



Brexit: view from the other side

INSEAD professors Douglas Webber and Antonio Fatas share their views on what happens next with Brexit and what it means for business.

Douglas Webber, professor of political science, INSEAD

What can Theresa May do next?

Theresa May has one card she still might be able to play against the headline Brexiteers in her party and that would be to threaten to legislate in favour of a second referendum.

There is, however, a high risk that this move would provoke a lasting split in the Conservative Party – something which May has so far been at great pains to avoid. And, to work, it would also have to provoke a split in the Labour Party, which has so far tried to exploit the conflict over Brexit to bring down May and her government rather than take a clear stance against Brexit.

The EU could probably be persuaded to re-negotiate aspects of the failed deal so that it would look more like the kind of relationship that Norway has with the EU. However, a revised deal of this kind would meet with the same objections from hard-line Brexiteers among Conservative MPs as the one defeated yesterday.

In the end they may have to choose whether to compromise with May and endorse a deal which falls far short of what they really want or risk the formation of a cross-party parliamentary coalition that asks the EU to extend Article 50 while a second referendum is organised that could reverse the result of the first.

It is only when they are staring defeat in the eyes that they are likely to make any such compromise. They will not be shifted by the prospect of a ‘no-deal Brexit’, no matter how negative the consequences of this outcome may look.

Could Brexit be delayed?

May could either revoke article 50, which means Britain stays in the EU, or ask the other member states for an extension of the date of the withdrawal of the UK.

I consider the latter possibility quite realistic. Delaying Brexit would give all sides more time to avoid a no-deal Brexit or prepare for a no-deal Brexit. But I don’t think it is feasible for Britain to revoke Article 50 given the result of the first referendum.

Would “remain” win a second referendum?

It seems that the argument for remaining in the EU has gained ground since the Brexit referendum now that the awareness of some of the costs and consequences of Brexit have become clearer. But it would be very difficult to guess the outcome.

While some “leave” voters might have shifted to the “remain” camp, many voters on both sides may reject the idea of a second referendum because the people have already spoken and the matter should be laid to rest. If there is a second referendum, I think it is safe to say it will be very close again.

Do you see the possibility of other EU member states leaving the bloc in the short term?

I don’t see any likelihood in the very short term of other member states deciding to leave the EU. They’re all looking at the UK right now and what’s taken place with Brexit over the course of the last two-and-a-half years is certainly a glaring example of how hard it will be.

Antonio Fatas, professor of economics, INSEAD

What do you think is the best-case scenario and will Theresa May survive? Is there likely to be a second referendum?

In my opinion, the hard Brexit option, no deal option, is off the table at this stage. The EU will need to approve a delay and it is the best option right now. And there are many ways to do that. It is likely that the UK and the

EU are going to work towards an extension of Article 50 and head back to the negotiating table, otherwise, there is no time for Theresa May to renegotiate between the UK and the European Union.

The Europeans have a lot of power in this negotiation. They are going to tell her to go back home and figure out a deal, otherwise, they will not renegotiate. Theresa May will have to negotiate within the UK and to present a new proposal to the EU. It could be that a second referendum is the best way out for these people to find a compromise.

When could a second referendum take place? According to UK law, 10 weeks is required, and before that, parliamentary approval is required. Which all brings the scenario of a second referendum closer to the European Parliamentary elections in May, so is it really feasible?

It is likely that the UK and the EU are going to have to muddle through a few deadlines, like the European Parliament vote. As history has shown, the European Union is pretty good at that.

When trying to avert a big crisis, which is pretty much what they are doing right now, they will always find ways to go around it – to find some sort of compromise and buy themselves time.

They might go beyond that deadline of the European Parliament vote, and at some point, the UK may finally find a way out of this by finding something that they all agree to.

However, if there is going to be a second referendum, the ‘leave’ voters will believe it’s a betrayal of democracy. I personally disagree with that statement but that’s how they will feel about it. So, they are going to have almost half of the country constantly thinking that it is a betrayal of what they have already voted for.” ●

HumaticaCorner



PE Leadership influence – being liked AND feared

More is being asked of private equity portfolio company leaders. They are stuck between a rock and a hard place. On the one hand, they are having to deliver on ever more ambitious value creation plans, requiring utmost performance from managers and employees alike. On the other, the priorities of a creative Millennial workforce, like “work-life balance” are not clearly aligned with “value creation”. In a world where the median tenure for 25-34 year olds is 3.2 years, why sacrifice for “shareholder value”?

So what levers of influence do portfolio executives have? Increasingly, and in particular with the most creative cohort, they do not include the most common lever of management influence used since the start of the industrial revolution: authoritarian control. This lever has lost its lustre. In fact, the use of command-and-control is not only ineffective, it is risky. What qualified knowledge worker wants to work in an environment where they are not able to exercise their knowledge? The answer is none. And, the most qualified are the first to leave. In addition, Amy Edmundson a Harvard Business School professor links top-down authoritarian leadership with poor quality decisions, as the VW diesel emissions and Wells Fargo misselling scandals will attest.

The most pragmatic and authoritative work on influence is Robert Cialdini’s *Influence: The psychology of persuasion*. This classic is a must-read for anyone, in any job. Cialdini identified five fundamental levers to influence behaviour besides authoritarian control: Reciprocity, Commitment and Consistency, Social Proof, Scarcity, and Liking. By dissecting the levers used by a simple door-to-door vacuum cleaner salesman, Cialdini has important lessons for the denizens of the C-suite.

Clearly, a collaborative working environment that is free of fear is conducive to the free exchange of information, ideas and creativity. Here, an inspiring “purpose” that every employee can relate to is increasingly a pre-requisite for voluntary compliance and aligning the efforts of employees. Purpose-driven organisations, like most start-ups, attract talented, intrinsically motivated employees.

Another more infamous observer of influence, Machiavelli, provides other lessons for modern day executives. He observed that those rare leaders who were both liked and feared were among the most effective. Not only the carrot, but also the stick can be influential, when used properly. In particular, when the boundaries of values, codes of conduct, ethical standard or leadership principles are breached, fear is an effective lever of influence to signal the behavioural limits. The challenge for leaders is to know the instant when drastic action is required, when the signal must be sent, and when not.

Utilising the full spectrum of levers of control demands a fine sense for the logic and emotion in any situation. Masters of the trade like Steve Jobs and Elon Musk instinctively knew the right buttons to push at the right time. They won enigmatic reputations, and few doubt their power to influence. Learning from these masters through close observation and feedback can help portfolio company leaders accelerate behavioural change in their organisations to increase performance and grow value.

Humatica
Hard Facts for the Soft Factors