

PLATO
The Business Development Network

Global Impacts
The Irish Experience

J.J. O'Connell



Introduction



- a) Presentation Outline
- b) The Role of the IFC
- c) The Context
- d) Global Influences
- e) Capability Development – SME Context
- f) Challenges, strategy and policy

Economic Progress



Ireland's economic progress over the past decade was the result both of good planning and of providence

- Membership of the European Union afforded Ireland significant regional aid, combined with ease of access to substantial Markets
- Consistent, long-term partnership and policies delivered a favourable corporate tax, fiscal and wage setting regime and a well-qualified workforce
- Global Trade expanded at an unprecedented pace. In particular, advanced sectors such as information and communications technology (ICT) and life sciences, sectors which Irish Government FDI specifically targeted, boomed through the mid and late 1990's
- Ireland's demographic profile facilitated the swift pace of economic growth

2008 Ireland's Global Strategic Competitive Position



Effective Agile Government

From a government perspective, the small size of the country represents a potential source of competitive advantage. By placing enterprise at the heart of Government and by implementing a co-ordinated approach to enterprise policy, Ireland has the opportunity to outpace competitor countries in the swiftness, efficiency and responsiveness with which it anticipates and meets the requirements of competitiveness.

Chairman ESG/Forfas

1988



‘Small countries, unless they be exceptionally rich in natural resources, must rely heavily on the quality of their thinking to adapt to changing international circumstances. The Irish have proven themselves talented as individuals in many areas of endeavour. But have yet to develop the talent to effectively harness their individual talents for collective purposes’

(p.638 Ireland 1912- 1985 Politics and Society, Professor Joe Lee)

A New Order of Things



A New Order of Things

Machiavelli (1469- 1527)

“There is nothing more difficult to carry out, nor more doubtful of success,....than to *initiate a new order of things*. For the *reformer* has enemies in all those who would profit by the old order, and only *lukewarm defenders* in all those who would profit by the new order, this lukewarm-ness arising..... Partly from the incredulity of mankind, who do not truly believe in anything new until they have had actual experience of it.”

The Prince (1513)

Three important dimensions that enabled the partnership model



- Strategy – the thinking on substance
- Structure – the institutional framework
- Culture – the (change of) attitudes and behaviours of those involved in the social partnership process

.....to initiate a new order of things.....

Partnership Agreements



1988-1990	Programme for National Recovery
1991-1993	Programme for Economic and Social Progress *
1994-1996	Programme for Competitiveness and Work
1997-2000	Partnership 2000 **
2000-2002	Programme for Prosperity and Fairness
2003-2005	Sustaining Progress
2006-2007	Towards 2016

* 34 City & County Enterprise Boards proposed and first Plato Pilot Scheme in South Dublin

** SkillsNets initiative commenced

Economic Performance Social Partnership Agreements



	1987	1997	2007
Unemployment	16.9%	7.8%	4.6%
In Employment	1.1 million (33% of population)	1.5 million (42% of population)	2.1 million (50% of population)
Population	3.4 million	3.6 million	4.2 million

Strike Days

1960-1969 10yrs	1970-1979 10yrs	1980-1986 7yrs	1987-1998 12yrs	1999-2007 10yrs
420,000 per annum	584,000 per annum (1.4m – 1979)	387,000 per annum	116,000 per annum	60,000 pa 07/06/05/04/03 6/7/27/21/37

Population Growth



2006	4.2m
2002	3.9m
1996	3.6m
1991	3.5m
1981	3.4m
1971	3.0m

2060 Predicted 6.75m i.e. a growth
rate of 55,000pa
(22 times faster than the EU average!)

Historically

1851	6.55m
1821	10.8m

Global Strategies SME Prioritisation



1948 Japan – 1963 SME Agencies 1979 ICs 47 regions

1953 USA SBA – 1963 SCORE Programme

1960 Germany (West) *Mittlestandpolitik*

1994 Ireland Government Task Force on Small Business Report

2004 ESG Report

2006 SRF Report

2007 China – Shanghai

Global Competitiveness



Sustainable Enterprises

Competitive Advantages

1 2 3 4 5

1. Expertise in Markets
2. Expertise in Technology – Product Service Development
3. World class skills, Education & Training
4. An attractive taxation regime
5. Effective, Agile Government

Essential Conditions

Cost Competitiveness

Physical & Communications Infrastructure

Innovation & Entrepreneurship

Management Capability

New Zealand - Similarities



- Both Island Nations - Access/transport
- Population
- Education system
- Highly Entrepreneurial — NZ Ranked #1 World 2004 & 2005 (GEM)
- Regional disparities - North v South/East v West
- Large close trading partner
- English speaking
- Agriculture
- System of Govt/Admin broadly/historically British based
- Climate/Environment

Differences

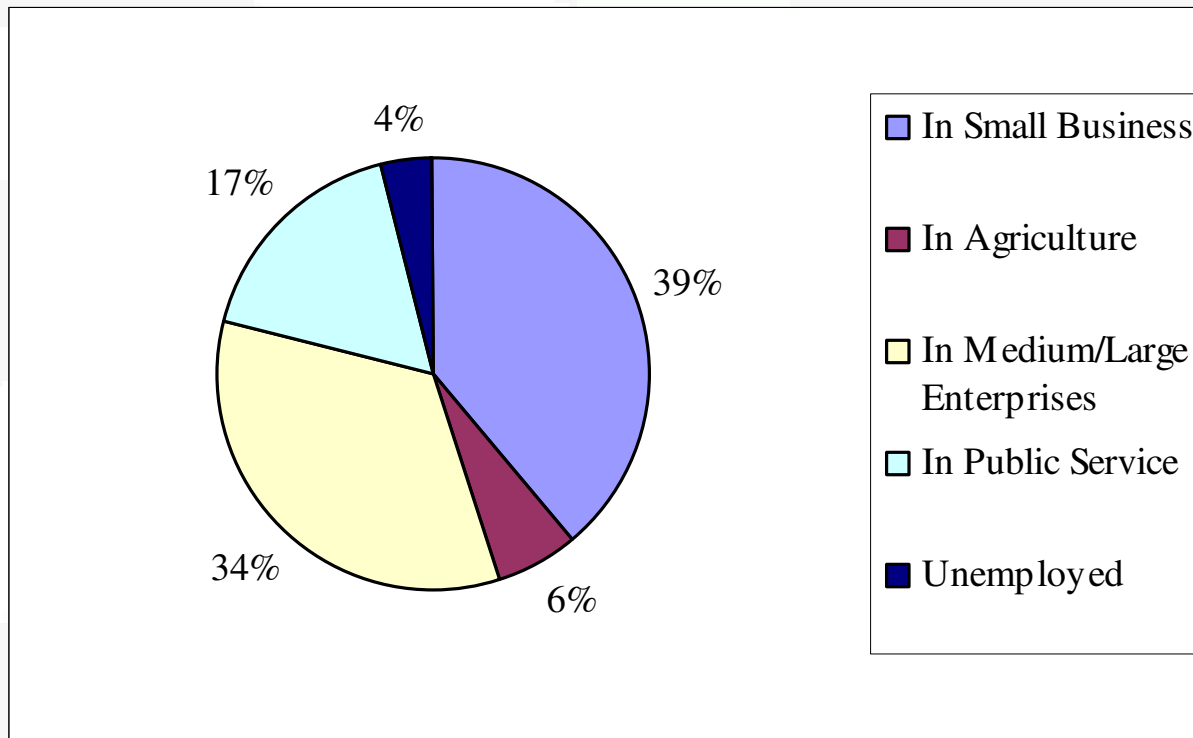


- Geographical location
- Close central proximity to two major markets
- EU Membership
- Major trading routes – shipping lanes
- Diaspora 44 million in the US, 8 million in the UK plus NZ/Aus/Canada/Argentina.....
- “Closer to Boston than Berlin”
- FDI
- Political history
- All Island Peace Process – US involvement

Small Business is Big Business



Over 97% of business operating in Ireland today are “small” – employ fewer than 50 people. There are approximately 260,000 small businesses in Ireland, employing 777,000 people (more than half of the total private sector, non-agricultural workforce).



Challenges Facing Small Businesses in Ireland



* Access to Finance - Informal investment has doubled in 1 year 2006/2007

Close family	54%
Other relation	4%
Work colleague	4%
Friend/neighbour	30%
Stranger	8%

- Infrastructure
- Management Capability
- Innovation, both technological and non-technological
- Entrepreneurship Support
- Regulation
- Local authority charges
- Access to relevant information

SME Growth



On average 2,700 SMEs (net) commenced per month 2004-2007

1/12 of the general population are involved

1/9 25-34 year olds are involved (SIE) (3rd level graduates)

Gem Report 2007

(Age Group)	World	EU
25 – 34	4 th	2 nd
34 – 44	3 rd	4 th
45 - 54	2nd	1st

OECD Report

Ireland's Global Entrepreneurial Ranking 2007



	Ireland's ranking in OECD	Countries ranked higher than Ireland in OECD (high to low)	Ireland's ranking in EU	Countries ranked higher than Ireland in EU (high to low)
Nascent entrepreneurs	6 th	Iceland United States Portugal Greece Finland	4 th	Portugal Greece Finland
New firm entrepreneurs	3 rd	Iceland Spain	2 nd	Spain
Early stage entrepreneurship (Nascent and new firm combined)	4 th	Iceland United States Portugal	2 nd	Portugal
Established entrepreneurs	2 nd	Greece	2 nd	Greece

Women Entrepreneurs 2003 - 2007



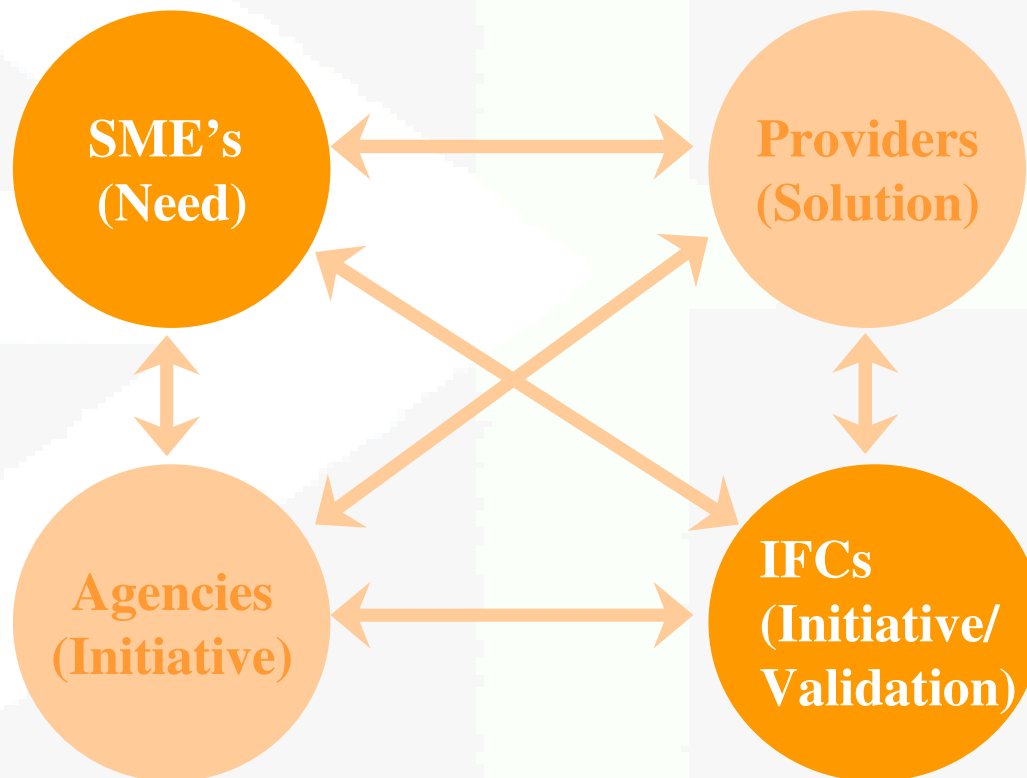
	Nascent Entrepreneurs	New Firm Entrepreneurs	Total Female Entrepreneurial Activity
	Percentage in Adult Population	Percentage in Adult Population	Percentage in Adult Population
2007	2.8%	3.3%	5.9%
2006	2.7%	1.5%	4.2%
2005	3.0%	2.7%	5.5%
2004	3.4%	1.9%	5.0%
2003	2.5%	1.5%	3.7%
Average 2003 - 2007	2.8%	2.2%	4.9%

US 7.3%

OECD 4.3%

EU 3.5%

Relationships Required for a Nationally Effective SME Capability Development Infrastructure to Exist



Perspectives



“Capability development is not formal training per se but is the process by which managers within the business learn and embed this learning within the potential of the business to ‘do something’. It is therefore a combination of ‘know how’ and ‘know who’.”

“Research studies note the close relationship between business development, organisation development and management development in the SME. Firms will develop their managers by a process of solving problems and grasping opportunities and on a ‘need to know’ basis which is contextual to their own business.”

Perspectives on the Supply Side



“Many support organisations are designed around the needs of the resource supplying agency which is invariably bureaucratic with focus on reductionist targets, accountability and control”

“there is considerable untapped capacity to create circumstances for companies to trigger management development via ‘experience exchange’.”

“Embedding the external management development offer in the small business network is probably best achieved through stakeholder relationships”

The Supply Side Issues



- **The importance of supply side organisations being configured in an entrepreneurial manner**
- **Much of the supply offer is not contextualised to the problems, opportunities or indeed context of the SME**
- **There is an absence of attempts to undertake detailed and insightful needs analysis**
- **There is an absence of clear focus on definitions of what are entrepreneurial skills**
- **There is an absence of capacity in the supply side to focus on business development**
- **There is an absence of good examples, cases, and critical incidents**
- **Overall there are relatively few Centres of Expertise in small business management development in business schools or colleges**
- **The frequent changes in public arrangements for support of training**

Improvement Actions



- Examine closely the potential to develop delivery organisations, IFCs
- Support development centres – based upon productivity
- Support ‘institutions’ to create mechanisms of IP storage
- Establish standards
- Ensure advisors/training providers are closely embedded in local and regional stakeholder networks
- Attempt to provide consistency in funding
- Focus on transferring high quality people into SMEs e.g. graduates, resettled managers....

SME 'Drivers' to seek support



- **The existence of a problem**
- **Pressure from competitors**
- **Pressure to copy from peers**
- **Major environmental changes**
- **Stakeholder pressure for change**
- **Pressure from succession within the family business**
- **Pressure from powerful influences**
- **Pressures from within the management team**

Keys to Capability Building



- **The importance of building the personal entrepreneurial core skills of the owner manager**
- **The importance of strategic thinking, orientation and planning**
- **The need to focus upon new market opportunities (particularly exports)**
- **The importance of relationship management as a success factor in SME development**
- **The importance of the pursuit of particular projects as a focus for growth**
- **The importance in the changing environment of information technology**
- **The role of external advisers**
- **The importance of learning from peers**
- **The potential impact of the introduction of new personnel into the organisation**

Challenge to Providers



- **To ensure that the supply offer is couched distinctly in terms of providing the ‘know how’ to solve problems and grasp opportunities**
- **To find means of ‘bringing forward’ the environment (threats and opportunities) on both a general and industry-sector specific basis to companies**
- **To find means to bring competitor or ‘best practice’ and awareness into the vision of businesses as a trigger to development**
- **To find means of improving, and making more relevant, methods of small companies benchmarking themselves against peers.**
- **To find better ways of using board members and external advisers to small companies as management development educators**
- **To find mechanisms for improving overall company management development through succession programmes**
- **To provide ‘future gateway’ approaches to small and medium enterprises to help them anticipate the future and prepare their managers for it**

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E.g. Global Activity 2008



Ireland is the 6th largest contributor to world disaster relief aid

Per capita it is the worlds No. #1 aid contributor

Irish Government Forward Units/stock piles in South Africa and Far East

Aid packages agreed under partnership

Famine and strife

Rapid Response Core of 50

Current/Recent

Sub-Saharan Africa - Famine

Pakistan Earthquake – Natural Disaster

Tsunami - Disaster

Thank You



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Role of an IFC



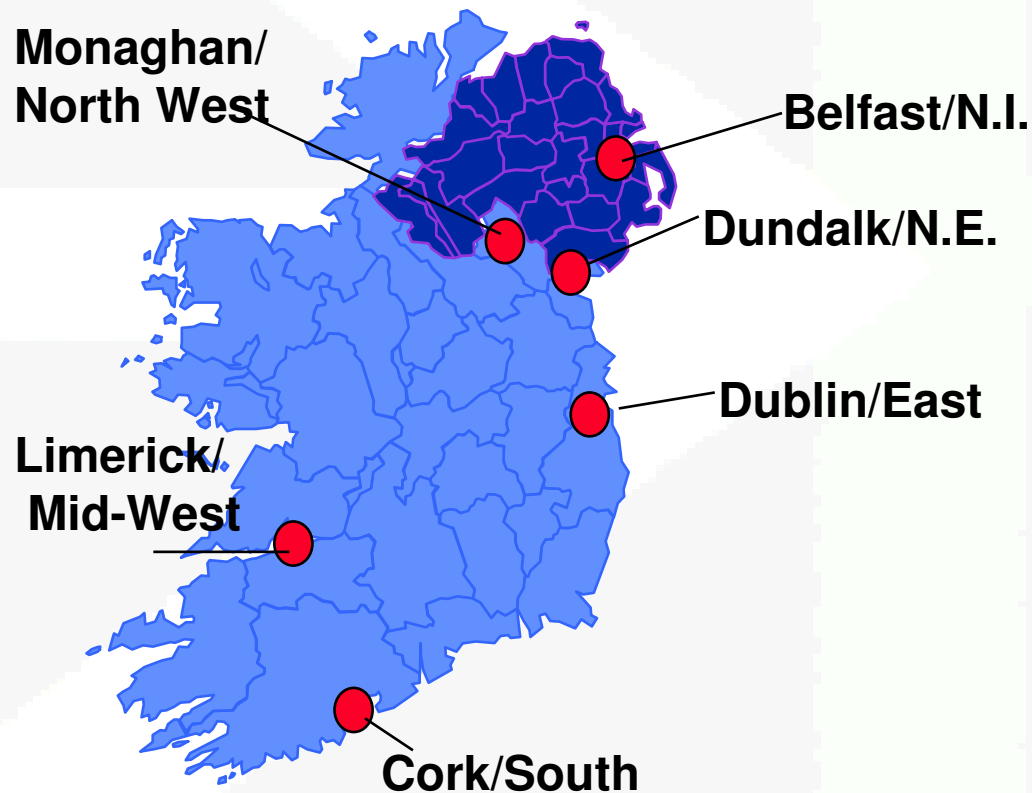
- As Ireland's leading IFC Plato facilitates and supports the successful development of indigenous SMEs
- Provide a confidential forum for managers to develop their businesses and improve their management skills
- Facilitate development by use of the parenthood principle
- To support the development of economic clusters
- To promote the development of a business retention strategies



Plato ... A Network of Networks



Plato Ireland



- 130 Parent Companies
- Over 2,500 SME's.

Plato International



- 500 Parent Companies
- Over 10,000 SME's

Core Activity



- Providing SMEs with:
 - Facilitated peer group learning
 - Specialist expertise and advice
 - Networking skills and opportunities
 - Management Capability
- Unique partnership with large Parent companies



PLATO Ireland



- Public Private Partnership
- Voluntary Board (IBEC, CEBs)
- All-island structure
- Six regional networks
- Over 1500 member companies
- Part of the Europe-wide network of over 10,000 SMEs and 500 parent companies



A Plato Network



Local Development Organisations

State Development Agencies

Business Organisations

Colleges

Local Business Community

