



•  
•  
•  
•  
•  
•  
•  
•  
•  
•  
•  
•  
•  
•  
•  
•  
•  
•  
•  
•  
•

# A SMALL BUSINESS STRATEGY:

THE NEXT LEAP  
FORWARD FOR THE  
IRISH ECONOMY



**SFA**

Small Firms Association

# IRELAND 2018

The Irish economy is performing strongly, with growth of 7.8% in 2017 and unemployment now below 6%. As a whole, Ireland is moving past 'the recovery' and into a new growth phase.

Look closer, however, and it is clear that the story of the Irish economy is based largely on the phenomenal success of the foreign direct investment (FDI) sector.

## VALUE ADDED<sup>1</sup>

### Irish-owned companies

98.7%

Share of enterprises

40%

Share of gross value added

### Foreign-owned companies

1.3%

Share of enterprises

60%

Share of gross value added

## PRODUCTIVITY<sup>2</sup>

### Large firms

\$149,000  
(€125,000)

Value added per person employed in Ireland

### Small & micro firms

\$49,000  
(€41,000)

1 CSO, Business in Ireland 2015, 'Multinationals: An Irish Perspective'

2 OECD data as reported in National Competitiveness Council, 'Benchmarking Ireland's Productivity Performance 2004-2014' (2017)

In contrast, the small business sector is not performing at its optimal level in many areas including the rate of start-ups, scaling, survival, productivity and exporting.

In the words of the OECD: "... challenges remain with regard to Ireland's domestic SME sector, which is still lagging behind and displaying much lower levels of competitiveness, productivity and R&D spending than large multinationals".<sup>3</sup>

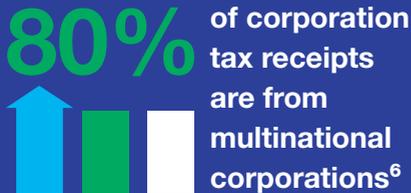
## CREATION OF NEW FIRMS EACH YEAR<sup>4</sup>



7 per 100  
existing firms



15 per 100  
existing firms



This amounts not only to a **RISK** (heavy reliance on FDI in an uncertain global environment), but to a major **MISSED OPPORTUNITY** for Ireland. Small business is not fulfilling its potential.

## PROFITABILITY<sup>5</sup>

All businesses in Ireland

15.5%

Profitability rate



1<sup>st</sup> Place

EU28 ranking

Irish-owned businesses only

8.9%

Profitability rate



16<sup>th</sup>

Place

EU28 ranking

- OECD, 'OECD review of SME and entrepreneurship issues and policies in Ireland: Project description and workplan, February 2018' (2018)
- Eurostat

- CSO, 'Multinationals: An Irish Perspective' (2014)
- Revenue, 'An Analysis of 2015 Corporate Tax Returns 2016 Payments' (2017)

The scale and breath of the small business sector (companies with less than 50 employees) in Ireland is enormous. Its role in job creation, in particular regional job creation, cannot be underestimated.

## SMALL BUSINESS IN IRELAND<sup>7</sup>



> 245,000 firms,  
98% of all businesses



Employ 700,000 people,  
50% of private sector  
workforce

In 11 counties,  
small firms  
employ more  
than 60% of the  
private sector  
workforce



30-40

41-50

51-60

61+

With this volume of enterprises, even modest improvements in the small business environment could have a significant **MULTIPLIER EFFECT**.

Think of what this could mean for employment, economic growth, Exchequer tax take and especially for regional development and the vibrancy of local communities.

## POTENTIAL JOB CREATION<sup>8</sup>

A leap forward in the small business environment is estimated to create 23,000 (26%) additional jobs by 2021:

Current growth trajectory – 87,750

Potential – 110,750

Changing government policy step-by-step has got the small business sector to where it is today. There are many State supports for small firms but, from an owner-manager's perspective, the environment is fragmented, confusing and inconsistent.

There are many individual success stories but also many tales of struggling businesses. The potential of the sector has not been realised.

That is why the focus should now be on creating a LEAP FORWARD for small businesses.

**Multinational firms in Ireland are thriving. This means that:**

- a) Policy-makers can turn their focus to small businesses without jeopardising the FDI sector
- b) Lessons from the FDI success story can be applied to small business sector



**The Small Firms Association (SFA) is calling for Government to shift its attention to the quarter of a million indigenous enterprises that are present in every city, town and village in the country.**

Businesses know that strategies matter. The SFA is calling for a national Small Business Strategy just as ambitious as the strategic focus on FDI from the 1950s to the present day.

## LESSONS FROM IRELAND'S FDI STRATEGY

In Ireland, we know exactly what it takes to create real, transformational change, as we have successfully built a world-class environment for multinational companies.



## SUCCESS OF IRELAND'S FDI STRATEGY:

**#1 in the world for inward investment by quality and value**

**#1 in the world for investment incentives**

304,376 people employed by FDI companies, 22.2% of total employment<sup>9</sup>

- 10/10 top pharma companies<sup>10</sup>
- 16/20 top global software companies
- 13/15 top medtech companies
- 20/25 top financial services companies

<sup>9</sup> CSO, Business in Ireland 2015, 'Multinationals: An Irish Perspective'

<sup>10</sup> [www.idaireland.com/invest-in-ireland](http://www.idaireland.com/invest-in-ireland)

# DESIGNING A SMALL BUSINESS STRATEGY FOR IRELAND

We need a Small Business Strategy to ensure that all parts of the State system get behind Ireland's indigenous businesses to unlock its untapped potential.

Above all, we need a clear statement from government that it will support home grown enterprises and stand behind those individuals who take the risk to start their own business.

## **EIGHT KEY CONSIDERATIONS:**

1. Strategy should be a common vision with whole-of-government buy-in
2. Public awareness and acceptance important
3. Strategy should support all small business – there is no 'right' sector to be in
4. Strategy should provide coherence – all policies and schemes aligned, no mismatches between rhetoric and practice
5. Business-friendly approach to be instilled in public officials across the apparatus of the state
6. Strands: tax, cost of doing business, regulatory burden, accessibility and suitability of business supports, enhancing spillovers from multinationals to indigenous firms
7. New approach to communicating with small businesses
8. All other decisions affecting small business should be informed by the strategy

**TOGETHER, LET'S MAKE IRELAND THE MOST VIBRANT SMALL  
BUSINESS COMMUNITY IN THE WORLD - SUPPORTING  
ENTREPRENEURS, VALUING SMALL BUSINESS, REWARDING  
RISK TAKERS.**



**SMALL FIRMS ASSOCIATION (SFA)**

84-86 Lower Baggot Street, Dublin 2

**T:** +353 (0)1 605 1664 | **E:** info@sfa.ie | **www.sfa.ie**



small-firms-association



@SFA\_Irl