
Three Lessons from Brexit for Business Leaders



By Quy Huy , INSEAD Professor of Strategic Management

The situation in Britain mirrors an even thornier leadership crisis affecting the business world.

The outcome of the Brexit referendum surprised the entire world. Although advance polls suggested a close contest, it was difficult to imagine that, when it came down to it, the British public would defy the urging of both major political parties and more than 40 years of integration within Europe. When David Cameron announced he would step down as British Prime Minister, there was no longer any doubt that 23 June was not only about the European Union — it was also a referendum on the leaders in London. Too late, both Labour and Conservatives discovered how out of touch they had become with British voters.

I believe a similar crisis of leadership exists in the business world today. Interestingly, McKinsey research informs us that 70 percent of **strategic change efforts fail** to meet their targets, a figure that corresponds almost exactly to the percentage of **employees who are disengaged** at work. Just as most of the referendum voters rejected Cameron's invocations of economic prosperity, so today's employees aren't seeing what the strategic

plans of senior leaders have to do with them. Cameron's failure holds three important lessons in particular for managers and senior leaders.

Facts aren't enough

As the Remain proponents nurse their wounds, many have complained that the Leave voters were driven by emotions, not cool heads. If their emotions had not been manipulated by Boris Johnson, Michael Gove, and the other chief Leave proponents, the rock-solid arguments of Remain would have won the day.

In fact, Cameron's "cool, calm and collected" rhetorical style — relying on logic and numbers rather than emotional engagement — mirrored a mistake business leaders commonly make. The dominant mental models of "professionalism" exclude emotion, particularly negative emotion, from the repertoire of accepted behaviours. The political scene in buttoned-up Britain may be especially susceptible to this.

To already sceptical ears, facts by themselves sound manufactured. People care less about facts per se than the implications of these facts to their well-being. For example, an oil price decline (a fact) can benefit some business sectors (air transport) and hurt others (oil exploration). The long-term net impact on people's personal well-being is unclear. Implications of facts can thus be equivocal and interpreted in divergent ways, as debates on global warming or foreign immigration have shown.

Indeed, both sides of the Brexit debate offered various facts to support their arguments. The pile-up of competing promises and predictions left the public confused at best, cynical at worst. The Leave campaign won over non-Londoners by speaking to the anxiety and pain of people who felt left behind by globalisation. In the end, it didn't matter to voters that both Johnson and Cameron attended elite Eton College; what counted was that Johnson's statements resonated with their own grievances and anti-establishment sentiments.

It does no good to deny that humans are emotional as well as rational. A campaign that elicits both emotional engagement and intellectual understanding has a huge advantage over one that appeals mainly to rationality.

Promotion and prevention

Much of the Remain campaign hinged on predictions of economic disaster should Britain leave the EU—in other words, fear. However, Johnson and Gove were able to neutralise these warnings, dismissing them as “scaremongering” while touting the economic benefits to be reaped by a Britain unshackled from Europe. Some have speculated that Leave tapped into a widely held, latent nostalgia for the days of Empire, when Britain’s global economic dominance went all but unchallenged.

According to [a 2001 study](#), human motivation can be oriented toward prevention, i.e. the avoidance of danger, or promotion, i.e. accomplishing development and growth. An argument (such as Remain) centred on motivating people through prevention (fear) will appear weak next to one that uses both prevention and promotion (eliciting hope and pride) to convince. Cameron should have put much more emphasis on the brighter future in store if Britain stuck with the EU.

The lack of positive reinforcement on the Remain side may have contributed to the widespread perception that Cameron and Labour leader Jeremy Corbyn were half-hearted in their support of the EU. Relying on fear mainly — like many dictators do — is seldom a sustainable tactic to convince people of anything, even your own sincerity.

Respectful authenticity

I have written elsewhere about [the importance of respectful authenticity](#) — alignment between thought, action and feelings — as key enabler of emotional capital to inspire collective action. Leaders advocating change programmes must speak from a place of heartfelt conviction rather than obligation. The appearance of anything less only exacerbates mistrust.

Cameron and Corbyn, as I said above, were often portrayed in the media as double-dealers masking their ambivalence about the European Union out of careerist convenience. The Prime Minister’s credibility was dealt a crushing blow, for example, when reporters unearthed old columns he had written for his local paper containing fierce criticisms of Brussels policies. Cameron’s apparent double-talk made the Leave leaders come off all the more consistent and unhypocritical by comparison.

Credibility and authenticity are closely linked, and people are quite sensitive to the slightest suggestion of hypocrisy. Make sure both your communication and the people you select as chief communicators are consistent and

genuinely committed. The medium is as important as the message.

Next steps for Hillary

These three lessons could also apply to the embattled political mainstream in many advanced democracies. Hillary Clinton is no doubt scouring the situation in Britain for insights that might help her quell Donald Trump's Leave-style populist uprising.

Meanwhile, the business world has an even thornier leadership crisis to address. Unlike politicians, business leaders must wage their campaigns in an undemocratic environment rife with backdoor intrigue. Many employees hide their true beliefs and feelings out of fear of their superiors, saying things to please their bosses while doing other things instead (see my recent research on [the demise of Nokia](#)). Dissent often reaches leaders' ears only when it is too late. To avoid going the way of David Cameron, business leaders must become attentive to what isn't being said around them. Too much good news is always a potential red flag.

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