

## EUROPE

# CNA Hardy's Dave Brosnan on beating the bunker mentality

Dave Brosnan, 07 Jun 2018

Business executives are underestimating supply chain and terror risks, writes CNA Hardy's CEO Dave Brosnan, urging them to come out of the bunker. This year, many British multinationals have changed their attitudes to expansion abroad, looking for domestic growth above European or global expansion. According to our research, much of British business has backed into its bunker to sit out possible trade wars in anticipation of better times ahead. Almost half (46%) of UK executives cited a focus on domestic growth in the UK in spring 2018, compared to just 10% in autumn 2017. By contrast, over the same time period, the proportion of companies looking for growth in Europe dropped from 63% to just 27%. This is hardly surprising. The regulations around exporting to Europe are likely to change fundamentally on Brexit, and firms are unwilling to invest two years in growing new business in the region without knowing what they may face after 2019.

Meanwhile, US President Donald Trump's announcements around tariffs have begun to make America feel like a more hostile environment for corporates looking for growth. Asia too remains a challenging market: while still growing, it takes deep resources to become a successful exporter into Asia, and this is reflected in the fact that the biggest hopes for growth in the region came from companies with a market capitalisation of over £1bn.

## Supply chain risks are mounting

Meanwhile, US President Donald Trump's announcements around tariffs have begun to make America feel like a more hostile environment for corporates looking for growth. Asia too remains a challenging market: while still growing, it takes deep resources to become a successful exporter into Asia, and this is reflected in the fact that the biggest hopes for growth in the region came from companies with a market capitalisation of over £1bn.



In March 2018, Sainsbury's CEO Mike Coupe told Bloomberg that Brexit itself created enormous short-term supply chain risks, saying: "The impact of closing the borders with Europe for a few days to the free movement of food would result in a food crisis the likes of which we haven't seen." Supply chain risk is also linked to another under-recognised risk for our executives. Very few (just 1%) found terrorism to be a major concern for their businesses. However, this underplays the effect of international terrorism in continents which are often suppliers of raw materials in international supply chains. In our view, it is time for executives to 'beat the bunker'. The challenges for companies include making the move to invest in a greater focus on understanding their supply chains, as well as broadening their view of what may impact supply chains to include issues such as terrorism risk. I hope 2018 will be the year in which corporates begin to wake up to the continuity risks in their global supply chains. If they do, perhaps they really can 'beat the bunker' and achieve reasonable domestic growth without finding themselves on the wrong side of an unexpected international own goal.