

Being the adult in the room - handling the Brexit tantrums of our political classes

Our company

The Spray People Group is a family business. It was started by my father nearly 20 years ago. I joined the business 8 years ago and, in that time, we have grown the business turnover 2.5-fold. Profits are up, last year was our best year trading, this year we should grow significantly again both on the top and bottom line. This is not a mega corp by any stretch of the imagination - at the time of writing we employ 16 people. We have several small business units within the somewhat grandly named "group". Our activities include the selling of industrial spray nozzles, safety showers, air nozzles, backpack sprayers and bespoke warehousing solutions.

Capitalism as it should be

The last 8 years of sustained growth have been achieved by doing capitalism "right". What I mean by that is that we have been responsible and sensible business owners. Rather than taking large salaries and bonuses, me and my fellow directors have taken modest salaries and reinvested profits back into the business. We have built up our balance sheets, invested in infrastructure and positioned ourselves for sustained long-term growth. As such, we can easily see the doubling or trebling of our turnover in the next 5 years. We have built a stable platform for decent, sustained, profitable growth.

What this will mean is creating employment and tax revenues for our society. The material benefits for me and my fellow directors will also come in due course. Everyone wins from our diligence and hard work. This is precisely how capitalism is supposed to work. Our success is far removed from destructive corporate piracy that so often gives business a bad name. We are not looking for short term selfish gains that will wreck a company and ruin lives. We are very much in this for the long term, to create jobs, protect livelihoods and benefit our society. Like I said, this is how capitalism is supposed to work and our model is repeated thousands of times over around the country. This is precisely why small and medium sized businesses like ours are the backbone of the British economy.

The threat

What keeps me awake these days, however, is not a lack of faith in our ability to grow. We have, in many respects, done the hard bit. We have gone through the growing pains and risks that small businesses face. We have moved from being a small start-up to a profitable going concern. We have weathered the storm of the financial crisis, we are stable, lean, making a decent profit and poised for growth. Everything looks good, this is the bit of the business cycle where the entrepreneur starts to get some rewards for their hard work. But there is something looming that threatens this. That something is Brexit.

Falling pound

We have already been hit by the falling value of the pound. We import much of our product from the US, Canada, Germany and Brazil. After the Brexit announcement we now get less product per pound. This has meant we have had to increase our prices. Thankfully we operate in a market that has good price elasticity and this has not yet affected sales. However, another fall in sterling vs the dollar or euro will start to affect our profitability and in one area of the business, where margins are tight, this may have serious repercussions.

Shipping hassle

The value of sterling is not my biggest concern though. We buy and sell a lot of product from Europe. We have always enjoyed the free movement of goods around the continent. This means I can ship my industrial components all over Europe with no hassle. An order can get where it needs to go in a few days. This is essential when dealing with small but often vital industrial components. Part of our competitive advantage is that we can quickly specify the correct product to solve a customer's problem and then deliver that product swiftly. Customers buy from us because we take the hassle out of buying an often bewilderingly complex product set (we sell 40,000 variants of nozzle for example).

If we crash out of the EU without an agreement on the free movement of goods then all this ends. We are back to the bad old days of getting our shipments through customs, of paperwork, of delays of hassle and admin and bureaucracy. This will mean that despite our best efforts we won't be able to deliver the quick, efficient and reliable service our customer expects, and this is a big threat.

We, like all businesses, have competitors. Some of these are based in mainland Europe so some of these will not, come March, be facing the same hassles as we will. They will be able to ship their goods freely all over the continent. This, of course, gives them an advantage over us. Coupled with the fact that they also won't have to pay trade tariffs this advantage is not insignificant. Indeed, it will threaten our competitiveness in the European market.

Fighting fit

The good news is that we are fighting fit as a business. I do not see any of this as an existential threat. We have the resources and wherewithal to adapt and survive this Brexit chaos. We may see some segments of our business wither and die but we will redirect resources to other areas. Part of our strategy over the last few years has been to develop a diverse product range that will allow us to be better placed to deal with such external threats. Thankfully we now have this in place and so have the flexibility to adapt well to the unknown. Many businesses are not so fortunate.

The bad news is that this will undoubtedly hamper our growth. Without Brexit the next few years looked very rosy. We are poised for growth and I was looking forward to creating jobs and wealth. I was also looking forward to taking a bit more for me and my family.

I've sacrificed significant amounts of personal income to grow this business over the last few years. The next few years was where I thought I might be able to get a bit more out. Prudence would dictate that those plans will now have to wait.

This is a story being repeated around the country in thousands of businesses like mine. Rather than planning for growth we are now planning on how we are going to protect what we have already worked so hard to achieve. Millions of man hours are now being spent making Brexit contingency / survival plans rather than planning on growth. Given that SME's are the life blood of any economy, as this plays out this will affect the country's economy. We have already seen the impact on our country's GDP growth figures – pre the Brexit announcement we were the fastest growing economy in Europe, now we are the slowest. For the reasons stated above this is only going to get worse probably for at least another 5 years.

What annoys me

What annoys me about all this is that it is so unnecessary and completely unfair. We, like so many small businesses, did everything right. Our business is well run, we have not been greedy, we have invested for long term growth, worked hard and it is paying off. Now, though, that could be undone or at least severely hampered through events over which we have no control and which are entirely unnecessary.

As far as I can tell no one gains from Brexit. The concerns of the working classes over wage suppression due to immigration are legitimate. They should have been considered by our politicians. Rather than calling everyone racist these concerns should have been addressed with a sensible immigration policy. What should also have been spelled out was the fact that a bigger threat to wages and jobs comes from businesses like mine having to go into protection mode rather than growth mode. Many businesses less fit than mine may go into shrink mode and shed jobs after Brexit. This is a much bigger threat to working class communities than immigrants are. However, instead of explaining this, our politicians opted to call everyone a racist instead.

What about sovereignty?

One could make the claim that we get back our sovereignty and that this pain is all worth it for this reason alone. I call foul on this line of reasoning. Like the "everyone's a racist" chant of the remain camp the "sovereignty" argument is a lie designed to play on people's emotions. The idea that laws are made in Europe by unelected officials is an uncomfortable one until, that is, you understand a bit about what these laws are.

Essentially these laws are just trading standards. These unified standards allow the free movement of goods around Europe. After Brexit if British companies want to sell anything to Europe we will still have to meet the same EU standards.

Given that Europe is the largest export market for British goods we will still have to conform to all these laws anyway, otherwise we can't trade with them. The European bureaucrats will still be making laws that British businesses will have to comply with. If anything, this means a loss of sovereignty as we can no longer affect the standards negotiations.

During the Brexit debate none of this was really conveyed effectively to the public. The pro Brexit camp appealed to emotions by stoking up images of European technocrats making up pointless laws that hampered good old British entrepreneurs. The implication being that good old British technocrats would do the job much better. Of course, no actual evidence of the superiority of British standards makers over their European counterparts was given. It was just assumed that unelected British technocrats would be better than unelected European technocrats. The response to this line of "reasoning" from the remain camp was to call everyone racist, again appealing to people's emotions rather than logic. Both sides thought the public too thick to handle reality and so used emotive nonsense to make their supposed cases. In the end the nationalistic emotive nonsense won out over the "you are all racist" nonsense. The first causality of this war of emotions was of course the cold hard truth. That being, that it was completely irrelevant which set of technocrats made the standards as they would have to be identical anyway.

Predictions

If Theresa May's Chequers plan goes through, then Brexit won't be so bad. We will still, by and large, have the free movement of goods and this is a very good thing for my business and countless other businesses. I will sleep easier at night and can get on with plans to grow my business rather than fretting about how I will protect what I already have gained.

Let us be clear though, Britain will still be in a worse position than when it was before Brexit. The Chequers plan leaves us as a nation with less power, a weaker economy and more uncertainty. This is all bad, but it is nowhere near as bad as the catastrophe of a hard Brexit. We have seen a lot of nonsense talk from Brexiters about how a "a bad deal is worse than no deal". This is simply not true. The worst deal for British business is no deal. The bad deal that is the Chequers plan is far better than no-deal. The very best deal would be the one we already had as members of the EU, but it seems that no one in our ruling class has the guts to tell the British public they made a mistake. Sometimes in business leadership involves telling people things they don't want to hear, and it involves doing the unpopular thing that is best for the business.

The public's vote on Brexit is reminiscent of the union strifes of the 70's. Militant unions started making demands on many businesses. Much like Brexit this was done in the name of protecting workers' rights. The union members were riled up by emotive images of fat cat capitalist pigs exploiting them. They voted, acted, went on strike and sunk many of the enterprises the workers were employed by. The strong leaders took on the unions and didn't bow to their demands because they knew that ultimately those demands were bad for the business. At the time this case was made to the British public, the logic was laid out and the public did

eventually accept that the drive for more and more workers rights would ultimately mean British businesses would suffer. The Brexit vote is very similar, but instead of trusting the public to make a sensible decision the remain camp insulted them by calling them all racists. Funnily enough this tactic didn't seem to work out so well.

What I would like to see now is a strong leader. One that tells the public they got it wrong. A leader that will admit that Britain is going to be worse off after Brexit regardless, but how much worse off is still up for debate. This will take some courage because no one likes to be told they messed up and precisely because the arguments in the run up to Brexit were appeals to emotion, many people are now emotionally involved. Vast swathes of the British public who voted for Brexit are now seeing the consequences of their decision is going to be bad for them. Logic and reasoning tells them they made an error but because the "debate" was so vitriolic their emotions won't allow logic to triumph. A phase of cognitive dissonance has ensued.

A good leader would try and shake the public out of this collective trance, but this is what a good leader would do, and we don't seem to have any of those. Instead we have the continuation of emotionally appealing fictions on both sides. The pro-Brexit side are weaving the same fictional utopia of a free Britain they always have, despite all the evidence to the contrary. And the soft Brexit side are now pretending that the Chequers deal is victory and that this is in fact the real utopia. The reality is the Chequers deal sucks, no deal sucks much worse and we don't have ability to do the sensible thing and scrap the whole idea of Brexit. That's the harsh truth of the matter. But no one in government will tell you that.

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