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BUSINESS AGILITY IN THE COUNTDOWN TO BREXIT

As we move into 2017, UK business faces challenges, opportunities and the infamous ‘unknown unknowns’. But, as we have seen in past recessions, business leaders need to become resilient and agile, while embracing technology to help them ride the Brexit rollercoaster. Hitachi Solutions’ Steven French and *Director* gather eight business leaders to discuss

STEVEN FRENCH Like everybody, we at Hitachi Solutions are concerned about Brexit. No one likes uncertainty and the referendum result has created a whole bunch of uncertainty that business doesn’t need at this particular moment in time. As with most fair-sized organisations, a good 20 per cent of our workforce is international and currently it’s relatively easy to use European workers. Brexit casts a shadow over that.

Brexit also changes technology and very few businesses have systems equipped to deal with the kind of change we’re facing. Most of our new and prospective customers are dealing with systems that are old and inflexible. For customers who are on modern software change can be relatively painless. But for customers on old software there could be horrendous problems adapting to something relatively simple that might suddenly change if we have a hard Brexit.

Businesses need to take steps now. Once the exit is triggered there isn’t a lot of time to deal with consequences you can’t even anticipate. Two years is a very short amount of time in a business sense. People have to be thinking about the implications for business processes and systems and how they’re going to deal with organisational change, because if you’re not thinking about that now then your ability to do that at a moment’s notice is limited. The challenge, of course, is trying to anticipate the implications. I am keen to understand here where businesses are investing – our own big push at the moment is still Europe – and also what changes they anticipate.

We’re entering uncertain times: what’s your previous experience of volatile times and what lessons did you learn?

BILL WAITE We started in December 1997 – 19 years on we’re now an international

business. We’ve had different things impact on us from day one: the Russian crisis, the dotcom bubble and then the financial crisis in 2008. Three core things we’ve learned are: 1) not to panic 2) do whatever you can to maintain human skills and competence and 3) be very prudent with cash. We started the business with VC funding in 1997, did a leverage buyout in 2004 and three years later were debt free.

In 2008-09 when we had to manage the cost base of the business again we did it from pure strength because we had cash in the bank and no external debt. However, it’s important to balance that prudence with creating opportunity for your people – if a business has no vision then you will lose good people.

STEVE DALLY When we came into the recession, there was a rush of people wanting to sell their businesses. Providing you had access to cash, there were some great wins to be made through buying companies that were fundamentally strong, but struggling because they didn’t have access to short-term cash from the banks. BCMS then went through some of its strongest years where we helped people who wanted to exit find those buyers. Then when we came out of the recession, people who survived it wanted to hold on for another three years to be worth more. The dynamics changed and we had to adapt to the fact there was no compelling event in the M&A industry and so we had to work with business owners in other areas.

RACHEL GILLEY The last recession was the most notable for me. This was a tough time for agencies, clients didn’t want to spend money and when they did there were

The leader panel

- 1 **Neil Billett**, global design director, Buro Happold
- 2 **Stuart Lisle**, Brexit taskforce, BDO
- 3 **Rachel Gilley**, deputy managing director, Bite Communications
- 4 **Steve Dally**, CEO, BCMS
- 5 **Struan Mackenzie**, head of global mobility, Buzzacott
- 6 **Trevor Cotterell**, managing director, Areen Design Services
- 7 **Bill Waite**, group chief executive officer, The Risk Advisory Group
- 8 **Nigel Heap**, managing director, Hays UK & Ireland



multiple hoops to jump through. The sector ran on client retainers or clients buying into an agency for a year at a time and suddenly the model moved and became more project-led which meant we couldn't hire full-time people. There was a lot of consolidation in the media and PR industry and we all restructured. Fast-forward to now and there's a palpable sense of nervousness but there's still very good business to be done, especially with agencies that have been through it before and handheld businesses through some volatile times.

TREVOR COTTERELL Economic peaks and troughs go with the territory. I have certainly experienced challenging downturns in our market where difficult decisions have had to be made. The lesson learnt is to always ensure a spread of clients across the globe and, with apologies to Captain Kirk, to boldly go where no one has gone before. Pioneering can be risky but worth it to maintain steady growth.

STRUAN MACKENZIE From experience I'd say focus on the straightforward things: businesses should budget their costs and deployment of people over the next couple of years. There are still opportunities and it's important now for advisers to provide some kind of guidelines and positive message about what's certain – although they can't have all the answers because we don't know what the outcome will be.

STUART LISLE We look after clients across a whole range of industries and we saw the impact of the 2008 financial crisis across the commercial spectrum. We had to deal with it ourselves – there was a massive slowdown in transactions so we had to do a lot of soul searching and management of our business to come out the other end as strong if not stronger than we went into it.

We learnt a huge amount. We stuck to our principles, got some very strong values within the firm and made sure that decisions we made for the business were within those values. Time and again a strong value proposition helps businesses get through difficult times and the results are all very positive.

NIGEL HEAP I have been at Hays for almost 30 years so I've worked through both good times and bad. The most important thing

is to stay focused. A panicked reaction doesn't serve anybody any favours and if all you are doing is reacting to the market you'll fail to meet your objectives – company or personal.

NEIL BILLETT We're celebrating our 40th year this year and we've been through quite a few cycles, the most recent dip being the credit crisis of 2008-09. For us, our forward orders mean that there's a bit of a lag in the system so it wasn't until 2010-11 that the full force affected us.

Overall, there is a need for all businesses to carry on. A sense of confidence in what you're doing and its relevance to your clients is something that takes a long time to accrue as you trade, and provided you're agile and connected to your clients' current and future needs, and if your business model's good, you're likely to prevail.

What challenges and opportunities does Brexit present for both your business and UK plc?

WAITE Nobody knows. Our business is very international – we have offices in Dubai, Washington, London, Moscow, Hong Kong and Beirut. Some revenue streams come from the UK market, but the vast majority come from outside. Brexit, per se, probably won't have a direct impact on us.

Potential problems? One is personal data and the way that moves around Europe; if we don't apply the same standards, that could create a data transfer problem. The other thing is staff – there's a great deal of skill, competence and knowledge that has come from Europe. The ability to maintain their interest and the constant topping up of that talent causes us concern. If the opportunities at home were as good they may well go back. A lot will depend on what happens in the next 12–18 months.

MACKENZIE The challenge that it presents for us is also to do with uncertainty – we don't know what's going to happen. But we look for opportunities and need to make sure we grasp any presented by this challenge and also that our clients know we are here to help them, to pull on our experiences and give them the guidance they need and the solutions they're looking for.

COTTERELL Our main concern is the impact



of Brexit on our supply chains. As in any business, supplier relationships are critical to success. Strict time, cost and quality criteria agreed with clients often rely on these close relationships and mutual trust. We are entering unknown territory, but we are now committed. The silver lining may be that this opens the door to positioning our design skills firmly in the 'Best of Britain' camp.

DALLY We are seeing (post-referendum) significant interest from overseas acquirers and in fact the number of acquisitions that have been made in the same period year on year will be about a 400 per cent increase. UK businesses have suddenly become very attractive financially – we have some unique IP, with a lot of interest in niche markets, precision markets, anything from composites to talent management, recruitment, software to aerospace and luxury goods.

LISLE Business doesn't like change. Business likes to be able to plan in an ordered environment. Having said that our entrepreneurial businesses in this country, the backbone of our economy,



Our entrepreneurial businesses, the backbone of our economy, thrive in change because those guys spot opportunities and drive their business forward”

Stuart Lisle, BDO



thrive in change because those guys spot opportunities and drive their business forward. I think people continue to look for the positives, as we are. Very early on we put together a Brexit taskforce so that we're responsible for looking at both risks and opportunities for the firm itself but also for our clients. And we've got a lot of European nationals within our staff, so it's important we stay close and make them feel as comfortable as we possibly can.

We're helping our clients look into the future and work out what the world might look like and we have put together some scenario planning. The leading powers in Europe could look and feel very different by the end of next year. There was already a shift in economic focus, and also Africa is a massively untapped economic engine, potentially. Brexit is going to enable us to be freer to exploit those opportunities – whereas before we always had to be within that collective to do it, we can now do it off our own back.

GILLEY I'm hugely optimistic about London and I think the confidence in London remains high. We have a relationship with London & Partners (the official

promotional company for London) and I'm often asked to go in and talk to start-ups about how to approach PR, how much money should they be spending, where should they focus their energies. I think early messages from VC investors after Brexit was that they are absolutely still looking for exciting investment opportunities and they'll continue to invest but you need a business that is solid, has a vision and has people at the top who are very comfortable to drive it forward.

HEAP Our business is cyclical and highly tied to confidence, so for us it presents both challenges and opportunities, although it's hard to tell what because it is so unclear what it entails. One of the most interesting findings from our recent report (*Hays Salary & Recruiting Trends 2017*) was that business confidence hasn't been dented – 94 per cent expect their business activity to increase or stay the same in 2017.

BILLET For us as a firm of consultant engineers and designers, there is an element of business as usual because there seems to be a momentum in the market that means we're still as busy as

we planned to be. But with one eye a year or two down the road, there's a level of uncertainty coming, so we're scanning the forward-order radar to make sure we've got the level of diversity in our portfolio that will give us the best resilience to that.

What are your main skills and resource worries?

WAITE That's quite difficult because as a business we need more than just language capability; we need a fundamental understanding of the societies, politics and business environment of the places we investigate. You can't do that just by getting somebody from Cambridge with a 2:1 in French.

COTTERELL Our interior designers are an international bunch with exceptional creative skills. We have 20 languages spoken in the studio. So the bottom line is that if Brexit severely limits our ability to draw on the overseas talent pool, we would not be over the moon. Working in the Far East, Middle East and Africa needs an international flavour in the studio and restricting this would be damaging, despite the strong home-grown talent.

HEAP We need to ensure companies still have access to sufficient skilled labour from overseas. Migration should be targeted in areas where there are shortages, and our focus on allowing access to skilled labour.

DALLY Leaders need to create agile organisations; we don't know what we don't know but what we can do is plan. At BCMS over the last two years we've invested in our people and have put in place training, development and career plans. We've also gone outside to acquire skills with an overall aim to increase organisational capability. The more capable we are as an organisation, the more products we can develop, the more needs we can anticipate, and we're in a stronger position then to succeed with whatever opportunities arise.

MACKENZIE There is the potential for there to be a skills gap but [the solution is] in deploying the right people and maximising whatever opportunities come their way. I always think there are different ways of doing things.

GILLEY It's a different market now and a different way of communicating. In terms of the people we hire, the Antipodean influx is still very strong and we're seeing incredibly bright people with entrepreneurial spirit.

We are approaching business schools and journalist schools, we're going to graduates coming out of college with research degrees and data because these are people who see things differently. It's an eclectic mix of people that as a result will make the agency more exciting. We've just got to make sure that we've got the right career paths and can inspire people to still want to work with us.

LISLE This year we'll employ probably 300 graduates and school leavers across the business. How we flex the skills we need with the changing world, all the digitalisation, and how we take people from spending a lot of time on compliance to being more advisory more quickly... it's a challenge for all professions. For example, eBay deals with 60,000 trade disputes a day without using a single lawyer, instead using artificial intelligence software.

What we used to get paid for – providing fairly basic information – is available free online. People are looking more to our insight and experience rather than just simple information.

BILLETT Engineering skills are a longstanding challenge, you know. Again, the financial crisis meant quite a lot of organisations downsized by 20, 30, sometimes 50, and some of that experience probably left the industry – and that's left a bit of a gap. We're now trying to catch up. It's possible to fill it by stretching some of the younger guys with the right amount of support into more demanding roles, perhaps slightly earlier in their career.

What solutions – strategic, leadership, tech – are you looking at that perhaps you weren't before?

HEAP Our strategy remains the same. We are committed to investing in our technology and we haven't made any changes following the referendum. For example, we will continue to invest in our global technology platform, which can interact with other applications and third-party technologies to enable our consultants

to make sense of the vast amount of data generated in today's world, source real-time, accurate information on their market and, ultimately, get the best candidates to clients faster than anyone else.

WAITE We have a number of different businesses and the transactional one is strong – there's a lot of work in the Middle East, Iran, Latin America. Europe has been slowing over the last two or three years so we're not extending capability there, but in the Americas, Asia and the Middle East.

For us, it's about where we put emphasis on our chessboard. One of the potentially interesting things is sanctions on Russia and the US position in relation to that. We have seen business in Russia fall by 60 per cent since sanctions were imposed. I think there's a prospect of those lifting and if that does happen, our Russian business will be very busy again. Looking forward, we're thinking about staffing and where we might open an office if it is problematic; but that's a 2018-19 issue.

DALLY Brexit hasn't really impacted our strategy planning but it did create a little shock wave. When we came out of the last recession, we invested in creating organisation capability and understanding the unarticulated needs. Business is all about supply and demand and identifying and satisfying needs. The secret is to understand the unarticulated needs, because you then create competitive advantage and disrupt your competition. To do this you need to spend time with clients, the prospect base, the market base and ask lots of questions. It's about having clever individuals in your organisation who can interpret what's being said and turn that into some differentiated benefit at competitive advantage.

GILLEY In the past, we've always hired people full time, got them absorbed into the agency, felt that agencies were only as strong as the people who were in the office day in day out. However, there is a truth that very good people don't want to work for people, they want to work for themselves. And if they can charge a premium for their expertise and do two or three days for different clients or agencies, then they bring excellent work to the business. We've moved to more of a consultant model – it's incredibly effective.



SHUTTERSTOCK

Technology is another key strategic area for us – we need to know what the best tools are in order to reach and engage with the clients' audiences.

MACKENZIE There is an increasing role for technology to be able to help my business grow internationally. I'm also currently interested in outsourced solutions, different types of employment arrangements and the outcome as a result of the Uber court case. A number of disruptive businesses take on people on a self-employed basis which gives the individuals the opportunity to build their own businesses; but maybe there's some need to make sure that they have employment rights as well. As a business, it's up to us to make sure clients are looking at their employees and potential talent pool in the same way.

COTTERELL We work in a dynamic creative industry that is always evolving and we're constantly reviewing the fast-changing technology available and the impact this has on our business. Brexit does not significantly affect this. But change, if and when it happens, should be viewed



How can you know what you're capable of if you don't embrace the unknown? The challenge of Brexit must be approached in a positive state of mind"

Trevor Cotterell, Areen Design Services



positively. As someone once told me, how can you know what you're capable of if you don't embrace the unknown? The leadership and structural challenges presented by Brexit, within our business, our market and our country, must be approached in a positive state of mind. Though a little less red tape wouldn't hurt!

LISLE For us things were already changing and Brexit hasn't changed that particularly. What it has said to us is that at some point in the future, we're going to have a different trading relationship with Europe. How do we plan for that? Brexit happened to align with our change in leadership. With Paul Eagland, we now have the opportunity to take the business to the next level with new energy and strategies. We're a member of BDO International (65,000 people across 154 countries) and we're a closely aligned network, so we spend a lot of time talking to our international partners, making sure we work to the best benefit for our clients.

BILLETT We made the decision to change our model slightly in Easter before the vote. We merged a few of our old business units into a smaller number because we found

that operational performance was taking up too much time for our experienced and energetic players who really should be using their time to face outwards. We're a professional services firm so client relationships are pivotal. Technology is a pretty exciting, disruptive game-changer for us – the ability to navigate it via big data and have smarter integration puts us in a very powerful position to have much more impact on our clients' businesses and opportunities. We're no longer only about putting the building up and making sure that works; we're in a much more powerful position to influence the outcome of that building for the benefit of the client.

Where are you getting your advice and help from?

WAITE We're gleaning a lot from our own research and our own understanding, which we benchmark with our competitors. And we spend quite a lot of time with British-American and the European leadership network – which I find useful.

DALLY I value different perspectives from

both inside and outside my industry. Over the years I've built up a network of very wise old business owls, whose life and commercial experience is invaluable. There's also a wealth of expertise in the military about strategy and managing the unexpected. Recently, I was privileged to spend three days at Sandhurst on a leadership development course, which really opened my mind.

GILLEY Networking – London & Partners does very useful, regular get-togethers with a community of people who can talk about the challenges we're facing. We also have non-execs who are based in both the UK and the US market – the latter is important because we're usually about six months behind them in terms of what we see then coming down the line.

MACKENZIE I network to understand what's going on. Last week I was at a relocation conference and it was very useful to see what is happening in the international corporate relocation sector. Getting out and talking to the right people is a must.

HEAP We use a mix of internal and external expertise – suppliers, consultants, industry bodies and business organisations.

COTTERELL Feedback from customers is vital and we go out of our way to get it. But we also rate internal feedback highly. Staff workshops give our management team a different way of looking at challenges.

LISLE We looked at the institutes that we work with and also work very closely with a number of law firms that have got particular insight into things like constitutional law and European law and how things might change. We also talk to clients and share our experiences which is always a great way to learn.

BILLETT TED talks and conferences are always useful. Also we're a pretty networked business and we take time to look a little outside of our business at what other industries might be doing. We are currently running a pathfinding project around the collaborative data environment and how we can stretch ourselves even further in that area.

Turn the page for Hitachi Solutions' summing-up

