State of Small Business Britain Conference 2015 – Business Guests

Cornelius Group - Neville Prior, Chairman

Cornelius Group, based in Bishop's Stortford, Hertfordshire, manufactures and distributes chemicals for use in a variety of products ranging from cosmetics and toiletries, to paints and plastics. It has grown rapidly since the late 1990s from a small UK-focused firm to a business with global ambitions.

Neville describes Cornelius as "a 30 year-old firm with an 80-year history". Established as long as ago as 1935 by Dr Cornelius, an Austrian Jewish émigré, until 1984 the firm operated as two distinct arms –a trading company supplying oils and fats to the food industry and, a small chemicals business.

At that time, current Cornelius Chairman, Neville Prior, was finishing his PhD and looking to become an academic in the US. These plans changed when his father, who was employed by the company and recognised it was failing, persuaded Neville to join a management buyout which bought the whole company and quickly sold off the trading business. This took turnover down to just £5m and left the company as a small chemicals distribution business selling products exclusively in the UK. Downsizing meant a relocation from plush offices in central London to Romford with the 15 remaining staff.

For the next 5-6 years little happened as Cornelius was working out its market positioning. But as time went on, Neville grew increasingly nervous about the size of the company, which he felt made it vulnerable to economic shocks. "We decided to grow and to be a leader and innovator, and not a follower," said Neville.

But as a distributor, Neville recognised it was difficult to innovate since Cornelius had no control over the manufacturing processes of the products it was supplying. So, moving the business from Romford to warehouse units in Bishop's Stortford, Hertfordshire, the company built a laboratory so it could create its own chemical formulations to help customers improve their existing products, and develop new ones. By 1998, the company was still relatively small, employing around 30-40 people and with revenues of around £10m.

At this time many firms were moving their manufacturing arms to China, Eastern Europe and elsewhere, and this was eroding Cornelius' traditional customer base. So the firm decided to branch out into the chemical processes involved in making contact lenses, investing in new technological equipment to do so.

The firm also invested significantly in its R&D processes, developing new chemical molecules which provided the basis for new products – something it continues to do to this day. This has involved opening a chemicals manufacturing site near Cambridge.

‘From around 2005’, Neville said ‘customers have become ever more keen to get products from emerging markets like China and India because of their much lower cost’. So Cornelius started sourcing more products from China in particular, and has established strong links with Chinese manufacturers and agents, helping them to improve their quality, sustainability and working conditions in the process.

Just before the recession struck, Cornelius started looking in earnest at overseas expansion and set up its first business partnership in Poland in 2007, which has gone on to be worth about £15m today. It also acquired a business in Russia and has set up an arm in France. This expansion has allowed it to serve most of Europe and manage supply chains more effectively and is still going on – Cornelius is currently building a factory in Belgium which will manufacture raw materials for the food industry.

And the firm’s ambitions continue to grow. With turnover already at around £65m, it has a master-plan to grow this to £250m over the next decade. Cornelius now employs around 150 people – around 100 in the UK and 50 overseas. From generating its turnover in the UK market in the late 90s, the split is around 60 overseas - 40 UK today.

Interestingly, a significant portion of the firm’s growth has occurred since the financial crisis of 2008, when its turnover stood at around £17m. This is despite the downturn initially hitting the firm hard. “In the first year of the Recession we made our first loss,” said Neville. “And I just thought, something has got to change, I can’t live like this. It was that catalyst that made us do things we wouldn’t otherwise have done.”

Initially, this meant restructuring and making redundancies to bring the business back to profitability and satisfy the bank. After this, the company was able to reassure the remaining staff their jobs were secure, and this seemed to energise the business for growth. “It was a nasty shock, but afterwards we just felt we needed to do something exciting and having the right people with the right skills in place meant we could create that ‘can-do’ attitude in the business – it was about people, culture and aspiration.”

External finance also played a role in the firm’s subsequent growth, aided by a strong relationship with bank managers.

Success is all about aspiration and good people, according to Neville, “You have to have the aspiration and the drive to do something. You have to have the right people and I think as you grow you have to have the ability to let go and let other people do things, because that is often the problem with small businesses – it’s somebody’s baby and they don’t want to let go.”

A clear strategy for success was vital, he added, and said that part of this was having a clear set of company values that all staff can help shape and subscribe to.

Choice Packaging Solutions Ltd – Founder Raja Rizwan Iqbal

Raja Rizwan Iqbal started Choice Packaging Solutions (CPS), formerly known as Choice Waste Management Ltd in 1997, working alone from a table under the leaking roof of a tyre garage in Slough. From this base he has built a highly profitable waste management business that today employs 23 people directly plus 8 contracted staff, and has a turnover of £15 with offices in UK, Belgium, Portugal, Spain, Canada and India.

Raj, as he is known in his industry, qualified from Maritime Colleges in South Shields and Tasmania and spent the first part of career as an officer in the Merchant Navy. During his shore leave, he worked part time seeking cheap raw materials for a friend's plastic moulding business in Pakistan, and on getting married, he left the merchant navy and started a business collecting waste plastic and shipping it to China. Back in the late 90's, there was still very little recycling. All over Europe, high quality plastics were being routinely discarded into landfill. Raj realised that he could turn a profit by obtaining waste plastics from UK businesses, and capitalising on the high levels of manufactured goods imported into the UK by bulk filling empty sea containers for the return voyage at a very low cost, before selling the raw materials back to Chinese manufacturers.

The Chinese economy continued to grow and demand was very high. As its reputation amongst Chinese manufacturers spread, CPS became one of the main exporters of waste plastic to China. In the UK, the Environment Agency, major retailers and super market chains started looking for ways to divert waste packaging from landfill. CPS was in the right place at the right time. Raj says 'for almost three years it was me, a desk and a telephone. My turnover was £700,000 – 800,000 before a second person joined'.

50% of CPS' customers are now in China, with 30% in the UK, 10% in Europe and 10% in the Middle East. 'I deal with almost every packaging company you can think of and I've put a lot towards helping people get a profit from their waste', he explains. 'I put £100,000 into a customer's factory to change the way their waste was streamed. Before it all got mixed up and went into a compacter. Labour costs are too high in the UK to sort this waste, so I separated the waste into 3 streams and was able to sell it on. The company was paying £120,000 per annum just to get rid of their waste into landfill, so they were happy to do a profit share with me selling on their waste. In the first year, I gave them back £460,000.'

In 2008, when the Recession hit, Raj admits it was a difficult year with turnover down by between £2-3m and profits were down by around £1m. The volume of waste being received was higher than normal but as customers' orders declined they needed less raw materials and the supply chain took a hit. 'We had to compromise' says Raj, 'jeopardise our profit and accept a little loss just to stay in the market'. But the downturn was short lived for CPS. The firm was able to weather the tough time and a year later things started to improve.

Raj attributes the success of the business to the contribution of 'my parent's prayers, my wife, and my team that have been there through thick and thin. No business can be successful, without a great team'.

Raj includes a 'special mention' of Mr Tariq Durrani Khan, and his brother who joined the business in the early part of 2000. Now also with the help of a cousin, they collectively handle CPS' largest customers.

For Raj, the continued compassion, consideration and support in the work arena from his friends and colleagues in the industry, right from the beginning to date is paramount. Its clear Raj has a strong focus on partnerships and relationships, and his ambitions to grow the business further are moderated by his desire to balance his work and personal commitments. He says 'I could double the business overnight, but actually I want to work hard, grow at a moderate pace. I don't want to compromise on essential family time'. 'Success is not the key to happiness. Happiness is the key to success. If you love what you are doing, you will be successful'.

On Europe, Raj says he's not a politician. But he's clear the image of the UK abroad is a competitive advantage, as is Sterling - Europe is important to UK trading as the largest single market in the world. He thinks we should 'stay like we are'.

Pick Fisk – Managing Director Chris Pick

Leeds based Pick Fisk managed not only to survive the Great Recession, but to retain and hire staff and invest nearly half a million pounds in new premises.

The company processes frozen fish products for use by ready meal companies and contract caterers in the UK, and imports prawns from countries around the world and wholesales them to China and other markets.

In 1997 owner Chris Pick was in partnership with his mother, whose share was subsequently was bought out by a Danish company, hence the unusual name, Pick Fisk. The Danish company was effectively a silent partner and its share was subsequently sold to a Dutch group in 2008. Mr Pick retains a controlling 50% stake. While Pick Fisk has benefited from investment and access to the international resources and networks of its Dutch minority shareholder, it remains profitable as a standalone entity.

In 1998, Pick Fisk employed five people and had a turnover of approximately £2million. This year, the business is on course to turn over £15 million and employs around 40 people.

The recession hit the company hard, with the full effect on company revenues only being felt relatively late. While 2008 and 2009 were relatively good years for the firm, there was a sting in the tail, "there was a price war in the industry in 2010 and 2011 and during this period we lost a significant proportion of our business – but many of our competitors also went bust," said Mr Pick.

It was touch and go for Pick Fisk too. But Mr Pick decided not to lay off his highly skilled staff, "although it meant we continued to lose money until early 2013, I made the decision to keep people and keep going. In bad times a lot of businesses are forced to shed skilled staff and when there's an upturn they can't capitalise on it."

Since then, Pick Fisk has rebounded and has seen its turnover grow from around £300,000 per month in July 2012 to over £1.1million now.

Diversification of the business has been critical. Mr Pick realised that the business suffered a big seasonal dip in the summer due to its reliance on caterers at schools, so decided to start wholesaling prawns to complement the firm's existing offer.

“We’ve changed the business to be a very different animal to what it was 3-4 years ago and diversification has helped massively,” he said. “On top of that, seafood is an international business and as the worldwide economy has started to pick up demand has grown substantially. They thought it would be 2024 before average fish consumption on the planet reached 20kg per person, but we passed that last year.”

Much of this demand was coming from East Asia, he added, with 63% of world farmed seafood production now consumed within China alone, “twenty years ago, all the Chinese could afford was a bowl of rice. Now they want some prawns on top of it.”

The firm also took the decision to invest in a new £400,000 factory site in 2010-11, which was self-financed. This had increased capacity and brought the business up to the right standard to meet stringent regulatory requirements.

Mr Pick said that an important factor in the firm’s growth in the last two years had been the relative ease with which the company had been able to secure working capital from UK banks, describing it as a “sea change” and UK banks ‘finally backing UK business’.

The European dimension has been important for the company. Mr Pick estimates that around half of his employees are now originally from Poland, and a significant proportion of the fish that goes through his Leeds factory receives initial processing in Lithuania.