



Turning the emerald isle into the excellent isle

Patrick Freyne talks to some of the speakers at the MBA Association of Ireland conference on Excellence in International Markets, which took place on Thursday and focused on the challenges facing Ireland's competitiveness

ACCORDING to Stéphane Garelli, the world isn't a cosy place for western economies any more. "We've moved from the world of emerging markets, where we had a lot of new opportunities, to a world filled with competitors."

Garelli is director of the World Competitiveness Centre which is attached to the International Institute for Management Development and he is also author of the *World Competitiveness Yearbook*. He was one of the key speakers at this year's MBA Association of Ireland (MBAAI) conference, which took place in University College Dublin's O'Reilly Hall in Dublin this week.

Garelli sounds many warnings about the western world's need to keep its edge. In previous years the conference has dealt with issues such as leadership and entrepreneurialism. This year Denis McCarthy, chief executive of the MBAAI, realised that with a growing number of prominent companies shutting up shop in this country, the biggest issue facing Ireland is maintaining our competitiveness.

So the theme he settled on for this year's conference was Excellence in International Markets: How Firms in Ireland can Succeed. This year's event featured a contribution from Sir Anthony O'Reilly on leading a successful international company, while Xsil chief executive, Peter Conlon, discussed business strategy and the key drivers for Xsil's success. Enterprise Ireland's chief executive, Frank Ryan, presented an overview on the policies and support structures for

companies that wish to grow internationally, while Dr Philip Mathews, director of executive education at the UCD Michael Smurfit Graduate School of Business, delivered the opening address. Eoin O'Driscoll, chairman of Forfás and managing director of Aderra, chaired the event.

The main question of the evening was implicit in the title. How can firms in Ireland succeed? Listening to Garelli, the answer seems to be 'with difficulty'.

"The world economy has multiplied tenfold in a relatively short space of time," he says. "Twenty years ago, half of the world's population was living in closed economies. The world market was basically 580 million people in the US, Europe and Japan. But everything has opened up since then and now you're speaking about a market of 6.1 billion people."

Garelli believes that as time passes these developing economies will start claiming much larger slices of the pie. "From now on we will start to see more and more competitors," he says. "All those countries — China, India, Brazil and Russia, they've all set up their own companies, and over the next while they will start to attack the rest of the world with their new brands. This year we will see more new brands than ever and a lot of those companies will be trying to buy out companies that we have in Europe and the US."

And this competition is not simply at the manufacturing level. Garelli is eager to dispel the myth that by moving up the value chain, economies like Ireland's can avoid competition.

"It would be a very big mistake for us to think that the

competition from the developing world is coming purely from cheap labour," he says. "It is also coming from cheap brainpower. Many are doing what Ireland has been doing: they are moving from a base of cheap labour costs and cheap taxation to added-value activities. They are following the same path as Ireland, but their big advantage is size. Unlike Ireland, when countries like India and China focus on a sector, they shake the world."

O'Driscoll feels that we really need to choose our niches well and strive for excellence. "There's a lot of emphasis being put on science and technology," he says. "But that's the easiest part. The real trick is how you turn that knowledge and technology back into money. A small open economy like Ireland really needs to pick niches where we can have a significant competitive advantage. We need to know an awful lot about the dynamics of that market, understand customer needs and then apply technology in some sort of superior, differentiated way."

In his eyes the biggest obstacle to achieving this is the complacency that comes with success. "Back in the early Nineties there was a strong recognition that we had to do something because our economy was going nowhere and there was a very high level of unemployment," he says. "As a result, it was easy to galvanise everyone and to unify them under an agenda. It's a bit more difficult now. The pace of investment in education and research and development abroad has been incredible over the past four or five years, and when you consider the level of inflation here, I think that we're sitting on our laurels a little bit."

Garelli believes this complacency also manifests itself in a strange Irish reluctance to develop our foothold internationally. "Ireland has been relatively shy in having companies operating abroad and that may be a mistake," he says. "On that front Ireland has not really yet benefited from all the advantages of globalisation."

However, Garelli feels that the more critical danger to our competitiveness will be our own attitude to work. He fears that western economies will respond to competition by resorting to protectionist measures in the guise of environmentalism or concern for human rights. He believes we should just work smarter in order to justify the high wages we give ourselves.

"We need to generate a lot of added-value intelligence and technology to justify our standard of living," he says. "The developing nations have a hunger for success. They want to work hard and get rich. In the west we are moving into a value system based on the work-life balance. Now, that's not necessarily a bad thing, but if you have half the world wanting to work hard and get rich, and the other half wanting a good work-life balance, which half do you think will win?"

Should the Government do more to keep international manufacturing business in Ireland?

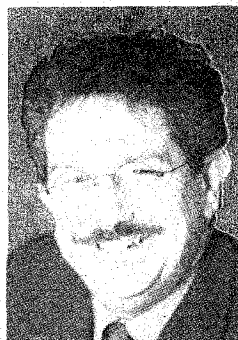


In recent weeks, there have been a number of job loss announcements in Ireland, particularly in the manufacturing sector. These job losses are a significant blow to the employees involved and their communities. However, the Irish economy continues to create more jobs than are being lost. Having said that, there is no room for complacency. There is a continuous need to ensure the Irish economy remains competitive in order to compete internationally. The National Development Plan and other Government strategies (eg the science, technology and innovation strategy) set out a range of actions to improve Ireland's infrastructure. Continued actions are also required to address the costs of doing business in Ireland as the high cost of property, waste management and electricity impact greatly on manufacturing competitiveness. We also need to continue to develop our skills, both those of graduates and those already in the workforce, to succeed globally.

— **Don Thornhill, chairman, National Competitiveness Council**

International manufacturing business has been a key element of our economic development and manufacturing needs to remain an economic driver going forward. However, challenges do exist. In recent years our costs have begun to move out of line with some of our major competitors in areas such as wages and energy/utility costs. Lack of real competition in the electricity market and concern around security of supply of oil/gas leave us vulnerable and must be tackled. Another area requiring attention is the disproportionate burden placed on business through local authority charges which particularly impact on manufacturing operations.

— **Conor Healy, chief executive, Cork Chamber**



The recent job losses prove that it is not only the lower end of manufacturing that is being moved to cheaper destinations. Economies like India, China and the EU accession states are successfully targeting high-tech manufacturing. Universities in India and China are producing high numbers of scientific graduates. To stay competitive, Ireland needs to understand that productivity improvements arise from research and development, innovation and use of human capital. Currently we are not using our abundance of knowledge to further the Irish knowledge economy.

— **Kenneth Buchholtz, director, Campbell International Human Resource Consultants**

There is a limit to what any government can do in these circumstances. Integration of the global economy has increased labour supply by 1.5 billion people and that is putting downward pressure on wages. What the Government must not do is engage in a race to the bottom by trying to compete with low-cost economies. Policy needs to focus on minimising the impact of the job loss for the individual and ensuring he/she has other opportunities available. The Danish model of 'flexicurity' provides very good financial support to those out of work, in tandem with high-end training and upskilling programmes.

— **David Begg, general secretary, ICTU**



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DISPELLING MYTHS: Simply moving up the value chain will not make Ireland more competitive, warns Stéphane Garelli, director of the World Competitiveness Centre