



AIB - ENTERPRISE AND ENTREPRENEURSHIP

INTRODUCTION

In recent years, the Irish business environment has changed beyond all recognition. Businesses operate in an economy that is considerably different than that of even a few years ago. Irish business managers now have to tackle the challenges of introducing new products and services, new work practices and new ways of doing business in an increasingly competitive market.

One of the most significant changes in the Irish business environment of late has been the increase in the number of entrepreneurs establishing new businesses. Entrepreneurs are dynamic go-getters, like Louis Walsh and Eddie Jordan, who identify

business opportunities in the marketplace. They gather and combine key business resources, such as finance, employees and raw materials. They take a calculated risk to exploit the business opportunity and hopefully make a profit. These new businesses are called start-ups because they are exactly that, a new business starting up for the first time.

Inextricably linked to the increased number of start-ups has been the growth of an entrepreneurial culture in Ireland. This study highlights the importance of entrepreneurs and fostering entrepreneurial activity and examines the contribution made by AIB in aiding businesses in the economy.

SMEs IN THE IRISH BUSINESS ENVIRONMENT

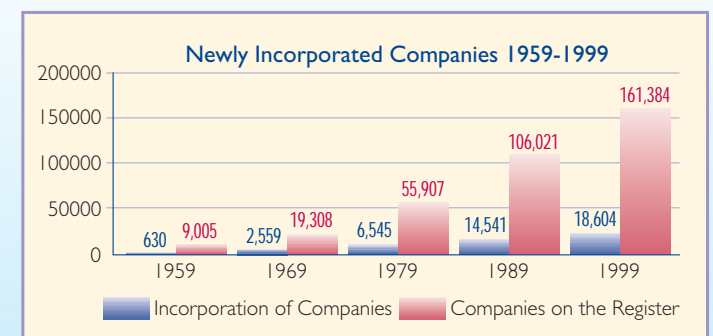
Every business begins life as a start-up. Just as the largest oak tree starts off as a small acorn even the largest **Transnational Company (TNC)**, with subsidiaries in a number of different countries, is small in its initial stages.

There is evidence of new start-ups being established throughout the community - new companies being formed, new shops opening and new products and services being marketed.

The increase in new start-ups entering the business environment has placed the spotlight on the **Small and Medium Enterprise (SME)** sector. **SMEs** tend to be managed by individual(s) or owner-managers in Ireland. You can generally recognise a SME business from the number of employees it has and its legal structure. The business structure is that of a sole trader, partnership or private limited company, but not a public limited company (Ltd).

SMEs dominate the Irish business landscape. A recent report estimated that there were 191,000 small businesses in Ireland, employing over 800,000 workers. The report also indicated that 98% of all businesses in Ireland have fewer than 50 employees and 90% have less than 10.

A record number of new SMEs have been established in recent years. According to the latest figures released from the Companies Registration Office, over 18,500 companies were established in 1999, a rise of 28% on the previous decade and a rise of 2850% since 1959! This illustrates the importance of the place of SMEs in the Irish economy.



	Incorporation of Companies	Companies on the Register
1959	630	9,005
1969	2,559	19,308
1979	6,545	55,907
1989	14,541	106,021
1999	18,604	161,384

Source: Companies Registration Office

New start-ups bring new ideas and employment opportunities into the marketplace. They bring more money into the economy by selling their products and services, by paying business taxes and salaries to their employees. John Kelly, Head of Business Banking at AIB, acknowledges the major role that small business has played in increasing the number of people at work.

"We believe the sector has been a major contributor to job generation during the 1990s, and job prospects will be improved further by supporting all the small viable businesses that are motivated for growth of exports".

Business and Finance magazine.

ENTERPRISE CULTURE IN IRELAND AND EUROPE

A CHANGING ATTITUDE TO SMALL BUSINESSES

Ireland has not always been an encouraging place for new businesses. Traditionally, start-ups were viewed with suspicion and the support infrastructure was minimal. Prior to the early 1990s, government policy was mainly focused on attracting **Foreign Direct Investment (FDI)** as a means to encourage new business development. FDI is investment from a foreign company in a domestic market, e.g. a French company establishing a subsidiary or branch in Ireland.

Previously, there was little by way of government policy for start-ups and little support for small business. Those interested in starting a business found they had to leave Ireland to get the assistance they needed.

The government's attitude to small businesses has changed dramatically. This shift in attitude can be attributed to a number of factors, including:

- The transformation from an economy dependent on agricultural businesses to service-based and industrial businesses provided opportunities for new businesses.
- High unemployment levels leading individuals with no alternative other than to establish their own business.
- Realisation that FDI as a source of investment and employment was not secure as some transnational companies closed their operations in Ireland.

Small businesses began to spring up as a result of the location of multinational companies in Ireland. This occurred for a number of reasons including:

- New companies were established to supply specific goods and services to the TNCs.
- Some employees learnt new skills and developed new ideas while working in the TNCs and established their own businesses as a result.
- When some TNCs pulled out of Ireland, some of their employees launched their own businesses.

The main government policy shift towards small businesses can be attributed to the publication of the Task Force Report on Small Business in 1994. This report outlined the government requirements to develop the small business sector in Ireland. As a result of this report, the government established the Small Business Division in the Department of

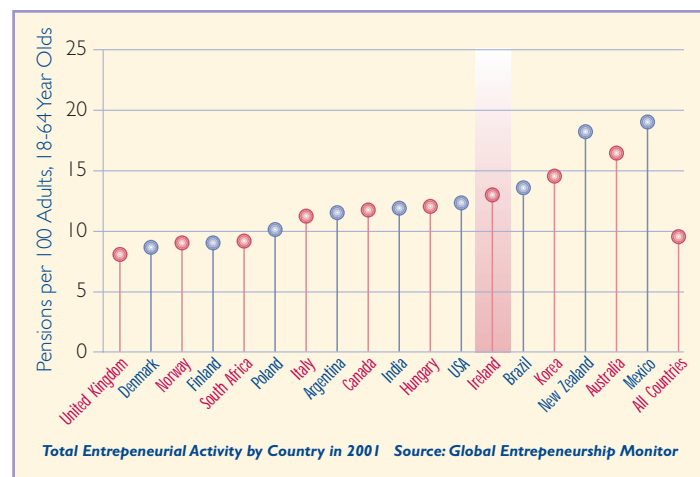


Enterprise, Trade and Employment to put the report's requirements in place. Significantly, the report found that the SME sector had been a net creator of new jobs while large business was a net shedder of existing jobs.

Recent changes in the educational system mean that the curriculum now focuses on SMEs and SME development to a greater extent than ever before. This ensures that more people know how to establish a start-up business. In addition the banks, such as AIB, have increased the level of support they provide small businesses. This provides the business owner with the financial support and advice needed to establish their business.

Enterprise Ireland have played a very positive role in supporting early stage companies. With this support, Irish people became more open to establishing start-ups and acknowledging their impact on the economy.

Evidence of the growth in Ireland's entrepreneurial culture can be seen in a recent report on the entrepreneurial activity in 29 countries. Ireland ranked 6th in terms of its level of entrepreneurial activity. Over 12% of Irish adults between the ages of 18-64 were engaged in entrepreneurial activities. This was above the total country average of 10% and compares favourably to the USA, at just under 12%, and the United Kingdom, at just under 8%.



In the early stages of business start-up, the entrepreneur has little more than a business idea. To turn this idea into a viable business opportunity, the entrepreneur must focus on a number of key requirements. These key requirements also help SME managers make decisions about their business operations. The key requirements for business success include:

- ▶ Establishing **Business Goals and Objectives** for the new company.
- ▶ Developing a **Business Plan** that outlines in writing how the entrepreneur is going to achieve his/her business goals and objectives. The Business Plan contains information on key areas, such as marketing and finance, which show how the business plans to develop over the next few years.
- ▶ Doing **Research** on the market the entrepreneur hopes to enter, detailing information on market trends, competitor strengths and weaknesses and consumer requirements.
- ▶ Acquiring **Business Knowledge** on adapting to customer requirements and how to run a successful business.
- ▶ Sourcing **Finance** in the form of loans, investment and/or grant aid.
- ▶ Having the **Determination and Motivation** to achieve their business goals, even in the face of unforeseen obstacles.
- ▶ Recruiting the **Best Employees** to achieve the business goals and objectives.
- ▶ Managing their **Customer Relationships** to build long term associations with key customers.
- ▶ Choosing the **Best Location** for their business.

While meeting these requirements does not guarantee a successful business, it does guarantee that the entrepreneur who focuses on these requirements is in a better position to achieve success.

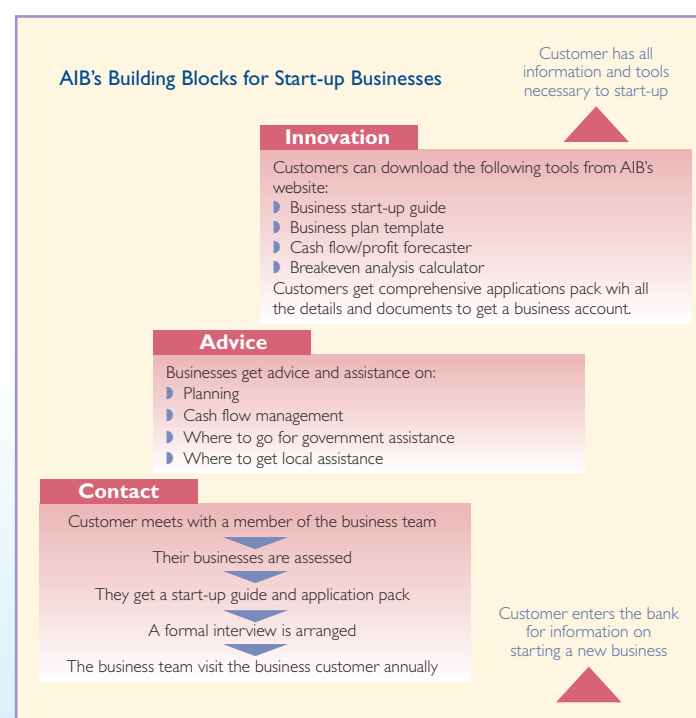
All companies go through the start-up process, but it is the companies that manage to survive the ongoing challenge of growing their business, with the help and support of organisations such as AIB, that are ultimately successful. As we have already seen, there has been a significant increase in the number of businesses being established in Ireland. Coupled with increased competition from foreign companies, the Irish business environment has become much more competitive.

These market conditions lead to increased challenges for managers of SMEs. In order to remain in business, SME managers must continually look for ways to progress their businesses through improvements in their products and services, business operations and work practices. One method used to find ways of improve their business is **benchmarking**. Business benchmarking means identifying the best business practises in the marketplace and imitating that practice.

Another method used by SME managers to remain competitive is to identify and promote training opportunities. While it is difficult to find time to train, it is vital that SME personnel get training to help them run their businesses in smarter ways.

Finally, SME managers should be aware of the business support and assistance available to them. One problem that arises is the wide range of supports available – over 140 different state and other support agencies look after the needs of small businesses. The next section of this study outlines how AIB assists SME managers to develop their business successfully.

AIB'S ROLE IN ASSISTING GROWTH IN THE SME MARKET



AIB is the largest business bank in the country, with a strong interest in developing small businesses in the long term. Each branch has at least two employees dedicated to looking after business customers. These are known as Relationship Managers. AIB has a dedicated department, known as Business Banking, to support and assist the work of these managers.

For individuals thinking about setting up a business, AIB provides them with its publication, 'A Practical Guide to Starting your own Business'. This guide takes the potential business owner through all the key requirements for starting up a business. AIB advisers will meet with clients to help them establish what they need to do next. The potential business owner is given key information on areas such as:

- ▶ How to check if they have what it takes to set up a business
- ▶ Legal structures available to SMEs
- ▶ The first things they need to do to set up the business, e.g. register for tax
- ▶ How to assess the financial requirements for the business
- ▶ How to find out what customers want

AIB runs joint programmes with support agencies to assist SMEs development. One example is the 'mentor programme' for start-up businesses that AIB runs in conjunction with the state agency, Enterprise Ireland. A mentor is someone who has been in business for a number of years. They partner with a small business manager and meet them regularly to give the benefit of their experience.

AIB assistance does not stop when a new business owner has opened a business bank account. An AIB Relationship Manager is appointed to each business customer and they normally visit the business customer twice in their first year after start-up and once a year thereafter. The role of the Relationship Managers is an important one as they help the business owner to assess his/her needs, both for business finance and business advice.

AIB's full support package for early stage can be viewed on our business website www.aib.ie/business.

CONCLUSION

There is no doubt that Irish SMEs will continue to grow and prosper in the future. However, they must be aware of the threats in the marketplace, such as increased competition and changing economic conditions. If Irish SMEs continue to have an entrepreneurial outlook and put into practice the business assistance available to them, then they are doing everything possible to ensure their success on the world stage.

TASKS AND ACTIVITIES

1. Define the following terms:
 - ▶ Transnational Company
 - ▶ Small and Medium Enterprise
 - ▶ Foreign Direct Investment
 - ▶ Benchmarking
2. Explain the importance of fostering an 'enterprise culture'.
3. How does AIB assist SME's to grow in the Irish market?
4. Using the information in this case define the role the Government played in fostering entrepreneurship in the Irish business environment.



www.aib.ie

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So, with the high level of entrepreneurial activity in Ireland and the number of business supports available, what are the requirements for a new start-up to succeed?

ENTREPRENEURSHIP REQUIREMENTS TO SUCCEED

Have you got what it takes to set up a business?

There is no exact science to establishing whether anyone is ideally suited to running their own business. However, if you can tick more than half of the boxes below you are probably suited to starting a business:

- I am self-motivated
- I can work alone
- I am enthusiastic
- I am active and energetic
- I am patient
- I like making decisions
- I set clear goals and am very focused on achieving them
- I can manage stress
- I have good health
- I get on well with people
- I prefer to lead, rather than to follow
- I can motivate people
- I can take advice and/or criticism
- I would be happier with more control over my career
- I am prepared to risk a steady weekly/monthly income, as well as my savings, to set up in business
- I learn from my mistakes
- I have experience and expertise in the industry
- I plan to start my business
- I am prepared to work very hard – possibly 7 days a week, if I have to
- I have the support of my friends and family to start this business

Source: AIB Practical Guide to Starting your own Business