

# Business and Brexit Preparedness: Chartered Management Institute (CMI) response

Response to BEIS Select Committee call for evidence: November 2020

## EXECUTIVE SUMMARY

Businesses have had to endure unprecedented amounts of change and uncertainty throughout 2020 as a result of the pandemic. For many, this will have interrupted planning for the end of the Brexit transition period, either through staffing disruption or having to use up Brexit stockpiles.

Encouragingly, our research found that despite these challenges the majority of organisations are confident they are prepared for the end of the transition period and for a no deal scenario if this were to happen. But this is by no means universal. Nearly one in ten managers have said their organisation was not prepared, and this proportion has remained stubbornly the same since our polling on this question began in 2020.

Good management and leadership skills will be vital qualities for organisations to have to enable them to successfully navigate the challenges that emerge next year. Our response recommends:

- **Boosting investment in skills to ensure the UK economy recovers post-Brexit.** This should start with significant new investment through the National Skills Fund. The focus should not just be on level 3.
- **Utilise the existing Chartered bodies model.** The Government should be utilising these existing networks to support the rapid delivery of an enhanced training offer and to distribute Brexit preparedness support. Chartered bodies are a trusted source of advice for UK business.
- **Retain the employer-led principle.** Employers are best placed to assess their current and future needs so the Government needs to be consulting with the UK business community on what their specific challenges are. CMI can help to be a conduit between government and managers.

It is worth noting that managers in SMEs were more likely than managers in large organisations to report professional bodies as one of the best ways for the Government to provide organisations with updates and guidance about Brexit.

Our response predominantly covers surveys that we conducted with our members in July, August, October and November 2020, with the most recent survey running between 5th and 11th November 2020.

## ABOUT CMI

1. CMI is the only Chartered professional body in the UK for management and leadership. We have a community of over 140,000 members including aspiring and practicing managers across all sectors,

industries and levels of seniority. At CMI, we aim to draw from our wide reach across different types of organisations in different parts of the economy to share best practice.

2. **Research has shown the benefits of good management and leadership.** CMI [research](#) found that firms who invest in management and leadership development programmes see on average a 23% increase in organisational performance, and a 32% increase in people performance. The Government's own [Business Productivity Review](#) stated:

*“Strong leadership and management practices include activity such as setting targets, analysing operations, and monitoring, managing and incentivising performance. These have been shown to be strongly correlated to firm-level productivity”*

3. An Enterprise Research Centre (ERC) [report](#) finds that earlier productivity levels of SMEs are not a good predictor of subsequent productivity growth. Instead high performing SMEs are characterised by focused and effective leadership, appropriate HR management, innovation and data driven operational management. The best government can do to boost productivity at SMEs, therefore, is to provide SME owner-managers with the skills needed to be effective leaders of transformational change.
4. Good management and leadership will be a determining factor in how well prepared businesses are for the end of the Brexit transition period. The Open University has stated that management skills will be vital skills to navigate the months ahead. They found that two in five (39%) of employers said they will require leadership skills and a similar number (38%) will require managerial skills.<sup>1</sup>

## BREXIT PREPAREDNESS BEFORE AND DURING THE PANDEMIC

5. Between October and December 2019 we found that almost 3 in 4 respondents (73%) felt that their organisation was at least fairly prepared for Brexit. When compared to December 2018, this was a significant increase on the 58% of managers who said that they felt their organisation was at least fairly prepared.<sup>2</sup>
6. Soon after we published this data, the Covid-19 pandemic hit. It is worth quantifying the effect this crisis had on businesses. [ONS](#) data before the second lockdown showed:
  - Half of businesses experienced a decrease in turnover
  - 7% of businesses across all industries expected to temporarily or permanently close a business site in the next two weeks
  - Certain sectors, such as accommodation and food service, and the arts, entertainment and recreation, have been particularly hard-hit
7. CMI's research has also shown the effects reported by managers:
  - Over two fifths (44%) of managers reported their organisation's trading status had been affected by Covid-19
  - A fifth of managers (19%) reported their organisation had made redundancies as a result of Covid-19<sup>3</sup>

---

<sup>1</sup> The Open University (2020), *Business Barometer September 2020*, pp.54-55

<sup>2</sup> CMI [Manager's Voice survey](#) of 1,104 managers conducted between 24th October and 5th December 2019, compared to a 2018 CMI survey

<sup>3</sup> CMI Manager's Voice Pulse Point Poll of 1,914 managers conducted between 21st and 24th July 2020

8. In November 2020, we conducted a survey on Brexit preparedness.<sup>4</sup> We asked managers to what extent, if at all, they felt their organisation was prepared to operate in Britain after the transition period. Encouragingly, we found that 80% of managers said their organisation was at least fairly prepared.
9. However, we also found that nearly one in ten (9%) managers said their organisation was not prepared. Whilst this represents a drop from 17% in our July survey, this figure has remained relatively static since then, with 12% and 9% reporting not prepared in both August and October respectively, perhaps suggesting a cohort of businesses that represent a cause for concern.
10. We also asked managers if their organisation had a plan for operating after the transition period. We found that 72% of managers said their organisation did have one in place. However, this still means that over a quarter (28%) of managers either did not know if they had a plan in place (21%) or said they did not have one (7%).
11. Although the majority of managers reported their organisation has a plan, we found variations by region and size of organisation:
  - Managers in large organisations (74%) were more likely than managers in SMEs (64%) to report their organisation has a plan for operating after the transition period
  - Managers in the South (75%) were more likely to report their organisation had a plan for operating after the transition period than managers in the North (67%)
12. Of those managers who said their organisation had a plan for operating after the transition period, the majority (85%) said their plan included preparations for a no deal Brexit. However, we found that 15% of managers either did not know if their organisation's plan included preparations for a no deal Brexit or said it did not include no deal preparations.
13. Since August 2020 the proportion of managers who said they had a plan to operate in Britain after the end of the transition period has increased from 61% in August and September, to 72% in November. We also found that the proportion of managers who reported that their organisation was prepared for a no deal Brexit has gradually and consistently increased from 67% in July 2020 to 80% in November 2020.<sup>5</sup> This suggests organisations are becoming increasingly prepared as we approach the end of the transition period.
14. So while there are encouraging signs and the majority of organisations seem to be making comprehensive preparations for the end of the Brexit transition period, this is not universal. It is concerning for the 'levelling up' agenda that SMEs and organisations in the North seem to be less likely to have a plan for operating after the transition period when compared to large organisations and the South.

## Guidance and support

---

<sup>4</sup> CMI Manager's Voice Pulse Point Poll of 1,037 managers conducted between 5th and 11th November 2020

<sup>5</sup> CMI Manager's Voice research conducted between July and November 2020

15. We asked managers what additional support their organisation needed as the transition period comes to an end.<sup>6</sup> Over half (54%) of managers said their organisation needed additional support. The top five areas where support was requested included:
- Data sharing between the EU and UK (28%)
  - Hiring new EU Workers/ Staff Transfers (21%)
  - Import/export of goods from the EU and associated duties (21%)
  - Cyber security (20%)
  - Supporting current EU workers apply for Settlement (17%)
16. It is a positive sign that managers appear to have identified areas where we are likely to see new or amended regulations, suggesting they are aware of their organisation's exposure to Brexit and perhaps their organisation's knowledge/skills gaps.
17. The same survey also found that nearly a quarter (24%) of managers said they were not aware of the Government's 'Get Ready for Brexit' campaign. When asked what were the best ways for the Government to provide organisations with updates and guidance about Brexit, we found that managers placed a similar value on the Government's website and professional bodies:
- 69% of managers said Government's website
  - 63% of managers said via professional bodies
18. It is worth noting that managers in SMEs (68%) were more likely than managers in large organisations (61%) to report professional bodies as one of the best ways for the Government to provide organisations with updates and guidance about Brexit.
19. The Government needs to ensure that it is utilising existing networks and using different channels to communicate its guidance and updates to reach as many organisations as possible. In particular, the Government should be making use of professional bodies to provide support to SMEs, given the value we find SMEs place on them, and the traditional difficulty in communicating with these businesses.

## RECOMMENDATIONS

20. **Boost investment in skills to ensure the UK economy recovers post-Brexit.** A generational shift is needed in the approach to skills and retraining, especially as we could see many workers looking to reskill and move into growing sectors as a result of the pandemic. In addition, changes to the UK's immigration policy could mean businesses are faced with challenges such as filling skills gaps.<sup>7</sup> It is vital that changes to immigration policy are partnered with a renewed effort to vastly improve the country's skills levels.

---

<sup>6</sup> CMI Manager's Voice Pulse Point Poll of 1,037 managers conducted between 5th and 11th November 2020

<sup>7</sup> For example see:

<https://www.bdo.co.uk/en-gb/news/2020/uk-industry-risks-talent-shortage-as-fewer-overseas-skilled-workers-apply-to-enter-private-sector>

21. This should start with significant new investment through the National Skills Fund (NSF), not just focused on Level 3. Boosting management and leadership skills could make a significant contribution to the nation's recovery and enable businesses to navigate through change and uncertainty. The NSF must therefore include a focus on multi-functional skills such as critical thinking, problem solving and management and communication.
22. **Utilise the existing Chartered bodies model.** Chartered Bodies, working closely with employers and education providers, actively support the Government's aims to deliver a high skill, high wage and highly productive economy through up-to-date standards and continuing professional development. They are also a source of guidance and support for UK businesses, particularly SMEs as discussed above.<sup>8</sup> The Government should be utilising these existing networks to support the rapid delivery of an enhanced training offer and to ensure wide-spread dissemination of Brexit support. This will play a crucial role in ensuring the UK economy is successful when the Brexit transition period ends.
23. Chartered Bodies are also a British USP, widely respected internationally. They are an important part of the Department for International Trade's global education strategy and strengthen British influence, standards and 'soft power'. They can and should play a greater role in British domestic policy, similar to Germany's 'Industrie and Handelskammer' network (Chambers of Commerce).
24. **Retain the employer-led principle.** Learning from the post-2017 reforms to apprenticeships, we know that an employer-led model can drive improvements in Government policy, particularly skills policy. For example, by ensuring that training provides the skills that are in demand from employers. Employers are best placed to assess their current and future needs so the Government needs to be consulting with the UK business community on what their specific challenges are related to Brexit preparedness and take appropriate action to meet those needs.

---

<sup>8</sup> For example, see CMI's [Brexit Hub](#)