

An Economic Strategy for Ireland

An Ansoff Matrix Review

by Susan Hayes Culleton, "The Positive Economist"

Many of us are accustomed to strategic thinking, strategic reviews and critiquing strategy within our organisations. However, what if we were to frame the Irish economy through a strategic lens? During this article, I encourage you to come with me on a journey around the Ansoff Matrix whilst positioning yourself as the CEO of Ireland Inc. Let's focus entirely on what might be possible with a view to dedicating resources where they could be most effectively invested for the economic betterment of all.

The Ansoff Matrix is used to determine a product and market growth strategy. There are four quadrants:

- market penetration (what you're doing well and should keep doing)
- market development (take an existing product and sell it to a new market)
- product development (take an existing market and develop a new product to sell to it)
- diversification (build a new product and sell it to a new market)

Market Penetration

Let's begin by examining what Ireland is good at doing and the evidence of same. According to the "Annual Review and Outlook for Agriculture, Food and the Marine 2020", the Agri-food sector provides between 10% and 14% of employment outside of Dublin and the mid-east region. Furthermore, the sector purchased the majority or 78.6% of its materials in Ireland in 2018 and almost 90% of the food produced in the country is exported to international markets. Ireland is a global hub for pharma and medtech, playing host to 24 of the top 25 biggest players, including Johnson & Johnson, Roche, Pfizer, Novartis and AbbVie. According to the CSO, "Exports of Medical and pharmaceutical products increased by €1,183 million (+35%) to €4,572 million in February 2021 compared with February 2020.



This represents 37% of the value of total exports".

The reach of the Global Irish extends into every nook and cranny of the world. The Department of Foreign Affairs, Enterprise Ireland, Bord Bia, Tourism Ireland, Irish Development Authority and others collectively have an extensive geographic footprint. There are many other Irish business networks, international GAA teams and Irish cultural societies dotted all over the globe that offers a powerful, well-networked and welcoming springboard for cultivating international relationships. Our foreign direct investment approach is the envy of many other nations. According to the latest IDA figures, the average salary in new investments is €59,384 (in comparison to the

average Irish salary of €40k as per Jobted) and for every ten jobs created by FDI in Ireland, 8 more jobs are generated in the wider economy.

In the "Significance of the SME Sector in the Irish Economy" report prepared by Jim Power, Small and Medium Enterprises across Ireland employ 1.06 million people in Ireland and the latest Global Entrepreneurship Monitor quotes "Over 3,000 people started a new business every month in Ireland in 2019 and the rate of early-stage entrepreneurial activity observed was the highest it has ever been since we began to track rates."

Therefore, agriculture, export-led industries, the Global Irish, foreign direct investment, and the SME sector have all contributed to the bedrock

of our economy since the turn of the century and throughout the "Covid" year of 2020. So, where do we look now to build the next economic chapter of the Irish story?

Product Development

There has been a massive shift towards buying online and Irish online revenue followed suit. According to Wolfgang Digital, "E-commerce revenue for retailers grew by a seismic 159% in 2020. To give this context, average annual growth from 2017 until 2019 had been 32%." Unfortunately, Irish businesses haven't had the capability in place to fully capitalise upon that growth and serve customers in the local market. A recent study from PayPal pointed out that "88% of Irish consumers who shopped online bought from websites outside of Ireland during the last year and that better pricing, more choice and greater availability is driving this international shopping trend." Even worse, consumers in Ireland want to buy online from Irish retailers.

The Google search term "shop local Ireland" increased by 540% in just one week in October, according to the search engine itself.

The Trading Online Voucher has made a significant impact on smaller businesses right around the country, but we need to not just enable payment on our website and optimise them for keywords but look at the bigger trends around the world. Voice eCommerce is now in many, many homes around Ireland today (and how many of you can now say you've asked Google Home or Alexa's opinion on where to spend your money?). Integration is now a primary question for many online businesses – imagine a smart fridge could order its own online shopping when it recognises that you're running out of milk ... and imagine if it's linked to your AirBnB account so that when you arrive to your new accommodation, the fridge contents is a replica of that at home. If we look to China, which this year eMarketer predicts, will be the first country ever where eCommerce spend will

outpace that of in-store, we can see these trends aren't futuristic but of the present. Ireland needs to develop its product so that it can sell to its own market.

Market Development

The Irish economy has been characterised as open for decades as exports have brought us a release valve of economic woes in the past and offered a platform to domestic businesses to thrive. However, the Covid-19 lockdown pushed Ireland and the rest of the world into a great social experiment. Could we really, en masse, work from home? If so, could we work from anywhere? This is rural Ireland's opportunity. Lots of people can have urban jobs and rural lifestyles. According to the Bank of Ireland 2020 first-time buyers survey more and more first-time buyers were considering a wider range of properties and areas than ever before with the number of first-time buyers wanting to buy outside Dublin hitting a 5-year high of 73%.

It's incumbent now on the private sector to create services, experiences and employment opportunities to support its "new" population. We've seen this happen before. The "Wild Atlantic Way" was a concept formed in 2014 and the most recent Failte Ireland Annual report identifies that one in five jobs in the region is dedicated to tourism before the hospitality sector was shut down in the country (... and a whole other article could be dedicated to an Ansoff Matrix review of this sector). The Rural Regeneration and Development Fund and the National Remote Work Strategy is putting public money, energy and attention into this social and economic change and it's a unique chance that the country has to get this right.

Diversification

Anybody that has studied the Ansoff Matrix literature will tell you that the "diversification" quadrant is the riskiest of all. Taking a new product to a new market is the one fraught with uncertainty, but it's also the one where a rich reservoir of untapped, or unseen by others, opportunity



may lie. Innovation is a word that we like, but we really only want innovation that works out. As an entrepreneur that has pursued innovative ideas in over a decade in business, I can tell you that it can be both expensive and disheartening when the market says no to your innovative idea... or else tells you to “come back when you can prove success through other clients”.

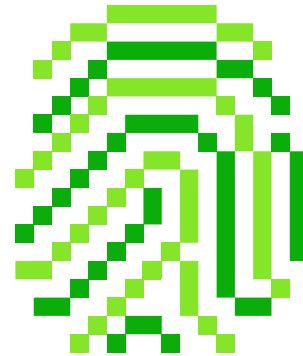
There is an excellent stakeholder alignment that exists in the entrepreneurial ecosystem called the “Innovative Partnership”. A company can apply to Enterprise Ireland to supply 60 – 80% of funding for an innovative idea where the company itself provides the rest of the money. The money is given to a research centre in an Irish university to execute the idea. If a successful outcome happens (i.e. the company licenses the Intellectual Property or the tech developed), then a revenue stream is agreed between the company and the university. The beauty of this connection is the government bears the upfront cost that could be too high risk for the company and yet triggers the innovative activity needed to pipeline jobs and exports. On the part of the commercial partner, this initiative activates financial investment, commercial acumen and the company’s treasured client book. The university can offer good, interesting, and solid jobs to its own graduates and see cutting edge research turn into a product or service. Each stakeholder puts in what they’re best placed to do and gets out what they’re most interested in. If it doesn’t work out, then the financial burden is shared but jobs have been created, taxes will have been paid and lessons have been learned along the way.

In our own business, we participated in a two-year Innovation Partnership which resulted in us licensing a proprietary algorithm for active peer learning that enables us to run highly engaging training and event facilitation online in a world of digital fatigue. Little did we know it at the time, but it was the best preparation we could have imagined for what was to come.

Moving from our micro example to the macro economy, where can Ireland look for the mega trends? In very broad terms, the answers are technology and sustainability. In narrow terms, there are two roadmaps laid out for the world.

The first is the United Nations “Secretary General’s Roadmap for Digital Co-operation”. There are nine key areas including “Supporting global cooperation on artificial intelligence that is trustworthy, human rights based, safe and sustainable and promotes peace” and “promoting digital public goods to unlock a more equitable world—the internet’s open source, public origins should be embraced and supported”. Could Ireland be a global leader in machine learning, Natural Language Processing or the Internet of Things? Alternatively, could we turbo boost our digital literacy right across all ages, spearhead open-source development for learning or bridge inequality through scalable tech reach?

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The Disruptive Technologies Innovation Fund has awarded €235m into a variety of sectors with the most recently announced tranche directed towards disruptive technologies in areas such as healthcare, food, factory safety, construction, industrial heating systems and maritime.

The second roadmap is that of the Sustainable Development Goals. I've co-authored both editions of "Positive Economics", the market leading economics textbook for Leaving Cert where sustainability and specifically the SDGs, are at the heart of the syllabus for our budding economists. This theme is now woven into all aspects of politics, society and the environment today. "Ireland's Sustainable Development Goals (SDGs) data hub" details an array of targets, champions, outputs and interactive tools to act as an interface in front of a plethora of data. However, when the SDGs are on the agenda of every board meeting, considered by every event organiser and require the

consideration of every construction project, then we will know that Ireland truly is a sustainability leader. If we look around us – for example the European Commission has proposed that at least 25% of EU expenditure will contribute to climate action during 2021-27, the attention that Greta Thunberg's message has received or the pledges of large companies to reach carbon neutrality by an accountable date, it's clear the desire is tangible. Could Ireland think, act and showcase differently and truly stand up to stand out?

In summary, as the Irish public, private and third level sectors together with the women, men and children of the country shape a new way of living, working, entertaining and learning, let's apply our critical thinking skills to our economic strategy. We need to take care of our existing productive capacity, enable new business models to happen, develop new products to sell, inspire new economic activity, take care of those who don't have the education

or resources they need to succeed as measured by their own version of success and look with enthusiasm to the future where Ireland can illuminate and lead the way forward. We've done it before, and we'll do it again.



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