

Post Brexit: Companies Ask, 'Should I Stay or Should I Go?'

A post-Brexit survey by the Institute of Directors, the United Kingdom's longest running organization for business leaders, found 22% of the respondents are considering moving some of their operations outside of the U.K. Of those considering an operations shift, most anticipate a move to another EU country.

"Should I stay or should I go," a refrain from The Clash's 1982 rock anthem, is on the minds of corporate decision-makers with major operations in the U.K. These concerns are keeping site selection consultants, a select breed of counselors who advise large and mid-size companies on location strategies, exceptionally busy. "Our phones have been ringing since the day after the vote," according to Darin Buelow, a Principal with Deloitte Consulting LLP. "There is a tremendous amount of uncertainty right now. It's a very complex situation and we've been advising our clients to sit tight for the moment."

It's been one week since the news of the U.K. "leave" vote. That makes it a good time to speak with a panel of four respected site selection consultants for their views on the fallout and their assessment of the cities and countries likely to see an increase in foreign direct investment as a result.



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Most of their observations focused on specific industry clusters:

Financial Services: Goldman Sachs, JP Morgan, HSBC and Morgan-Stanley are among the major banks rumored to be weighing relocation options for at least a portion of their London-based offices. From a regulatory perspective, most of these jobs need to remain in the European Union.

Reactions To Brexit

Our site consultant panel picked cities with established financial sectors – Dublin, Paris, Amsterdam and Frankfurt – as likely winners. But the Grand Duchy of Luxembourg – a country with the second smallest population in the EU but a vibrant banking sector – is also on the consultant's radar.

Information Technology: The IT cluster has been the U.K.'s fastest growing sector with London accounting for more than 250,000 technology workers. "Technology investment is all about talent," according to Wouter Schuitemaker, Managing Director, EMEA at Hickey & Associates. "The recent vote sends a negative message to Britain's technology workers that hail from outside the U.K. Many may opt to return home or go to other EU cities with strong technology sectors."

Dublin, Paris and Amsterdam again make the list of top contenders. But so do Munich, Berlin and Stockholm. Estonia, an EU country that is the birthplace of the highly popular Skype, is a dark horse candidate for tech investment. India and the Philippines have also emerged as strong options outside of the EU.

Manufacturing: Our panel of consultants see a range of options including Spain and Italy (which has a lower cost structure than the U.K.) and Germany (known for exceptionally high productivity). “Eastern Bloc countries like the Czech Republic and Hungary also have a good story to tell,” according to Douglas Van den Berghe, CEO, Investment Consulting Associates (ICA).

Finally, let’s turn to the potential battleground for highly sought-after European headquarters operations. Buck Consultants International (BCI), an independent consulting firm, conducted a pre-vote survey of American companies with a European headquarters in the U.K. One in eight companies indicated it is likely they will move their headquarters to a different city as a result of a “leave” vote. The top three countries likely to be considered in a headquarters move were the Netherlands (61%), Ireland (45%) and Switzerland (45%).

According to Rene Buck, Director at BCI, “There is panic in the boardroom and companies are developing contingency plans right now. You can’t expect a company to wait around for two years of bureaucratic negotiations between the EU and Great Britain.”