Overview – A Time for Strategic Leadership

This paper explores the business issues presented by Brexit as a framework for discussion and to help establish a focus on the provision of appropriate support, guidance and solutions for NI business.

The recent collapse of the NI Executive, the Brexit vote, shifts in the geopolitical landscape, rapid technological and cultural change and the advent of new methods of communication present businesses with what could seem like a daunting list of uncertainties. Local firms have yet to get to grips with the full implications of Brexit and these will be largely dependent on the outcomes of the various ongoing negotiations with the EU. However, while the specifics remain unknown, it is widely anticipated that the overall impact could be negative for local businesses and the wider economy.

A recent survey of local businesses undertaken by the University indicated that almost two-thirds of respondents believe that their business will suffer as a result of Brexit. Furthermore, over 70% of respondents anticipate an overall detrimental economic impact for Northern Ireland. However, businesses in Northern Ireland are resilient; only 16% of NI firms surveyed do not consider themselves to be reasonably well acquainted with dealing with business uncertainty. To test, channel and support this resilience, an opportunity is presented for an innovative, informed and entrepreneurial perspective.

Strategic decisions are often made against a backdrop of uncertainty. At present Brexit and the recent election call have fuelled uncertainty and ‘expecting the unexpected’ is a key consideration for businesses in strategic decision-making. Brexit-related uncertainty is particularly pronounced for Northern Ireland businesses, as the region faces some disproportionate challenges; namely a land border with an EU member state and the considerable risks presented by the current political vacuum. Strong leadership (and an awareness of the practical issues potentially facing business) will be especially vital across the political, business and civic spectrum in view of these challenges, to ensure that Northern Ireland’s interests are effectively safeguarded during this transitional period.

It is worth noting the significance that local businesses attach to the perceived risks associated with the ongoing political vacuum at Stormont - the UUBS Business Brexit Survey indicated that the most common concern in respect of the NI economy related to NI’s geographical and political positioning relative to the rest of the UK. It is perhaps surprising that this in fact ranked above business respondents’ concerns around trade implications associated with a renewed NI/ROI border.

1 This was based on qualitative responses in respect of a question regarding the perceived impact of Brexit on the NI economy.
Refer to Annex 1 for summary survey findings
While business may revert to conventional and established business planning models to understand the implications of Brexit, such traditional and more predictive planning models have been found to have had limited use in times of great environmental change. That is not to say, however, that businesses should not plan for dealing with the uncertainty that events like Brexit bring. The issue is really around the nature of that planning and the balancing of predictive and effectual approaches in order to achieve effectiveness. This flexible leadership style incorporates a combination of thought and action. Where responses to significant change dynamics such as Brexit can paralyse a leader into over-thinking and constantly waiting for clarity there is added risk. Where responses are purely action-oriented in more of a ‘knee-jerk’ response to change then this can result in incoherent and non-strategic approaches within the business. The appropriateness of balance between thought and action is therefore critical to establishing success, (see Annex 2).

A series of issues are now presented, each followed by discussion questions. These issues are then illustrated in various industry contexts.

**ISSUE 1: Globalisation and Trade**

The EU has over fifty free trade agreements which the UK will cease to be party to as a result of Brexit. The two-year window provided now is to facilitate negotiation of new arrangements with EU or other markets. A determining factor in all this is the way in which the UK opts to exit; whether through the Norwegian model (leave EU but remain members of EEA and ETFA allowing free movement of goods, services, capital and workers in exchange for single market access); the ‘Swiss’ model (leave EU but join EFTA with negotiated bilaterals with some single market access), or a total exit (reverting to the WTO tariff and also negotiating its own new FTA).

As such there is a potential threat to NI businesses with regards to trading relationships with the EU; however, one way of off-setting this risk is to explore the possibilities of integrating more with the broader global economy. So long as the UK was an integral part of EU, it made sense for UK businesses, including NI businesses, to focus on the EU – both as a primary market and as a source of raw materials and labour – because of the advantages offered by a single market. But now that this advantage will at least be reduced, if not removed altogether, the time has come to also look further afield. The world economy is still experiencing a rising wave of globalization that started in the early 1980s, despite some recent setbacks owing to the emergence of protectionist sentiments in some quarters. NI businesses should try to ride on this wave, by linking more and more with the global economy, especially with the emerging economies in the Third World, which are becoming increasingly open – both as markets and as sites of outsourcing.

One goal for businesses might be to maximise cost savings through achieving standardisation around the product, its packaging, promotion and pricing. There are some successful cases of NI companies, particularly in hi-tech sectors who are successful in global markets. However, for the majority of NI businesses that are operating in ‘traditional’, or non hi-tech sectors, adaptations will be required in most markets, in areas such as packaging and labelling, in order to meet

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2 The extent of which will be dependent on the terms of Brexit and the trade-off between changes in currency value and tariff and non-tariff costs
regulation requirements and adapt to cultural differences. This adds to the costs of doing business and when added to the costs of distribution, there is a challenge for NI businesses to be price competitive in markets that are both geographically and culturally distant.

The post-referendum devaluation of sterling had an immediate impact on the many businesses in Northern Ireland that import raw materials or other elements of their products, services or processes. The 12% fall against the euro and 17% fall against the dollar, since the June 2016 referendum, according to the majority of economists, is not likely to rebound anytime soon in the light (or shadow) of Brexit negotiations. Many businesses, as a result, have had to absorb substantial cost increases challenging their profitability and competitiveness. Add to this the possibility of new tariffs, controls and custom checks, then many Northern Irish businesses could be made less competitive.

The development of supply chains north and south of the border have become so intricately interwoven that materials often travel back and forth across the border several times during processing. Adding the cost of tariffs and customs delays on each occasion could destroy many established collaborative business models. With many businesses, however, throughout the UK potentially experiencing prohibitive import cost increases, due to currency pressures, possible tariffs and controls on imports, an opportunity emerges. Northern Irish businesses can adapt to meet a growing demand for the products and services crucial to the sustainability of other UK businesses and do so without the pressure of currency pressure, tariffs or controls.

Discussion points:

- How might thinking/action be re-orientated within NI businesses towards strengthening trade relationships, including those with ‘emerging economies’?
- Does your business face issues around standardising/adapting for marketing overseas post Brexit? Could you start to prepare for this?
- Is your business aware of approaches to identifying and choosing export markets and identifying key partners outside EU to access and service that more global market (e.g. agents/distributors, franchise or joint venture partners)?

ISSUE 2: Markets and Brands

Post Brexit, a number of key factors require consideration in relation to maintaining existing markets and in exploring new market opportunities; whilst a distinctive brand proposition will remain instrumental in accessing new global markets.

Contributing to uncertainty within firms around Brexit will also be their customers’ reaction and how value can be created for such customers through the distracting ‘noise’ of Brexit. An understanding of customer perceptions and expectations, while always important in marketing, is especially important given the magnitude of anxiety Brexit may cause in customers, competitors and collaborators. While trusted brands have a powerful relationship with customers it is imperative that such brands retain customer confidence through times of change. Post-Brexit there will likely be an inevitable impact on consumer spending and brands must stay close to
customer sentiment around Brexit-related concerns. The marketing industry has been taken by surprise by the Brexit vote.

With many importing businesses sourcing raw materials from within Europe the costs of raw materials will rise in the absence of a free trade deal (through the application of tariffs). For exporters there may be higher costs and tariffs across the supply chain if there is no free trade deal with the EU. Issues of competitiveness prevail where, for example, smaller businesses which lack scale may be priced out of the market by becoming uncompetitive.

Over 50% of UK FDI comes from the EU. Higher trade costs and tariffs would be expected to decrease investment in the UK. Notwithstanding the commitment to a Common Travel Area (CTA) over 60% of NI exports enter the EU through the Republic of Ireland, hence the issues of the border are centrally important for businesses and the potential for NI to position itself as a gateway for the UK into Europe (via the ROI) may present an opportunity. Radical thinking will be required in position NI's relative market advantage given the deferral of any decision on NI's corporation tax position of 12.5% and the potential for the UK Government to implement a reduction in such tax to 17%, with further potential reductions in the pipeline.

**Discussion Points:**

- To what extent should strategy development be customer driven and what are the views of customers on Brexit?
- How could firms carry out Brexit assessments in respect of labour, regulatory and trading implications for their business?
- How important is it to communicate an initial message to stakeholders? (And how does this look? E.g. Shareholders may want to see a plan, customers will want guarantees and employees will want reassurance)

**ISSUE 3: Business Regulations, Financial Reporting and Tax**

Many elements of EU regulation will have to be maintained by UK businesses in order to trade with countries within the EU as they are quality and safety driven, particularly in regard to consumer and environmental regulation. Additionally, some elements of regulation may have to continue to be agreed with the EU; the European Aviation Safety and the European Medicines Agency are sector specific examples. In terms of competition law on mergers there could be potential disadvantages (cost and otherwise) to firms operating in multiple regulatory regimes. This could incentivise firms to operate solely within the EU if there is the possibility of future mergers. Additionally, it is possible that UK companies doing business in the EU could face sanctions under EU competition law if any actual or potential (through a proposed merger or acquisition) infringements of law occur within the EU and may potentially face dual investigations into any mergers and anti-competitive practices that involve businesses that operate in both areas.

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3 Although the Secretary of State for Health for England has stated that the UK is likely to leave the EMA as it is subject to rulings by the European Court of Justice
With respect to international financial reporting, there may in fact be minimal change as rules are devised by a global body. The International Accounting Standards Board (IASB) does include European members but also those from the United States, South Africa, China, Japan etc. One known impact is that the UK will no longer be subject to getting new standards approved by the European Union; they can be implemented immediately by the UK accounting profession. There will no longer be the potential for EU boycott of new standards; in reality this is very rarely applied but the process has led to the EU generally lagging behind the rest of the world in implementing new standards.

As the UK faces the possibility of leaving the EU customs union and single market, (depending on the nature of Brexit), the likely changes to indirect taxes such as customs duty and VAT should be considered by businesses. The introduction of customs duty and customs procedures for import/exports to/from the EU could potentially disadvantage UK businesses due to the imposition of tariffs and additional administration.

Post Brexit the UK will be in a position to implement its own form of VAT which will not have to be tied to EU VAT Directives. This could be advantageous as the UK will be able to decide which supplies are zero rated or exempt. However, on the downside, many UK businesses currently benefit from the EU VAT simplification and cash flow advantages that are available on business to business transactions throughout the EU. They also benefit from a number of schemes/simplifications that are available for UK business trading throughout the EU such as the reverse charge, the distance selling thresholds and the Mini One Stop Shop. Post Brexit, UK businesses could potentially be treated less favourably/be excluded from these schemes/simplifications, which currently help the flow of business transactions and improve cash flow.

As it stands UK businesses also currently benefit from the reduction/elimination of withholding and exit taxes due to EU directives such as the Parent/Subsidiary Directive, the Interest & Royalties Directive and the EU Merger Directive. Although the UK has an extensive double taxation agreement (DTA) network, not all DTAs reduce withholding taxes on dividends, interest and royalties to nil. Therefore, withholding tax could become an issue for some UK businesses. On a positive note for UK business, Brexit may lead to EU State Aid regulations ceasing to apply in the UK. Therefore, various UK tax incentive schemes such as share options or Research & Development tax relief could be enhanced to encourage entrepreneurship and R&D activities.

**Discussion points:**

- **On balance, could benefits associated with tax freedom outweigh existing harmonisation benefits?**
- **Does your business have the capacity to handle multiple regulatory regimes? If you do intend to operate in both the UK and EU post-Brexit how might you develop that capacity?**
- **Should your business consider an EU permanent establishment (PE) to retain current advantageous trading positions from a VAT and customs perspective with EU based suppliers and customers?**
Currently there are 2m EU immigrants in the UK. With the free movement of people at risk, implications arise for a contraction in the labour market (fewer skilled and unskilled migrant workers entering) and this smaller market will result on a pressure on costs and some diminishing of the ability to cost-effectively deliver quality products and services. In addition, from a legal perspective, much of the UK’s employment laws emanate and are aligned with EU; for example, maternity pay, discrimination, working time directive, agency workers’ rights.

The key issue in relation to free-movement of people for business relates to the availability of skills, and as a result the impact on the cost of skilled labour. Certain sectors are more reliant on skilled migrants and will be particularly vulnerable to changes in the accessibility of this workforce. Much of the current focus for political discussion is employment law. The Conservative party has stated that they will not dismantle EU derived law (most of which has been incorporated into UK statute). However, it’s likely that business interests will pressurise the next Government (if it’s Conservative) to dismantle much of this legislation, which is seen as adding costs to the UK employment regime4. Likely targets are laws on workers’ consultation and information provision, paternal/maternal rights, agency worker rights.

NI faces unique challenges in relation to cross border initiatives and the reality of a land mass where many people work across the two jurisdictions. The highest profile factor at this point is the ‘hard/soft’ border issue, the outcome of which may symbolically and practically shape attitudes towards greater/lesser integration of the two jurisdictions employment regimes. In essence, NI formally follows UK laws re worker/trade union rights but may find itself needing to integrate more closely with ROI, which has since the 1970s followed and instituted a relatively more robust EU regime compared to UK; most noticeably regarding the numerous social partnership pacts in the ROI since 1987 that were fundamental in fuelling the ‘Celtic tiger’ economy. There have been recent calls to re-introduce the principles of national partnership in the ROI as its economy emerges strongly from the post 2008 crisis.

Employers’ associations in NI (or those with branches in NI, and particularly those with cross border interests) may face challenges if policy regarding employee rights starts to move significantly away from EU standards.

Discussion points:

- **What needs does your business/sector have in view of existing skills provision in NI and how might those change as a result of Brexit?**
- **What more could be done to fill skills gaps locally at the lower level of the skills spectrum?**
- **How will your business deal with non-availability/delayed availability of migrant labour?**

ISSUES IN CONTEXT: IMPACTS ON KEY SECTORS

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4 Although of course other interests will factor into any such decision
Hospitality and Tourism

Strategic Overview
Tourism is a significant driver for the Northern Ireland economy, generating wealth, jobs, exports, civic pride and innovation. During 2016, 4.6 million overnight trips were taken in NI by visitors and NI residents, generating over £850 million (£87 million or 11% more than in 2015). It proved 58,000 jobs, with the wider tourism economy contributes £1.6 billion to Northern Ireland’s GDP). Whilst there is no doubt that the decline in the value of sterling against other currencies makes the UK a more attractive destination for visitors from the EU, key challenges do exist for a post Brexit NI tourism industry. A policy paper prepared by Hospitality Ulster has clearly identified a range of significant challenges including access to skills and labour, including migrant workers, that facilitate economic growth: access to goods and services without additional import tariffs or custom charges thereby ensuring minimal impact on industry competitiveness; the need for easy access for visitors and the maintenance of the common travel area; access by air and sea, in particular the removal or reduction of the Air passenger Tax; consideration of NI’s competitiveness in relation to the Tourism VAT rate; replacement of EU funding for structural and investment projects; effective promotion of NI tourism; and the creation of an enabling regulatory framework.

Discussion Points:
• How do we ensure a satisfactory labour market for growth and how do we support the upskilling of the labour force?
• What mechanisms are required to ensure that the UK government honours its funding commitments for structural and investment projects signed after the Autumn Statement?
• How do we overcome a possible perception of the UK and NI are less welcoming of visitors compared to many other destinations around the world?

Agri-Food

Strategic Overview
The agriculture and food processing sectors in NI are a significant element of the economy, collectively accounting for around 70,000 local jobs (based on 47,979 total farmers and workers and 23,557 food and drink processing full time and employment agency workers) and 3.25% of NI’s Gross Value Added (GVA) which equates to £1.1bn at basic prices. The NI agri-food industry

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is more significant than any other part of the UK in terms of employment and economic contribution. Key strategic challenges resulting from Brexit, include access to skills and labour, including migrant workers, that facilitate economic growth; farm viability due to loss of EU direct payments; detrimental impact on the movement of agricultural products into and out of Northern Ireland and as such could affect the costs and market access for farming businesses and food processors; consideration of NI’s agri-food product competitiveness in relation to increased tariffs; potentially loss of protection (PGI) for local produce leading to risk of copy-cat products, brand dilution and profitability to local farmers and producers; replacement of EU funding for systems, research and investment projects; and creation of an enabling regulatory framework.

In addition to the challenges presented by Brexit, there is a recognised need to foster for innovation in the agri-food sector in Northern Ireland has been highlighted by a number of key stakeholders (e.g. Food NI, InvestNI, DfE and NIFDA) and in several reports. For example, the Agri-Food Strategy Board has concluded that the industry needs to increase innovation activity to ensure long term growth opportunities. In addition, our political leaders recognised the importance of the agri-food industry to the NI economy in both the Programme for Government 2011-15 and Economic Strategy 2011-15. There is a vision that agri-food can support the Government’s aim to rebalance the economy through increasing economic competitiveness and building a larger and more export-driven private sector. Brexit reinforces the need for innovation and creativity in the sector.

Evidence to date also suggests that agri-food businesses are facing skills shortages which will be further exasperated by an ageing population. Results from a recent NI Skills & Sector Attractiveness Scoping Study also identified the need for the development of business skills in the agri-food industry specifically highlighting that a lack of business skills and industry attractiveness are key barriers to the future growth of this industry. Additionally, the availability of migrant labour as a result of Brexit could potentially present significant challenges to the food processing sector.

**Discussion Points:**

- How do we ensure a satisfactory labour market for growth and how do we support the upskilling of the labour force?
- How do our agri-food businesses achieve sustained international business growth through the search for new and profitable markets?
- How can the UK government and NI executive support and increase sustainability and innovation in agri-food sector activity to ensure long term growth opportunities?

**Manufacturing**

**Strategic Overview**

NI has a proud history of manufacturing excellence. Indeed, manufacturing generates a £9.9b total GVA contribution to GDP, around 30% of the economy. It is responsible for a quarter of all
NI jobs (214,000 direct and supported jobs), and attracted £900 million in FDI between 2010-2014. NI manufacturing generates almost two-thirds of all export sales. However, they have a particularly high dependence on the EU (especially the Republic of Ireland) for their exports, compared to the rest of the UK. HMRC statistics show that 52% of NI exports go to the EU, including 38% to the Republic of Ireland. This high reliance leaves them particularly exposed to the impact of any trade barriers that might emerge post Brexit. Once the UK leaves the EU, it will also leave the Single Market, meaning multiple new trade deals must be negotiated – and the terms of these gives rise to much concern. Manufacturers could be facing a future filled with more complicated processes, increased regulatory pressures, high tariffs, and border controls, alongside inflationary pressures and rising raw material costs. For NI manufacturers, for example, Denroy Plastics, MJM and Glen Dimplex, which are now competitive inside the single market – being outside could mean they would most likely face tariffs and regulatory barriers, making them, and their products, costlier and less competitive. Such emerging costs, amongst other issues, could impact NI manufacturing competitiveness at home and in export markets.

Supply chains present a further unique challenge given the level of North/South integration in production/processing. Many firms are structured to operate cross-border and therefore especially vulnerable to future customs controls and tariffs. NI exports may also face non-tariff barriers when exporting products to the EU, resulting in delays at ports and additional administrative costs. Both tariff and non-tariff barriers could disrupt integrated supply chains between the UK and EU, posing particular challenges for NI manufacturers. Notwithstanding this, export patterns are showing signs of change and, in 2016, official NI trade figures showed an increase in manufacturing exports, compared to the same period in 2015, being driven by sales outside the EU. Non-EU exports were up by 27.5%, while EU exports were down by 3.6%. The largest value increases were to the USA, up £604m (81%), followed by South Korea up £78m showing a four-fold increase. Companies such as Anaconda Engineering, WIS Group, MJM Marine, CDENVIRO and BA Components have all successfully reached new global markets.

**Discussion Points:**

- How will your business prepare for possible changes in your supply chain and distribution channels, due to the impact of physical border controls?
- What action do manufacturing businesses need to take to mitigate risks associated with potential adverse currency movements?
- Have you classified goods for both import and export, as the customs duty percentage is impacted by the classification code?

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8 Oxford Economics
Conclusion

Until a clear plan is devised for the UK’s withdrawal from the EU, it is difficult to plan ahead decisively. However, now is the time for business leaders to look critically at their business models and scenario plan about where and how their company can potentially succeed in an era of uncertainty. It is clear that uncertainty is (and arguably always has been) the ‘new normal’ and businesses must be able to respond and react accordingly. The key lesson might be that firms should just *do something*; inertia is not a plan and in the case of Brexit it is important to drown out the noise and ensure business is being driven forwards in the exploration and exploitation of opportunity.

Questions for round table discussions:

- What support is required to re-orient thinking / action within NI businesses towards strengthening trade relationships, including those with ‘emerging economies’?
- How could firms carry out Brexit assessments in respect of labour, regulatory and trading implications for their business? What support is required for this, and from where?
- What more could be done to fill skills gaps locally at the lower level of the skills spectrum?
- How can the UK government and NI Executive support and increase sustainability and innovation activity to ensure long term growth opportunities for businesses?
ULSTER UNIVERSITY BUSINESS BREXIT SURVEY – Summary Findings

1. Introduction – Survey Remit

- Ulster University Business School recently undertook a survey of NI businesses’ perception of Brexit in an attempt to identify what local businesses perceive as the key risks, and indeed opportunities, that may present as a result.

- Although much of the Brexit process remains unknown, this exercise was intended to document prevailing business sentiment at this early stage and feed this into the ongoing debate, including in relation to the issue of a potential ‘special status’ for NI.

- The survey is intended to supplement existing and ongoing work on the local impacts of Brexit. It is intended that the results and related discussions will ultimately inform the development of a Brexit Toolkit for business.

2. Overview of Key Findings

- It is well documented that the economic impact of Brexit is anticipated to be considerable. It was recently reported by InterTrade Ireland (22 May 2017) that a rising number of businesses in NI/ROI are characterised as being in ‘decline’.

- Consistently, the University’s survey confirms that local firms perceive significant risks to their business associated with Brexit; 64% of respondents believe that their business will suffer as a result.

- The perception of risk to the wider NI economy is stronger again; 71% of firms anticipate a detrimental economic impact.

- Interestingly, despite this sentiment 3 out of 4 local companies have not sought related support from outside of their own firms (via trade associations etc.) and 70% do not currently have a plan in place.

- While it is recognised that these statistics in relation to business reaction may well be reflective of the early stage in the Brexit process, the findings enable a number of findings that are useful at this point. For example, when asked about the perceived risk to the NI economy, the most commonly cited concern was NI’s political and geographical positioning relative to the rest of the UK, and the implications this may

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9 Including InterTrade Ireland work and that being undertaken by the various trade representatives, CBI, IoD, FSB, etc. The survey thus assesses the specifics of key business concerns/needs.
10 17% of companies now in decline as opposed to stable/growth modes according to http://www.intertradeireland.com/researchandpublications/business_monitor/
have in terms of ensuring representation of local interests. This in fact ranked above the issue of the NI/ROI border\textsuperscript{11}.

- On a more positive note, NI firms consider themselves to be reasonably well acquainted with dealing with business uncertainty (only 16% citing that they are not at all familiar with related approaches). To support this relative resilience, there is a timely and critical opportunity for an innovative and entrepreneurial perspective. The University will seek to contribute to this via ongoing discussions with various stakeholders and, ultimately, the provision of a Brexit Toolkit for business.

3. Respondent Characteristics

- \textbf{232 survey responses} between 6\textsuperscript{th} April & 14\textsuperscript{th} May 2017, from a range of sectors:

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\end{center}

- \textbf{92\% of respondents were NI-based firms}; located across a range of areas:

\begin{itemize}
\item Accommodation and food service activities 4%  
\item Arts, entertainment and recreation 4%  
\item Construction 9%  
\item Financial and insurance activities 6%  
\item Human health and social work activities 3%  
\item Information and communication 6%  
\item Manufacturing 17%  
\item Professional, scientific and technical activities 15%  
\item Other service activities 5%  
\item Wholesale and retail trade; repair of motor vehicles and motorcycles 4%  
\item Transportation and storage 3%  
\item Other 6%  
\item All Others 18%  
\end{itemize}

\textsuperscript{11} In terms of qualitative responses to ‘I think the NI economy will be stronger after the UK leaves the EU’
Respondents were varied in size (no. employees & turnover respectively, %)
Introduction

‘Uncertainty is the normal state. You’re nobody special.’
Tom Stoppard, *Rosencrantz and Guildenstern Are Dead*, 1966

Brexit has bred business uncertainty and, it has been said, uncertainty is the problem our brains evolved to solve. Yet history shows that sooner or later, and probably sooner, the unexpected happens and that the future is uncertain and inherently unpredictable.

Thus the uncertainty associated with Brexit is not a change from former certainty, but a salient reminder that, like it or not, uncertainty is the norm, and sensible people seek, not only to live with that uncertainty, but also to benefit from it. Nassim Talab invented the word ‘antifragile’ to convey the opposite of ‘fragile’ which, he says, is not ‘robust’ - which means that you will be unchanged by events, often achieved by insulating yourself from them - whereas to be antifragile is to be strengthened by them. Actually success often comes from a combination of being robust to, and prepared for, possible harmful events, but also being ‘antifragile’ and prepared to gain from possibly beneficial opportunities, whether expected or not.

Uncertainty in Business

Due to the prevalence of economic forecasting and other scientific means of seeking to predict outcomes, we have inherited traditional thinking that the apparent certainty to be gained from forecasts and plans is the only proper basis for business strategy – and we have lost, or never learned, an understanding of how to prepare ourselves to live with and gain from uncertainty. But that is what explorers do: they cannot know in advance what they were going to find so the sensible ones prepare themselves to look for and find advantage in the unexpected.

Therefore, for pointers for dealing with uncertainty, we can look to the principles of exploration and also to other thoughts, suggestions and ideas such as:

**Effectuation.** Saras Sarasvathy identified the principles of ‘effectuation’ in the approaches followed by the most successful entrepreneurs. They include, for instance, the principles of affordable loss (never put at risk more than you can afford to lose) and of lemons (if life gives you lemons, make lemonade).

‘Trial and error’ and ‘Ready – Fire – Aim’. Error is really the wrong word because it is actually trial, feedback and improvement – and it has been found to be the only way to develop things that work well. And a business venture is not like a bullet which, once fired, cannot be controlled and is, instead, much more like a guided missile which, once under way, can be guided onto its target.

**Antifragility.** As above, if you are ‘antifragile’ you might gain from events and become stronger – but for that you need to expose yourself to them.
Using the right as well as the left sides of our brains. The approach of the brain’s left hemisphere (upon which it is suggested we have come to rely on too much) is ‘to narrow things down to a certainty’ whereas ‘the right hemisphere’s is to open them up into possibility’.

All this involves learning to think differently – and one of the big thinking differences is in not looking for predetermined paths to follow. Business plans have been described as route maps but you can’t have a reliable route map for the future - not least because you can’t draw a route map until you have been there, explored the territory and established the routes. Instead, however, what can be provided is a set of principles and methods to guide you when you are exploring and help you to do it with less risk and more gain.

**Suggested Reading:**


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