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... and carry on? Is that the best advice for SMEs and micro-businesses as Brexit approaches? *Simon Hart* considers the steps that such businesses should be considering.

TEN SECOND SUMMARY

1. **Many businesses have yet to do any Brexit business plans or considered changes.**
2. **By adopting "wait and see" tactics, businesses may have avoided wasting money.**
3. **Look at export opportunities and expansion outside the EU and stress test the company's balance sheet.**

It has been 800 days since the UK's historic vote to leave the EU, but how much do businesses really know about the terms of our divorce settlement with Brussels?

Brexit has been hotly discussed in newspapers, radio talk shows and TV debates, yet we still have little concrete information about how it will play out in practice, or even if a deal will be reached at all. For businesses, this has created one of the most uncertain operating environments since the global financial crash. Our recent research shows many are now desperate for more information from the government.

Since June 2017, RSM has partnered with YouGov to track middle market business sentiment as the UK prepares to leave the EU. The RSM Brexit Monitor, based on more than 300 interviews with C-suite respondents across the UK, shows that although around half (49%) of business leaders are overall confident that the UK negotiators will ultimately achieve a "good deal", they clearly want more clarity over the negotiations process. They also want more support for exporting and trade opportunities and for the government to supply useful information to enable business planning.

One consumer business leader told us: "Give us clarity. At the moment there is no defined path, so we struggle to make full and adequate preparation." This was echoed by other industries. A financial services decision maker said: "I don't expect miracle deals to be made, but I do expect clarity, efficiency and honesty so we can plan and adjust." And a TMT firm said the number one thing the government should do is "supply us with useful information about the new laws and changes in our market."

In recent weeks the government has released 84 technical notices about what will happen in the event of a no-deal scenario. With so little concrete information available about what will happen on 19 March 2019, business directors will be pouring over these documents, and no doubt many will be turning to their in-house accountants to give them a distilled view on how their organisation should tackle the thorny issue of how to plan for Brexit. The question is whether the release of these technical notices will allow reasonable plans to be put in place. For many businesses at the smaller end of the size and complexity scale, the Brexit strategy so far seems to have been a very much "wait and see" approach.

The wait and see strategy

The wait and see strategy may well have been the right plan of attack for many so far – after all, how do you plan for something that no-one knows the outcome of? Our research with YouGov shows that a lack of clarity from the government has led to a degree of inertia among middle market businesses. At the start of the year, most businesses had still only taken a third of the actions they thought they needed take in order to prepare for Brexit.

Instead, small and middle-market businesses have been carrying on with the day job: the short-term concerns still seem to be orders/pipeline, paying bills, HMRC, business rates and red tape. At the same time, business leaders continue to trade, fight for market share, sign up new orders as well as manage cashflow demands and creditors, while working through red-tape and responding to changing consumer demands. In other words, they concentrate on the "known knowns" and leave the "known unknowns" until tomorrow.

Yet there remains concern that UK businesses could leave themselves exposed if they do not start considering the impact of a possible Brexit deal or no-deal scenario. The recently published technical notices on the no-deal scenario offer some pointers for businesses. It would be prudent to start scenario planning – even if this is merely a debate around the boardroom table of what-ifs or the structural changes the organisation might have to take to remain competitive, maintain or grow market share, retain staff and contracts, for example. Indeed, businesses that delay any necessary operational, financial or structural changes for too long might not be able to adapt to the post-Brexit environment well enough.

What could your business do?

In light of heightened expectations in the media about a no-deal scenario, it would be prudent for all businesses, however small, to consider the following important steps.

- *Efficiency and productivity.* How can you do what you do better? The UK is ranked fifth out of the G7 nations in terms of productivity – have your processes and procedures evolved with the times, and are they as effective or efficient as they could be? Target quick wins. When it comes to accounting and reporting, how many separate spreadsheets are you using? Could better use of technology and an integrated enterprise resource planning (ERP) system actually smooth out some operational inefficiencies?
- *Staff retention and engagement.* For many sectors, Brexit will dent talent pipelines, leading to harmful skills gaps. Look at forms of motivation, training and reward to hold on to your talent. Remember to keep communicating with the team to let them know management are on top of things. It's also good practice to think about your talent pipelines and succession programmes. What skills and workforce might be needed not just next year but in five years' time?
- *Capital investment.* Remember that productivity improvements might require short-term investment. Money is still relatively cheap. Could capital investment help you become more competitive in the longer term?
- *International expansion.* If you're looking to expand into new overseas markets, make use of the support offered by the Department International Trade. They have representatives in each region. In 2017, the UK exported some £620m of goods and service with 52% of that to customers in countries outside the EU. What are your company's statistics in this area?
- *Supply chain.* Map out where you sit in the supply chain for your products; consider exposure to up-stream and down-stream changes. For example, what's the flow of materials used by your organisation inside and outside of the UK at the moment? Which ports are used and what's their capacity? What would you do to meet and maintain customer demand if the lead time for raw materials increased? What is the business exposure to tariffs and barriers to trade either directly or indirectly? Map out the exposure.
- *Stress tests.* The final activity everyone can do right now is stress test the balance sheet – model the "what if" scenarios. For example, what if customs delays increase lead time over deliveries? Will you need to hold more stock? What's the increased working capital requirement to finance that? What if there is a 10% increase in raw material prices or a 5% depreciation of sterling against the dollar?

Summary

So, there's plenty the accountant can do right now to support the business and help guide colleagues to scenario plan for the challenges and change Brexit will in all likelihood bring, and to consider the possible business opportunities this change might allow too. The financial experience and candour the professional accountant can bring to the organisation will be vital in what will be unprecedented times ahead – there is uncertainty but for the brave there is also opportunity as well – have the answers to the difficult questions to hand in the months ahead.

Simon Hart heads RSM's knowledge management operation and is the firm's lead Brexit partner. He is responsible for coordinating and leading RSM's content, insight and material in these areas.
E: simon.hart@rsmuk.com
T: 0121 214 3100
Visit: www.rsmuk.com