Pulsant
Business Unlimited

WHITEPAPER

Business after Brexit
Making sense of uncertainty

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Business after Brexit

When it comes to Brexit, there's been much debate about the future of UK business, with varying degrees of positivity and negativity. Moving past the initial dividing argument of leave versus remain, there has been a lot of uncertainty around many issues, including security, trade, immigration, skills availability, changes to e-commerce, supply chain, manufacturing and data transfer.

While many questions remain unanswered, organisations in the UK still need to maintain a business-as-usual attitude and prepare for the coming months as best they can. In reality, there are many variables that cannot be controlled which is why you need to focus on those elements of your operation that you can control.

Begin by identifying areas of risk and developing strategies to mitigate that risk in the best way possible, while being agile and reactive in approach. Although larger issues of trade, skills and legal status are outside of your influence and control, taking IT and data out of the discussion and focussing on this alone to mitigate risk, will put you in a much better position to deal with the upcoming changes. There is still a level of uncertainty, but with the right planning you can take the sting out of the tail of Brexit.

The Brexit big picture

There's no way to determine what the future economic landscape of the UK will look like, but it's worth considering the facts we do know.

Forty-four per cent of the UK's exports go to other countries in the EU. This accounts for about £274 billion of the UK's £616 billion total exports. On the other hand, 53% of our imports come from countries in the EU.

In addition, looking at the service economy, 80% of the UK's economy stems from services[1].

This highlights the importance of trade and the uncertainty that businesses are facing — not just in straightforward import/export issues, but more widely. Brexit has the ability to affect various areas of the supply chain, such as how long it takes goods to enter the UK or the EU, whether EU companies will continue to trade with us, as well as impacting exchange rates, costs, the labour market, and the funding companies need for expansion and growth in existing and new markets.

Looking at skills specifically, it's about more than retaining the right staff and securing visas for them, if needed. There are concerns that Brexit is making UK universities unattractive and unwelcoming to foreign students — evidenced in a 4.4% drop in EU applicants.

Universities Minister Jo Johnson highlighted the issue by saying: "A key part of the success of British universities is attracting talent from across the globe. EU students make an important contribution to our universities and we want that to continue[2]."

Of course, these concerns differ according to sector and region in the UK but one of the areas that is consistent is data.

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[1] https://fullfact.org/europe/uk-eu-trade/
[2] https://www.telegraph.co.uk/news/2017/11/27/universities-blame-brexit-fall-foreign-students/
[3] http://www.cbi.org.uk/news/cbicyber-josh-hardie-delivers-keynote-speech-at-our-national-cyber-security-conference/

The data challenge

Data equals knowledge, power and opportunity for UK businesses. This is especially true considering that data provides close to £240 billion to the UK economy. More than that, 10% of the world's data moves through the UK, while 75% of data transfers take place between the UK and the rest of Europe[3].

With data playing such a key role in our own business here at Pulsant, we've been paying attention to this developing topic over the last two years — looking specifically at data transfer across borders, data sovereignty and privacy. The challenge, in addition to the uncertainty, is that the landscape changes on a daily basis. So, a structured, careful approach, informed by expertise and preparation, is the key to success.

When the environment changes, and associated laws are amended, being prepared and having a plan in motion will help you position yourself in the best possible way — enabling you and your business to move forward, meet those new requirements and not fall behind.

But where to start? An important element of the managing, storing and transferring of data is compliance with legislation. One of the most important changes to data privacy and protection law took place last year.

The General Data Protection Regulation (GDPR) made all businesses more accountable when it came to data privacy and security and came into force in May 2018.

Created to give EU citizens greater protection regarding privacy and data breaches, the legislation means organisations have to ensure that personal data is gathered legally and under strict conditions, and that data is protected from misuse and exploitation, or risk facing penalties for not doing so.

Looking at how this relates to Brexit, GDPR is an EU regulation, but its principles are sound and have made organisations more aware of data protection and privacy issues, and the compliance that is needed.

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of data transfers take place between the UK and the rest of Europe[3]

In preparing your business for Brexit and beyond you need to ask yourself a few questions – if you know the answers to them, you are better placed to meet the changing regulatory landscape post-Brexit.

These include:

- Where is my data held? This is crucial as if it is being held outside the UK, for example, you should be talking to your provider on the best way forward.
- Who is storing my data? Does your provider have sites in Europe? In the UK? In the rest of the world? Knowing this can help you explore your options if you need to move your data.
- What data is being transacted? Having the full picture about what types of data is being transacted can help you reach decisions around storage and use of provider.
- Where is the data being transacted? Again, knowing this can help inform decisions around whether the data needs to be moved, stored locally, or if you need help from another provider with the resources to match your requirements.

To put that into perspective, consider the supply chain. If your business imports goods from the EU, there are likely to be changes in the way you store, transact and process the data around that relationship. For example, data relating to VAT and shopping costs, customs duty, tax reporting, invoicing and supplier data.

Data adequacy

Many believe there won't be too many significant changes when it comes to data. The European Commission has already made provision for countries outside the European Economic Area in terms of data privacy. This is called data adequacy, which is:

"… a status granted by the European Commission to non-EEA countries who provide a level of personal data protection that is "essentially equivalent" to that provided in European law. It can also be awarded to specified sectors of an economy or international organisations[4]."

This is an important step that is needed for the UK, especially in light of the changes to the data agreements between the US and EU. The Privacy Shield pact between the US and EU enables companies to conduct cross-border transfers while complying with EU data protection rules. The pact replaced the Safe Harbor Privacy Principles which allowed companies to transfer the personal data of EU citizens to the US — ultimately deemed invalid by the European Court of Justice.

As a result, if your business transfers data between the UK and the EU, you can Brexit-proof the transfers by lining up a few safeguards to ensure you have that adequacy in place. For example, ensuring your organisation and your IT infrastructure is compliant with relevant regulations. Again, this ties back to GDPR; many of the steps and best practices are the same.

The government is committed to ensuring the stability of data transfer as it is vital for many sectors, especially considering (as mentioned) that 10% of the world's data flows through the UK.

This is evidenced in a recent government whitepaper that says:

"…the government recognised the need for data stability and highlighted an ongoing EU consultation about the free flow of data, which includes considering whether legislation is necessary to limit member states' requirements for data to be stored nationally.

The government said the European Commission is able to recognise data protection standards in third countries as being essentially equivalent to those in the EU, which means EU companies can transfer data to those countries freely[5]."

While there are no solid plans in place, preparation is key, especially when it comes to data. But looking at the advice of other industry bodies, such as chambers of commerce and research bodies, it is clear that the impact of Brexit will be felt long after the separation.

[4] https://www.instituteforgovernment.org.uk/explainers/data-adequacy
[5] https://www.computerweekly.com/news/252444666/Brexit-proposal-will-require-standards-alignment-and-data-sharing

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What's going to happen now?

This is, in fact, the million-dollar question. It is also a question to which there is no answer. The fact remains that Brexit is happening and businesses need to prepare themselves for the changes ahead, and the impact it will have on operations, finance, staffing and growth.

But preparation also includes engaging with stakeholders and staff, understanding their concerns, their contributions to your business and how this may change. This also means knowing which of your staff may need visas, and how you can fill any gaps. For those businesses reliant on manufacturing, for example, examine your supply chain relationships and understand how they could change, in terms of if your partners are placed inside the EU and whether they would retain these agreements with your business post-Brexit. Many businesses are researching alternative relationships with suppliers outside the EU. In much the same vein, it is crucial to define and understand your trading relationships and which aspects might be affected by Brexit.

Finally, when it comes to funding, ensure your business is compliant and secure so that you are more attractive to potential investors if you need to seek them out post-Brexit.

How can hybrid cloud help minimise risk?

Using a hybrid hosting environment can improve your organisation's ability to be more flexible, which is definitely a benefit moving past Brexit. If you have a strategy in place that allows your business to consume cloud services that are integrated with your existing on-premises services and hosted environment, then you already have a roadmap in place to deal with change.

This doesn't mean that you have to move everything to the cloud, but it provides a way to plan ahead, as well as a potential exit route, should you need it — that is, moving data and applications into the cloud. It can also help with resourcing and cutting down on staffing requirements if this becomes an issue moving forward.

Conclusion

There's little doubt we will all be feeling the effects of a post-Brexit world for quite some time. But these long-lasting effects need not have a detrimental impact on your business.

As a business leader, you should focus on the elements of business, like IT and data, that you can control, with a view to increasing your organisation's agility and ability to react to the upcoming changes.

While there may be some negative effects, there will also be opportunities. We can't know exactly what to expect, or what to do, but if we can ready ourselves to react to that change, dealing with the world beyond Brexit can be manageable and far less daunting than many anticipate. However, in order to deal with the changes, good or bad, and to better position your organisation to be able to capitalise on the upcoming opportunities, you need to prepare for the times ahead.

Sources

1. https://fullfact.org/europe/uk-eu-trade/

2. https://www.telegraph.co.uk/news/2017/11/27/ universities-blame-brexit-fall-foreign-students/

3. http://www.cbi.org.uk/news/cbicyber-josh-har die-delivers-keynote-speech-at-our-national-cy ber-security-conference/

4. https://www.instituteforgovernment.org.uk/ explainers/data-adequacy

5. https://www.computerweekly.comnews/25244 4666 /Brexit-proposal-will-require-standards-alignment-and-data-sharing

About Pulsant

Working with the right cloud provider can help alleviate some of the concerns around Brexit and beyond.

Pulsant is the UK's leading secure hybrid IT and cloud hosting provider helping businesses realise the benefits of cloud. Blending the best of people and technology, we deliver infrastructure, IT transformation and multi-cloud services. Our multiple UK datacentres offer secure, high performance connectivity ensuring more than 3,500 customers can rely on us to keep their IT up and running and secure.

We hold a number of accreditations, including ISO27001, PCI DSS and BSI CSA Star for cloud security, and we're listed on the G-Cloud framework. We are the only hosted IT company to be awarded the Royal Warrant for technology services to the Royal household.

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