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enterprise europe

Small and Medium-Sized Enterprises in Ireland



Business Support on Your Doorstep

Country Facts:

Basic Information

Official Name: Republic of Ireland
Date of Establishment: 29 December 1937
EU Accession: 1 January 1973
Time Zone: GMT
Capital City: Dublin (1.084 m 2009)
Neighbouring Countries: Northern Ireland
Area: 68,890 km²
Population: 4,670,976 (July 2011)
Territorial Division (26 regions): Carlow, Cavan, Clare, Cork, Donegal, Dublin, Galway, Kerry, Kildare, Kilkenny, Laois, Leitrim, Limerick, Longford, Louth, Mayo, Meath, Monaghan, Offaly, Roscommon, Sligo, Tipperary, Waterford, Westmeath, Wexford, Wicklow

Ethnic Groups: Irish: 87.4%, Other White: 7.5%, Asian: 1.3%, Black: 1.1%, Mixed: 1.1%, Unspecified: 1.6%

Economic Data

Currency: Euro since 1 January 2002
Inflation: -1.6% (2010)
GDP (\$bn): 204.144 (2010)
GDP (Purchasing Power Parity): 173.614 (2010)
Real GDP Growth 2011: 2.3%
Real GDP Growth 2010: -0.3%
Structure of GDP: Agriculture 2%, Industry 29%, Services 70%
Key Industries: Pharmaceuticals, Chemicals, Computer Hardware and Software, Food products, Beverages and Brewing, and Medical Devices



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Political Data

State Organisation: Republic

Political System:

Parliamentary Democracy

President: Mary McAleese

Prime Minister: Enda Kenny

Membership of International Organisations: EU, UN, UNESCO, OECD, IMF, UNIDO, WHO, WTO, INTERPOL, EMU, CE, IAEA, ICC

Definition for SME:

The European Union adopted a new definition for SMEs in 2005. This definition is to contribute to an improved business environment for SMEs and to promote entrepreneurship, investments and growth:

- *The category of micro, small and medium-sized enterprises (SMEs) is made up of enterprises which employ fewer than 250 persons and which have an annual turnover not exceeding 50 million Euro, and/or an annual balance sheet total not exceeding 43 million Euro.*
- *According to the new definition, an enterprise is 'any entity engaged in an economic activity, irrespective of its legal form.'*
- There are three types of SME:
 1. **Micro-enterprises** have fewer than 10 employees
 2. **Small enterprises** have between 10 and 49 employees
 3. **Medium-sized enterprises** have between 50 and 249 employees

For further information regarding the definition for SMEs and the objectives of creating an EU-wide definition, the European Union has provided a User Guide which can be accessed at: http://ec.europa.eu/enterprise/policies/sme/files/sme_definition/sme_user_guide_en.pdf.

SMEs Contribution to the Irish Economy:

SMEs make an enormous contribution to Ireland. The Irish government has recognized them as among the key

drivers of the nation's economy while The Irish Times, has referred to SMEs as forming the "spine" of the Irish economy. As of 2010:

- Ireland was home to 230,000 SMEs.
- Irish SMEs contributed over €10 billion to the Exchequer annually.
- Irish SMEs provided employment to over 900,000 individuals.
- Irish SMEs made up over 90% of food manufacturing companies in the country.

There are approximately 20 SMEs per 1,000 inhabitants in Ireland, which corresponds to only half of the EU average. However, closer examination of the figures will show that this is largely due to the overall smaller number of businesses in Ireland. Proportionally, the share of employment added and value added to the economy by SMEs is similar to the EU average, making their contributions to the Irish economy all the more important and impressive.

Irish Environment for SMEs

The EU has developed 10 principles for best practice in supporting the growth of SMEs. These include

- Entrepreneurship
- Responsive Administration
- Finance
- Skills and Innovation
- Internalisation
- 2nd Chance
- Think Small First
- Public Procurement and State Aid
- Single Market Environment

For further information regarding these guidelines, visit: <http://ec.europa.eu/enterprise/policies/sme/small-business-act/>.

Ireland has incorporated a number of these principles into its policies supporting small businesses.

Consequently, Ireland offers an environment which, in many ways, fosters the growth SMEs.

- Ireland provides comparatively straightforward and cheap

start-up procedures for SMEs: It takes only two weeks to start a business in Ireland compared to the EU average of 20 days. Additionally, the cost of setting up a business in Ireland is limited to only .3% of per capita income while the EU average comes in at 7%

- Procedures for hiring and laying-off staff are much simpler in Ireland than in other EU countries.
- SMEs enjoy a 65% share of public procurement contracts as compared to the EU average of 42%.
- Entrepreneurship, in general, is highly regarded among Irish people. Survey data shows that 85% of Irish citizens agree that persons growing a successful new business receive a high status compared to the 69% average for the EU.
- The proportion of state aid devoted to SMEs in 16% in Ireland compared to 11% in the EU on average.

Challenges For SMEs

The current economic conditions existing on a global level have exacerbated the typical challenges SMEs already confront.

SMEs are particularly vulnerable in times of crisis as a result of a number of reasons: Down-sizing is often not an option due to their already small size; also, SMEs tend to be less diversified in their economic activities, have a weaker financial structure, lower or no credit rating, and fewer financing options.

With the economic crisis starting back in 2008, Irish SMEs **access to finance has become increasingly limited**. Despite various government initiatives and lending programs, figures from the Central Bank show bank lending to small and medium-size enterprises has continued to plummet.

Irish SMEs now face a double crunch: with dropping demand for goods

and services, their income has dropped while at the same time financial institutions are have tightened controls on credit availability. As a result, SMEs have been unable to access to the required capital necessary to cover day-to-day expenses.

Payment times have increased, as debtors are delaying payments for as long as possible. 64% of businesses indicated in 2010 that late payment impacted their cash flows and 48% of companies reported an extension of credit terms taken by clients. When smaller businesses are not paid on time, they themselves are unable to pay their suppliers and the virus spreads. The costs of doing business increase as many companies have to resort to debt finance, such as overdrafts, in order to facilitate their cash flow requirements. Ultimately, the most vulnerable businesses are forced to close down, resulting in increased job losses.

Additionally, while incomes have decreased, the costs of doing business have remained high for Irish enterprises making **competitiveness** a key challenge. Irish businesses continue to face high rents, salaries, utility and transport costs, and other local charges.

More SMEs need to be utilizing **internet technology** to maximize sales. 40% of Irish SMEs do not have a website or an online presence and consequently are missing out on business opportunities.

Initiatives to Help Irish SMEs

The Irish government has undertaken a number of steps to foster entrepreneurship, and ameliorate some of the key challenges facing Irish SMEs.

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The government itself was one of the key offenders regarding Late Payments. Although Ireland had adopted EU legislation limiting payment times to 30 days, the Regulations effectively allowed for self-exemption from the payment period since companies are allowed to contractually agree their own terms. Government semi-states and large companies were effectively abusing their dominant purchasing position and deciding what payment period they themselves wanted. New legislation for Ireland came into effect in 2011, targeting government bodies such as the HSE, putting into place a mandatory 15-day payment period. It is too soon to assess the impact of this reform.

The Department for Enterprise, Jobs and Innovation approved a guarantee for €400m worth of loans to start-ups and SMEs in September 2011. The scheme is designed to give a boost to good businesses which the banks have failed to lend to and is expected to come into effect by the end of 2011.

Additional information regarding supports offered by the Department of Jobs, Enterprise and Innovation can be found on the Department's website at: <http://www.djei.ie/enterprise/businesssupport.htm>

Resources and Supports for Irish SMEs:

- **Irish Small and Medium Enterprises Association Ltd (ISME)** (<http://www.isme.ie>)

ISME provides the following services to Irish SMEs and membership is tax deductible: advice and support; networking and events; representation and lobbying; cost saving discounts on a wide range of services and financial products; and access to popular publications and reports.

- **Forfás** (<http://www.forfas.ie/>)

Forfás is Ireland's policy advisory board for enterprise, trade, science, technology and innovation.

- **Enterprise Ireland** (<http://www.enterprise-ireland.com>)

Enterprise Ireland is the government organisation responsible for the development and growth of Irish enterprises in world markets. In addition to information services, Enterprise Ireland provides funding and grant options to new and established SMEs.

- **County and City Enterprise Boards** (<http://www.enterpriseboards.ie>) County and City Enterprise Boards provide a source of support for micro-enterprise in the start-up and expansion phases, to promote and develop indigenous micro-enterprise potential and to stimulate economic activity and entrepreneurship at local level.

- **Small Firms Association** (<http://www.sfa.ie>)

The Small Firms Association provides consultation services, information through its website, representation and lobbying, and networking services to SMEs.

- **Intertrade Ireland** (<http://www.intertradeireland.com>) InterTradeIreland is the only organisation which supports SMEs across the island to develop North/South trade and business development opportunities for the mutual benefit of both economies.

- **The European Union**

The European Union has introduced a number of initiatives to support the growth of SMEs throughout the European Union. Recently, the EU passed the Small Business Act, a wide-ranging set of pro-enterprise measures designed to make life easier for small firms. Further information on this act and other EU programs for SMEs can be found in the 2011 guide: "Thinking Big for Small Businesses: What the EU does for SMEs" (http://ec.europa.eu/enterprise/newsroom/cf/getdocument.cfm?doc_id=6643).

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