



## The impact of Brexit on Shared Services

Following the referendum, the UK has a new Prime Minister and while some of the immediate political uncertainty has eased, it is clear that the precise nature of Brexit will continue to evolve over the next few years. We've had a number of discussions with Shared Services and Outsourcing leaders many of whom have Shared Services Centres in the UK – or serve the UK out of Centres in the EU. Given that a number of you may be thinking about the same topic, we have summarised some of our thoughts on the key factors that may change, the potential impacts on Shared Services and what you can do today.

### Key factors: What could change

While no one can predict the precise changes coming up, the 5 key factors relevant for Shared Services that might be impacted are:

#### 1) Business structure

As the nature of Brexit becomes clearer, businesses may restructure – with potential changes to headquarters locations, manufacturing, and supply chains among others. In the immediate term, business confidence may be impacted, which in turn may impact investment in both capital as well as improvement projects.

#### 2) Migration

Immigration has been identified as one of the key drivers of Brexit and while the outcome of the UK's negotiations with the EU cannot be pre-judged, this is clearly an area that may see significant change.

#### 3) Currency

The Pound has seen deflation against the US Dollar as well as the Euro – with clear implications for export as well as import of goods and services to the UK.

#### 4) Regulation

The UK's departure from the EU could see a divergence of regulations between the two. For example, regulations on Data Protection may evolve in different directions potentially leading to issues in sharing data across the two.

#### 5) Tax

Brexit may result in a change to the relatively consistent tax environments between the UK and EU.

## Impacts: How could this affect Shared Services?

Without clarity on the changes themselves, it is hard to predict the impacts. However, the key questions Shared Services Leaders should asking themselves are:

### 1) Location strategy

Do the factors above impact the location strategy itself? For example, if an organisation relocated a significant portion of its operations out of the UK, would any SSCs located here move too? Could Brexit result in Scotland leaving the UK and becoming the next big nearshore destination?

### 2) Talent

With potential restrictions on free movement of people, would a UK based SSC still have access to the talent it needs – from a language as well as skills point of view? For UK based users of European SSCs, would the ability for staff to travel, second or transfer between locations be impacted?

### 3) Business case

Each of the five factors above could significantly impact a typical Shared Services business case. For example, the deflation of the Pound could erode the benefits of services delivered to UK customers from overseas.

By the same token, a UK based SSC would appear to be financially more attractive than before. However, inflation, the lack of availability of talent, and potential changes to tax structures could negatively impact it as well. The impacts are clearly complex and how should businesses plan in this situation?

### 4) Pricing and cross charging

With a relatively consistent tax structure, cross charging of services between entities within the EU has been fairly straightforward. With that changing, do organisations need to rethink profit pools left in local countries, transfer pricing and charging mechanisms? For UK users of outsourcing where pricing has not been contracted in Pounds, do contracts need to be looked at again?

### 5) Systems and processes

With the potential for changes to the tax and regulatory environment, how will processes and systems need to be redesigned? E.g. could a change to Data Protection regulation drive a change in where data can be stored? How will system tax codes and logic need to be updated to reflect that intra-EU transactions are no longer applicable in the UK? Could this uncertainty drive an increased adoption of technologies such as Robotic Process Automation?

## So what: What can I do now?

Notwithstanding the lack of clarity on the changes coming up, three things a Shared Services Leader can do immediately:

### 1) Talent

If you haven't already, reassure all employees about the situation and your commitment to them. This includes EU nationals working in the UK as well as UK nationals working in Europe. While it may not be possible to make hard commitments at this stage, the reassurance is valuable in itself.

### 2) Business impact

Focus on the larger impacts to the business and how Shared Services could support any changes it may drive. For example, could your Finance team help with a focus on cash or could your analytics team support business decisions on how to respond?

### 3) Planning

Whether you have any immediate changes planned (e.g. setting up new centres or migrations) or not, an exercise in scenario planning may be extremely useful to ensure that you are prepared for the next few years.



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