondents were divided on the use of red tape to manage migration, with opinion equally split between those who agreed, disagreed or were undecided about this. Now just over half of business leaders (51%) agree that less red tape is needed around the movement of people. This is a clear sign that businesses are looking to the Government to help find a solution to the heightened skills gap looming.

Expert insights

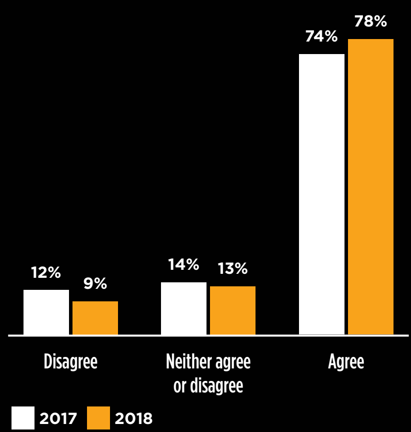
Does there needs to be a reduction in 'red tape' regarding immigration/ movement of people?



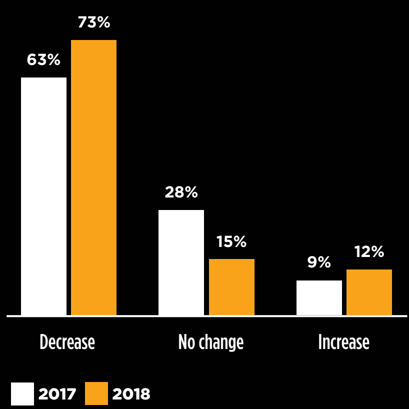
What action is your business taking/planning to mitigate the risk associated with Brexit?



Do businesses require immigration to fill the skills gap?



Do you think the flow of skilled foreign workers moving into the UK will increase or decrease after Brexit?



According to Tijen Ahmet, immigration specialist, our survey reveals a marked disparity between needing immigration in the workplace yet feeling inclined to restrict it, which perhaps indicates the dilemmas around personal attitudes and commercial rationale.

"It's interesting that immigration was a key factor in the referendum and now could be a key difficulty for our economy in the immediate future.

Decisions to migrate are complex but Brexit has created a set of circumstances – such as a fall in the value of the pound, and increased uncertainty about future status – that threatens to make the UK less attractive.

Businesses need to prepare now for a new era of reduced migration. Many of our clients who rely on skilled migrant labour to sustain their business are taking action now to reassure their European staff in the UK, as well as their British staff in Europe, of their value to the business and how they are integral to its future.

Others are exploring innovative ways to recruit UK-born workers, upskilling existing staff, or investing in more productivity enhancing technology."

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Expert insights

Rachel Harvey, business immigration specialist, believes the drip-feed of information over the past 12 months is revealing a bit more about what is planned for the rights of EU migrants after Brexit.

"Government proposals state that any EU citizen already living and working lawfully in the UK will be able to carry on in the UK after Brexit. The newest update covers those planning to come here to work after we leave the EU. It pledges to allow EU citizens to move to the UK during the proposed Brexit transition period of around two years. This time will count towards the five-year period of permanent living and working needed to apply for settled status.

It's a welcome positive step. But employers must not sit back and relax; there is still much to do to secure your EU workforce.

The news that EU workers can come to the UK during a transition period could make them feel more confident about being able to set up a life here. Businesses might find that sourcing EU labour becomes easier. Some businesses could be encouraged to go on new European recruitment drives.

Giving reassurance to staff already here is vital. Large numbers of EU workers are feeling unsettled and uncertain about their futures in the UK. It's down to businesses to be as honest and reassuring as they can be.

While the situation for those living here during a transition period is clearer, what happens after that is yet to be decided. A work permit system is expected along the lines of that for non-EU nationals. Many employers will find themselves for the first time navigating what can be a complex and costly immigration territory.

Despite this, any business which fails to prepare recruitment plans for after 2021 could be setting itself up for a fall. Using the time now to get started is a wise move."

Rachel Harvey

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Spotlight on survey comments

"Immigration has always been required not only to fill any skills gaps but also to fill labour requirements that some of the UK people think are beneath them e.g. cleaning, harvesting, factory work."
Healthcare

"We've seen an increase in discrimination against EU nationals, with clients telling us employers have ended contracts unlawfully already or told them to 'return home' despite living here for years."
Charity

"Brexit has made firms consider how they manage their workforce."
Consultancy

"At the moment there's very little red tape to recruit within Europe to fill our specialist skills gap but it's more difficult outside the EU. We expect the red tape to increase after Brexit."
Environmental services

"There's an opportunity to train up UK citizens to do the jobs that EU workers previously undertook but that will require investment."
Education

"The obvious benefit is the potential to restrict uncontrolled immigration whilst immigration of skilled labour should be actively encouraged."
Business services

"I strongly believe we'll be unable to recruit enough people at commercially viable rates of pay."
Retail

“There’ll be less movement of ideas in education and, for health, less access to an educated low-cost workforce. If migrants from outside the EU replace those coming from within it there’s likely to be more cultural difference, putting greater strain on society.”
Manufacturing

“We’re working on productivity to reduce reliance on migrant labour as we grow.”
Manufacturing

“As we recruit into new roles, we are looking to recruit more locally as opposed to into our UK head office.”
Global telecoms

“Investment in UK youth, apprenticeships, internships, vocational training and tax breaks will fill the skills gap.”
Distribution

“We’ve a very strong local workforce and do not have trouble finding skilled labour locally.”
Manufacturing

“Our main EU focus is recruiting staff, and since Article 50 the number of nurses applying to the UK has fallen by over 90%. This is our main operational challenge, filling vacancies.”
Healthcare

5 steps to protect your workforce

Hesitation in taking action is understandable given the uncertainty about the future immigration landscape. But that time is coming – and fast.
You need to recognise the risks of losing talented people, especially if you want to keep the EU workforce you already have, or simply be ready to recruit to add skills whenever you need to inject more human energy into your business. Here’s how.

1 Review your HR data

How well do you know your employee profile? How many of your employees are potentially affected? Are they essential to your business operations? Your workforce audit also needs to check that you hold the correct data, such as people’s nationality and their length of residence.

2 Confirm your records

Make sure you have proof of pre-employment right to work checks, including copies of their passport and visa documents. If you don’t have this evidence, gather it carefully and sensitively now and record it.

3 Prepare a budget

Have you considered the cost to your business of losing staff? Is the cost manageable? You’ll need a budget to plan and take the interventions you need. This could include funding an effective support and communications plan to help retain your existing staff and maintain business as usual. Looking not too far ahead, consider the contingency funds you need for recruitment, training and immigration to access the future skills you need.

4 Talk to staff

It’s vital to support and engage with affected staff. How you do it will depend on the size and culture of your business but aim to give them the tools and information they need to feel reassured and able to act if required. Consider activities like advice workshops, intranet Q&As, blogs, webinars, immigration surgeries and one-to-one sessions. Translators and a support representative on the ground are a good idea if you have a large group of workers from one community.

5 Make plans and prepare for change

Are you keeping yourself and your HR team updated on the proposals that will become law after Brexit? You need to be informed and ready.
For example, the current cost for a business to sponsor a work permit for an overseas worker can be up to £2,600 a year – a cost borne by many businesses. Has your business considered this, and what creative ways can you use to attract talent at home and further afield? Businesses that hire multifaceted, agile employees can more quickly adapt. So consider upskilling your staff and widening your view of the specialisms you’re after by recruiting people with transferrable skills you can use more flexibly.

Positivity around business opportunities has given way to doubt and misgivings about the damaging risks to trade

Belief in the size of the export market growing after Brexit has faded, with almost half of businesses now expecting it to decline

79% of businesses want to see a comprehensive trade deal agreed – but just 18% expect it

Some businesses are being held back by Brexit, with 15% having already pulled or planning to pull projects

Big businesses, with a few exceptions, think Brexit will hamper trade. But what's the overarching view of mid-market businesses – some with real export prowess and others innovating at pace – on the commercial outlook?

Realism has set in. In our 2017 survey business leaders were optimistic in their assessment of the anticipated outcomes of Brexit. This year there is a marked shift to a gloomier view with over half (57%) thinking the UK's leverage for trade deals will decrease after Brexit, up from 45% of respondents last year.

On the upside, almost two-thirds (64%) see a top benefit of Brexit being the greater freedom to strike new trade deals. But, as this is slightly down from 68% last year, it reveals a weakening conviction that it will become easier to secure trade deals with other countries, a central plank of the Brexit vision.

Optimism moderated with realism also creates an incongruity between what businesses would like to see from a trade deal and what they expect to happen. A majority of business leaders (79%) want a comprehensive trade deal with the EU but just 18% expect it will happen – a vast 61% gap between preference and expectation.

While only 5% would like no trade deal with the EU after Brexit – perhaps reflecting the notion that "no deal is better than a bad deal" – there are further signs of despondency in that 14% actually expect this to be the outcome. The general view is that a partial trade deal will be reached covering some but not all trade areas, with 55% of business leaders expecting this outcome.

Anxieties around trade are also evident in the finding that 77% of business leaders see the main pitfall of Brexit as being an increase in the cost of imports. It's perhaps understandable given ongoing concerns around custom tariffs and VAT on imports.

This pessimism around securing a favourable trade deal is underscored by the view that the size of the export market after Brexit is more likely to shrink than to grow or stay the same. Close to half of business leaders (43%) – up by a third on last year - expect the export market to decrease, and only 36% think it will increase.

Export market size is a combination of the ability to carry on with existing markets while also accessing new ones through trade deals. However, a key downside to Brexit is seen as loss of access to parts of the single market, which at 74% is a concern shared by more respondents than last year. This is perhaps prophetic of the Government since confirming that leaving the single market and customs union remains the central intention of the UK.

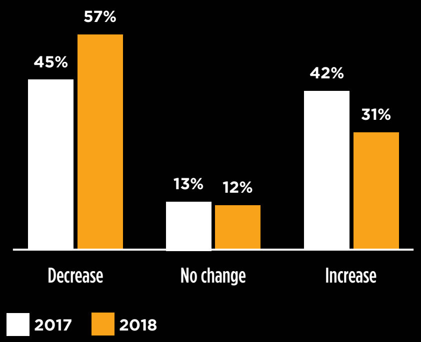
It is clear that Brexit is already having an impact on businesses. As might be expected during this prelude to Brexit, the majority of businesses (70%) have experienced no change in their trade with or operations in EU countries over the past year. But almost 16% have noticed a fall in their EU dealings, a reflection of uncertainty starting to bite, while the increase in trading operations felt by 14% may be due to the fall in sterling making exports more competitive.

Optimism felt in our 2017 survey has been tempered by a realism that Brexit is on the horizon. This is beginning to manifest with businesses actively reviewing their projects and operations. One in ten businesses say that due to Brexit they have already pulled one or more strategic projects – and a further 5% are planning to do so. Such a move, being taken by businesses most notably in the education, retail and manufacturing sectors, is likely to represent a curtailing of growth initiatives.

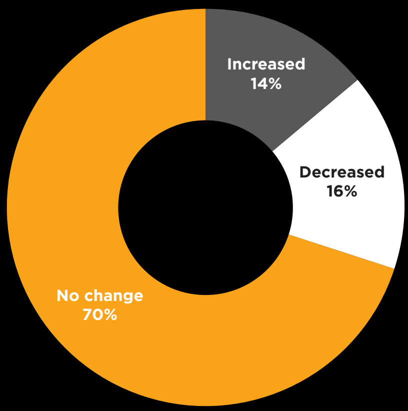
Some respondents also commented that rather than pulling a project, it had been cancelled or not renewed. This is often a response imposed by decisions of large international companies further up the production chain.

One fifth of businesses (20%) have moved or are planning to move business functions or operations from the UK to an EU site. This is a similar level to last year, showing that businesses are continuing to consider their options and where viable, move or redistribute their risk. For a few businesses (4%) these deliberations are resulting in them moving functions from the EU into the UK.

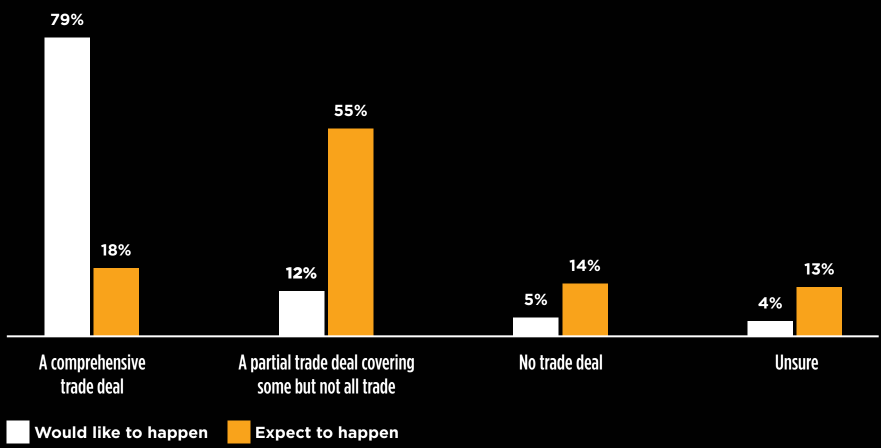
Do you believe the amount of leverage the UK has for trade deals will increase or decrease after Brexit?



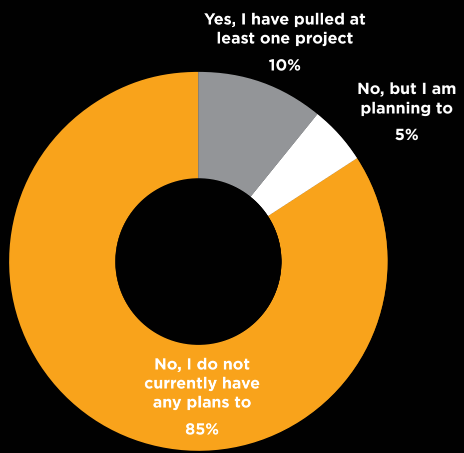
Has your trade with or operations in EU member states changed since Article 50 was triggered in March 2017?



What do you expect to happen in terms of a new trade agreement with the EU after Brexit? And what would you like to happen?



Are you pulling any projects because of Brexit?



Expert insights

Adam McGiveron, our Head of Brexit, thinks businesses are right to be concerned about what might happen if there's no agreement on trade with the EU.

"Loss of free trade benefits will mean cross-border customs checks and tariffs. Trading would then involve far more paperwork and delays, potentially pushing up prices and eroding competitive advantage. So for the 52% of businesses in our survey who operate or trade beyond the UK, the thorny question of tariffs is very real.

But with no tariff schedule to follow, analysing whether you can viably accept the extra costs or perhaps onshore your supply chain as much as possible is tricky and time-consuming. Unsurprisingly, just one in ten businesses in our survey say they have prepared for the complexity of tariffs while a third are planning to – presumably when there is more clarity. More actions have been taken by a third of respondents to analyse different trading possibilities and to compare costs of EU and non-EU suppliers."

Adam McGiveron

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Spotlight on survey comments

"We are much more competitive in Europe, and UK work has increased."
Shipping and transport

"Two of our major customers moved machining work to mainland Europe within six months of Article 50 being triggered."
Manufacturing

"Brexit hits confidence, confidence hits sales."
Health and fitness

"We would say that Article 50 has made no difference whatsoever."
Manufacturing

"We're raring to go and excited we can finally supply the world and get away from the crumbling EU."
Imports, exports and distribution

"Analysis of business and likely tariffs/customs delays is giving us options on re-establishing a distribution centre in Germany and the likely impact on UK employment and a decrease in profitability."
Manufacturing

"We're looking at the impact on our supply chain, particularly construction labour and materials."
Social housing

"We've set up a mirror HQ in Lisbon to ensure we are ready for all eventualities within the EU."
Manufacturing

Expert insights

Uprooting your business and moving all or parts of it to a different location is a huge step. As our survey shows, it's not a quick and easy decision to take. Neither is it practical for many businesses.

So consider other ways to manage the uncertainty and predicted cost rises from Brexit. Our supply chain specialist Martin Noble sees huge potential in examining your supplier agreements.

"Some businesses might think locking clients and suppliers into long-term agreements will secure stability. But the fixed cost element of these can be a real headache, particularly if you're bearing the brunt of rising costs.

Long-term contracts provide certainty only on what the business landscape is like now. In the current dynamic climate businesses need the flexibility to look over the horizon and renegotiate. Shorter term agreements offer that solution. They're good for competition overall as it's harder for one supplier to dominate the market.

Other ways to deal with uncertainty are to spread your risk by using a number of suppliers and to consider ways to avoid being hit with any double levy from tariffs. For example, products supplied from the Far East that are destined for Europe should go to an EU base as opposed to coming via the UK first. This will avoid double levies.

Existing 'unforeseen event' clauses in agreements may be too general in the face of Brexit. Some businesses are using specific Brexit clauses, which essentially allow for a review and the chance to agree new terms. They're not always relevant – for example, if you're only trading in the UK, or you have a framework agreement in place that deals with costs on an order-by-order basis. But the principle is a good one: like in all relationships, it's good to talk."

Martin Noble

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"There will need to be 'common ground' with regards to regulation with the EU, in order to trade successfully in the future."
Healthcare

"Where we export under tariffs to non-EU countries, costs are borne by the importer (the customer), not us the exporter. We would not expect this to be any different going into the EU."
Manufacturing

"Red tape is only likely to be reduced where safe to do so. Unpicking all of the EU processes and procedures that automatically get written into UK law by Brexit will take at least 5-10 years to do."
Healthcare

"Regulation and standards to EU levels are essential to have comparable safety and performance levels in goods and services."
Social housing

"Tariffs and non-tariff barriers are going to be hugely detrimental to the UK business environment."
Rail transport

"Businesses that do no exporting at all should be able to supply goods and services to standards optimised for the UK, not the EU."
Manufacturing

"There is a danger that the financial services sector will contract, with jobs moving to EU states."
Investment management

3 steps to strengthen your supply chain

No one knows what the final trade deal will look like - or what the economic impact will be. If no trade deal is concluded then tariffs could have a chilling effect on businesses' appetite to export. Accompanying such challenges will be opportunities too – ready to be grasped by agile businesses. Understanding your supply chain is a good starting place to limber into position for whatever Brexit – or anything else – brings.

1 Know it well – directly and indirectly

How well do you know your supply chain? Aim to get end-to-end oversight, up and down the chain. How many EU suppliers or customers are you reliant on? Do you have UK-based suppliers that depend on EU imports? Don't overlook your indirect supply chain – that's all the ancillary things you need to keep your business functioning including your suppliers' suppliers. Your people are important too – do they understand their role in having a nimble and effective supply chain? Gaining visibility throughout will help you identify weak areas and find efficiencies.

2 Map your exposure

Use the information you have to review and map areas of exposure to risk. How detrimental to your business are they? Are you able to absorb costs, disruption or other hazards? Look at risk-assessing your suppliers, such as checking their liquidity to meet obligations and ability to deliver in a crisis. Do you have preferred customers to protect? Consider also the impact of increased costs of import and export charges on your supply chain structure. Can you model the scenarios for costs, risks, reputational pitfalls and benefits?

3 Keep it flexible

When was the last time you reviewed your contracts? With Brexit looming, many businesses are keeping a watchful eye on costs and the prolonged uncertainty by reviewing supply contracts and in some cases bringing in alternative suppliers. Shorter, more flexible agreements mean you're not tied into fixed costs or perhaps having to reduce your prices over the long term to the big companies you're supplying. When negotiating, try to focus on supplier performance, flexibility and reducing risk for all parties. Allow for some cost fluidity so you don't have to renegotiate each time the market fluctuates.

Confidence has tumbled in the UK's ability to be independent after Brexit

Belief in the UK being strong enough to be independent is looking bleaker – only 60% of businesses think it is, down from 73% a year ago

Over half of businesses think the UK's global influence after Brexit will decrease, representing a significant rise in negativity on this issue

Inward investment is set to decline too, say more than half of businesses

Visions of a national renewal depend on high levels of commercial vibrancy as a result of a robust and stable economy. Mid-market businesses are predisposed to succeeding whatever the market conditions. But do they think the UK is strong enough for Brexit?

The UK's ability to be successfully independent from the EU is looking fragile. Confidence in the country's capacity has taken a nosedive, with only 60% of business leaders believing the UK is strong enough to be independent, compared to 73% last year. Then predictions of immediate doom had proved wrong, with the economy growing and performing better than originally forecasted – which has generally continued. So it indicates other factors at play, most notably that the inherent uncertainty has permeated businesses' thinking about the ramifications of Brexit.

This is troubling given that mid-market businesses have an innate positivity and enthusiasm. However, a wider market perspective tends to inject a degree of pragmatism into expectant sentiment. This may explain the finding that the more operations a UK business leader has in the EU, the less likely they are to feel that Britain is strong enough to be independent.

Increased pessimism is also evident in the findings on the level of global influence the UK will have after Brexit. Less than one in five, equal to last year, think it will stay the same, but well over half (58%) now predict a fall in our global sway, compared to 42% previously.

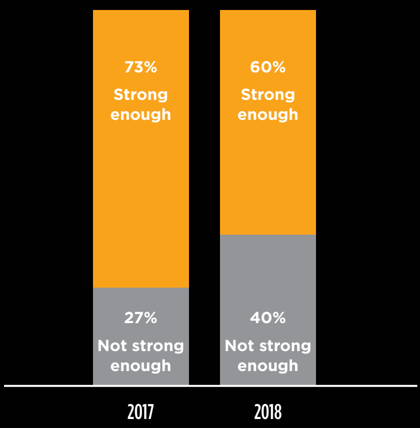
The EU isn't left unscathed either: 70% of business leaders believe Brexit will damage the reputation of the EU globally, slightly less than the 78% thinking this in 2017. But at 21%, twice as many respondents as last year hold the view that the EU's status will be unchanged and neither improved nor damaged by the UK leaving.

From an ambivalent position last year, concerns over the impact of Brexit on inward investment have deepened. Well over half (60%) say that loss of foreign investment is a likely pitfall, up from 45%. Compared to 2017, there's a similar level of hopeful optimism about less red tape encouraging investment and the Government's ability to flex the tax regime to encourage investment – agreed by respondents as the number one Brexit opportunity.

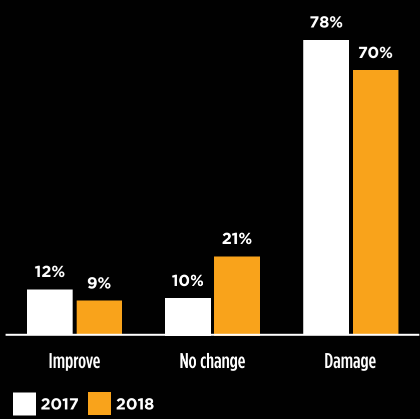
Ominously, almost two-thirds (60%) of business leaders believe the UK's attractiveness as an inward investment destination will decrease, contributing to declining levels of inward investment not matched by any uptick or status quo.

There's a notable slide in confidence about the opportunities from Brexit for the UK to control its own destiny. At almost two-thirds (64%), the number thinking we will have more freedom to strike new trade deals remains high but is slightly lower than last year, while a belief in the laws applying to the UK will be made in the UK has dropped by a third from 64% to 42%.

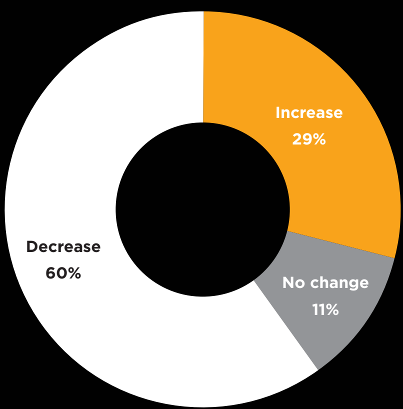
Do you think Britain is strong enough to be independent?



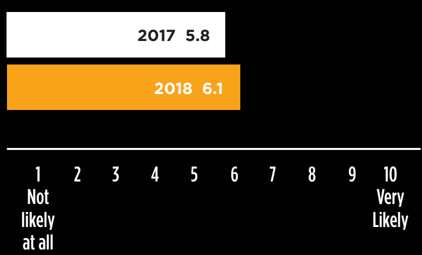
Do you believe Brexit will improve or damage the reputation of the EU globally?



Do you believe the UK's attractiveness as an inward investment destination will increase or decrease after Brexit?



How likely do you think it is that economic growth will stall after Brexit?



Expert insights

Andrew Whitehead, Senior Partner, thinks our survey reveals the extent to which the uncertain political climate is sapping confidence.

"Mid-market businesses are rooting for Britain to succeed but are naturally focused on what they can influence, namely the commercial success of their own operations. Waning confidence in the UK's strength after Brexit is largely due to the information void, making it inevitable that businesses are more doubtful about the economic rewards from Brexit and feeling less equipped to make clear investment decisions.

There are areas that businesses can focus on now, including being alert to regulatory change. While it can sometimes feel that managing and influencing change is beyond all but the largest businesses, lobbying through trade associations – like is happening in the energy sector – is a way to try to shape outcomes. Good regulation exists to correct market failure and protect consumer interests. As the UK and EU work to achieve a balance between harmonisation and mutual recognition of regulation variances, businesses will want to have a voice. Opportunity for this is now and could continue for several years. It involves engaging with the EU Parliament as it makes changes and with the UK Government as it decides what controls to keep, change or reject."

Andrew Whitehead

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Expert insights

Our intellectual property specialist Nick Briggs advises that although regulatory standards may remain noticeably similar in the future, businesses should be ready to respond to any changes.

"Many businesses, including those in pharmaceuticals, will be breathing a sigh of relief that a bonfire of regulations is not on the cards for the Government. Much of the expertise of agencies enforcing standards is based in the UK but disagreements about judicial oversight are still likely.

For now, staying close to EU rules while reserving the UK's right to diverge is the Government's message. Against this backdrop, businesses should aim to be familiar with the regulations that affect them and adaptable to any changes. For the new data protection regulation (GDPR) this continues to mean it will apply. Following it will keep you lawful and not at any commercial disadvantage.

Protecting trademarks also remains important, especially given the strength of UK brands particularly for fashion and luxury goods. If your trademarks are only for the UK, you could be at risk if you export or are using EU suppliers. So you may want to hedge your bets by securing community rights, so in effect you're dual trademarked to cover the EU as well."

Nick Briggs

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Spotlight on survey comments

"Sovereignty should at least allow us to make a decision as to which EU laws we will adopt; the choice remains ours."
Construction

"Instead of offering a home to regulatory agencies as we do now, as a nation we will have to go knocking on their door asking if we can come in. We will lose access to a vast array of knowledge and progress which will have a massive knock-on effect on our economic future."
Other

"It is really important that we improve our trade with the rest of the world."
Manufacturing

"Irrespective of the media rhetoric, we are finding EU-based businesses just want to get on with trading with us."
Construction

"I see no deliverable benefits to the UK from leaving, as the 27 countries are a bigger economic entity than the UK so we will have to comply with them."
Professional services

"A significant downturn in UK consumer spending means far less capital expenditure."
Manufacturing

"We stand to lose credibility around the world."
Education

4 tips for improving financial resilience

"We've reduced investment to improve cash flow to be able to withstand trading difficulties caused by business downturn as a result of Brexit."
Tourism

"We have set up and/ or developed factories in Vietnam and China."
Manufacturing

"We're diversifying the business strategy to minimise the risks of exposing the business to too much of one avenue of cash flow."
Distribution

"We're looking further afield and establishing operations in the US and SE Asia."
Coaching and training

"UK red tape is every bit as bad as EU red tape and the disappearance of any EU red tape isn't likely to change matters much, not least because there will be far more red tape involved in exporting to the EU."
Education

Hard, soft or somewhere in-between, Brexit is likely to have unpredictable consequences. UK GDP growth is expected to reduce and recent falls in the value of sterling are expected to increase inflation. Some effects may turn out to be short-lived, but businesses still need to be prepared for disruption and economic 'shock'. Building financial resilience will help.

1 Improve cash flow management

Cash is king. So, for example, take full advantage of creditor payment terms – don't pay earlier than you need but at the time it's due use electronic payments so you retain your funds for as long as possible. Prioritise the bills you pay carefully. Don't just pay the smallest ones and put off the rest. Make payroll first and pay crucial suppliers next.

2 Spot early warning signs

Be alert to signs of any difficulties a customer or supplier may be facing – a sudden name or bank change perhaps. It's vital to check their credentials at the outset and to monitor the relationship as it develops. Being forewarned gives you time to mitigate any risks of bad debt through contractual terms or other strategies.

3 Flex and stretch

Being flexible is always an antidote in times of great change. Are there ways you can introduce more flexibility by, for example, diversifying your portfolio so you're not concentrated in one market or dependent on a single supplier? For some ambitious businesses it may make sense to look beyond the EU to export to global markets. Start with assessing market intelligence, cultural differences and relevant local laws and taxes.

4 Bank on being finance smart

Economic uncertainties could start to undermine lender confidence. It's easier to borrow when you don't need it, so arrange a credit line with your bank in advance. Avoid renegotiating your banking facility close to Brexit happening – do it earlier. And consider spreading your risk with alternative finance solutions. For example, invoice finance can be a source of investment funding and help with cash flow.

Take action for Brexit

In our revisit to mid-market businesses a year after our first Brexit survey, we've found a marked shift in sentiment. Businesses are still ambitious, level-headed and resolute in their commitment to making the most of Brexit. But the enduring uncertainty and perceived lack of progress in the political negotiations is taking its toll.

As the deadline for Brexit emerges into view, the expectant optimism of last year that the UK can survive and thrive after Brexit has dwindled and lost its shine. Increased pessimism pervades most areas of our findings. National self-confidence appears dented and the upbeat expectations of an economic resurgence are quelled.

But as the reality of future trading and labour supply options comes into sharp focus, the pragmatism and resilience of mid-market businesses remain intact. Now more than ever is the time for businesses to steer a path through the obscurity, driven by their innate determination and self-sufficiency.

On the other side, business will go on but not as we know it now.

These 5 actions are an overview of how to power through in the run up to Brexit.

1 Focus on your people

Now is the time to assess the impact of losing any migrant labour skills and the options open to you to close the skills gap. Consider your potential exposure now and going forward. Brexit is an unsettling time for EU employees so do all you can to support and protect your workforce. A tightly squeezed labour market calls for creative retention and recruitment strategies. Employee engagement and recognition will make a difference. Take advantage of development opportunities to move people into different roles. If internal talent isn't available, look to hire external people with transferable skills.

2 Manage supply chain risk

The near future will usher in unprecedented changes on how business is done. The free movement of goods, services, parts and people could all come to an end, either abruptly or gradually – accompanied by the burden of administrative costs and delays. Accurate information is a key building block in running a lean and agile operation, where regulatory compliance and an effective supply chain can help you withstand disruptions and a hike in costs. Fine-tune your processes for capturing this data and use it to gauge your direct and indirect exposure to likely challenges.

3 Develop financial resilience

Nobody can pinpoint the future after Brexit. In our dynamic world, certainty and stability is elusive so treat the unexpected as the new norm and plan for it. Use information available today to assess the risk from Brexit and ways to reduce exposure or capitalise on opportunities. Put a focus on managing your cash flow to keep your business financially sound and running smoothly. Financial insights and forecasting will get you in a stronger position whatever the outcome, and may help lift your current profit margins.

4 Collaborate for support

There is no need to face Brexit alone. Make connections with the individuals and sector organisations which understand or share the challenges you face. With a shared voice they can act as advocates to influence policy change or simply be your supportive allies during the unpredictable times ahead. Consider opportunities to share good practice or to look at things differently. Collaborate with your supply chain, maybe even your competitors. Make relationships with advisors who can help you chart the most profitable course through unknown territory.

5 Be prepared

As Brexit intensifies its impact on the UK economy, your business needs to be in good shape – structurally and financially – for the challenges ahead. Preparing for possible scenarios and impacts is time well spent. By improving your resilience now, you'll be better equipped to weather the uncertainty and to be fit and ready to make the most of opportunities as the landscape becomes clearer.

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