

## Need to Focus on Business Fundamentals - Forfás

### Launch of Forfás Annual Report 2011

“The fundamentals of business remain constant. Businesses need to develop innovative products, source and manage key staff and skills, they need to identify and develop markets, increase productivity and control costs and achieve a good return on their investments. The policy advice provided by Forfás during 2011 is aimed at supporting these business fundamentals,” said Martin D. Shanahan, Chief Executive, Forfás, on the publication of the advisory board’s Annual Report 2011. Forfás is the national policy advisory board which provides Government with policy advice on a range of policy areas from an enterprise perspective.

Welcoming the Forfás Annual Report, Richard Bruton T.D., Minister for Jobs, Enterprise and Innovation said, “Ireland’s improved competitiveness performance is encouraging - however we have more to do if we are to realise the Taoiseach’s ambition of becoming the best small country in the world in which to do business by 2016. Forfás has done great work through the year, particularly in highlighting the key competitiveness issues that need to be addressed if Ireland is to continue to move up global competitiveness rankings, and I commend all involved for their continued good work. I am determined to ensure that we implement the necessary reforms to deliver continued improvement to our competitiveness, so as to create the jobs and growth we need”.

#### **Innovative Products**

Creativity and innovation in new products, processes and services is one of the key areas where Ireland can develop a competitive advantage. In 2011, Forfás managed the National Research Prioritisation Exercise which identified 14 opportunity areas in which a greater proportion of State investment in research and development should be targeted. Accelerating the returns from private and public investment in research and achieving greater industry-academic collaboration is at the heart of policy development in this area. At a firm level, Forfás stresses the need to ensure that enterprise can access the skills and capital required to introduce new products and processes to grow market share internationally

#### **Skills**

Forfás outlines that more needs to be done to better align education and training provision at all levels with future skills needs of the economy.

“The introduction of Springboard and other labour market activation programmes is extremely welcome and they have been targeted at areas of skills need for enterprise as identified by Forfás. We need to replicate and expand these kinds of interactions between enterprises and providers throughout all levels of the education and training system,” said Shanahan.

#### **Trade**

“Irish enterprises recorded a strong trade performance in 2011, but we need to continue efforts to diversify our trade in terms of both new markets and high growth sectors. We need to build on our extremely strong performance in attracting foreign direct investment from existing markets to a stronger focus on targeting new and high growth markets. Our

ability to compete in international markets and grow exports of high value added goods and services is critical to our future economic prosperity and Forfás' work on the performance and potential of high growth markets will help identify opportunity areas for enterprises" commented Shanahan.

### **Productivity and Cost**

Forfás highlights the need to focus on cost containment and regulatory reform in key areas of business costs including energy, waste and business services. With limited capital budgets, investment needs to be targeted at areas to promote productivity and growth. Productivity growth offers an additional tool to reduce unit costs and improve Ireland's international competitiveness. During 2011 Forfás and the National Competitiveness Council published reports on productivity and the costs of doing business in Ireland.

"It is paramount that Ireland maintains its productivity advantage if economic growth is to resume and people are to get back into the workplace. We need to boost our productivity performance across all sectors. Implementation of the Action Plan for Jobs, which contains a range of productivity enhancing measures, will contribute towards this goal."

### **Areas of Opportunity**

Eoin O'Driscoll, Chairman, Forfás commented "Ireland is addressing its own substantial challenges in the context of a severe and uncertain external environment. We need to remain focused on opportunities for growth and areas where Ireland can compete successfully and the enterprise development agencies have a significant role to play in developing these opportunities. Many sectors exhibit potential to grow, including well developed sectors such as ICT, lifesciences, financial services, agri-food and engineering and new sectors such as digital games, green technologies, private health and international education. Manufacturing remains hugely important and presents, with the right cost base, an opportunity to create significant numbers of jobs particularly when integrated with other parts of the value chain in high value sectors."

The Forfás Annual Report 2011 highlights the wide range of policy advice, research and analysis and other activities undertaken by Forfás in 2011 including the support it provided to the development of the *Action Plan for Jobs 2012*, which contains 270 actions aimed at creating a supportive business environment. "This is a process of continuous improvement. Ireland needs to move faster than competitor countries if it is to be the preferred location in which to start, grow or locate a business," Shanahan commented.

### **Employment and Expenditure by Agency Supported Firms**

In 2011 Forfás collected and analysed a range of data on employment and expenditure by agency-supported firms. The most recent available data on agency supported companies (Enterprise Ireland, IDA Ireland, Shannon Development and Údarás na Gaeltachta) continues to be encouraging for the most part.

- Full time employment among the agency assisted firms saw a return to growth (+1.5%) in 2011 after three years of net job losses . Full time employment among Irish owned companies increased by 0.4 per cent to 141,392 in 2011. Foreign owned companies total full time employment was 143,079 in 2011 up 2.7 per cent on the previous year.
- Direct expenditures of these firms in the Irish economy fell by 4.4 per cent in 2010 to €34.95 billion. Irish owned firms accounted for almost half of that expenditure.

- Agency assisted companies represented 77 per cent of the total corporation tax paid in the economy in 2010.
- Indigenous exports increased by 14.7 per cent to €12.37 billion, and foreign-owned firms' exports increased by 2.5 per cent from €112 billion to €114.62 billion between 2009 and 2010. Foreign-owned firms accounted for 90 per cent of total exports in 2010. This has remained unchanged since 2001.
- Value added increased by 3 per cent for foreign owned firms in 2010.

*Details of the findings from the surveys Forfás conducts on employment and expenditure by agency supported firms is included from page 34 of the Annual Report 2011.*

Forfás partnered with Euroscience to host the ESOF 2012 event Europe's largest general science meeting, which is took place 11<sup>th</sup> - 15<sup>th</sup> July in Dublin <http://esof2012.org/>.