



Rural Businesses at Work: Case Studies of Rural Enterprises in the Western Region

Background Report

2007

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1 Introduction

1.1 Rationale for the Study

The Western Region, under the remit of the Western Development Commission (WDC), comprises the seven counties of Donegal, Sligo, Leitrim, Roscommon, Galway, Mayo and Clare. It is predominantly rural with 68% of the population living outside of population centres of 1,500 persons or more. The region has a relatively weak urban structure with just six urban centres with a population of over 10,000. Seventy-seven per cent of the population live outside of National Spatial Strategy (NSS) designated gateways and hubs.¹

Despite the extent of rurality in Ireland, relatively little is known about the dynamics of the non-farm rural economy and the rural enterprises contributing to it. The WDC is conscious that indigenous enterprises have accounted for the bulk of employment growth in the Western Region in recent years and that more than half of the businesses supported by the WDC Investment Fund² have been located in rural areas. Yet we know little about how and why enterprises locate in rural areas and the impact of their rural location on their business.

1.2 Terms of Reference

In order to explore some of the issues that rural enterprises face, the WDC decided to commission a study which would involve:

- Undertaking a number of case studies of rural enterprises in the western counties;
- Exploring how and why they came to be located in a rural area;
- Investigating the effects of a rural location on their operations;
- Generally assessing the enterprises' impact on their locality; and
- Identifying key issues and themes that emerge from the case study analysis.

The Terms of Reference for the study required:

1. A contextual overview of rural enterprise in Ireland and the Western Region, including a review of any recent data and analysis on rural enterprise and small business, as well as relevant policy documents;
2. Ten case studies of individual enterprises, located in rural areas of the Western Region and operating in various sectors; and

¹ CSO (2007), Census of Population 2006. According to the 2006 Census, 39% of the national population lived in rural areas (defined as areas outside of population centres of 1,500 persons or more) while 59% lived outside of designated gateways and hubs.

² The WDC Investment Fund is an exchequer-supported fund that aims to provide seed and venture capital or loans to projects under three sub-funds: Business Investment Fund; Local Investment Fund; and Special Projects Investment Fund. Investments are made on a commercial basis by way of ordinary share capital, preference share capital, and loans or a combination of these mechanisms. The WDC does not provide grant aid.

3. That the case studies should provide qualitative information on the particular issues facing such enterprises and their perceived impact on their locality.

1.3 The Background Report

The main report *Rural Businesses at Work: Case Studies of Rural Enterprises in the Western Region*³ contains the contextual overview, summary versions of the ten case studies, as well as a section on issues and themes which arose from the case studies. This Background Report comprises longer, more detailed versions of the ten case studies and is intended as a support document to the main report.

The criteria for the selection of the ten case study enterprises and the methodology used are discussed in Chapter 3 of the main report. The ten enterprises selected and their main characteristics are outlined in Table 1.1 below, followed by detailed case studies of each.⁴

³ The main report can be downloaded from www.wdc.ie or a printed version can be obtained by contacting the Western Development Commission.

⁴ The views expressed in the case studies are those of the interviewees and do not necessarily reflect the views of the Western Development Commission.

Table 1.1: Case Study Enterprises

Sector	Selected Enterprise	Location	Year of Est.	No. of Employees
Traditional Manufacturing	Killala Precision	Killala, Co Mayo	1981	40
Natural Resources	The Burren Smokehouse	Lisdoonvarna, Co Clare	1989	15 full-time; 10 seasonal
Tourism	Hodson Bay Watersports (formerly Lough Ree Powerboat School)	Hodson Bay, Co Roscommon	1998	9 part-time (2.5 to 3 full-time equivalents)
Construction-related	Breffni Ireland	Carrigallen, Co Leitrim	1984	14
Retail	Surlis Supervalu	Tubbercurry, Co Sligo	1970	52
Professional Services	Outsourced Accountancy	Balla, Co Mayo	2003	11
Creative Sector	Eo Teilifís	An Spidéal, Co Galway	1989	14 full-time; 120 on contract
High-Technology Manufacturing	VistaMed Ltd	Roosky, Co Roscommon and Carrick-on-Shannon, Co Leitrim	1998	60
Internationally Traded Services	Eointec Solutions	Ballyshannon, Co Donegal	2003	2
	Xtender Teo	Dungloe, Co Donegal and Blanchardstown, Co Dublin	2000	31 (20 in Dungloe)

2 Traditional Manufacturing: Killala Precision

2.1 Overview

Killala Precision was established in 1981 by Mr Seán Hannick, who continues to own and run the business to this day. The company has grown from modest beginnings to become one of Ireland's leading precision engineering sub-contractors.

At one stage in its development, employment in Killala Precision peaked at 65, as the company focussed on growth rather than profit. Now, with an increased focus on automation, quality and higher value manufacturing there is a workforce of 40.

2.2 Start Up

Mr Hannick is a native of Killala, Co Mayo and he has lived and worked in the area all of his life. He first became involved in community development in north Mayo in the 1960s, and he has been active ever since. In the 1970s the local community council managed to attract significant enterprises into the area, including crab processing and furniture manufacturing. They also built two advance factories, both of which are occupied to this day.

Killala Precision grew out of Mr Hannick's ongoing efforts to identify and attract suitable industry to the area in the early 1980s. In meetings with a major employer in the area, it was suggested that there was a significant market within Ireland for turned precision parts. Mr Hannick then led a research project which, in conjunction with the Irish Goods Council, identified more precisely those components that were being imported into Ireland. In 1981, Mr Hannick, who at that time operated a supermarket in Killala, established Killala Precision in the basement of the supermarket premises in order to address the market for turned precision parts.

2.3 Growth and Development

Killala Precision began business by supplying three customers with whom they had established contact. In the early years, the company found itself in difficulties. This resulted primarily from its failure to accurately quantify its costs, which in turn led to cost over-runs on many products. In order to address this shortcoming, and to ensure the viability of the company, a qualified and experienced technical adviser was sought. At that time no significant market for personnel with the required expertise existed in Ireland, and the company recruited the required manager from England. He stayed three years and his efforts helped to turn the company around. Upon his departure, his replacement was also sourced in Britain, and he too proved equally valuable. Since overcoming its difficulties in the initial years, the success of Killala Precision and other Irish companies active in the field has meant that a sufficiently large pool of expertise has emerged within Ireland to cater for the industry demand.

Since the mid-1980s, Killala Precision has thrived and it has moved to large factory premises of 20,000 sq ft. It still specialises in the manufacture of precision turned parts, but its customer base has grown steadily. As it won contracts from foreign companies located within Ireland, some of these led to worldwide contracts with those same customers, in places as distant as China. The company's management has also benefited from visits to countries such as Japan over the past decade. In the 1990s, encouraged by IDA Ireland and a major customer of Killala Precision – Fujitsu Isotec – they visited sub-contractors in Japan who were regarded by Fujitsu as the best in their class. The company continues to foster links with Japan, and have visited as recently as 2006.

The requirements for the sector within Ireland are changing, as all companies are required to compete in a global marketplace. In some instances, basic components are now manufactured abroad in lower cost locations; and those Irish companies active within the sector are increasingly focussing on higher quality and value. As well as producing components in Ireland, some Irish manufacturers (such as Killala Precision) are now involved in importing basic components on behalf of their customers. Customers cooperate in this process because the Irish manufacturer adds value to the relationship by committing to manufacture the component in-house in Ireland, in the event of a supply or quality failure.

2.4 Staff

Killala Precision believes that its location in the west of Ireland has always given it access, in general, to a higher quality of personnel at a competitive cost.

In the 1980s, when unemployment in the region was a major concern, the company worked closely with local vocational schools in Killala, Crossmolina and Ballina, in order to identify and support those students who might wish to secure employment and training in the engineering sector. The firm's position as a major employer in the Killala area also made it attractive to many Mayo emigrants who wished to return to the region.

In recent years, the boom in employment nationally has meant that many local people who might have sought employment locally are now working in Dublin, particularly in construction. As a result it is now more difficult to source people locally, and the company now employs eight non-Irish personnel, primarily from Poland and Muldova. These people have settled in well, and like the Irish workers, all tend to live within a 15 mile radius of the firm's premises.

The future trends in employment within Killala Precision will depend upon economic factors in Ireland, as well as abroad. If opportunities in the construction sector decrease,

then the number of Irish workers seeking employment may increase; alternatively, the company may become increasingly dependent upon workers from abroad.

The company has always operated a progressive employment strategy, including the operation of a profit-sharing scheme. However, it points out that such schemes are difficult to manage, and believes that the Irish government could do more to facilitate these schemes through tax reforms.

2.5 Training

The company acknowledges the importance of training and research to the industry. Mr Hannick was involved in efforts to establish the AutoTurning Centre of Excellence in Ballina, which is managed by FÁS, and whose specialised training was praised. In particular, the ongoing liaison between FÁS and industry representatives was identified as important.

Management training is an area where the cost is exacerbated by the company's rural location. Most courses are offered in the major cities: this requires the cost of lengthy travel and an overnight stay, as well as more time away from the business than would otherwise be the case if the training were offered in the region. The company praises Skillnets, a government assisted programme that allows clusters of industries to design a course and to have it run and funded locally. Its involvement has come through the North Mayo Skillnets initiative, which has now been replaced by Learning West Skillnets. North Mayo Skillnets developed modules aimed at improving skills in technical areas (Auto CAD and basic computers), as well as in areas such as management and leadership.

2.6 Sectoral Issues, Linkages and Networking

The company is involved in many partnerships and networks. The company sub-contracts some of its manufacturing to firms around the country, many of which are in the Ballina and Castlebar area. It also works with Tower Precision, which occupies the neighbouring factory in Killala. Through Killala Precision's involvement with the Precision Turned Parts Manufacturing Association in Ireland, and its international affiliations, the company can benchmark itself with others and ensure that items such as supply costs are in line with best practice.

The company believes that its links with third level institutions could be closer, and generally feels that these institutions are not proactive in seeking out industry relationships. It pointed out as an example, a service in prototype manufacturing offered by the National University of Ireland at Galway (NUIG). The service allows prototypes to be manufactured in hard plastic at a fraction of the cost of producing a metal equivalent. Killala Precision learned of the service by accident. It regards it as excellent, and now uses the service regularly, but feels that it should be promoted more.

2.7 Infrastructure and Services

Killala Precision has always believed that any concerns relating to its relatively remote location from its markets were primarily to do with the perceptions of customers, rather than the physical distances involved. Without underestimating the necessity for high quality infrastructure, Killala Precision has always managed to overcome the challenges presented by its relatively remote location.

Improving road and air links remains a priority as the company incurs higher cost as a result of its rural location. Efficient transport is essential, not only for the distribution of goods, but because most customers of Killala Precision must visit the premises as part of their audits of key suppliers. As journey times lengthen because of traffic delays, upgrades to key sections of the road to Dublin, as well as the N17 south to Galway, are key issues. Those roads in the area of Swinford and Ballina in particular were identified as sub-standard.

The company uses Ireland West Airport at Knock as much as possible, and is keen to support initiatives such as floodlighting that would reduce diversions, as well as encourage more scheduled flights. Other infrastructural issues that were of concern over the years have been gradually improving. The company avails of broadband through a local wireless initiative, having been disappointed with the quality of service received from a fixed line operator in the past. The company praised the quality of service provided by An Post, as well as those available from private sector carriers. The company can ensure carriage to the USA or the Far East within three to four days at reasonable cost, and can reduce these delivery times if necessary by paying a premium.

The cost of rising energy and fuel costs are a concern for Killala Precision, as it is an energy intensive business; although the company does not believe that it pays more for these as a result of its rural location. In the past, interruptions to the electricity service were a problem, but this situation has improved in recent years.

2.8 Funding and Support

As a manufacturing business, that exports a significant proportion of its products, Killala Precision has benefited from the support of state agencies.

The issue of sourcing private finance is no longer a major concern for Killala Precision as it has a strong history of profitable trading. However, it believes that there has generally been an improvement in the availability of finance for small and medium businesses in recent years.

2.9 Other Issues

Continuous innovation has always been part of Killala Precision's strategy. In the 1980s, it was the fifth indigenous Irish company to gain ISO 9000 accreditation, at a time when the

importance of quality was becoming increasingly apparent. Over the years it has improved its operations by changing production techniques and improving logistics. The company has received numerous awards for these innovations from industry bodies as well as multinational customers. These awards include Irish Supplier of The Year (from the Irish Trade Board and Irish Institute of Purchasing Management); Thermo King European Supplier of the Year; FÁS Regional Award for Training Policies; and National Taoiseach's Award for Business Linkages.

The company's management team consists of Mr Hannick as managing director; a general manager; a deputy and sales manager; and a production manager. Mr Hannick has become involved in a variety of unrelated businesses in recent years. Therefore, the company has no particular concerns for succession, as it has a high quality management team and is trading profitably.

2.10 Outlook

Killala Precision believes that ongoing trends within the sector support its strategy of continuing to focus on increasingly sophisticated components to ensure it thrives in the future.

Key Points

- The company started to trade by manufacturing substitutes for products that were being imported into Ireland. It now has positioned itself higher up the value added chain to remain competitive in the global economy, and to access new export markets.
- The company has worked hard to establish successful training initiatives in the area, but feels that third level institutions should be more proactive in seeking industry links.

3 Natural Resources: The Burren Smokehouse

3.1 Overview

The Burren Smokehouse was established by Peter and Birgitta Curtin in 1989, and they continue to own and operate the business to this day. The Smokehouse produces and sells a wide variety of smoked fish and cheeses from its purpose built facility in Lisdoonvarna, Co Clare.

The company employs 15 permanent workers and a further ten at peak seasonal periods. It has built up an extensive business and sells through gourmet shops, its purpose built visitor centre, and its extensive database of e-commerce and catalogue customers.

3.2 Start Up

Peter Curtin is a native of Lisdoonvarna, and he and his Swedish wife Birgitta wished to live and work in the area. In considering potential ideas for a rural based business, they investigated the market for high quality, smoked fish. They had already seen the traditional demand that existed for such a product in the smokehouses of the Baltic coast of Sweden. Further research suggested that a promising market also existed in Ireland, and they commenced business with a small kiln that smoked 20 fish at a time.

Initially, the Burren Smokehouse sold to local pubs and restaurants in the west Clare region. Encouraged by their early success, they developed packaging and began selling through retailers.

The Smokehouse's products include a variety of smoked fish (salmon, trout, mackerel and eel), as well as cheeses. All of the business' foodstuffs are sourced in Ireland. The company has always positioned itself at the top end of the market, in terms of quality and does not compete head to head with the mainstream market for smoked fish.

3.3 Growth and Development

The company now serves various retail markets, as well as contract markets. However, the company has chosen not to compete, in general, within the supermarket multiples. Direct sales to consumers and sales through specialist gourmet food retailers are the most profitable and promising markets.

In the mid-1990s, the company entered into a new market by constructing a visitor centre in Lisdoonvarna village. The centre caters for the tourist market, and has proved to be a highly successful venture. The company obtains direct sales through its visitor centre, as well as through its substantial direct marketing business for individuals and the corporate market.

The centre now greets 40,000 visitors a year, the vast majority during the peak tourist season. Mr Curtin compares this to the nearby Cliffs of Moher, which draw about one million people per annum. The existence of Shannon Airport is seen as a key asset for attracting tourism to the visitor centre, and many of those visiting the centre are foreign tourists on coach trips. Visitors can see how fish are smoked, watch an informative video, and also obtain general information about the Burren area. The centre incorporates a gourmet store that showcases products for the Smokehouse, as well as other local foods and crafts.

Visitors to the centre are encouraged to leave their contact details and are made aware of the company's website and mail order catalogue. In this way, the business not only sells product through the centre; it also builds and refreshes an extensive database of potential customers. This allows it to contact people and encourage them to avail of the company's catalogue or e-commerce facility so as to obtain their products by direct mail.

The company has built up a substantial export business. It estimates that 60% of its sales, both through the visitor centre and through its e-commerce and mail order business, is exported. The most important foreign markets are the USA, UK, France and Germany.

The sales achieved by the Burren Smokehouse are highly seasonal; they are concentrated in the spring and summer months and during the critical run up to Christmas. The scale of fish processed has grown over the years. In 1999, a fire destroyed the original kiln and a decision was taken to construct two large capacity kilns that are now smoking 1.3 tonnes per day.

The company has won numerous awards for its products: including a gold medal at the 2003 and 2005 Great Taste Awards. The event, which is billed as the International Fine Food Oscars, is sponsored by the British Guild of Fine Food Retailers.

3.4 Staff

The number employed within the company has been steadily growing, and the company is now a significant employer in the area. In 1997, the company had six staff, this increased to 15 in 2002, and it now has 15 permanent workers and a further ten employed at peak times.

The company employs a total of eight non-Irish nationals from China, Poland, Belgium, Austria and Switzerland. All live either in Lisdoonvarna or within a 20 mile radius.

The company's management sees human resources as central to the welfare of their business. Mr Curtin believes that recruiting and retaining management staff is a major challenge for every small business as such managers now have greater salary expectations than some smaller businesses can deliver.

3.5 Training

The business has accessed training through two Skillnets programmes, which it praises for their relevance. It has been involved in Skillnets IASC: a national network of companies in the fish production and distribution sectors focusing on the development and delivery of management and operative training. It is promoted by the Irish Association of Seafood Companies (IASC). The other programme is the Clare based ACIST Skillnets, which provides business skills training across several sectors, and is named after its aim of building A Clare Industry, Services & Tourism (ACIST) Skillnets Network.

In the past, some undergraduates from the University of Limerick have worked with the business on market research projects.

Mr Curtin believes that owner-managers need to be realistic about their own shortcomings: they can be an impediment to growing the business; and their own personal lifestyle requirements at various ages may conflict with the needs of the business. He states that mentoring with an appropriate, experienced individual can be hugely helpful to managing a small business, in cases where the mentor has specific experience of the matter on which help is being sought. Such mentors allow smaller businesses to access expertise that is normally only found in-house within large companies.

3.6 Sectoral Issues, Linkages and Networking

The company's networking with local businesses, beyond its suppliers, includes the local farmers' market. In terms of networking with businesses in the region, the company worked with other local producers in the past, to try to distribute to retailers more efficiently. This is no longer an issue, primarily because the advent of centralised distribution centres by larger retailers means that small producers now only need to deliver to one location to service a chain of stores.

The company has also worked with tourist businesses in the west Clare area, but has experienced a lack of foresight on the part of some other enterprises, in that they do not always see the value of jointly promoting the region. The company believes that smaller businesses need to combine if they are to launch affordable but effective advertising or promotional campaigns.

3.7 Infrastructure and Services

In general, the company suspects that its operational costs are much the same as that of businesses in more urban areas, some costs are cheaper in rural locations, but others such as transport can be higher. The company points out that the relative costs of establishing a visitor centre and associated shop in an urban setting would be extremely expensive for a small business, and that the company's setting in a rural area allows it to access the tourist market in a cost-effective way.

The rising cost of energy is a concern: the Smokehouse is the largest user of electricity in north Clare, due to its extensive kiln and refrigeration activities. It has sourced electricity from a range of suppliers.

The company had problems with broadband in the past, but this has now been resolved. The enterprise is pleased with the service it receives from private courier companies and believes that it does not pay higher courier costs because of its rural location.

3.8 Funding and Support

The company has received funding from various agencies over the years, and notes that funding is an ongoing requirement as the business seeks to expand and innovate technically to remain competitive. Leader funding contributed to the cost of the visitor centre. Shannon Development provided grant aid when the business was set up, and are also contributing to a current initiative to review the competitiveness of the business.

If the company decides to access funds for further expansion, it sees the Business Expansion Scheme (BES) or an equivalent funding mechanism as essential. It states that such five year funding to small businesses is invaluable.

Mr Curtin has grown his business gradually over the past 17 years, but suggests that it would be a daunting task for a young entrepreneur to establish such a business today; he believes that up to €2 million in finance would be required.

3.9 Other Issues

The company has innovated extensively, particularly in the area of Information and Communications Technology (ICT). Managing the paperwork for the business proved increasingly cumbersome as the company grew, and in 2002 the enterprise undertook an extensive reorganisation and computerisation of its systems. The new systems supported business processes from order taking to dispatch and invoicing. Upon completion, the project greatly improved the efficiency of the business, and the volumes that could be handled. Handling large volumes at times of peak demand has proved a critical advantage in a seasonal business.

The company's database of customer contacts and sales trends was also underexploited. The new system provided software tools to better interrogate the database and organise sales campaigns. This has greatly improved the company's success in direct marketing. The company can now take a fresh order and have the product and supporting documentation ready for shipping in 30 minutes.

3.10 Outlook

In the face of the increasing costs for the purchase of fish (most of which is now farmed), falling margins in mainstream food processing, and the need to achieve scale to justify the

cost of compliance with various regulations, the company regards its focus on the direct marketing of high value products as the appropriate strategy for the future.

Key Points

- The company is a food producer that has protected its margins by producing a high quality product, and by using direct sales and gourmet outlets and avoiding the supermarket multiples.
- The company has cleverly used the tourist market to expand its business: it uses its visitor centre to build up a database of customers that can be targeted for sales by direct mail.

4 Tourism: Hodson Bay Watersports Ltd

4.1 Overview

Hodson Bay Watersports Ltd (formerly Lough Ree Power Boat School) was established in 1998 by Stuart McNamara, who continues to own and operate the school to this day. The school has diversified from offering powerboat courses that receive official training recognition, to offering other official courses for leisure cruisers, and other trips and courses aimed at the sailing, tourist and corporate leisure markets.

The school's courses are primarily run from a lakeshore site on the public car park adjoining the Hodson Bay Hotel in south Roscommon, although the school also transports its boats to coastal locations in Ros a Mhíl, Sligo and Westport when it wishes to offer sea based courses. It has a panel of nine fully qualified and independent training instructors, on whom it draws to offer training courses.

4.2 Start Up

Mr McNamara, a native of Kinsale, has been a boating enthusiast all of his life. In 1985, his career as an army officer led him to a stationing in the Athlone-Hodson Bay area and he continued to pursue his boating interests on Lough Ree. Through his involvement in the Athlone Yacht Club, Mr McNamara completed a Yacht Masters Course through the Irish Sailing Association (ISA), and during the 1990s he was heavily involved in a number of sailing and powerboating pursuits: these included attempts to break various powerboat speed records and a trans-Atlantic sailing.

In the early 1990s, the level of formal training in powerboating skills was minimal in Ireland, and the ISA sought to design a course that would graduate trainers who would go on to train people throughout the country, in line with a set syllabus. The Royal Yachting Association in Britain provided four instructor trainers to the ISA, and Stuart McNamara completed the course. The ISA then invited Mr McNamara to become their first powerboat trainer, and for several years he offered in-house courses on their behalf in his spare time.

By late 1997, a demand for such courses emerged from beyond the sailing fraternity, from agencies such as the Civil Defence, and Mr McNamara identified a potential commercial opportunity. Other commercial enterprises had also begun to offer the courses in Cork and Cobh.

In 1998, Mr McNamara accessed funding through the Leader initiative in Curraghboy, Co Roscommon as well as through the Kinsale branch of his bank. With this funding he purchased a Rigid Inflatable Boat (RIB) of a high specification, suitable for the most advanced levels of training, and opened Lough Ree Power Boat School. In the intervening

years, the school has overcome various barriers to emerge as one of the leading boat schools in Ireland. Mr McNamara has continued to progress in his career as an army officer, and the school is managed by him in his spare time.

4.3 Growth and Development

The school commenced business by offering courses at the weekend, primarily to professional users such as Civil Defence associations, as well as to leisure users. Business was initially consistent and the school was fully occupied during the winter season. However, the demand for courses from professional users almost dried up in the summer, as many potential students in this category saw it as a less attractive time to attend courses. This underlined the importance of marketing courses correctly, and to learning to manage demand. The school now has an in-depth understanding of the types of courses required by each segment of the market, as well as the different seasonal patterns exhibited by each. It has a comprehensive annual planning process that takes this seasonality into account in allocating its resources and deciding on its marketing focus at any one time.

Adopting the correct marketing strategy was primarily learned from experience. Paid advertising did not always work, while Mr McNamara's regular contributions to the radio programme *Seascapes*, as well as features in *The Irish Times* or on RTE's *Nationwide* generated significant interest. Mr McNamara also began offering consultancy services to insurance companies and this also became a valuable source of referrals.

Over the years, the enterprise has grown from its modest beginnings and it has expanded its focus beyond agencies seeking training to also serving the leisure and tourist sectors. In 2001 it augmented its core product of powerboat based courses and created a second revenue stream by offering the Helmsman Scheme for the Inland Waterways Association. This offers training to those who are using Shannon Cruisers. By that year the company's fleet had expanded to five boats, and it won an Ericsson Business Excellence Award in the category of Best New Business in the Midlands. This award raised its profile and gave it increased acceptance as a viable enterprise within the local business community.

The company reports that the overwhelming demand for its courses is from those living in Ireland. The school has positioned itself at the top of the market as a training centre of choice. It continues to enjoy strong patronage from public sector organisations involved in water based activities (e.g. rescue agencies), but it has also successfully entered the leisure market. In total, the school is now training 800 people per annum.

The school's experience is that many of those seeking training courses, either for work or leisure pursuits, consider the occasion of the course as also having a holiday dimension. For this reason, many of its students come from Dublin and Cork, despite the fact that both of these cities host schools that compete with Hodson Bay Watersports.

4.4 Staff

Today the company continues to be managed by Stuart McNamara. It has a panel of nine fully qualified and independent training instructors, on whom it draws to offer training courses. One of these instructors works with the school at least four days per week, while another works three days a week. Others work on average one day per week with the school. In total, Mr McNamara estimates that the total workload of instructors equates to 2.5 to 3 full time equivalent employees. This excludes his own contribution to training and the seasonal nature of activity.

4.5 Training

All of the school's instructors have a very specific skill set, which they have gained from completing numerous courses over the years, many on their own initiative.

The enterprise tends to be less influenced by changes in the general labour market than many other businesses, because the skills required are so specific that suitably qualified people cannot be sourced in a conventional manner. For example, half of the staff consists of full-time freelance instructors, while others are individuals highly qualified in boating who work as instructors outside of their normal employment. Most travel to Lough Ree from locations throughout the country, and all are Irish nationals. All have shown great loyalty to the business and have been training for several years.

4.6 Sectoral Issues, Linkages and Networking

The impact of the enterprise on the area is significant, particularly within the tourism sector. The school offers short taster courses aimed at the holiday and corporate entertainment markets, in addition to its courses for those seeking formal training and qualifications in boating. Local hoteliers provide referrals. The relationship with accommodation providers is symbiotic; many courses require an overnight stay, and the school recommends a range of accommodation on a non-commission basis, from Bed and Breakfasts to four star hotels. Furthermore, many students who attend the courses are accompanied by other family members who pursue other interests in the area, and who generate additional demand for accommodation and other services. Indeed, the school estimates that course participants generate approximately 2,500 bed nights per annum for their own accommodation needs, and this figure excludes accompanying friends or family members. The school is also helped by the cluster of marinas and high quality berths in the area, which increases its attractiveness for boating enthusiasts.

The school has interacted with third level institutions, as its managing director provides occasional lectures on enterprise at Institute of Technology Sligo. However, its principal links are within the boating sector; its status as a recognised National Trainer of the Irish Sailing Association and the training school of choice of the inland waterways community in Ireland are critical selling points.

4.7 Infrastructure and Services

The provision of infrastructure is critical to improving the quality and range of services that can be offered by the school, and the markets that can be addressed. The enterprise has found that the improvement of the N4 road between Dublin and Lough Ree has increased the attraction of their product for those living in the capital. The quicker journey time from Dublin allows travellers to easily reach the centre for a 10.00 a.m. starting time.

Poor telecommunications infrastructure is a major concern of the enterprise. Until recently, the company was unable to avail of broadband for its office, which was a cause of frustration given the importance of a web presence and email to securing bookings. Although the company now avails of wireless broadband from a private company, serious quality of service issues remain, and download speeds are poor. The company had also encountered problems on its narrowband fixed line voice channel. The company's experiences in loss of service, as well as poor customer service, led it to abandon its fixed line connection: it now forwards calls from its Lo Call number to the mobile network. It has found this solution entirely satisfactory.

Other issues affecting the enterprise are the rising cost of fuel, as well as an inexplicable doubling of insurance premiums in recent years, despite the school's excellent safety record.

The enterprise is positive about its rural location – the natural attributes of Lough Ree are a self evident requirement of the business. It has also forged close links with accommodation providers, and is praiseworthy of the orderly way in which Roscommon County Council manages the public access facilities at Hodson Bay. The school also believes that local businesses offer a far better service than would be found within cities. For example, the local firm of mechanics that service their boats offer excellent response times and flexibility.

The school is an enthusiastic supporter of the 5,000 sq ft Watersports Centre that is under construction in Hodson Bay by Roscommon County Council. The centre will house a boat training centre with teaching rooms, changing and shower facilities, a canteen, a boat repair workshop and stores. It will be complemented by improved harbour facilities. Hodson Bay Watersports was the party that initially conceived the vision of a Watersports Centre at Hodson Bay. The idea was then adopted by Roscommon County Council as a flagship project for tourism in the south of the county. The school's director has also worked closely with the architects involved in designing the Centre.

The exact terms under which various businesses can access the facility has yet to be determined. The Centre is due to open in May 2007. The school believes that this infrastructure will greatly enhance the scale and variety of water-sport activities that can be offered on the lake, and ensure an attractive, sustainable future for the school and for other aquatic based businesses in the region.

The school has also proposed that the capacity of the Hodson Bay area to berth boats should be significantly increased. It has proposed that the existing harbour be extended to incorporate a floating breakwater that would provide winter berthing for 100 boats. In the milder conditions of summer, the capacity could be extended to accommodate a further 50 boats on the outside of the marina breakwater. This would consolidate the tourism potential of the area by creating a year-round community of boat owners, as well as providing capacity to meet the demand from floating visitors to Hodson Bay.

4.8 Funding and Support

The company has found that the County Enterprise Board was not generally interested in its product because it was tourism based. On the other hand, Leader has been a strong supporter. To date, the company has received capital grants from Leader of 50% for the purchase of three powerboats.

The company has also moved its banking to a local branch. It states that its relationship with the bank's manager in a rural context is closer than it would be in a city, but points out that it believes that branch managers now have less of a say in decisions to fund local businesses than they would have in the past. Many are now required to refer funding applications to regional or head offices, and the enterprise sees this as unnecessarily delaying decision making.

In the past, Ireland West Tourism supported the firm in travelling to trade shows in France and Germany, where the company gained valuable insight into the industry. Mr McNamara praises individuals from the tourism agencies with whom he has worked over the years, but believes that more needs to be done for the promotion of tourism in the Lough Ree area. For example, the tourist office in Athlone is nearer to the school than that in Roscommon, but lies in a different administrative area; as a result, the business is obliged to pay twice to have its brochures carried in the relevant tourist offices. The company sees this as symptomatic of the general lack of a coherent promotion strategy for Lough Ree. It proposes that a local tourist officer is needed, who can work to network across county boundaries with relevant interests in the Lough Ree area.

4.9 Other Issues

The school managed to register the very valuable domain names www.powerboat.org; www.powerboat.ie; www.hodsonbay.com; and www.hodsonbay.ie. Over the years this has helped enormously to increase its online visibility. Today the website, e-marketing and the associated Lo Call telephone number are critical to reaching potential students and securing sales.

In more recent times, the company has begun to expand its online presence. Unlike sailing enthusiasts, most powerboat users are not members of a club, and so they have limited

opportunity to interact socially with other enthusiasts. Mr McNamara has recently created what is to his knowledge the first virtual boating club in Ireland at www.powerboat.ie. A bulletin board lies at the heart of the virtual club. It has 700 active participants and has already hosted a number of events in the “real” world for its Irish members. As well as enhancing the status of the school for potential students, the online site also offers referrals for the sale of boating equipment. It is now the school’s single most important marketing tool. The bulk of the school’s customers had hitherto come from counties on the Galway-Dublin axis; however, members of the virtual club from Britain, Northern Ireland and the southern counties of Ireland are now travelling to Hodson Bay to take courses.

4.10 Outlook

The company has been eight years in operation, and continues to expand. It has also increased its online presence. It views the Watersports Centre that is under construction in Hodson Bay as an initiative that will greatly increase the market for watersports in Lough Ree. The imminent completion of the Centre, and the broad range of courses offered by the school, has led it to rebrand itself as Hodson Bay Watersports, to more accurately reflect its activities.

Key Points

- The firm has made use of modern technology to expand its geographical market. e-marketing is a critical tool of the business – but poor telecommunications infrastructure and service have threatened its operation.
- The natural attributes of Lough Ree are a key selling point for the business. The new Watersports Centre will enhance this further.
- The enterprise has grown its market by extending the range of courses that it offers and by serving markets in tourism as well as in training leading to formal qualifications.
- The business is very successful, and has shown that outsourcing personnel requirements can offer the flexibility needed to meet the needs of seasonal businesses or those requiring specialised skills.

5 Construction-related: Breffni Ireland

5.1 Overview

Breffni Ireland was established in 1984 and continues to be owned and managed by John Kenny, a native of Carrigallen, Co Leitrim.

The company is located in a purpose built facility adjoining the family's farm in Carrigallen, and it employs 14 people. It specialises in working to order on high value joinery contracts for prestige architectural and ecclesiastical projects, as well as furniture restoration.

5.2 Start Up

John Kenny has worked in the field of high quality joinery and cabinet making all his life. He commenced self-employment in 1984, in an IDA industrial unit in Cavan town, where he specialised in newly crafted furniture featuring marquetry, as well as in antique furniture restoration.

In the 1980s, the business also began making high-quality replicas of some of the most notable pieces of furniture to be found in Ireland's leading castles and historic houses. The owners of the original piece of furniture received a royalty on each replica that was sold. This was a practice with which some other furniture manufacturers had achieved success, most notably Kindell Furniture in the U.S.A., and at the time it was hoped that this strategy would prove to be equally successful in Ireland. However, in the economic climate of the 1980s the demand for such products was limited, despite their high quality. Nevertheless, the business continued to operate in the general market for high quality joinery and cabinet making, and it expanded gradually in the 1990s.

5.3 Growth and Development

John Kenny would have preferred to establish himself at the outset in his native parish of Meiltron in Carrigallen, Co Leitrim, but no incubation premises for such a business existed. In 1998 an unsatisfactory rent review of the firm's premises in Cavan town prompted him to construct custom built premises for Breffni Ireland on the family farm in Meiltron. At that time he constructed the first of the three large buildings that now occupy this site – Leitrim County Enterprise Board provided 30% of the capital cost of the construction. John Kenny has pointed out that, even today, no suitable low cost incubation facility exists in the Carrigallen-Arvagh area for young entrepreneurs wishing to establish a similar type of business. Indeed, he doubts if suitable, affordable premises could even be found in Cavan town in today's property market.

In 1999, Breffni Ireland began what has been a fortuitous relationship with a firm of architects in Dublin. The architectural firm commissioned Breffni Ireland to craft replicas of carved and gilded chairs from Malahide Castle for the Saloon in Newman House, on St

Stephen's Green in Dublin. Breffni Ireland also produced double-sided panel doors in solid mahogany and other period style detailing. Shortly afterwards Breffni Ireland won a contract for the specialist joinery work in the Cathedral of the Assumption, in Carlow. These contracts increased the company's exposure to the high value work-to-order market that has grown particularly strongly in the past decade.

Today, the company addresses five key markets, all of which it serves by working to order as opposed to creating standard products:

- Commissioned Pieces;
- Architectural Joinery;
- Ecclesiastical Projects;
- Hospitality Sector Fit Outs;
- Furniture Restoration.

5.4 Staff

Staff issues are a key concern for Breffni Ireland. The company points out that orders for large commissions can be irregular, and this makes it difficult to allocate staff and other resources in the optimum manner. The company employed as many as 21 people during its work on Carlow Cathedral, and today the company has 14 employees.

Like many firms engaged in the construction-related sector, Breffni Ireland has seen a marked rise in the number of non-Irish nationals that it employs. It now has five foreign nationals in employment, as well as a visiting French student on work placement. Its employees, both Irish and non-Irish, are primarily living in local villages or rural areas within a 30 to 40 minute drive of the premises. Breffni estimates that at least ten families are supported by those working with the firm.

5.5 Training

As for most firms in the joinery and carpentry sectors, training and skill levels are important. Breffni Ireland acknowledges the existence of training courses in furniture making, as well as apprenticeship schemes in joinery and cabinet making, but believes that these do not produce potential employees with the required skills.

The formal training courses in colleges do not have syllabi that Breffni Ireland considers relevant, and it states that it has never been consulted regarding what Breffni Ireland would regard as more suitable. Indeed, the company has little contact with educational institutions. The company states that many of the graduates of such courses are not well rounded and have little experience of the practicalities of business. It believes that the bar is now set quite low with regard to the quality of joinery apprentice that is being produced, and often sees apprentices losing rather than gaining skills when they are away from the workplace for a period of formal training. The problem is further exacerbated by the increased number of

apprentices in the carpentry field who are diverting into specialties, such as roof joinery, that are relatively low skilled compared to cabinet making.

Supporting businesses as they employ a greater number of non-Irish nationals is also seen as important. Training, translation and support services for non-Irish employees with limited English are particularly relevant e.g. a health and safety course in Polish run by the CEB.

5.6 Sectoral Issues, Linkages and Networking

Breffni Ireland notes that the isolation of the owners and managers of small businesses is an issue rarely addressed. This is particularly important for those in rural areas who may not meet any other managers with whom they can exchange views on a regular basis. Indeed, other than suppliers and customers, a manager of a rural based business may never meet other business owners.

John Kenny noted that one of the most rewarding aspects of going to exhibitions and conferences such as the High Point Furniture Conference in North Carolina was the opportunity it provided to discuss management issues with others, and not just the insights it gave into the market.

5.7 Infrastructure and Services

The quality of infrastructure available in Carrigallen was criticised. Broadband is not available to Breffni Ireland's premises and mobile phone coverage is poor. As a result, the company must rely on a fixed line narrowband connection for its telephony, web and email requirements. In the past year, this phone line has been out of order three separate times, and for a period of several days on each occasion.

The company receives post daily, but on occasions where the postman is sick, an alternative employee is not always allocated as a replacement to deliver mail. The cost of utilities, particularly electricity and telephone charges, was criticised as being excessive. The company sees a pressing need to improve road infrastructure. It sees national roads as equally important to those in the immediate locality – and the upgrading of the N3 road to Dublin is its priority.

The area of local authority charges is also a cause of concern. Breffni Ireland points out that charging on the basis of area can be unjust, as it is not necessarily a measure of the intensity with which a business derives benefit from the services offered by the local authority. As an example they note that an office that employs the same number of people as Breffni would pay far less in rates because of their lower floor area. It does not believe that local authorities spend their money wisely. Breffni Ireland notes that the road immediately outside of its premises has been dug up three times in 2006. It believes that better coordination and budgeting for road works and road improvements could improve this.

5.8 Funding and Support

In general, John Kenny believes that the potential of small businesses to create high quality, sustainable employment is not generally reflected in public policy. He notes that if ten businesses similar to his own were established in the Arvagh area they could sustain 140 jobs directly, excluding jobs in other businesses that would benefit from their existence. He states that there are many enterprising people from the area who could establish a range of successful businesses, but that the support systems for these potential entrepreneurs are inadequate. He believes that the state aid and funding available for such entrepreneurs would only amount to a fraction of that which would be made available if a large multinational was to consider locating in county Leitrim.

John Kenny states that some businesses do not meet the required profile of support agencies, and as such he believes that they are unable to access funding. In particular, a business such as Breffni Ireland, that has more than nine employees but that does not concentrate on the export market is generally excluded from funding from the CEB but is, John Kenny believes, of little interest to Enterprise Ireland. The most practical support that Breffni Ireland has received to date has been the partial funding of its premises. It states that other initiatives such as payments towards consultants, meet the buyer events, and training, have been of limited benefit.

Breffni Ireland also believes that small firms do not always have the resources to manage projects that are receiving agency funding, especially initiatives with other firms. Breffni Ireland quoted the example of the Architectural Crafts Expertise (ACE) initiative. ACE was a marketing vehicle created to promote a cluster of craft firms working in the border area. The ACE was founded with the help of a consultant to access funding through the EU Programme for Peace and Reconciliation, as well as Co-operation Ireland. Once funding was secured the consultant's role ended and the consortium of companies hired a part-time employee to manage the project – however, this also took up a great deal of management time and this year funding for the initiative was discontinued. Breffni Ireland believes that the project would have stood a much greater chance of continuing in operation if a supporting agency had been responsible for its day-to-day management, rather than the constituent companies.

Breffni Ireland states that another major problem for small businesses is managing the effect of late payments on cash flow. Tax too can be a heavy burden with little leeway granted for delays of even a few days on VAT and PRSI payments. John Kenny believes that the relatively high interest rate on loans that is charged to small businesses by banks is not always a function of risk. He believes excessive charges are often levied for loans secured on fixed assets, as well as for overdraft facilities.

5.9 Other Issues

John Kenny notes that the managers in a small business will rarely exceed one to two in number, and that these people cannot be expected to have all of the skills needed to manage all aspects of the business. Therefore, he believes that enterprise support agencies should be aware that in-house training is not always the answer – often supporting small firms to permanently access these services in an outsourced model is better.

One initiative that he believes would be of great benefit would be if support agencies were to establish a panel of specialists in key disciplines that small businesses could access. John Kenny believes that an ideal solution would be to allow small businesses an annual credit to access any of the professionals on the panel for a fixed number of days, for free or at a minimal charge, and without the burden of excessive red tape. Several examples were suggested for the disciplines that would be available, legal professionals, marketing experts, and professionals with expertise in a particular sector e.g. a furniture designer in the case of Breffni Ireland.

5.10 Outlook

Succession management is not an immediate concern, and John Kenny's philosophy with regard to any of his children taking over the business is that they should only do so if it is what they would like to do.

The long term future of the bespoke market for high quality joinery services in Ireland is subject to a number of forces. High quality competitors do exist, such as Irish Contract Seating. However, many other competitors do not offer the quality of Breffni Ireland. The increased affluence of the economy has led to a greater demand for its restoration and work-to-order services – although the current construction boom is not sustainable. Labour costs will continue to rise and Breffni Ireland believes that the supply of high quality skilled craftsmen from Eastern Europe will not last indefinitely. Breffni Ireland will therefore focus on markets where these costs can be reflected in increased prices.

Key Points

- The company has navigated its way through two decades of changing economic circumstances for the construction sector. It ceased production of standard replica furniture products, and found a profitable niche in work-to-order on bespoke, high value projects.
- The company believes that its cost base will continue to rise in the future, and that the company must focus on prestige contracts that demand the highest quality standards, and where higher prices are acceptable.

6 Retail: Surlis Supervalu

6.1 Overview

Surlis Supervalu is a successful supermarket located in the heart of Tubbercurry, Co Sligo. Established since the 1970s, the supermarket is the largest store, and one of the largest employers, in Tubbercurry.⁵ It consists of the supermarket itself, which incorporates the town's Post Office within the premises, as well as an associated off-licence business on the same street.

The enterprise employs 52 people, 47 in the shop and an additional five in the post office and off-licence. As well as its retail space and associated offices, the supermarket has its own large customer car park to the rear, and off-street car parking for staff is also available in the vicinity.

6.2 Start Up

The Surlis family have been running a business on the premises since the early 1970s, when the parents of the current owner, Gearóid Surlis, purchased the bar and general grocery that occupied the building at that time.

The Surlis family affiliated the business with a symbol group – VG – shortly after purchasing the premises in 1970, and the business has been continuously affiliated with a symbol group since that time.

6.3 Growth and Development

Affiliation with a symbol group has been the key to survival for most family grocery stores in Ireland, since the associated purchasing power allows them to compete with the larger supermarket multiples. Musgraves, who operate the Supervalu symbol, purchased the VG business in the mid-1980s, and the Surlis store's symbol changed to Supervalu at that time. The store has expanded significantly in recent years.

Surlis Supervalu receives approximately 90% of its stock directly from Musgrave's distribution centres. It receives deliveries six days a week from the centre in Dublin, and a further three deliveries a week from a regional centre in Galway. The deliveries are made before 7.00 a.m., so as to ensure that trucks leaving urban centres are not delayed by traffic congestion. Shops based a relatively long distance from distribution centres do not suffer any financial penalty: in line with Musgrave's policy, all stores in the country are charged the same price for both stock and delivery, regardless of their location.

⁵ Tubbercurry had a population of 1,421 in 2006. CSO (2007), Census of Population 2006.

Musgraves also supports retailers by offering them advice on best practice. It also operates a buddy system: stores are matched with other similar stores in areas beyond their catchment area and they share information and insights into achieving best practice in their operations.

6.4 Staff

Of the 52 people working in Surlis Supervalu, there is a mix of part-time and full-time workers. Most live either in Tubbercurry or within a few miles of the town. There is a strong demand to work during school-hours, because it suits parents with school-going children. However, it is more difficult to find people prepared to work in the evenings and at weekends, when an increasing number of customers wish to shop. Students working on a part-time basis are an important resource for filling this gap.

Non-Irish nationals have also become an increasing component of the retail workforce in recent years. Surlis Supervalu now employs six full-time and three part-time foreign nationals. The company is positive about its experience in this regard, although fluency in English can sometimes initially be a problem.

The pay rates in Tubbercurry are relatively competitive compared to urban areas, but Surlis Supervalu is committed to improving the status and recognition of retail workers. All staff working in the company for two years can avail of a pension scheme to which the company contributes. They have regular staff outings, and a staff discount scheme will be introduced shortly.

6.5 Training

The company is very active in ensuring the ongoing training of staff. Staff members participate in the IBEC Skillnets programme for retail staff which gives on-the-job training for staff in all aspects of retailing, such as customer care, security and stock control. The courses are graded to internationally recognised standards by the Further Education and Training Awards Council (FETAC), and all participants receive a certificate upon completion. In the northwest, a wide range of retailers from DIY centres to pharmacists are involved in the programme.

The business is also sponsoring an employee to attend the Dublin Institute of Technology on a diploma course in grocery management. The course was designed in conjunction with Musgraves, and successful diploma holders can continue to degree level. Other employees have also been sponsored on this course in the past.

6.6 Sectoral Issues, Networks and Linkages

The ongoing success of the Surlis Supervalu store is influenced by its own initiative, but also by other factors. These factors include sectoral issues such as the level of variety and choice within the Tubbercurry retail sector, and the level of competition from retailers in nearby towns.

The large supermarket multiples have not yet located within Tubbercurry, although Mr Surlis believes that some will arrive in time. While they would compete directly with him for local custom; the arrival of such a retailer might also raise the profile of the town as a shopping node within the region. He believes that the chief issue for local retailers in such matters is that a level playing field should apply to all, and that major retail multiples should not be given permission for stores in areas that would draw people away from the towns, or be of such a large scale as to target an entire region for custom.

All retailers in Tubbercurry compete with other shopping locations within the region. For example, other towns with a similar retail environment to Tubbercurry, such as Boyle, compete for the custom of those living in those rural areas of Sligo, Mayo and Roscommon who could travel to either town with equal convenience. However the retail environment of these towns may not continue to be on an equal footing, a major investment such as a new shopping centre, or a flagship store for a major multiple could tip this balance. In addition, retailers in towns like Tubbercurry seek to encourage the town's populace to shop locally, rather than in major urban centres. For shoppers who wish to avail of a larger choice of retailers, the towns of Sligo and Ballina are nearby, but Castlebar and Galway City are also relevant.

6.7 Infrastructure and Services

The cost and availability of services is important to modern retailing. The town still has branches of the two major banks, and Mr Surlis hopes that this situation will continue.

Energy costs are rising rapidly, and Surlis Supervalu has employed an energy consultant to source the most cost-efficient provider for its electricity use: it will shortly be changing provider. Broadband is important to the business because it is used for online ordering of fresh foods, as well as more mainstream business uses. The quality of the broadband available in the past was poor – but this problem has now been resolved and the quality is now good.

The local transport infrastructure also influences the patronage of Tubbercurry's retail businesses. Proposed improvements in the local road network, and the potential provision of a rail link, would be of major benefit. The town occupies a strategic location, the road infrastructure in the area has been gradually improving, and the town lies on the N17, which is the principal north-south axis in the region.

A bypass of Tubbercurry is proposed: it has not been approved under the current round of funding, but it is understood to be high on a reserve list. Mr Surlis notes that much of the traffic that is currently travelling through Tubbercurry is not associated with any business activity within the town, and so if properly managed, the bypass could offer an opportunity

to improve the street ambience and the shopping experience. The management of traffic and parking can affect the convenience of shopping within the town. There is free on-street parking within the town, and the management of on-street parking is regularly under discussion by retailers. Surlis Supevalu also offers its customers free off-street parking.

6.8 Funding and Support

The retail sector is not generally eligible for support from state agencies. Therefore, private financing through banks is the primary source of capital for most family retail businesses.

Indirect support for retailers and others has come about through tax incentives, such as the rural renewal scheme. Mr Surlis praises the scheme for having caused a significant improvement to the stock of commercial and residential buildings in Tubbercurry. By the mid-1980s, the economic recession, population decline and the changing trends in retail had led to a situation where many shops in rural towns had become rundown or had closed. The introduction of the renewal scheme has encouraged investment and improved the retail environment. In addition, the stock of residential dwellings has greatly improved, this not only encourages people to settle in the town, it also means that there is a greater supply of high quality, affordable housing for employees.

6.9 Other Issues

Sligo County Council has earmarked Tubbercurry for growth. Despite only having a population of 1,421, Tubbercurry is the next largest town in the county after Sligo. The population of the area has increased in recent years, and there is estimated to be 7,500 persons within a seven-mile catchment area.⁶ Recent improvements in the town, such as the new secondary school and library building, have made the town more attractive to those considering a place to settle and rear their families.

Mr Surlis believes that it is important that future population increases in the town take place in conjunction with locally generated employment. Otherwise, the town is in danger of becoming a dormitory town of Sligo and Ballina.

Despite these recent improvements, Mr Surlis believes that rural towns will continue to be under pressure from urban centres. Infrastructure must be put in place now so that growth will not be hampered and new businesses can be supported.

6.10 Outlook

The owner is confident that the supermarket will continue to prosper. Customers now require a one-stop shop for all of their grocery requirements, and Surlis Supervalu ensures that this is what they are offering. Reinvestment and remodelling are becoming

⁶ Decentralisation information contained on the Department of Community, Rural and Gaeltacht Affairs website www.pobail.ie

increasingly frequent to address these needs, and the business has shown its ability to continually innovate in that regard.

Key Points

- Rural retailers compete with urban shops for the custom of the rural population.
- Affiliation with a symbol group has allowed the Surlis supermarket to offer the prices and variety of goods required by today's shoppers.
- The company has the scale and sophistication to compete with major multiples that might arrive in Tubbercurry in the future.

7 Professional Services: Outsourced Accountancy

7.1 Overview

Outsourced Accountancy is located in Balla, Co Mayo. The firm offers accountancy services to small and medium-sized enterprises (SMEs) that would typically be done by the in-house finance department in larger organisations. These services include a full range of management accounting functions, as well as services in payroll administration.

The firm was established by Mr Tim Oates in 2003, and now has two additional directors. It employs 11 people, four are located in the firm's office, while the remainder work at clients' premises primarily in Mayo, Roscommon and Galway.

7.2 Start Up

Tim Oates grew up outside of Claremorris, Co Mayo. After graduating from college, he worked in conventional accounting practices in Dublin and Sligo for a number of years. A desire to live and work closer to home led him to establish himself as a sole practitioner in 2001. For two years, Mr Oates traded under the name of Tim Oates and Company. He offered a general service in accountancy, as well as management consultancy, to various businesses.

During his period in general practice, Mr Oates noted that some SMEs faced a dilemma with their accounts and associated activities. Many lacked the scale to justify the cost of a full-time, in-house accountant, but could not source an accounting service in the market that met their requirements. Most SMEs typically tried to overcome this problem by taking ad hoc advice and assistance from the accountancy practice that was responsible for preparing their annual tax returns and accounts.

These conventional accountancy practices prepare accounts using historical data, so as to meet compliance and tax obligations. Their service is not focussed on providing the regular management accounting information and analysis needed to monitor and improve the performance of a business. Mr Oates identified the opportunity to establish a company that would specialise in meeting these needs on an outsourced basis, and the concept of Outsourced Accountancy began to take shape.

7.3 Growth and Development

Mr Oates set about changing his business model to that of a specialised firm that offered a largely standardised service. The company Outsourced Accountancy was incorporated in 2003, and named so as to reflect the specialisation of the proposed service. Mr Oates was joined in the business by his brother and they set about designing and implementing systems to support the new service. The company began operations with three employees, including the two Oates brothers. They had considered locating the business in the towns of

Castlebar and Claremorris, but since most of their business was to be done on clients' premises, they decided that Balla would offer more competitively priced offices without compromising accessibility to their market.

All of the services offered are standardised and documented as part of the company's internal controls and objectives. Initially the company began by offering a management accounting service. In 2005, the company started to also offer a payroll administration service, which is proving popular.

Each client that avails of the management accounting service is assigned a management accountant. The accountant is responsible for maintaining the client's accounts, and ensuring that they are compliant with accounting standards and the requirements of the Revenue Commissioners. The service is carried out in the client's place of business, and the process involves computerising the client's accounts and payroll functions. The management accountancy service is offered in Mayo, Roscommon and Galway, because longer travel distances by the company's employees would not be efficient.

The payroll service is available nationwide, because all processing takes place at the firm's offices in Balla. Clients provide information by fax or email on employee's salaries, days worked, and other events. The payroll service maintains comprehensive records on each employee and generates payslips. It also provides reports on PAYE and PRSI liabilities, and supporting documentation such as P30s, and P60s.

The company is also a reseller of accountancy and payroll software for Sage (and their subsidiary TAS books), as well as for Thesaurus Payroll, an Irish company based in Meath. As well as selling these products, the company also trains personnel in clients' premises on the use of these packages.

Demand for the firm's services has been high. The company's success was initially built on very strong demand from the construction sector. The company realised that this demand may not always continue, and has now expanded its client base to include the following:

- White Collar Professionals such as auctioneers, solicitors, consultants and financial services providers. In many instances these firms must handle clients' money as well as their own, and this creates complexity in their accounts for which Outsourced Accountancy can cater.
- Retailers, publicans and restaurants. These companies have a particular demand to closely monitor their margins and stock levels.

7.4 Staff

Employment levels have increased steadily over the past few years and Outsourced Accountancy now employs 11 people, and a twelfth member of staff is due to begin work in the near future.

The company's team consists of financial professionals from various backgrounds including, accountancy and auditing, manufacturing, retail and service industry sectors, and IT and systems implementation. Two are Certified Public Accountants (CPA), five others are graduates holding degrees in Bachelor of Arts and Commerce, and others are certified payroll administrators and accounting technicians.

The company praises its employees, and states that they have been flexible and committed as the company's internal systems and service offerings have evolved. It points out that, as well as having accounting knowledge, staff must have the ability to manage clients as they are in different premises every day, and must deal with a variety of circumstances. As a result, the company generally seek employees with experience, rather than those straight out of college, with the average age of employees being 30.

The company has been affected by the tightening labour market, in that it is difficult to recruit experienced staff. However, it does not believe that this difficulty has in any way been compounded by its relative rurality. Employees need only be from the region, rather than the Balla area, since they spend most of their time in clients' premises. The premises of most clients are located within a 40 minute drive of where the employee lives.

The company's pay rates are consistent with those offered in the larger towns and cities in the region. All of its employees are Irish, and native to the West. Most have always worked in the region, although one did return to Mayo from Dublin.

7.5 Training

All employees are trained in the company's procedures, which are detailed in the company manual. They also receive training in the accounting and payroll software packages that are used to offer the company's services or that are sold to clients.

In addition, several of the company's employees are studying for qualifications from accounting bodies such as the Chartered Institute of Management Accountants (CIMA) and the Association of Chartered Certified Accountants (ACCA). Others are attending courses run by the Irish Payroll Association (IPASS), the professional body for the training, support and development of the payroll profession.

7.6 Sectoral Issues, Linkages and Networking

Networking is critical for Outsourced Accountancy, as almost all of its work comes from referrals, some from existing clients, but many from conventional accounting practices or

from banks. The company is also a member of the Mayo chapter of Business Network International (BNI). BNI allows only one person from each trade or profession to join a chapter, and so is a valuable source of business. Outsourced Accountancy was a finalist in the O₂ Mayo Business Awards 2005, and says that this helped to raise its profile.

The company is a mentor within the Mayo County Enterprise Board's mentoring programme.⁷ It provides three to four day courses to enterprises seeking advice and training on financial systems. The company has no links with third level institutions, as it finds that graduates are not sufficiently experienced, and instead recruits those who have several years work experience since graduation.

The firm uses local suppliers, and will refer its clients to local IT companies when they need to invest in systems to support their accounting and payroll packages.

7.7 Infrastructure and Services

The primary need of Outsourced Accountancy is for good quality roads and communications infrastructure. In general it believes that the roads in the Western Region need improvement, but believes that traffic hampers it far less than city based businesses. Many of its clients are on the fringe of towns, and so its employees do not have to contend with congestion in order to reach the premises.

The company uses an ISDN link; it would prefer a broadband line but this is not available at its premises from either fixed or wireless broadband providers. The company believes that it could access a broadband satellite link, but at a higher price than conventional broadband services.

7.8 Funding and Support

Outsourced Accountancy has not availed of any form of agency funding, and does not believe that it would qualify to do so. The company is trading profitably, but Mr Oates availed of bank finance during the period of transition from offering a conventional practice to putting in place the systems to offer a specialised service.

7.9 Other Issues

A quarter of the company's client firms are located in small towns or rural areas. As such, it has considerable experience of rural enterprises. Mr Oates believes that rural based enterprises in the region are in a healthy state, and he has seen a significant increase in their wealth over the past number of years.

⁷ The CEB mentoring programme seeks to match up the knowledge, skills, insights and entrepreneurial capability of experienced business practitioners with small business owners who need practical and strategic one-to-one advice and guidance. The mentor contributes independent, informed observation and advice to aid the decision-making and action planning functions of the client but does not become involved in the day-to-day management of the client's business. For further information see www.enterpriseboards.ie.

Outsourced Accountancy believes that the age profile of entrepreneurs is falling, with many now starting their businesses after only a few years in employment. It sees a considerable amount of new businesses in retail, IT and other services such as marketing.

The company has also seen increased sophistication in the way in which businesses are planning. For example, it refers to a construction company that offered a standard plastering service, but that has now also entered into a specialised market for higher value plaster restoration in period buildings. This should help to cushion its business from any downturn in the market for general construction services.

A common theme amongst many enterprises is finding suitably qualified and experienced people. Outsourced Accountancy believes that training of staff is essential for the future, but that many employers have yet to appreciate this. As a result they expend too much time seeking new, suitably qualified staff, and put too little effort into training their existing staff.

The company has noted the increased numbers of non-Irish nationals employed in larger rural enterprises.

7.10 Outlook

Outsourced Accountancy believes that it has a growing market. The profile of SMEs is changing: they are now owned and managed by people who appreciate the need for pertinent information and analysis. It predicts that much of this activity will be outsourced to companies like its own.

The company has grown rapidly in the past two years, and while demand for its services continues to grow strongly, it hopes to slow its rate of expansion in 2007, and to prepare its staff and systems for the next period of development.

Key Points

- The company achieved success by revising its business model from that of a conventional accountancy practice to one that specialises in outsourced management accountancy and payroll services.
- A rural location does not detract from the company's service offerings: it visits clients' premises in the region, and uses communications technology to offer its payroll service nationwide.
- The company has considerable insight into other rural enterprises through its client base and business network – and believes that they have prospered in recent years.

8 Creative Sector: Eo Teilifís

8.1 Overview

Eo Teilifís was founded in the Gaeltacht area of An Spidéal by Máire Ní Thuathail, in 1989. The company is a television production company and media facilities provider. Eo Teilifís is one of the most dynamic and successful companies in the cluster of audio-visual enterprises that has emerged in the Galway area in recent years. Today, it employs 14 full-time staff at the company's custom built facilities in An Spideál. A further 120 people are employed on seven to twelve month contracts each year for the production of the soap opera Ros na Rún and other programmes. Additional employment is generated for extras and freelancers who work on this show, and on the other smaller commissions undertaken by the company.

8.2 Start Up

A native Irish speaker from Toormakeady, Co Mayo, Ms Ní Thuathail has always had a strong commitment to the wellbeing and promotion of the Irish language. It was her activity in this field that ultimately led her into the field of television. Before setting up Eo Teilifís, she worked as a senior education executive with Bord na Gaeilge in Dublin. In the late 1980s, she became involved in an initiative of Bord na Gaeilge to produce two educational videos. Having enjoyed working in the medium, she put together a proposal for a weekend magazine programme called Puiríní; and in 1988, RTE granted a contract for the first series of the show. Ms Ní Thuathail initially took a six month leave of absence to start the series, which was produced by CoCo Television, a Cork based production company.

In April 1989, Eo Teilifís was established as a joint venture between Ms Ní Thuathail and CoCo Television, to address the opportunities in the independent television sector, particularly in Irish programming. In establishing the company's operations in An Spidéal, Ms Ní Thuathail was fulfilling her joint ambition of moving back to the West and promoting the wellbeing of the Irish language. In later years, Ms Ní Thuathail took over CoCo Television's shareholding in the venture.

8.3 Growth and Development

The initial funding for Eo Teilifís was primarily based on an employment grant from Údarás na Gaeltachta, and on the RTE contracts for the Puiríní magazine programme, and the children's show Mise agus Pangúr Bán. The company achieved early success with the production of several puppetry series for children's television. The production of these series was made possible through EU and Údarás funding for training, which led to a critical mass of talent emerging in the field of puppetry, as well as in general production skills.

By the mid-1990s, Eo Teilifís realised that if it was to grow, it needed to address a far larger market than the production of specialist children's programming. The margins available to

independent production companies typically vary from 10% to 15% in television. Thus, even a relatively large and rare commission of €1 million, would only generate sufficient margin to cover the salary and associated costs of one employee. In order to improve margins, and increase revenues, the company identified three strategic imperatives: it should branch into English language production; it should build its own facilities; and critically, it should aim to win a sizeable chunk of the commissions on offer from Telefís na Gaeilge. The long discussed initiative to establish an Irish language television station in a Gaeltacht area was just coming to fruition at that time, with the establishment of Telefís na Gaeilge, now TG4, in Connemara.

In 1995, the company embarked on a new strategy and won a number of major contracts, which began the rapid growth of the company. These included running a two year programme with Youthstart funding, to provide trainees with the necessary skills to enable them to pursue a career in the media industry. The company also ran a programme to support Enterprise Development for the Audio-Visual Sector, which was funded through the Adapt scheme.

In the same year, Eo Teilifís collaborated with Tyrone Productions to win the largest independent commission in the country: the production of the Irish language soap opera Ros na Rún. It is now in its tenth year of production. The company has also increased the range of documentaries and other programmes that it makes for RTE, TG4 and others.

The growth of the company, and in particular the commission to produce Ros na Rún, has allowed the company to invest in its own studios, and emerge as one of the main providers of studio and production facilities in Ireland. The complex in An Spidéal comprises two state of the art studios, and incorporates an extensive traditional Irish village streetscape. The complex also houses offices, editing and audio post-production facilities.

8.4 Staff

The existence of a pool of talented and suitably qualified people in the region is the critical success factor for the industry. The day-to-day business of Eo Teilifís is conducted through Irish, and the overwhelming majority of its employees are natives of Gaeltacht areas. This allows people fulfil their desire to both live and work in an Irish speaking environment.

Eo Teilifís regards the quality of life available to its employees in Connemara as far superior to that in cities because of the strong community values, and the practical benefits of better housing and shorter commuting times. Furthermore, the nature of the industry means that many freelancers who wish to work from home can be accommodated, and the firm also facilitates job sharing.

Pay scales within the audio-visual sector have always been competitive. It is an industry that is attractive to young people, and many are drawn to work in the sector for reasons other than financial reward. Most positions within Eo Teilifís require candidates to be proficient in both the Irish and English languages. Eo Teilifís has not seen any decline in the enthusiasm of Irish people to enter the industry, and no significant dependence on foreign national workers has emerged in recent years.

8.5 Training

Innovative training has been central to the success of Eo Teilifís. Producing programming in minority languages can be costly, because the potential markets are small. In its early years, Eo Teilifís addressed this issue by bringing together teachers and television writers involved in a number of European minority languages. They sought to determine the highest common denominator for a children's puppet programme. In 1990, with the help of a research and development grant, they produced a pilot show of a puppetry programme. The show demonstrated the efficiencies that could be gained by shooting common content for a programme that would be broadcast in a number of different languages.

In the 1990s, a number of Human Resources Community Initiatives were available in Ireland with EU support: one of these was the Euroform programme. Its purpose was to provide for innovative approaches to training, education and employment creation. Údarás na Gaeltachta encouraged Eo Teilifís to apply for grant aid. In 1991, the enterprise succeeded in obtaining a two year training grant from Euroform, and Eo Teilifís received matching funding from Údarás.

This funding was used to develop a training course in all aspects of puppetry production, from writing to set design, for 33 students, 19 from Ireland and seven each from Wales and Scotland. The course organisers had the ambition of harnessing the talent on the course to win a commission to produce a puppetry series, and they had prepared a budget and a proposal. Commissioning editors from RTE, BBC Scotland and S4C Wales visited the company during the course, and were so impressed that they commissioned a children's puppet series – Míre Mara – in all three languages in 1992.

The approach to production was highly innovative: the core visual content common to each country was shot in Ireland, and additional, local footage was shot in Wales and Scotland. To date, the series has been translated into 19 languages and has been broadcast in 17 different countries. In 1996, Míre Mara won the award for Best Children's Programme at the Celtic Film Festival.

Eo Teilifís is strongly committed to nurturing talent in-house, as well as supporting external training initiatives. Many of its writers have emerged from internal employees who were

encouraged to move into creative disciplines. Every year, the company has a policy of training one to two directors from the local area.

Eo Teilifís has close links with the media centre within Galway-Mayo Institute of Technology (GMIT), and regards their media courses as excellent. The firm also provides work experience for both second and third level students. The firm also praises the Skillnets initiative: it is involved as a promoting company on the Gréasan na Meán Skillnets programme. This programme currently has funding for the years 2006 and 2007. It provides training to 40 companies from Gaeltacht areas that are working in the media sector.

8.6 Sectoral Issues, Linkages and Networking

In addition to entrepreneurial activity, a number of factors have driven the growth of the audio-visual sector in Connemara. These include the establishment of Teilifís na Gaeilge and the Corman studios in Connemara; the ongoing commitment of Údaras na Gaeltachta to funding training in all aspects of the industry; and the existence of media schools within GMIT and the National University of Ireland at Galway (NUIG). It has been estimated that approximately 300 people are now occupied in the cluster of audio-visual companies in the Galway area, primarily in Connemara.

Eo Teilifís points out that being part of a local cluster is essential to the welfare of all of its constituent enterprises. Mobility within the sector is significant, and many people work independently on a commission basis, or on fixed term contracts. For example, Eo Teilifís provides facilities to two other, unrelated production companies; these generate work for Eo Teilifís's studios through co-production initiatives. The existence of a well trained pool of talent is also important to the commercial credibility of the sector in the region.

Networking has always been important. When Eo Teilifís first identified puppetry as an area where quality children's television could be produced in Irish, it needed to access expertise in the area. The enterprise struck up a relationship with Blake Norton, a veteran of the classic American puppet series *The Muppet Show*, and he afforded an introduction to the Henson Company who produced the show. This helped the company to build up its expertise in puppetry.

8.7 Infrastructure and Services

Eo Teilifís is satisfied with the physical infrastructure in the area. Its offices are modern and the company now has broadband, having used ISDN for several years. Transport infrastructure is regarded as satisfactory because the firm's primary requirements are for good access to Dublin (which exists from nearby Galway) as well as for air access to Scotland and England, which is available from Galway Airport.

The company also has a policy of accessing business services within the Gaeltacht where possible; for example, it uses local hotels and guest houses for its accommodation requirements.

8.8 Funding and Support

Eo Teilifís regards the seed funding that it received from Údarás in its early days, as well as the support that they provided in training for the industry, as critical to the success that it now enjoys. Over the years, private investment and the BES also provided capital. Enterprise Ireland is currently investigating potential export opportunities for the Irish audio-visual sector, and Eo Teilifís hopes to benefit from this.

8.9 Other Issues

The company has always been innovative. Its approach to producing Ros na Rún is not typical, in that it controls production from script to screen. It is also technically advanced: it was one of the first Irish companies to record to digital rather than tape.

8.10 Outlook

The company is prepared for succession: it has a proper management structure in place and the growth of talent and the sharing of responsibility are intrinsic values of the company.

Internationally, there is a general trend of consolidation within the audio-visual sector. In the future, smaller enterprises without studio facilities may find it difficult to survive, although Ms Ní Thuathail notes that the healthy clustering of small companies in the Galway area may sustain them. Other costs, such as compliance to health and safety legislation have risen in recent years, and this has placed an increased burden on smaller companies.

Consolidation is not of direct concern to Eo Teilifís, which has achieved scale. It has also shown its ability to successfully co-produce with both Irish and foreign production companies, a characteristic that it regards as a key strength.

It believes that commissions for public service broadcasting stations will remain its primary market, and that it is a market that will continue to grow in the future.

Key Points

- The company's location within a rural, Irish-speaking area has been an intrinsic component of its operations. Its primary product is an Irish language soap opera, set in a Gaeltacht area, and produced by local Irish-speaking actors and television professionals.
- The support of agencies for training has been a key factor in the growth of Eo Teilifís, as well as the wider cluster of audio-visual enterprises in Galway.
- The ability to co-produce with other enterprises is one of the key strengths of the company.

9 High-Technology Manufacturing: VistaMed Ltd

9.1 Overview

VistaMed Ltd is a medical device manufacturer that operates from two facilities within the Western Region: Roosky, Co Roscommon and Carrick-on-Shannon, Co Leitrim. The firm specialises in the manufacture of medical tubing and associated devices. The company was founded in 1998 by Mr Patrick Mulholland, and now employs 60 people across both sites.

9.2 Start Up

The choice of Roosky as a location for the business was based on purely commercial considerations. Mr Mulholland is a mechanical engineer by profession. He had previously worked in the healthcare industry and developed a specialisation in polymer technology. In the late 1990s, he began to investigate the opportunities to set up his own business in the medical sector. He was and continues to be a resident of Mullingar, and was open-minded about where he would locate the business.

Mr Mulholland identified a number of potential sites in conjunction with Enterprise Ireland, one was in Kildare, and the other was the site that was eventually selected in Roosky. The choice of location was primarily determined by two factors:

- The building offered in Roosky could be modified for use at a competitive cost.
- The Roosky area was not at full employment, and could offer a suitable workforce for the enterprise.

VistaMed initially rented the Roosky premises from the IDA, but it has since purchased the facility.

The company commenced production with 13 people, and began by specialising in the extrusion and moulding of high quality thermoplastic tubing to tight tolerances and dimensions. The company's initial strategy was to enter the market by manufacturing substitutes of components that were already being imported into Ireland, for supply to medical device manufacturers. Since then, the company has moved up the value added chain by manufacturing ever more complex components, and it now exports worldwide. The company is a full-service Original Equipment Manufacturer (OEM). An OEM is a company that builds products or components which are used in products sold by another company. The firm has not yet manufactured its own products, but this will change in the near future.

9.3 Growth and Development

Extrusion and moulding remains one of the core activities of the company, but it now adds greater value to these activities by assembling up to sophisticated component or end

product level. VistaMed also offers a design and development service that includes material and component selection, assembly, special labelling and packaging. The company has invested heavily in quality assurance and certification.

At present, products are dispatched by VistaMed at the pre-sterilisation stage. The company will shortly move further up the value chain by providing sterilisation facilities, and will also begin to manufacture a range of its own products.

VistaMed has provided design and engineering solutions to provide customers with superior catheters to their competitors. In one such case, producing a catheter which was less than half the size of competing products and which provided cost efficiencies to health care providers, because it was disposable, and so did not require expensive re-sterilisation.

VistaMed expanded into exports soon after commencing operations: quality and price are the key drivers in the market. The company has been supported in these efforts by Enterprise Ireland. It first built a strong base in the UK, and then moved into the Continental European market. In 2002, VistaMed won major contracts in Holland, Spain and Germany, and also made its market entry into the USA. Today the company estimates that 60% of its turnover is from Ireland and Continental Europe, 15% from the UK, and 25% from elsewhere, mainly the USA. Most of the company's Irish customers are located in the cluster of medical device companies in Galway.

9.4 Staff

The company employs 60 people, of whom 45 work in production. Sourcing and retaining production staff is a major challenge for the company. It estimates that between 20 and 25 of its employees are non-Irish nationals, chiefly from Eastern Europe, and that most of these work in production.

In addition to production staff, there are a further 15 employees working in other activities such as research and development, finance and marketing. The majority of these employees are graduates.

Pay costs are increasing, although they continue to be less than Dublin. A major issue for the company is the knock on effect of an increase in the minimum wage. It points out that an increase in the minimum wage affects not only the cost of those employed at that rate. Other workers, on higher rates of pay, will seek to maintain their differential with lower grades, and so an increase in the minimum wage can force an increase in pay at all levels.

9.5 Training

The company believes that the pool of talented, educated people available within Ireland is shrinking, and that ongoing training is essential. Many of the firm's foreign national staff are well qualified, but lack fluency in English; fluency in written English is particularly

important in areas such as quality assurance. Agency support for English language training would be welcome.

There are various levels of skill required within production: general assembly operatives, process technicians and process inspectors. The latter two categories are required to run and monitor the company's production and extrusion lines, and are ideally filled by diploma or degree holders. However, there is a shortage in the labour market of suitably qualified personnel with the required skill sets, and so VistaMed is concentrating on developing their in-house staff. This training is being supported by funding from the Enterprise Ireland human resource development programme.

9.6 Sectoral Issues, Linkages and Networking

VistaMed has strong links within the medical device sector. VistaMed's customers are typically the end manufacturers of medical devices. The company works with these manufacturers to help them in the development of products, and then manufactures certain components on their behalf.

The enterprise liaises with both the Athlone Institute of Technology and with NUI Galway with regard to graduate recruitment. It also uses the research and development services within NUIG, chiefly those of the biomedical engineering department. However, most of the company's innovation with regard to processes and products has been done by in-house personnel.

VistaMed's success was recognised in 2003 when it was awarded the Ulster Bank/Irish Independent Business Achievers award.

9.7 Infrastructure and Services

The company's cost base is rising, in line with that of many Irish manufacturers. The rising cost of electricity is a concern for the firm: it now represents 4% of their Cost of Sales, compared to 2% a few years ago. It has sought quotes from various providers, but there is little difference in the rates offered. The supply of electricity in Roosky was also subject to interruption in the past, but this has now been resolved. The firm cannot avail of broadband at its Roosky premises, which is needed to access the main server at its Carrick-on-Shannon offices, as well as for general business uses; instead it is forced to rent a leased line at far greater expense.

The local authority is responsible for waste disposal at Roosky, and although it offers competitive market rates, VistaMed is seeking to reduce this cost by implementing a waste reduction plan. The company uses local business suppliers, and is pleased with the service and products that they supply.

VistaMed's lengthy distance from some of its customers is not a major barrier to trade: its products tend to be high in value and low in volume, and so transport costs can be absorbed. Similarly, customer audits of premises tend to take place once a year and customers are willing to travel from abroad to visit the company's plants. The company also exhibits at major trade fairs. The company tends to use Dublin Airport, rather than Ireland West Airport at Knock, because of the greater range of flights available.

9.8 Funding and Support

VistaMed was initially funded through BES and through shareholdings by Enterprise Ireland and private individuals. Enterprise Ireland has since reduced its shareholding. The first round of BES funding matured and was repaid; the company is now drawing down the last payment from a second round of BES funding. The continuation of the BES, as announced in the Budget of 2007, is regarded as essential by VistaMed, to facilitating the future expansion of Irish enterprises.

Furthermore, the company sees a need for support agencies to provide additional funding for research and development. It suggests that increased employment grants and project funding would be appropriate. In this regard it praises the Research, Technology and Innovation (RTI) Scheme designed to stimulate research and development, and under which it received funding from Enterprise Ireland in the past.

9.9 Other Issues

In the past few years, the company's ongoing success led to a requirement for additional space. It considered extending its existing facility in Roosky; however, the cost of this proved prohibitive when compared to the opportunity to rent premises in Carrick-on-Shannon. In addition, a secondary consideration was that employment levels in Roosky and the surrounding areas had improved greatly since the business was founded, and it was proving difficult to source staff. A lot of potential workers do not drive, and this was limiting the ability of VistaMed to attract workers from outside of Roosky. A move to Carrick-on-Shannon would facilitate the larger pool of workers who live in that town, and would not require ownership of a car.

9.10 Outlook

VistaMed has succeeded in continually moving the company up the value added chain; it has a world class manufacturing facility; and it has proven its ability to enter and compete in many geographical markets. It now sees research and development, and the launch of its own products, as key to maintaining its competitiveness.

Key Points

- In the eight years since its foundation, VistaMed has had to constantly innovate in order to remain competitive.
- Like most Irish manufacturers, VistaMed has had to contend with rapidly rising pay and energy costs.
- Its experience in Roosky was that production personnel were difficult to attract into the town.

10 Internationally Traded Services: Eointec Solutions

10.1 Overview

Eointec is a specialist technology firm based in Ballyshannon, Co Donegal. It was established by a Bundoran native, James McGloin, in 2003.

Eointec is still at an early stage of development. At present, it offers a design and consultancy service in Digital Signal Processor (DSP) technology. The future strategy of Eointec is to lever its relationship with its client base and to move from offering consultancy services, to also producing its own products. The company employs two people, including Mr McGloin, but it also contracts work to the Letterkenny Institute of Technology (LYIT).

10.2 Start Up

Mr McGloin had previously worked as a senior electronic design engineer in Belfast, but a desire to improve the quality of life available to him and his young family caused him to return to south Donegal in 2003.

There are several software companies in the northwest region that specialise in PC or web-based application design and that offer high quality employment. However, the presence of software companies that specialise in Mr McGloin's area of expertise – embedded software – is minimal. This prompted Mr McGloin to explore the opportunities for self employment in the sector.

Mr McGloin initially obtained one year's funding under the CÉIM programme, an initiative sponsored by Enterprise Ireland that part funds the salary of entrepreneurs wishing to research ideas for potential enterprises. During that time, Mr McGloin researched the area of DSPs, and forged a relationship with Texas Instruments, an international leader in the field.

10.3 Growth and Development

At present, Eointec offers a design and consultancy service in DSP technology, and has a formal link with Texas Instruments, as a member of their Third Party Network. When a new DSP product is launched on the market by Texas Instruments, the software available with the product tends to be modular in nature, and to need further development in order to enable it to run software for specific applications e.g. a video phone. The Third Party Network is a worldwide community of companies approved by Texas Instruments to quickly develop applications that will enable their products to be used. The speed at which these applications can be developed is a key dynamic of the industry, with cost being important but of a secondary consideration.

Over the past two years, Eointec has worked with clients to develop new applications for DSP products. During this time it has differentiated itself by developing a supporting software tool that enables the standard, modular pieces of software available with new DSP products to be quickly and efficiently modified and integrated with each other to enable a range of new, complex applications. The integration tools that Eointec has developed allow it to slash the time and cost of bringing new applications to market for its clients. Eointec has stated that 90% of the time on such projects is typically spent on systems integration, and the time savings that Eointec can provide has driven demand for its services.

At present, Eointec's designs for new applications have the status of Intellectual Property, but it usually belongs to the client. Eointec is now in the process of diversifying into producing its own applications, for sale to more than one manufacturer or market. Such applications could be licensed to individual manufacturers and regions, and provide far greater income than bespoke designs. Thus, Eointec will diversify from offering only a service, and it will begin to produce its own products, protected by Intellectual Property. However, in order to effectively embark on this strategy it ideally needs to significantly increase its staff levels.

10.4 Staff

Finding and funding additional staff resources is now the key challenge facing Eointec. The company must establish a team of in-house staff who will grow the business. However, remaining profitable while undergoing this growth phase will be challenging.

The company now has two staff. It also draws on the resource of the LYIT, which provides the necessary staff and expertise to support hardware design on a contract-by-contract basis. This is done through the EpiCentre, an innovation and technology support centre for the northwest region, run by LYIT, the University of Ulster at Magee and the North West Institute of Further and Higher Education, Derry. It assists local technology companies with product innovation, technology up-skilling, training and development.

The relationship with LYIT was forged on Mr McGloin's initiative and has proved fruitful. He has now applied for funding through a formal innovation partnership with the Institute that would allow him to access funding from Enterprise Ireland for an additional staff member under the Innovation Partnerships Scheme. Under the proposed arrangement, LYIT would provide academic support and resources, as well as accommodating the staff member on its campus facility, and Eointec and Enterprise Ireland would share the cost of the staff member. If successful, the funding will provide one year's employment. Eointec hopes that the additional staff member will be a software engineer with a strong understanding of LINUX, who can further develop their integration tools. The company estimates that it will take six months to train this engineer to the required standard; and that retaining staff with such expertise will be an ongoing challenge.

10.5 Sectoral Issues, Linkages and Networking

Eointec's primary link is with LYIT, with whom it works closely on staffing and training issues, and with Texas Instruments and client companies.

The absence of a software industry in south Donegal has major implications for networking. Unlike IT firms located on campuses or in the business parks of urban areas, Eointec reports that IT firms in more rural areas will not happen upon potential business partners or even market information through day-to-day interaction with other IT professionals.

In order to combat the lack of networking opportunities, Enterprise Ireland encouraged the establishment of IT Northwest in the second half of 2004. IT Northwest is a regional association that provides networking opportunities to IT firms in Donegal and north Connaught. The association is an important source for gaining information and exchanging views. However, it is not a significant source of business contacts that can lead to contracts. This is because most of the IT firms in the area are small start-ups that are seeking to win contracts rather than to outsource some of their work. Eointec believes that this is different to the role of such networks in other parts of the country where the greater number of large IT firms within the membership increases the likelihood of meeting potential customers.

10.6 Infrastructure and Services

The company is very pleased with the quality of the accommodation enjoyed by it at its offices in the Ballyshannon IT Centre, where high quality broadband connections are available. The rent is very competitive and includes the local authority rates charge. The postal service from An Post, as well as the cost and service levels available from private sector couriers is also good.

Air transport is particularly important to Eointec, as many of its clients are in Britain or in Continental Europe. The company generally uses Ireland West Airport at Knock to access Britain, and uses Belfast Airport to fly to mainland Europe. International visits almost always require an overnight stay.

10.7 Funding and Support

Eointec has received start-up funding from Enterprise Ireland, and is a tenant of the Ballyshannon IT centre. To date, any other finance required by the company has been financed by a personally guaranteed loan. Personal acquaintance with bank personnel, which is not typical in more urban areas, has proved valuable in this regard.

The company's requirement to grow in the coming years provides a major financing challenge. At present, the company is profitable, but its diversification from design consultancy into producing high value products will require additional staff. Eointec believes that the support funding for hiring additional staff is inadequate: most grant aid would only pay the equivalent of a few months salary. This effectively means that a small

but promising start-up cannot access resources to refine its business model and grow quickly. To do so would require a large injection of at least several hundred thousand euro which would be difficult to receive from a venture capital company at such an embryonic stage of development; it could also overburden a small entrepreneur with interference. The alternative is to grow slowly while remaining profitable or at least at breakeven. This means that some obvious opportunities to grow revenue and access markets may ultimately be missed.

10.8 Other Issues

The company believes that the northwest allows for a far greater quality of life than is to be found in cities. However, Eointec reports that the absence of major employers of software engineers in south Donegal means that no ready market for such employees exists in the region. This can make it difficult to attract employees to the area, as they feel that their career destiny will become linked to the fortunes of one company, since there is no alternative employment in this field. By contrast, a stronger market for such engineers exists in the Letterkenny-Derry region, due to the existence of several major software employers, as well as the third level institutes of LYIT and Magee College in Derry. Eointec believes that if it grows as it hopes, it may be necessary in time to establish a second office in the Letterkenny area to access the required employees.

10.9 Outlook

Eointec is optimistic about its future, as it is addressing a valuable, high technology market. However, it believes that if it could access more support for the funding of employees, that its growth rate would be accelerated.

Key Points

- Eointec is still at an early stage of development.
- Eointec is gaining insight into the needs of a valuable market through its design and consultancy service, and has forged close links with LYIT.
- Eointec is successfully operating as a small design and consultancy specialist, but it believes that more support is needed if it is to fully exploit the opportunities that it has identified.
- The firm believes that a critical mass of technical professionals does not exist within the labour pool of south Donegal, and that this is an issue for expanding companies.

11 Internationally Traded Services: Xtender Teo

11.1 Overview

Xtender Teo provides business solutions for procurement and tendering activities. The company was founded in 2000, and its current managing director, Mr Denis Delaney, was one of the original investors in the business. Xtender employs 31 people and operates from two centres; one in Dungloe, Co Donegal where it employs 20 people; and the other in Blanchardstown, Co Dublin where the remaining 11 people work.

The company's revenue comes from two streams:

- A subscription service that notifies potential suppliers of tendering opportunities in their market.
- A software product that allows public organisations to automate and manage their procurement process.

11.2 Start Up

Mr Delaney's initial involvement with the firm was as an investor, when the company first raised funds through private shareholdings and BES. He is an accountant by profession, and also has considerable experience in the field of public procurement.

In the few years since its inception, Xtender has undergone significant changes: the shareholding structure of the company has changed; there has been a dramatic change in the market for subscription services; and the company has diversified from offering service based solutions to suppliers, to also offering products to the bodies that are seeking suppliers.

Xtender was founded with the intention of offering information on procurement opportunities in the public sector, to suppliers in the private sector. The information was to be provided on a daily basis to paying subscribers. It would be delivered in an electronic format, and information was to be customised to the needs of each subscriber.

The company commenced operations in Dublin, and between 2000 and 2002 it provided solutions to a range of companies on a pilot basis. No charge was levied for the pilot service, and so the firm had no revenue. Two critical problems arose: the firm burned up its seed capital; and the original software that enabled its service offering did not fulfil the necessary requirements of the market.

At the end of 2002, the company urgently needed to address its circumstances, and it reorganised. Some of the original investors exited the business. The remaining shareholders

set about rewriting the software solution, and by 2003 the product was ready to be relaunched on a commercial basis.

11.3 Growth and Development

Xtender's business model included significant staff commitments in supporting the service in a back office environment. Turnover of staff in Dublin was high, and the company knew that if it was to grow a committed, cost competitive resource of support staff, it needed to relocate outside of the capital. The decision to seek to establish a centre outside of Dublin was based on purely commercial grounds. In 2003, Xtender set up a call centre and back office function at Canada House in Dungloe, Co Donegal. Sales staff stayed in Dublin.

By the end of 2004, the company had 8,000 subscribers availing of its subscription service. The majority of these were based in Ireland and Britain. However, in 2005, the company was faced with a major setback. The Irish government launched its own public procurement portal: e-tenders. It is available free of charge, and this caused much of Xtenders Irish subscriber base to abandon the paid subscription model.

In response to this threat, Xtender embarked on a two pronged strategy to ensure its ongoing viability:

1. It set about winning back larger customers, by highlighting the far greater functionality and sophistication of its subscription based service, relative to the free service available from government. In 2006, Xtender managed to win back 30% of those who had abandoned its subscription service after the introduction of the free government facility, and most of these were from the most valuable, corporate segment. Nevertheless, the provision of free basic services by government authorities continues: the British government is currently instigating a free facility similar to the existing Irish system.
2. It set about leveraging its core expertise in tendering and procurement to develop a new, product based solution – Xsource – for supply to tendering authorities. Xsource is a suite of web-based software which manages the entire procurement process from start to finish. It is designed for use by both the private and public sector, and was launched in March 2006. The company quotes a state agency, as an example of a potential customer. Such an agency would typically have 15,000 suppliers, and managing their procurement process, while remaining compliant with national and EU legislation, is an onerous and expensive task. Xsource offers automation and control of this process, and considerable cost savings. Xtender now has 52 demonstration projects live in council offices across Ireland. The response to date has been positive, and the company is confident that sales will soon follow.

11.4 Staff

The decline in the market for the subscription service offered by Xtender, and the move into a product based solution, has led to changes in the numbers employed, and the job profiles within Xtender. Prior to the market change of 2005, the company employed 40 people, most of whom worked in Dungloe. The company now employs 31 people, 20 of whom are in Dungloe and the remainder of whom are in Dublin.

The staff in Dungloe gained considerable expertise in the intricacies of procurement while supporting the original subscription service. This expertise, along with the facility in Dungloe, have been important assets in supporting the new Xsource product. Of those who remain with the company in Dungloe, many are migrating from working in the subscription service, to working in implementation, training and support for the new product. Working with the new product requires that personnel are willing to travel for work: as much training and installation takes place at customers' premises. The staff in Dungloe have proven themselves willing to adapt to this new requirement for mobility. The company intends that as the sales of its product grows, Dungloe will continue to be the location of its training and support staff, because it continues to have the labour pool of suitable candidates, some of whom have worked with Xtender in the past.

Product development is done in-house. Xtender's managing director, Mr Delaney, is also managing director of Delcran, which produces systems integration software for manufacturing and distribution companies. Delcran is a major investor in Xtender, and its expertise is levered in the design and support of the new product. At present, software development is concentrated in Dublin. In the future, as the number of technical staff is increased, it is possible that the company may choose to locate some staff outside of Dublin, in Donegal. However, if it was to do this it believes that it might need to consider opening another office in the Letterkenny area, as software staff may be hard to attract to Dungloe. This decision is some years off.

11.5 Training

At present most training is done in-house, and the company has not yet accessed funding for training, although it hopes to do so in the future.

Graduates make up 10% of the workforce, but this proportion will be increasing as the new product becomes a greater part of the firm's activities. The remainder of personnel have been educated to Leaving Certificate or Diploma level. The firm has recruitment links with LYIT, as well as the Dublin Institute of Technology at Kevin Street and Bolton Street.

11.6 Sectoral Issues, Linkages and Networking

Xtender has established links with the procurement departments of many public bodies in the context of having them pilot its new product. It is also interacting with the Companies Offices in Ireland and Britain, as well as with the Revenue Commissioners, with a view to

ensuring that compliance information (statutory accounts and tax clearance) on potential suppliers can be automatically updated.

Xtender is one of only 15 companies whose product is authorised to interact with the electronic database of the Official Journal of the European Union (OJEC). OJEC is the most important procurement journal in Europe.

11.7 Infrastructure and Services

The telecommunications infrastructure available in the firm's Donegal headquarters is excellent. Local authority rates are higher per square foot in Donegal than in Dublin, but the company understands that the dispersed nature of the Donegal population renders the provision of services more expensive.

The road infrastructure is poor in west Donegal, and the company regrets the absence of a rail link. The firm also uses the nearby airport in Carrickfinn. Flight schedules to Dublin are ideal – an 8.00 am flight ensures that personnel can join their colleagues in the Dublin office shortly after 9.00 am. However, the flight schedules into Donegal from Dublin are less suitable, with the first flight into Donegal arriving in the afternoon.

11.8 Funding and Support

State agencies were key to attracting Xtender to Donegal. Enterprise Ireland was approached to source premises with suitable facilities such as high quality telecommunications infrastructure. Initially, the Midlands were suggested, but no suitable premises were available. One of the company's shareholders, a native of Donegal, believed that that region merited consideration as an alternative to locating in the Midlands. Xtender met with Údarás na Gaeltachta, who were supportive in sourcing suitable premises, and provided a grant to refurbish the premises and ensure that it was quickly enabled for broadband.

Xtender has received BES funding in the past, and regards it as critical to many small businesses at the start-up phase. However, it notes that as a company expands, there may come a time when it is appropriate to remove its BES funding from its capital structure. This is because BES shareholders with conversion rights can be seen as an unnecessary complication by venture capitalists considering investing in the business.

Xtender received equity investment from the WDC Investment Fund in 2005.

11.9 Other Issues

In general, the company is very positive about its experience in Donegal, and it has had a significant effect on employment within the region. It believes that Dungloe provides a far more competitive cost base than Dublin. The rent on the building is approximately 50% that of equivalent premises in Dublin and pay costs are lower, with far greater loyalty from staff.

The company has been involved with Údarás na Gaeltachta in hosting site visits by firms considering moving to the Dungloe area. Mr Delaney states that the area provides a suitable location for the back office functions of the major banks, but believes that many potential investors wrongly lack confidence that a sufficient pool of employees could be harnessed from the clusters of small towns in the area.

11.10 Outlook

Xtender notes that the market for procurement products in the UK and Ireland is anticipated to be so large that even a 10% market share would require employment within the firm to rise to 250 persons. The initial feedback on its pilot projects has been very positive, and given it reason to be confident of Xtender's future commercial prosperity.

Key Points

- Xtender's decision to locate in Dungloe was based on a purely commercial decision to locate in a lower cost location than Dublin that would have lower staff turnover. It continues to believe that Dungloe can provide this advantage, but queries its ability to attract significant numbers of technical personnel if the need should arise.
- In the few years since its inception, Xtender has undergone significant changes in its shareholding structure and business model, primarily due to a sea-change in its target market. The company has diversified from offering services to also offering products.
- The flexibility and experience of staff has been critical to repositioning the company.