

Charting A Course For Growth

*What Irish SMEs can learn from their
multinational neighbours*



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Foreword

Brian Purcell, President, CPA Ireland



The recent news that the headline rate of unemployment has fallen to its lowest level for six years is most welcome for a variety of reasons. First and foremost for the fact that it means that more people are back in work. Total employment in the economy stood at 1.96 million in the second quarter of 2015 bringing the jobless rate down to 9.5 percent.

This confirms that the economic recovery is real not only in terms of cold output statistics such as GDP but also in its impact on the lives of our people and on business activity, particularly that of SMEs – the country’s primary generator of jobs.

The road that took us to this point has not been an easy one. One year ago CPA Ireland produced a report, *Weathering the Storm*, which looked at how a number of Ireland’s SMEs had managed to survive the recession and, in some cases, emerge from it stronger and better businesses than they were before the downturn.

That report was an exploration of survival strategies. Twelve months later we find ourselves in somewhat new circumstances. While threats still exist, both domestic and external, CPA members throughout the country were reporting a new mood of optimism among business owners. There was firm evidence of a new focus and agenda – one with growth front and centre.

But there are constraints to that growth. Regardless of how well it performs the domestic economy is only of a limited size. Irish companies seeking to chart a new course for growth must look elsewhere for opportunities.

This has long been the case of course and growth oriented Irish firms have for many years had

to export at a much earlier stage than their counterparts in the UK and much of Europe. This places severe pressures on those firms who must face all the additional costs associated with trading on distant markets whilst taking on local competitors who may enjoy considerable advantages in terms of scale and lower cost bases.

Those firms could benefit greatly from a path to growth considerably closer to home and one may be offered by Ireland’s base of more than 1,000 multinational companies. Over the years those companies have shown themselves to be strong supporters of Ireland and its economy and open to doing business with Irish suppliers.

There are undoubtedly opportunities for Irish firms to win new business from their multinational neighbours but the real value which those global corporations can bring may lie elsewhere. These companies are global leaders not just in their own business sectors but in how they do business. They strive for world class standards across every aspect from people development, through innovation, marketing, customer relations, and basic business processes.

In this report we look at what Irish companies might be able to learn from the multinational community which will make them better and more competitive businesses capable of realising their growth ambitions. More importantly, we also look at how they can learn those lessons and profit from building collaborative relationships with those leading edge firms.

A handwritten signature in black ink that reads "B. Purcell". The signature is written in a cursive, slightly stylized font.

Brian Purcell
President, CPA Ireland

Introduction

Eamonn Siggins, CEO, CPA Ireland



When compiling a report such as this one the utmost care must be taken that it is not taken as some form of implied criticism of Irish business. Highlighting potential opportunities for business is not the same as suggesting that opportunities are being missed. Similarly, pointing to areas where some of the best of breed business practices routinely employed by multinationals could be emulated by Irish firms does not infer any failings on the part of domestic business.

The €80 billion figure for the amount of goods and services sourced globally by Irish multinationals is truly staggering. And it dwarfs the €11 billion spent within Ireland. But this is not to say that there are vast untapped streams of business which Irish firms should be targeting.

The move to global sourcing over the past decade and more means that the vast bulk of this business is firmly beyond the reach of locally based firms; in a direct sense at least. Indeed, when the Minister for Jobs, Enterprise and Innovation, Richard Bruton TD, launched the Global Sourcing Initiative back in 2012 he set a fairly modest target of an increase in local sourcing of some €500 million.

There are undoubtedly opportunities for some Irish firms to either win new business or increase the level of business they do with multinationals based here but with buying decisions increasingly being made in far distant corporate HQs or procurement hubs across the globe we have to acknowledge that they are quite limited. Indeed, the real opportunities in many cases may lie in winning sub-supply business with other global suppliers of these firms. Lower down the chain but valuable business nevertheless.

Competing for that business will require Irish firms to be leaner and fitter than ever. And that is where lessons can be learned from the multinational community here. However,

a balance must be struck between the plainly obvious and the barely possible.

The resources available to members of the FDI community mean that much of what they take for granted is completely out of reach for an SME. As one of our contributors put it “For small businesses that’s like going to the moon.” On the other hand, the vast majority of Irish SMEs are well run businesses that do the basics very well.

Instead, this report focuses on those areas of best practice that at little or no cost can be adopted or emulated by SMEs. In some cases it can be as simple as having regular formal meetings to analyse and discuss business performance while in others it might be taking the digital technology already installed in the business and making better use of it for cost reduction and marketing purposes.

I would like to take this opportunity on behalf of CPA Ireland to thank all of those who gave their time to participate and contribute to this report. In particular I would like to thank the American Chamber of Commerce Ireland for its support. I would also like to express our gratitude to the hundreds of CPA members who took the time and trouble to complete the survey carried out in conjunction with the report.

The end product we believe is an interesting and informative report which should give some pointers and food for thought to Irish businesses who are now seeking to chart a course to growth.

Eamonn Siggins.

Eamonn Siggins
CEO, CPA Ireland

The opportunity for Irish SMEs

Jim Power, Economist



Introduction

The Irish economy has come through an economic crisis of unprecedented proportions since 2007, but over the past couple of years it has started to emerge with a level of vigour and momentum that few would have predicted. The recovery that effectively commenced during 2014 has been sustained and built upon in 2015. The external trade performance continues to be strong; manufacturing activity is vibrant; the labour market is continuing to improve; the public finances are getting steadily better; construction activity is bouncing back from a very low base; tourism is doing very well with the number of inward visitors to the country growing steadily; and consumer spending is gaining strength. In other words the economic recovery is becoming more broadly based and this trend looks set to continue. Over the next couple of years GDP looks capable of expanding at an annual average rate of around 4%, assuming that there will be no significant external shock.

Ireland has been fortuitous in the sense that factors outside of the country's control have developed in a very favourable manner. Two of the country's main export markets, the US and the UK have been doing well and this has helped insulate the economy from the weakness in the Euro Area; the euro has fallen significantly against the dollar and sterling; and oil prices have

fallen sharply. In addition, the domestic policy pursued in relation to the public finances and the banking sector is gradually proving successful. Ireland's recovery is due to a combination of positive external developments and generally sensible domestic economic policy.

The Employment Imperative

One of the most important areas of the economy is the labour market. From an economic and social perspective, unemployment is an evil that causes severe social problems such as forced emigration and inequality; it imposes a major burden on the Exchequer through the loss of payroll taxes and increased social expenditure; and it represents a loss of potential output in the economy. Consequently, one of the key metrics for success or failure should be the number of people at work in the economy.

Ireland is now doing reasonably well on that count. The number of people unemployed declined to 206,500 in August, which represents a decline of 66,800 over the past 2 years, and the unemployment rate stood at 9.5% of the labour force down from a high of 15.2% at the beginning of 2012. The latest employment data from the CSO show that in the second quarter of the year the number of people at work in the economy stood at 1.96 million, which represents an increase of

57,100 over the past year, equivalent to a growth rate of 3%. Total employment in the economy is now 133,700 higher than the low point in 2012. Just over 99 per cent of the increase in employment over the past year was in full-time jobs. Employment increased in 11 of the 14 sectors, with construction increasing by 18.5%. This is a solid story.

This labour market backdrop is getting more positive, but it is clear that there is still a long way to go to get the economy back to full employment. It is also important that the recovery in the general economy and in the labour market in particular becomes more broadly based from a regional perspective. In the second quarter of 2015, the national unemployment rate averaged 9.8%, but it stood at 12.5% in the Midland region; 10.5% in the West region; 8.1% in the Dublin region; 8.7% in the Mid-East region; 11.2% in the Mid-West region; 12.6% in the South-East region; 9.4% in the Border region; and 9.9% in the South-West. There are significant regional disparities that policy makers will have to continue to work hard at and address with targeted policies.

The Impact of Foreign Direct Investment

The attraction of multinational investment into Ireland has been a key feature of Ireland's economic and industrial strategy over at least the past four decades. Through

a combination of favourable corporation tax rates, deeper integration into the evolving EU, and a focus on ensuring the availability of a well educated English-speaking young workforce, Ireland has achieved considerable success in attracting foreign direct investment (FDI). Put simply, US companies in particular like to invest in an English speaking country with favourable corporation tax rates and a flexible business environment.

At the end of 2014, the IDA supported 1,195 companies in Ireland and these companies accounted for 174,488 direct jobs in the Irish economy. This is equivalent to almost 9% of total employment in the economy. The IDA estimates that for every 10 jobs in the multinational sector, another 7 jobs are supported in the wider economy. This means that at the end of 2014, a further 122,000 jobs were indirectly provided by IDA supported companies. This means that in total, 296,488 jobs are directly and indirectly supported by IDA companies, equivalent to just over 15% of total employment in the economy. This is very significant.

Some argue that profit repatriations, which totaled a net €27 billion in 2014, undermine the contribution made by FDI. This is not the case. In addition to the contribution to employment, the broader economic contribution of IDA supported companies is also very significant.

IDA client companies make the following contribution to the Irish economy:

- They pay €8.5 billion in wages and salaries;
- They purchase €2.6 billion in materials in the Irish economy;
- They purchase €11.3 billion in services in the Irish economy;
- They pay corporation tax of €2.8 billion;
- They account for €124.5 billion in exports of goods and services; and
- They engage in total expenditure of €1.4 billion in in-house R&D expenditure.

In summary, IDA supported companies make a very significant economic and financial contribution to Ireland and the potential for further growth is very significant.

In its latest strategic outlook the IDA has set a number of ambitious targets for future FDI.

Specifically, by 2019 it is seeking to achieve the following targets:

- Direct employment of 209,000 in companies supported by the IDA by 2019;
- 900 new investments;
- Grow the portfolio of client companies from 1,195 to 1,350;
- Win a greater share of investments made by European and Growth Market FDI companies;
- Win a cumulative €3 billion in new RD&I investment projects, including in-house and collaborative RD & I projects with companies and universities, and encourage 120 additional companies to engage in R&D

across the FDI portfolio; and

- Increase Irish economy expenditure from €22.4 billion in 2013 to €26.8 billion by 2019.

The Growth Potential For The SME Sector

FDI makes a very significant contribution to all aspects of Irish economic and financial wellbeing. It has set ambitious targets for 2019, but based on the long-term track record and recent trends, such targets look eminently achievable provided Ireland preserves its corporation tax status; its focus on supplying a well educated English speaking labour force with other language skills; and preserving a competitive cost environment, where the ability to do business is strong.

The big question for the indigenous Irish economy, which is dominated by Small and Medium Enterprises (SMEs), is the extent to which the growth in FDI can feed into the SME sector to a much greater extent than we have seen in the past.

The SME sector accounts for around 54 per cent of total employment in the Irish economy, and 70 per cent of total private sector employment.

Most people recognize that the re-building of the Irish economy over the coming years will have to depend heavily on the SME sector. This is not to suggest that the multinational sector will not have a role to play, in fact the very opposite is the case, as demonstrated by the recent track record and the targets set by the

IDA. However, in an increasingly competitive global environment for FDI, indigenous SMEs will have to play an increasingly significant role in the future development of the economy, and particularly in the regional economies that are currently lagging the Greater Dublin area in terms of economic activity and employment creation.

The SME sector is incredibly diverse. It ranges from single person operations to operations with up to 500 employees; and from trout farming, to car sales, to engineering, to IT, and a lot more besides. Despite the wide diversity within the sector the issues facing it are very similar.

The lack of demand in the economy over the past few years has obviously been the biggest issue. At a more structural level however, it is clear that many SMEs are very good at doing what they do, as in manufacturing a product or providing a service, but they are a lot less good at developing other necessary attributes of the business such as marketing, developing export potential, innovation, and driving efficiencies and economies of scale in the business.

A major challenge for many small Irish companies is to move from Small to Medium to Large. Many lack the capability of completing this business transformation.

Those multinational companies who invest here can play an increasingly important role in developing the indigenous SME sector.

Between 2015 and 2019, the IDA is targeting an increase of 155 extra multinational companies in Ireland, taking direct employment up from

174,488 to 209,000, representing an increase of 34,512 in total FDI employment. Based on IDA employment multiplier, this would result in the creation of an extra 24,158 indirect jobs, taking that total up to 146,158. This would take the total number of jobs supported by IDA sponsored companies up to 355,158 from 296,488 jobs at the moment.

It is estimated that the value of global sourcing by Irish-based multinational companies is around €80 billion, with just €11 billion in services and €2.6 billion in materials sourced in Ireland. A large part of the expenditure on goods and services is likely to be on services such as water, energy and other utilities, which cannot be sourced elsewhere but locally.

Potentially, the multinationals operating in Ireland offer enormous trading potential for indigenous SMEs, and could alleviate the pressure to grow export markets to achieve scale, a process that many Irish companies find very difficult to achieve. However, this is easier said than done.

One difficulty for Irish firms in securing greater trading linkages with multinationals is the fact that many operate centralised global procurement systems and significant changes to global supply chain management approaches.

To exploit the potential growth emanating from the multinational sector in Ireland SMEs need to achieve a number of attributes. They need to be of sufficient scale to satisfy the requirements of a demanding client base; they need to be efficient in production and

priced competitively; they need to be able to comply with multinational procurement systems; they need total quality assurance; they need high quality financial management; they need high quality HR management; they need very strong IT systems and capability; they need top quality customer service systems; and they need to engage in R&D and be as innovative as possible.

All of these attributes are essential if the potential to service a very sophisticated and demanding multinational client is to be realized. Most Irish SMEs are nowhere close to achieving all or even some of those objectives, but they should be given whatever assistance is required to help them move up the value chain. State agencies should provide whatever support and mentoring necessary, but every effort should be made to get FDI companies to help SMEs achieve the objectives. This would be good for the multinationals, the SMEs and the economy in general.

If the necessary attributes were to be achieved and success attained in servicing SMEs, the projected number of indirect jobs supported by FDI companies in 2019 could easily be 75,000 higher than the projected 146,158 jobs.

This clearly is an agenda worth pursuing, because if the Irish SME sector were to achieve success in servicing the FDI sector to the greatest extent possible, it would put them on to a platform from which building export capability would be the next logical step.

The Participants

Brendan Binchy

Brendan Binchy CPA, is a strategist and a finance, tax and management consultant. Over the past three decades he has been focused on the provision of value-added services to the business community. For the past seven years Brendan has served as a designated senior external investment appraiser and trouble-shooter for Enterprise Ireland. He also currently serves as a director of Voxpro Ltd., the Cork based company which specialises in business excellence outsourcing of customer service and technical support solutions.

Mike Chen

Michael Chen, is HR Business Partner and Lead for Groupon International, based in Dublin, Ireland. He holds a Master's Degree in Industrial and Organisational Psychology from the Chicago School of Professional Psychology, and a Professional in Human Resources (PHR).

Garrett Cronin

Garrett Cronin is a partner in the PwC Consulting practice and specialises in the area of performance improvement. Garrett leads the finance and operations effectiveness teams, providing advice on sustainable cost reduction, shared services, outsourcing, programme and change management, working capital management and corporate performance management. He also leads the PwC European Shared Services Network supporting clients internationally with advice and insights on best practice. He has advised and delivered on complex finance and operational change programmes for many large Irish and multinational companies across multiple industries.

Libby Gribben

Libby Gribben is Senior HR Director at Xilinx. A graduate of French from Nottingham University, Libby relocated from the UK to Ireland with Marks & Spencer in 1985 where she held a number of HR management roles and ultimately was Head of HR for the 2,000 staff based in Ireland. She moved into the tech sector in 2005, joining US multinational Xilinx as HR Director for EMEA based in Citywest, Dublin and in 2009 broadened the scope of her responsibility beyond EMEA to include the regions within Asia Pacific. Libby is currently Chair of the HR leadership group for the American Chamber of Commerce and a member of its Board of Directors.

Geoff Meagher

A native of Co Kilkenny, Geoff Meagher CPA, joined the Glanbia Group in 1975 and held a number of positions within the group including that of Group Financial Director and Deputy Group Managing Director. Since retiring from Glanbia he has operated his own consultancy business. Geoff is currently a non executive Director of Enterprise Ireland, One 51 plc. and Bonsecours Health Group. He served as President of CPA Ireland in 2010.

Liam Murray

As Country HR Director for MSD – one of the world's leading pharmaceutical and healthcare companies – Liam Murray is recognised for his ability to integrate acquisitions and effectively manage organisational and culture change, while utilising strategic HR as a means to achieve a clear business advantage. Having lived for 12 years in the U.S., Liam has practiced HR in a variety of settings ranging from a small technology start-up in San Francisco to the New Jersey corporate offices of MSD's

headquarters, and more recently manufacturing sites in Ireland. In his current role, Liam leads a multi-site HR team for MSD delivering a broad range of HR services with a particular focus on talent management and employee engagement.

Claire Reynolds

Claire Reynolds is Head of Business Sales with Vodafone Ireland. She is an experienced, strategic, commercial and people leader with 18 years' experience in fast paced and challenging customer businesses. She has a successful track record of delivery in terms of revenue growth, net margin achievement and excellence in customer relationships and management in the highly competitive mobile telecommunication sector. In addition, she developed and launched the Vodafone Smart Startup Network in 2012 which to date has brought together over two thousand small businesses.

Finian Rogers

Finian Rogers is a Programme Manager in Intel Lab which is the research division of Intel. He is based at the Open Lab on the Intel Leixlip campus in Kildare, part of a wider network of 50 labs and 5,000 researchers dispersed across Europe and referred to as Intel Labs Europe (ILE). Finian completed an honours degrees in Computer Science and Industrial Design and has over 20 years' experience in various aspects of ICT. He coordinates the Horizon 2020 Programme for Intel and manages the IoT Ignition Lab in Leixlip.

Julie Sinnamon

Julie Sinnamon is CEO of Enterprise Ireland. Prior to her appointment to CEO in November 2013, Julie held

a number of senior public sector positions, spanning a 30 year career in Enterprise Ireland and IDA Ireland. Earlier this year, she was appointed to the Investment Committee of the Irish Strategic Investment Fund by the Minister for Finance. A business graduate of the University of Ulster, she holds a Masters in International Business (Fordham and IMI) and is a graduate of the Stanford Executive Programme, USA.

Niamh Townsend

Niamh Townsend is General Manager, Dell Ireland and is responsible for driving Dell's business on the island of Ireland. This involves delivering a wide range of services, solutions and products to a diverse range of customers in the public and private sector. Niamh is also a member of the Ireland Leadership Forum, a group which provides strategic direction and governance to Dell's sites in Cork, Limerick and Dublin. Prior to assuming the General Manager position, Niamh led Dell's Enterprise Solutions Team, and was responsible for leading and proactively motivating a team of Direct and Channel pre-sales team members, including domain specialists, to grow Enterprise Solutions business in Ireland.

Marion Walshe

Plato Dublin Manager Marion Walshe began working with the organisation in 1996 following the completion of her MBA at Trinity College Dublin. She worked as a management accountant in the UK for several years before moving to Ireland in 1994 and since then has worked on a variety of initiatives aimed at assisting small businesses to increase trade and improve management capability.

The Opportunity

The small scale of the domestic economy presents serious challenges for growth oriented Irish SMEs. Not only do they have to contend with a competitive landscape which features home based firms but they frequently have to deal with the presence of large scale competitors from overseas. With limited opportunities on the home market Irish companies have to export at a fairly early stage of their development if they are to grow.

But there is another avenue for growth, one which has come in for renewed focus over the past year. This might be described as the “virtual export market” which exists on the island in the form of Ireland’s 1,000 plus base of multinational FDI companies.

There have been efforts to target this opportunity including the National Linkage Programme in the 1980s and 1990s. That programme looked at ways of building direct supply relationships between Irish firms and locally based multinational companies.

Some 86 percent of respondents to a survey of CPA Ireland members conducted in conjunction with this report believe that *“Irish based multinationals should put more effort into sourcing supplies from Irish SMEs”*.

But this is probably less than fair to the firms concerned and doesn’t take into

account the very different environment in which global businesses now operate. We are now in an era of global sourcing. Most procurement, even for relatively minor items, is no longer carried out at local level. This severely limits the opportunities for Irish firms, unless of course they can find a way to supply at a global level or some other way such as by partnering with local subsidiaries.

The rewards for such companies are potentially vast. According to the most recent estimate multinational companies in Ireland source approximately €80 billion in goods and services globally, of which €11 billion is sourced within Ireland. The government targeted this area in its Action Plan for Jobs 2012.

The CPA Ireland member survey showed strong support for this policy with more than 96 percent of respondents agreeing that *“State bodies*



Julie Sinnamon

“We have more than 1,000 of the world’s top multinationals here in Ireland and a key focus of government policy is the global sourcing opportunity that this represents.”

such as Enterprise Ireland should do more to bring multinationals and SMEs together to boost capabilities and maximise business opportunities.”

Again, this is probably unfair to the State bodies involved. The dedicated Global Sourcing team at Enterprise Ireland has been working closely with IDA Ireland to identify multinationals representing potentially millions of euros worth of additional business right here on our own doorstep.

According to Enterprise Ireland chief executive Julie Sinnamon, meeting the needs of such companies can also open doors to wider opportunities with their parent and sister companies overseas.

There is also general agreement that selling into those companies can also introduce SMEs to new practices in areas such as production, quality assurance, financial management, and other areas which help them become more efficient and prepare them for subsequent export success.

“We have more than 1,000 of the world’s top multinationals here in Ireland and a key focus of government policy is the global sourcing opportunity that this represents”, says Sinnamon.

The existence of this potentially vast market also gave rise to a unique joint initiative by Enterprise Ireland and IDA Ireland towards the end of 2014. *“Last year we organised our first ever trade mission to Ireland”,* says Sinnamon. *“The trade mission was about helping Irish companies to win more business from foreign-owned multinationals based in Ireland. The aim was to leverage off the existing, strong relationships that IDA Ireland have with the multinational companies involved.”*

Over the course of the two day trade mission, more than 300 one-to-one meetings took place between 150 indigenous Irish companies and 75 multinational companies, giving Irish companies the opportunity to engage directly with procurement teams from multinational companies across a wide range of sectors. A number of supplier development programmes and workshops were also organised for companies targeting key sectors such as ICT, pharma, biotech, medical devices and engineering.

“We are doing the same again this year in Dublin on October 14th”, Sinnamon adds. *“We are bringing another 75 multinationals and 150 Irish exporters together to meet and talk and explore the potential for forming relationships and doing business.”*

Given the finding of the CPA Ireland member survey there is a case for Enterprise Ireland and IDA Ireland to publicise more widely their efforts in this area.

Despite these initiatives, however, making the breakthrough to sell into these companies and form relationships with them is a challenge for many SMEs. The step up in terms of production and other efficiencies can be quite a stretch, particularly if they are groping in the dark for what they need to achieve.

That doesn’t mean that there are no opportunities left to exploit, however. A little bit of ingenuity can open up new vistas for Irish firms which needn’t necessarily involve existing products and services.

Garrett Cronin of PwC believes the development of a deep understanding of multinationals and their needs can result in the

creation of new lines of business.

“Multinationals tend to look at where they are spending the largest amounts of money but they have limited capacity to look at everything they buy”, he says. *“If Irish companies are going to succeed in supplying them in niche areas they need quality products, quality service, competitive pricing and be able to bring value to the customer. They need to understand the multinational company’s business and what’s important to them.”*

He points to examples of Irish engineering firms which have been successfully supplying maintenance and other services to leading IT companies here in Ireland and have now been asked to quote for business overseas as a result. The business process outsourcing market is another area where Irish companies have succeeded by meeting a particular need of locally based clients and then expanding internationally.

Data analytics is an emerging area where smart companies can develop products and services to meet particular needs to identify and target customers. *“Boxever offers data analytics solutions to airlines and now counts Ryanair, Tiger Air, and Air New Zealand among its customers”,* says Cronin. *“They are now able to market their solutions to other leading airlines around the world. The same applies to firms like Asystec which deliver data management solutions to multinationals. If an SME can identify a niche and then develop a product or service to fill it which adds value to the customer they can win business with locally based multinationals.”*

The emerging fintech area is another field where Irish companies are managing to exploit niche markets

to gain traction with a multinational customer base. Indeed, in many cases the Irish firms involved are delivering services to which their international financial services clients didn't realise they needed until they were put in front of them.

Business adviser Brendan Binchy agrees with Cronin that there are opportunities in certain newly created niches as well as in business service outsourcing. *"A number of Irish firms are now seen as premium business service outsourcing partners for the multinational community and this is enabling them to expand internationally"*, he notes.

But he does have a word of caution for SMEs who may be targeting major contracts with large customers. *"You have to be very careful when it comes to doing business with multinationals. The contract can be so big it can divert attention from other customers and other important aspects of your business."*

"You can also get some quite aggressive purchasing managers playing you off against other vendors. You have to be able to play this game and make a value proposition. You need to have a solid market differentiation strategy. It's really important to get beyond the tender situation and become an integral part of the customer's value chain."

Advice and support

Another finding of the CPA Ireland member survey was that more than 60 percent of respondents agreed that Irish SMEs need to improve greatly as businesses if they are to become capable of doing business with Irish based multinationals. Just 13 percent disagreed.

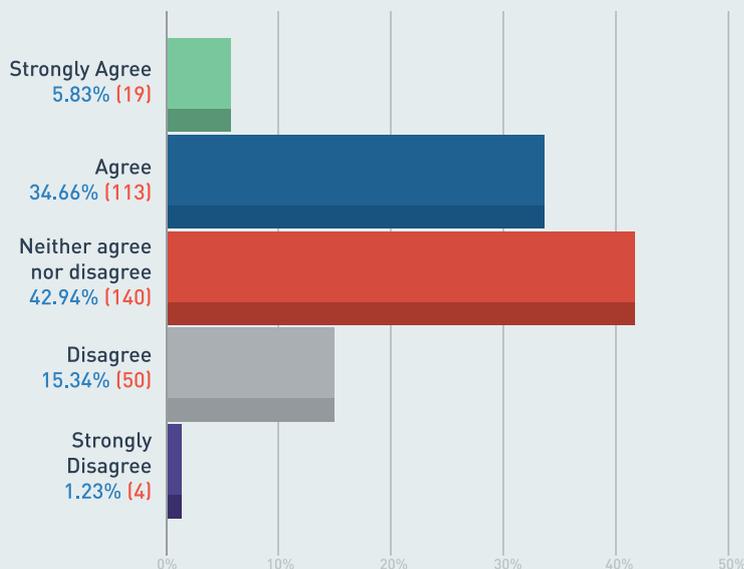
That finding highlights a further potential benefit from having such a large community of multinational companies located here in Ireland beyond direct supply opportunities.

That base of FDI companies has much to offer Irish SMEs in terms of advice and expertise across all areas of their operations. And this advice is not only useful to those SMEs who wish to sell to them; every company stands to benefit from operational improvements regardless of their sector.

The good news from the point of view of Irish SMEs is that the multinational community stands ready and willing to help. From supplying speakers at business advisory events organised by banks and chambers of commerce, offering mentors for enterprise development programmes organised by Local Enterprise Offices and other organisations, working on collaborative product development projects with SMEs, to providing direct financial support, and everything in between.

There are also operational areas where SMEs can usefully seek to emulate multinational practices in ways that needn't add costs to the bottom line. These include overall management, human resources, and marketing as well as innovation. Again, multinational companies are willing to share their knowledge of best practice in these areas to help their SME neighbours become better and more competitive businesses and to chart a course to growth in the process.

Q1: Irish based multinationals are very good at maximising procurement from local SMEs.



Answered: 326 Skipped: 0

A valuable source of assistance and support

An interesting finding of the CPA member survey was that while an overwhelming majority of respondents (almost 80 percent) believed that Irish SMEs can become better businesses by learning from their multinational neighbours less than 20 percent agreed that multinationals are good at reaching out to SMEs to offer assistance and support.

On the other hand, the findings of the research which underpinned this report point to a very different situation where multinationals are ready, willing, and available to assist their SME neighbours. This assistance takes a variety of forms – general advice, formal mentoring, participation in Enterprise Ireland organised initiatives, collaborative research products, direct assistance with product research and development, and financial support in certain cases.

General advice

It is apparent that the majority of multinational firms are committed to good citizenship in a whole variety of ways. Charities and community projects throughout the country tend to be the main beneficiaries of this activity. It also extends to the business community. Many large companies are active members of their local chambers of commerce and other business organisations

and regularly supply speakers to advice on a variety of business topics. Even those companies which are not members tend to be more than willing to supply speakers to events in support of the local business community.

“Multinational companies in Ireland are very conscious of their role in the community and want to have a meaningful engagement with that community”, says Libby Gribben of Xilinx. “That can be through assisting schools and communities in disadvantaged areas. It is not just sporting and other sponsorships. From our own perspective this activity helps make us a good place to work and our employees do a lot of volunteering. We definitely support business in the community. Networking is exceptionally important to us and we try to build up relationships with other businesses. My experience is that multinational companies are generally happy to have speakers go to events and share best practice when they are invited. Most people working for

multinationals in Ireland are Irish and want Irish business to flourish and grow.”

Geoff Meagher CPA has seen this in action at chambers of commerce. *“Chambers of commerce offer a tremendous opportunity for sharing knowledge between small companies and larger ones”, he says. “Larger companies have the structures and processes in place to measure everything they do. They take having that information for granted. For small businesses that’s like going to the moon. They share advice and assistance on how they do this.”*

Claire Reynolds of Vodafone agrees. *“SMEs have small leadership teams and they can’t do everything”, she says. “This means that they have to reach out to others and gain access to expertise from their multinational neighbours through organisations like chambers of commerce. This can be very useful in helping them get ready for the next challenge as well as dealing with current issues.”*



Libby Gribben

“Multinational companies in Ireland are very conscious of their role in the community and want to have a meaningful engagement with that community.”

Enterprise Ireland

Participation by multinational companies in Enterprise Ireland inward trade missions to Ireland offers Irish firms a selling opportunity and a chance to form relationships with potential customers. But this is by no means the only engagement between the multinational and SME communities arranged by the organisation.

Enterprise Ireland's network of 15 Technology Centres around the country is part of a joint initiative between that organisation and IDA Ireland which allows Irish companies and multinationals to work together on research projects in collaboration with research institutions. The Technology Centres are collaborative entities established and led by industry. They are resourced by highly-qualified researchers associated with research institutions



Geoff Meagher CPA

“Larger companies have the structures and processes in place to measure everything they do. They take having that information for granted. For small businesses that’s like going to the moon.”

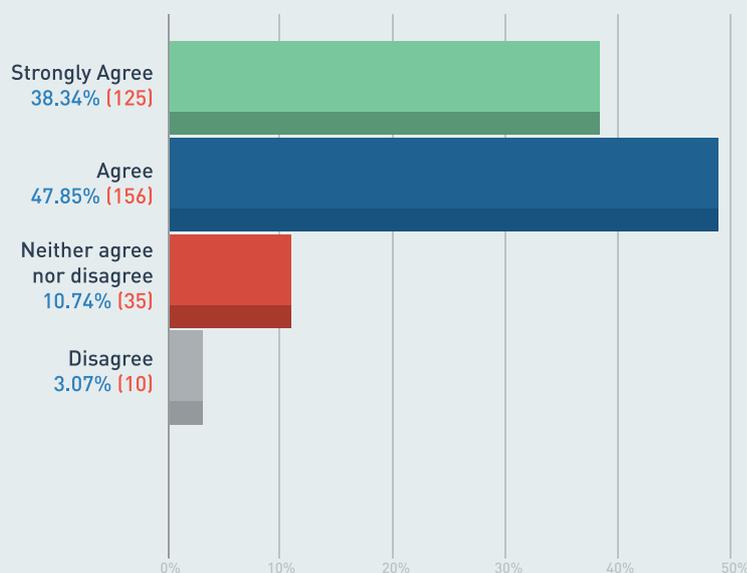
who are empowered to undertake market focused strategic R&D for the benefit of industry.

“One third of the companies involved in the Technology Centres are multinationals”, says Julie Sinnamon of Enterprise Ireland. “They are at the table working together with Irish companies. They are sharing technology and technical knowledge and also building relationships. The companies come together to work on near-to-market problems. The agenda is very much driven by the sectors

involved. They decide what they want to work on. They then work on projects in a collaborative way with local individualisation coming later for the SMEs involved.”

Individual companies also offer direct advice and support to SMEs in a number of ways. For example, from October 5th to 7th 2015 Intel Ireland is hosting the Challenge Up competition. This competition for European companies engaged in internet of things (IOT) development is run by Intel in conjunction with Cisco and Deutsche Telecom. Intel is inviting some of its Irish technology ecosystem partners to the event not only to meet the finalists but also to avail of training and business mentoring.

Q2: Irish based multinationals should put more effort into sourcing supplies from Irish SMEs.



Answered: 326 Skipped: 0

Plato

A more formal engagement between multinationals and SMEs happens in the Plato Dublin small business support and development network. Plato Dublin is a confidential business support network for owner managers of SMEs funded by the Local Enterprise Offices in the Dublin region.

Plato started in Belgium in 1988 and is now a Europe-wide organisation across 12 countries. It first came to Ireland in 1993 and runs enterprise development programmes and other events aimed at the SME sector.

“The companies on the programme are split into groups of around 15 which meet one morning each month”, says Marion Walshe of Plato Dublin. “At the outset they brainstorm to identify the topics of most interest to the small businesses. It could be sales and marketing, cash flow, business strategy or any other area. We bring in expert speakers to talk about best practice in these areas. Each meeting is a combination of learning from the experts and peer to peer learning as the companies share their own experiences. It’s very practical and by the end of the 18 months each participant will have gained important knowledge and understanding of best practice across a range of business areas and learned how to implement it.”

A key feature of the programme is the participation of representatives of large companies who act as facilitators for the groups. Multinationals such as Microsoft, IBM, Ericsson, Pfizer and Dell have all rowed in behind Plato Dublin, where group leaders from the bigger companies “partner up” with small business owners to provide management expertise and advice.

“Plato group leaders come from some of Ireland’s most successful and dynamic companies and they bring great insight and experience with them, to pass on to Irish small businesses”, says Walshe. “Small business owners on our programmes respond to peer-to-peer support and report increases in turnover, productivity and performance. We are getting more and more large company managers coming to us each year wanting to take part. It’s partly because it’s part of the companies’ CSR programmes, partly because of altruism, and partly because it helps improve their own management skills by gaining exposure to the challenges faced by SMEs.”



Finian Rogers

“We want to hear from Irish start-ups and SMEs who have innovative ideas for IOT projects.”

Direct collaboration at Intel

The IOT Ignition Lab at Intel Ireland in Leixlip is part of a network of such labs across Europe which showcase innovations built on Intel technology that are focused on the areas of smart homes and buildings, smart cities, energy and utilities, and smart agriculture. The Lab collaborates with local companies in developing smart solutions for the Internet of Things marketplace.

Also located at the Leixlip campus is the Intel Labs IoT Systems Research Lab which conducts research focused on the Internet of Things with a particular emphasis on distributed edge computing, Machine to Machine (M2M) communications, IoT Applications, and data analytics.

“IOT is an emergent market and a very disruptive innovation”, says Finian Rogers of the IOT Lab. “This presents huge new opportunities for start-ups and for Ireland as well as for society in general. Independent analysts such as IDC, McKinsey and others estimate that trillions of dollars of economic value will be enabled by IoT over the coming years.”

Rogers gives some examples of companies which are collaborating with Intel at present. Keenan’s of Carlow has become world famous as a result of its livestock feeding systems. Some 30,000 of the

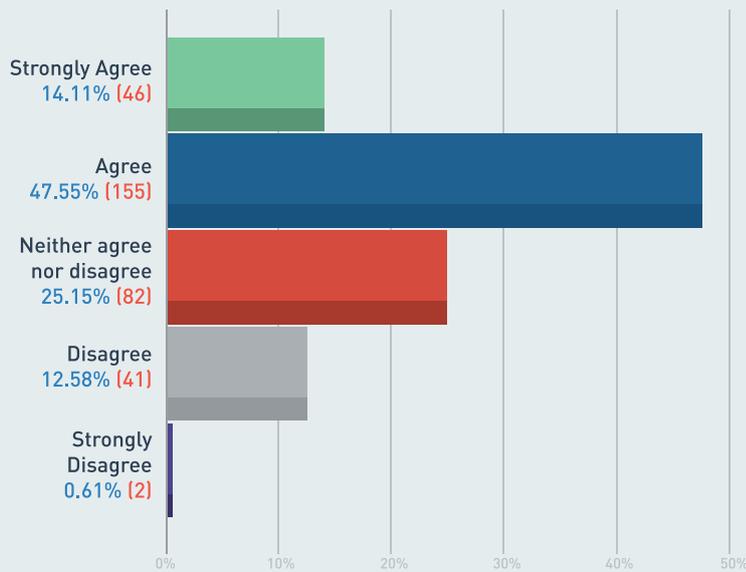
company’s highly sophisticated feed mixer wagons are now in operation worldwide. The company uses advanced machine to machine technology to ensure that the machines are delivering optimal feed mixes at all times. Keenan’s are partnering with Intel to enhance and optimise the control systems which lie at the heart of their solution.

Glen Dimplex is working on bringing intelligence to its storage heating systems. The objective is to link the systems with smart metering and the cloud to monitor the householder’s electrical consumption patterns in order to predict schedules and usage patterns and to use that data to connect with distributors and find the cheapest, most sustainable energy for the heaters whilst also reducing peak demand on the grid. *“This could help householders reduce their electricity costs, reduce peak demand on the grid, and help address the global issue of CO2 emissions by facilitating increased use of electricity generated from renewable sources. We are also working with a range of local companies on smart home devices, meat processing, energy and water related projects. We do want to hear from Irish start-ups and SMEs who have innovative ideas for IOT projects”.*

He advises companies that the more mature their idea the easier it is to bring them to market. *“We have a queue of companies in the pipeline with some brilliant and disruptive ideas”,* he points out.

Q3:

Irish SMEs need to improve greatly if they are to become capable of doing business with Irish based multinationals.



Answered: 326 Skipped: 0

“If the firms want to come see examples, learn about the technology and brainstorm that’s fine, but if they can come with clear business objectives, product concepts or prototypes, and can quantify market opportunities that’s even better. We can then pull in the right internal technical or business expertise or point them in the right direction to other companies in the ecosystem who can assist them with their projects.”

Another opportunity for Irish SME’s is our European Horizon 2020 Project called EuroCPS in which we are looking to identify 30 to 40 SME’s with strong proposals for IoT products or services. Successful applicants will receive up to €150K funding and free consultancy in

bringing their ideas to market. More info here www.eurocps.org.

Intel are also sponsoring the Challenge Up competition where Intel, Deutsche Telecom and Cisco will offer help and business mentorship to innovative startups in many areas of ICT including IoT. Details of the current call is here www.challengeup.eu and further opportunities will follow.

For more information on Intel IoT platforms www.intel.com/content/www/us/en/internet-of-things/overview.html and information on software and SDK is here www.software.intel.com or to arrange a visit to the IoT Ignition lab in Leixlip contact iot.ignition.lab.ireland@intel.com.

The transfer market

There are of course other ways to acquire the expertise held within multinationals and one of the most direct is to hire a manager from one – the skills transfer market in a sense. *“One of the things the multinationals are very good at is processes and management”,* notes Julie Sinnamon of Enterprise Ireland. *“One of the ways for Irish SMEs to bring in that skillset is by hiring from multinationals. Skills transfer happens all the time. There is a strong willingness to help on the part of multinationals. There is a transfer of people in both directions. One of the things multinationals like is the innovation in Irish companies and they are constantly struggling to find ways to bring intrapreneurship into their operations. That’s part of the DNA of young Irish companies. That’s partly why young technology companies are acquired by multinationals. That works both ways and you also get people leaving multinationals to set up their own firms or join Irish companies in leadership positions.”*

Key learning

Despite perceptions of multinationals being remote from the rest of the business community the opposite appears to be the case. It would seem that if Irish companies want help from their multinational neighbours all they have to do is ask for it.

That said, more could be done to make SMEs aware of this valuable resource almost literally on their doorsteps. This is possibly a task that could be taken on by chambers of commerce and Local Enterprise Offices around the country.

The business process

It is generally acknowledged that one thing that almost every multinational has in common is excellence in business processes and management practices. They employ highly qualified people and continue with ongoing leadership and management development throughout their careers. They bring in best-of-breed business processes such as Six Sigma and Lean as they are developed with direct impacts on efficiency and the bottom line.

Of course, much of this is well beyond the reach of SMEs and not simply for reasons of budget. While the financial resources required to fund such investments are not insignificant the question of scale also comes into it. Many advanced processes can actually be inappropriate for small firms while small leadership teams do not necessarily have the time to devote to acquiring formal skills in a variety of management areas.

But there are certain practices that can be imported successfully from one to the other. Chief among these is the setting of clear objectives and guiding principles for the business. These can sometimes be known as mission statements but Niamh Townsend of Dell describes them as guiding principles.

She points out that Dell has recently gone back to its roots as a start-up



Niamh Townsend

“If you have the right principles and goals you can share them with investors, employees, customers and others and they can be vitally important in attracting the talent that is critical to helping a company grow.”

having gone private again after many years on the stock market. *“We have gone back to that entrepreneurial spirit which drove the company in first place. That spirit is one of our guiding principles and that’s something that SMEs should have as well. It is imperative to have guiding principles. It’s not just about having a job description. It’s about the internal soul of the company. Keeping those principles at the very core will sustain a company as it goes through growth phases. They can help set goals and focus on them.”*

She says that is one thing that Dell has learned since going private. *“It’s very easy to get caught up in the day to day running of the business and the quarter to quarter results cycle. What we have seen since going private is that it is easier to focus on the goals of the company and those of our customers. If you have the right principles and goals you can share them with investors, employees, customers and others*

and they can be vitally important in attracting the talent that is critical to helping a company grow.”

Good management by measurement

According to business consultant Brendan Binchy one thing that sets the multinationals apart is that *“they measure everything”*. *“There’s an old saying in business that what gets measured gets managed, what gets managed gets done. You can learn that from multinationals. If you don’t measure you can’t manage properly. For every key performance indicator (KPI) there is a critical success factor. A lot of current business training is based on multinational practice and it can be scaled for SMEs. It’s just a question of budgets. When you see that something needs to be fixed get the budget to fix it, then move onto the next thing to be fixed.”*

Marion Walshe of Plato Dublin agrees. *“Everything is measured in multinationals and they have KPIs for each process. This can be quite a new thing for SMEs. We help SMEs look at their own business and become more goal and process driven. We help them break down the processes and use KPIs to measure performance. We try to help them work on the business – not in it. KPIs are very helpful. Many companies may not have costed their products and services properly and know who their most profitable customers are. They may not have allocated costs appropriately or accurately. They may be unsure of the profitability of different areas of their business. All of that helps because the large companies measure everything and they know what is important and what is not.”*

Geoff Meagher CPA believes that the reason why SMEs do not adopt such practices is due to the way they evolve and grow. *“Most SMEs start out with one or two people with an idea and they effectively do everything themselves. One very basic thing that businesses can learn from multinationals as they grow and develop is to put in place structures and processes for how they do things. Even down to having regular formal meetings with agendas just to review how things are going and the activity of the business.”*

The reason why this is so necessary is that it is all too easy for important things to be left undone. *“Managers in SMEs can be extraordinarily busy just doing their own jobs”,* says Meagher. *“This doesn’t leave time for management of stock, pricing, debt, finance and so on. This can be a problem for a lot of small businesses as they grow. The entrepreneur has the drive and the energy to bring the business to a certain level but it comes to a point where some simple structures have to be put in place to continue growth. Basic stuff like production, sales, marketing, HR is all looked after at general manager or owner level.”*

This can lead to a situation where small manufacturing companies often have no sales targets and no idea how much stock they should be carrying at any one time. *“Large companies have the systems in place to enable them to grow and so should small ones. It is not that difficult to do. It’s about putting a structure on the business, being able to review business in totality and see where it’s going. The management should be able to look at all areas of the business – sales, marketing, production, finance, everything. All of the key moving parts of the business.”*

Meagher recommends that they be looked at every few weeks. *“There is a need for simple processes such as regular meetings to be implemented in*

a small business so that the team can look at all parts together on a regular basis and take corrective action if some areas are not going right. Part of the problem is that many businesses think they are so small that they don’t need this.”

According to Claire Reynolds of Vodafone there are other even more simple things that small businesses can copy from their larger counterparts. *“Business efficiency doesn’t need very complex processes”,* she says. *“For example, at Vodafone we have gone paperless and we don’t print any more. We have hidden the printers away and we have reduced printing by 50 percent. This has delivered real savings on paper and ink as well as a good environmental impact. People are now expected to come to meetings with their tablets, their phone or their laptop. This works really well with teams who are working off-site. Teams really like it and have embraced it. But it has to be a culture from the top down. You have to start running meetings in a way that makes them paperless. The way you report and so on has to accommodate that. This is a policy you will find in a lot of multinationals.”*

Key learning

The experts agree that measurement doesn’t require massive investment. Simply recording data on a spreadsheet will be enough for most small businesses. It’s a question of what is done with it afterwards. Generating regular reports and discussing them at meetings to review the performance and operation of the business will make it meaningful. But even more important is the setting of principles, goals and objectives for the business to create benchmarks against which performance can be measured.



Marion Walshe

“Everything is measured in multinationals and they have KPIs for each process. This can be quite a new thing for SMEs.”

HR practice excellence

It has now become almost a cliché that a company's greatest assets are its people but the human resources policies adopted by multinational companies, the US ones in particular, indicate that this is indeed the case as far as they are concerned. The old dictum that a happy workforce is a productive workforce has been extended to include healthy and innovative at the two sides of the equation. Multinational firms now offer highly sophisticated health and wellness and career and personal development programmes which help them attract and retain the staff they need to remain productive and competitive.

As one contributor to this report put it: *"The best people make the best products and deliver the best services; you can't do without them."*

While SMEs cannot possibly hope to match the resources which multinationals can put into their HR management programmes the challenge they face is that individual excellence probably matters more to them on an operational basis than it does to their larger neighbours. The impact of one good person leaving or underperforming is magnified in a small team and that makes the importance of people development even greater for SMEs.



Claire Reynolds

"Multinationals have embraced new ways of working and SMEs need to do this as well. A mobility strategy is key for SMEs no matter what size."

Flexibility and balance

"HR practice is absolutely key for multinationals and the high tech sector", says Libby Gribben of Xilinx who is also Chair of the American Chamber of Commerce's HR Leadership Group. Explaining why this is the case she points to the environment in which these companies operate.

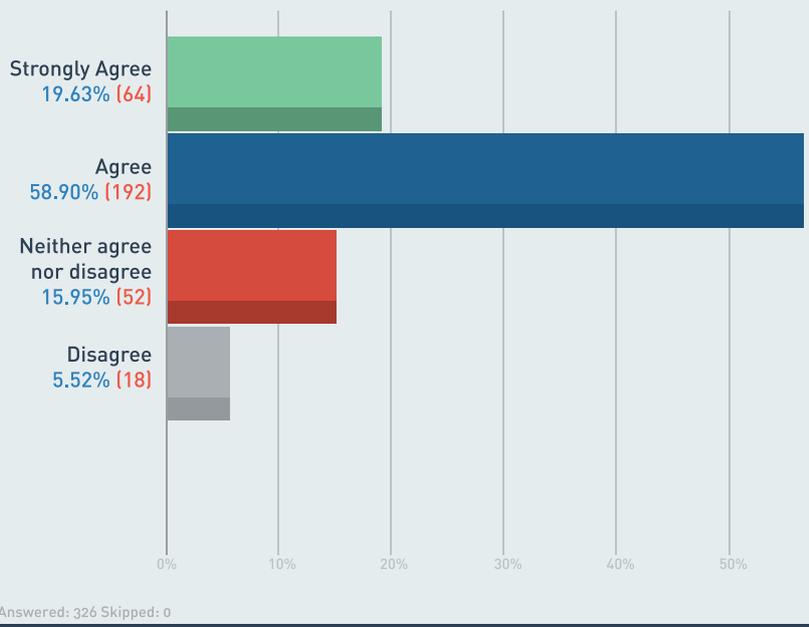
"Top of the list for all businesses is flexibility", she notes. "There are time zone differences and the West Coast of America starts work at 4pm my time. People aren't expected to work 24 hours – that just can't be done. People can't feel that they are working all the time but multinational companies need flexibility and cannot be 9 to 5 operations. This applies to their partners as well as their employees."

She is not painting a picture of excessively long hours at work but

rather one where the working day may be adapted to meet different needs. For example, a number of American multinationals have teams of employees who work to US time starting at 2 in the afternoon and finishing at 10 at night. This might appear odd at first glance but for many people it can work out to be a very family-friendly arrangement. People with young families can share child care responsibilities in much more imaginative ways than if the two partners both work 9 to 5.

"The other thing is that technology is now connecting people all the time wherever they are; at home with laptops or out and about with other devices", says Gribben. "I can make local calls to the US with my laptop from home and that's very useful. But you have to help employees balance their lives as well. We are very conscious of the strains which 24x7 operations can create."

Q4:
Irish SMEs can become better businesses by learning from their multinational neighbours.



The measures taken to address this include health and wellbeing programmes and a range of other small things which can all add up. *“Health and wellbeing programmes are not there just for fun, we want our employees to be healthy”*, she points out. *“We try to have things at work that will help work life balance – ATMs on premises, health programmes, laundry services, and so on.”* Individually these elements may not appear all that important but when you aggregate the time saved by having various services on your workplace site it can make a real difference to home life.

Attracting and retaining talent

Interestingly, she believes technology can help SMEs attract top graduates and engineers to work for them. *“Every company is very conscious*

of the need to get the best people and to get the best out of their people”, she says. *“Companies are going to be in competition with each other for graduates and SMEs have to be as sophisticated as they possibly can if they want to be a sexy place to work. Young people expect to have information available to them on tablets, smartphones and other devices. That’s something SMEs can do.”*

Claire Reynolds of Vodafone agrees. *“Many multinationals have embraced new ways of working and SMEs need to do this as well. A mobility strategy is key for SMEs no matter what size. The days of having a desk are gone. Enabling home and mobile working not only delivers cost reductions and efficiencies for the company but it helps staff balance their lives much better.”*

Gribben also argues that recruitment and retention is not a question of salary. *“It’s not all about money if you want to get the best engineers. People want to come and work here because of the opportunities for career development, skills development, and to work on cutting edge projects.”*

She points to the fact that Xilinx was the overall winner of the inaugural US-Ireland Research Innovation Awards this year as an example of the work which engineers can engage in at the company. Using the most advanced semiconductor technologies, the Xilinx Ireland engineering team designed a new class of programmable microchip enabling breakthrough power reduction and massively increased computational performance.

“We have a 30 strong team of design engineers in this country and we do find the best people for that team”, she says. *“We want them to stay and people will stay with a company if they think there is a future. It’s not just about engineering. It’s about getting bigger*

global assignments and more responsibility. This applies throughout the company. You have to give people more responsibility and make people part of the decision making process in the company. In Xilinx our CEO and executive staff come and talk to people; it's a community. This is a key practice. It means that employees can say to themselves 'I understand what the company is trying to do. I understand why I am working here and why I am doing what I'm doing'. We have quarterly reporting to staff and we update our people on everything."

She believes this is another practice which can usefully be employed by SMEs.

Training and development is absolutely key for MSD according to Liam Murray. *"We are a high knowledge company and employee development is key. It is really important to stay at the cutting edge of new technology. We go that extra mile in terms of employee development and engagement."*

While the similarities between an SME and a global giant like MSD may not be obvious at first there are experiences which can usefully be shared. The main one in this case is how people learn. *"One of the things that we have learned over the years is that when it comes to development it needs to be split 70:20:10 – between on the job; learning from others; and classroom and workshop learning and training. Once upon a time training was defined as sending someone off on a course but this is no longer the case."*

He explains that training is only successful if it is transferred back to the job and that there is a high failure rate in this respect when it comes to off the job training. *"The transfer back to the job only tends to happen if people have the time to do it, if the training itself has been relevant, and if a manager supports it to happen. The vast majority of effective training happens on the job."*

This is good news for SMEs where on the job training tends to be the norm rather than the exception. One way which MSD organises on the job learning which SMEs

could employ is the use of project teams.

"We put together teams at every opportunity to work on different projects", says Murray. This allows individual members of the team to learn from each other as well as gain an understanding of different aspects of the company. Working on the project also offers an opportunity to acquire new skills.

But SMEs cannot expect to hold onto their key staff forever, unless they actually own the company of course. The best staff will naturally be offered new opportunities and small companies simply cannot afford to get involved in a bidding war to hold onto them. But this shouldn't be seen as a problem, according to Mike Chen of Groupon.

"Ultimately every person will leave", he says. "They will either go on to do something with another company or start one themselves with one of their own ideas. My goal is to help them succeed here until the point at which they want to leave. We want it to be a positive thing when they leave."

It may be difficult to accept in some cases when a key employee departs but the benefits of seeing it in a positive light can be very significant, not least the profound message it sends to other employees that their contribution to the company will always be recognised regardless of where their careers take them in future.

Key learning

Possibly the most interesting message for SMEs is that good, open communications with staff and a focus on helping them meet their work-life balance needs can go a very long way to creating a happy and productive workplace and an environment where key staff are retained longer than might otherwise be the case. Large training and development budgets are not necessarily required nor are other expensive programmes. The underlying message which all contributors agreed on is that staff who feel valued by their employer will value their employer.

Creating an innovation culture

Innovation is often confused with research and development and this has possibly forced it down the agenda for many SMEs. It is seen as something for large companies with budgets to match their size.

Interestingly, this is not necessarily the way large companies view it – either by definition or in terms of cost. For multinationals innovation is as much a culture as an activity and it is seen as something brought about by people rather than systems or processes.

“Very often people think of innovation as research and development and white coats in a lab”, says Julie Sinnamon of Enterprise Ireland. “To me it’s much wider than that. It’s about bringing new knowledge and new thinking to business opportunities and challenges. Everything from processes for dealing with customers to new product development. Everything we do differently to make business more productive and efficient is innovation. That needs to be understood.”

“Multinational companies always talk about the flexibility of the Irish and that sounds a bit trite but Irish people are by their nature innovative”, she adds. “It’s part of our DNA. Irish companies need to ensure that their structures encourage innovation to flourish.”

Innovation through people

It’s not just the structures, it’s the environment as well, according to Mike Chen of Groupon. He explains that Groupon offers public speaking programmes to employees, and not only to those for whom English is not a first language. *“You can have people who are legitimately scared of speaking in public and communicating their ideas”, he says. “No matter what your idea is, big or small, nothing should stop you from sharing it. We encourage our people to come forward with new ideas – new apps, new code, new business processes. We need everyone to be involved in ideas for them.”*

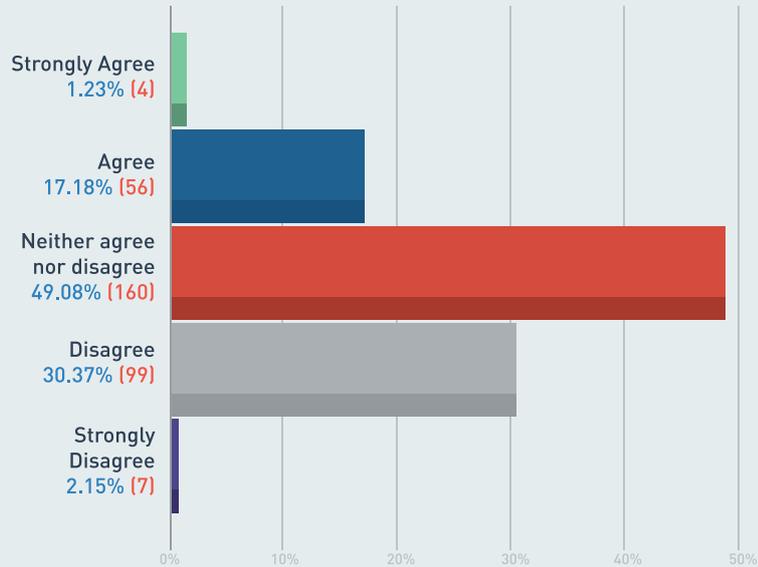
The company runs a hackathon, an ideas week where ideas are cultivated and developed by teams. New ideas for applications are worked on and demonstrated in terms of how they would look on the Groupon website.



Mike Chen

“No matter what your idea is, big or small, nothing should stop you from sharing it. We encourage our people to come forward with new ideas.”

Q5:
Irish based multinationals are good at reaching out to SMEs to offer assistance and support.



Answered: 326 Skipped: 0

The culture of the organisation is geared towards innovation. *“It’s very powerful”,* he says. *“It’s about rewarding people who are working to improve the company. When an employee has a project they want to do, we encourage them to come and talk so that we can make it happen.”*

Irish companies can learn from multinationals in this respect according to business adviser Brendan Binchy who points to the pressing need for ongoing innovation in SMEs. *“The big question for many Irish SMEs is what’s the next wave of innovation?”* he contends. *“If you are not reinventing yourselves you are not staying ahead of the curve and that means you are falling behind. If you get comfortable with a belief in your own excellence you can run into problems. There are a lot of clever people out there able to replicate what you do. They are engaged in research and*

replication rather than R&D.”

He believes that Irish companies need to play to their natural innovative strengths but learn from multinationals in how they use them. *“Irish people tend to be good at taking problems and making bespoke solutions. But they end up having to reinvent the solution over and over again. They are not so good at productisation and scaling up. That’s something they can learn from multinationals.”*

Leveraging the technology

Companies also need to make innovative use of readily available and low cost technology according to Claire Reynolds of Vodafone. She points out that simply using one new technology to replace another or drive down costs slightly is not innovation.

“It’s an obvious point but every business needs to think about the cloud and how they can use it”, she says. “This is not just for large businesses. It can give businesses of all sizes greater freedom, security and mobility. At Vodafone we have been dealing with a social media advertising agency. They started with just two people and have grown to 20 and moved office three times in two years. Modern technology has meant that their office moves have been seamless and cheap – the only thing that has changed has been the physical location. All other points of contact remain the same. By using software like Office 365 and OneNote in the cloud they have managed to make their location irrelevant.”

This is just one example of cloud technology making the cost of business growth much lower. *“Every company should look at what the cloud can do for them, what it has done for others, and what might suit them as a business. You need to think this through and know what you want. This means looking forward to where you might be in five years’ time.”*

Technology can also help small businesses become as clever and

efficient as large counterparts. *“You don’t need major software investments any more for a lot of business processes in small businesses. They can use apps to automate a variety of things like expenses, access to VPNs offsite, updating sales records. What this really needs is a person in the organisation to lead and drive the innovation, the cost is very low.”*

She also points to another innovative use of new technology by some small businesses which allows them to emulate best practice in large corporations. *“Contingency planning is something a lot of small businesses don’t do very well”, Reynolds notes. “A lot of small businesses don’t think they need them but if you miss trade because of a closure of business or a loss of data it can be very costly. If your premises floods how can you carry on business? You need to look at the various business functions and see how you could continue in business. Can your team work from a temporary premises or their homes seamlessly while the problems are dealt with? Customers need to know that their suppliers are reliable. This is second nature for large companies and should be for SMEs as well. The best SMEs are putting their*

data and critical systems up in the cloud and are able to reassure their major customers that they will be there even when disaster strikes.”

Vodafone can be of direct assistance to innovative SMEs in this and other respects. *“The Vodafone Experience Centre here in our Leopardstown HQ allows our customers to come in and see technology in action and how it might work for their businesses”, she explains. “People have to make time to look at their business, analyse its needs, and ask experts like Vodafone to talk to them about how to meet them.”*

Key learning

Innovation is not necessarily about new product development – it is anything which improves the way a company does business. The best multinationals foster a culture where people are encouraged and rewarded for coming forward with ideas that will make the business better. Replicating that in an SME needn’t cost anything and could generate very significant rewards.



Brendan Binchy CPA

“Irish people tend to be good at taking problems and making bespoke solutions. They are not so good at production and scaling up. That’s something they can learn from multinationals.”

Smarter marketing

There is no magic bullet when it comes to marketing goods or services to potential multinational customers. A number of contributors pointed out that procurement and sourcing systems are now so sophisticated that they actively seek out potential suppliers before receiving any approach in the other direction.

The complex nature of modern supply chains also means that the sales opportunity frequently lies at several removes from the end customer. As once contributor put it: *“The Ford Motor Company used to make its own screws; you probably wouldn’t find a screwdriver in one of its plants now.”*

Indeed, the automotive industry is a very good example of the changed nature of the supply chain. Instead of sourcing individual components from thousands of suppliers across the world they now source pre-assembled quite complex elements of cars from a much smaller number of partners for final assembly at the manufacturing plant.

That said, if a firm is in the fortunate position of being able to supply goods or services which are in direct demand by a potential multinational partner there are certain points to consider when

it comes to smart marketing. The first is your online presence. Multinational firms spend vast sums managing their online presence and digital strategies to ensure customers, business partners, and investors have a consistent and positive view of their business.

“When potential customers see a new product or service these days the first thing they do is Google them”, says Julie Sinnamon of Enterprise Ireland. *“That makes a company’s online presence vital when marketing to new customers. If an Irish company goes to a new customer in Eastern Europe the first thing the buyer will do is Google them. Companies have to ask themselves if their online presence is the shop window they want. It’s a fast changing environment. Technology does drive decision making and businesses need to be tuned into it. It’s about applying the available technologies and maximising the upside.”*

Claire Reynolds of Vodafone echoes this point. *“We’re certainly seeing from our own experience that our customers are changing their behaviour online. Much more research is being done online. About 60 percent of buying decisions are made before people ever come and talk to you. Would you be happy if people were basing their buying decisions on your online presence?”*

Reynolds believes this is one area where SMEs can emulate multinational practices quite cheaply and easily. *“There is an omnichannel feel now in terms of marketing”,* she says. *“Online, phone, face to face meetings – they all have a role. Large companies are taking a 360 degree approach and SMEs need to do this as well. Even the greatest salespeople need to understand that people are now making contact with business for the first time in many different ways. Referral used to be the big one and it still is to a certain extent, but it won’t win you the business if the online research carried out by the customer doesn’t support it.”*

Protecting your online reputation

The advice is to carry out regular reviews of websites, Facebook pages and so on to ensure that they not only give correct and up to date information but that they reflect well on the business. It also means paying attention to what others might be saying about the firm either online or in traditional media. Almost every mention will appear on a Google search if people look hard enough. Thought must be given to protecting your online reputation.

The online channel works both ways of course and Niamh Townsend of Dell points out that this has offered a whole range of new ways to access markets and potential customers around the globe. *“Whether you are an Irish entrepreneur or a bigger business it’s very much a global market”,* she points out. *“Access is easier than ever before. But you need to identify products or services that are scalable and flexible for international markets.”*

She advises Irish companies not to limit themselves in their ambitions but also to be realistic. *“It is really important to be upfront with your potential customers in terms of capability. If the timeline is too tight or the demands in terms of quality or volume too strict it is important to push back and discuss it openly. You have to manage customer expectations or take on partners to help you fulfil demands.”*

Communication is also important. *“Consistency of message to end customers and others is really important”,* she adds. *“You have to have a clear idea of the market you want to target and focus on that.”*

This matters on the home market as well. *“Digital covers all sides and is not just for large businesses”,* says Claire Reynolds. *“It shouldn’t be just reactive. You have to push it and be proactive. The digital strategy needn’t cost much money. Simple stuff like bulk texts to confirm appointments or remind customers of special offers or delivery times can work both as a service and a marketing tool. But you need to be tactical. You don’t necessarily need a social media strategy but if you do have it should be part of a well thought out digital plan. Regardless of what size your business is you should look at*

simple applications of the technology you already have to contact your customers. Showing your customers that you care can be very important in the long run.”

Understanding your customers

Companies should carry out at least as much research into their target customers as they will on them. All too frequently this research is limited to credit reports and a cursory review of the size and scale of the company. But it needs to go much deeper than that.

According to Lucy Gribben of Xilinx it’s not all about scale when it comes to doing business with multinational customers. *“It’s about understanding what multinational customers need and what concerns them”,* she advises. *“Most global corporations operate on a 24x7 basis. That means that they will probably want support from suppliers on the same basis. Companies have to ask themselves how they can meet requirements like that.”*

There is also a cultural question. While the flexibility and openness to new ideas and ways of working of Irish people is often noted as one of our strengths in attracting FDI there is also a need for Irish firms to take a broader, more global view when dealing with potential multinational customers.

Gribben points out that multinational firms are very diverse organisations with their own cultures and suppliers need to adapt to these. *“You have to treat multinationals as new and different cultures to learn about”,* she says. *“Irish firms need to be global in*

outlook. They need to understand changing customer expectations in different geographies and why these can be different. That’s why diversity in your own workforce is important.”

That research can give you important insights into who not to target according to business adviser and CPA, Brendan Binchy. *“Knowing what you are best at is a huge thing”,* he says. *“If you are an R&D company dealing in innovative bespoke solutions that’s what you are and you have to know what to charge for your services and target the customers who can afford and are willing to pay for them.”*

Partnerships

The modern supply chain is made up of a series of partnerships, particularly at the higher value levels. Major companies prefer to work in close relationships with key suppliers, sharing information with them on new product development and overall strategy. Companies which are adept at forming such partnerships and relationships have a key advantage when it comes to winning new business with multinational companies. That ability also offers other significant benefits to their businesses according to Niamh Townsend.

“If you can build partnerships that improve quality of products or service to customers that’s very important and advantageous”, she says. *“But there has to be an element of symbiosis and synergy to the partnership. If both are getting something from it and adding to it and generating more business as a result that turns the wheel in terms of moving things on in terms of innovation and more new business.”*

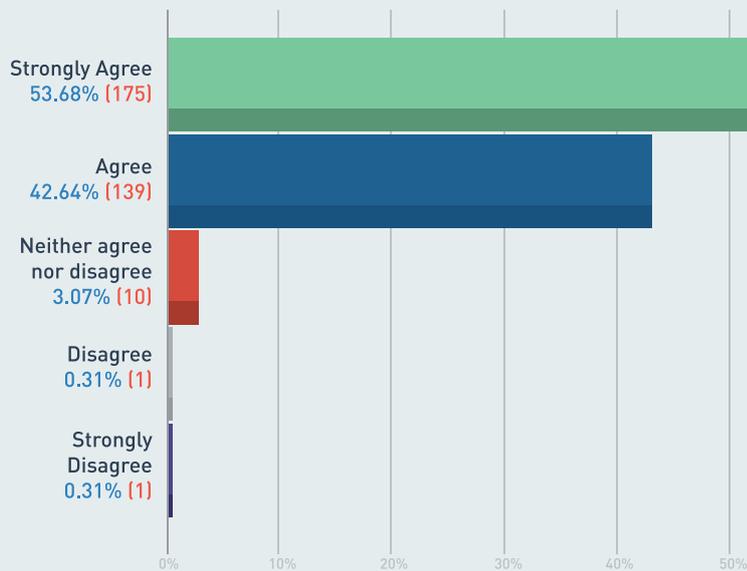
Key learnings

The overall assessment of the marketing capability of Irish SMEs is positive. But there are certain below the line areas which could be given more attention. These include online presence in all its forms, utilising digital technology to strengthen customer relationships, and targeted customer research.

The ability to understand the discrete needs of major customers and adapt to meet them is also an important consideration. This is

where partnership formation can be particularly crucial. A small Irish company may not be able to offer a 24x7 service to a global customer but they might be able to do it in partnership with one or two other companies either at home or internationally and be able to jointly market themselves to a whole range of new customers. Similarly, an Irish SME may not have the technical capability on its own to develop a new product or service to meet an identified niche but working with the right partner may offer a mutually beneficial and profitable solution.

Q6:
State bodies such as Enterprise Ireland should do more to bring multinationals and SMEs together to boost capabilities and maximise business opportunities.



Answered: 326 Skipped: 0

CPA Ireland Member Survey

Research carried out among CPA Ireland members during August 2015 played a highly significant role in the compilation of this report. The survey sought the views of members both as accountancy professionals and business practitioners within their communities on a number of aspects of the relationships between Irish SMEs and their multinational neighbours.

Among the most striking overall results from the survey is the perception that the multinational community should do more to support Irish SMEs. For example, more than 86 percent of respondents agreed that Irish based multinationals should put more effort into sourcing supplies from Irish SMEs. This quite overwhelming response was echoed by the fairly paltry 18 percent who agreed that Irish based multinationals are good at reaching out to SMEs to offer assistance and support. Just over two in five respondents agreed that multinationals are good at maximising procurement from Irish SMEs.

The fact that this perception exists and is so widespread should be a cause for concern, particularly in light of the findings of the research carried out among the multinational community and others.

It turns out that the perception and the reality could hardly be more different. Multinational firms around the country are continually reaching out to offer a helping hand to neighbours in a variety of ways. Some even invite them in to collaborate on product development projects while others offer novel forms of financial support.

It is clear, therefore, that there is somewhat of a gap to be bridged there.

The same gap between perception and reality was highlighted in response to the question which asked if State bodies such as Enterprise Ireland should do more to bring multinationals and SMEs together to boost capabilities and maximise business opportunities.

An almost incredible 96 percent of respondents agreed with this proposition. However, the reality is that IDA Ireland and Enterprise Ireland have been engaged over the past two years on a structured programme aimed at achieving precisely those aims. This programme involved Enterprise Ireland's first ever trade mission to Ireland in November 2014 and is set to be repeated in October 2015.

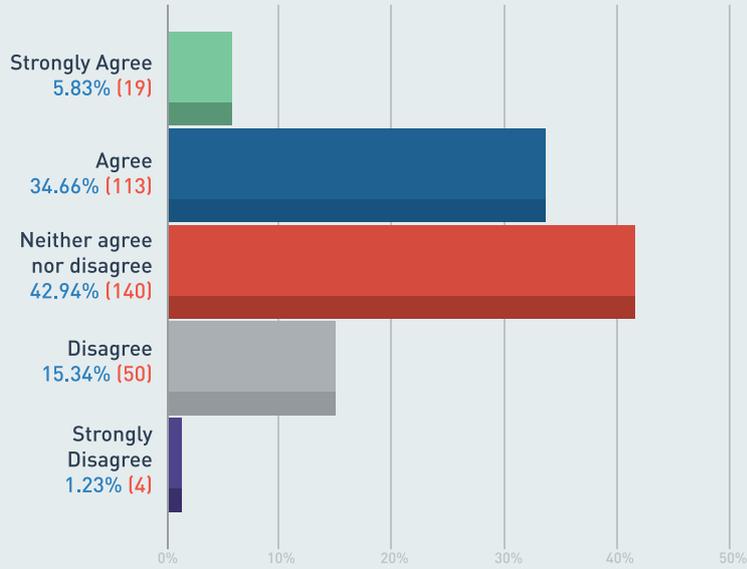
But to simply dismiss the research finding as reflecting a simple lack

of awareness among respondents would be very wrong. The finding probably points to a failing in the system in terms of the communication of these efforts. It is not a question of just making a publicity splash or having a picture in a national newspaper. More needs to be done to reach out to the SMEs who could benefit from these efforts and programmes and what better way than through their professional advisers?

On a more positive note, while just over 60 percent of respondents agree that Irish SMEs need to improve greatly if they are to become capable of doing business with Irish based multinationals there was also broad agreement (78 percent) that Irish SMEs can become better businesses by learning from their multinational neighbours.

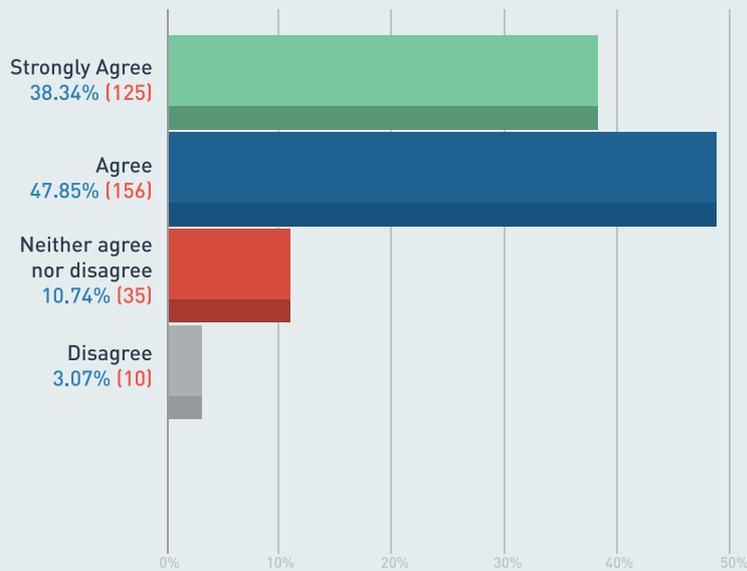
Putting these findings together with the fact that Irish based multinationals are ready and willing to help their SME neighbours if asked points to a way forward for Irish SMEs who wish to grow their business in that direction. The opportunities may not be apparent or obvious and the stretch in capability to avail of them might be great but help is at hand from the multinationals to meet that challenge.

Q1:
Irish based multinationals are very good at maximising procurement from local SMEs.



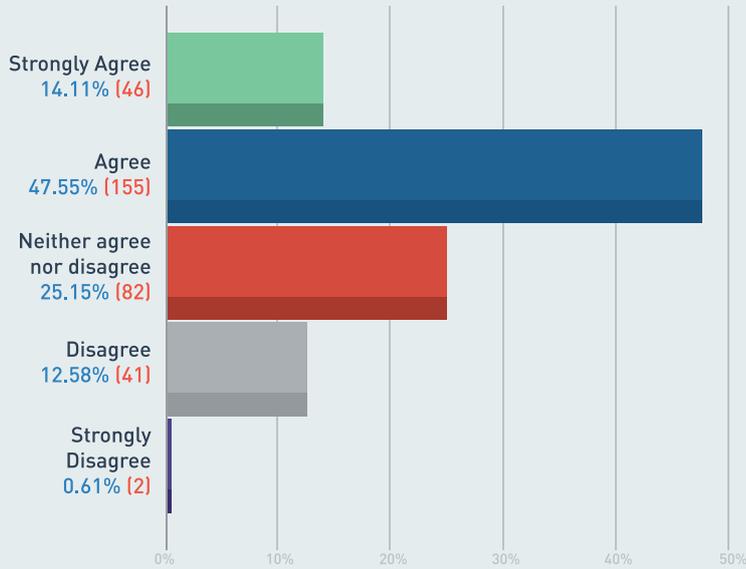
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Q2:
Irish based multinationals should put more effort into sourcing supplies from Irish SMEs.



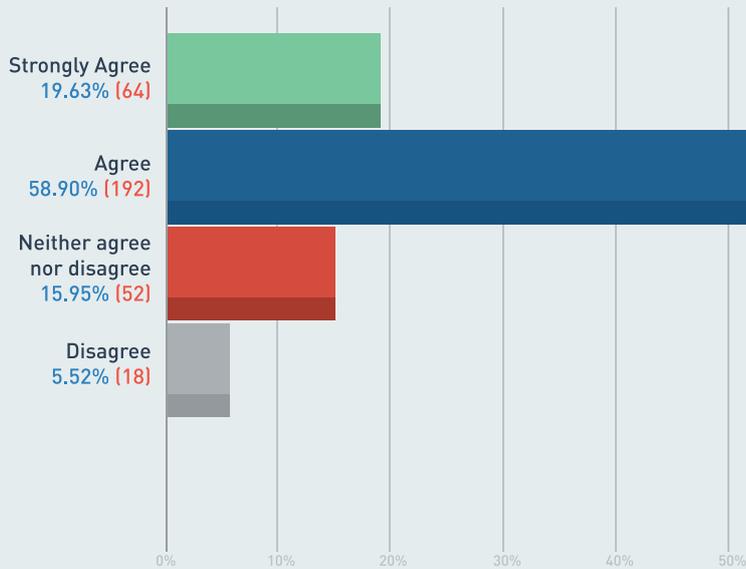
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Q3:
Irish SMEs need to improve greatly if they are to become capable of doing business with Irish based multinationals.



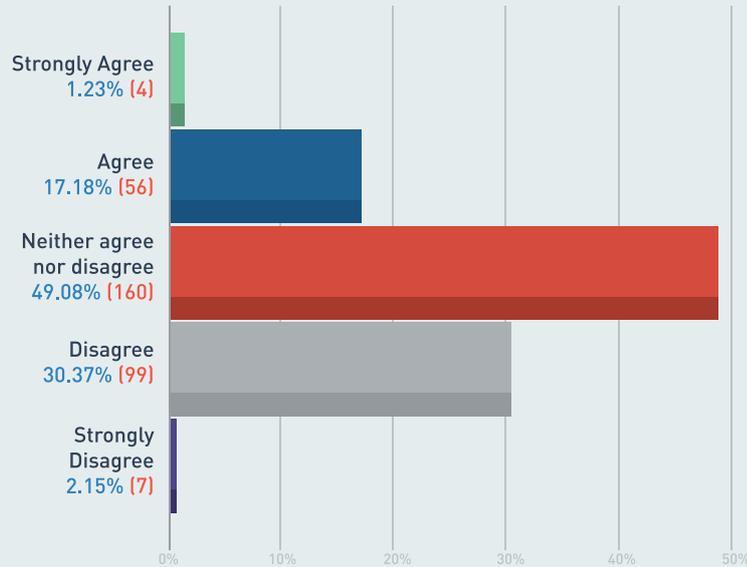
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Q4:
Irish SMEs can become better businesses by learning from their multinational neighbours.



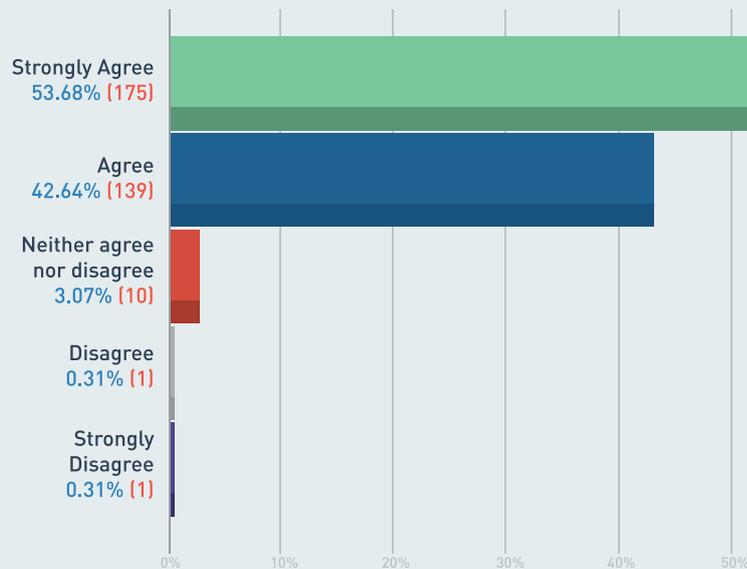
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Q5:
Irish based multinationals are good at reaching out to SMEs to offer assistance and support.



Answered: 326 Skipped: 0

Q6:
State bodies such as Enterprise Ireland should do more to bring multinationals and SMEs together to boost capabilities and maximise business opportunities.



Answered: 326 Skipped: 0





Institute of Certified Public Accountants in Ireland (CPA Ireland)

The Institute of Certified Public Accountants in Ireland (CPA Ireland) is one of the main Irish accountancy bodies representing 5,000 members and students. The CPA designation is the most commonly used designation worldwide for professional accountants and the Institute's qualification enjoys wide international recognition. Its current membership operates in public practice, industry, financial services and the public sector and CPAs work in over 40 countries around the world.

CPA Ireland is active in the profession at national and international level participating in the Consultative Committee of Accountancy Bodies – Ireland – CCAB (I) and together with other leading accountancy bodies the Institute was a founding member of the International Federation of Accountants (IFAC) – the worldwide body. CPA Ireland is also a member of the Federation des Experts Comptables Europeens (FEE), the representative body for the main accountancy bodies in 36 European countries.

The Institute fulfils its statutory role as a recognised body by overseeing the professional activities of its members in practice, and ensuring that education and training standards are maintained. As the first accountancy body to introduce a mandatory regime of Continuing Professional Education, the Institute ensures that all CPAs remain at the leading edge throughout their careers. The Institute provides a quality service to its Members and Students, which has been recognised through the award and maintenance of ISO 9001:2008. For further information visit www.cpaireland.ie

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