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# Implementation: from Recommendations to Action

## 6.1 Bodies Supporting Small Business

The principal bodies charged with supporting small businesses are Enterprise Ireland and the network of City and County Enterprise Boards located throughout the country. Each has different areas of focus, and each provides its clients with a range of financial and non-financial supports. There are also a number of other agencies and programmes of relevance, including Business Innovation Centers, FÁS, Údarás na Gaeltachta and LEADER.

### *Enterprise Ireland*

The core mission of Enterprise Ireland is to accelerate the development of world-class Irish companies so that they achieve strong positions in global markets. The broad focus of Enterprise Ireland's SME activities is to assist Irish companies with between ten and 250 employees in the manufacturing and internationally traded services sectors that are actively selling into, or attempting to break into, international markets. Enterprise Ireland also provides support to start-up and micro-enterprises (fewer than ten employees) in the same sectors, provided they have the potential to achieve rapid growth and international expansion.

### *City and County Enterprise Boards*

The 35 City and County Enterprise Boards (CEB) provide financial and non-financial supports and assistance to micro-enterprises in their respective areas. The principal focus of the CEBs is on micro-enterprises operating in the manufacturing and internationally traded services sectors, although there is some flexibility in this respect.

### *Business Innovation Centres*

Business Innovation Centres (BIC) operate in five cities – Dublin, Galway, Cork, Limerick and Waterford. The BICs foster innovative and technology-orientated start-ups and small businesses by providing services directed at the development of new ideas and their conversion into real business projects. This involves advice, guidance and one-to-one mentoring. The BICs do not provide financial supports from their own resources, but are funded through Enterprise Ireland and also raise income by charging early-stage companies for some services.

## FÁS

FÁS is the State training and employment authority. It provides a range of training and employment programmes, recruitment services, and support for co-operative and community based enterprises. FÁS has a broad client remit, offering services for businesses, job seekers and employed people seeking training, and its business service programmes are available to all sectors of industry and commerce and to all sizes and types of firm whether indigenous or foreign-owned.

Specific programmes operated by FÁS for small businesses include:

- Start Your Own Business programmes, which provide advice and training to those interested in setting up their own enterprises.
- The Small Firm Cluster Programme, designed to help owners/managers of small businesses improve management skills and practices.

## LEADER

LEADER is the EU Community Initiative for Rural Development which provides approved local groups with public funding to implement multi-sectoral business plans for the development of their areas. The aim of LEADER is to encourage the emergence and testing of new approaches to integrated and sustainable development in rural communities. There are 38 LEADER companies currently operating in Ireland. These are independently managed but responsible to the Department of Community, Rural & Gaeltacht Affairs.

## Údarás na Gaeltachta

Údarás na Gaeltachta works to develop the economies of Gaeltacht areas and to encourage the preservation and extension of Irish as the principal means of communication in the Gaeltacht. In this context, Údarás promotes productive schemes of employment through the development of local natural resources, skills and entrepreneurial abilities, and supports community development initiatives. Údarás-supported industries include audio-visual activities, textiles, engineering, electronics, tourism, aquaculture and other natural resource-based enterprises.

The Small Business Forum gave consideration to the nature of State involvement in the development of small business and its future role in that context as the economy evolves. It was also the subject of some comment in the submissions received by the Forum and in detailed discussions with key stakeholders.

A number of concerns have emerged, as outlined overleaf.

## 6.2 Duplication of Services and Levels of Co-ordination

There is general acceptance that the roles of Enterprise Ireland, the City and County Enterprise Boards and the other enterprise-related entities are relatively well established and defined at the strategic level – that is, there is clear understanding of the broad remit of the agencies, and the eligibility for support from the agencies.

However at a more operational level, concerns have been raised regarding possible duplication and overlap of services, as it is possible for some companies to meet the eligibility criteria of different agencies. While acknowledging that a formal working agreement has been drawn up between Enterprise Ireland and the City and County Enterprise Boards, and a Memorandum of Understanding was agreed between Enterprise Ireland and the Business Innovation Centres in 2004, deeper co-ordination between the principal enterprise development agencies for small business is required.

The optimum structure to ensure closer coordination was considered in some detail in a 2003 Review of the County and City Enterprise Boards.<sup>78</sup> This review made a number of key recommendations in relation to the mechanisms for delivering support to SMEs. These include:

- The City and County Enterprise Boards should renew their focus on their core enterprise and entrepreneurship responsibilities, minimising the wider local economic development activities with which they had increasingly become engaged.
- The City and County Enterprise Boards should gradually shift the emphasis of their activities away from the provision of grant aid support towards repayable supports, the provision of business information, advice, training and capability enhancement.
- A central City and County Enterprise Board Co-ordination Unit should be established within Enterprise Ireland, to provide leadership, direction, technical support and shared services for the network of City and County Enterprise Boards. This should help ensure a greater level of consistency across the network as a whole.
- The National Micro-Enterprise Co-ordinating Committee should operate fully and meet regularly. Furthermore, it should cover all agencies and not be restricted to City and County Enterprise Boards and LEADER supports.

The Small Business Forum endorses these recommendations, and believes that their full implementation will ensure greater co-ordination between the principal bodies responsible for the development of the small business sector, and lead to greater effectiveness, efficiency and impact.

As discussed above, the Fitzpatrick Review recommended that the City and County Enterprise Boards should gradually shift the focus of their activities away from the provision of grant aid toward repayable supports and the provision of information, advice and training. LEADER companies – as part of their broader rural development remit – also provide some supports for enterprise development. Accordingly, the Forum believes that to the extent that LEADER is involved in enterprise development it too should aim to move away from traditional grant aid toward greater use of repayable financial supports and ‘soft’ supports.

78 Review of the Role of County and City Enterprise Boards in the Development of Micro-Enterprises, Fitzpatrick Associates, November 2003

## 6.3 Focus of State Enterprise Supports

The enterprise support agencies and related bodies typically operate within remits specified by the relevant Government department or within the confines of legislation. Enterprise Ireland for example operates in the context of the 1986 Industrial Development Act (as amended) and the Department of Enterprise, Trade & Employment's 1998 Policy Statement.

Current enterprise policy largely focuses support on the development of companies in the manufacturing and internationally traded services sectors. These companies are significant wealth generators for the Irish economy and they typically operate internationally (or have clear plans to do so in the future). This focus is clearly correct.

However, by far the biggest proportion of the enterprise sector operates outside the manufacturing and internationally traded services sectors, and so is currently ineligible for support. Typically, these are enterprises operating solely on the domestic market, although a number of them aspire to significant growth. The question now arises whether the State has any role in supporting the growth of such companies, and if so, on what basis should it intervene to provide that support.

### 6.3.1 Changes in the local trading environment

Our future success will require that businesses trading locally are world class in terms of efficiency, effectiveness and innovation. In the past, significant parts of the locally traded services sector operated in a relatively sheltered regulatory and competitive environment. Today, globalisation and advances in technology mean that locally trading firms have to compete not just with other indigenous companies, but with international chains and technology-driven traders.

This new type of competition is causing significant displacement of indigenous companies, as Irish towns and cities see the arrival of international chains in retailing (food, clothing, hardware, music, books, stationery, furniture, etc.), in personal and professional services, in restaurants (particularly fast food), in hotels, and in entertainment. These international companies present indigenous companies with intense competition, often leading to the closure or acquisition of indigenous companies that lack the scale and competencies to compete.

### 6.3.2 Developing competencies in Irish businesses

Such competition is both necessary and welcome. However, over the coming years, we must ensure that a number of Irish businesses adopt similar strategies and become 'brand builders', so that they can achieve the scale required to compete not just on our domestic market but on domestic markets internationally. This is a significant challenge, not just because our locally trading companies are less developed for historical reasons (such as restrictive practices, absence of sophisticated customers, weak competition and under-developed management skills), but also because of the small size of our domestic market.

### 6.3.3 Benefits of trading in international markets

If Irish companies that currently trade locally in Ireland expand to establish and trade locally in overseas markets, the Irish economy will benefit in a number of ways, including:

- Profit repatriation;
- Headquarters operations;
- Sub-supply opportunities; and
- Management development through exposure to international trading best practice.

While these benefits are not as substantial as those accruing from manufacturing or internationally traded services (because most of the employment created by this activity will be employment in other economies), they are nevertheless significant. Further, at Ireland's stage of economic development, the services sector is increasingly important, and so the productivity and profitability of the services sector is a key element in overall economic health and wealth generation.

Ireland needs, therefore, to grow a cadre of companies that have the resources and the capabilities to deliver locally traded services in international markets.

#### 6.3.4 Support for locally traded services

The locally traded sector already receives supports through a variety of agencies/programmes, including City and County Enterprise Boards, LEADER, FÁS and Skillnets.

The challenge is to re-direct some of the support to a much smaller number of companies who have the ambition, capabilities and potential to achieve significant growth that will lead to them expanding into international markets.

The strategies for dynamic growth are entirely different from the strategies for incremental growth, and the potential dynamic growers – who will be self-selecting by virtue of investing their own funds – will need to be given support and encouragement.

#### 6.3.5 Support for growth in manufacturing and internationally traded services

In manufacturing and internationally traded services, Enterprise Ireland has already recognised the importance of dynamic growers and the imperative to grow companies of scale. Based on their recently launched strategy,<sup>79</sup> the agency now has:

- A dedicated High-Potential Start-Up Division, which has the resources to work with entrepreneurs who are establishing enterprises with high export growth potential, from start-up to the growth phase of their development; and
- An SME Scaling Division, which will help to accelerate the growth of Irish SMEs. Enterprise Ireland rightly believes that a cohort of companies with sufficient scale to compete internationally will have a significant positive impact on the Irish economy.

#### 6.3.6 Support for dynamic growth in locally traded services

The Small Business Forum believes that it is now appropriate, in light of international competition, to apply this same logic to accelerate the growth of a cohort of locally trading companies capable of achieving significant growth that culminates in them establishing and trading locally in overseas markets.

Given that the benefits to the State from this cohort will not be as significant as those from manufacturing or internationally traded services, State intervention should consist primarily of intensive use of soft supports such as:

- Management capability development, specifically dealing with running a growth-oriented business;
- Access to professional mentors with sectoral knowledge in domestic and international markets;
- Access to innovation supports;
- Access to Enterprise Ireland's overseas network; and
- Introductions to public/private venture capital funds.

These supports should be made available following a competitively structured programme, which would be open to companies with significant growth potential.

79 Transforming Irish Industry, Enterprise Ireland Strategy 2005-2007, Enterprise Ireland, May 2005

## 6.4 Implementation of the Small Business Forum's Recommendations

The Small Business Forum has made key recommendations that have three fundamental objectives: creating a better environment for small business, stimulating the growth aspirations and capabilities of small business, and inspiring entrepreneurship. These have been designed specifically to stimulate sustained growth in the small business sector.

An implementation body is required to monitor progress in terms of implementation, and to encourage timely delivery of the recommendations. This body should meet with both the Minister and Secretary General of the Department of Enterprise, Trade & Employment, every six months to 2009. Given the experience, interest and involvement of the Forum members, the Small Business Forum is the most appropriate and best placed body to serve this implementation role. In order to facilitate this implementation process:

- The Department of Enterprise, Trade & Employment should publish an implementation status report twice a year for consideration by the Implementation Body and which would provide a basis for the bi-annual discussions between the Minister and the Implementation Body;
- Targets and indicators against which the progress and impact of recommendations can be measured should be established;
- All new and amended schemes and initiatives recommended by the Forum should be formally reviewed and assessed after three years, to ensure performance against objectives and value for money;
- A member of the Enterprise Advisory Group (established by Government following the report of the Enterprise Strategy Group) should be invited to sit on the Implementation Body, in order to help drive implementation of the Small Business Forum recommendations regarding evolutions in enterprise policy.
- This implementation body should replace the current Round Table for SMEs. Consideration should be given to augmenting the composition of the implementation body with representatives of other organisations active in the small business sphere.

The Small Business sector is vital to the sustainable economic and social development of the country. Delivery of the recommendations in this report should ensure the continued growth and prosperity of this important sector.