Brexit Uncertainty Hits Executive Search as Global Clients Review Europe Investments

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The UK's shock decision last year to leave the European Union is posing a huge challenge for executive search firms, as continued uncertainty about the trade relationships of one of the bloc's wealthiest nations prompts global clients to put off major recruitment decisions and think twice about their European expansion plans. Meanwhile, new business opportunities have emerged as some companies seek leadership advisory services in the politically charged environment, while other clients need extra help as they relocate their operations away from Britain to secure access to the European single market.

The sense of uncertainty has intensified in recent months, as major financial-services institutions from Japan to the US started announcing plans to move their European headquarters away from London. Once Britain leaves the EU, it will also depart the single market for goods and services; without a replacement deal between the country and the bloc, the world financial centre in the City of London will see its role as a hub for cross-border business with clients across the continent drastically curtailed.

Nomura and Daiwa of Japan, as well as Standard Chartered, an emerging markets bank, have already chosen Frankfurt in Germany as their new EU hub. Bank of America said it will move some jobs away from London to Dublin, while HSBC plans to relocate around 1,000 roles to Paris. JPMorgan, Morgan Stanley and UBS have also publicly said they will be forced to move jobs as a result of Brexit, and Goldman Sachs is said to be considering shifting as many as 3,000 jobs out of the UK.

Ripples around the continent

Brexit's true impact on the location of jobs will not be fully clear until negotiations between the UK and the EU's 27 states over "passporting" and the free movement of labour are complete. For executive search firms, this means extending the geographical remit of their processes, and also making candidates aware of the potential for moves abroad. Whilst some other countries will hold back and wait for the dust to settle, many US businesses are already stepping up their expansion on the Continent, to avoid complications later on. Opportunities are opening up in other European countries that might otherwise have gone to the UK.

European think-tank Bruegel estimates that a "hard exit" could kill as many as 30,000 jobs in London alone. A survey by t**he Association of Executive Search and Leadership Consultants (AESC) showed** 59% of executive search and leadership consultants expected the Finance/Banking sector to be most impacted, anticipating negative growth within the industry in the wake of Brexit. Among UK-based respondents, the percentage expecting negative growth rose to 86%. The Industrial sector was also expected to take a hit, with 46% of those surveyed expecting negative growth.

On a positive note, most other sectors were not expected to experience any negative change in their growth rates for the foreseeable future. Moreover, more than a third of survey respondents expected Business & Professional Services to grow, indicating demand for outside expertise and counsel on Brexit-related legal and compliance issues.

Search for talent in the UK

The Brexit vote will definitely make life harder for recruiters searching for talent in the UK, as the big unknown remains how the country's exit from the EU will impact foreign workers in this market. The residence status of EU nationals is one of the main stumbling blocks in the negotiations between the UK and the EU.

Moreover, firms will need to identify candidates for the UK market who can thrive in an atmosphere of political uncertainty and have the ability to account for the rapidly shifting political environment when making strategic and tactical decisions. In the current climate, businesses are also likely to delay decisions on permanent hires, instead taking a shorter-term approach. That means interim managers — a situation that will allow experienced professionals to come aboard and keep critical initiatives going, without representing a significant investment for the company. For managers experienced in such temporary situations, this can be the ideal chance to demonstrate their skill at navigating change within a company that is adapting to new sets of rules and processes.

Meanwhile, some experts remain optimistic that the leave vote won't stop European talent from wanting to work in the UK, depending on how the negotiations play out. The UK's economic prosperity relies on diversity, including talent imported from abroad. At the most senior levels, 70 per cent of FTSE20 chairmen and 50 per cent of CEOs are non-British, and there's increasing emphasis on attracting experience from growing economies, rather than the more mature markets of Continental Europe. Ultimately, once the dust settles, withdrawal from the EU is unlikely to interrupt the recruitment of top-level leaders from other parts of Europe.