

Brexit

A Time Of Opportunity For UK
Business & Executive Search?

Executive Summary & Key Takeaways

The news may be awash with negative Brexit stories, but if we look beyond the attention-grabbing headlines of the press, the data actually shows continued strength in the job market, a resilient economy and corporate optimism.

The key takeaways from this document are:

- The feared “Brexodus” has not materialised, with companies maintaining, and in many cases vigorously expanding, their UK presence.
- Brexit negotiations may well see the UK maintain access to the common market without the many restrictions of EU membership.
- Britain’s core strengths: Its knowledge-based industries, business infrastructure and geographical position remain immune to any political outcome. Major companies seek to make their UK presence more significant to take advantage of these strengths and of global growth opportunities.
- The above facts combined mean the need to find the best executive talent should remain a top priority for companies in the UK. Having executives who think creatively and spot opportunities early, can give businesses a competitive advantage during this time of change.





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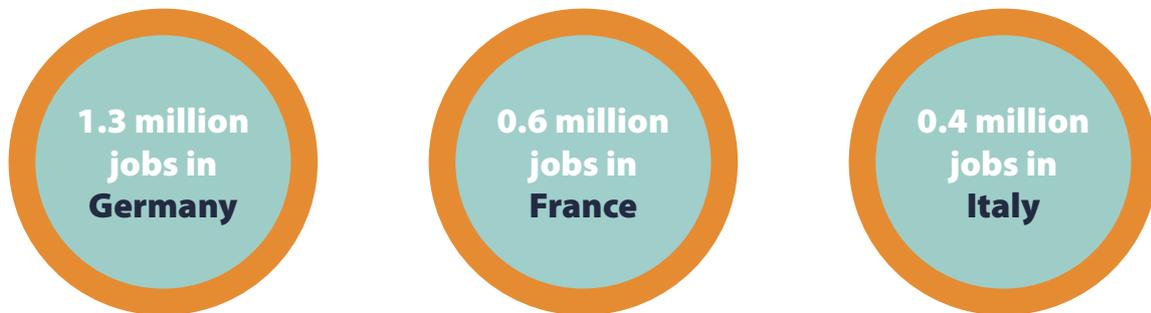
Brexit – An Opportunity For UK Business

There are many, objective and convincing facts that show clearly how Brexit will be an extraordinary opportunity for the UK in terms of business, economic growth and innovation.

Why Britain Will Get A Good Brexit Deal

One possible outcome of the negotiations will be a “soft” Brexit. This could see Britain adopt the Norwegian model, namely full access to the EU-28 market but without the budgetary or legal restrictions mandated by EU membership.^{1,2} There are many reasons for this scenario to happen, based on the economic and political realities of the UK and EU:

- Trade with the UK is very important to EU employment, accounting for:



All EU members have the utmost interest in preserving these jobs, especially in view of the weak economic situation present in most of southern Europe.

- A total of 2.9 million EU citizens work and live in the UK, including



Other EU member states gain from the remittances of these workers (£1.2 BLN was sent to Poland alone in 2015).⁴

In addition, EU citizens in the UK have a higher propensity of being business owners than the general population: There are **3,000** French-owned businesses in the UK, employing 400,000 workers and turning over **£120 BLN** annually.⁵

EU countries would suffer significantly were their citizens return to their homelands in large numbers without immediate job opportunities, so ensuring that this *status quo* is not broken, is a fundamental EU prerogative.⁶

The EU is financially benefiting from trade with the UK:

- EU exports to the UK were **£312 BLN** in 2016,
- UK exports to the EU were **£241 BLN** in 2016.

The above results in a trade surplus of £71 BLN in favour of the EU.⁷ Germany's trade surplus of €50.7 BLN with the UK in 2016 constituted 20% of its total.⁸

What does the above mean? It means the EU has no incentive to hinder trade with the UK, due its favourable position, especially as the UK is the EU's 2nd largest export market after the USA.⁹

Why Brexit Will Create A Better Environment For UK Businesses

With Brexit, the UK is set to put itself and UK business at a competitive advantage on a global basis, thanks to many new opportunities:

- **Less Taxes** – Major political and business personalities are expecting the UK adopt a very favourable taxation regime in the run up to Brexit and afterwards. Chancellor of the Exchequer Hammond indicated in early 2017 that the UK would seek to lower taxes to boost its long-term attractiveness for investment and business.¹⁰
- **Better Economic and Political Agreements** – The UK can fully leverage its strong cultural and historical ties to create new trade deals with dynamic markets, including the USA, China and the 52-members of the Commonwealth. The US government has indicated its desire to create a special passporting system between the UK and USA to increase financial links between the two countries.¹¹ This will also put the UK in the perfect position to take advantage of the strong economic growth of the Asia Pacific and African regions. The EU economy, as measured by its current 28 members, has shrunk from constituting 30% of GDP in 1980 to only 15% today.¹² Starting in 2009 and continuing to date, the UK has sold more goods and services to non-EU countries than to the EU.
- **A Business-Friendly Immigration Policy** – The UK will likely regain full control of its borders and immigration policy. This could enable it to choose what immigrants can come into the country, based on the needs of business and industry. A tiered immigration system, as those present in Australia and New Zealand, would put an emphasis on attracting high-skill workers. The UK could therefore consolidate its already strong position as a magnet for international and European talent. Furthermore, as the UK may more easily bypass the EU's migration crisis, this will make for a safer social and economic environment for businesses in the long-term.

The World's Leading Companies Bet On Britain

Not only are companies continuing to invest in the UK. There are also more and more examples of world-leading multinational corporations planning to expand their UK operations significantly in the future.

Among them:



Announced in November 2016 plans to **invest £1 BLN in the UK** and create 3,000 new jobs by 2020¹³



Announced plans to hire **900 R & D specialists** at its London headquarters¹⁴



Announced in November 2016 to **add 1,500 jobs** and expanding its London headquarters¹⁵



Announced in February 2017 plans to **double the size of its UK headquarters**¹⁶



The carmaker announced in July 2017 it will produce its e-Mini electric car in Oxfordshire¹⁷



Snapchat announced in January 2017 that London will house the company's first non-US headquarters¹⁸



The valve maker is considering to **move manufacturing to the UK** after Brexit¹⁹

Britain's Core Strengths – A World Of Opportunity

The decision of many multinationals to make long-term investments in the UK is based on rational considerations on future growth.

The UK remains an economic powerhouse in the service industries, in addition to possessing many niche high value added (HVA) sectors. These core strengths remain long-term growth drivers of the economy. This is in addition to:

- The large contingent of highly-skilled workers in the software and engineering field, especially attractive to technology companies. The UK has an educated workforce, with **43.5%** of 25-64 year-olds holding a tertiary degree, compared to **27.6%** in Germany and **35%** in France.²⁰ The rate for London's is even higher at **60%**, giving it the most educated labour force of any European city.
- Executive compensation in the UK which remains extremely attractive for European and international talent. Median basic remuneration for a non-executive chair in the UK was €429,900 in 2014, compared to an EU average of €249,600.²¹ Median pay for board directors is also above average, at €76,600 vs. €64,800 for the same year.²² **The UK is now home to 5 of the 10 highest paid executives in Europe.**²³

The UK remains an economic powerhouse in the service industries

- The importance of the UK's financial sector and in particular its dominant position in non-EU finance. About **41%** of all foreign exchange transactions worldwide take place in London.²⁴ This is in addition to **62%** of all yuan-denominated transactions taking place outside of China.²⁵ British stock exchanges are the 3rd biggest globally by market capitalisation and London holds **21%** share of the world's hedge fund assets.²⁶
- The fact that 27% of the world's 320 legal jurisdictions use English Common law. More international and commercial arbitrations happen in the UK than all other countries in the world combined.²⁷ London also remains a leading centre for mining, shipping and Islamic finance. As companies operating in these sectors have their operations almost entirely in non-EU jurisdictions, there is effectively no EU-related investment.²⁸
- The UK's geographical position remains a long-term competitive advantage, with the GMT time-zone bridging the business hours of all continents. London's Heathrow airport comfortably dominates as Europe's top aviation hub, with 75 million annual passengers.
- More than 40% of the world's 250 largest companies make the UK their global headquarters.²⁹
- 60% of top non-European companies with a headquarters in Europe have chosen London as their base.³⁰
- London has greater pre-eminence in Europe than New York has within North America.³¹

60%

Of top non-European companies with a HQ in Europe chose London as their base

41%

Of all foreign exchange transactions worldwide take place in London.

21%

London's share of the world's hedge fund assets

What Brexit Means For Your Executive Search

If you are a company operating in the UK, Brexit has made finding the best executive talent more important than ever, for various reasons:

- ▶ You will need to find talent capable of competing in an increasingly globalised economy. The UK is opening up to the world's non-EU markets, which requires executives to possess **cultural knowledge, linguistic capabilities** and **international work experience**. These qualities may not always be present in your existing workforce, which means you have to make your search broader, deeper and more extensive.
- ▶ Executives who think creatively and spot opportunities early will give your company a competitive advantage during this time of change
- ▶ You will have to fulfill new roles that previously may have not existed. This will be connected to sectors in which the UK is strongly investing in. Executives will need to have the flexibility and know-how to face challenges that were not present on the horizon only a few years ago.
- ▶ You will have to focus on attracting high-skill workers in a market of increasing competition. When it comes to finding top executives, the verdict is clear: businesses are in Britain for the long-term. That means that businesses will continue to need all the talent they can source, be it from the UK, from Europe or from the rest of the world. Your company will be facing world-class players when competing for the best candidates, and the competition will be global in scale and scope.

Executives who think creatively and spot opportunities early will give your company a competitive advantage during this time of change

Some reports show that some UK companies have decided to wait for the outcome of Brexit before committing to investments and hiring new executives... This may be a big mistake.

Major multination corporations are increasing their **commitment to the UK today**, as they recognise the potential for growth and profit has remained unchanged. Any company which decides to postpone hiring or investing in the coming months may be irreparably putting at risk its competitive position, market strength and profitability.

On the other hand, you can choose to gain from the solid long-term outlook of the UK, its core strengths and the many new opportunities that will come. To do so, you have to hire the best executive talent – but you have to do it in the most intelligent, thorough and professional way possible.

About Novo Executive Search And Selection

Novo is a leading executive search and selection company. We provide our clients with the most innovative executive search and selection methodologies, industry expertise and networking capabilities to enable them to attract exceptionally talented professionals. Our services provide competitive advantage to clients through executive recruitment and high value human resource consultancy.

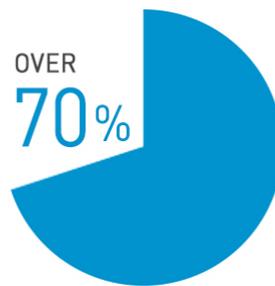
Clients retain our services when they are looking to achieve positive change, growth and competitive advantage. Our clients range in scale from start-ups and privately-held family firms to the world's largest corporations. We work extensively across the private sector, public sector and not-for-profit sector.

**To have a confidential discussion about our services please contact Dale Perrett (Director) dale.perrett@novoexec.com
0844 241 2064**



90% of our executive search assignments reach offer stage within 7 weeks

95% are successfully completed



Over **70%** of our executive appointments are promoted in their first year



Over **two thirds** of our work is with returning clients, delighted with our services



We have worked globally for clients, **40%** of our work incorporates international executive search



The average time for our assignments to reach client interview stage is **5 weeks**



We have successfully completed over **5,000** search assignments

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