

Peck, Frank ORCID: <https://orcid.org/0000-0003-1976-154X> (2019) Brexit and regulatory change: the challenge for business. In Cumbria, 2019 (Nov). pp. 76-77.

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Brexit and regulatory change – the challenge for business



In his monthly column, [Professor Frank Peck](#), of the University of Cumbria's Centre for Regional Economic Development, on how understanding the regulations could bring competitive advantages

At time of writing, Parliament has agreed a Brexit deal in principle but rejected the proposed timetable for passing legislation.

It can be claimed perhaps that “Brexit is (partly) done” but not completed. But even if by some means the legislation is approved sometime during 2019 in what sense is Brexit done?

The reality for businesses is that Brexit is not done, but it merely moves on to the next stage.

The passing of the withdrawal agreement through UK legislation

marks merely the start of a process and not the end.

After all, it has taken several decades of EU negotiations between member states to harmonise different national rules and regulations that govern the economy.

Disengagement from EU structures is therefore likely to be a lengthy process that will not only affect economic relations with other EU member states but also countries and trading blocks that have agreements with the EU; the UK is currently part of at least 33 trade agreements reached between EU trade negotiators and third

‘The passing of the withdrawal agreement through UK legislation marks merely the start of a process and not the end’

parties around the world.

The public debate about Brexit and business up to now has tended to concentrate on the implications of trade barriers and tariffs and their consequence for businesses.

It is true to say, that these barriers may be erected instantaneously with the start of the Brexit process especially under a no-deal scenario.

More recently, however, serious attention has begun to be paid to the longer-term processes of regulatory change that might follow the UK's departure from the EU Customs Union and Single Market.

Brexit may involve a period of



rapid regulatory change as the UK begins negotiation on the future terms of trade with the EU as well as with trading partners around the world.

In these circumstances, the regulatory environment has the potential to become much more complex and less predictable.

What does this mean, then, for businesses in the medium term? It suggests that once adjustments have been made to accommodate changes in tariffs, business owners will face the ongoing challenge of uncertainty in regulatory environments.

In this context, it is worth reflecting on the findings of recent research that suggests that the timely acquisition of regulatory knowledge can be associated with significant competitive advantage.

This is especially the case for high growth firms operating in dynamic product markets worldwide.

The significance of regulatory knowledge as a competitive strategy should come as no surprise to many businesses in Cumbria.

In the nuclear industry, safety and security are paramount and businesses that can demonstrate good understanding of regulation and anticipate new regulatory requirements clearly have competitive advantages in tendering for contracts.

In the food sector, efficient processes for accessing knowledge of new food safety standards and environmental health regulation can be vital to ensure business success.

The farm sector, too, is in no doubt about the necessity to be well-informed about the details of any future “common rule book” that might be negotiated between the UK and EU partners even on a temporary basis.

In the most recent review of corporate change in Cumbria (CRED Research Corporate Change in Cumbria, third quarter July-September 2019), there were many reports on innovation in businesses involving the launch of new products where knowledge of regulatory requirements has, no doubt, been vital to success – compliance with trading

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standards, product safety, environmental standards.

Examples include new breathable fabric for children’s clothing (Kidunk, Kendal), the launch of new food and drink products (Spirit of the Lakes, Thornthwaite; Lake District Creamery, Aspatria; Lovingly Artizan, Ulverston; Hawkshead Relish, Hawkshead), home fragrances (Wax Lyrical, Lindal) and plant-based skin-care (Pure Lakes Skin Care, Staveley).

Equally interesting in this context are the recent examples of Cumbrian companies winning awards for good compliance and innovation in maintaining, and even setting, new standards.

There are been safety management awards for Shepley Group (Moor Row) and TSP Engineering (Workington) as well as announcements of innovation in waste water

treatment (Skelwith Fold Caravan Park, Ambleside), recycling and environmental management schemes (James Cropper, Burnside; Out of Eden, Kirkby Stephen), innovation in the use of renewable energy (New Balance, Flimby) and setting new manufacturing standards for pipework (Graphskill, Cleator Moor).

Brexit clearly creates many challenges for businesses and these include the increased pace of regulatory change.

In this context, the ability to understand, anticipate (and perhaps even influence) regulatory requirements for products and services can become part of a competitive strategy where firms view compliance with regulation as a source of competitive advantage rather than as a cost to be minimised.

Cumbrian firms’ application of regulatory knowledge: recently reported cases

Shepley Group	Moor Row	Shepley Engineers, PPS Electrical and West Cumberland Engineering have received RoSPA awards for health and safety practices.
TSP Engineering	Workington	Company has won a RoSPA health and safety gold award for its safety management record.
Skelwith Fold Caravan Park	Ambleside	Holder of gold level David Bellamy Conservation award for its environmental initiatives. Latest achievement involves wastewater treatment.
James Cropper	Burnside	Company has won an award from the Institute of Environmental Management & Assessment for applying the principles of the circular economy to its management of waste materials.
Out of Eden	Kirkby Stephen	This hospitality supplier has introduced new refillable toiletry collections including vegan formulas and plastic-saving packaging.
New Balance	Flimby	Shoe company has signed up to the UN Fashion Industry Charter for climate action. Commitment to aim for 100 per cent energy from renewables by 2025.
Graphskill	Cleator Moor	This company has developed new standards in the manufacture of pipe supports that have been adopted by the Standard Universal Measuring System (SUMS).

Source: cases abstracted from CRED Economic Bulletin No 2: Corporate change in the Cumbrian Economy: third Quarter (July-Sept) 2019