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Foreword

The Western Development Commission in its work in promoting enterprise and employment, in operating its Investment Fund, and in facilitating development projects, is conscious of the wide range of enterprises operating in rural areas across the Western Region. These businesses are very diverse. They operate across sectors from food to finance; they trade and network locally and globally; and are often run by young enthusiastic entrepreneurs with a strong commitment to their native place. Rural non-farm businesses are generally small but some have grown to significant scale and are market leaders in their sectors. Their impact on the region has been apparent but it is not easy to measure, as data on small rural businesses are limited.

We are also aware, from our experience with running the [LookWest.ie](#) campaign to promote the region, that many people wish to return to set up businesses in rural locations in the West. We are conscious too that infrastructure deficits, particularly in telecommunications and transport – the subject of many WDC reports and engagements with government – continue to cause difficulties for business.

These are some of the issues and concerns that prompted us to commission this study of enterprises based in rural areas. Our aim is to throw some light on the context in which these enterprises operate, their strengths, and the challenges that they face associated with their rural location. Our hope is that the study will stimulate interest in further exploring the issues raised and, in particular, a more substantial analysis of the economic and social impact of non-farm rural businesses and the conditions under which rural entrepreneurship can flourish.

Gillian Buckley
Chief Executive Officer

May 2007

EXECUTIVE SUMMARY

The Western Region¹ is predominantly rural with 77% of the population living outside of gateways and hubs² compared with 59% nationally. Despite the extent of rurality however, relatively little is known about the dynamics of the non-farm rural economy and the rural enterprises contributing to it. In order to explore some of these issues, the Western Development Commission (WDC) commissioned this study which is centred on ten case studies of rural enterprises in the western counties augmented by background research on rural enterprises and relevant policies.

Employment Trends in the Western Region

The Western Region has experienced strong employment growth in recent years with the numbers employed rising by 26% between 2000 and 2006 to reach 347,000.³ However, individual sectors of employment have shown distinct trends with notable rural-urban differences (see Table 2.1 and Appendix Table 1).

Employment in agriculture has continued to decline in the region, although it still represents a more important sector in employment terms than nationally, 10% of the total compared with 6%. Construction is another key employer in rural areas with 14% of the region's employment now in this sector. In fact, agriculture and construction combined now account for 39% of all male employment in the western counties compared with 30% nationally.

Manufacturing employment in the region has declined from 18% of the total to 15% over the 2000-2006 period. The manufacturing sectors that rural areas of the West have traditionally depended on have been in decline, while the manufacturing sectors with strongest growth have tended to concentrate in the larger urban centres.

Services have seen the strongest growth in recent years and accounted for 79% of the total increase in employment in the region between 2000 and 2006. This growth is in line with national trends though the sector represents a lower share of employment in the region than nationally, 56% compared with 61%. The region is particularly poorly represented in the key growth areas of internationally traded and financial services.

There is considerable evidence that commuting over significant distances is an increasing feature of rural life, as people travel into larger urban centres for work.⁴ Within the region, this is most pronounced in rural areas surrounding Galway city and Shannon-Limerick, and to a lesser extent Sligo, areas which have experienced very strong population growth. For rural areas that are located beyond commuting distance from either a hub or gateway town the rural economy represents the main source of employment opportunities.

Rural Enterprise in the Western Region

There are very limited data available on enterprises operating in rural areas as most sources of information do not categorise enterprises by their rural or urban location. Given the fact that Leitrim, Roscommon, Donegal and Mayo are among the most rural counties in Ireland, we use data at a county level to consider rural-urban differences.

There were 30,500 firms located in the region in 2003, this represented 17% of the national total.⁵ The vast majority of these firms are small enterprises with 98% employing fewer than 50 persons (see Table 2.2 and Appendix Table 3).

In general, the enterprise base within the Western Region shows a spatial concentration. Galway and Clare (the two most urban counties in the region) host a strong base of large, modern, high-tech companies, while other counties have fewer high-tech firms. Indeed, natural resource based industries accounted for 40% of state assisted employment in Roscommon and Donegal in 2005.⁶ The general pattern emerging from a review of state assisted employment is that the more rural counties have not performed as well as Galway (see Appendix Table 4).

¹ Counties Donegal, Sligo, Leitrim, Roscommon, Galway, Mayo and Clare.

² As designated in the National Spatial Strategy 2002-2020 (NSS).

³ CSO (2006), Quarterly National Household Survey, Second Quarter, 2006 (special run for the WDC). All of the following employment statistics are taken from the same source.

⁴ BMW Regional Assembly (2004), Audit of Innovation in the BMW Region. Analysis of CSO Journey to Work data presented in Figure 6.

⁵ Figures provided by the Revenue Commissioners and quoted in Fitzpatrick Associates (2004), Review of Enterprise Support in Rural Areas for Department of Community, Rural and Gaeltacht Affairs.

⁶ Employment in enterprises which receive assistance from IDA Ireland, Enterprise Ireland, Shannon Development and Udarás na Gaeltachta. Forfás (2006), Annual Employment Survey 2005.

Policy Context for Rural Enterprise

Policies aimed at increasing the strength and competitiveness of Ireland's enterprises have been in place since the 1960s. Enterprise policy is implemented through national, regional, sectoral and locally based agencies. Of these, only Údarás na Gaeltachta and the Leader Programme are primarily targeted at businesses based in rural locations. The County Enterprise Boards also play a key role in rural areas.

The National Spatial Strategy (NSS) acknowledges the diverse characteristics of rural areas. In general, stronger rural areas are located along the east coast of Ireland, while most of the Western Region comprises rural areas categorised as weak or remote which are lagging behind in development and suffering a decline in agricultural activity. Priorities for rural areas identified in the NSS include: promoting the rural economy based on natural resources and environmental quality; enhancing accessibility; and encouraging the adoption of technologies that can offset the barriers of distance. These themes also feature in the chapter on the Rural Economy included in the National Development Plan 2007-2013 as well as in the Rural Development Programme 2007-2013.

Case Studies of Ten Rural Enterprises

The main focus of this report is ten case studies of enterprises located in rural areas of the Western Region. The enterprises were drawn from a range of sectors and also from different types of rural locations, are of varying sizes and at different stages of development. Case studies of these ten enterprises are presented in Chapter 4 of the report.⁷ The sectors and enterprises studied are:

- | | |
|--------------------------------------|---------------------------------------|
| 1. Traditional Manufacturing: | Killala Precision, Co Mayo |
| 2. Natural Resources: | The Burren Smokehouse, Co Clare |
| 3. Tourism: | Hodson Bay Watersports, Co Roscommon |
| 4. Construction-related: | Breffni Ireland, Co Leitrim |
| 5. Retail: | Surlis Supervalu, Co Sligo |
| 6. Professional Services: | Outsourced Accountancy, Co Mayo |
| 7. Creative Sector: | Eo Teilifís, Co Galway |
| 8. High-Technology Manufacturing: | VistaMed, Co Roscommon and Co Leitrim |
| 9. Internationally Traded Services: | Eointec Solutions, Co Donegal |
| 10. Internationally Traded Services: | Xtender Teo, Co Donegal |

Issues and Themes

While the case studies are not representative in a statistical sense, the issues and themes that emerge do offer insights into the problems facing many rural businesses as well as the positive aspects of their rural location. They also demonstrate what is required to ensure such businesses' ongoing viability. The main issues emerging are as follows.

Significance of a Rural Location

Location in a rural area was in most cases a matter of preference rather than strategy, generally because of the close ties of the owner to the place where they had grown up. A few of the newer, larger businesses selected a rural site on the basis of cost advantages including lower property prices.

⁷ Longer versions of the ten case studies are also available in a separate document which can be downloaded from www.wdc.ie.

All but the smallest firms had a considerable impact on their surrounding area, both as employers and by generating business for local suppliers. Information and communications technology (ICT) is particularly important in helping to overcome any perceived or actual isolation from suppliers and customers.

Entrepreneurship and Location

The entrepreneurs profiled in the case studies typically set up their businesses when they were relatively young, and most had a fall back option in the event of failure – either continuing to work while establishing the enterprise, taking leave of absence or being involved in other family ventures.

As most of them started a business in rural Ireland because that is where they grew up, retaining young people or attracting them to return to rural areas is critical to ensuring the continued establishment of new enterprises in rural areas. The response to the WDC's [LookWest.ie](http://www.lookwest.ie) campaign has shown that people do want to return to the West.⁸

The conditions under which entrepreneurs start up and operate businesses in rural areas need to be better understood. This study has given us some pointers to the issues they face, but a much more thorough and extensive analysis is needed, so that policies and supports can be tailored more effectively to the challenges of a rural location. As a further step in this regard, the WDC is sponsoring a research student at Galway-Mayo Institute of Technology (GMIT) to explore the characteristics of, and challenges facing, rural entrepreneurs in the West of Ireland.

Labour Market Issues

In recent years, the growth in demand for labour in Ireland has exceeded the supply resulting in increased competition for labour and rising pay costs. This has impacted upon all of the businesses interviewed. Rising pay costs affect the competitiveness of those that are export oriented. While increasing competition for labour has contributed to a greater reliance on foreign nationals among the larger enterprises profiled, especially for lower skilled jobs. The experience of the WDC Investment Fund is that there is also a growing demand for foreign national employees to fill higher skilled vacancies.

It was indicated that foreign national employees seem to have settled well into their rural communities with some purchasing homes or being joined by other family members. While business owners are generally positive about their foreign national employees, they consider that some employees are being hindered from taking on more responsibilities because of a lack of competence in the English language. Training was advocated as an appropriate response.

Language training should be prioritised to ensure that foreign national employees can meet the requirements of higher skilled positions.

Rural enterprises wishing to expand, or which need relatively scarce skills, may have difficulty in attracting third level graduates or being able to source suitable staff locally. In some instances, this has caused them to open up alternative centres of operation in urban areas as specialised staff may have a preference for such locations, particularly when a lack of alternative employment opportunities in a rural area makes people reluctant to relocate for a single job opportunity. The experience of the WDC in dealing with new businesses is that experienced sales, as well as technical, staff can be particularly difficult to attract to rural locations.

We have little systematic information on the demand and supply of labour in rural areas or how the skills needs of rural businesses impact on their location decisions. Strategies to support the further development of enterprises in rural areas should be based on a much better understanding of the rural labour market and of labour flows between rural and urban areas.

⁸ The [LookWest.ie](http://www.lookwest.ie) campaign promotes the advantages of living, working and doing business in the Western Region and provides information through its website. In April 2006 the [LookWest.ie](http://www.lookwest.ie) campaign incorporated a registration function on its website www.lookwest.ie which allows people to register their interest in relocating to the West. Between its launch and February 2007 there were 1,400 registrations.

Access to Training and Skills

Training at all levels within their businesses was seen as a key requirement in each of the businesses studied. The Skillnets initiative was the most common means of accessing training. The relevance of the Skillnets initiative⁹ may be due to the fact that it is based on a network approach, which allows the training to be very specifically tailored to the needs of the enterprises involved, either sectoral or geographic. Companies were also involved in initiatives with FÁS, or received employment grants from other state agencies to fund training.

The network approach to training seems to offer particular opportunities for rural enterprises. This approach should continue to be supported and there is a need for further investigation of its particular relevance and fit for rural enterprises.

Some managers were acutely aware of their own and their senior staff's shortcomings. However, management and specialist courses are usually held in cities, which increases the cost of attending for those in rural locations. For the smaller businesses, with limited management capacity in certain key areas, other means of accessing expertise were also seen as important. Suggestions included the involvement of a mentor or shareholder with specific skills, or a panel of legal, marketing and management consultants provided by a support agency which could be accessed as required by small businesses.

From a national training policy perspective, there is a need to acknowledge and cater to the training requirements of managers and workers in rural enterprises by tailoring training provision more effectively to their needs and to the realities of operating in a rural location.

Networks

Isolation can be an issue for rural entrepreneurs. In general, of those companies profiled, the ones which network closely with other businesses tend to do so more on a sectoral than a geographic basis. The more specialised sectors tend to be the most networked. The experience of one company in the IT Northwest network is interesting in this regard; they have found that such a network in a rural area does not provide as many potential customer contacts as it would in an urban area where the membership would also include large firms that would be potential clients.

Linkages between the firms and higher education institutions vary, with the most common linkage relating to recruitment of graduates. Three of the firms also interact for research and development (R&D) activities.

Infrastructure

The deficit of infrastructure in rural areas, relative to urban locations, is well documented. The WDC has published a number of reports dealing with this deficit.¹⁰ A range of issues have emerged from the case studies.

● **Transport Access:** Improved transport infrastructure was identified as critically important, with the need for road improvements generally highlighted as the most pressing. The road infrastructure deficit was seen as a problem for access to and from businesses' rural locations, for both clients and products. Traffic congestion is also a particular issue for companies traveling to Dublin and Galway city.

Air transport is used to access other regions or countries, and by visiting customers, with most businesses using the airports within the region where possible. However they would welcome flight schedules that better facilitate business travel.

In order to encourage and facilitate the growth of the rural economy, the access issues facing rural businesses must be addressed in national and local transport planning decisions. Road linkages beyond the gateways and hubs need to remain a priority, as does air access from the regions.

⁹ The Skillnets initiative is supported by the National Training Fund www.skillnets.ie.

¹⁰ WDC (2006), Western Development for Ireland's Future: Submission to the Consultation on the National Development Plan 2007-2013; WDC (2004), Enterprise and Employment in the Western Region; WDC (2003), Jobs for Towns: Small and Medium-sized Towns on Radial Routes in the Western Region; WDC (2002), Update on Telecommunications in the Western Region.

- **Communications Access:** Telecommunications was seen as critical by all, and the poor quality of the rural infrastructure was noted in many cases. While all of the firms interviewed wished to avail of broadband, three are unable to do so in their area. Half of those who do have broadband experienced problems accessing such a service in the past.

The WDC believes it is essential that the government continue to play a role in ensuring equitable provision of modern telecommunications infrastructure throughout Ireland.¹¹

- **Energy Usage:** Energy was a significant cost for half of the companies. The consensus was that energy charges are rising so rapidly that they are affecting competitiveness. However it was felt that their rural location was not a factor in these costs. Many had changed provider, or at least sought quotes from a selection of providers, indicating an awareness of the development of competition in the energy market. Some enterprises also drew attention to the weakness of the energy infrastructure in their region particularly if there were to be an increase in demand for energy in the future.

Financing and Enterprise Support

Almost all of the entrepreneurs interviewed had received some form of assistance from state agencies. The larger enterprises had accessed funding from the main enterprise support agencies: Enterprise Ireland, Údarás na Gaeltachta or Shannon Development. One company had received an investment from the WDC Investment Fund. The Business Expansion Scheme (BES) had also been used by the larger companies to raise capital.

The smaller companies did not usually receive this type of assistance but instead received support from Leader and the County Enterprise Boards (CEBs). Concerns were raised in relation to the capacity of smaller enterprises to access certain forms of state assistance as well as to manage state supported projects.

The owners of most of the firms had also raised capital through personally guaranteed bank loans. The rapid inflation in property prices of recent years means that the businesses' property assets have increased substantially in value. Some of those in more mature enterprises queried whether prohibitive property prices would inhibit entrepreneurs from replicating their business model.

Business Survival

Those interviewed believe that they are addressing a growing market, and that their business will prosper in the future if they have an appropriate strategy. The larger enterprises tend to be exporters, who face stiff competition in the global marketplace, but who also have very large markets available to them. Support for training and R&D, and the ongoing need to keep pay costs within reasonable limits, are seen as the key issues in this context.

Just a small number of the enterprises interviewed are linking with third level institutes for the purposes of R&D. This may mean that benefits from cooperating in areas such as curriculum reform, technology transfer or product development are being lost.

The companies primarily serving the Irish market consider that they have been innovative in terms of their business processes and have reinvested in their companies. In general, rising payroll, energy and other costs are a concern, although Irish customers have shown a willingness to pay more for convenience and quality.

The key concern for businesses trading in the domestic market is how a general slowdown in the national economy would affect their performance. Given the significance of the locally traded services sector in rural regions, this is a very real concern for the viability of rural economies generally.

¹¹ Our arguments on this are outlined in detail in WDC (2006), Western Development for Ireland's Future: Submission to the Consultation on the National Development Plan 2007-2013.

1. Why Rural Enterprise?

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.¹²

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 Fund¹³ 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.

¹² 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.

¹³ 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.

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
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 Structure of the Report

Chapter 2 provides an overview of issues affecting rural enterprise. In Chapter 3 the rationale underlying the choice of rural enterprises for study is explained. Summary case studies of the ten selected enterprises are set out in Chapter 4. Finally, Chapter 5 contains an outline of the issues and themes that arose from the case studies. It is also informed by the WDC's own experience in interacting with rural enterprises, particularly in operating the WDC Investment Fund.

Each of the ten case studies has also been written up in a longer, detailed format. These have been compiled in a background report, which is separate to this document.¹⁴

¹⁴ The background report can be downloaded from www.wdc.ie.

2. Setting the Scene: The Context for Rural Enterprise

2.1 Introduction

This chapter provides an overview of rural enterprise in the Western Region in order to provide a context for the case study material. It begins with a discussion of the changing socio-economic profile, followed by an outline of employment trends and enterprise activity and concludes with a discussion of public policies that are most relevant to rural enterprises.

2.2 A Socio-Economic Overview

The spectacular success of Ireland's economic performance over the past decade has been well documented. Between 1995 and 2000, GNP increased by 8.8% per annum and the following five years saw annual increases of 4.3%.¹⁵ Although such a rapid rate of expansion is unlikely to be maintained indefinitely, analysts predict that economic growth will continue to outstrip the EU average in the near future, with predicted growth rates in Irish GNP of 3-5% per annum to 2010.¹⁶

2.2.1 Population and Rurality

Ireland's strong economic growth has brought about a reversal of a long history of net emigration to one of significant inward migration. The 2006 Census of Population indicates that the Irish population in April 2006 was 4.2 million persons, compared with 3.9 million in 2002, representing an increase of 8.2% in four years.¹⁷

Strong economic growth and an expanding population have had a profound impact on Ireland's rural areas. However, analysis of such impacts is complicated by the fact that 'rural' can be defined in many ways. The White Paper on Rural Development published in 1999 classifies all areas outside of the five main cities as rural; the Rural Development Programme 2007-2013 defines as rural all areas outside of the nine gateways and nine hubs designated in the NSS; while the Central Statistics Office (CSO) defines rural as areas outside of population centres of 1,500 persons or more. Clearly, differences in perceptions of what is regarded as rural will impact on how rural problems are understood and what solutions are proposed.

¹⁵ CSO (2006), Statistical Year Book of Ireland 2006.

¹⁶ ESRI (2005), Medium-Term Review 2005-2012.

¹⁷ CSO (2007), Census of Population 2006: Principal Demographic Results.

In line with the delineation adopted for the Rural Development Programme 2007-2013, the WDC selected case study enterprises from areas located outside of NSS designated gateways and hubs. Within the Western Region there are four gateways: Galway; Letterkenny¹⁸; Sligo; and Shannon¹⁹ and three hubs: Castlebar-Ballina; Ennis; and Tuam. Using the NSS definition, 77% of the population of the Western Region live in rural areas compared with 59% of the national population.²⁰ The extent of rurality in the region is further illustrated by the fact that Leitrim, Roscommon, Donegal and Mayo are among the six most rural counties in Ireland.²¹ The development of rural enterprise is therefore particularly critical to this region's future growth.

All seven western counties experienced population growth in the intercensal period 2002-2006.²² The strongest population growth in the region has been in areas surrounding the urban centres of Letterkenny; Galway city; Athlone and the Ennis and Shannon area.²³ However it is interesting to note that in the most rural counties of the region, Leitrim and Roscommon, in-migration accounted for over 85% of their total population growth, a higher share than in the more urban counties. Rural areas are clearly attractive to new residents.

2.3 Sectoral Trends in Employment

Between 2000 and 2006, the total number of people in employment in the state rose by 21%. The increase was driven principally by inward migration and a continued rise in female participation rates in the labour force.²⁴ The Western Region also experienced strong employment growth over the period with a 26% increase, higher than the national average. The region accounted for a fifth of the overall national growth in employment,²⁵ though much of this was concentrated in the gateways and hubs.

Individual sectors of employment have shown distinct trends with notable rural-urban differences. Employment by sector in the Western Region and the state in 2000 and 2006 is shown in Table 2.1. Firstly we outline broad sectoral trends and then go on to look at a more detailed breakdown of the industrial and services sectors.

The employment trends in the broad agriculture, industry and services sectors have been very different. The numbers employed in agriculture fell between 2000 and 2006 and its share of total national employment declined from 8% to 6%. Even though there was a substantial decline in the Western Region, from 15% to 10% of regional employment, the agriculture sector continues to be a more significant employer in the region than nationally.

In contrast, the numbers employed in industry (which here includes construction as well as manufacturing industries) grew by 16% nationally between 2000 and 2006. However despite the growth in numbers, this sector's share of total national employment actually fell from 29% to 27% due to the even more rapid job growth in the services sector. Industrial employment as a share of total employment in the Western Region also fell, from 30% to 29%, but remains slightly higher than the national level.

The largest employment sector, and that with the strongest growth, is undoubtedly services. Jobs in services in Ireland represent 61% of total employment and accounted for 76% of the net increase in employment 2000-2006.²⁶ Within the Western Region, services accounted for an even higher share of growth – 79%. Despite this however, services still account for a markedly lower share of all jobs in the region than nationally (56%). Clearly, employment prospects in every region are dependent upon growth in this sector and predictions are that this will continue.²⁷

¹⁸ Linked gateway with Derry.

¹⁹ Linked gateway with Limerick.

²⁰ CSO (2007), Census of Population 2006.

²¹ This is based on a rurality index based on Census 2002 which ranks counties according to the percentage of their population living in Electoral Divisions with a population of less than 1,500 in 2002. Fitzpatrick Associates (2004), Review of Enterprise Support in Rural Areas for the Department of Community, Rural and Gaeltacht Affairs.

²² CSO (2007), Census of Population 2006: Principal Demographic Results.

²³ CSO (2006), Census 2006 Preliminary Report

²⁴ CSO (2006), Database Direct: Labour Force; CSO (2006), Quarterly National Household Survey, Second Quarter 2006 (special run for the WDC). The QNHS includes self-employed persons as well as employees. All of the following statistics relating to employment include self-employed persons.

²⁵ CSO (2006), Quarterly National Household Survey, Second Quarter, 2006 (special run for the WDC).

²⁶ CSO (2006), Quarterly National Household Survey, Second Quarter, 2006 (special run for the WDC).

²⁷ FÁS/ESRI Manpower Forecasting Studies (2004), Occupational Employment Forecasts by Region for 2010.

Table 2.1: Percentage²⁸ of Persons in Employment in the Western Region and State by Economic Sector 2000 and 2006

	Western Region		State	
	2000	2006	2000	2006
	%	%	%	%
Broad Economic Sector				
Agriculture	14.8	9.8	8.0	5.7
Industry	30.2	28.8	28.5	27.3
Services	50.2	56.3	58.2	61.1
Other	4.7	5.1	5.6	6.0
Total	100.0	100.0	100.0	100.0
Detailed Economic Sector				
Agriculture, forestry and fishing	14.8	9.8	8.0	5.7
Other production industries	18.4	14.5	18.5	14.3
Construction	11.8	14.3	9.9	13.0
Wholesale and retail trade	12.0	13.9	14.1	14.1
Hotels and restaurants	6.6	6.2	6.5	5.8
Transport, storage and communication	4.7	4.6	6.1	6.0
Financial and other business activities	7.6	8.6	12.6	13.3
Public administration and defence	4.3	5.4	4.7	5.2
Education	6.2	7.1	6.2	6.7
Health	8.8	10.5	8.0	10.0
Other	4.7	5.1	5.6	6.0
Total	100.0	100.0	100.0	100.0
Total Persons ('000s)	275	347	1,671	2,017

Source: CSO, Quarterly National Household Survey, Second Quarter, 2000 and 2006 (special run for the WDC)

Note: Data may be subject to sampling or other survey errors, which are greater in respect of smaller values (areas).

²⁸ Actual figures are given in Appendix Table 1.

2.3.1 Industrial Employment

Within the broad industrial sector the experiences of construction and manufacturing employment have been very different. The boom in construction means that 13% of the national workforce is employed in the sector. In the Western Region this dependency is even more marked with 14% of those employed (which equates to 50,000 persons) working in construction.

Moreover, 23% of men currently employed in the Western Region work in construction.²⁹ Combining construction with agriculture we find that 39% of males in the Western Region are employed in these two sectors compared with 30% nationally. Such a heavy reliance, particularly in rural areas,³⁰ is a cause for concern. A case study of an enterprise related to the construction sector is included in Chapter 4.

In contrast to construction, job numbers in manufacturing industries in the region declined from 18% to 15% of the total between 2000 and 2006, and this is in line with the national trend. Manufacturing sectors that are most in decline are those on which rural parts of the West have traditionally depended; notably the textile industry, once a major employer in the predominantly rural northwest of Ireland.

The Western Region has benefited from some of the major growth in employment in high-tech manufacturing sectors such as information and communications technology (ICT), but this has mainly been concentrated in the large urban centres – most notably in Galway city and the Shannon region. Also, a significant cluster of medical devices companies has emerged in Galway and parts of Mayo. Case studies of a number of manufacturing enterprises are included in this report.

2.3.2 Services Employment

As already noted, the services sector accounts for a lower share of employment in the Western Region than nationally. As can be seen from Table 2.1, there are proportionately fewer jobs in key service areas such as wholesale and retail, and transport, storage, and communication, than nationally. However, it is its under-representation in financial and other business services that is most striking. This sector accounts for 13% of national employment but just 9% of employment in the region. This sector is a crucial facilitator for other enterprise activities. A case study of an enterprise providing business services is included in Chapter 4.

Two areas of the services sector widely identified as having particularly strong growth potential are internationally traded services (ITS) and financial services. The region has not benefited fully from the dramatic increases in employment in these key growth sectors, only accounting for 9% of such employment in 2005³¹ (see Appendix Table 2). Companies in these sectors, particularly large employers, tend to locate in urban rather than rural areas; however there are notable exceptions, such as Bank of America (MBNA) located in Carrick-on-Shannon. Case studies of enterprises in the ITS sector are included in Chapter 4.

The share of employment in public sector activities (public administration, defence, education and healthcare) has risen nationally from 19% to 22% in the 2000-2006 period. In the Western Region this share is 23% and is even more significant for female employment – accounting for 42% of all female jobs in the region. Public sector employment is important for the rural economy and represents a stable source of employment.

Tourism has been identified in the NSS and other policy documents as providing potential for economic growth in rural areas. An estimated 246,000 persons were employed nationally in the tourism sector in 2005, with 30% of that employment located in the Border, Midlands and West (BMW) region.³² Overseas visitor numbers to the regions of Ireland outside Dublin have generally been in decline since 2001 though initial indications are that there was some recovery in 2006. The most rural counties experienced the most significant declines between 2001 and 2005 with the counties of Donegal, Sligo and Mayo each experiencing a 15% drop in overseas visitor numbers.³³ Case studies of innovative tourism enterprises in rural areas are included in this report.

²⁹ CSO (2006), Quarterly National Household Survey, Second Quarter, 2006 (special run for the WDC).

³⁰ An analysis of the 2002 Census indicated that the construction sector is a more significant employer of rural than of urban residents. At that time 11% of rural residents were employed in construction compared with 7% of those in non-rural areas. Fitzpatrick Associates (2004), Review of Enterprise Support in Rural Areas for the Department of Community, Rural and Gaeltacht Affairs.

³¹ Forfás (2006), Annual Employment Survey 2005.

³² Fitzpatrick Associates (2006), Tourism Business & Employment Survey 2005 for Fáilte Ireland.

³³ Fáilte Ireland (2006), Region Fact Sheets 2005.

2.3.3 Commuting

It is important to note that the employment statistics presented above relate to where people live rather than where they work. Therefore the figures for the Western Region include people who live within the region but commute to work in adjacent centres of high employment such as Derry, Athlone and Limerick. These figures also exclude people working within the region but living outside of it.

There is evidence that commuting is an increasing feature of rural life, as people travel into larger urban centres for work.³⁴ Within the region, this is most pronounced in rural areas surrounding Galway city and Shannon-Limerick, and to a lesser extent Sligo, areas which have experienced very strong population growth. For rural areas that are located beyond commuting distance from either a hub or gateway town the rural economy represents the main source of employment opportunities.

2.4 Rural Enterprise Activity in the Western Region

In this section we review enterprise activity in the Western Region. Unfortunately, there is very little specific information on enterprises located in rural areas. As we indicated earlier, the counties of Leitrim, Roscommon, Donegal and Mayo are among the most rural counties in Ireland.

2.4.1 Extent and Scale of Enterprise

In 2003, the number of businesses registered with the Revenue Commissioners in the Western Region accounted for 17% of the national total.³⁵ Small firms accounted for the greatest proportion of these and this is evident from Table 2.2.³⁶

Table 2.2: Percentage of Employers, by Size of Enterprise, in the Western Region 2003³⁷

	Self Empl'd	1-9	10-49	< 50	50-99	100-499	500-999	>1000	Total
	%	%	%	%	%	%	%	%	No
Leitrim	24.4	63.4	10.5	98.2	1.3	0.4	0.1	0.1	1,116
Roscommon	24.6	65.4	8.4	98.4	1.1	0.3	0.0	0.0	2,185
Donegal	18.1	66.7	13.4	98.1	1.3	0.5	0.0	0.0	5,887
Mayo	20.8	66.2	11.0	98.1	1.2	0.6	0.1	0.1	5,036
Sligo	19.6	65.2	13.1	97.9	1.1	0.8	0.2	0.0	2,369
Clare	23.0	64.4	10.4	97.8	0.9	1.2	0.1	0.0	4,392
Galway	19.6	65.9	12.2	97.7	1.3	0.8	0.1	0.1	9,560
Western Region	20.5	65.7	11.7	97.9	1.2	0.7	0.1	0.1	30,545
State	22.3	63.0	12.2	97.5	1.3	0.9	0.1	0.1	179,912

Source: Fitzpatrick Associates (2004), *Review of Enterprise Support in Rural Areas for Department of Community, Rural and Gaeltacht Affairs*

³⁴ BMW Regional Assembly (2004), *Audit of Innovation in the BMW Region*. Analysis of CSO Journey to Work data presented in Figure 6.

³⁵ Fitzpatrick Associates (2004), *Review of Enterprise Support in Rural Areas for Department of Community, Rural and Gaeltacht Affairs*.

³⁶ The counties in this table are ordered from the most rural (Leitrim) to the least rural (Galway).

³⁷ Actual figures are provided in Appendix Table 3. These figures are based upon registrations with the Revenue Commissioners.

Enterprises employing less than 50 persons account for 98% of all enterprises in both the Western Region and nationally and this is fairly consistent across all the counties. Among these smaller enterprises most are micro-enterprises which employ fewer than ten persons. They account for 66% of all enterprises in the region, a slightly higher share than nationally (63%). Most of the enterprises reviewed in Chapter 4 employ fewer than 50 persons.

2.4.2 Spatial Distribution and Ownership of State Assisted Enterprises

In general, the enterprise base within the Western Region shows a spatial concentration. This is clearly illustrated by the distribution of state assisted enterprises across the region.³⁸

Galway and Clare (the two most urban counties in the region) host a strong base of large, modern, high-tech companies, while other counties have fewer high-tech firms. Galway is now the major centre for medical devices and biotechnology firms, although others in these sectors are to be found elsewhere in the region, particularly in Mayo. Rural Galway also hosts a cluster of mainly indigenous audio-visual businesses, one of which is included later as a case study.

Meanwhile, natural resource based industries, including food, textiles and wood play a particularly important role in the more rural counties. They accounted for 40% of employment in state assisted companies in Donegal and Roscommon in 2005. In Roscommon the food, beverages and tobacco sector accounted for 34% of such employment.³⁹ However, these are relatively large production and processing firms and the region has a relatively low number of small artisan food producers – just 41 of the 298 (13%) small food enterprises identified in a 2003 report by Bord Bia.⁴⁰ A small food enterprise which is also involved in the tourism market is included as a case study.

Over the period 2000-2005 there were considerable differences in the employment patterns of state assisted enterprises among the western counties, as well as between Irish and foreign owned firms (see Appendix Table 4). While the region as a whole experienced a net increase in assisted employment over the period, just three counties (Galway, Leitrim and Mayo) accounted for this. Only Leitrim and Galway had an increase in employment in foreign owned firms, while Galway and Mayo alone showed an increase in employment in indigenous firms. The general pattern emerging from these figures is that the more rural counties have not performed as well as Galway in terms of state assisted employment.

It is important to note that a relatively small share of total employment (15%), both nationally and regionally, is accounted for by companies that receive assistance from the four main enterprise development agencies. Half of the case studies within this report are businesses that do not fall within the remit of these agencies.

2.5 Educational Profile of the Western Region

One of the key factors in developing the rural economy is the level of educational attainment of the rural labour force. Third level education participation levels are higher in every county of the Western Region than the national average⁴¹ (see Appendix Table 5). However, the pattern has been that most rural school-leavers participating in third level education leave their county to attend college, and then gain employment outside of the region upon graduation. Recently there does appear to be some improvement in this situation with the number of graduates from the Western Region gaining their first employment in the region increasing from 37% in 2000 to 48% in 2004.⁴² However, the more rural counties continue to perform poorly in retaining their graduates with only 19% of graduates from Leitrim and Roscommon gaining their first employment in their home county in 2004.

The employment profile and the loss of highly educated young people from the Western Region are reflected in the general educational profile of the region's workforce. The Western Region has a higher share of individuals with low educational attainment, which is linked to its older age profile and the proportion employed in primary sectors and construction. It also has a lower proportion of third level graduates than the state as a whole, 22% compared with 25%.⁴³

This has two major implications for the rural economy, firstly that employment opportunities in high value added activities are necessary to retain or attract back highly educated people and secondly, that accessing highly skilled staff in rural areas can be a challenge for rurally based enterprises. This latter point is illustrated in the case studies that follow.

38 Enterprises which receive assistance from IDA Ireland, Enterprise Ireland, Shannon Development and Údarás na Gaeltachta. Nationally, total employment in such firms was 298,000 in 2005. In the Western Region these firms employed 53,000 persons. Forfás (2006), Annual Employment Survey 2005.

39 Forfás (2006), Annual Employment Survey 2005.

40 Key Issues for Small Food Producers and Bord Bia's Response.

41 O'Connell, P.J., Clancy, D., and McCoy, S. (2006), Who Went to College in 2004? A National Survey of New Entrants to Higher Education, Higher Education Authority.

42 Higher Education Authority (2000 and 2004), First Destination of Award Recipients in Higher Education 2000 and 2004 (Special analysis for WDC). It should be noted that time series data are indicative only as other factors may also influence trends such as varying response and admission rates.

43 CSO (2003), Census of Population 2002: Volume 7.

2.6 The Policy Context for Enterprise

Policies aimed at increasing the strength and competitiveness of Ireland's enterprises have been in place since the 1960s. These are implemented through national agencies (e.g. Enterprise Ireland, FÁS), regionally based agencies (e.g. Údarás na Gaeltachta, WDC), sectoral agencies like Bord Bia and Fáilte Ireland, as well as locally based agencies such as County Enterprise Boards (CEBs) and Leader companies. Of these, only Údarás na Gaeltachta and the Leader Programme are primarily targeted at businesses based in rural locations.

Now that Ireland has reached near full employment in many areas, enterprise policy is generally oriented towards attracting and supporting higher value added, knowledge based industries, that can offer high quality employment and operate in increasingly competitive markets. This is reflected in the National Development Plan (NDP) 2007-2013.

2.6.1 Enterprise Policy

The most recent development of national enterprise strategy was undertaken in 2004 by the Enterprise Strategy Group (ESG).⁴⁴ They pointed out that additional expertise in research and development (R&D), technology, and sales and marketing would be needed to meet the challenges of the next decade. The ESG also recommended investment in infrastructure ahead of demand in key locations. The ESG said that investment should be prioritised in NSS designated gateways and hubs (see below), and that a strategic infrastructure investment programme should be developed for the period beyond 2006. Based on the current and future needs of industry, the programme should prioritise investment in broadband, national roads, waste management, air services and energy.

National policy for small businesses is particularly relevant to rural areas. The most recent review was by the Small Business Forum (SBF) in 2006.⁴⁵ The Forum outlined the problems facing small businesses such as finance, rising costs, inadequate infrastructure, management capability, a lack of innovation and under-exploitation of ICT. It made a number of recommendations which are currently being implemented by government including: providing Knowledge Acquisition Grants; making Innovation Vouchers available to small business; and providing funding to allow small businesses avail of an ICT audit. These programmes are being implemented by Enterprise Ireland and the CEBs.

2.6.2 Spatial Policy

The National Spatial Strategy 2002-2020⁴⁶ was adopted by the government in 2002. It provides a blueprint for the spatial development of Ireland over an eighteen year period. The purpose of the strategy is to encourage more even development as a counterbalance to the concentration of growth in the Greater Dublin Area.

The NSS identified a hierarchy of urban centres – gateways and hubs – which are targeted for growth and development in the regions because of their attractiveness to high-tech foreign owned firms and to skilled workers, along with the capacity to provide a range of services and facilities. There are four gateways and three hubs located within the Western Region, as outlined in Section 2.2.1.

The NSS acknowledges the diverse characteristics of rural areas, which are classified into five different rural area types – 'strong', 'changing', 'weak', 'remote' and 'culturally distinct' – each with different needs requiring policy responses. In general, stronger rural areas are located along the east coast of Ireland, while most of the Western Region comprises rural areas categorised as weak or remote which are lagging behind in development and suffering a decline in agricultural activity. Priorities for rural areas identified in the NSS include: promoting the rural economy based on natural resources and environmental quality; strengthening communities through settlement policies; enhancing accessibility; supporting cultural heritage and identity; and encouraging the adoption of technologies that can offset the barriers of distance.

2.6.3 Rural Development Policy

The NDP 2007-2013 contains a chapter on the development of the rural economy. The objective of enterprise support under the Plan is to sustain and build on the growth of indigenous enterprises by supporting rural based enterprises and rural based entrepreneurs. It is envisaged that this will be achieved through the activities of Enterprise Ireland, the CEBs and Leader.

The EU co-financed Rural Development Programme (RDP), covers the period 2007-2013. The majority of funding under the RDP is targeted at agriculture and the agri-environment. It also includes measures for the creation and development

⁴⁴ Enterprise Strategy Group (2004), *Ahead of the Curve: Ireland's Place in the Global Economy*.

⁴⁵ Small Business Forum (2006), *Small Business is Big Business*.

⁴⁶ Department of Environment, Heritage and Local Government (2002), *The National Spatial Strategy 2002-2020*.

of micro-enterprises, rural tourism activities and the diversification of on-farm economic activity. Other measures to enhance the quality of life in rural areas may also have an impact upon rural enterprises.

2.6.4 Enterprise Support

As outlined in the NDP 2007-2013, enterprise support in Ireland is now geared towards supporting high value added industries. In practice, the vast majority of support for indigenous companies will be directed towards export and growth oriented businesses, including measures to increase competitiveness and productivity; management and sales capability; access to equity and finance; and support for micro-enterprises and entrepreneurship.

The supports for industries that are funded from state or EU funds are subject to strict limits. In December 2005, the EU Commission adopted the 2007-2013 Regional Aid Guidelines, which reduced the level of regional aid that can be offered in Ireland on a phased basis from 2007 onwards. The permissible levels of aid for large businesses will decline more than those for smaller businesses. The levels of aid that can be provided to enterprises in the BMW Region (which incorporates all but one of the counties within the Western Region), will continue to be slightly higher (typically 5%) than those allowed in other regions.

The provision of enterprise supports is administered through a wide range of organisations. According to a 2004 report Review of Enterprise Support in Rural Areas by Fitzpatrick Associates, there are fourteen different bodies that have responsibility for implementing enterprise support services in Ireland. The nature and focus of these agencies are summarised in Table 2.3 below:

Table 2.3: Summary of Main Supports for Rural Enterprises

Type of Agency	Agency/Agency System	Primarily Enterprise Focus	Primarily Rural Focus	Parent Dept.	Capital Grants/Equity	Other Financial Assistance	Soft Supports
National	Enterprise Ireland	Yes	No	DETE	Yes	Yes	Yes
	IDA - Ireland	Yes	No	DETE	Yes	Yes	Yes
	FÁS	No	No	DETE	No	Yes	Yes
Regional	Shannon Development	Yes	No	DETE	Yes	Yes	Yes
	Údarás	Yes	Yes	DCRGA	Yes	Yes	Yes
	WDC	Yes	No	DCRGA	Yes	Yes	Yes
	BICs	Yes	No	DETE	No	No	Yes
Local	CEBs	Yes	No	DETE	Yes	Yes	Yes
	LEADER	No	Yes	DCRGA	Yes	Yes	Yes
	Pobal/Partnerships	No	No	DCRGA	No	Yes	Yes
Sectoral	Fáilte Ireland/RTAs	Yes	No	DAST	Yes	Yes	No
	BIM	Yes	Yes	DCMNR	Yes	Yes	Yes
	Board Bia	Yes	No	DAF	No	Yes	Yes
	Crafts Council	No	No	DETE	No	Yes	Yes

Note:
 DETE = Department of Enterprise, Trade and Employment;
 DAST = Department of Arts, Sports and Tourism;
 DCMNR = Department of Communications, Marine and Natural Resources;
 DAF = Department of Agriculture and Food.

Source: Fitzpatrick Associates (2004), Review of Enterprise Support in Rural Areas for Department of Community, Rural and Gaeltacht Affairs (Table 4.2)

The CEBs provide funding and soft supports to rural enterprises. Their remit is to support micro-enterprises (less than ten employees) however in the case of soft supports there is some flexibility to support slightly larger firms.⁴⁷ While CEBs have traditionally provided grant funding for enterprises, they have gradually been moving towards more soft supports and repayable loans. CEBs can provide funding for enterprises across a wide range of sectors. Between 1993 and 2003 the top four sectors for CEB assistance were services, industry, tourism and craft.⁴⁸

While specific figures are not available for CEB support to enterprises in rural areas, Table 2.4 below shows the number of projects supported, jobs created and expenditure of the CEBs in the Western Region over the 1993-2003 period. In total the region accounted for 23% of all projects supported over this period but a smaller share of the expenditure at 20%. This would indicate that, in general, projects in the region tend to involve slightly less financial support than average. In total 7,121 full-time equivalent jobs were created in the region involving total expenditure on both grants and soft supports of €38 million over the ten year period.

Table 2.4: Number of Projects, Full-Time Equivalent Jobs and Value of Support provided by the CEBs in the Western Region and State over the 1993-2003 period

CEB	Projects	Full Time Equivalent Jobs	Total Value of Grants	Total Value of Soft Support Expenditure
	No.	No.	€000	€000
Leitrim	460	497	3,698	1,223
Roscommon	410	874	3,817	1,023
Donegal	385	1,076	4,999	1,885
Mayo	476	1,127	3,439	1,375
Sligo	474	899	3,763	1,128
Clare	529	1,259	3,920	1,677
Galway	947	1,389	4,857	1,201
Western Region	3,681	7,121	28,493	9,512
State	16,222	33,500	144,493	48,747

Source: Department of Enterprise, Trade and Employment (2004), *Local Enterprise – A Decade of Support: A Review of the City and County Enterprise Boards 1993-2003*

The Leader Programme provides approved Local Action Groups with public funding (EU and national) to implement multi-sectoral plans for the development of their own areas. Over the period 2000-2006 Leader was delivered via two programmes known as Leader+ (EU co-financed) and the Leader National Rural Development Programme. The aim of these programmes was to encourage the emergence and testing of new approaches to integrated and sustainable development in rural communities.

Leader groups provide supports to “innovative small firms, craft enterprises and local services”, including those involved in tourism. The most recent evaluation of the Leader+ Programme, published in 2005,⁴⁹ indicates that nearly 2,000 enterprises were assisted up to mid-2005. Of these 60% were new enterprises.

The Leader model will be mainstreamed as part of the new Rural Development Programme 2007-2013.

⁴⁷ Fitzpatrick Associates (2003), *Review of the Role of County and City Enterprise Boards in the Development of Micro-Enterprises for Forfás*.

⁴⁸ Department of Enterprise, Trade and Employment (2004), *Local Enterprise – A Decade of Support: A Review of the City and County Enterprise Boards 1993-2003*.

⁴⁹ Fitzpatrick Associates (2005), *Mid Term Evaluation of Leader+*.

2.7 Concluding Comment

In the predominantly rural Western Region, employment patterns reveal a strong dependency on agriculture, construction and the public service. Employment in locally traded services is high and this sector is heavily reliant on the spending power of those working in other sectors. In enterprise terms, the region is dominated by micro and small enterprises. There are distinct differences within the region in the sectoral profile of businesses, with the more urban counties of Galway and Clare having a significant share of large, high-tech manufacturing and services. In contrast, the more rural counties tend to rely to a greater extent on traditional activities.

Policies aimed at strengthening Ireland's enterprises do not have a strong spatial dimension. Policies aimed specifically at rural enterprises fall within broader rural development objectives aimed at strengthening the rural economy and ensuring its long term viability.

Having reviewed trends and policies, we now turn to the selection of the ten case studies of rural enterprises across the Western Region.

3. Selecting the Rural Enterprises

3.1 Introduction

In the previous chapter we discussed the nature of rural enterprise and employment in Ireland and in the Western Region in particular. The purpose of this chapter is to outline the rationale underlying the choice of rural enterprises for study and the methodology applied.

3.2 Criteria for Selection

As set out in the Terms of Reference, the WDC required case studies of individual enterprises located in rural areas of the Western Region, and operating in various sectors. Enterprises selected were also to come from different types of rural locations, be of varying sizes and at different stages of development. Ten enterprises were to be selected for study.

Based on the Terms of Reference, and the nature of the existing enterprise structure as outlined in Chapter 2, the WDC and the consultant agreed specific criteria for the selection of enterprises for study.

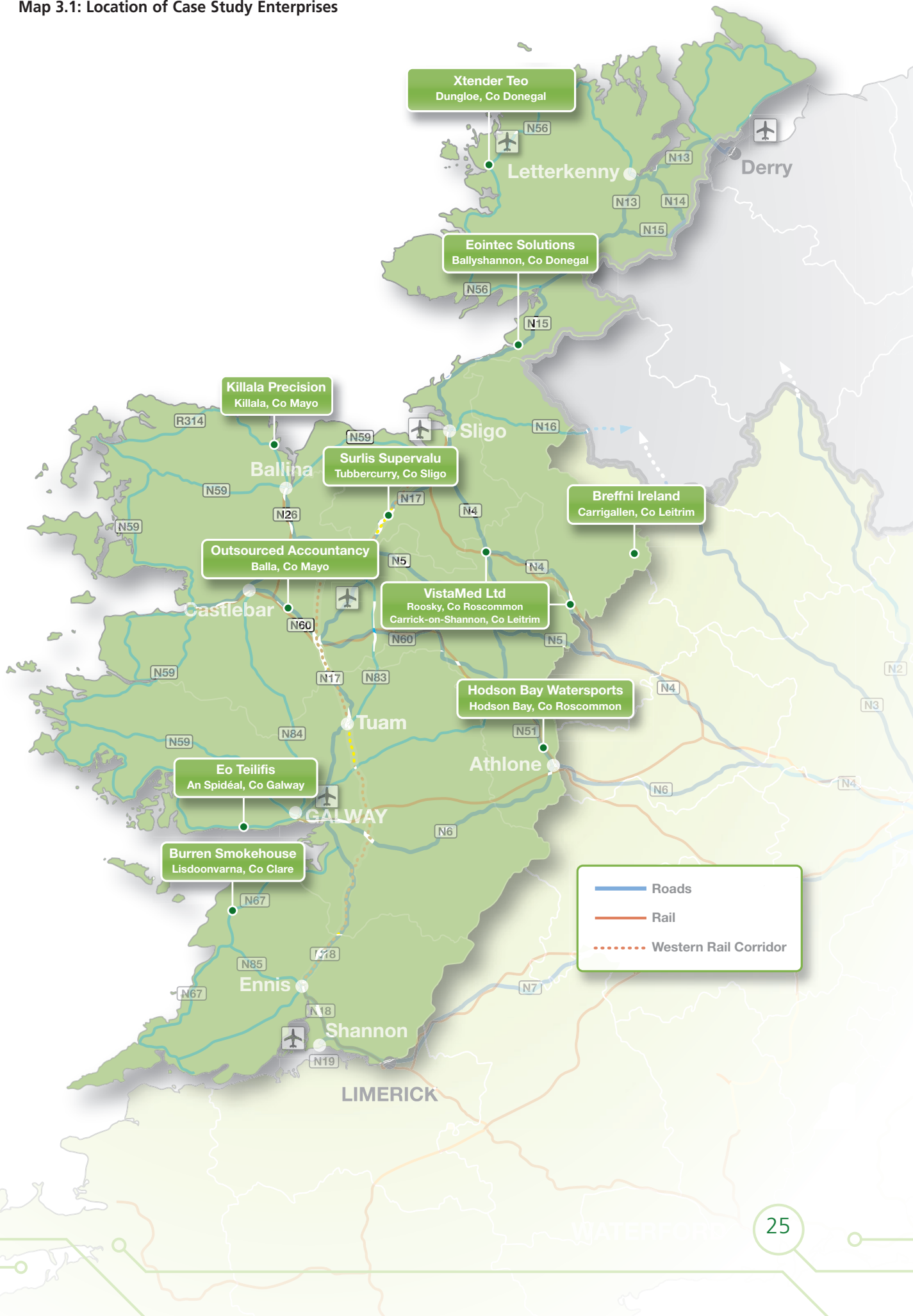
- **Scale** – Most of the businesses to be studied were to be micro or small in scale with fewer than 50 employees.
- **Rurality** – The businesses were all to be located outside of gateways and hubs and to come from different types of rural locations e.g. towns with a population of 1,500 to 5,000, towns or villages with less than 1,500 and remote rural locations.
- **Location** – The enterprises were to be drawn from across the Western Region. At least one enterprise to come from each of the seven counties within the Western Region.
- **Stage of Development** – The enterprises were to be at various stages of development: recently established businesses; High Potential Start Ups (HPSUs); second-generation businesses or ones that have been operating for over a decade.
- **Sector** – Case studies were to be drawn from a broad range of sectors to reflect the sectoral mix in the region generally.

Candidate enterprises that met the criteria for inclusion were chosen and their agreement to participate and be interviewed was sought. The ten enterprises finally selected and their main characteristics are outlined in Table 3.1. Their locations are indicated on Map 3.1.

Table 3.1: 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)

Map 3.1: Location of Case Study Enterprises



3.3 Methodology

Based on the Terms of Reference, and subsequent discussion between the consultant and the WDC, the following issues were discussed in the case study interviews.

1. History

An overview of the enterprise's current scale, its activities and history to date, the reason for its establishment in a rural location, and the interviewee's perception of its impact on the locality.

2. Staff and Training

Issues related to the recruitment of skilled and unskilled staff, competition for labour locally, pay costs, the numbers of staff who live locally and any related commuting issues. Staff training and educational issues, especially those affected by rurality.

3. Sectoral Issues, Linkages and Networking

Details of networks and partnerships with other enterprises, e.g. if the firm is part of a local or regional cluster of businesses active in the same sector; links with third level institutions or the public sector as well as relationships with locally based customers or suppliers; consideration of how the firm's rural location impacts on networking and how networks are initiated and maintained.

4. Infrastructure and Services

Challenges facing the enterprise in accessing business services, local authority services, training and research; availability and use of hard infrastructure such as transport, telecommunications or energy; impact of rural location on cost base.

5. Funding and Support

Any assistance received from state development agencies and other financing options such as bank funding; opinions on other financing measures such as the Business Expansion Scheme.

6. Other Issues

Any benefits derived from the firm's rural location; whether the business regards itself as innovative and if it has used technology to increase its efficiencies or revised its business model in recent years.

7. Outlook

Future outlook for the enterprise itself and its sector.

A senior representative of each business was interviewed. In nine cases this person was the managing director, and also had at least a part ownership of the business. In the one other case, the finance director was interviewed. All interviews were conducted in November or December 2006.

A case study was subsequently drafted in both short and long form, and each interviewee was asked to confirm the accuracy of the information and to approve the case study for publication. Approvals were received from all ten enterprises. The short forms of the case studies listed in Table 3.1 are set out in the following chapter, while the long forms have been incorporated into a separate document.⁵⁰

⁵⁰ The background document can be downloaded from www.wdc.ie.



4. Ten Rural Enterprises

4.1 Traditional Manufacturing: Killala Precision

Overview

Killala Precision was established in 1981 by Mr Seán Hannick, who continues to own and run the business. The company is one of Ireland's leading precision engineering subcontractors. At one stage, employment peaked at 65; now with an increased concentration on automation, quality and higher value manufacturing there is a workforce of 40.



History

Mr Hannick is a native of Killala, Co Mayo and the company grew out of his efforts to establish industry in the area. The company had to overcome several difficulties in its early years, but since the mid-1980s it has thrived. 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 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.

Staff and Training

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 recent years, the boom in employment nationally has meant that it has become more difficult to source people locally, and the company now employs eight non-Irish personnel. These staff have settled in well, and like the Irish workers, all tend to live within a 15 mile radius of the firm's premises.

The company acknowledges the importance of training and research to the industry. Mr Hannick was involved in establishing the AutoTurning Centre of Excellence in Ballina, which is managed by FÁS. The company praises the North Mayo Skillnets and Learning West Skillnets initiatives, with which it is involved. 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. Management training is an issue for the company as the cost is exacerbated by the company's rural location.

Sectoral Issues, Linkages and Networking

The company is involved in many partnerships and networks. Through Killala Precision's involvement with the Precision Turned Parts Manufacturing Association in Ireland, and its international affiliations, the company can benchmark itself against 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 very proactive in seeking out industry relationships. The company subcontracts some of its manufacturing to other firms in the region, and so has close ties with other manufacturers.

Infrastructure and Services

Improving road and air links remains a priority as the company incurs higher transport costs because of its rural location. The company uses Ireland West Airport at Knock as much as possible, and is keen to support initiatives for its further upgrading. It 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 rising cost of energy and fuel are a concern for Killala Precision, as they are 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.

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 the company as it has a strong history of profitable trading.

Other Issues

Continuous innovation has always been part of Killala Precision's strategy. 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.

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 began 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.

4.2 Natural Resources: The Burren Smokehouse

Overview

Peter Curtin, a native of Clare, and his Swedish wife Birgitta, established the Burren Smokehouse in 1989. 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.



History

Initially, the Burren Smokehouse sold their produce to local outlets, before beginning to supply retailers further afield. In the mid-1990s, the company constructed a visitors' centre in Lisdoonvarna village. The centre now showcases and sells their products to 40,000 visitors a year.

Visitors to the centre are encouraged to leave their contact details. 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 them to contact people and encourage them to obtain their products by direct mail.

Today, direct sales and sales through specialist gourmet retailers are the most profitable and promising markets. The company has always positioned itself at the top end of the market, and has won numerous awards for its products. These include gold medals 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.

Staff and Training

Attracting and retaining management expertise is an ongoing challenge. The number employed within the company has been steadily growing. The company has both Irish and foreign nationals within the workforce, all of whom live locally.

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.

Sectoral Issues, Linkages and Networking

The company sees a need for smaller businesses to network more if they are to realise the potential benefits to be gained from pooling resources to fund activities such as advertising; but states that other businesses in the region are not always as enthusiastic.

Infrastructure and Services

In general, the Burren Smokehouse believes that its operational costs are much the same as that of businesses in more urban areas, although the company points out that establishing the visitors centre in a rural area allowed it to access the tourist market in a cost-effective way.

The rising cost of energy is a major concern: the smokehouse is the largest user of electricity in north Clare, due to its extensive kiln and refrigeration activities.

Funding and Support

The enterprise has received funding from various agencies and government schemes over the years, such as the Leader programme, Shannon Development and the Business Expansion Scheme (BES). Mr Curtin has grown his business gradually, but suggests that it would be a daunting task for an entrepreneur to establish such a business today; he believes that up to €2 million in finance would be required.

Other Issues

The business has innovated extensively, particularly in the area of e-commerce. The company's systems support business processes from order taking to dispatch and invoicing. The systems also allow them to manage their customer database.

Outlook

In the face of increasing costs for the purchase of fish, 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 Burren Smokehouse 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 visitors' centre to build up a database of customers that can be targeted for sales by direct mail.

4.3 Tourism: Hodson Bay Watersports Ltd

Overview

Hodson Bay Watersports (formerly Lough Ree Power Boat School) was established in 1998 by Stuart McNamara, who continues to own and operate the school. The school offers courses that receive official training recognition, as well as informal trips aimed at the 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 southern Co Roscommon. It has a panel of nine fully qualified and independent training instructors, on whom it draws to offer training courses.



History

Stuart McNamara, an army officer, moved to the Athlone area in the mid-1980s, and became involved in offering powerboat training to the local sailing community on a voluntary basis. In 1997, he identified a commercial opportunity to offer training courses to a wider market, and the following year he established the school.

Over the years the enterprise has expanded its focus beyond public and voluntary agencies seeking training to also serving the leisure and tourist sectors. Mr McNamara has continued to progress in his career as an army officer, and the school is managed by him in his spare time.

Staff and Training

The company's staffing requirement is not typical of most businesses: all of its trainers have a very specific skill set, and travel to Lough Ree from around the country. Mr McNamara estimates that the total workload of the nine instructors equates to 2.5 to 3 full time equivalent employees.

Sectoral Issues, Linkages and Networking

The school's principal links are within the boating sector: its status as a recognised National Trainer of the Irish Sailing Association and as the training school of choice for the inland waterways community are critical selling points.

The impact of the enterprise on the area is significant: Stuart McNamara 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.

Infrastructure and Services

Recent improvements in road infrastructure have increased the accessibility of the school for Dublin residents. Until recently, the company was unable to avail of broadband for its office; it now has wireless broadband access, but is unhappy with the service. Furthermore, poor service for fixed line voice has caused it to switch instead to using mobile voice communications. Other issues affecting the enterprise are the rising cost of fuel, as well as an inexplicable doubling in insurance premiums in recent years, despite the school's excellent safety record.

The school 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 Watersports Centre that is under construction in Hodson Bay by Roscommon County Council. It was the school that initially conceived the idea. The exact terms under which various businesses can access the facility has yet to be determined, but the school believes that it will greatly enhance the scale and variety of watersport activities that can be offered on the lake.

Funding and Support

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, and it values its relationship with the manager.

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 as a whole.

Other Issues

The company has recently expanded its online presence, by creating a virtual powerboat club at www.powerboat.ie. It has 700 active participants and has already hosted a number of events in the "real" world for its Irish members. The online club is now the company's most significant marketing tool, and has extended its geographical reach to Northern Ireland and Britain. As well as enhancing the status of the school for potential students, the online site also offers referrals for the sale of boating equipment.

Outlook

The company views the Watersports Centre in Hodson Bay as an initiative that will greatly increase the market for watersports in the region. 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 for 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 providing 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 and those requiring specialised skills.

4.4 Construction-related: Breffni Ireland

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.



History

John Kenny commenced self-employment in 1984, in Cavan town, producing a high quality range of replica furniture. In the economic climate of the 1980s the demand for such products was limited, but he survived the recession and expanded gradually in the 1990s.

In 1998, custom built premises were constructed for Breffni Ireland on the Kenny's family farm in Carrigallen, Co Leitrim. John Kenny would have preferred to establish himself at the outset in north Leitrim, but no incubation premises for such a business existed.

Since the late 1990s, Breffni Ireland has won a number of prestigious contracts, including a commission for the specialist joinery work in the restoration of 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; and
- Furniture Restoration.

Staff and Training

Staff issues are a key concern: John Kenny believes that colleges and training schemes do not produce employees with the required skills. He attributes this to falling standards, poor liaison with industry, and the increased number of apprentices diverting into construction. Breffni has seen a marked rise in the number of non-Irish nationals that it employs. Support for businesses in training, translation and support services is regarded as important, as they employ a greater number of non-Irish nationals.

Sectoral Issues, Linkages and Networking

Breffni Ireland notes that those running small businesses, especially in rural areas, can easily feel isolated. John Kenny commented that one of the most rewarding aspects of going to exhibitions and conferences is the opportunity that they provide to discuss management issues with others in a similar position, and not just the insights such events give into the market.

Infrastructure and Services

The quality of infrastructure available in Carrigallen is poor. Broadband is not available, mobile phone coverage is poor, and line faults have left the company without a telephone three times during 2006. In general, utility costs are seen as too high, and the company also sees a pressing need to improve road infrastructure.

Funding and Support

John Kenny believes that the potential of small businesses to create high quality, sustainable employment is not generally reflected in public policy. He regards support systems for entrepreneurs as inadequate, especially if they are not large, export oriented companies. The most valuable support that Breffni Ireland has received to date has been partial funding for premises from Leitrim CEB; other initiatives such as funding 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, and received funding from the EU Programme for Peace and Reconciliation, as well as Co-operation Ireland. 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.

Other Issues

Breffni Ireland 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, John Kenny believes that enterprise support agencies should focus on supporting small firms to permanently access such services as legal and marketing professionals through an outsourced model.

Outlook

Breffni Ireland believes that the increased affluence of the economy has led to a greater demand for its bespoke work and restoration services. 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. The company will therefore focus on markets where rising costs can be reflected in increased prices.

Key Points

- Breffni Ireland changed its business model to address the market's needs: 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 costs 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.

4.5 Retail: Surlis Supervalu

Overview

Surlis Supervalu is a successful supermarket located in Tubbercurry, Co Sligo. Established since the 1970s, the enterprise is the largest store, and one of the largest employers, in Tubbercurry.⁵¹ It consists of the supermarket itself, which incorporates the Tubbercurry Post Office, 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.



History

The Surlis family have been running a business on the premises since the 1970s, when the parents of the current owner, Gearóid Surlis, purchased the bar and general grocery that occupied the building at that time. The business has been continuously affiliated with a symbol group since the early 1970s. Over the years it has extensively modernised and expanded.

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. Surlis Supervalu receives approximately 90% of its stock directly from distribution centres operated by Musgraves, who own the Supervalu symbol.

Staff and Training

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. Non-Irish nationals have become an increasing component of the supermarket's workforce, and have proved themselves to be valuable employees.

The company is committed to improving the status and recognition of retail workers, and is also very active in ensuring the ongoing training of staff. Staff participate in the IBEC Skillnets programme for retail staff, and the business is also sponsoring an employee to attend the Dublin Institute of Technology on a diploma course in grocery management, which was designed in conjunction with Musgraves.

Sectoral Issues, Networks and Linkages

The ongoing success of the supermarket is influenced by the level of variety and choice within the Tubbercurry retail sector, and the level of competition from other nearby towns e.g. Ballina, Boyle and Sligo. The larger supermarket multiples have not yet arrived in Tubbercurry, but Mr Surlis believes that they will do so in time. He is confident that Surlis Supervalu is prepared for such competition.

⁵¹ Tubbercurry had a population of 1,421 in 2006. CSO (2007), Census of Population 2006.

Infrastructure and Services

The cost and availability of utilities is important to modern retailing. Energy costs are rising rapidly, and the company will soon be changing provider. Broadband 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 is now good.

Transport infrastructure is also important. Proposed improvements in the road network would be welcome, and the proposed provision of a rail link is seen as a major potential benefit. The management of traffic and parking also affects the convenience of shopping within the town.

Funding and Support

Retailing does not generally receive state assistance, and so must rely primarily on bank and private finance. However, tax incentives are very relevant. Mr Surlis praises the rural renewal scheme for having caused a significant improvement in the stock of commercial and residential buildings in Tubbercurry.

Other Issues

The population of Tubbercurry has increased in recent years and Sligo County Council has earmarked the town for further growth. Mr Surlis believes that infrastructure must be put in place now so that growth will not be hampered and new businesses are supported. He also believes 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.

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

Key Points

- Rural retailers such as Surlis Supervalu 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.

4.6 Professional Services: Outsourced Accountancy

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 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 primarily at clients' premises throughout Mayo, Galway and Roscommon.



History

Mr Oates grew up outside of Claremorris in Co Mayo, and worked for a time in accountancy practices in Sligo and Dublin, before returning home to establish his own practice in 2001. For two years, Mr Oates offered a general service in accountancy. Over the years, he noted a demand for management accountancy services from firms that could not afford the cost of an in-house accountant. Management accounts provide the information required by management for planning, organising and controlling a business, and differ to the accounts used to meet compliance and tax regulations. Outsourced Accountancy was incorporated in 2003, with a view to providing this service on an outsourced basis.

The company began operations with three employees, including Mr Oates. They had considered locating the business in a large town, but decided that Balla would offer more competitively priced offices without compromising accessibility to their market.

The company has expanded rapidly. Much of its initial success was built on very strong demand from the construction sector, but they have expanded their client base to other industries.

As well as offering a management accountancy service to clients in Mayo, Roscommon and Galway, the firm also provides an outsourced payroll administration service. This service is offered nationwide, because it uses fax, e-mail and internet to administer the service, and visits to clients' premises are not required.

The company is also a reseller of accountancy and payroll software for Sage, TAS books and Thesaurus Payroll. It also trains personnel in clients' premises on the use of these packages.

Staff and Training

The company's staff consists of financial professionals from various backgrounds, many of whom also have degrees. As well as having accounting knowledge their staff must have the ability to manage clients, and they generally seek employees with previous work experience. The company has been affected by the tightening labour market, but it does not believe that this difficulty has in any way been compounded by its relative rurality. All of its employees are Irish, and originally from the West.

Employees receive training in internal procedures as well as in relevant software tools and several are studying for qualifications from accounting and other bodies.

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.

Outsourced Accountancy is a mentor within the Mayo County Enterprise Board's mentoring programme.⁵² The firm uses local suppliers, and will refer clients to other local businesses as appropriate.

Infrastructure and Services

Outsourced Accountancy believes that the quality of the roads in the Western Region is a constraint on business and needs improvement. The company uses an ISDN link because they cannot get either a fixed or wireless broadband service.

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 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.

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 it has seen a significant increase in their wealth over the past number of years. He believes that many companies could alleviate the shortage of suitably qualified staff if they concentrated more on training their existing staff.

Outlook

Outsourced Accountancy believes that more businesses will seek services on an outsourced basis in the future. It hopes to slow its rapid rate of expansion in 2007 and take stock before embarking on its 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: staff visit clients' premises in the region, and use communications technology to offer its payroll service nationwide.
- The company has considerable insight into other rural enterprises through its client base and business network. Outsourced Accountancy's experience has been that rural enterprises have prospered in recent years.

⁵² 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.

4.7 Creative Sector: Eo Teilifís

Overview

Eo Teilifís was founded in the Gaeltacht area of Galway by Máire Ní Thuathail in 1989. The enterprise is a television production company and media facilities provider. Today, it employs 14 full-time staff. A further 120 people are employed on seven to twelve month contracts each year for the production of its soap opera Ros na Rún and other programmes.



History

A native Irish speaker, Ms Ní Thuathail has always had a strong commitment to the Irish language. She established Eo Teilifís primarily to address the opportunities in the production of Irish language programming.

The initial funding for Eo Teilifís was primarily based on an employment grant from Údarás na Gaeltachta, and on RTÉ contracts. 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. 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 its new strategy and won a number of major contracts, which began its rapid expansion. These included the production of the soap opera Ros na Rún: co-produced with Tyrone Productions.

The growth of the enterprise has allowed it to invest in its own extensive studios, and it is now one of the main providers of studio and supporting 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.

Staff and Training

Eo Teilifís is strongly committed to nurturing talent in-house and in the region. The firm provides work experience for both second and third level students. 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 praises the Skillnets initiative: they are involved as a promoting company of the Gréasan na Meán Skillnets. This Skillnets 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.

The day-to-day business of Eo Teilifís is conducted through Irish, and most of its employees are from the Gaeltacht. Eo Teilifís regards the quality of life available in An Spidéal as excellent. Most positions within Eo Teilifís require candidates to be proficient in both the Irish and English language. It 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.

Sectoral Issues, Linkages and Networking

A cluster of audio-visual enterprises has emerged in the Galway area in recent years. This has resulted from the establishment of TG4 and the Corman studios; the strong commitment of Údarás na Gaeltachta to funding training; and the existence of media schools in GMIT and NUI Galway.

Infrastructure and Services

Eo Teilifís is satisfied with the physical infrastructure in the area. Its offices are modern, and the company now has broadband. The transport infrastructure is regarded as satisfactory, because the firm's primary requirements are for good access to Dublin, Scotland and England, which is available from Galway Airport.

Funding and Support

The company regards the seed funding that they received from Údarás, as well as their support for training, as critical to their success. 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.

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.

Outlook

Internationally, there is a general trend of consolidation within the audio-visual sector; but this 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. The company is prepared for succession, as it has a proper management structure in place. It believes that its primary market – commissions for public service broadcasting stations – will remain healthy and allow it to continue to grow.

Key Points

- 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 Eo Teilifís.
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.

4.8 High-Technology Manufacturing: VistaMed Ltd

Overview

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



History

The choice of Roosky as the initial location for the business was based on purely commercial considerations: the building offered in Roosky could be modified for use at a competitive cost, and the area could offer a suitable workforce for the enterprise. In the past few years, the company's ongoing success led to a requirement for additional space. This resulted in the company opening a new facility in Carrick-on-Shannon. Extending the existing facility in Roosky would have been a more expensive option; and Carrick-on-Shannon provided access to a greater pool of potential employees.

The company's initial strategy was to enter the medical devices market through substitution of imports into Ireland. Since then, VistaMed 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 i.e. they are subcontracted to manufacture products for other firms. The company will soon begin to also manufacture its own products.

Staff and Training

Forty-five of the company's employees work in production. Sourcing and retaining production staff is a major challenge for the company, and about half are now non-Irish nationals. There are also 15 non-production employees, primarily graduates, working in areas such as research and development, finance and marketing.

Pay costs are increasing, although they continue to be less than Dublin. A major issue for the company is the manner in which increases in the minimum wage cause pay rates to rise across the board, as employees attempt to retain their pay differentials.

Sectoral Issues, Linkages and Networking

VistaMed has strong links with its customers in the medical devices sector, with whom it works closely in the design and manufacture of products.

VistaMed liaises with both the Athlone Institute of Technology and with NUI Galway (NUIG) with regard to graduate recruitment. It also has research links with the biomedical engineering department of NUIG, although most development is done in-house.

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 with 2% a few years ago. The firm cannot avail of broadband at its Roosky premises; instead it is forced to rent a leased line at far greater expense.

The company tends to use Dublin Airport, rather than Ireland West Airport at Knock, because of the greater range of flights available. The company uses local business suppliers, and is pleased with their service and products.

Funding and Support

VistaMed was initially funded through the BES and through shareholdings by Enterprise Ireland and private individuals. The continuation of the BES, as announced in Budget 2007, is regarded as essential by VistaMed, to facilitating the future expansion of Irish enterprises.

The company believes that the pool of qualified people available within Ireland is shrinking, and that ongoing training of staff is essential. It sees a need for additional funding for initiatives in training and in R&D.

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 R&D, and the launch of its own products, as key to maintaining its competitiveness.

Key Points

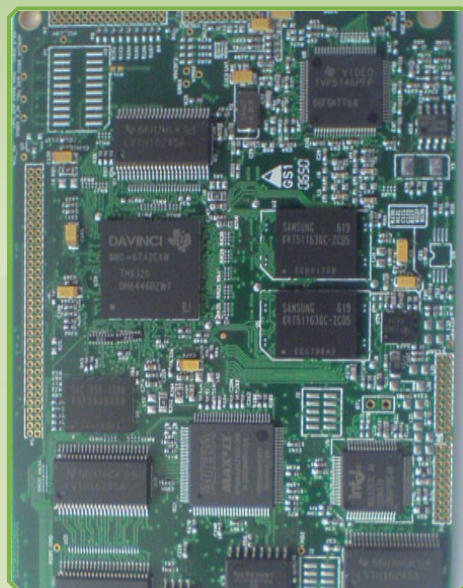
- In the eight years since its foundation, VistaMed has had to constantly innovate in order to remain competitive.
- Like most Irish manufacturers, VistaMed has had to contend with rapidly rising pay and energy costs.
- Its experience in Roosky was that production personnel were difficult to attract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

4.9 Internationally Traded Services: Eointec Solutions

Overview

Eointec Solutions 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).



History

Mr McGloin had previously worked as a senior electronic design engineer in Belfast, but wished to return to his native 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 from Enterprise Ireland 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.

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.

At present, Eointec's designs for new applications have the status of Intellectual Property, but it usually belongs to their 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.

Staff and Training

Finding and funding additional staff resources is now the key challenge facing Eointec. The company has applied for funding through a formal Innovation Partnership with LYIT to support the employment of a software engineer. 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.

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 large software industry in south Donegal has major implications for networking. 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.

Infrastructure and Services

The company is very pleased with the cost and quality of the accommodation and services that it enjoys at its offices in the Ballyshannon IT Centre, where high quality broadband connections are available. Postal and private sector courier services are also good. Air transport is particularly important to Eointec, as many of its clients are in Britain or in Continental Europe. The company uses Ireland West Airport at Knock and Belfast Airport.

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.

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.

Other Issues

Eointec reports that the absence of major employers of software engineers in south Donegal means that no ready market for suitable employees exists in the region. 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.

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 for its business does not exist within the labour pool of south Donegal, and that this is an issue for expanding companies.

4.10 Internationally Traded Services: Xtender Teo

Overview

Xtender Teo provides business solutions for procurement and tendering activities. 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.*

The company was founded in 2000, and its 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.



History

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. It was based in Dublin. Two critical problems arose in the early years of operation from 2000 to 2002: 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, and the company set about rewriting the software solution it offered. By 2003 the product was ready to be relaunched on a commercial basis.

The turnover and pay costs of staff in Dublin were high, and so Xtender set up a call centre and back office function at Canada House in Dungloe. Sales staff remained in Dublin.

By the end of 2004, the company had 8,000 subscribers availing of its subscription service. 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 Xtender's 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.

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. Xtender now has 52 demonstration projects of Xsource live in council offices across Ireland. The response to date has been positive, and the company is confident that sales will soon follow.

Prior to the market changes in 2005, Xtender employed 40 people; it now employs 31 people.

Staff and Training

In general, the company is very positive about its experience in Donegal. It believes that it provides a far more competitive cost base than Dublin, and that it can cater for future expansion of training and support staff. Xtender, however is unsure about whether it could provide a large pool of technical staff if required to do so in the future.

Training and product development are done in-house. Delcran, a company who produce systems integration software, are a major investor in Xtender, and its expertise was leveraged in the design and support of the new product.

Sectoral Issues, Linkages and Networking

Xtender has established links with the procurement departments of many public bodies, as well as other relevant organisations such as the Companies Offices in Ireland and Britain, and the Revenue Commissioners. Xtender is also authorised to interact with the electronic database of the Official Journal of the European Union (OJEC).

Infrastructure and Services

The telecommunications infrastructure available in the firm's Donegal headquarters is excellent. 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: the timing of flights to Dublin are ideal, but those into Donegal are not.

Funding and Support

Xtender's decision to establish a centre in Donegal in 2003 was based on commercial criteria: it wished to access a committed, cost competitive pool of support staff. The company was advised to consider Donegal by one of the company's shareholders, a native of Donegal. Údarás na Gaeltachta were supportive in sourcing suitable premises, and provided a grant.

Xtender has received BES funding in the past, and regards it as critical to many small businesses at the start-up phase. Xtender also received equity investment from the WDC Investment Fund in 2005.

Other Issues

The company has been involved with Údarás na Gaeltachta in hosting site visits by firms considering moving to the Dungloe area. It believes that the area provides a suitable location for the back office functions of the major banks.

Outlook

Xtender anticipates the market for procurement products to be very large. The initial feedback on its recently launched Xsource product has been very positive, and given it reason to be confident of Xtender's future commercial success.

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 is unsure about 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 a product.
- The flexibility and experience of staff has been critical to repositioning the company.

4.11 Summary of Key Points

The key points emerging from these ten case studies are:

- The rural economy can sustain a broad range of different enterprise models.
- Most enterprises studied were founded in a rural area because the location was where the entrepreneur grew up or wished to live.
- It has been a distinct advantage that firms have traded against a buoyant background economy for the past decade.
- The labour pool is tight and pay costs are rising. Foreign nationals are an important source of labour for larger firms.
- Training is recognised as important for upskilling existing and new staff.
- Few firms have links with third level institutions for any purpose other than recruitment.
- Broadband and mobile telecommunications are not yet available to all rural businesses and this is a cause of concern for some. Rising energy costs are another concern for firm's competitiveness.
- All eligible firms have accessed funding from state agencies, but not all regard it as adequate. Continuation of the BES is seen as important.
- Those interviewed are generally positive about the future for their enterprises.



5. Issues and Themes

5.1 Introduction

In this chapter we discuss some of the themes and issues that arise from the case studies. The discussion is also informed by the supplementary case studies provided in Appendix 2, the contextual background in Chapter 2 and the WDC's experience in operating the WDC Investment Fund and working with rural enterprises in the Western Region. While many of the issues arising from the case studies are not necessarily particular to businesses located in rural areas, we concentrate mainly on those that have a rural dimension.

Investigations based on case studies are essentially exploratory in nature. However, they are a useful way of identifying issues and of grounding analyses based on statistical data. While the cases selected are not representative in the statistical sense, they were chosen to include a range of sectors, size of business, location and stage of development. Each of the enterprises has been trading for at least a few years, and some for several decades. In this sense most can be said to be 'survivors' and may be more successful than others in the same sector. Nevertheless, the issues and themes that emerge offer insights into the problems facing many rural businesses as well as the positive aspects of their rural location. They also demonstrate what is required to ensure such businesses' ongoing viability.

As outlined in Chapter 2, the rural economy remains heavily dependent upon the primary sectors (farming, forestry and fishing) and construction. However, the buoyant national economy has created a favourable environment for existing indigenous enterprises and start-ups. Although many rural businesses are dependent on local trading, the case studies have shown that businesses that have little or no relationship to agricultural activity or local services can trade successfully, using various models of operation. The ten rural enterprises profiled in the case studies above, and those included in Appendix 2, are generally doing well, although the newer companies are facing the biggest challenges as they seek to become established.

5.2 Significance of a Rural Location

Location in a rural area was in most cases a matter of preference rather than strategy, particularly for the smaller businesses, generally because of the close ties of the owner to the place where they had grown up. A few of the newer, larger businesses selected a rural site on the basis of cost advantages. Lower cost housing was seen as a key benefit for employees and important for keeping labour costs competitive.

The more recently established enterprises have been trading against the backdrop of a dynamic national and local economy from the outset. This has given them a confidence about their business and allows them to become models for other aspirant entrepreneurs. All but the smallest firms had a considerable impact on their surrounding area, both as employers and by generating business for local suppliers. ICT was particularly important in helping to overcome any perceived or actual isolation from suppliers and customers.

5.3 Entrepreneurship and Location

Generally, those setting up enterprises in Ireland are 25–34 years old, well educated or skilled, and have worked for a number of years in formal employment.⁵³ The entrepreneurs profiled in the case studies typically set up their businesses when they were relatively young, and most had a fall back option in the event of failure – either continuing to work while establishing the enterprise, taking leave of absence or being involved in other family ventures.

As most of them started a business in rural Ireland because that is where they grew up, retaining young people or attracting them to return to rural areas is critical to ensuring the continued establishment of new enterprises in rural areas. The response to the WDC's [LookWest.ie](http://www.lookwest.ie) campaign has shown that people do want to return to the West. The campaign promotes the advantages of living, working and doing business in the Western Region and provides information through its website.⁵⁴ However, we know relatively little about those who wish to return, or who have returned and are making a significant contribution to the vitality of the rural economy.

The conditions under which entrepreneurs start up and operate businesses in rural areas need to be better understood. This study has given us some pointers to the issues they face, but a much more thorough and extensive analysis is needed, so that policies and supports can be tailored more effectively to the challenges of a rural location. As a further step in this regard, the WDC is sponsoring a research student at Galway-Mayo Institute of Technology (GMIT) to explore the characteristics of, and challenges facing, rural entrepreneurs in the West of Ireland.

5.4 Labour Market Issues

In recent years, the growth in demand for labour in Ireland has exceeded the supply resulting in increased competition for labour and rising pay costs. This has impacted upon all of the businesses interviewed in varying ways. Rising pay costs affect the competitiveness of those that are export oriented and are a factor in the move to more value added activities.

Increased competition for labour has been driven, in part, by the attractiveness of the construction sector for younger men who might traditionally have been available for work in other sectors. Such competition for labour has contributed to a greater reliance on foreign nationals among the larger enterprises profiled, especially for lower skilled jobs. The experience of the WDC Investment Fund is that there is also a growing demand for foreign national employees to fill higher skilled vacancies.

It was indicated that foreign national employees seem to have settled well into their rural communities with some purchasing homes or being joined by other family members. While business owners are generally positive about their foreign national employees, they consider that some employees are being hindered from taking on more responsibilities because of a lack of competence in the English language. Training was advocated as an appropriate response.

⁵³ Enterprise Ireland (2006), Profiling Ireland's Entrepreneurs: Business 2000 10th Edition

⁵⁴ In April 2006 the [LookWest.ie](http://www.lookwest.ie) campaign incorporated a registration function on its website www.lookwest.ie which allows people to register their interest in relocating to the West. Between its launch and February 2007 there were 1,400 registrations.

Language training should be prioritised to ensure that foreign national employees can meet the requirements of higher skilled positions.

Rural enterprises wishing to expand, or which need relatively scarce skills, may have difficulty in attracting third level graduates or being able to source suitable staff locally. In some instances, this has caused them to open up alternative centres of operation in towns and cities. Specialised staff may have a preference for more urban locations, particularly when a lack of alternative employment opportunities in a rural area makes people reluctant to relocate for a single job opportunity. The experience of the WDC in dealing with new businesses is that experienced sales, as well as technical, staff can be particularly difficult to attract to rural locations and that these are the main skills gaps for new businesses.

We have little systematic information on the demand and supply of labour in rural areas or how the skills needs of rural businesses impact on their location decisions. Strategies to support the further development of enterprises in rural areas should be based on a much better understanding of the rural labour market and of labour flows between rural and urban areas.

5.5 Access to Training and Skills

Training at all levels within their businesses was seen as a key requirement in each of the businesses studied, particularly in the context of rising pay costs, increased competition for labour and the need to increase productivity.

The Skillnets initiative⁵⁵ was the most common means of accessing training. It supports networks of firms, either sectoral or geographic, to devise training and development initiatives that meet their collective skills needs. The initiative was highly praised, with the relevance of the courses' content seen as the key strength. The relevance of the Skillnets initiative may be due to the fact that it is based on a network approach, as advocated in the report of the Small Business Forum (SBF). This allows the training to be very specifically tailored to the needs of the enterprises involved in the network. Companies were also involved in initiatives with FÁS, or received employment grants from other state agencies to fund training.

The network approach to training seems to offer particular opportunities for rural enterprises. This approach should continue to be supported and there is a need for further investigation of its particular relevance and fit for rural enterprises.

Some managers were acutely aware of their own and their senior staff's shortcomings but, as highlighted in the SBF report, cost, time and relevance were the main barriers to training. Management and specialist courses are usually held in cities, which increases the cost of attending, as it can involve an overnight stay as well as additional time away from the business.

For the smaller businesses, with limited management capacity in certain key areas, other means of accessing expertise were also seen as important. Suggestions included the involvement of a mentor or shareholder with specific skills, or a panel of legal, marketing and management consultants provided by a support agency which could be accessed as required by small businesses. Such measures could also help to overcome the isolation from other senior business people that rural based entrepreneurs may experience, as well as providing energy and fresh thinking for the business.

From a national training policy perspective there is a need to acknowledge and cater to the training requirements of managers and workers in rural enterprises by tailoring training provision more effectively to their needs and to the realities of operating in a rural location.

⁵⁵ The Skillnets initiative is supported by the National Training Fund www.skillnets.ie.

5.6 Networks

As already noted, isolation can be an issue for rural entrepreneurs. This may relate to the small number of businesses in the area, or the lack of other businesses within the same sector. In general, of those companies profiled, the ones which network closely with other businesses tend to do so more on a sectoral than a geographic basis. Much of their networking is with businesses outside of the region or even outside of the country. The more specialised sectors, such as software development or TV production, tend to be the most networked, often resulting from commercial relationships such as subcontracting.

The experience of one company within the IT Northwest network is interesting in this regard; they have found that such a network in a rural area does not provide as many potential customer contacts as it would in an urban area where the membership would also include large firms that would be potential clients.

Linkages between the firms and higher education institutions vary, with the most common linkage relating to recruitment of graduates. Three of the firms also interact for R&D activities with the smallest firm having the closest ties with a third level institute for R&D purposes.

5.7 Infrastructure

The deficit of infrastructure in rural areas, relative to urban locations, is well documented. The WDC has published a number of reports dealing with this deficit.⁵⁶ A range of issues have emerged from the case studies.

5.7.1 Transport Access

Improved transport infrastructure was identified as critically important, with the need for road improvements generally highlighted as the most pressing. The road infrastructure deficit was seen as a problem for access to and from businesses' rural locations for both clients and products. In addition, when company employees travel to the major cities and towns to meet with clients or suppliers, or to access other forms of transport (airports), they encounter congestion. This reduces the benefits gained from improvements to inter-urban routes e.g. even though the N4 to Dublin has been greatly improved congestion on the M50 causes significant delays. The experience of the WDC Investment Fund is that traffic congestion is also a particular issue for companies' traveling to Galway city.

Air transport is used to access other regions or countries, and by visiting customers, with most businesses using the airports within the region where possible. However they would welcome flight schedules that better facilitate business travel.

In order to encourage and facilitate the growth of the rural economy the access issues facing rural businesses must be addressed in national and local transport planning decisions. Road linkages beyond the gateways and hubs need to remain a priority, as does air access from the regions.

5.7.2 Communications Access

Telecommunications was seen as critical by all, and the poor quality of the rural infrastructure was noted in many cases. While all of the firms interviewed wished to avail of broadband, three are unable to do so in their area. Half of those who do have broadband experienced problems accessing such a service in the past. The remainder moved into high quality office space that was already fully broadband enabled and therefore it has never been an issue. Enterprises have either fixed line or wireless access broadband.

The lack of broadband availability in rural areas is now a major public issue. These frustrations are widely experienced among SMEs.⁵⁷ It is also a major concern for individuals. In 2006, 33% of Irish narrowband users had attempted to get broadband in their home but had been told that it was unavailable. However, the situation differed markedly around the country: only 15% of Dubliners had no broadband available, compared to 42% in Connaught/Ulster, the most poorly served region in the state.⁵⁸

⁵⁶ WDC (2006), Western Development for Ireland's Future: Submission to the Consultation on the National Development Plan 2007-2013; WDC (2004), Enterprise and Employment in the Western Region; WDC (2003), Jobs for Towns: Small and Medium-sized Towns on Radial Routes in the Western Region; WDC (2002), Update on Telecommunications in the Western Region

⁵⁷ ComReg (2006), SME & Corporate ICT Research H1 '06 May/June 2006 by Millward Brown IMS

⁵⁸ ComReg (2006), Trends Survey, Quarter 3 2006 by Amáarach Consulting

The WDC believes it is essential that the government continue to play a role in ensuring equitable provision of modern telecommunications infrastructure throughout Ireland.⁵⁹

Those interviewed were all positive about the benefits of ICT solutions for their business, and saw it as a key tool in overcoming the remoteness of rural locations. However, the WDC experience with rural businesses is that while ICT does play a vital role, it cannot substitute fully for face-to-face interactions, so ensuring access to broadband must be paralleled by a resolution of the shortcomings in transport infrastructure in the Western Region.

5.7.3 Energy Usage

Energy was a significant cost for half of the companies. The consensus was that energy charges are rising so rapidly that they are affecting competitiveness. However it was felt that their rural location was not a factor in these costs. Many had changed provider, or at least sought quotes from a selection of providers, indicating an awareness of the development of competition in the energy market. Some enterprises also drew attention to the weakness of the energy infrastructure in their region particularly if there were to be an increase in demand for energy in the future.

5.8 Financing and Enterprise Support

Almost all of the entrepreneurs interviewed had received some form of assistance from state agencies. The larger enterprises had accessed funding from the main enterprise support agencies: Enterprise Ireland, Údarás na Gaeltachta or Shannon Development. One company had received an investment from the WDC Investment Fund. The BES had also been used by the larger companies to raise capital. At the time of interview, it was unknown whether the scheme would be continued beyond the end of 2006, and this was a concern for those businesses.⁶⁰

The smaller companies did not usually receive this type of assistance but instead received support from Leader and the CEBs. An exception is the smallest company which is in the internationally traded services sector and is thus eligible for assistance from Enterprise Ireland. Concerns were raised in relation to the capacity of smaller enterprises to access certain forms of state assistance as well as to manage state supported projects.

The owners of most of the firms had also raised capital through personally guaranteed bank loans. The more established businesses generally no longer have any problems accessing bank finance. The rapid inflation in property prices of recent years means that the businesses' property assets have increased substantially in value. Some of those in more mature enterprises queried whether prohibitive property prices would inhibit new entrepreneurs from replicating their business model.

5.9 Business Survival

Those interviewed believe that they are addressing a growing market, and that their business will prosper in the future if they have an appropriate strategy.

The larger enterprises tend to be exporters, who face stiff competition in the global marketplace, but who also have very large markets available to them. These companies are conscious that Ireland is now a high cost economy and that they need to position themselves at the top end of the value added chain by focusing on innovation, quality and productivity. If necessary, some of their lower value activities will be outsourced in the future. Outsourced Accountancy, whose work brings it into contact with many rurally based enterprises in the Western Region, highlighted this. It has seen increased sophistication in the way in which businesses are operating and planning for the future. Support for training and R&D, and the ongoing need to keep pay costs within reasonable limits, are seen as the key issues in this context.

About half of the enterprises interviewed had liaised with third level colleges for the recruitment of staff with only a few linking for the purposes of R&D. This may mean that benefits from cooperating in areas such as curriculum reform, technology transfer or product development are being lost.

⁵⁹ Our arguments on this are outlined in detail in WDC (2006), Western Development for Ireland's Future: Submission to the Consultation on the National Development Plan 2007-2013.

⁶⁰ In the Budget of December 2006, it was announced that the BES would be extended to 2013. The BES company limit was also increased from €1 million to €2 million, subject to a maximum of €1.5 million to be raised in a 12 month period. The investor limit was also increased from €31,750 to €150,000. At the time of writing, European Commission (EC) approval of these changes was still awaited.

The companies primarily serving the Irish market consider that they have been innovative in terms of their business processes and have reinvested in their companies. In general, rising payroll, energy and other costs are a concern, although Irish customers have shown a willingness to pay more for convenience and quality.

The key concern for businesses trading in the domestic market is how a general slowdown in the national economy would affect their performance. Given the significance of the locally traded services sector in rural regions, this is a very real concern for the viability of rural economies generally.

5.10 Concluding Comment

This exploratory study has given an insight into the range of rural enterprises that exist in the Western Region. The potential for growth in this sector is considerable, given the increasing rural population and the desire of many rural people to return to rural areas. Apart from their importance in generating employment and income in rural economies, rural enterprises are making a significant contribution to national economic growth. Growth of these enterprises can often be facilitated through appropriate supports, which are tailored to the particular challenges of operating a business in a rural location.

While this study has identified some of these challenges, a much more thorough investigation of rural enterprises is required in order to develop effective and well-targeted policy measures. The recognition of the importance of the rural economy in the NDP 2007-2013, as well as the EU co-financed National Rural Development Programme 2007-2013 provides a context for research and practical action in regard to a sector with considerable potential.



APPENDICES

APPENDIX 1: Background Data

This Appendix contains a number of data tables which provide background for the contextual overview, in particular Sections 2.3, 2.4 and 2.5.

Appendix Table 1: Number of Persons in Employment in the Western Region and State by Economic Sector 2000, 2006

	Western Region		State	
	2000	2006	2000	2006
	'000s	'000s	'000s	'000s
Broad Economic Sector				
Agriculture	40.7	34.0	132.9	114.5
Industry	82.9	99.8	475.7	551.2
Services	138.5	195.4	969.6	1,230.6
Other	12.9	17.7	93.3	120.6
Total	275.0	347.0	1,671.4	2,017.0
Detailed Economic Sector				
Agriculture, forestry and fishing	40.7	34.0	132.9	114.5
Other production industries	50.6	50.2	309.5	288.5
Construction	32.3	49.6	166.2	262.7
Wholesale and retail trade	33.1	48.3	235.2	284.4
Hotels and restaurants	18.2	21.6	108.1	116.3
Transport, storage and communication	13.0	15.9	101.3	120.7
Financial and other business activities	20.9	29.7	210.8	267.3
Public administration and defence	11.9	18.7	78.4	105.1
Education	17.1	24.6	102.8	135.6
Health	24.3	36.6	133.0	201.2
Other	12.9	17.7	93.3	120.6
Total	275.0	347.0	1,671.4	2,017.0

Source: CSO, Quarterly National Household Survey, Second Quarter, 2000 and 2006 (special run for the WDC)

Note: Data may be subject to sampling or other survey errors, which are greater in respect of smaller values (areas).

Appendix Table 2: Persons in Employment in Internationally Traded Services and Financial Services Classified by Region 1996, 2000, 2005

	1996		2000		2005	
	No.	%	No.	%	No.	%
Western Region	1,719	7	5,096	8	6,435	9
Border, Midlands, West	2,195	9	5,915	9	7,945	11
Southern & Eastern	22,344	91	57,462	91	63,351	89
State	24,539	100	63,377	100	71,296	100

Source: Forfás Annual Employment Survey 2005

Appendix Table 3: Number of Employers, by Size of Enterprise, in the Western Region 2003

	Self Empl'd	1-9	10-49	< 50	50-99	100- 499	500- 999	>1000	Total
Leitrim	272	707	117	1,096	14	4	1	1	1,116
Roscommon	538	1,430	183	2,151	25	7	1	1	2,185
Donegal	1,063	3,925	789	5,777	74	32	2	2	5,887
Mayo	1,050	3,334	556	4,940	58	29	6	3	5,036
Sligo	464	1,545	310	2,319	26	19	4	1	2,369
Clare	1,010	2,830	457	4,297	39	51	4	1	4,392
Galway	1,871	6,296	1,171	9,338	126	78	8	10	9,560
Western Region	6,268	20,067	3,583	29,918	362	220	26	19	30,545
State	40,151	113,266	21,966	175,383	2,412	1,678	242	197	179,912

Source: Fitzpatrick Associates (2004), *Review of Enterprise Support in Rural Areas for Department of Community, Rural and Gaeltacht Affairs*

Appendix Table 4: Net Cumulative Job Creation in Foreign and Irish Owned Agency Assisted Firms, 2000-2005

County	Foreign Owned	Irish Owned	Total
	No.	No.	No.
Leitrim	850	-114	736
Roscommon	-123	-122	-245
Donegal	-1,240	-520	-1,760
Mayo	-291	453	162
Sligo	-165	-17	-182
Clare	-498	-213	-711
Galway	1,640	900	2,540
Western Region	173	367	540
State	91	6,323	6,414

Source: Forfás (2006), Annual Employment Survey 2005

Appendix Table 5: County Admission Rates Incorporating Enrolments in Northern Ireland, 2004

County	Admission Rate Including Students in Northern Colleges
	%
Clare	59.4
Donegal	60.2
Galway	67.6
Leitrim	65.4
Mayo	67.3
Roscommon	58.1
Sligo	72.3
State	56.0

Source: O'Connell, P.J., Clancy, D. and McCoy, S. (2006), Who Went to College in 2004? A National Survey of New Entrants to Higher Education

APPENDIX 2: Supplementary Case Studies

This Appendix contains three short additional case studies of enterprises located in rural areas. These case studies have been published previously by the WDC and are included here to supplement some of the issues and themes that have emerged from the ten detailed case studies included in the body of the report.

Éire Composites Teo, Connemara, Co Galway

Éire Composites Teo is located at two facilities in the Gaeltacht area of Co Galway, one at An Spidéal and a second at An Cheathrú Rua. It is a high-tech processing company which designs, manufactures and tests lightweight, high performance composite materials, for the aerospace, wind energy, marine and automotive sectors. It currently employs 38 people.

The company is highly innovative as it produces thermoplastic rather than thermoset composites, meaning that all of its products are recyclable. This gives the company a distinct advantage into the future given the increasing interest in environmental concerns.

The market for Éire Composites' products includes aerospace where there is an ever growing demand for composite parts. It is expected that turnover in this area will increase by 20% year on year over the next five years. The main opportunity for the company is seen to be the processing of very large thermoplastic composite parts for both the aerospace and wind power generating sectors using their patented mould heating system.

A quarter of the workforce are graduates and by locating in county Galway and developing close linkages with third level institutions, in particular NUI Galway, the company can access a highly skilled workforce. The company also works closely with third level institutions outside of the region including University of Limerick, Queens University Belfast and the University of Ulster. It has participated in various EU and Irish research and development programmes to enhance its skills and create partnerships with leading companies.

The company received early stage funding from the WDC Investment Fund which helped to lever funding from other sources. Accessing private venture capital as well as bank finance was a problem in their early stages given the unfamiliarity of venture capitalists with their sector. However the company has recently attracted considerable private investment which will enable the promoters to grow the company in the aerospace, wind energy, marine and automotive markets.

eTeams International Ltd, Scariff, Co Clare

eTeams International Ltd is a translation company which has been in business since 1991. It provides a range of language services including translation, localisation, interpreting, proof-reading and abstractions in all world languages as well as design and publication of multilingual content. The company operates a flexible business model based on e-working methods. With its business located in Scariff Co Clare, it has a permanent staff of 22 with over 750 freelance translators, 150 freelance website and graphic design personnel and 50 freelance interpreters across the globe.

Some of its clients include Refugee Legal Services, the Courts Service, the Health and Safety Authority, and Microsoft Ireland. It is currently providing the European Commission with translation into Irish, French and Spanish and the Translation Centre for the Bodies of the European Union is also a client, for whom eTeams provides translations into Irish, Bulgarian and Romanian.

While eTeams originally found that their rural location was a cause for concern among potential Dublin based clients, over time they built up a reputation for reliability and an ability to manage large projects at a distance. This culminated in their winning the contract for translation services for Ireland's Presidency of the EU which they attribute to a combination of price and high standards.

Being based in a rural location means that they can keep costs down. Rent costs are far lower and their business model, based on e-working, keeps their staffing costs down while also providing a high level of flexibility. All their translators are native speakers and the majority also have a third level qualification. Their translators have flexible working arrangements, but are committed to meeting deadlines. This facilitates people living in rural areas and also women with young children.

One of the main challenges facing the business in recent years has been broadband access. Most of the company's work is done online and file sizes are getting bigger all the time. Previously they were using a satellite based system with which they were very satisfied, however their service provider ceased operation and they had to revert to an ISDN line. This made delivering on time much more difficult. A year ago they were able to source a new broadband service utilising Fixed Wireless Access with an additional backup provider and these new facilities have improved their service delivery enormously. However the difficulties in accessing a reliable service have been a huge distraction to their business.

eTeams have a growth strategy by which they aim to achieve a turnover of €5.5 million by 2010. To reach this they are aiming to strengthen their position in Europe which will require the employment of additional sales and marketing staff. They have received assistance from Shannon Development to strengthen the sales and marketing side of their business.

Instinct Technology Ltd, Muff, Co Donegal

Instinct Technology Ltd (formerly Torc Interactive Ltd) is based in Muff, on the Inishowen peninsula in Donegal. Since its establishment in 1999 the company has developed an innovative and high-end 'middleware' platform for the computer based games market. Instinct Technology's flagship product is a 3D rendering 'Instinct Studio' engine which enables interactive 3D enabling in-game graphics to look like high quality animation in computer games, and allowing for the complete management of the game production process within a single integrated environment.

The funding which the company secured from the WDC Investment Fund was critical as the venture capital market for digital media in Ireland is not well developed. Although funding was sought from private venture capitalists to develop the 'Instinct Studio' engine at the pre-commercial stage, the company was not successful in attracting private sector venture capital at that time. The timeline required by such knowledge industries often represents a major barrier for venture capitalists, who prefer to invest at a stage when a company has already developed a commercial product. Therefore the WDC's willingness to invest at a very early stage was critical. A second round of funding from the WDC Investment Fund has enabled the company to lever funding from other sources, including private sector investors, thus ensuring that it could launch its product during 2006.

The company at present employs 18 people and is expected to employ 35 people in highly skilled jobs in the next three years. Instinct Technology's varsity program is a significant contributor in a move towards developing Donegal into the video games capital of the country and producing a skilled workforce in the digital game industry. The company's flagship product will be positioned as one of the most powerful production platforms in its class, featuring a new approach to integrated tools that will help to reduce cost and better manage the production process required for high end next-generation games. It aims to become the best graphics technology product on the market.

Instinct Technology has established strategic linkages with four third level education institutions. This has resulted in the design of an educational 'varsity' version of its software for use in third level institutions; helped to create new third level courses in games production techniques; and built a web-based support forum for a gaming technology incubator project at North Western Institute for Further and Higher Education (NWIFHE). Instinct Technology is also a partner in an incubator model being developed by Northern Ireland Business and Innovation Centre (NORIBIC) to complement its college activities. In addition, the company has linked with the University of Abertay in Scotland, a leader in games technology.

Instinct Technology represents a highly innovative knowledge based industry which remains committed to high growth, locating in Co Donegal, creating valuable employment and developing third level education linkages.

This image shows a single sheet of white paper with horizontal ruling lines. The lines are evenly spaced and run across the width of the page. There are no margins, text, or other markings on the paper.

This image shows a full page of blank, lined paper. It features approximately 20 evenly spaced horizontal grey lines across its entire width, typical of notebook or school paper. The background is white, and there are no margins, text, or other markings present.

This image shows a single sheet of white paper with horizontal ruling lines. The lines are evenly spaced and run across the width of the page. There are no margins, text, or other markings on the paper.