Horizon scanning post-Brexit:
What should businesses prepare for?

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Editor's Note

I am writing this piece a couple of weeks before the United Kingdom (UK) votes on its membership of the European Union (EU). Debates here in the UK have reached fever pitch while the rest of the EU is anticipating – and possibly preparing for the consequences of – how the UK might vote. With both sides of the debate presenting often opposing visions of the UK following the referendum, one can readily infer that this vote carries far-reaching consequences for the future of the UK as well as the rest of the continent.

I believe that the UK's membership in the EU is fundamentally a political question best left to the sovereign will of the people. It is with this thought in mind that I introduce this paper. *This paper is meant to be read as a business rather than a political piece.* Gianluca Riglietti's work focuses on the challenges ahead following the UK referendum, considering a Brexit scenario and looking at specific threats and trends. As a non-partisan piece, he focuses on the uncertainty facing businesses in a Brexit scenario and offers a way forward using business continuity tools and techniques.

There is certainly a gap in this kind of publication as most tend to focus on the political dimension surrounding the UK referendum. I see this paper as useful material for organizations as it raises important questions pertaining to preparations related to a possible Brexit. It highlights specific areas which may benefit from further analysis in the hope of raising overall levels of resilience following the vote.

As such, I would encourage you to read this piece and use it as relevant to your organization's needs. Should you wish us to feature your thoughts on this particular issue, I also encourage you to get in touch. As the Business Continuity Institute (BCI) aims to be a thought leader in continuity and resilience, we have also come up with some resources that can frame your organization's conversations around this issue. A recent executive forum in London comes into mind, and highlights from that event are available on the BCI website.

Amidst differing views, I sincerely hope that everyone agrees nonetheless that preserving continuity and raising resilience within organizations remain important whatever the result of the referendum. Business continuity professionals have a significant role to play in this regard and it is a challenge that our community should take up.

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Disclaimer: The Business Continuity Institute (BCI) is a non-partisan organization and does not endorse any side in the UK referendum pertaining to European Union (EU) membership. This is a technical report which focuses on the business continuity implications surrounding a possible exit from the EU and refrains from making any political comment.

Introduction

The approaching UK referendum on European Union (EU) membership presents several implications for business continuity and resilience professionals. With just days before the vote, there is uncertainty on how the UK would look in the case of a British exit (Brexit). Although it is exceedingly difficult to predict the possible relationship of the UK with the EU upon a 'Leave' vote, different models have been outlined[1]. These would have different implications, such as restrictions to the free movement of people and higher trade tariffs which could disrupt everyday business. Therefore there is a need to analyse the risks that leaving the EU could bring and how to prepare for them[2].

Looking at the latest BCI Horizon Scan Report, this paper will outline some threats and uncertainties surrounding Brexit. This will help practitioners clarify whether their BC plans would be adequate should the UK leave the EU. The idea underlying this paper is that Brexit may arguably be considered as a crisis, and given its specific characteristics will require a tailored approach. Practitioners should ask themselves whether a 'Leave' vote would lead to a change in their contingency plans. Several threats today evolve according to external conditions, from cyber to financial or regulatory, and therefore risks are likely to increase with a major event such as Brexit.

Hence, the structure of the paper will be divided in two main sections. The first section will deal with emerging concerns for organizations and how a 'Leave' vote influences these concerns, while the second section will outline possible contingency measures for businesses which should help mitigate the effects of Brexit.

Preparing for ever changing threats

The BCI Horizon Scan Report 2016 highlighted several trends that concern companies in the medium term. Some of these trends may be linked to the aftermath of the EU referendum such as cyber threats, regulatory and political issues. Therefore, the aim of this section is to see how Brexit would affect and potentially amplify these, increasing the uncertainty to businesses[3].

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[1] For references on alternatives to the EU membership for the UK, please visit:
https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/504604/Alternatives_to_membership_-_possible_models_for_the_UK_outside_the_EU.pdf
[2] Freshfields. Britain and the EU – questions for your business [Internet]. Freshfields.com. 2016 [cited 25 April 2016]. Available from: http://www.freshfields.com/en/global/Britain_and_the_EU/home/
[3] Alcantara P, Riglietti G. Horizon Scan Report 2016 [Internet]. Reading: The BCI; 2016 p. 12. Available from: http://www.thebci.org/index.php/download-the-bci-horizon-scan-report-2016

The primary concern for practitioners, by a good margin, was the risk of cyber-attacks[4]. The EU has a broad and long-established framework in the cyber field, such as legislation that promote tougher laws as well as higher levels of confidentiality. There are also specific agencies aimed at tackling this type of crime, such as the European Cyber Crime Centre and the European Network and Information Security Agency (ENISA)[5]. Should the UK exit the European Union, future cooperation on this issue will be uncertain which has a knock-on effect on security.

Over half of the practitioners also named the loss of a key employee as a major issue for the future[6]. One of the key claims following a 'Leave' vote is that the UK will be able to be more selective on its borders, restricting the inflow of low-skilled EU labour while keeping highly skilled ones[7]. However, tightening the borders might also make the UK less appealing to highly skilled labour which could negatively affect organizations[8]. Whether it is about current employees possibly needing a visa in the future (although unlikely), among other limitations, there could be uncertainty around the supply of key skills to businesses.

The impact of political change and new regulations also figure as top concerns[9]. For better or worse, a 'Leave' vote is a vote for political change, a break from the status quo. Brexit would inevitably bring at least some changes in existing laws, potentially replacing or modifying current regulations. According to the Treaty on the European Union, the EU currently legislates on several areas, ranging from free movement to the environment and from transport to health & safety[10]. Once the UK is out, the input that Brussels has had over the years will probably be revisited opening up to a whole new series of regulations that firms would be required to adopt and enforce.

Another sensitive topic for practitioners was the increasing complexity of supply chains with nearly 50% of the respondents mentioning it as an emerging concern[11]. According to the BCI Supply Chain Resilience Survey 2015, the loss of skilled employees, new laws and cybercrime appeared among the top ten challenges for the near future[12]. Such threats have the potential to seriously undermine supply chains and Brexit can increase uncertainty in this area.

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[4]Alcantara P, Riglietti G. Horizon Scan Report 2016 [Internet]. Reading: The BCI; 2016 p. 12. Available from: http://www.thebci.org/index.php/download-the-bci-horizon-scan-report-2016

[5] European Commission. DGs - Migration and Home Affairs - What we do - ...Organised crime & Human trafficking - Cybercrime [Internet]. Ec.europa.eu. 2016 [cited 8 June 2016]. Available from: http://ec.europa.eu/dgs/home-affairs/what-we-do/policies/organized-crime-and-human-trafficking/cybercrime/index_en.htm

[6] Alcantara P, Riglietti G. Horizon Scan Report 2016 [Internet]. Reading: The BCI; 2016 p. 12. Available from: http://www.thebci.org/index.php/download-the-bci-horizon-scan-report-2016

[7] Booth S. What would Brexit mean for immigration? | Open Europe [Internet]. Open Europe. 2015 [cited 8 June 2016]. Available from: http://openeurope.org.uk/today/blog/what-would-brexit-mean-for-immigration/

[8] Giles Cadman E. Economists' forecasts: Brexit would damage growth - FT.com [Internet]. Financial Times. 2016 [cited 8 June 2016]. Available from: https://next.ft.com/content/1a86ab36-afbe-11e5-b955-1a1d298b6250

[9] Alcantara P, Riglietti G. Horizon Scan Report 2016 [Internet]. Reading: The BCI; 2016 p. 12. Available from: http://www.thebci.org/index.php/download-the-bci-horizon-scan-report-2016

[10] European Commission. Treaty on the European Union [Internet]. Europa.eu. 1992 [cited 8 June 2016]. Available from: http://europa.eu/eu-law/decision-making/treaties/pdf/treaty_on_european_union/treaty_on_european_union_en.pdf

[11] Alcantara P, Riglietti G. Horizon Scan Report 2016 [Internet]. Reading: The BCI; 2016 p. 12. Available from: http://www.thebci.org/index.php/download-the-bci-horizon-scan-report-2016

[12] Alcantara P, Riglietti G. Supply Chain Resilience Report 2015 [Internet]. Reading: The BCI; 2015 p. 9. Available from: http://www.thebci.org/index.php/obtain-the-supply-chain-resilience-report

Exchange rate volatility, financial shocks and slow economic growth together made up over half of the respondents' concerns[13]. Even though the exact outcome of a 'Leave' vote is still up in the air and depends on the UK's negotiation of its relationship with the EU post-Brexit, it will be likely to produce more uncertainty and volatility than a vote to stay. Whether this change might lead to growth or losses in the long term remains unknown. In the near future however, organizations may have to contend with an uncertain economic situation[14]. Indeed, some economists have raised concerns about not only Brexit itself but also events leading to the vote, due to the inherent unpredictability of this process and level of risk a 'Leave' vote would entail[15].

Getting ready for a possible Brexit

Due to its high levels of uncertainty and instability, Brexit may arguably be defined as a crisis[16]. Hence, as in any crisis, ad hoc teams and scenario-planning measures must be deployed. Task forces, which might have already been set, for example in the event of a Greek exit, should be operational by now, mapping out risks, designing contingency plans and keeping up to date with news relating to the unfolding nature of the Brexit process[17].

In this respect, implementing BC practices could go a long way. For instance, a Business Impact Analysis would help identify the priorities and goals of an organization as well as its core functions following Brexit. There should be an evaluation of these critical processes to decide whether the risks potentially arising from Brexit (e.g. higher tariffs, travel restrictions for employees) could affect operations. Similarly, conducting a threat evaluation could assist in estimating which outcome would be the most likely in the event of a 'Leave' vote. This would enable a firm to better calibrate its BC plans. This could be also used in coordination with horizon scanning techniques to draw a priority list of threats. Implementing these measures in time of such uncertainty would probably help businesses clear the way for a smooth transition after a 'Leave' vote[18].

While no one is able to say exactly what could happen after a 'Leave' vote, the only certainty is the ambiguous transition period that could last for two or more years. Indeed, according to Article 50 of the Treaty on the European Union, the terms of the exit should be negotiated within 24 months, which could be extended subject to the unanimous agreement of the 27 states[19]. Even if London and Brussels reached an agreement by 2018, it would probably take years to finalise a settlement and have the new laws and regulations incorporated and enforced. This window could

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13 Alcantara P, Riglietti G. Horizon Scan Report 2016 [Internet]. Reading: The BCI; 2016 p. 12. Available from: http://www.thebci.org/index.php/download-the-bci-horizon-scan-report-2016
14 Lewis M. How to vote in the EU referendum [Internet]. Money saving expert. 2016 [cited 8 June 2016]. Available from: http://blog.moneysavingexpert.com/2016/06/05/how-to-vote-in-the-eu-referendum/#fees
15 Ryan J, Robinson J. 'Brexit' and 'Brexit': The Biggest Risks to U.K. Economy in 2016 [Internet]. Bloomberg.com. 2016 [cited 8 June 2016]. Available from: http://www.bloomberg.com/news/articles/2015-12-23/-brexit-and-brexit-the-biggest-risks-to-u-k-economy-in-2016
16 As per the BS11200 definition of crisis as "inherently abnormal and unstable situation that provides a threat to an organization's strategic objectives, reputation or viability" in Jones, 2016.
17 Jones G. BREXIT calls for scenario planning NOW [Internet]. Crisisinterface.me.uk. 2016 [cited 25 April 2016]. Available from: http://www.crisisinterface.me.uk/2016/02/29/brexit-calls-for-scenario-planning-now/
18 The Business Continuity Institute. Good Practice Guidelines. Reading: The BCI; 2013.
19 Hawkins R. Reality Check: Could Brexit be negotiated in two years? - BBC News [Internet]. BBC News. 2016 [cited 8 June 2016]. Available from: http://www.bbc.co.uk/news/uk-politics-eu-referendum-35926576

leave businesses in a limbo of legal uncertainty, where it would be very hard to build medium to long term plans.

For instance, in the cyber field there is a great deal of uncertainty on what is going to happen, due to possible complications in recruiting skilled employees in the field, a change in the threat environment, and compliance issues[20]. Organizations should have contingency plans in place to ensure cyber security if EU Frameworks were to change, or if new regulations were to be adopted. As such, businesses should pay special attention to the transition period out of the European Union and its implications.

In terms of migration policies, organizations would be left in a challenging position when managing their staff from EU countries without clearly knowing how and whether their rights to live and work in the UK might change[21]. Hence, those with staff working both in the UK and the rest of the EU would have to conduct audits and keep updated policies to prepare for possible changes in the immigration status for some of their employees. However, in the case of Brexit, if the UK wants to retain its access to the Single Market, it may be likely that current EU migrants would be allowed to remain. Still, it seems reasonable that in order to avoid any misunderstanding, firms might want to stay informed on changes in immigration law, exploring possible outcomes well in advance. This could save them, for instance, from losing a key employee due to new laws that might catch them unprepared. Overall employment conditions might change in time which would require HR departments to look at possible changes in employment rights, as significant legislation in this area comes from the EU[22].

Further disruptions could include legal and regulatory aspects, since the UK and the EU might end up having separate competition laws after a 'Leave' vote. If not planned for, a change in legislation could challenge organizations in terms of regulatory compliance which could disrupt everyday business. Similarly, UK businesses should prepare for changes in their relations with EU-based suppliers (and vice versa), since Brexit might create new restrictions such as tariffs or different legislation which should be accounted for. On a more operational note, employees' mobility could be limited, which might delay work trips to a given EU country on short notice, since travel restrictions could be put in place[23]. Organizations should therefore keep up to date to ensure that their operations are not impeded by a new regulatory landscape.

It is therefore pivotal that businesses start preparing in order to build resilience and ensure business continuity. This would not only affect their core activities, but also their supply chains. On this note, there are a few options organizations might want to explore. For instance, they could be looking at diversifying their suppliers or seeking new partnerships beyond Europe. Moreover, it would be useful to audit suppliers' contracts, in an attempt to maximise processes by cutting costs and offsetting new expenses that could derive from Brexit. Although these are not simple

[20] Cohen P. "Cyber skills, threat and compliance issues for UK post-Brexit" [Internet]. NS Tech. 2016 [cited 8 June 2016]. Available from: http://tech.newstatesman.com/guest-opinion/skills-threat-and-compliance-issues-for-cyber-industry-and-brexit

[21] Global Counsel. The impact of Brexit: Asian edition [Internet]. Global Counsel; 2016 p. 7. Available from: http://www.global-counsel.co.uk/system/files/publications/The%20impact%20of%20Brexit%20-%20Asian%20edition.pdf

[22] Allen & Overy. Brexit – contingency planning for employers [Internet]. Allen & Overy; 2016 p. 1-2. Available from:
http://www.allenovery.com/SiteCollectionDocuments/AO_04_Brexit_Specialist_paper_Employment.pdf

[23] Norton Rose Fulbright. What are the potential consequences of a UK exit from the European Union? [Internet]. Norton Rose Fulbright; 2016 p. 2-5. Available from:
http://www.nortonrosefulbright.com/files/brexit-134330.pdf

operations, it is important to start visualising alternatives to the current business models associated with the EU, since these could be subject to change[24].

Conclusion

This paper has sought to relate the most relevant threats firms face with the Brexit scenario. This was done to determine whether businesses should deploy their plans while preparing for a possible 'Leave' vote. The analysis found that some of the threats detected by the BCI Horizon Scan Report 2016 may be amplified post-Brexit. This would be due to high level of uncertainty in the short term, which may not necessarily translate to negative effects in the long-term.

Relations between the UK and the EU do play a part in issues such as cyber security, market regulations, immigration, national policies and financial stability. Hence, it seems reasonable to assume that there could be changes to the current arrangements that would increase risk. Following this reasoning, organizations should prepare new contingency plans or adjust old ones, tailoring them to a new threat landscape.

At the moment, the only clear effect of the referendum is the ambiguity relating to what could happen. In this climate, businesses need to think and clearly identify their vulnerabilities linked to Brexit. Firms will need to have plans on how to adjust in order to thrive. The referendum might also involve a 'Remain' vote which still does not mean the end of political change. In the case of Brexit on one hand, BC measures and contingency plans will help businesses mitigate disruptions. On the other hand, if the UK stays in the EU, this would have been a useful test while waiting for the next challenge ahead. Indeed, making sure an organization is resilient requires adopting a proactive approach. The nature of today's threats is constantly unfolding and evolving, which means that in order to stay on top of them, contingency plans need to be able to change and evolve as well.

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[24] Williams R. Will a 'Brexit' spell supply chain disruption for businesses? [Internet]. Procurement Leaders. 2016 [cited 25 April 2016]. Available from: https://www.procurementleaders.com/blog/my-blog--guest-blog/will-a-brexit-spell-supply-chain-disruption-for-businesses-594380

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http://www.allenovery.com/SiteCollectionDocuments/AO_04_Brexit_Specialist_paper_Employment.pdf

16. Norton Rose Fulbright. What are the potential consequences of a UK exit from the European Union? [Internet]. Norton Rose Fulbright; 2016 p. 2-5. Available from: http://www.nortonrosefulbright.com/files/brexit-134330.pdf

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