Brexit: a Dutch perspective
Navigating through uncertainty and change

What does the Brexit mean for businesses in the Netherlands and the rest of Europe? Are clients ready to adapt, take new opportunities and mitigate any downside risks? What comes next after the first hectic days to navigate through uncertainty and period of change?

Making sense of the vote
The UK decision to leave the EU is the first of its kind. It is assumed that the Government will treat the result as final and will trigger Article 50. This signifies the start of an untested negotiation process with unknown consequences for organisations.

What lies ahead for many organisations is a period of uncertainty. The future remains unclear but is likely to be complex, firm-specific, and open-ended. The Netherlands Bureau for Economic Policy Analysis (CPB) suggests that the Brexit will have a major effect on the economy of the Netherlands, projected at costs running up to 1.2% of the Dutch GDP, or 10 billion euros, by 2030. If losses in trade-induced innovation is taken into account, this cost rises to 2% of the Dutch GDP.¹ For most such an economic impact also comes with great potential to excel when risks are managed and opportunities capitalised. The Deloitte Brexit team has developed a three staged approach to navigate through uncertainty and change the coming period.

¹ CPB Netherlands Bureau for Economic Policy Analysis, 'Brexit Costs for the Netherlands Arise from Reduced Trade', July 2016
What clients will face

Clients across all industries will face uncertainty across business operations, particularly in the following:

- **HR** – Questions on how to permit UK employees in the Netherlands and vice versa;
- **Financial Services** – The likely loss of flexible “passporting” arrangement for transactions means that business scale will need to be adjusted;
- **Tax** – A possible change in current EU direct tax obligations can affect the conditions of Customs Duty, Excise Duty, Capital Duty and directives present to aid intra-EU trade and investment;
- **Real Estate** – Corporates with subsidiaries in the UK will re-evaluate their locations, especially regarding European Headquarter (EHQ) functions, and consider a move to continental Europe, including the Netherlands;
- **Public Sector** – The Dutch government and local governments will have to facilitate the relocation of companies out of London and increase attraction; and
- **Legal and Regulatory** – Questions in applicability of EU accounting rules may affect due diligence activities – as such, impacted contracts may need to be modified.

What clients need to do now

Not all implications are known yet as negotiations and details will be deciphered over time. We recommend the following immediate steps for all organisations:

- Activate a ‘Brexit taskforce’ – identify the key personnel who will be involved in responding to Brexit developments;
- Identify specific areas for your organization that may be materially affected and require further investigation;
- Communicate an initial message to all stakeholders – shareholders will want to see a plan, customers will want guarantees, and employees will want reassurance;
- Prepare and take action where key opportunities are clear or immediate risks need mitigation; and
- Plan and monitor for triggers in the unfolding situation, and execute if appropriate.

Practical considerations to approach the future

To accelerate client thinking and help clients navigate their way through uncertainty, a three-stage approach can be used to approach the future regarding Brexit.

This approach can help clients rapidly and robustly explore the impacts on their organisation, by identifying specific risks and opportunities, developing a strategic response, and executing at pre-defined trigger-points.
Stage 1: 'Brexit Lab’

An initial ‘Brexit Lab’ to prepare the client, where appropriate people from across the organisation can collaborate with selected expertise internally and externally. This will enable clients to:

- Accelerate their thinking on Brexit;
- Identify the risks and opportunities most pertinent to the client; and to
- Identify initial opportunities and options to mitigate risks.

The Brexit Lab will provide the task force in the organisation with clear, multi-layered situations against which to consider likely impacts. This approach will prompt open discussion, help build consensus and support future planning and decision making.

The Lab can use wargame outcomes to highlight hot-spots where risks are high, and sweet-spots where opportunities exist. These can be then translated into diagnostic heat-map which will form the basis for business areas and functions to move to the next stage.

For organisations who are already reasonably advanced in their thinking, the Brexit Lab can be used to ensure alignment across the organisation as well as provide additional insights and challenges.

Stage 2: Strategic Choices

We believe strategy is a choice. Strategy is not a long planning document; it is a set of interrelated and powerful decisions that position the organisation to win. Following the Brexit lab, various scenarios will be developed to cater for the different business issues that clients may face.

Clients as a second step should develop strategic Brexit choices and a resulting strategic Brexit plan, which can be organisation-wide, or by business area/function. Key opportunities and risks should be prioritised so that appropriate actions can be taken quickly.

The result will be a strategic plan which will centre on a series of choices and decisions that can evolve over time, allowing clients to adapt to the emerging Brexit situation.

Clients should also pre-define triggers to monitor so that any actions are timely and proportionate.

Stage 3: Monitor and Act

Finally, clients should monitor data sources against defined triggers, and avoid strategic drift and progress actions as necessary.

The organisation should also continue to be prepared to adapt as the negotiation period unfold. The idea is to be best positioned to maximise opportunities and mitigate any downsides in order to survive and thrive.

Our Brexit Leads are able to support clients through all stages and will draw upon experts from the Deloitte network to advise and provide additional input on specific areas.
More information can be found on www.deloitte.nl/brexit. Alternatively, contact one of our Brexit leads below:

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