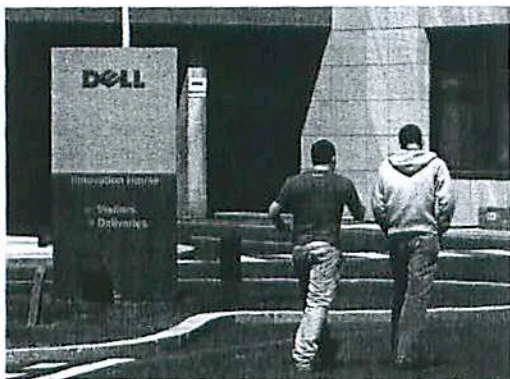


Patrick Freyne

Turning the Shannon Valley into Silicon Valley

Patrick Freyne looks at how some Limerick-based academics and businesspeople are trying to turn a manufacturing bust into an entrepreneurial boom.



When a major employer like Dell leaves an area, it's generally regarded as a disaster but some see it as an opportunity for entrepreneurialism to flourish. Indeed a number of Limerick academics and businesspeople have put together a day-long workshop on entrepreneurialism aimed at people laid-off from Dell and other companies in the region. It's to take place in the Kemmy Business School in UL on March 21st and Evert Bopp is one of the businesspeople involved.

"For the last two years, I've been a member of a thing called the Open Coffee Club, Limerick," says Bopp, a Dutch-born entrepreneur who works with wireless technology. "The Open Coffee Club was started by one of the main investors behind Skype and it's for entrepreneurs to meet up and exchange stories, do a bit of networking and maybe create a bit of business. Now, there's Open Coffee Club meetings all around the world and I attend the one in Limerick regularly.

"When the news was released, that Dell was laying off 1,900 people over the next 12 months, we figured that there must be something we could do to help. We heard that Stephen Kinsella [a lecturer] at the Kemmy Business School was planning to do something similar, so we came together on it.

"Essentially, the workshop will involve a number of presentations and talks from experienced entrepreneurs and different State bodies on how to start your own businesses and how to get funding and there'll also be an exhibition area for companies who wish to offer services to the start-ups. Everyone whose interested

can basically show up there, find out what's involved and see if it's for them."

"In a way, anybody who's been made unemployed recently has been handed an opportunity to start up their own business," says Dr Stephen Kinsella. "They may have a chunk of investment capital as many are leaving employment with a year's salary, so it's entirely possible for them to begin research or to begin development. And, on the plus side, the operating costs for a small

business right now are incredibly low."

Dr Naomi Birdthistle, a lecturer in entrepreneurial studies at the Kemmy School, notes another potential advantage for entrepreneurs coming out of a company. "Two heads are better than one," she says. "And sometimes in instances like this, where a company like Dell ceases business, a group of people who've worked well together in the past can pool their redundancy money, use their existing business relationships and start a business together."

Mike Cantwell, assistant chief executive of the Limerick County Enterprise Board, has already noticed an increased number of enquiries in recent weeks. "Certainly, we've seen a bit of a bounce that wasn't there before," he says. "And we've been in contact with Dell and have offered to go in and talk to staff and to run courses in there. We've also put on a whole array of training that's being rolled out over the coming months and that's available to everyone in Co Limerick thinking of starting something.

"We are hoping that when people leave, if they have a few quid in their pocket, that they will consider looking at starting a business of one kind or another. The most common request we get is 'I'd like to start a business but I don't know where to start!' There are opportunities out there, particularly if people aren't overly leveraged or borrowed, and at the Enterprise Board we even have additional resources this year and more flexibility in how we grant aid."

And Jerry Maloney, Enterprise Ireland's director of the Midwest region maintains that there are plenty of entrepreneurial precedents. "When Digital left Galway, it

looked like the closure there was going to cause consternation," he says. "But looking at it now 15 years later, businesses started by ex-employees of that company now account for about four times the number of people actually employed by the company in the first place. In Cork, the closure of Motorola led to 10 or 15 start-ups who are in discussion with us. There were 350 jobs in that plant when it closed and one would hope that in three or four years time, there could be at least that many employed in the spin-outs. In this instance, there's a sort of mourning process that has to be gone through as people come to terms with Dell leaving but we've already seen an increase in enquiries in recent months, directly and through the Tusna website [website set up to help those in Midwest region through redundancy]."

Bopp hopes that such examples will encourage a general change in attitude. "Often after closures like this, there's more employment in the region from the offshoots than the original companies provided," he says. "And that's as it should be, to be honest. I've been saying for years that there's a problem when you're too dependent on multinationals for employment. We attract companies to a low tax environment with huge grants, and the IDA was literally paying some of the companies' first-year wage bills.

"Then as soon as the cost goes up, they're going to move to the next low-cost country. They have no ties. But if the Government does the smart thing and focuses on stimulating Irish-owned businesses, they'll stick around and tough it out when it gets tough."

Kinsella concurs. "We don't want to be looking for another Dell," he says. "Here in Limerick when Krupps left, we found Dell, and when Dell leaves we shouldn't really go looking for another Krupps because that model isn't really sustainable anymore. We're just not that kind of economy now.

"We're an economy of highly skilled and educated web-aware people plugged into a global marketplace. We're not box-packers anymore and that's why those jobs have left. Furthermore, manufacturing is not the way forward. From 2000 to 2007, we lost 34,000 manufacturing jobs in Ireland. That's over the course of the boom.

"Ireland is a high-cost economy and always has been. Now, it's a very high-cost economy. Nobody can really dispute Michael Dell's decision to move his 1,900 factory workers from Limerick to Poland. You can pay the guy here €12 an hour to pack the box or €3 an hour somewhere else. We can't be cost-competitive in that kind of manufacturing. But in medical manufacturing in Cork, we're world leaders and that kind of work is highly skilled and those jobs are much harder to export because they're much more highly skilled and those kinds of companies can be developed by Irish entrepreneurs."

Indeed, Kinsella feels that with the right guidance, creativity and chutzpah, the Limerick region could reconfigure itself as a new Silicon Valley of homegrown businesses. "If you look at the components of Silicon Valley's success, it was because there was a cheap city next to it [San Francisco] and two world-class universities, Stanford and Berkley, which were pumping out nerds into an area which was cheap and where the profits were explosive," he says.

"We have UL here. And there are civil-minded people who want to redevelop the city into something beautiful, and you can put entrepreneurialism at the centre of that. I can absolutely see it happen. We've loads of infrastructure. We're in the middle of the country. We're a hub, and we've fantastic educational institutions and a large population desperate to work.

"Indeed with the property collapse in recent months, it's very simple to turn up and ask for business spaces rent-free and the potential exists to marry the economic need with the skills and opportunities you

need for world-class businesses. One, or two, or three, or four new businesses might do well and one of them might do stellarly well. Who says we can't have the next Google here?"

Bopp is also examining the possibility of establishing incubator spaces in the city centre. "I'm pushing to set up a start-up incubator in Limerick city where start-up businesses can get cheap or low-cost office space," he says. "We will basically have a centre with office facilities and combined services, legal, accountancy, anything you need for a start-up and businesses will have the option of paying equity instead of rent for a period of time. I'm talking to a few investors who're interested in getting behind that and I've also been talking to a man with a vision who owns an office block on O'Connell St and has offered the use of that for free. We can get our finger out and make sure something happens through our own initiative or we can wait around for the Government to do it."

Indeed, although they reference the work done by Enterprise Ireland and the country enterprise boards, Bopp and Kinsella are both cautious about being too dependent on Government. "I'd caution against institutionalising entrepreneurialism,"

adds Kinsella. "The idea that Government can mandate X amount of euros to create Y number of firms is simply wrong. The simple fact is the market decides how many new firms will set up and how many will survive.

"Part and parcel of what happens in businesses is that most new businesses fail and you have to accept that. Businesses

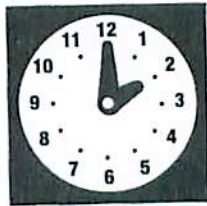
need to be able to flourish and die and the last thing you want is the State propping up businesses that are useless. That's what you've got to do. And we need to become comfortable with failure. In Silicon Valley if you haven't set up five companies that have failed, you're a nobody."

"If you just look at the numbers of people from Dell and other firms recently laid-off, that's around 2400 people. If 10% have any idea at all for a business, then that's 240 businesses. If even 100 are viable, that's 100 businesses and even if 70% of them fail, that's still 30 businesses and potentially a lot of employment. Now, I'm realistic. I know that even the best product will have difficulty in the current market but the businesses who survive this will be world beaters - businesses forged in the fire of recession. If you can keep your costs low, scrabble around for a number of years and get the money in, then when the market picks up again you're ideally placed to take advantage of it. So start now!"

Dr Birdthistle says that she can already see this attitude taking root among her students. "Some people will argue that it's a bad time to start anything, but true entrepreneurs will disagree," she says. "They're optimists. They see opportunity where others see chaos. They see that people still need goods and services and that there's room for new efficiencies and new ideas. I'm currently teaching 27 MBA students, some of whom are being let go from Dell, and they're seeing entrepreneurship as an opportunity to continue on in their working career. I think it's the entrepreneurs who're ultimately going to pull us out of this rut." ■

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