“The UK-EU ‘in-out’ referendum: Lessons from the Scottish vote on independence and a guide for what CEOs need to know about navigating political referendums”

By:

Professor Brad MacKay
Chair in Strategic Management
University of Edinburgh Business School
29 Buccleuch Place
EH8 9JS
Email: Brad.Mackay@ed.ac.uk *

and

Mr. Owen Kelly, OBE
Associate, Strategy Group
University of Edinburgh Business School
29 Buccleuch Place
EH8 9JS
Email: django153@outlook.com

* Please note, on April 1st, 2016, this contact information will change to the School of Management, University of St Andrews, St Andrews, Fife, KY16 9RJ email: rbm2@st-andrews.ac.uk
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1.0 Executive Summary

Following the May 7th, 2015 General Election, the UK Government is committed to holding a referendum on the UK’s continuing membership of the EU by the end of 2017. Such a referendum follows closely on the heels of the Scottish referendum on independence from the UK on September 18th, 2014. A future referendum on Scottish independence cannot be ruled out. Such political events pose a challenge for business. They raise questions about what role they should play, if any, and what planning they should do. Businesses are normally politically neutral, yet, changes brought about by major political events can have a profound impact on their strategies and operations. Moreover, referendums, by their nature, draw businesses into the debate as different sides use them to support competing visions of the future. Business, after all, is the primary driver of employment and economic wealth creation.
This paper draws on research conducted in 2013 and 2014 into how businesses were planning for the referendum on Scottish independence. The research was part of a wider Economic and Social Research Council (ESRC) programme into the *Future of the UK and Scotland*. It teases out lessons from that research, including what the businesses that handled it well did, and it considers how such lessons can be applied to future referendums in the UK. It develops a framework that consists of the key factors that business leaders should think about and how they can address them, to help guide senior management teams as they navigate such highly politically-charged environments.

### 2.0 Introduction

The Scottish referendum on whether Scotland should remain part of the UK, or secede, on September 18th, 2014, was a significant political event in a country where referendums are not common. The last UK-wide referendum was held in 2011, on a proposal to change the voting system; the one before that was held in 1975, on the question of whether the UK should remain part of the European Economic Community (now the EU), or withdraw. There have been referendums in Wales, Northern Ireland and Scotland slightly more frequently, on issues specific to those parts of the UK. But the Scottish referendum in particular presented a rare opportunity to gather evidence and learn lessons on how business can manage such political issues.

The UK Government, following the May 7th, 2015 General Election, is committed to holding a referendum on the UK’s continuing membership of the EU by the end of 2017; another Scottish referendum on their position in the UK cannot be ruled out. Some, indeed, think it quite likely. So the prospect of further referendums is real. And while some businesses are thinking about how
they might respond, many are remaining complacent. This behaviour was also consistent in the lead-up to the Scottish referendum. The reasons frequently cited are either assumptions about whether a 'yes' or 'no' vote is likely, or that businesses are concerned about the potential back-lash from being perceived as becoming politicized by their stakeholders. During the Scottish referendum, however, many businesses who initially avoided intervening in the debate, eventually felt compelled to state their business case as the polls narrowed and business interests, one way or the other, were deemed to be at risk. Some of these interventions were damaging to corporate reputations and, with more advanced planning, such damage could have been limited or avoided.

Proactive strategic planning for such political issues is, therefore, advisable if firms are to manage them in a way that balances promoting their business interests with political neutrality. This paper is intended to support that thinking.

No two businesses are the same, but there are many aspects of a referendum that at least merit consideration by all businesses, even if in some cases they might conclude that they can be ignored. The main objective of this working paper is to provide a template for assessing the impact of a major political risk, such as a referendum, and to offer some advice on strategic and tactical responses.

The paper is based on an analysis of data collected from 70 medium and large businesses and six industry bodies on how they responded to the Scottish referendum. Some businesses responded well, while the responses of others, some post referendum polling shows, led to reputational damage with both the public and policy-makers. For many businesses, a tactic of 'wait-and-see' was adopted based on the belief that a 'yes' vote was unlikely, or because leaders believed they could maintain political neutrality. Yet, evidence suggests that earlier engagement, and planning, can avert such reputational damage, particularly where the strategic interests of the business and its stakeholders are at political risk.

In this working paper, we draw on evidence collected from research into business attitudes, contingency planning and decision-making pertaining to the Scottish independence referendum held on September 18, 2014. Our aim is to elicit lessons for business from the referendum, and to synthesise it into advice for how businesses can improve on their management of such political risks. The advice will be particularly relevant given the imminent UK in-out referendum on continuing EU membership.

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2 In a recent survey of FTSE 350 company boards by the governance body ICSA in conjunction with the Financial Times, they found that while 61 per cent of respondents said EU membership was positive for their business, 70 per cent argued the Brexit would be damaging for their business interests, and 28 per cent said that a ‘yes’ or ‘no’ vote would have little impact either way. Just 25 per cent of Boards said they were planning for the referendum, 53 per cent said that they would not speak out either way, and only 4 per cent said they would take a position (see Sarah Gordon, ‘British business worried about potential impact of Brexit’, Financial Times, December 14, 2015. Accessed from: http://www.ft.com/cms/s/0/db2c96c4-9d8b-11e5-b45d-4812f209f861.html#axzz3wSEYBHBH )

3 In a survey of attitudes to the EU by the Institute of Directors (IoD) of their members, 31 per cent of the 1,400 respondents support continuing membership of the EU no matter which way the vote goes, over 60 percent support continued membership of a reformed EU, and six percent would support a Brexit regardless of reforms. (see Business support for EU membership “conditional on fundamental reform” – finds new IoD survey, May 20, 2014 http://www.iiod.com/influencing/press-office/press-releases/business-support-for-eu-membership-conditional-on-fundamental-reform-finds-new-iod-survey )
3.0 The relationship between business and politics

Referendums on constitutional issues like Scottish independence or UK membership of the EU raise significant questions about the future business environment in the polities affected. Markets, especially in industries that are heavily regulated, are shaped and constrained by administrative boundaries, whether these are national or jurisdictional. It is not reasonable to claim that the changes contemplated are irrelevant to business or will have no impact. They clearly will, though these impacts will vary by industry, by customer base and by international reach. For example, a company already operating in many jurisdictions will find the marginal cost of adding another one to the list less daunting than a company facing multi-jurisdictional working for the first time. Equally, companies who trade predominantly in one jurisdiction, such as the UK, may find the marginal costs of complying with regulatory burdens associated with membership in the EU to outweigh the benefits of having access to that market. Where and how company’s trade, where they are domiciled and how they are structured will, therefore, have a strong influence on their views.

It is difficult to predict the nature of any referendum debate. In the Scottish referendum of 2014 (hereafter referred to as ‘the Scottish case’) the debate was intense and companies were, in general, reluctant to participate in any public way. A referendum on UK membership of the EU, if it happens, looks at the time of writing likely to elicit many more diverse views than with the Scottish case because UK businesses aren’t as overwhelmingly reliant on the single EU market as Scottish businesses are on the single UK market. How the dividing lines with business in the debate will break down, however, is not yet certain. The tone of the debate matters to business because of its effects on employees, customers, suppliers and the perceptions of investors and shareholders. But business does not determine the tone and, even if it wanted to, it is not clear that it could influence it to any significant extent.

The tone of the debate also affects the role played by data and evidence. Business generally seeks the maximum factual content in any consideration of, for example, a deal or an investment. Empirical considerations take precedence over beliefs and feelings. If a debate becomes driven by these latter factors, however, then data become less important to the final outcome. This is at odds with ‘normal’ commercial decision-making, where data is of primary importance. Emotion plays a much greater role.

3.1 The rules of engagement with political events

It is axiomatic for most businesses that they are, and should remain, apolitical. Individual businesspeople can take political positions, but companies and other business organizations do not, as a rule. But referendums are, by definition, political. One of the lessons of the Scottish case is that this complete disengagement from politics becomes difficult to sustain as the referendum process unfolds. Once the formal referendum period has started, there is regulation of political involvement by the designation of campaigners as such; and there are well-established requirements regarding financial donations to political causes that are in play at all times. Formal political activity is, for most businesses, anathema. The official ‘rules of engagement’ are outlined by the Electoral Commission. The Bill for the Scottish referendum was the Scottish Independence
Referendum Act 2013, which was passed by the Parliament on 14 November 2013, and received Royal Assent on 17th December 2013.\(^4\)

For many businesses headquartered in Scotland, their entry into the Scottish referendum debate took the initial form of releasing their annual reports. Publicly traded businesses have a responsibility to their shareholders and other stakeholders to identify any risks to their business interests and how they might mitigate them. This is good governance. Given that the Scottish referendum was the most significant event on the political calendar for 2014, many large PLCs rightly identified Scottish independence as a risk. Whether intended or not, statements made in their reporting were quickly latched onto by one side or the other as ‘evidence’ that independence could help or hinder business growth, investment and the economy. Individual businesses, whether intentionally or not, can quickly find themselves part of the debate.

### 3.2 Business, the media and political events

While the Electoral Commission does not dictate neutrality for the media, individual media outlets may take their own position. In the case of the BBC, for example, they set their own guidelines for the Scottish referendum. Under the terms of its Charter and Agreement of 2006, the BBC is required “to ensure that political issues are covered with due accuracy and impartiality”.\(^5\) Coverage therefore followed a principle of ‘broad balance’ between the arguments. And while this did not mean that a ‘stopwatch’ approach was applied in theory, in practice it leaned in this direction. While independent, politically neutral research indicated that the majority of businesses were concerned about the risks that independence posed to their strategic advantage, and were less sanguine about the opportunities, this was often counterbalanced by views from political groups acting on behalf of one of the campaigns. The implications for the ‘business case’ for independence was that media coverage presented it frequently as being ‘50-50’, when the reality was closer to ‘90-10’. The media can thus have a well-intentioned distorting influence on public perception.

### 3.3 Interventions by business in the Scottish referendum debate

Research evidence collected through interviews with senior business leaders in the run-up to the Scottish referendum suggests that up until January, 2014, there was wide-spread belief that a ‘yes’ vote in the Scottish referendum was unlikely. This belief was largely supported by polling that had remained relatively unchanged up until January of 2014. As the polls began to close, and the Scottish referendum became more topical in the media, perceptions began to change (see Figure 1 for ‘What Scotland Thinks YouGov Polling’).

\(^4\) Details of the Scottish Independence Referendum Act can be found at [http://www.legislation.gov.uk/asp/2013/14/enacted](http://www.legislation.gov.uk/asp/2013/14/enacted)

Through February, March and April, shifts in the polls coincided with the release of annual corporate reports for PLCs headquartered in Scotland. For many PLC companies, corporate reports identified the Scottish referendum as a risk, creating a steady stream of media headlines. More direct interventions in the debate, such as public statements, came in reaction to a narrowing of the polls. Some polling evidence suggests that such direct and at times clumsy interventions caused reputational damage to firms, particularly with politicians (see Figure 2: Reputational impact of business interventions in the Scottish referendum with politicians. These figures also illustrate the polarised nature of the debate and how even the most determined efforts to remain outside it cannot prevent negative perceptions arising, where views are passionately held.).

**FIGURE 2: REPUTATIONAL IMPACT OF BUSINESS INTERVENTIONS IN THE SCOTTISH REFERENDUM WITH POLITICIANS**
While there is no one right way to manage and plan for a major political event such as a referendum, we can elicit a number of ‘best-practices’ from our research into business contingency planning and decision-making in the lead up to the Scottish referendum. From these insights it is possible to develop a business framework for navigating such political risks.

4.0 A business framework for navigating political referenda

The following questions cannot all be answered before a referendum. But all of them should be considered as early in the process as possible. UK businesses could usefully be thinking about them now in relation to a referendum on the UK’s membership of the EU. One of the lessons of the Scottish case is that considerations can come crowding in very quickly if polls start to narrow or customers’ and investors’ minds are otherwise concentrated by events. By this point, the strategic options for businesses to engage with the issue, as we saw with the Scottish referendum, have also narrowed. Early engagement with stakeholders is, therefore, advisable.

4.1 Key issues to consider

Our research has identified seven key issues that every senior management team should consider when faced with a major political event such as a referendum. They include the following:

- **Impacts and risks** – how is a business affected? How can these impacts and risks be assessed?
- **Governance** - how should a company consider these issues at Board or senior leadership level? Could it contemplate having a point of view on the referendum question? If not, should it seek other means of exerting influence on the debate?
- **Employees** - how should management engage with them? Should it explain the risks and opportunities for the business? If it does not do so, how will it deal with accusations that it kept employees ‘in the dark’?
- **Investors** – should a company wait for questions or take the initiative and provide reassurance? What about analysts?
- **Duties to inform** - if a company is listed, what duties does it have to inform investors about potential impacts on the business? Does a company have any moral responsibilities eg to suppliers or staff?
- **Trade bodies** - what should businesses expect of them? Could they lead on the issue and allow companies to remain out of the public eye? If they do so, should companies be ready to support them when they come under attack?
- **Media and communications** – what strategy is required and how will it be executed?

More specifically, each of the seven key issues that we have identified involves several considerations. Taking each in turn:
4.1.1 Impacts and risks

Some things have to change if a country decides to leave a larger entity and redefine its position in the world, and some things can remain the same. A practical first step in understanding the consequences of a proposed change is to draw this distinction with rigour. For example, if the UK leaves the EU, it will have to find some way of participating in international trade negotiations that is different from its current mode of doing so. It is not likely that the details of that new means of participation will be available before the referendum, not least because the UK in its new environment will have to take some decisions and what these decisions will be, and who will take them, cannot be foreseen – but the fact that some change will have to happen will be known and that knowledge allows businesses to undertake some assessment of the risks and uncertainties that then inevitably follow.

A clear and dispassionate distinction between what can be known and what cannot be known is made more necessary by the understandable need for both sides of any referendum debate to assert that they can, actually, give some reliable prospectus for the future under their preferred outcome. The outcome of the negotiations that would necessarily follow any vote for change is, by definition, not knowable before they take place. This leaves a wide field of uncertainty. But noting this is unlikely to garner support from voters who will be keenly interested in knowing what the favoured outcome will mean for them, so spurious claims of certainty are an inevitable feature of a campaign. Prudent business planning will be very sceptical about all assertions made by either side in a referendum. ‘They would say that, wouldn’t they?’ is a useful question to begin with.

Reliable guidance and information is, however, available from sources with no predisposition to favour one outcome over another. In the Scottish case, for example, the best guidance as to what might actually happen in relation to an independent Scotland’s membership of the EU (a very contentious issue in the debate) came from academics and EU member states; and the best assessment of the likelihood of a currency union between an independent Scotland and rest of the UK (an even more contentious issue in the debate) came from international investment banks, independent research bodies, and other financial analysts, predominantly, but not exclusively, based outside the UK and dependent for their professional reputation on clients trusting the dispassionate and hard-headed nature of their advice.

Businesses with a lot at stake may wish to consider commissioning some analysis. The advantage of this is that it can be tailored to specific needs. A good example of this approach from the Scottish case is the work done by Oxford Economics for the Glasgow-based UK FTSE 100 listed Weir Group. Feeding into independent studies by academics and research institutes can be a useful away to engage indirectly with the debate in a politically neutral way.

Evidence suggests that scenario planning was used by a number of firms in our sample to make sense of some of the critical uncertainties that might have a bearing on company operations and strategy. Scenario planning, when facilitated by experienced academics or consultants, can be a useful method for Boards to gain an understanding of what some of the critical uncertainties presented by such political debates are, how they might impact, if at all, on businesses’ operations and strategy, and how extensive formulating contingency planning and issues management strategies should be.
4.1.2 Governance

On any question of sufficient importance to merit a referendum, individuals will hold strong views. Accommodating those views within a governance framework that protects the best interests of the business is essential. In general, it is reasonable to expect the media, public, customer and investor interest in a referendum to increase as the date of the vote gets closer. It is therefore prudent to raise the issue at Board level before it becomes urgent, in order to clarify the company’s position and put in hand the necessary preparations, even on a contingency basis.

The most senior leaders in any sizeable business are public figures and an early decision is required on whether they will be able to express personal views. The distinction between a personal view and a company view is not always easy to maintain and there are reputational risks for any company with an outspoken leader, however firmly it is asserted that views are personal.

In the Scottish case, very few companies adopted a corporate position on the referendum question, although many explained the foreseeable impacts on their operations and, in the political mêlée of the campaign, were perceived thereby to have done so. Businesses will wish to keep in mind the tendency for political positions to be assigned on the basis of purely business-related statements, where the facts disclosed can be used in support of one side of the argument. In the Scottish case, for example, risk disclosures in annual reports were misused as ‘evidence’ for a particular view on the referendum question. For instance, Sir Brian Souter, co-founder and chairman of the Perth-based transport giant Stagecoach, and a major backer of Scottish independence, found himself in the position of having to downplay the risks posed by independence to the company when it was identified as a principal uncertainty and risk in the Group’s annual report. However, annual reports are a powerful way of communicating with core stakeholders on the possible consequences of a vote one way or another, and explaining their business case to a wider public.

If the implications for a business of the change promoted in a referendum are harmful, this need not require the business concerned to adopt a position, unless it judges that by doing so it will encourage the outcome that best suits the business. Adopting a position on either side of the question, however, is a high-risk strategy, as CBI Scotland, the Scottish chapter of the Confederation of British Industry, found when it registered as a ‘campaigning organisation’ in order to meet its interpretation of the rules, and were then forced to do a U-turn following the loss of several members. Other, arguably more effective means of influencing the debate are available, notably through trade and other representative bodies. Such bodies will, however, strive to reflect any diversity of views among those they represent and their contributions are very considerably blunted if there is not unanimity. For instance, many of the views expressed by business leaders in our research were much stronger than those reflected by the trade bodies representing them.

Engaging with academic studies and research can also be an effective way of getting information into the public domain in an objective, politically neutral, and academically rigorous way, and often anonymously in larger studies. The Economic and Social Research Council (ESRC) programme into the ‘Future of the UK and Scotland, was one such academic vehicle for doing so during the Scottish referendum. Again, some simple forward planning that begins with a
stakeholder analysis coupled with scenario planning can be a useful approach for assessing the extent to which contingency plans and communications strategies are needed. Something as simple as handling questions from concerned customers, signing a license agreement or a supplier contract can become much more complex in uncertain political environments. Some ‘future-proofing’ is therefore good business practice.

4.1.3 Employees

Any group of employees will be divided by a referendum question, except in circumstances where the debate is extremely one-sided. So businesses will wish to respect differences of view and be mindful of the potential negative impact on some employees of any statements that challenge their position, as voters, or call its wisdom into question.

Internal communications should be considered early in the planning process and the working assumption should be that they will find their way into the public debate, if it suits either side of the campaign to make use of them. An example of this in the Scottish case was Barrhead Travel, an independent travel group, where the founder and Chairman advised staff of his views on the referendum question in an internal memorandum and they were, in turn, widely reported and cited by both sides of the debate.

Our research during the Scottish referendum found that outlining the implications of the Scottish referendum internally was frequently a hotly debated issue in executive teams. Frequently there were views on both sides of the debate, even when a ‘yes’ outcome would have led to significant job losses for the business. For a significant number of companies in our study, senior management teams took the decision not to communicate the possible implications of the independence debate for their employees. There were exceptions, such as the defence contractor Babcock, who took steps to warn their Clyde and Rosyth based workforce of the uncertainties for their business implied by the referendum outcome.

If a debate is contentious and invokes personal views, it may be difficult to address it in a business setting, because feelings can run high and working relationships can be affected. There are many anecdotal examples of this in the Scottish case. Simply ignoring the issue may, however, leave the field open for occupation by the committed, seeking to make their case in the workplace. Bans on political activity might work but a more constructive alternative would be to arrange for the issues to be aired with contributors from outside the company eg academics, journalists or trade bodies. Objective, third party interventions can be an effective and useful way of airing the issues in the workplace without necessarily defining a company view. Staged debates with external speakers can also work well, though this is less likely to be an option for smaller businesses.

4.1.4 Investors

As the point of decision nears, investors will understandably wish to understand the risks and opportunities for the business that arise from either outcome. If the debate is contentious and media interest is high, there will be frequent stories and reports with implications for business. In the Scottish case, for example, an announcement by one company of the steps it was taking to mitigate risk led immediately to questions being raised with its direct competitors who, obviously, carried the same risk.
It may not immediately appeal to a business to point out the risks of a referendum outcome to its investors. They might take fright or it might join a list of other, unrelated, concerns and undermine investor confidence in the business. But if the Scottish case is any guide, the amount of analysis made available to investors by investment banks, brokers, ratings agencies and other market participants increases rapidly and substantially as the referendum date draws closer. So there may be a case for moving to reassure investors before this wave of information and opinion hits the markets.

Again, early engagement with investors is advisable to ensure that later communications do not appear to be an emotional reaction to media reports. Sound contingency planning, and calm, continuous communication with stakeholders is the surest way of cutting through what can quickly become a noisy communication environment. This is particularly important when share-price might become volatile during periods of uncertainty, as several Scottish-based companies found in the lead-up to the Scottish referendum.

4.1.5 Duties to inform

There are obligations on listed companies to inform shareholders and markets about risks to the business. In the Scottish case, this led to references in annual reports in 2013 and 2014, ahead of a referendum in September 2014. The references in 2013 went largely unreported while in 2014, they attracted a lot of media and public attention. This reflects the enormous increase in the intensity of public interest as the date approached.

Businesses will wish to consider their statutory reporting responsibilities, whether or not they are listed. Statements as part of an annual report for any company might make reference to risks and opportunities relating to the referendum and the prospective outcomes, if that fit within an overall strategy for communications.

Market pressures can lead to the disclosure of information about the consequences for business of political change. In the Scottish case, the banks with registered offices in Scotland found it necessary to reveal before the vote that they would, in the event of a vote for independence, need to move their places of registration out of Scotland. This was to reassure investors and markets that funding and central bank support would not be put at risk, whatever the outcome of the referendum.

The reporting and informing responsibilities of a company to its employees are less codified than those relating to markets and accounts. But the ethical dilemmas can be more acute. There is no likely benefit to a business in scaremongering; that will only unsettle and undermine trust. Equally, if major political change brought about by a referendum outcome has knowable and predictable impacts on a business, do employees not have an entitlement to know about them? After all, as voters, should they not be fully informed of the likely personal consequences for themselves of the outcomes?

4.1.6 Trade bodies

Representative bodies of various kinds are expected to contribute to the development of public policy on behalf of their subscribers and this is a core function of many business representative organisations. Like companies and other businesses, however, representative bodies will need to decide in the first instance whether they wish to adopt a view on a referendum question at all. As noted above, a key factor in reaching this decision will be the presence or absence of a clear
consensus. If even a small number of subscribers are outside the consensus, any representative body will need to determine whether it proceeds on the basis of majority rule or, more likely, it accepts that the only way to represent all its members consistently is to stand back from adopting a point of view, as such.

Businesses that will clearly be affected by the outcome of a referendum will also wish to engage early in the process with their representative bodies, so that they can be clear about what their approach will be and what they can expect from them. If it is not possible for a representative body to contribute to the debate on the basis of a clear preference for one outcome over another, it can still play an important role as provider of information and analysis. This was the role adopted by the majority of representative bodies in the Scottish case.

For instance, the Scotch Whisky Association (SWA) were very effective at explaining the importance of continuing EU membership for whiskey exports, and also the importance of the network of UK embassies for accessing global markets and supporting exports. Scottish Financial Enterprise (SFE), likewise, made important contributions into the debate on the role that regulation plays in the financial services industry.

4.1.7 Media and communications

The role of the media in a referendum is a large and complex subject, well beyond the ambit of this short paper. However, some general issues to consider can be drawn out in order to support strategic communications planning for businesses.

The Scottish case confirmed what was always predicted, namely that interest in the attitudes of business became stronger as the polls narrowed. This may seem like a statement of the obvious, but many businesses and investors did not examine the issue in detail until it looked as if a sizeable change in the business environment might actually occur. This meant that media interest increased rapidly and intensely and the same thing could easily recur in a referendum on the UK’s membership of the EU. Since the issues outlined above are complex and might merit careful thought, the argument for preparing early is strengthened.

Generally, and certainly in the Scottish case, business does not seek the media spotlight on a question so contentious as to need a referendum. This creates a vacuum, which is filled by campaigners. So views are ascribed by those with an interest in promoting a particular outcome and this makes it difficult to maintain a neutral position with the media. Neutrality can be interpreted as indifference, allowing those proposing the change to claim that the avowedly neutral are not concerned by it and will carry on as they are, regardless of the result. If this is not the case, it then puts the avowedly neutral in a position where they are being used in support of one side of the argument and the neutrality they sought has been lost.

If a representative body can establish a position in the public debate and the media coverage, an option for business is simply to stand behind them. This is more difficult for very large businesses or businesses with a particularly high profile. But it is an option for many and effectively outsources the handling of what could otherwise be a constant source of pressure.

5.0 Contingency planning
Contingency planning during the Scottish referendum varied depending on the degree of impact the outcome of the vote might have on the business. Foreign owned subsidiaries, for example, tended to be less concerned about the outcome, and more reliant on existing business continuity plans. Businesses headquartered in Scotland, or based in Scotland but having the bulk of their UK trade in England in particular, were more concerned, and likely to adopt some form of contingency planning.

5.1 Contingency planning in the lead-up to the Scottish Referendum

At the time of conducting the interviews, the degree of contingency planning taking place in firms varied markedly. It included: (1) none at all, (2) discussions, (3) monitoring risks, (4) analysis and tactical planning around specific products, services and contracts, (5) strategic plans to restructure the business so that economic activity could be moved elsewhere, (6) deferring investment decisions, and (7) relying on existing business continuity plans. Of those businesses not contingency planning, reasons included assumptions that independence would not happen, the scale of uncertainty, contingency plans already being in place for business continuity, particularly for global companies, and finally, the perception that, either way, it would have little impact on their business. For instance, of those business leaders who were dismissive of the risks, they either argued that managing uncertainty was a part of business life, or that it was too uncertain to contingency plan. One business leader, for example, suggested that uncertainty might give his company an advantage over more established rivals:

“None [contingency planning] at all, as I say, I can only see positives if Scotland were to gain its independence. And I think a lot of the debate up here around issues going across the border are just overheated nonsense frankly ... I think the whole question about does the uncertainty cause issues for the business totally misses the point that businesses are all about managing uncertainty. If everything was certain the only companies that would survive would be the giant behemoths. It’s the smaller companies like ours that actually seek out uncertainty because that the way you can get a jump on established competitors.”

While others argued it was simply too uncertain to plan. As a business executive summarised:

“We’ve just really had high level discussions, but it’s very difficult to go and make any contingency plans because we don’t know what the framework is, and until you get the framework, then you can start making some plans.”

While 64 of 75 business leaders interviewed indicated that it was business-as-usual, wait and see (see Table 1: Contingency planning and impact on decision-making and strategy), there was also a range of contingency planning taking place at the time of the interviews.

Contingency planning in the majority of businesses at the time of conducting the interviews was informal:

“[Our contingency planning is] very informal. There has been no contingency plan, though I’m being asked more and more, what would you do if Scotland were to go independent... we could be based anywhere.”

A number of businesses were also doing ‘what if’ scenario planning:
“There are not contingency plans ... It's more what if this could happen ... it's trying to think about it from different stakeholders – from our owners, from our employees, from our clients and from the regulator.”.

And for other, primarily foreign owned subsidiaries of global companies, business leaders indicated that they were relying on business continuity plans:

“We have contingency plans for our business in terms of if there was any dislocation of our business here ... and we have the ability to switch this business here to any of our centres across the world.”

Eight business executives, however, also indicated that they were delaying investment decisions. As one business executive, reflecting several other interview responses, stated:

“I'm delaying decisions, I'm delaying big spends. I have to now. I have to now because the vulnerability we have to currency, because we're an exporter, could leave us very exposed. So I'm trying to build reserves at the moment so I can work out what to do. I can't risk leaving ourselves close to the edge, I can't risk it. We have no idea what the regulatory atmosphere, well, we know it's likely going to be more social welfare, so we know taxes are going to have to go up ... “

In the sample, ten business leaders indicated that they either had, or were “buying the option of restructuring the business” to move some of their business activity out of Scotland, generally by registering companies in the rUK. But others suggested that such options already existed because they had operations throughout the UK:

“I suppose, arguably, the fact that we've already got a clear established growing operation in England, and a fairly solid, stable operation in Scotland, you know, that probably gives us options, because we're already established.”

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<th>Industry</th>
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* These numbers were fluid and, data suggests, largely reflected the time interviews were conducted and previous stability in the polls (November to June). As polls narrowed, there appears to have been more wide-spread contingency planning and deferment of investment.

And another stated:
“You know, our Scottish roots are so strong and we’re very committed to our Scottish base and our Scottish workforce...we also have an office in London and we can change responsibilities between various offices...we have the ability to do that...we [could] continue to operate in the way we do [now], we’d just have a different registration, [which] is a possibility”.

And in a similar vein, another business executive suggested that they’d taken decisions to structure their business to give them flexibility in where they located it:

“And when [the question was asked] ‘what are you going to do if Scotland ends up as an independent country’ [by our investors], well we have structured our business in such a way that we can up sticks and move. We know everything that we need and so we have an outlined contingency plan if we need to shift ... if circumstances were appropriate then we could move”.

Other business leaders indicated that they’d taken decisions to diversify any risk by setting up operations outside the UK entirely:

“You know, I can’t afford to move the business, nor would I want to ... but if there are problems by way of labour migration or customers not wanting to necessarily trade as easily, or suddenly I’m a Scottish supplier and not a UK supplier, then I’m building a supply chain, a near-shore supply chain as a contingency.”

Of the 75 business leader interviews for the ESRC study reviewed here, approximately 75% suggested that the referendum outcome, if a ‘yes’ vote, would have an impact on strategy/operations. But what that might be was less certain. Around 10% indicated that they’d deferred some investment until after the referendum. However, as the referendum date approached, and the polls became too close to call, there was clearly a flurry of contingency activity. Some of this activity was instigated by concerned customers and shareholders contacting companies for reassurances. At this stage in a referendum cycle a ‘wait-and-see’ policy, even if there is some clandestine contingency planning taking place, becomes increasingly difficult to maintain. Early engagement and even some limited planning is, based on our observations, advisable.

6.0 Conclusions

This paper does not seek to be an exhaustive guide to the issues that arise for business in a referendum. It seeks only to provide a framework within which these issues can be considered and to sketch out what an example of good practice might look like. We do not aim to be prescriptive, since all businesses are different and the climate and temperature of any future referendum debate are difficult to forecast accurately. Our good practice checklist would include:

- Involve the senior leadership and other decision makers, including owners and shareholders, early. Don’t wait until the referendum is called.

- Interrogate some of the critical uncertainties that may or may not impact on business operations and strategies early on through either light-touch or more extensive scenario planning.
• Develop an information strategy early. This should include early analysis of the implications of different outcomes under varying scenarios.

• Be clear-eyed and realistic about the motivations of campaigners, however distinguished – “they would say that, wouldn’t they?”.

• Keep investors informed – it is hard to predict when issues will arise that might cause them concern and you may wish to avoid surprises.

• Develop a flexible communications strategy as early as possible, thinking particularly about the perspectives of employees, customers and investors.

• Be alert for controversy at predictable moments of heightened interest eg publication of annual reports.

• Keep in touch with representative bodies and obtain early guidance on what they expect to do, and not to do.

• Identify ‘objective’, politically neutral vehicles for getting the business implications ‘out there’, such as academic research.

• Manage media expectations – a firm ‘no comment’ position is possible but there are risks if it is perceived as indifference

There will clearly be differences between the Scottish referendum and a UK in-out referendum on continuing EU membership. However, the evidence-based lessons that we have elicited from the Scottish case reflect prudent business management and a guide to best business practice in such political circumstances.

About the Authors:
Professor Brad MacKay is Chair of Strategic Management, and Director (Associate Dean) of Corporate Engagement in the University of Edinburgh Business School. He is formally Head of the Strategy and International Business Group, and Director of the MBA programme. He is also a founding member of the University of St Andrews’ Management School, and the industry-based Strategic Management Forum. He is an expert in strategy formation and implementation, and one of the UK’s leading authorities on scenario planning. As an Economic and Social Research Council (ESRC) Senior Fellow in the Future of the UK and Scotland research programme, Brad conducted extensive research into business attitudes and planning during the Scottish referendum. His work was widely covered in the media, including CNN, the BBC, the Financial Times and the Wall Street Journal. He has advised in industries as diverse as automotive, the creative industries, energy, financial services and government.

Owen Kelly (OBE) teaches at Edinburgh Napier University Business School and is reading for a masters’ degree in ancient ethics at Edinburgh University, where he is also an Associate of the Business School. He has extensive experience in business and in government. He was Chief Executive of Scottish Financial Enterprise, the representative body for Scotland's financial services industry, for 8 years from 2008. He represented the industry as it responded to the financial crisis and, in 2014, the referendum on Scottish independence. In doing so, he acquired a high media profile and worked with a very wide range of political, regulatory and professional interests. He has contributed extensively to public debate on financial and economic affairs. Before joining SFE, he was a career civil servant. He was awarded an OBE in 2015 for services to the finance industry and to charity; he is a trustee of several charities.

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