

**ALSO INSIDE****EUROPE'S SEMICONDUCTOR MARKET MAKES A COMEBACK**

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**SURVIVAL: IT'S ALL ABOUT ADAPTABILITY**

Stanford research finds adaptable Irish SMEs are better geared for survival

**WARNING: INCENTIVISE WITH CARE!**

Incentivising sales managers can backfire

**YOUNG'S FORMULA**

Flowforma's Neil Young on how a services business can spinout products

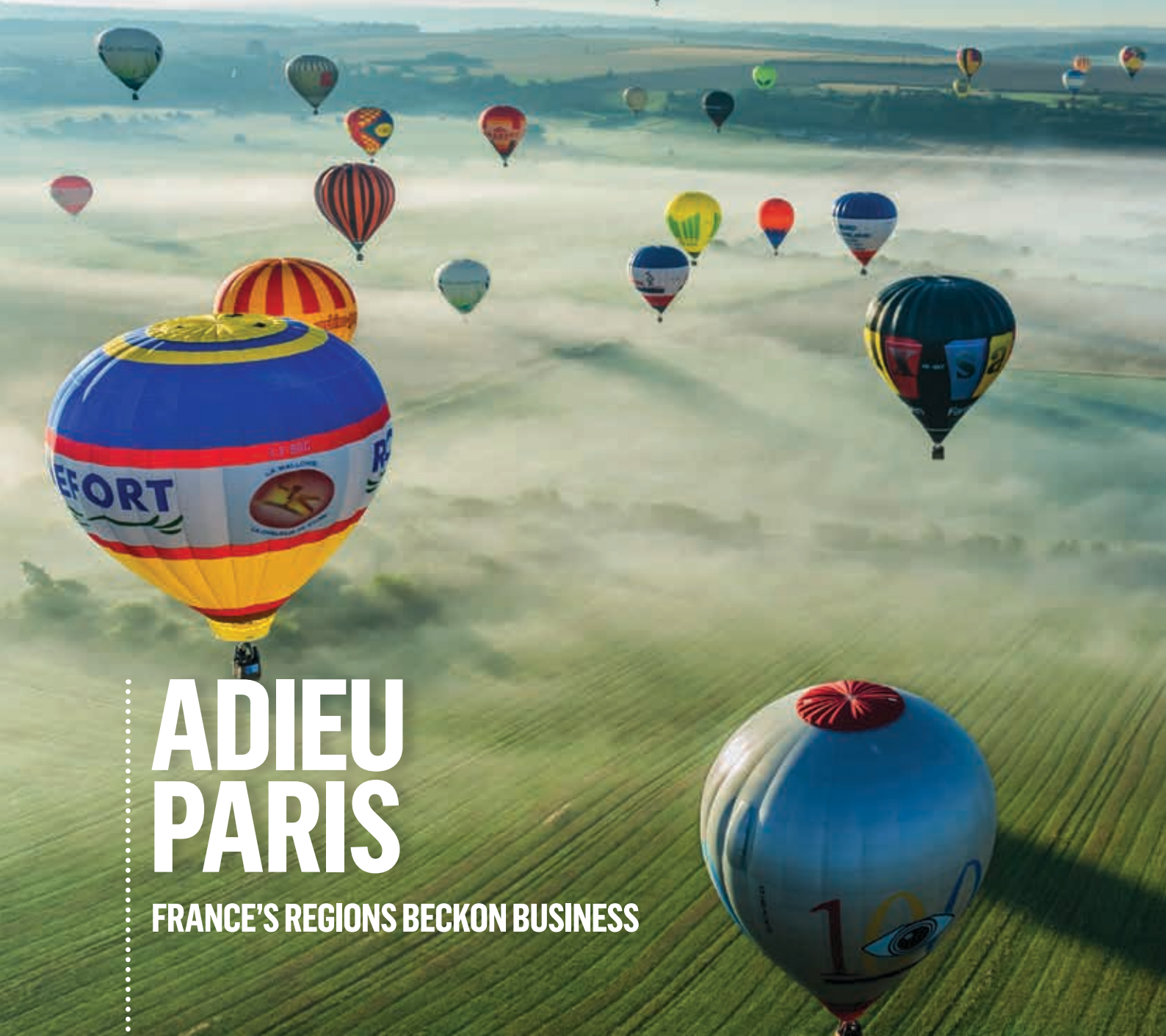
**EXPORTERS EYE UP EAST AFRICA**

Energy reserves and a growing middle class bring new opportunities

# THE MARKET

## ADIEU PARIS

FRANCE'S REGIONS BECKON BUSINESS





## KERNEL CAPITAL

Manager of

# The Bank of Ireland Kernel Capital Venture Funds



## *Creating Irish Jobs*

[www.kernel-capital.com](http://www.kernel-capital.com)

The Bank of Ireland Kernel Capital Venture Funds portfolio employ almost 1,200 people in Ireland.

# Contents

## THE MARKET

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## COVER STORY

### 013 Adieu Paris

France's regions beckon business

## REGIONS AND SECTORS

### 023 Exporters eye up East Africa

Energy reserves and a growing middle class bring new opportunities

### 037 Europe's semiconductor market makes a comeback

Industry and automotives are driving new European demand for semiconductors

### 000 Vietnam's rising stars

Irish companies already there give their take

## PEOPLE AND COMPANIES

### 010 Books on the future

Chapter and verse from the Versa ebook platform CEO Gareth Cuddy

### 017 Young's formula

Flowforma's Neil Young on how a services business can spinout products

### 020 Making it big in the Big Apple

Initiafy founders on launching in the USA

### 034 Label conscious

Interview with Liz Waters, CEO of product labels specialist Watershed

## BUSINESS

### 028 Survival: It's all about adaptability

Stanford research finds adaptable Irish SMEs are better geared for survival

### 032 Warning: Incentivise with care!

Incentivising sales managers can backfire

### 041 SAP Rising... Start-Ups

Interview with Brian Weakliam, Bankhawk Analytics CEO on SAP's Startup Focus Programme

## REGULARS

### 002 Noticeboard

News for and from the export community

### 008 Diary

What's on, where and when

### 048 Gadgetry

Of mice and action cams

### 050 Good Reading

Books worth reading

### 052 Market Intelligence

Recently published market research

### 054 Trade Regulations

Trade regulation and negotiation update

### 055 Travel News

Flights and travel update

### 056 City Guide

Hanoi



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## SEFtec supplies Offshore Survival Training Centre

A new Offshore Survival Training Centre on the Canary Islands has been designed and developed by a JV company formed by the National Maritime College of Ireland (NMCI) and the Irish safety training specialists SEFtec.

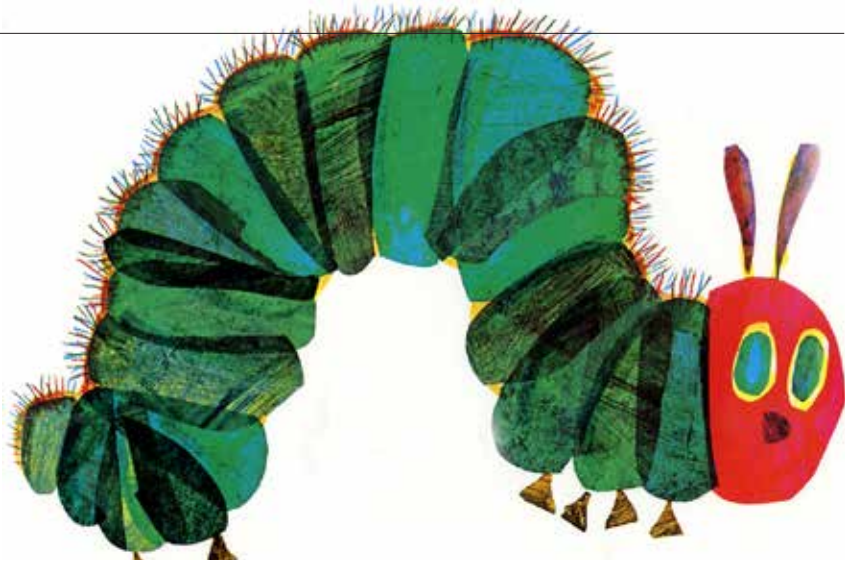
As well as providing the €30m centre operated by Grupo Stier with SEFtec's helicopter underwater evacuation and firefighting simulators, the SEFtec NMCI Offshore (SNO) joint venture also provided consultancy advice on staff recruitment, course content and accreditations and approvals.

This is the 70th location where SEFtec simulators have been installed. The company offers client turnkey training centres, with modular buildings manufactured in Ireland and installed on site, complete with classrooms and training equipment, anywhere in the world. SEFtec helicopter-underwater-escape and fire-safety simulators are now in use on four continents from Algeria to Angola, Korea to Kazakhstan and South Africa to Singapore.

"We are very well known in the offshore industry now," said SEFtec engineering and sales director Darren O'Sullivan. "So it was natural for Grupo Stier to contact us enquiring about our simulators. Once we received that initial phone call, we immediately organised to fly down to the Canaries to meet them. Having those face-to-face meetings is key: it is the strongest way to promote your business. We learned they were starting from scratch, so they needed all the help they could get, and the SEFtec NMCI Offshore joint venture was ideally placed to help."

Currently, SEFtec employs 19 people full-time, and the SNO joint venture now employs an additional 20 full-timers plus additional part-timers. O'Sullivan said: "SNO is now the biggest employer in the NMCI; it has been a real success."

While Grupo Stier is very experienced in the field of maritime training and education, this is the first time it has provided training for the offshore exploration industries. CEO Ida Stier said: "After 20 years providing training services in the shipping market, Grupo Stier is very excited to develop this project with the support of NMCI, SEFtec and the Cabildo de Gran Canaria. This gives us the opportunity to train local people for the offshore business and will contribute to the Islands in the development of the offshore industry."



## Appetite for success grows on back of Hungry Caterpillar award

Interactive book and game publisher StoryToys has a growing appetite for success, on the back of winning a prestigious BolognaRagazzi Digital Award for its My Very Hungry Caterpillar app.

Founded in 2008, StoryToys is one of the leading developers of digital media for pre-schoolers with 40 of its interactive books and games on offer on the Apple's App Store, on Google Play and on Amazon.

This latest award was won by StoryToys at the Bologna Children's Book Fair, which is the biggest trade show in the world for children's authors and publishers with more than 1,200 exhibitors from 75 countries. Irish delegates at this year's annual event were supported by the ID2015 programme.

"As all award winners were bill-boarded throughout the venue, the award really increased our profile at the fair," said StoryToys chief product officer Emmet O'Neill. "We had a lot of callers to our stand in the digital pavilion because publishers the world over are trying to work out their digital strategy as they see print revenues fall while digital revenues are rising steadily. In the long term, the award will help boost our creativity when negotiating with potential partners about using licensed content."

Certainly, the award for My Very Hungry Caterpillar is a great reference: the book on which it is based, The Very Hungry Caterpillar, is one of most beloved

and best-known of all children's books. First published in 1969, it has been translated into 40 languages and has sold more than 30 million copies – that's a sales rate of one copy a second for 45 years.

Company founders, brothers Aidan and Kevin Doolan, spent two years developing their 3D pop-up book engine before releasing their first title, Grimm's Rapunzel, in 2010 and it proved an immediate hit. "That gave them the ability to raise VC funding from AIB Seed Capital, Leaf Investments and Enterprise Ireland to really get the business off the ground," said O'Neill. "The company now has 20 full-time employees. We will be significantly expanding our staff numbers this year and our turnover has doubled year-on-year for the last four years."

"We have continued to develop our own IP and have had success with titles like Animal Band, Dino Dog and Goodnight Mo, but really in our core market, which is preschoolers, it is easier to gain ground with licensed content, characters that kids, or more importantly their parents, already know."

"We are now developing apps for older children, and we are very excited about a project we are working on with the Dublin-based animation house Brown Bag Films. We've won loads of awards, including 14 concurrent Children's Technology Review awards. Nevertheless, we still think our best work is ahead of us."

## RR Projects gets off to Rocky start in Canada

**A**Tullamore engineering firm has got off to the best possible Rocky start after winning its first Canadian contract in British Columbia. RR Projects is to install air cooled condensers (ACC) at two biomass-fired power plants being built at Merritt and Fort St James. These plants will not only provide electricity to their local Rocky Mountain communities, they will also to help dispose of thousands of trees that need to be incinerated after being hit by a disease that is devastating BC's forestry.

Three years ago, while looking for new opportunities abroad amidst Ireland's economic downturn, RR Projects began to investigate opportunities in the Canadian power and petrochemical industries. With Enterprise Ireland support, the company took part in the 2013 Global Petroleum Show in Calgary, and, as a result of that experience, it established a presence in the Alberta state capital, which is the centre of Canada's oil and gas industries.

The company looked to forming a joint venture with at least one Canadian firm, but it was through its relationship with a Spanish engineering consultancy, Esindus, that it secured the contracts in British Columbia. RR Projects business development manager Patrick Cassidy said: "We had been talking to Esindus about doing work together in

North Africa, but when they won the subcontract with the main contractor, another Spanish company, Iberdola, Esindus asked us to help out because they didn't have offices in the United States or Canada."

The two power plants are being built concurrently and at peak activity RR Projects will have about 30 people working on each site. "We will also be employing an additional 30 people in Ireland to provide back office support for these two projects," said Cassidy.

As a result of the Esindus contract, Canada is now RR Projects' biggest market after the UK. The company, which was founded by Nigel Reams in 2003, is also involved in two significant research projects: MACCSol (Modular Air-Cooled Condenser, Solar Power) and Schwungrad Energie. The MACCSol project, which is being run in conjunction with Limerick University, is an attempt to develop a new, more-efficient type of air-cooled condenser and it is currently being trialled at a concentrated solar-power plant in Australia. Schwungrad Energie is a consortium that is developing a high-energy battery/fly-wheel solution that will be able to stabilise the energy output from wind farms, reducing problems with harmonics and output fluctuations that can damage national grid infrastructure.

## Contract win prompts MIA GEN to open Abu Dhabi office

**I**rish company MIA GEN has secured an ongoing contract to consult and implement a financial planning and analysis system for the National Real Estate Company (NREC), one of the largest real estate companies and developers in the GCC and the prime developer of Abu Dhabi's \$1 billion Reem Mall project.

The Irish-headquartered forecasting, planning and analysis consultancy, whose Abu Dhabi clients also include Etihad Airways, Royal Jet and Aramex, use a cloud based software platform to deliver corporate performance management, empowering better decision making by finance and senior management to drive true competitive advantage.

Coinciding with Enterprise Ireland's recent trade mission to the Gulf States UAE, MIA GEN has announced plans to increase staff numbers by 40 between Dublin and a new office in Abu Dhabi over the next five years.

## New LinkedIn Group for exporters to Germany

**E**nterprise Ireland's Düsseldorf office has created a new LinkedIn Group, EI German Exporters, exclusively for Enterprise Ireland client companies that are exporting, or wish to export, to the German market. It is a closed group aimed at sharing information purely relevant to Enterprise Ireland client companies such as updating members on upcoming in-market events and initiatives. EI German Exporters also welcomes members to share their experiences of doing business in the German market or to post queries and information about challenges that the group could input into solving.

To apply to join, search for EI German Exporters on LinkedIn or go to [www.linkedin.com/groups/EI-German-Exporters-8289484/about](http://www.linkedin.com/groups/EI-German-Exporters-8289484/about)





## ALISON registers its five millionth learner

**A**LISON, the Galway-based “for-profit social enterprise” set up in 2007, continues to grow strongly. Part of the Massive Open Online Courses (MOOC) movement, but with a strong emphasis on vocational rather than academic education, the company recently registered its five millionth learner and is now growing at a rate of about 200,000 new registrations a month.

Founder Mike Feerick says ALISON has recruited a number of new senior employees. “We’ve doubled our engineering team in recent months, and this year is about consolidation of our systems and migrating our servers beyond start-up.”

Already established worldwide, with good market penetration in the UK, US, India, Nigeria and the Philippines, Feerick has set his sights on attaining a billion students before the end of the decade. Recent success in South America confirms him in this ambition.

“It’s amazing what positive blog posts can do,” he says. “Just one blog in Brazil about our English Language Skills course resulted in 80,000 visits to our site and 20,000 students signed up. In South America alone 200,000 people signed up for courses in February and it was much the same in March.”

Feerick also reports progress with Ireland Reaching Out (irelandxo.com), his ‘reverse genealogy’ programme designed to help Ireland’s 70 million diaspora reconnect with their place of origin in Ireland. Supported by the activities of 3,500 volunteers and now two full time staff, IRO is soon to launch a new website and has linked up with Google to make genealogical information on historic houses and ruins easily accessible simply by clicking on a map. It is, Feerick says, a transforming application which combines massive technology with local input to open up local communities.

## Dragon’s Den success gets listed with UK multiples

**I**rish organic self-tanning brand TanOrganic has secured a stg£3 million per year deal with Boots UK, in its exclusive ‘Beauty Finds’ area, making the product available in 200 of the top Boots stores across the UK. TanOrganic’s range of products, which featured on Dragon’s Den, is currently the only eco-certified self-tanning brand on the market. This latest success follows listings for TanOrganic with other UK retailers, including Waitrose, Superdrug.com and Holland & Barrett.



## Edtech national conference focuses on the knowledge economy

**T**his June, the Learnovate Technology Centre coordinated its first national conference focused on edtech and the knowledge economy. The speakers included Mary Maloney, Global CEO, CoderDojo; Ciaran Cannon TD, Founder Excited.ie; and Gavin Dykes, Chair and Co-Founder, Education Fast Forward. The twin-track event explored the roles and responsibilities of both the formal education system and corporate organisations, bringing together representatives from the worlds of education, technology and corporate learning. Among the issues up for debate were learner record stores and the future of learner analytics; data privacy, data protection and privacy by design; new models for personalisation and adaptivity; the impact of mobile and informal learning; and micro credentialing and digital badges.

## AB Group bags growth in Europe

**T**urning packaging companies that are about to fold into prosperous businesses is becoming a specialty of Irish paper bag and flexible packaging manufacturer AB Group Packaging.

Over recent years, AB Group’s range of products has expanded exponentially across a broad range of retail, bakery, agricultural and industrial sectors and its clients now range from Colgate to Clarkes and from Tesco to Topshop.

Of particular note is its preferred supplier status with the clothing retailer Primark, which trades in Ireland under the Penney’s brand name. As Primark has expanded across the UK and Europe, the AB Group has grown with it.

In 2010, AB Group acquired a packaging factory in Ebbw Vale in Wales, which was in financial administration and facing closure, and it now employs 70 people, producing paper and plastic packaging. In 2013, the company purchased another overseas packaging firm facing closure, this time in Bilbao, in the Basque country of northern Spain. The Spanish production facilities were moved to a new facility with better transport links with Primark Iberia’s warehouse in Madrid, and not only have the 10 jobs there been saved, as the facility is expected to double its production capacity this year, more employees will need to be recruited.

At home, meanwhile, AB Group benefited from an unexpected breakthrough when Ireland became one of the first countries in Europe to introduce a tax on plastic bags in 2002. “We had had 25 people employed in Blessington but since the plastic bag tax, we’ve had to recruit new people every year, and we now have 120 people employed.” With a new plastic bag tax due to be introduced in England in October this year, the company is now looking forward to another exciting period of development.

## Only one in ten companies has fully mastered globalisation

**D**espite a concerted push to expand their overseas presence in recent decades, few companies are ready to build and run truly global organisations and operations, according to a survey of executives conducted jointly by the Boston Consulting Group (BCG) and IMD business school.

BCG and IMD conducted the Global Readiness Survey in order to understand both the aspirations and the preparedness of companies to go global. About 75 per cent of respondents reported that their

companies plan to increase their international share of business. But only 10 per cent believe they are mastering the full set of capabilities required to go global.

Global expertise in mergers and acquisitions was the lowest-rated capability by a wide margin. Its 'readiness score' was 34 per cent. (A score of 100 per cent indicates that a company has perfected the capability.)

"M&A can be challenging to master as it requires mastery of several skills, such as target selection, negotiation, and

integration. But M&A can also be transformative. Companies can quickly acquire market share and a global footprint, diversify their talent base and create a more varied portfolio of businesses," said Margaret Cording, Professor of Strategy and Regional Director of Southeast Asia and Oceania at IMD business school.

Another finding centred on the disconnect between executives at headquarters and those in the field. Headquartered staff had a far more optimistic view of their companies' globalisation readiness than line executives. The biggest differences had to do with whether the organisation had an open mind-set; aligned performance incentives to support the global agenda; and best practices effectively spread across the organisation.

There was some good news for SMEs. Not surprisingly, large companies do better than midsize and small companies in core business capabilities such as setting up a global supply chain. But they do relatively poorly on capabilities related to learning and agility, leaving them vulnerable during periods of rapid change. On the other hand, the survey found that small companies are more fleet-footed. However, small operations fall down in understanding their competitors abroad.

According to the research, companies with annual revenues from \$1 billion to \$10 billion are at the greatest risk in going global. They are less nimble than smaller companies and do not have the scale or systems of larger ones.



## MED IN IRELAND 2015 Thursday 29th October, The Convention Centre, Dublin

Enterprise Ireland is delighted to host **Med in Ireland 2015** - Ireland's leading medical technology and healthcare expo.

**Med in Ireland** is Ireland's high-profile national showcase for the Irish Medical Technologies Sector - medical devices, medical devices sub-supply, precision engineered components, diagnostics, healthcare IT, healthcare providers, clinicians and research & development professionals. For further information on this event see [www.medinireland.ie](http://www.medinireland.ie)

For further information on how you can attend, please email us at [medinireland2015@enterprise-ireland.com](mailto:medinireland2015@enterprise-ireland.com)

Join us in Dublin to meet with your existing Irish partners, find new business partners and learn more about Ireland's new medical technology and healthcare companies.

Please add **29 October 2015** to your diary.

## vCloud opens office in Poland

**V**Cloud, an Irish cloud services company, has opened its office in Warsaw, following a new partnership agreement with Poland-based outsource specialist itWorks SA. The partnership will see a new service, Disaster Recovery-as-a-Service (DRaaS), marketed in Poland.

The service is already available in Ireland; vCloud customers here include Smyths Toys and CWS-boco Ireland. The business continuity solution minimises IT recovery times, data loss and associated downtime risks and costs for companies.

The announcement was made during a four-day Enterprise Ireland trade mission to Poland and the Czech Republic, led by Minister for Business and Employment, Ger Nash.

In total, contracts and partnerships worth almost €30 million were announced by Irish companies participating in the mission; including deals by PPI Adhesives with AGC Group; Bookassist with Orea Hotels and Hotel Paris; and RealTime Technologies with LG Electronics CZ and the University of West Bohemia.



PICTURED DURING THE TRADE MISSION TO POLAND AND THE CZECH REPUBLIC ARE (FROM L-R) MARK LOWRY, MANAGING DIRECTOR, CRH POLAND & CHAIRMAN OF IRISH CHAMBER OF COMMERCE IN POLAND; GERALD NASH, MINISTER FOR BUSINESS AND EMPLOYMENT; ANIS JENDOUBI, DIRECTOR AND CTO, V.CLOUD.IE; AND GERARD KEOWN, IRISH AMBASSADOR TO POLAND

## Irish companies gather for Cosmoprof Worldwide

**I**rish companies gathered for Cosmoprof Worldwide Bologna, billed as the only international B2B show where all sectors of the beauty industry are represented all under one roof. Seven Irish companies participated in a two-day market study visit organised by Enterprise Ireland. Meanwhile, a further four companies exhibited their own stand at the fair.

## Enterprise Ireland woos overseas entrepreneurs and Irish diaspora start-ups

**A** new €500,000 Competitive Start Fund has been launched, aimed at encouraging entrepreneurs outside Ireland to locate their start-up businesses here. The fund will provide up to €50,000 in equity support for 10 successful applicants to start their own businesses in internationally focused manufacturing or internationally traded services.

The new Competitive Start Fund will coincide with the Startup Gathering, a national week of events taking place across Ireland from October 5 to 10, 2015, which sets out to champion start-ups in Ireland and raise the profile of Ireland's start-up sector to international entrepreneurs.

Competitive Start Fund applications are welcome from individuals and early-stage companies of all nationalities. All applicants must undertake to register as an Irish company prior to Enterprise Ireland investment. The majority of the management team/promoters must also undertake to be based in Ireland for at least one year post-investment. The website for online applications will open on August 26, 2015, and close on September 9, 2015. In the meantime, full details on the eligibility criteria are available on the Enterprise Ireland website at [www.enterprise-ireland.com/csfoverseas](http://www.enterprise-ireland.com/csfoverseas)

## Irish Design 2015 promotes initiatives for design-led businesses

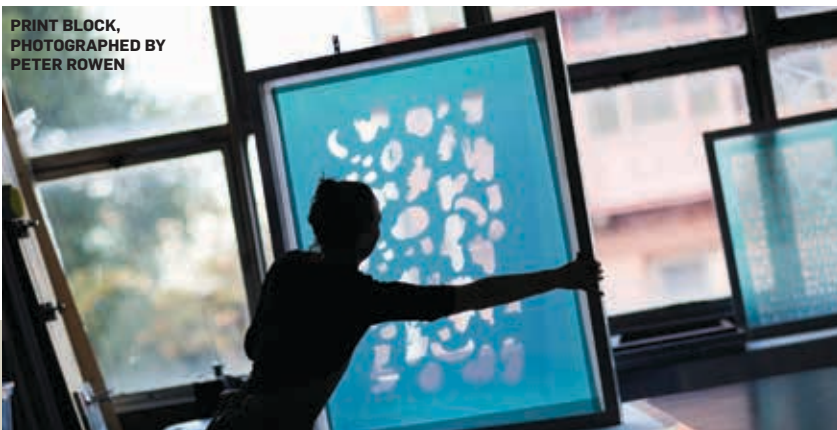
**M**idway through Irish Design 2015 (ID2015), a new €250,000 fund has been announced to support design-based start-ups. The Competitive Start Fund – Design, to be delivered by Enterprise Ireland, will provide up to €50,000 in equity support for successful start-ups that are design-led or use design as a strategic competitive advantage.

The second half of the year will also see the launch of a number of enterprise and education initiatives, including the opening of the second round of the ID2015 International Trade Fund for export ready design-led businesses; the launch of a b2b digital platform for the industry; and a Design Vouchers pilot scheme to support micro-businesses and SMEs implementing design strategy in their business.

Other highlights still to come in the ID2015 international programme will include an Irish design showcase

at the annual home, lifestyle and gift fair NY NOW in August. There will be several projects at London Design Festival in September, including Ó, an exhibition of new work from Ireland's designers and makers at Tent London. An ambitious project designed by Grafton Architects will weave narrative and culture with monumental design. ID2015's touring flagship exhibition Liminal will be present at Dutch Design Week in Eindhoven in October before it is shown in Dublin in November. In addition, ID2015 will deliver its flagship presentation of Irish best practices in architecture and the built environment at Chicago Architecture Biennial in October and Shenzhen/Hong Kong in December. These core events will be supported with trade missions through Enterprise Ireland and the Department of Foreign Affairs and Trade.

PRINT BLOCK, PHOTOGRAPHED BY PETER ROWEN





**European observers may be panicking about the tumbling Chinese stock market. But from his vantage point in Beijing, Mark Godfrey writes that they are over-reacting.**

## HAS THE DRAGON LOST ITS WINGS?

**W**hat goes up must come down. And so it was with the latest bubble in the Chinese stock market. China's stocks rose 150 per cent in the 12 months to the end of June, then tumbled almost 30 per cent in a week in early July. The stocks rose with the help of a government campaign to boost the Chinese stock markets, which have traditionally lagged growth in GDP in the world's second largest economy.

To prevent the recurrence of volatility on this scale, there will have to be structural reform of the stock markets by Beijing. Foreign business executives have spent the past decade prodding China to reform its stock market so that foreign-owned firms could list and private enterprise could get funding rather than rely on pricey bank loans. State-owned firms have traditionally had better access to the stock markets in China, where the China Securities Regulatory Commission (CSRC) has often been found wanting as an independent regulator. Insider trading has been rife on China's two main exchanges, particularly insider trading by officials benefitting from insider knowledge of listed

government firms.

The latest crisis on China's exchanges (but not the first) could be the trigger for a serious opening up and internationalisation of China's equity markets. The July slump may help realise another goal of foreign investors: the ability to trade freely on China's markets. Foreign investors have been keen to trade shares on the Chinese exchanges but have been limited to quotas. "Letting foreign investors invest and foreign firms list on the exchanges would help improve governance of the markets," explains a Beijing-based British financier who's also worked as an advisor for China's securities regulator. He believes China will now speed up the introduction of short-selling, something long mooted and cautiously trialled by officials who have been slow to act due to fears over an un-experienced local investor base. Officials have also been worried at the impact of short-sellers on dodgy but listed state-owned firms.

Another big question is how the stock market collapse affects China's implementation of an ambitious programme of economic reform – announced in 2013 – which has been sought and welcomed by foreign

business in China. Beijing officials wanted a bull market to get high prices for assets of state owned enterprises set to be privatised.

In a slowing economy, the Beijing government wanted to see the stock market rebooted and used as a source of economic growth. To get the market going, government allowed new IPOs and talked up the market, using state media to encourage punters to put their money into the market by buying shares. This was initially good news for companies, who got to raise money to pay-down debt and to pay for expanding their businesses.

But anyone who studies China's stock markets will not have been surprised by recent events. Valuations of local companies have been generous, to say the least. Chinese companies saw their share prices soar, with price-to-earnings valuations detached from any performance by the companies or the realistic prospects of their particular industries.

This is in part because much of the share-buying was being done not by well-researched brokers but by small-time private players who knew little about the financial fundamentals of the companies or industries they were buying into. In many cases, their share purchases were financed by borrowing, raising the spectre of a wave of bad debts in an economy already over-burdened with bad loans (after the country's state-owned banks were used in recent years to create a giant economic stimulus package through vigorous but often questionable lending).

The short-term future

now looks bleak for China's securities houses, which had looked forward to a spate of new listings by companies hoping to ride the bull markets. Companies that have had the avenue of equity markets closed to them will now have to seek funding elsewhere. The close-off of equity for corporate China will mean less spending by companies and a continuing dependency on bank loans. Larger companies, meanwhile, may seek to list in Hong Kong or overseas exchanges.

Much will depend on what China's government – for so long veering between market reform and intervention – does in response to the stock market bubble in terms of structural reform of the markets. The speed with which the government acted to suspend trading in numerous stocks and to suspend upcoming IPOs shows that they continue to intervene in the markets. The CSRC is not an independent, robust regulator in the sense that the America's Securities and Exchange Commission (SEC) is.

To prevent a recurrence of the latest crisis, there will have to be a deep restructuring of the Chinese financial system, over-dominated by state-owned companies and dodgy insider trading practices. But beyond that, there is cause for optimism. Behind the massive sums lost on China's latest stock market bubble is a strong broader economic picture, notes long-time China watcher and economist, Francesco Sisci: "Behind the rollercoaster ups and downs of the Chinese stock market lies a solid national economy and state, rich in foreign currency reserves and armed with many institutional instruments for intervention."

## SEPTEMBER

*September 4***Tendering Best Practice Workshops: Scotland**

A series of Enterprise Ireland tendering best-practice workshops.

**L:** Edinburgh

**E:** maureen.barry@enterprise-ireland.com

*September 7 to 9***Baltic Ports Market Study Visit**

Market study visit to coincide with BALTEXPO 2015, the Baltic region's main marine, shipbuilding and ports exhibition and conference.

**L:** Gdansk

**E:** mike.hogan@enterprise-ireland.com

*September 9 to 10***UK Low Carbon Vehicle Show –Irish Pavilion**

International Low Carbon Vehicle show at Millbrook Proving Ground, with an Irish Pavilion showcasing Irish capability around automotive, electric vehicle infrastructure and new technologies.

**L:** Millbrook, UK

**E:** seanmichael.long@enterprise-ireland.com

*September 15 to 17***Canada's Outdoor Farm Show**

There will be an Irish Pavilion at the Canada Outdoor Farm Show (COFS) 2015, which is set to attract 750+ exhibitors and over 42,000 visitors this year.

**L:** Woodstock, Ontario

**E:** ciara.halliday@enterprise-ireland.com

*September 15***UK Software & Technology Networking Event**

Networking dinner at the Irish Embassy in London.

**L:** London

**E:** andy.carr@enterprise-ireland.com

*September 15 to 19***Education Europe: EAIE 2015**

EAIE is the biggest international education event in Europe.

**L:** Glasgow

**E:** vivienne.nolan@enterprise-ireland.com

*September 15 and 16***Market Access and Development Workshops**

Part of the Finance 4 Growth series, this workshop will explore the various methods for entering foreign markets, examining the tax and financial implications, benefits and risks of establishing subsidiaries, using agents, acquiring business abroad, etc.

**L:** Cork (15th) and Dublin (16th)

**E:** tom.early@enterprise-ireland.com

*September 21***European Cleantech Showcase for the Food Processing Industry**

Networking & B2B conference, designed to showcase innovative Irish energy and environmental solutions for the European food processing industry.

**L:** Dublin

**E:** ryan.coyne@enterprise-ireland.com

*September 21 to 25***International Markets Week**

Opportunity for clients to meet Enterprise Ireland's overseas market experts and other specialists.

**L:** Tbc

**E:** david.byrne@enterprise-ireland.com

*September 22***US Financial Services & Funds Panel Event**

Mission and trade dinner.

**L:** New York

**E:** rory.griffith@enterprise-ireland.com

*September 22 to 24***Innovation Arena at National Ploughing Championships**

Clients with relevant innovations and inventions are encouraged to apply to enter the Innovation Arena using the website [www.enterprise-ireland.com/innovationarena](http://www.enterprise-ireland.com/innovationarena)

**L:** Ratheniska, Co Laois

**E:** denis.duggan@enterprise-ireland.com

*September 24***Food Innovation Conference**

Food innovation conference.

**L:** Cork

**E:** dorothy.timmons@enterprise-ireland.com

## OCTOBER

*October 1 to 3***US Education: NACAC**

NACAC is the annual conference for High School Counsellors bringing together more than 5,000 secondary and post-secondary college admission counselling professionals.

**L:** San Diego

**E:** karole.egan@enterprise-ireland.com

*October 5***Health IT USA**

Study visit aimed at connecting Health IT companies to decision makers in the US healthcare system.

**L:** Boston

**E:** ronan.kelly@enterprise-ireland.com

*October 5 to 8***MIPCOM 2015**

MIPCOM 2015 is the year's most anticipated global market for entertainment content across all platforms. Each October, the industry's major players converge in Cannes to turn every moment into an opportunity, transforming four days of meetings, screenings and conferences into deals, from blockbuster programming to groundbreaking partnerships.

**L:** Cannes

**E:** damien.mccarney@enterprise-ireland.com

*October 13 to 15***CPHI Worldwide**

Leading event in Europe for the pharmaceutical industry, run in conjunction with ICSE (International Contract Services Expo); P-MEC (Pharmaceutical Machinery & Equipment) and InnoPak (Pharmaceutical Packaging Expo and Conference).

**L:** Madrid

**E:** david.osullivan@enterprise-ireland.com

*October 14***BIM Capability Showcase**

A reception to promote Ireland's world class capability in offsite construction and building information modelling.

**L:** London

**E:** john.hunt@enterprise-ireland.com

*October 14 to 16***China Horse Fair**

Enterprise Ireland will organise an Irish national stand at CHF 2015 China's largest trade exhibition for the professional horse sports and leisure industries.

**L:** Beijing

**E:** xiao.jingyue@enterprise-ireland.com

*October 14***Trade and Investment Mission in Ireland**

Trade and investment mission in Ireland.

**L:** Dublin

**E:** tom.talbot@enterprise-ireland.com

*October 18 to 22***GITEX Technology Week 2015**

Enterprise Ireland will coordinate an Ireland Pavilion at GITEX 2015 expo and trade fair.

**L:** Dubai

**E:** abdull.ali@enterprise-ireland.com

*October 18***Enterprise Software Market Study Visit**

Enterprise software Gulf market study visit.

**L:** Dubai

**E:** alison.tran@enterprise-ireland.com

*October 19***Trade Mission West Africa**

Ministerial led trade mission to West Africa (Nigeria and Ghana), with a strong sectoral focus, including oil and gas; health and life sciences, education services and software for the financial services and telco industries.

**L:** Abuja, Lagos and Accra

**E:** fred.klinkenberg@enterprise-ireland.com

*October 20***Workshop on Limiting the Financial Risk of International Trade**

Part of the Finance 4 Growth series, this workshop will explore how and when to engage with financial institutions to avail of the various methods / financial instruments an exporting SME can use to mitigate risks associated with international trade.

**L:** Galway

**E:** tom.early@enterprise-ireland.com

*October 22***Digital Strategies for International Markets**

Workshop on the strategies and processes needed to identify, reach and retain new customers on the web.

**L:** Dublin

**E:** eoin.osiochru@enterprise-ireland.com

*October 22***CEO Forum**

Jointly sponsored by Enterprise Ireland and Deloitte, the CEO Forum typically attracts an audience of 350-400 senior Irish business people.

**L:** Dublin

**E:** alan.hobbs@enterprise-ireland.com

*October 23 to 25***Salão do Universitário**

Brazilian higher education fair.

**L:** Sao Paulo

**E:** terry.mcparland@enterprise-ireland.com

*October 24***International Dairy Cattle Show, Italy**

Market study visit to the 70th Cremona International Dairy Cattle Show.

**L:** Cremona, Italy

**E:** roberta.digesu@enterprise-ireland.com

*October 24 to November 11***China Education Expo**

Education in Ireland will have a national stand at the China Education Expo (CEE) 2015, the premier Chinese expo for international education. During the CEE 2015, Ireland will take over as the country of honour for CEE 2016.

**L:** Beijing, Shanghai, Chengdu, Guangzhou

**E:** barry.odriscoll@enterprise-ireland.com

*October 28 to 30***NAJAH Higher Education Exhibition**

NAJAH Higher Education Fair will present Ireland's higher education offerings to UAE students who wish to study abroad.

**L:** Abu Dhabi

**E:** terry.mcparland@enterprise-ireland.com

*October 29***Med in Ireland**

International showcase for Irish companies in the medical technologies sector.

**L:** Convention Centre, Dublin

**E:** cepta.duffy@enterprise-ireland.com



# BOOKS ON THE FUTURE

**An eBook platform that started out in a Cork incubation centre is now conquering the publishing world. Ian Campbell looks at how Vearsa – formerly ePubDirect – adds another chapter to the story of successful Irish start-ups.**

If you speak the language of entrepreneurs you will already know about the 'pivot', one of those words that has become synonymous with start-ups as they make their way to market. It's used to describe the moment a firm redirects its strategy to take advantage of a business opportunity that has revealed itself to have more potential than the one that was originally targeted. It can be applied to what Gareth Cuddy did when he founded ePubDirect in 2009, but it would grossly undersell the audaciousness of his move.

A passionate reader with a keen interest in technology, he decided he'd seen the future when his wife bought him an eBook. He subsequently launched one of the first online eBookstores outside of the USA. Way ahead of his time, he found himself in a new digital industry trying to compete with two internet behemoths, Amazon and Apple.

With a background in the leisure and drinks industry, you could argue that the decision to open an eBookstore in the first place was enough of a pivot. Not for Cuddy. "I knew we'd never have the kind of marketing budget we'd need to compete and realised there might be a better opportunity as a middleman," he says. "If you could get a portion of every eBook sale on Amazon, it would be a better long term bet."

So he started ePubDirect as a distribution company to help publishers get their eBooks into marketplaces all over the world. He hired developers and leveraged industry-leading technology

to build a bespoke software-as-a-service business, based around a cloud platform. It also had to facilitate self-service for customers. "One of our remits was that it would be very powerful under the hood, but our customers wouldn't see that. They would reach thousands of customers from one account in one place while we did the heavy lifting in the background," he says.

Cuddy immersed himself in his local IT community, took offices in the Rubicon Incubation Centre on the campus of Cork Institute of Technology. He successfully applied for seed money from the Institute's Genesis programme and Enterprise Ireland's High Potential Start-Up scheme and would go on to raise €4m in investment over the next six years.

**SUCCESSFUL LAUNCH** Launched in 2009, just two years after the first eReaders appeared, and when publishing companies were still working out what to do with digital books, Cuddy caught a big wave and was soon supplying titles to over 1,000 online retailers and 25,000 libraries. When he landed Random House as a customer, one of the biggest publishers in the world, it confirmed his instinct that he was on to something big.

In the years since, staff numbers have grown from three to 26, and the company's footprint has expanded from its headquarters in Cork to offices in London and New York, the publishing capitals of the world. Growing the team has been a strategy in itself. "I started out recruiting people who didn't have a publishing background, because it's such an entrenched

When he landed Random House, one of the biggest publishers in the world, as a customer, he knew he was on to something big.



industry with so much baggage," says Cuddy. "But as we developed, we have recruited publishing expertise, which now accounts for 10–15 per cent of the workforce."

Now with a customer base of nearly 400 publishers in 20 countries, selling books into 193 countries through 70,000 channels, the company has trebled its revenues in each of the last three years. Cuddy claims he has the number one eBook distribution platform outside of North America and the number two inside.

So how did an Irish start-up with no track record become a global leader? Cuddy puts a lot of it down to networking. From day one he was on the book fair circuit, meeting people and taking to podiums to discuss eBooks and a new era of book distribution. Not simply someone trying to sell a service, he worked hard to establish himself as a thought-leader in a nascent industry.

"Far and away the best marketing value has come from talking and knowledge leadership," he says. "When I speak in public, it's content that is genuinely useful. I might mention the company once or twice, but it's all about actionable things they can do to grow their business. People respect that more than someone standing up trying to sell something."

Content marketing has also played a big part, creating campaigns around blogs and email that offer insights into hot industry topics, writing articles for influential websites and leveraging social media to be part of the industry conversation.

It also involves a lot of meetings for Cuddy personally, because publishing is defiantly old school, and people want to get to know you. "New York has been our fastest growing market, but I've only been in two or three boardrooms. All deals are done over lunch or dinner and then a couple of follow-up phone calls."

**NEW BRAND** Cuddy is smart enough to know that business success is a never-ending journey rather than a destination. The company recently changed its name to Vearsa – Gaelic for verse – signalling a new maturity and another shift in direction. "The original name was functional and tied to the process of moving files around – ePub is the format name. We wanted something new that we could use as an umbrella for a brand," he explains.

Under the umbrella are a growing number of analytics products that are helping Vearsa stand out from the crowd.

Publishers used to licensing rather than selling books abroad were getting little help from reports and data that trickled back long after a title was launched. Vearsa gives them hundreds of sales reports and an easy-to-use dashboard that lets them drill down to see how they are performing in different markets.

"By a country mile we have the lead on analytics," says Cuddy. "We're innovating in a very open and traditional sector. It can be hard because you are trying to bring the market along with you, but we have developed a lot of trust and respect over the last couple of years."

There is also a tracking service that collates a variety of data sources to show clients how their books are performing, not just on price and availability but through customer reviews. This is a major step forward for publishers who could easily spend €20,000 on a marketing campaign and have to wait several months to gauge how it's impacted sales. Now they can see the results every day.

"They can see if a campaign is not working, and if they need to tweak it," says Cuddy. "At the moment we are only selling it to the top 40 publishers, watching around three-and-a-half million books a day and charging six figure sums. As the cost comes down, we'll look to sell the service to smaller publishers as well," he says.

A big benefit of the tracker service is that it doesn't have to be sold to existing customers – any eBook publisher can use it, which opens the door to significant new business. It also puts pressure on competitors, many of which are older print companies that have bolted digital tools onto a traditional business. "We have a reputation for top of the line technology," says Cuddy. "We're a technology company first and publisher second. It gives us a nimbleness and advantage over the competition."

With six years of the business behind him, Cuddy is happy to share the lessons learned and offer his take on what it takes to succeed and be disruptive. Staying close to customers and listening is a big one. Hard graft and making sacrifices is another. "I've always kept my salary low and didn't take anything for two years," he says. "And being consistent is important. If you are genuine about what you promise, you will go a long way. Innovation is also important and being prepared to change tact."

He should know. The Vearsa story to date can leave no one in any doubt about Gareth Cuddy's ability to successfully change tact.

#### Key chapters for Vearsa

— 2009 —

Founded as ePubDirect in The Rubicon Incubation Centre, Cork

— 2011 —

Signs with Gill & Macmillan, Ireland's largest publisher and distributor

— 2011 —

Opens UK office

— 2012 —

Signs with Print On Demand Worldwide, one of the UK's leading book distributors

— 2012 —

Advanced eBook analytics package launched

— 2013 —

Appointed by Random House to manage distribution of its eBooks

— 2014 —

Opens New York office

— 2015 —

Changes name to Vearsa

— 2015 —

Tracker service launched

"When I speak in public, I might mention the company once or twice, but it's all about actionable things they can do to grow their business."



From aerospace to pharmaceuticals and agribusiness to online selling, many of France's world leading industries are powered from outside Paris.

# ADIEU PARIS: FRANCE'S REGIONS BECKON BUSINESS



Like ex-pats, exporters seeking out a new home overseas naturally tend to gravitate towards capital cities. But in a large country like France, a Paris-based location not only comes with a higher price tag, it can actually defeat the whole point of 'being on the ground'. That's because, insurance, financial services, luxury goods and tourism aside, many of France's leading industries are at least as likely to be based around one of the regional cities.

As the fifth largest economy in the world – and home to more Fortune 500 companies than any other country in Europe – France is a heavyweight in a whole range of sectors. But from aerospace, defence and power generation to pharmaceuticals, cosmetics, medtech and biotech; agriculture and food processing, most of these industries are powered outside Paris.

### ALL ROADS LEAD TO LILLE

Sinead Lonergan, Enterprise Ireland's manager for France, says her sense is that Irish companies considering their next market move don't always appreciate the country's regional strengths. Her team has been qualifying the French opportunity for Irish companies on a more granular level, starting with Northern France, and in particular the Nord-Pas-de-Calais region. "Over recent months, we are getting a strong sense and feedback from clients that there are good opportunities in a few areas," she told The Market.

The logistics sector is one. The regional capital, Lille, is within 300km of five European capitals – or just three hours by rail.

Also feeding into the region are the Channel Tunnel; Dunkerque, the third largest port in France; and Calais, the fourth largest port in continental Europe, with Le Havre, Antwerp and Rotterdam also close by. Not surprisingly then, Nord-Pas-de-Calais has become a hub for this corner of continental Europe's rail and motor networks and a distribution centre for major companies. According to Nord France Invest, the Lille

area hosts some 8 million square metres of warehouses (8.5 per cent of the national total) and 650,000 cubic metres or 12 per cent by area of France's total cold-storage facilities. "There are good prospects here for any Irish company with a product or service for the logistics industry," Lonergan says.

### E-COMMERCE CENTRAL

As the European birthplace of home shopping, Nord-Pas-de-Calais also evolved to become a French HQ for online retailers.

Sentential is an Irish payment solutions provider, with a cloud payments platform that processes billions of euro every month across 34 European countries. Like most firms targeting the financial services market, its French office is in the heart of Paris. However, Michael McManus-Schouchana, Sentential's Country and Partner Account Manager, admits to spending a lot of his time travelling north. "It is very definitely a nerve centre for e-commerce" he says, "so if you are targeting that business, you need to be there." An empathy for the region's place in France, its proximity to Belgium and its history will help you to understand the mindsets and form relationships there, he adds.

That history includes the battles on the beaches, the devastation and the Nazi occupation of World Wars, and, more recently, a once a vibrant industrial heartland for mining and textiles turned into France's own 'grim north' with higher than average unemployment. It is now a candidate for special regional support from the French Government to encourage FDI, and there are moves underway to boost cultural life. Illustrative of this rebirth, Lille was named European City of Culture in 2004, and the Louvre Lens, a satellite of the Louvre museum in Paris, has being located on the site of a former mine in the northern town of Lens.

### BEATING THE COMPETITION

Competitive Clusters are one of France's initiatives to tap into the potential of its regional strengths. The clusters bring together large and small firms, research laboratories and educational establishments, all working together in a specific region to develop synergies and pursue collaborative, market-oriented research projects. Currently, France has over 70 Competitive Clusters, with more than 6,500 companies on board, including over 800 foreign-owned partners.

Sinead Lonergan believes they offer an ideal platform for Irish companies establishing in France to fast-track access to incubation facilities, industry networks, partnerships with multinationals and even financial support.

The southeast is just one of the hotspots for Competitive Clusters of potential interest to Irish companies. The greater Lyon area, France's second most important industrial region (after Île-de-France), is a major centre for the biotech, pharmaceuticals and medical devices industries.

A Competitive Cluster called Lyon Biopôle is charged with promoting collaboration between local companies and scientific research and training institutions, working in the field of infectious diseases. Established in 2005, its founding members were Sanofi Pasteur, bioMerieux, Merial and BD. Some 154 SMEs have since come on board, targeting

## **NORD-PAS-DE-CALAIS HAS BECOME A HUB FOR THIS CORNER OF CONTINENTAL EUROPE'S PORT, RAIL AND MOTOR NETWORKS AND A DISTRIBUTION CENTRE FOR MAJOR COMPANIES.**

four key areas: human medicines; veterinary medicines; in vitro diagnosis; and medical devices and technologies.

"This centre had huge investment from the government. The goal is to attract companies to Lyon and have them working together to develop a biotech economy in this area," says Benjamin Roussel, a market analyst at Yole Développement, a technology and strategy consulting company headquartered in Lyon.

A centre of excellence in vaccines against diseases like tetanus, typhoid, hepatitis A, polio, measles and rubella, the Marcy L'Etoile facility of Sanofi Pasteur, just west of Lyon's centre, is the largest vaccine production plant in the world. It employs 3,400 staff – 75 per cent in production, 25 per cent in R&D. Other pharma companies with a presence in Lyon include Baxter, Roche and GSK.

The region is also home to the new Cancer Research Centre of Lyon (CRCL) and an International Center for Infectiology Research (CIRI), created by university and research institute partners in 2013.

"Lyon hosts one of the largest collections of biomedical facilities in France, but its costs are less than in Paris. It is less expensive to come here, and office space, for example, will cost less. We also have a huge workforce available, coming from our universities." France has one of the highest levels of graduates and the highest number of science graduates per 1,000 workers in Europe.

## LOOK SOUTH

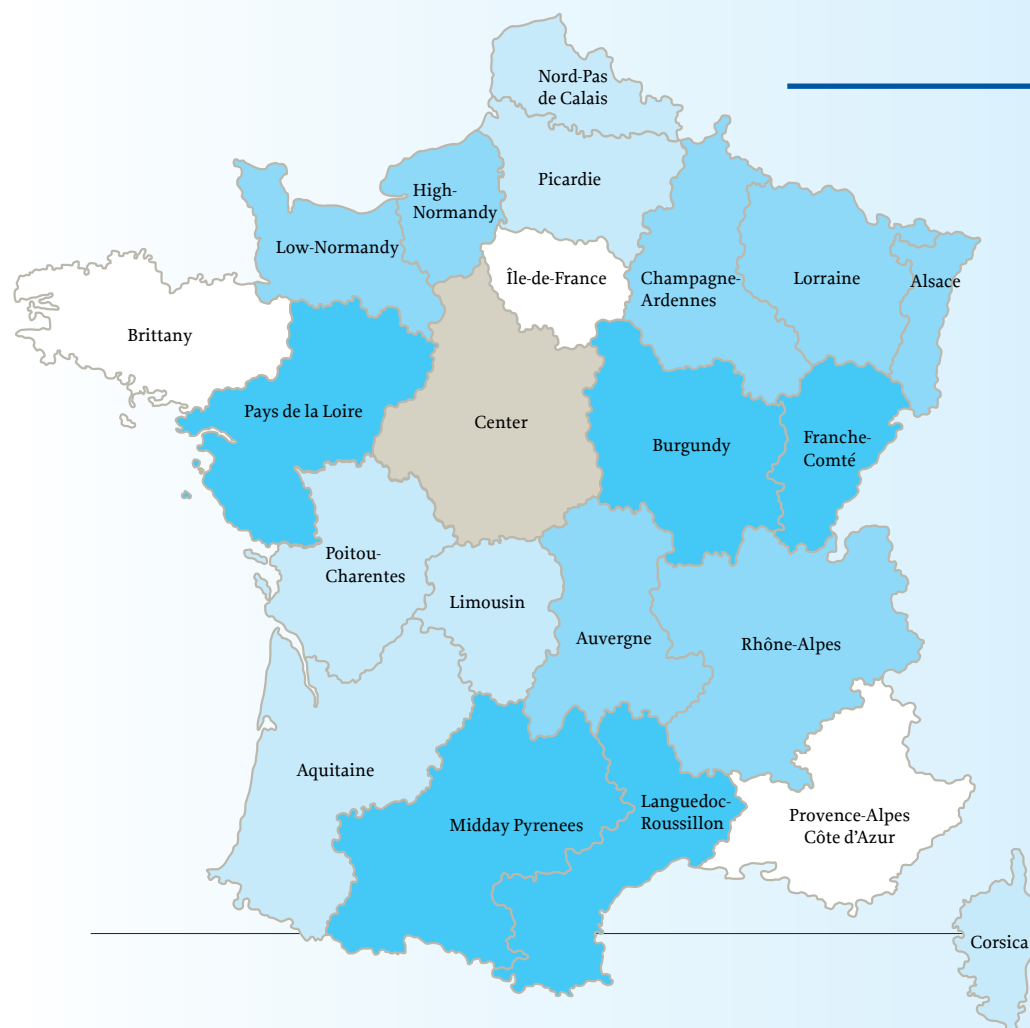
Not far from Lyon, Grenoble is an important focal point for scientific research and high-tech industry. Surrounded by mountains, it is home to around 60,000 students, which make up one in five inhabitants. Its universities and research institutes are strong in magnetism, physics, electronics, maths, IT and biology. "We like to be known as an ecosystem for innovation, and we do really have an entrepreneurial and start-up culture," says Veronique Pequignat at Grenoble-Isere Economic Development Agency. "People here are business oriented and don't hesitate to create startups. We don't have many places in France with this spirit."

Two big employers, which partly owe their origins here, are STMicroelectronics and Schneider Electric. Pequignat says that over 200 startups have been created in the last decade, citing semiconducting Soitec as one example. "Last week, we had five startups, which raised €50 million between them," she says, with one startup, Aledia, alone raising €28 million.

The city's universities and business also participate in European projects and research clusters. "We have some Irish partners, for example the Tyndall Institute in Cork," Pequignat adds.

## Redrawing the map of France

President Hollande's proposals, adopted by French parliament in December 2014, should see France's 22 existing regions redrawn as 13 new super-regions from 2016. The move will see Aquitaine take in Limousin and Poitou-Charentes. Other regions to be joined up include Midi-Pyrenees and Languedoc-Roussillon; Auvergne and Rhone-Alps; Burgundy and France-Comte; Champagne-Ardenne, Lorraine and Alsace; Nord-Pas-de-Calais and Picardy; and upper and Lower Normandy.





Further west, in Midi-Pyrénées, France's largest region, another major French employer, Airbus in Toulouse, marks the heartland of one of Europe's most important aerospace centres. Here the Aerospace Valley cluster has 683 members, with over 500 companies involved, including Airbus, EADS, Air France Industries and Dassault Aviation. The cluster boasts 8,500 researchers and CNES's Toulouse Space Centre, the largest of its kind in Europe. Some of Europe's most important defence, data-processing, robotics and satellite companies also have a presence in the area.

### LIFE IN A SLOWER LANE

Other industrially important French cities include Metz and Strasbourg in the northeast and Bordeaux and Nantes in the west. PSA Peugeot Citroen and Renault between them have a total of 15 automotive production facilities in France, mainly located in the northern half of the country. Brittany is France's main agricultural area, followed by Pays de la Loire, a stronghold for livestock and food processing. The adjacent Centre-Val-de-Loire region, France's

most important in terms of cereal production, has also benefited from the decentralisation of motor vehicle accessory, electronics, pharmaceuticals and cosmetics companies from the Paris area. Meanwhile, Picardy, a rich agricultural area, bookended by Nord-Pas-de-Calais to the north and Île-de-France to the south, has used its position to foster a flourishing food industry.

The pace of life outside the capital can be a little slower, Loneragan says. People are less caught up with traffic and all the hassle of living in a major city; business partners and buyers are more likely to agree to a face-to-face meeting or even a more leisurely business lunch. So if you are not in these regions, you are missing a valuable chance to network. This can be especially important in France, where it can take time to build relationships and trust.

### REGIONAL OVERHAUL

There is another reason why Irish companies should have their eyes on France's regions right now, she adds. An overhaul of the country's regional administrative structure has been on the cards for many years. But in December 2014, President François Hollande got an official green light when his plan to roll the current 22 regions into 13 super-regions was adopted by French parliament. The changes are due to come into effect at the start of 2016.

It's safe to bet that when 22 become 13, the regional competition for FDI will hot up, with the prospects of competitive deals for overseas firms locating in the regions. The larger regions will have greater buying power too, making them more attractive to Irish companies in the public procurement space. For example, in the southwest, Aquitaine, currently administered by Bordeaux, is already one of the largest regions in France. But with the addition of Limousin and, more significantly, Poitou-Charentes, it will become a true super-region. Hollande's consolidation move is primarily aimed at achieving cost savings. But, as with any shake up, it has the potential to displace existing suppliers and open doors for new vendors offering cost efficiencies.

## Making the French connection

France's regions often have their own distinct identity and culture. However, certain rules prevail.

- Relationship building is critical in French business, and it takes time and regular personal contact to build up confidence and trust.
  - Traditional French organisations typically feature a top-down management structure, with clear hierarchies and leaders. You may liaise with several levels of an organisation, involving multiple meetings, before speaking with the person authorised to sign-off on a project.
  - An introduction from a valued contact is often a good first step, as French companies are not culturally open to being prospected. Cold-calling is less accepted than in the UK or US.
  - Long lead times are usual; it may take 18 months or more to land a first sale.
- This is due to two critical factors in French business culture: an aversion to risk and a tendency towards long-term planning. On the upside, once you make a sale or connection, French companies are extremely loyal, and you can maintain a good working relationship for many years.
- When meeting a potential client, it is not enough to say you have worked with so and so. French people respond better to a quantitative value proposition with data showing how your company's offering impacted on a project's profitability or provided costs savings.
  - Competing on price alone is not a tactic that is likely to pay off; it may be seen as undermining the market, and French buyers may view such behaviour negatively.

**Source: Enterprise Ireland's AccessFrance guide**

**THE GREATER LYON AREA, FRANCE'S SECOND MOST IMPORTANT INDUSTRIAL REGION, IS A MAJOR CENTRE FOR THE BIOTECH, PHARMACEUTICALS AND MEDICAL DEVICES INDUSTRIES.**

A man in a grey suit and red striped tie is sitting in front of a monitor. The monitor displays the 'ergo:.' logo in red text on a light blue background. The man is smiling and has his arms crossed.

ergo:.

# YOUNG'S FORMULA

Services have been good to Ergo. In more than 20 years of business, the Dublin-based technology company has grown to more than 200 employees, and revenues exceed €25 million. But products offer the possibility of selling to more customers, anywhere in the world, and generating recurring revenue streams. Ergo has already successfully spun out a product company, Fenargo, a financial software provider employing more than 170 people between offices in Dublin, London, New York, Boston and Sydney. Now FlowForma, a new product from the Ergo stable, is looking to follow the same template.

Gordon Smith reports on the key steps.

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"We have a rule of three. If one customer is looking for something, that's not really a compelling reason to add it. But if three customers are looking for a feature, then that makes a lot of sense."

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## 0 ENTREPRENEURIAL CULTURE

Before anything can happen there must be an openness to ideas like Fenargo and FlowForma, says Neil Young, head of product development with FlowForma. "There's an element of that entrepreneurial culture being in the Ergo business in the first place, and that would come from the CEO," he says. From its services work with Microsoft SharePoint technology, Ergo had spotted a gap in the market when customers requested the ability to make changes to forms and workflow. Young and a colleague, Osvaldo Sousa, took a business case to Ergo CEO John Purdy and the board of management. Having got the all-clear to flesh out their idea, product development began in January 2012.

## 1 LEAN DEVELOPMENT

Rather than spending months or years meticulously crafting a full-featured product, Young worked with the company's product management consultant, who advised using the lean model. This involves creating a minimal viable product that includes only the essential features at the start. This approach gets products to market faster; FlowForma launched in May 2013, less than a year and a half after work started. Crucially, it also reduced start-up costs for Ergo. "We need to think lean. We're a medium-sized organisation in the Irish context, and, in the wider product context, we're a smaller company," says Young. "I'd say for the first 15 months, we would have spent close to €200k, which is very lean. I believe if we had just gone all in at the start, we would have spent €1 million." The team itself was also lean. Some developers were assigned on a full-time basis but other Ergo staff, including Young and Sousa, worked on the project part-time which helped to control costs until the business case was proven.

Two added advantages emerged from using a lean model. One is that FlowForma's people could better understand the issues their potential customers faced. "Because we have a lean background, we're talking with customers about process improvements, so it fits hand in glove," Young explains. Restricting the product to a compact, strictly defined set of features also avoids providing customers with capabilities they neither wanted nor needed. "We purposely didn't put all the features in, and we discovered that there are a lot of products with features that people don't use. They don't want a hammer to crack a nut," he adds.

## 2 MARKET RESEARCH

In parallel with early product development, the team commissioned market research to identify an audience and refine the product to suit that audience's needs. This is also part of the lean methodology.

Supported by Enterprise Ireland's Market Access Grant, Ergo used an independent market research company, which polled 252 heads of IT functions across four market segments in the UK – manufacturing, financial services, health-care and education. "This wasn't a lead generation activity, it was market research. We were very clear about that. We worked with them. We had a prototype, and we produced a short video to show the product. On average, the response was 90 per cent thought this would be viable in their organisation," says Young. He believes that cycle of proof of concept, market research and minimum viable product produces good results. "All of that will inform you whether you have something or not. You're very conscious of some people internally in the organisation saying 'it's a great idea', but you have to have external validation," he says.

## 3 BOARD OVERSIGHT

After the initial high-level pitch came a more detailed business case, and once the project started, there were monthly reviews with Ergo's board of management. These could be nervy affairs, but they were also an invaluable chance to tap into the board's previous experience, says Young. "During those first 15 months, there was always a question, 'do we kill the project?' and that's a tough question. That's why we took the steps we took, to make sure we all believed in it. There were definitely learnings that the CEO and CFO knew from Fenargo and brought to the table with this venture." One of those more recent moves involved putting dedicated FlowForma staff on the ground in the UK market at an early stage – which happened faster than it did with Fenargo.

## 4 EXTERNAL VALIDATION

Next came a testing phase. Ergo targeted a beta group of three customers, with whom it had strong relationships, and asked them to test the product and give feedback. "One rule of thumb we have is a rule of three. If one customer is looking for something that's not really a compelling reason to add it. If it's a very custom feature and not a product feature, we now have a layer to deal with that. But if three customers



are looking for a feature, then that makes a lot of sense," says Young. He sums up the philosophy as "always be willing to change and always be open. You've got to take external views, and you need some way of filtering all that, but the ability to change and adapt is very important."

Enterprise Ireland's Innovate for Growth programme exposed the company to open innovation techniques, and one of the concepts it promotes is 'zero distance' between customers and partners. FlowForma invites them to contribute suggestions for features they would like to see in the product by choosing from a list. FlowForma BPM grew organically, and each subsequent release of the product has included elements that were voted on by partners and customers. "By getting that consensus on what the feature set should be, it completely shifted the roadmap. I don't believe you have a product if you don't have a roadmap," says Young.

## 5 COMPETITIVE DIFFERENTIATION

Ergo's familiarity with the SharePoint market meant that it already had a good sense of where potential competitors might be. Armed with this knowledge, its approach has been to occupy brand new territory – what's known in product marketing terms as a 'blue ocean strategy'. "Red ocean is where the me-too products are. You're looking for a space where nobody is in. It's about constantly looking at that, reinforcing that and making sure your roadmap is addressing that," says Young.

## 6 BUILDING THE TEAM

Though part of a larger organisation, FlowForma has a very clearly defined identity. It has 20 staff, eight of which exclusively work on R&D. It's treated as a separate strategic business unit with its own pre-sales consultant and marketing functions. This helps because Young believes working in a product-focused company calls for a different mindset. "It's fair to say that you can't go and spin out your own culture when you're a division of a larger organisation. We're aware that product companies work a different way. In a services business, you're working on projects, and you don't have an R&D development team to cover for. It's a different beast."

## 7 CHANNEL STRATEGY

With interest developing in the UK, the next step was to engage with consultants McDonald Butler, a UK-based sales and marketing agency

recommended by Enterprise Ireland. At a workshop with the firm, Ergo mulled over the decision to sell directly or via partners. Young admits a service company's natural inclination is go direct, so it's another way in which a product company needs to develop a different culture to its parent's. The Irish market isn't large enough to support segmentation, but working with partners was the best option for a much larger market like the UK, he believes. FlowForma attended the SharePoint Evolution conference in April and 30 leads resulted, all of which were passed back to the partner network. Young says this is a fairer approach. "Partners have to trust you. We're seeing the fruits of that by putting a lot of effort in the channel. It's tough, because we could go direct in to customers and close deals quickly, and the partners can have a different culture, and it can be a longer wait, but we can see the benefits of it now."

McDonald Butler carried out 30 calls, 10 profiles and held meetings with potential partners in the UK. One of the partners identified by this exercise was providing technology consultancy to the NHS and had been looking for the kind of product FlowForma could offer. One month after initial meetings, they began working together. By October 2013, with the UK health-care market looking promising, FlowForma moved quickly to appoint a UK-based channel manager, who was in place by January 2014. This was another lesson from Fenargo, says Young.

## 8 COMPANY SPINOUT

For now, FlowForma remains in the Ergo stable but it has its own dedicated team, a separately branded website, and a spinout is planned for either 2016 or 2017. In its most recent financial year to March 2015, FlowForma had grown 400 per cent year-on-year in terms of customers. More than 47,000 health administrators in the UK use it for submitting leave requests, expense claims and performance reviews, generating a profit of close to €1 million. "This year, we're looking to double again. Our target for this year is 70 new customers between the UK partner network and Ireland, and that seems achievable," says Young. "You shift from doing all the right things at the start; now the rubber hits the road. There's definitely pressure around sales. The hard work never ends."

*Enterprise Ireland works with Fenargo and has supported FlowForma's development.*

# HITTING IT BIG IN THE BIG APPLE

**Having established in the UK, launching in the US was the next logical step for software start-up Initiafy. Its two founders share some of the lessons they've already learned with John Stanley.**

After a number of years working in construction, mainly overseas, Séan Fennell returned to Ireland some six years ago to join a company specialising in health and safety and online learning. There he met his future business partner, Julie Currid.

"We both saw the same problem repeated, over and over again," Fennell recalls. "Using conventional approaches, organisations struggled when they tried to induct a large number of contractors or temporary staff in a short space of time."

So in April 2012, the two took the plunge, setting up Induction Manager (since rebranded as Initiafy) to provide an online 'employee onboarding' tool. This enables organisations to pre-induct employees online before they arrive for work. "We saw the opportunity to improve day one for the frequently overlooked workforce – contractors, temp staff, seasonal workers – and even for visitors," Currid says.

"Instead of arriving at the job not knowing what to expect and with little, if any, knowledge of their employer's culture, we believed we could create a process that meant they arrived feeling confident, safe and ready to begin work. What we've developed does that, with the added bonus of giving the employer verifiable information on the certified skills and qualifications of each new staff member."

Platform development was outsourced to a software company with offices in Ireland and Poland, and, within eight weeks, they had the designs they needed to begin selling. Their initial focus was on chasing the potential reference sites they would need to gain credibility and to stimulate investor interest.

"Traction is the new IP," Fennell says. "Our target market is medium to large companies so, while we do have some Irish customers, we put a huge amount of effort into the UK from the outset."

Within 18 months, they had recruited over 30 customers,

including such high profile ones as Pfizer and British Gas. Adobe adopted it for all its inductions in the Middle East and Europe while Sodexo, ranked fifth in *Fortune* magazine's list of 'Most Admired Companies', used it to induct thousands of event contractors for Royal Ascot Week.

On the back of this success, the founders raised €400,000 in October 2013 from Enterprise Ireland, private investors and the Cork-based Boole Investment Syndicate. This seed funding allowed it to move into an office in Dublin's Temple Bar, hire its first staff and begin to drive revenues. Recently refined into three different offerings, each level providing enhanced functionality, the software remains at core the same platform meeting the same fundamental need. The company and the product have also been rebranded to overcome a cultural problem in the US market, which does not use the word 'induction' in an employment context.

Initiafy is essentially a 'white label' software platform that the client company can brand as its own. There is an annual licence fee and three different service levels, which, in Ireland, are priced between €12 and €16.80 per inducted member of staff. The two higher levels include such functionality as embedded test questions, photo and document control and automatic assignment of refresher courses.

The founders began looking seriously at the US market last year. In November 2014, they raised €1 million from ACT Venture Capital, Delta Partners and the well-known Irish businessman Leslie Buckley. This stage-two funding paved the way for the recruitment of a vice president of global sales and the opening of a New York office.

"We got some initial stage orders to validate our US growth plans, and 50 per cent of our business in Q1 this year came from the US," Fennell says. "Deal sizes are so much bigger there, and it's English speaking. It's a natural step for a software company such as ours to go from the UK to the US."

**START-UP LESSONS****Séan Fennell:**  
**Avoid unnecessary travel**

*"We spent two to three days a week knocking on doors in the UK before we figured out we didn't need to travel anything like as much as we were. This product sells equally well through the web and by phone. Now we're convinced of the value of social networking, primarily LinkedIn and Twitter, to create brand awareness and stimulate new business enquiries."*

**START-UP LESSONS****Julie Currid:**  
**Know your market**

*"Be involved, attend events, be aware of trends and anything that could affect your customers, such as pending new legislation. It's all an essential part of keeping on top of your business."*





## STAGE-TWO FUNDING PAVED THE WAY FOR THE RECRUITMENT OF A VICE PRESIDENT OF GLOBAL SALES AND THE OPENING OF A NEW YORK OFFICE.

Having started out in an Enterprise Ireland incubation space in the New York office, Initiafy found WeWork, a company that provides office space in 14 different locations in that city as well as in other cities around the world. "There's a strong collaborative culture within WeWork; it's more like a community, and there's huge flexibility – you can choose the amount of space you need and switch between locations from month to month. It's a little more expensive than Regus, for example, but the benefits are absolutely huge," Currid enthuses.

One lesson from the first fundraising was that they hired too slow, she adds, which meant the full impact of those hires was not reflected in the second round valuation of the company. "So we hired our first three sales people a month before the second round funding, which was needed to pay their salaries, actually arrived. It was very much a bootstrapping approach, but effective."

"We wanted people who would hit the ground running in the US. We felt that experienced US sales people might be more assertive than we're used to here in Ireland, but in the US environment that's what would be expected. Given the nature of our product, we looked for people who are as methodical and structured as they are good communicators. The results to date vindicate our decision to hire US people to sell to US customers."

In other respects, the company has been successful in replicating its original ethos state side. "We've managed to bring across the culture we have in Ireland to the US. Wherever they are, everyone's involved in our sales meetings which are held on Google Hangouts. We also run competitions and celebrations across the group. We do everything we can to eliminate geographical barriers between team members."

The platform, the business model and the founders all impress Enterprise Ireland's New York-based Senior Vice President for Trade Development, Aidan Hayes. "They're

developing the product to provide what are, in effect, bespoke solutions – for example, by adding technology to streamline verification of qualifications and extra languages like Spanish – but they are not trying to impose their product on the market," he says. "They're being extremely innovative and agile, adapting quickly to get ahead of the curve. There's a huge amount of energy in the company, and they are moving fast in a space with huge opportunity."

Fennell says that "As we build and develop out the product, we do need to continue to improve it, and we are investing a lot in R&D – and doing a lot of listening to our customers. We have plans for exciting further developments but they are all within the existing platform. There's no unique custom building involved."

Today Initiafy employs 20 staff in Ireland and six in the US and focuses mainly, although not exclusively, on 'hard hat' industries such as construction, mining, and oil and gas. It has customers in Canada and Africa, a team of three sales people focused full time on the Middle East and is also targeting the Netherlands.

Customers include such well-known companies as Hasbro, Balfour Beatty, Dyno Nobel, African Minerals, Rothschild, North American Construction Group and DPS Global.

The big focus is on the US where, Currid points out, there has been a strong shift since 1999 to the use of 'contingency workers', largely as a result of the recession. Using strong reference sites, including a \$5 billion construction company, Initiafy is currently selling hard in four states on the East Coast. "Our growth in the US has been surprisingly quick," she admits. "Now we want to own that market by getting in front of as many prospects as quickly as we can."

Currid says she's experienced two big milestones so far. "The first was when we received our first order that was not the result of a face-to-face pitch. The second was last month when we landed our biggest ever order, and I'd never even heard the name mentioned until then. That told me, more than anything, that a founder's involvement is no longer essential, and that the company is now clearly scalable."

**"WE FELT THAT EXPERIENCED  
US SALES PEOPLE MIGHT BE  
MORE ASSERTIVE THAN WE'RE  
USED TO HERE IN IRELAND.  
THE RESULTS TO DATE  
VINDICATE OUR DECISION TO  
HIRE US PEOPLE TO SELL TO  
US CUSTOMERS."**



# Exporters eye up East Africa

As East Africa takes a march on Russia's energy lead, the region's traditional two-tier economies, comprising a wealthy few and large numbers in poverty, are making way to accommodate a growing middle class, with attendant opportunities in infrastructure, technology, education, financial services and, of course, oil and gas. Gordon Smith talks to some of the Irish already in the market.

# Super

**“THEY’RE DELIVERING EXACTLY WHAT THEY SAID THEY WOULD DELIVER IN A VERY COMPETITIVE MARKET, BUT A VERY STRONG MARKET. I GET REGULAR FEEDBACK AND QUOTATIONS FROM THE SALES TEAM, SO I KNOW THEY’RE PROACTIVE.”**

**MICHAEL MCKIERNAN**  
MENA GENERAL MANAGER,  
LED GROUP



Bottles of Jameson whiskey adorn billboards throughout Nairobi with the tagline ‘Made in Dublin, enjoyed in Nairobi’, prompting the impression that Kenyans know more about Ireland than vice versa.

Seasoned business travellers say you can always tell an economy that’s transitioning to high-growth by the time it takes to get from the airport to the capital city. With the 15km trip from Jomo Kenyatta terminal to downtown Nairobi taking up to three hours, it’s a fair sign of Kenya’s current status. The anecdotal evidence is supported by more reliable indicators: the Economist Intelligence Unit forecasts Kenyan GDP will grow to 5.7 per cent during 2015 and will stay strong for the next three years thanks to infrastructure investment and rising household spending.

As East Africa’s financial and technological hub, Kenya predominates but Uganda, Tanzania and Ethiopia all show promise. In Uganda, the EIU predicts the start of oil production in 2018–19 will bring GDP gushing to 12 per cent. Tanzania is currently planning its debut bond sale, which could bring in up to \$1 billion, as the country plans for gas-fuelled growth. The International Energy Agency claims sub-Saharan Africa will overtake Russia as the world’s leading source of natural gas by 2040. Ethiopia is expected to be among the 20 fastest growing global economies this year. And bilateral trade with Ireland is expected to be boosted as the signing of a double taxation agreement between the two nations last year comes into effect. This June, direct flights by Ethiopian Airlines will connect Dublin and Addis Ababa.

## **RIISING CONSUMPTION**

The region’s demographics are shifting significantly. Traditionally two-tier economies, comprising a wealthy few and large numbers in poverty, are changing to accommodate a growing middle class. Last year, the African Development Bank ranked a quarter of East Africa’s population as middle class, which it classifies as having daily disposable income of €15.

Bottles of Jameson whiskey adorn billboards throughout Nairobi with the tagline ‘Made in Dublin, enjoyed in Nairobi’, prompting the impression that Kenyans know more about Ireland than vice versa. “Our biggest barrier to growth is the lack of awareness in Ireland of the trading opportunity,” confirms Fred Klinkenberg, country manager at EI’s Johannesburg office. “We’re working in a continent that is transforming from one of aid and need of assistance to one of opportunity.”

Savvy Irish exporters are already exploring this opportunity, with trade from Ireland growing at 20 per cent per annum, says Klinkenberg. Current sales from EI client companies to sub-Saharan Africa are €550 million, set to rise to €1 billion by 2018.

## **ROUTES TO MARKET**

Around 60 Irish-owned companies now have local offices in sub-Saharan Africa. Enterprise Ireland has 300 client companies exporting to the region, and last year, 25 of these opened new offices locally. For those without the resources



**“DEFINITELY, EAST AFRICA IS THE FOCUS FOR US. LAST YEAR, KENYA BECAME OUR LARGEST MARKET IN SUB-SAHARAN AFRICA, OVERTAKING SOUTH AFRICA”**

**DANIEL PALMER**  
ICDL INTERNATIONAL  
DEVELOPMENT MANAGER



to take this step, in-market representation is essential. The lighting technology company LED Group ROBUS works with carefully vetted local distributors in Africa. Last year, Vishelectric, a Kenyan distributor, approached LED Group about taking on its product range, just as the Irish group had commissioned research into the market from an in-market consultant, and one of the recommended names on the list of potential distributors was Vishelectric. It has showrooms in Mombasa and Nairobi and sales networks in Tanzania, Uganda and Ethiopia.

“By this arrangement, we’re just physically selling the product to Vish, and we haven’t got any other infrastructure or any other liability. If we’d put a robus branch into these regions, it opens up a different mindset – we’d have to pay for warehousing and local taxes. We felt the best way was to get a reputable, long-standing company as a distributor,” says Michael McKiernan, MENA general manager for LED Group.

LED Group never offers account facilities to distributors in any market, instead trading only on cash up front. McKiernan visited Kenya last year, which he says was essential to establishing the relationship with Vishelectric, which he maintains through meetings in the UK, and regular conference calls via Skype. “They’re delivering exactly what they said they would deliver in a very competitive market, but a very strong market. I get regular feedback and quotations from the sales team, so I know they’re proactive.”

Veterinary health company Bimeda has sold to Africa via distributors since the 1960s, but Ronan Smith, the firm’s CEO for Africa, Middle East and Asia, says this model has a “limited lifespan”. “Local distributors are sourcing products from China and India. As a European manufacturer, if you want to make your margin, and the importer and local distributors and shops want to make their margin, then you’re looking at very expensive products. And a lot of the less expensive products like wormers and pesticides are now being made locally.”

In 2011, the opportunity arose for Bimeda to acquire its Kenyan distributor Assia Pharmaceuticals. Now it is the Irish company’s East African headquarters, where it also produces some of its less technical product lines. Employing 120 people throughout East Africa, Bimeda also has offices in Uganda and Zambia and is setting up an operation in Tanzania with the Ethiopian market also planned. Smith says the decision to stay and gain a more permanent presence was vindicated by fivefold revenue growth in less than four years.

#### **PRESENCE VS PARTNERS**

The ICDL Foundation also set up a local office, forming a directly owned subsidiary in Rwanda last year, having previously managed the market remotely from offices in Dublin and Cape Town. “Definitely, East Africa is the focus for us. Last year, Kenya became our largest market in sub-Saharan Africa, overtaking South Africa,”

“We’re working in a continent that is transforming from one of aid and need of assistance to one of opportunity.”



## Tips for doing business in East Africa

**Visit in person:** African business culture places a lot of emphasis on face-to-face contact, especially at the start of a business relationship. Visiting the market in person, as regularly as possible, helps to establish that you are serious about the market

**Plan your trip:** Getting good intelligence on the ground can be vital to making a good start. Talk to other Irish companies already active there, or contact Enterprise Ireland or the relevant Irish embassy. There are also Irish-focused business networks in Kenya and Tanzania. Enterprise Ireland can connect you with locally based consultants who can arrange meetings with potential partners or customers for when you intend to travel

**Book a driver in advance:** As the road infrastructure races to catch up with the pace of

economic development, traffic in many parts of East Africa can be unpredictable. Arrange to be collected from the airport and use a driver to bring you to your various meetings

**Unblock your credit card:** Some Irish banks block cards transactions when they originate in Africa, which could mean your payment is refused when settling a meal or hotel bill. Call your bank in advance to ensure your card will be accepted

**Be patient:** Some Irish companies have encountered corruption in public administration, where money is sought in exchange for speeding up the time to process applications or issue certain permits. Refuse any approach of this nature, but be aware that it could result in delays getting started in the market.

says international development manager Daniel Palmer.

Palmer set up the foundation's office in Singapore – which regularly ranks as one of the easiest countries in the world to do business – and he says his experience in Rwanda compared favourably. “From a corporate point of view, being able to do things out of Rwanda is feasible. The process of setting up the company was a pleasant surprise. It was mostly online and was pretty straightforward.”

Palmer says ICDL has had a positive experience in finding good partners to work with, but he emphasises that prior research is vital. “Choosing a partner is probably the single most important decision to make, so there's no benefit to rushing because you think you'll miss out. There's a world of pain in trying to reverse out of a bad decision or a badly performing partner. Don't be bounced into something on the basis of being told there's some opportunity waiting around the corner,” he advises.

Michael Galvin, International Marketing Officer for Africa with Griffith College, says local partners are important for handling follow-up queries after an initial presentation to potential customers. “Some representatives are very professional and have excellent facilities and support structures in place. However, it can take time to identify suitable partners,” he agrees. “To safeguard our brand to ensure we work with only reputable entities, we have our own due-diligence processes that we undertake on

**“SOME REPRESENTATIVES ARE VERY PROFESSIONAL AND HAVE EXCELLENT FACILITIES AND SUPPORT STRUCTURES IN PLACE. HOWEVER, IT CAN TAKE TIME TO IDENTIFY SUITABLE PARTNERS”**

**MICHAEL GALVIN** INTERNATIONAL MARKETING OFFICER  
FOR AFRICA, GRIFFITH COLLEGE



any new contact, regardless of whether it is an individual, company or academic partner. This process includes reference checks and physical site visits to review infrastructure, meet staff and so on."

#### **PERSONAL APPEARANCE**

For cultural reasons, Galvin advises Irish organisations to visit in person as often as possible. "In Africa, they have a lot of mobile phones, and social media use is growing, but the culture is still that they want to meet you, talk to you and take a brochure. In our case, the parents might want to meet you as well, so we try and have a parents' night. You can't go just once a year; it doesn't work," he says.

The plus sides are a strong affinity with Ireland and informal approach. "People are friendly; they have a lot of similar values to Irish people. They are exceptionally welcoming, and some of the countries can be easy to do business in. It can be easy to get appointments," says Galvin.

Martin Dolan, CEO of banking software provider CR2, agrees. "You'd see the chief executive of a very large African bank a lot easier than you would the chief executive of a large Irish bank. They see the opportunity to meet the executives from the company promoting the technology as an opportunity to listen and learn. But it's a double-edged sword: if you don't have any value to add, you won't meet them again!"

However, the pace of doing business can be slower, and companies should temper their expectations. "For us, I think it's more a two- to three-year point in the future to look at returns," Galvin says. Dolan agrees, noting "significant potential" in those markets but cautioning that it takes time. "I think there are overestimates of how vibrant the market is. I think the vibrancy will come, but over an extended period. I think the timeframe for growth is often incorrect."

CR2 has had a presence in Africa since 2000 and is active in Kenya, Ethiopia, Uganda, Burundi and Tanzania. "We ourselves have invested huge amounts in infrastructure, and it's only paying off now. Any company that thinks it will do a one- or two-year stint will only start to get traction at the end of that period."

Meanwhile, Ronan Smith of Bimeda advises a targeted approach. "You've got to treat each market differently. For example, for us, poultry is a very small market in Kenya but a big market in Uganda where it's commercial and industrialised, so a totally different model is needed."

"As much as everybody says 'Africa' – and it's quick to say – every country is different, and regions within the countries are different too. We do business in three countries, and our strategy has subtle differences in each one. There's no one rule that works. It's about route to market, it's the strategy, it's how you present your products."

#### **Enterprise Ireland's hub and spoke approach**

Since 2012, Enterprise Ireland's presence in Africa has grown from one office in Johannesburg to a structure covering three distinct regions: Namibia, Botswana and South Africa in the south, Nigeria and Ghana in West Africa and, more recently East Africa, comprising Kenya, Tanzania, Uganda and Ethiopia. "With 54 countries in Africa, there is a challenge for Irish companies in terms of where to go, and that's why we have developed this 'hub and spoke' around the three zones," says Fred Klinkenberg, manager of the Johannesburg office.

For clients interested in East Africa, Enterprise Ireland offers guidance in the form of customised market research, partner-search services and itinerary planning for market visits. "We follow a very strong proactive approach in sectors where we see growth such as telecommunications, oil and gas, construction and engineering, and financial software and services," says Klinkenberg.



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# **SURVIVAL: IT'S ALL ABOUT ADAPTABILITY**

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**What Darwin postulated about living species turns out to be also true of companies, according to research on Irish SMEs by Charles O'Reilly, professor of organisational behaviour at Stanford University. In interview with Donal Nugent, he advises on how leaders can seed that culture of adaptability in their organisations.**

**T**here has always been a certain appeal in viewing organisations as living organisms – investing them with the capacity to grow, change and adapt over time. The irony of such thinking is that it omits the one universal of life that most of us prefer not to dwell on: mortality. The uncomfortable truth is that not only do organisations have lifespans but the evidence points to them having become radically shorter over the course of the last few decades.

“Some data suggests that about 50 years ago, the average life expectancy of companies in the Standard & Poor's 500 was 90 years; today, it's 12 years.” So observes Charles O'Reilly, professor of organisational behaviour at Stanford University. A frequent visitor to Ireland in recent years, O'Reilly has worked closely with Enterprise Ireland on a number of education programmes and was in Dublin to share some research and insights on business culture with Irish SMEs.

Having studied the organisational behaviour of large companies up close since the early 1970s (he received a PhD in the field in 1975), O'Reilly has paid close attention to the trends and dynamics driving the technology sector in particular, and he believes that business culture plays a key role in separating the winners from the losers. While a shortening lifespan may be an almost inevitable outcome of intense competition and disruptive technologies, O'Reilly argues that the actions that leadership takes to address these challenges, particularly with regard to the ‘adaptability’ they show in their business culture, can make all

the difference in whether a business will move from one wave of success to the next.

This thinking has informed his research with Irish SMEs, and, O'Reilly says, the findings here confirm the thesis that strong business cultures equate to strong business growth. “We collected data from 60 smaller companies working with Enterprise Ireland and looked at their revenue growth from 2010 to 2014. What we found is that companies with strong, strategically aligned cultures are, in terms of revenue, growing at three times the rate of those that don't have strong strategically aligned cultures.”

**RISE AND FALL** The history of the technology sector is, of course, littered with stories of giants that stumbled from success to obsolescence through a few wrong turns and missed cues. The fate of those who refuse to see what is staring them in the face is no better exemplified than by the case of Kodak. “In 1993, Kodak and its then rival Fujifilm were almost identical in terms of size,” O'Reilly says. “Fujifilm, however, could see its market was starting to go into decline and began to ask itself what its core capability was and how it could apply that elsewhere. The answer was surface chemistry, and that company is now a \$23bn corporation active in healthcare and functional materials. For Kodak, even though it had developed the first digital camera, the idea that it would make money from anything other than film was anathema to it, and it is, today, a bankrupt firm that's probably going to disappear in the next five years.”

Unless the culture promotes adaptability, where you are actively preparing for future transitions and shifts, your business's success is entirely contingent on the current technology or product curve it is following.



The simple but stark lesson for every company, big or small, O'Reilly argues, is in the need to pay close attention to your business culture: unless it promotes adaptability, where you are actively preparing for future transitions and shifts, your business's success is entirely contingent on the current technology or product curve it is following.

Indeed, the fact that not all companies succumb to Kodak's fate, while sometimes coming perilously close – Apple and IBM offer some pertinent examples – shows not only that major transitions are possible where the right actions are taken, but that they can only happen where they are a cultural priority for the company. A key sign of adaptability flourishing within a business is, O'Reilly says, the development of 'organisational ambidexterity', that is where an organisation is able to do two contradictory things at the same time: "One goal is to exploit existing assets and capabilities and to grow with a particular business model; the other is to explore, to look *ex ante* at where the company might take its assets and capabilities, and apply them in non-core businesses."

SMEs, by their nature, find it easier than larger companies to change course and follow new opportunities, but does this mean they possess the inherent adaptability that is required to survive and grow?

"Because of their size, SMEs can pivot and adapt more easily than large companies, and changes can be implemented much more rapidly," O'Reilly agrees. "But here's the problem: once an organisation finds a product-market fit and begins to grow, what

often happens is that management becomes much more concerned with scaling the business, operational details and infrastructure. They tend not to think about organisational culture at this point. But then, when the world begins to change, the very culture that has made them successful can become inertia and hold them hostage to the past."

For any business confronting the intense pace of change of the tech sector, organisational ambidexterity is, he feels, not a 'nice to have' but a core dimension of its strategy. "You've got to be successful in your mature business, whatever that is, and that's all about incremental improvements, staying close to customers and driving cost out, but you also have to be able to explore into the future and look at where you will find new business streams."

**SIGNALS FROM THE TOP** For senior managers who believe that creating the right business culture is a job for their human resources department, O'Reilly encourages them to think again. The most important element of any business culture is the signalling that emanates from the very top, he says, and, like it or not, workforces are highly tuned into what is being broadcast. "If a company views its culture as a HR concern, then I think it is not likely to be successful in implementing it effectively. Culture is essentially a social control system that operates in an organisation. If I come to work and want to do a good job, it's very important that I figure out how to behave to be successful. The senior leadership team are signal givers for this."

"If you ask managers whether they think culture might be important for their firm's success, 90 per cent will say yes. But when you ask them what culture is, many don't have a good handle on it."





**DIFFERENT STROKES** O'Reilly has identified four key levers to creating the right business culture, which he says can help ensure companies adapt and flourish in the long term (see panel). He believes that successful companies can be measured in terms of how these levers operate; however, this doesn't mean that all successful companies will exhibit the same kind of culture. What's important is that the culture is aligned with the business's overall strategy: "When these four levers are used and are embedded in HR systems, in the selection, training and performance management systems, that's when you start to get these very consistently strong sets of information, and that's when culture really starts to drive business." He offers two competitors, FedEx and UPS, as examples of companies with strong cultures demonstrated in different ways. "FedEx is more people-oriented and innovative, while UPS has a very much 'top down, measure everything' approach to business. There's no one right culture. The key thing, if a company is going to be successful in the face of change, is that it has to show adaptability."

**IRISH ADVANTAGES** Having looked closely at Irish SMEs in his research, O'Reilly has identified a number of features that lend them to having strong cultures of adaptability and ambidexterity. These include the fact that Irish companies tend to be more global in their outlook than equivalent US companies from their earliest days. "They also tend to be headed by managers a little bit older and more experienced in management. Many of the smaller high-tech companies in Silicon Valley are headed by people who are brilliant technologists but not necessarily great managers, so they often scale and then get into trouble for that reason. I think having managers that are a bit more experienced potentially gives Irish companies a bit of an advantage."

O'Reilly says he understands that talk of culture can seem abstract and removed from day-to-day concerns; however, the research speaks for itself. "Around the world, if you ask managers whether they think culture might be important for their firm's success, 90 per cent will say yes. But when you push them and ask what culture is, many don't have a good handle on it. One of the things I have seen Irish companies take away through my work here, especially the CFOs, is this notion that culture is a social control system that can be managed and aligned to strategy just like financial metrics and performance metrics. It comes basically from very strong sets of information that say: This is how we need you to behave and, by the way, if you behave this way you will be rewarded, promoted and become a person of status."

### The four key levers to creating a culture of adaptability

#### 1. Signalling from senior management:

Senior managers have an important role in actively and consistently sending messages about what is really important to the business.

#### 2. Getting people involved:

When people are involved, when they are listened to, when their opinions are asked for, they have a sense of ownership over what they do.


#### 3. Having very clear illustrations about what's important to a company:

"If you look at very strongly cultured companies, they are 'vivid'. They are very good at using images to illustrate what their culture is," O'Reilly explains.

#### 4. Rewarding desired behaviour and recognising that this has far more to do with honouring employees than increasing financial remuneration:

"I think we who teach in business schools sometimes over emphasise the importance of money," O'Reilly explains. "We all want to be paid equitably, but if you look at why people leave a job, it is usually to do with a bad boss, or not being valued or not getting challenging work, so non-monetary incentives are exceedingly powerful. They require time and attention, but they don't cost anything to implement and, when you show an employee that you honour people in the business for doing something extraordinary, that is a really strong signal of what's important to the company."

**For sales managers, it's a case of being careful what you wish for as these cautionary tales from Tony Bourke illustrate.**



# WARNING: INCENTIVISE WITH CARE!

Incentivising salespeople is a tricky process and needs to be carefully planned or it can backfire badly.

**Story 1.** A company had a team of seven salespeople, all in their thirties. They were each expected to achieve their annual sales target. As an incentive, they were offered a week-long trip to the Bahamas if they achieved 110 per cent of their target. As a further incentive, if they achieved 120 per cent of target, they could also bring their partner on the trip. To management's frustration, the salespeople all strove to achieve 110 per cent of target and then abruptly stopped selling. They did not want to bring their partners on the trip. The incentive fired and then backfired.

**Story 2.** A company realised that its salesforce was offering very large discounts to customers. The MD called the salesforce together and berated them for such heavy discounting. He warned that he personally would be reviewing every order, and that he did not want to see any more unnecessary discounting.

Once the meeting was over, the salesforce ignored the warning and continued on their merry way of providing generous discounts. The reason was that they were incentivised to make sales and were not incentivised to focus on profits or margins.

The sales manager then persuaded the MD to change the bonus scheme from being based upon sales value to being based upon the profitability of the order. This had an immediate effect – almost overnight the sales team became focused on the profitability of each order

and became very reluctant discounters. In this case, the new incentive scheme achieved precisely what was required.

**Story 3.** A company had a stock of out-of-date printers, which were new and worked perfectly. A newer model was available and salespeople preferred to sell the newer version (don't they always?). The retail price of the printers was €200 each and the company had 100 of them left in stock. To get rid of all the printers, it was decided to offer the salespeople an incentive of €5 if they sold one of the printers, €10 if they sold two printers together, €15 if they sold three on one order and so on.

One salesperson double-checked this incentive scheme and got his manager to confirm, by email, that the deal had no upper limit. The salesperson then produced an order for the 100 printers. The sales value of the order was €20,000 (100 printers at €200 each). Unfortunately the value of the incentive turned out to be €25,250 (€5 + €10 + €15 all the way up to €500). The incentive scheme had the purpose of getting rid of the stock of old printers and it succeeded. However, the incentive scheme should have been aimed at profitably getting rid of the stock of old printers.

## THINKING THE INCENTIVE THROUGH

Companies pay salespeople a salary and/or bonus/commission in order to focus the salespeople upon achieving their sales target. Why do companies also offer incentives to salespeople? Incentives should be used like a well-aimed bullet – to strike at a particular target with a very specific aim.

A not-unusual incentive might be to achieve 25 per cent of target from new customers. This is a laudable incentive, but has it been thought through? What is a new customer? Is it an order from a new department or subsidiary of an existing customer? Is it an order from a company with whom business has not been done for the past three years? Is it a company which is notorious for not paying bills? Can two salespeople work on the same order and will both receive the incentive?

You might also offer an incentive for selling a new product or service. One company offered a lucrative incentive to sell a new product that no other competitor was selling. The salespeople devoted huge effort to selling the new product with minimal success (it was too far ahead of market needs) and sales of existing products and services suffered grievously. When creating incentives, you need to ask yourself three key questions:

1. If the incentive works, what good thing will happen?
2. What could possibly go wrong by using the incentive?
3. How might the salespeople manipulate the incentive scheme to their own ends?

### UNDERSTANDING THE MIND-SET OF THE SALESPERSON

When setting incentives, you should always think about the other side, i.e. the salespeople. Their aim in life is to achieve their target with the minimum amount of effort for the maximum amount of payment. And they are right to behave like this. They know that management is constantly seeking ways to lower sales costs and increase sales targets.

Is it any wonder, therefore, that salespeople will seek to find ways to manipulate incentives to their financial benefit?

**Story 4.** An international company had a problem. They had salespeople in most countries in Europe. However, those salespeople operated as independent units or fiefdoms and would not cooperate with their sales colleagues in other countries – even if both sales teams were selling to the same customer at the same time in neighbouring countries.

To encourage cooperation, the company agreed that if two salespeople in two countries worked to close the same sale, both would receive full sales credit. This seemed like a great incentive.

Unfortunately it took the salesforce milliseconds to calculate an easy way to make target if they were short at year end. Salespeople in different countries telephoned each other and started 'sharing' orders. "I will put your name down as helping me with this order, if you will put me down as helping to close a similar order in your country?" type conversations became the order of the day. The incentive certainly served to get salespeople in different countries to cooperate but it resulted in a significant number of salespeople claiming sales and bonus credits on phantom sales for that country.

### WHAT ABOUT DISINCENTIVES?

Disincentives are things that cause salespeople to do the opposite of what you want them to do. For example, governments all over the world fail to realise that an increase in personal taxation is a disincentive to work harder and earn higher pay.

Similarly, in many companies, the salespeople do not like to overachieve on their sales target because the punishment is a higher sales target the following year. Towards year-end, the sales team 'bottom-drawer' orders, i.e. do not enter them on the system until the next sales year. So the sales plan serves as a disincentive to overachieve targets.

Another disincentive that many sales organisations put in place is a cap on sales earnings. A not-untypical example would be a company that puts a cap or maximum of €100,000 on how much a salesperson can earn in any one year. This is insane. It is an instruction to the salespeople that once they reach €100,000 in earnings they must immediately stop selling for the rest of that sales year. (In one company, this rule was put in place to ensure that nobody in the company earned more than the CEO). When planning to offer incentives to salespeople, first ask yourself could it, somehow, turn out to be a disincentive?

**Final story.** Do you remember that great brand of carpet cleaner – the Hoover? Hoover in the UK in 1992 had a surplus of carpet cleaners for sale. They decided to offer an incentive of a free airline ticket to the USA to customers who purchased Hoovers worth more than £100 each. Hoover in the UK assumed that very few people would take up the offer. In fact, there were stories of people buying a number of Hoovers and dumping them outside the shop just to obtain the free flight tickets. Everybody, it seemed, wanted to take up the offer! Senior executives at Hoover UK were sacked, and Hoover UK was sold. That incentive


crippled the company.

The first and fundamental question for any organisation is "Should we offer incentives to our salesforce?" If the answer is yes, then ask yourself what is the very clear purpose of offering incentives to salespeople. And also ask "What could possibly go wrong by us offering the incentive?"

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## INCENTIVES SHOULD BE USED LIKE A WELL-AIMED BULLET – TO STRIKE AT A PARTICULAR TARGET WITH A VERY SPECIFIC AIM.





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**“EVERY SINGLE ACCOUNT, EVERY MACHINE – ANYTHING THAT MOVES – IS TIMED, AND WE HAVE PRECISE DETAILS ON WASTE. WE HAVE ALL THE KEY FIGURES THAT DRIVE THE BUSINESS AT OUR FINGERTIPS, AND WE KNOW EXACTLY WHAT MONEY WE ARE MAKING ON EVERY LABEL WE PRODUCE.”**

**Headed by CEO Liz Waters, Dublin-based Watershed has recently been designated as a supplier by British-based supermarket chain ASDA, the first Irish self-adhesive labels and unsupported film company in Ireland to achieve this status. It represents an important further step for the family-owned but internationally focused company. John Stanley reports.**

# **LABEL CONSCIOUS**

**W**hen Watershed founder and managing director Tom Waters died after a short illness in 2012, his wife, Liz, felt she had to take up the reins. Without any direct involvement in the business before then, she had to learn, virtually from scratch, how to manage a group of four specialist companies.

"I had no option, I had a family to support," she says bluntly. As part of this very steep learning curve, she contacted the finance director of a leading US label company to seek advice. He was extremely open and helpful, she says. "They were so

confident, constantly striving for excellence, and one lesson I quickly learned is that the only difference between mediocre and the best is the quality of the thinking in a company." This, along with a strong financial discipline, is what she instills in the company today.

When her husband set up the business in 1992 he, too, lacked direct experience in the sector. But having worked as an IDA Ireland manager and subsequently in venture capital, he did have plenty of relevant knowledge and had long nurtured an ambition to run his own business. With a strong financial background, he was also keen to apply modern

management techniques in a sector which had traditionally been viewed as 'craft-led'.

Nor was his ambition confined to Ireland. From the outset, his vision was to develop an international business. In 2003, Watershed acquired a long-established London company, Label Print Services. Four years later, it followed one of its largest Irish clients into Poland where it acquired Etiko, a tag and label converter mainly serving the food, household and cosmetic sectors. Largely as a result of contracts subsequently secured by Watershed with Reckitt Benckiser, Etiko now services both of that company's plants in Poland.

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**OUR ETHOS IS THAT IT'S ALL ABOUT THE TEAM. WE ENCOURAGE STAFF TO PRESENT IDEAS ABOUT HOW WE CAN DO THINGS BETTER OR CHEAPER AND THAT APPROACH HAS WORKED EXCEPTIONALLY WELL. IDEAS ARE GOOD BUT MORE IDEAS ARE EVEN BETTER."**

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In 2010, Watershed sought to exploit the potential of its cost-competitive Polish operation to supply the large neighbouring German market. But despite positive responses from potential customers, success eluded them.

So Watershed set about acquiring Römer Etikett, based in Marburg, north of Frankfurt-am-Main in Germany. A family business with sales of €12 million a year and a strong blue-chip customer base, Etikett had run into financial problems. The deal went through in 2011 following tough negotiations with the liquidator.

Watershed has brought a sharp focus to identifying market opportunities and responding with innovation. "We have a very clear vision of what we do," says Waters. "We are business partners to brands. We must be constantly aware that the first thing the consumer sees is our product."

The growth of own-brands has meant that packaging of consumer goods in general, and food in particular, has become increasingly important to producers, Waters says. "Companies like Dunnes, SuperValu, Aldi and Lidl (all Watershed customers) are creating their own high-quality, attractively packaged products to compete directly with established premium brands. This has elevated the importance of print and packaging in the mix right up to director level."

Watershed has responded to other big changes in the sector, too, undertaking research to achieve an edge in such areas as the growth in 'green' packaging, the need to work efficiently on an increasing variety of substrates and the growth in direct-film packaging.

It has also developed a significant niche competency in shorter runs and quicker turnaround. "We can deliver within a week, compared to a typical six-week turnaround time for larger operators. That's a big help to customers who may be nervous about predicting demand for a particular product or who are frequently changing specifications, particular for its own-brand products," Waters says.

It has supported this focus through substantial investment in technology, which Waters describes as "the only source of competitive advantage in our industry." Over the past five years, Watershed has invested €6 million in six state-of-the-art machines to achieve optimum flexibility. These allow for much faster turnaround between jobs and have reduced substantially the amount of set up time for each job.

The introduction of a second shift has meant recruiting additional staff, while buying all its presses from one manufacturer, Mark Andy, also enables skills and training to be shared across the group. Being the US firm's biggest customer in Europe has strengthened Watershed's hand in negotiations, too.

The company is still strongly finance led, Waters says. "Every single account, every machine – anything that moves – is timed and we have precise details on waste. We have all the key figures that drive the business at our fingertips, and we know exactly what money we are making on every label we produce. Ensuring that gross margins are consistent is important."

Watershed employs 90 staff and has an annual turnover of

€15 million. Its target for the next five years is to expand to somewhere between €25 million and €35 million, with some of that growth coming through acquisitions. Sales grew organically by 25 per cent in Germany last year and 13 per cent in Ireland. With low-cost funding currently available in Germany – "but not in Ireland," she says pointedly – Watershed is actively pursuing acquisition opportunities, especially in Germany and Poland. "Around €30 million would be a really good size for us," Waters says.

She is also convinced of the value of adopting a unified approach to the running of the group in every aspect, from purchasing and finance to sales. Sales information is shared between companies on a daily basis, using Excel files and Dropbox, and managers meet four times a year, in a different plant each time, and feed into each other's discussions. "Everything is shared, and we keep things very personal. Our ethos is that it's all about the team. We encourage staff to present ideas about how we can do things better or cheaper and that approach has worked exceptionally well. Ideas are good but more ideas are even better."

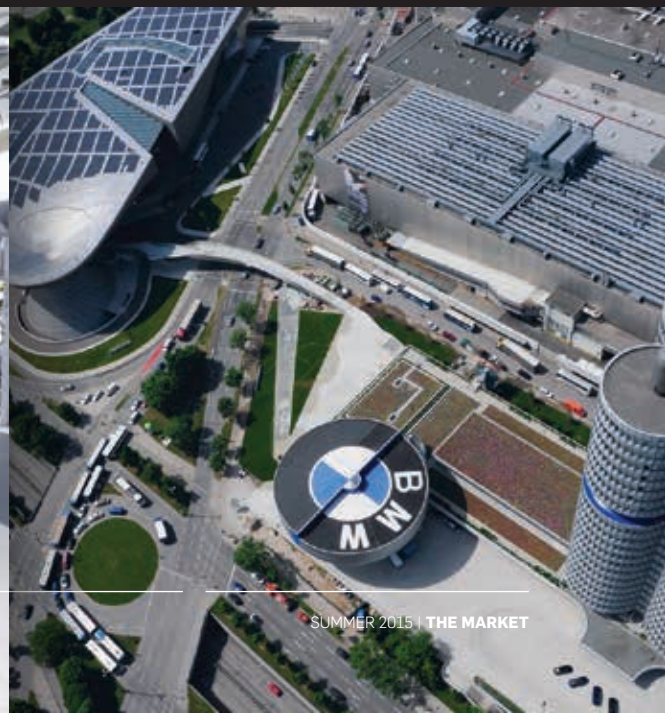
When Waters took the helm in 2012, she quickly developed a five-year plan to remove any uncertainty and concerns about the future and to underpin the development of a strong management team. "It's a family business, it really is like another child, and when you have 90 staff you know that there are 300 or 400 people depending on it. We didn't let one person go or even switch to short-time working during the recession," she says, with understandable satisfaction.





**Anthony King** caught up with speakers at a European Semiconductor Summit in Dublin this May for insights on winning business with Europe's rebounding semiconductor manufacturers.

# Europe's semiconductor market makes a comeback







**“INNOVATION IN THE SECTOR IS DRIVEN BY COMPANIES IN EUROPE LIKE BMW, MERCEDES, AND RENAULT. FROM YOUR ENTERTAINMENT SYSTEM TO MECHANICAL-FAILURE DETECTION TO SAFETY AND VISION SYSTEMS, THIS INDUSTRY IS BECOMING A MASSIVE MARKET FOR MICROELECTRONICS.”**

**C**ommunications, consumer electronics, automotives and industrial applications are today's drivers of demand for semiconductors, as developments determine how we play, work, move and communicate. Although most semiconductor manufacturers have moved fab [semiconductor wafer fabrication] facilities to Asia, Europe retains an edge in specific areas.

“The two areas Europe is, and will, remain strong in are the automotive and industrial sectors,” says Brendan McKearney, past MD and President of Fujitsu Semiconductor Europe, headquartered in Langen, Germany. “Those are the two areas Irish semiconductor companies should be targeting for long-term sustainable business,” he told *The Market* in advance of speaking at a European Semiconductor Summit in Dublin this May. The event subtitled *Exploring Opportunities for Innovation and Collaboration with Irish Microelectronics Companies* coordinated by Enterprise Ireland was aimed at creating new linkages in the industry.

#### **AUTOMOTIVE STRENGTH**

The European semiconductor industry commenced its bounce back in 2013, with total revenues of €38bn, and growth is predicted to roll steadily on, increasing by 3.9 per cent annually to reach €46.1bn in 2018. Germany accounts for 28.2 per cent of the market value and offers fertile grounds for Irish companies

to grow exports. In Germany, semiconductor companies are clustered in the Dresden area, so-called Silicon Saxony, which is home to over 1,500 companies within the semiconductor ecosystem.

According to a recent MarketLine Industry Report, *Semiconductors in Europe*, semiconductor demand by the automotive sector is set to outstrip that of the industry generally. Automotives offer a steady tempo, unlike the often roller-coaster ride of consumer electronics, and Germany remains Europe's automotive citadel, driving innovation and supporting a diverse supply chain. There are over 40 OEM sites in Germany, and in terms of production and sales, Germany accounts for 37 per cent of all passenger cars produced in Europe. In 2013, the auto-sector in Germany recorded a turnover of €361 billion, and since 2006, that industry has been the largest purchaser of semiconductor devices in the country.

John Blake is chairman of the industry group MIDAS (Microelectronics Industry Design Association) Ireland and a director with ON Semiconductor in Limerick, a supplier of high-performance silicon solutions for energy efficient electronics.

“Innovation in the sector is driven by companies in Europe like BMW, Mercedes, and Renault, and a lot of the supply chain feeding into that is based in Europe too,” Blake, who also spoke at the recent summit, told *The Market*. “From your entertainment system to

mechanical-failure detection to safety and vision systems, this industry is becoming a massive market for microelectronics.”

It's an industry that is impressively consistent, adds Declan Brosnan of Abrel Products, which tests the lifetime reliability of semiconductors and is also based in Limerick. “We've had customers in the mobile business, in telecoms, in aerospace and in other industries, but we find the automotive industry is the one that stays most consistent, particularly in the German-speaking market. There is no dramatic growth, but single-digit growth, year-on-year.”

Within this, niches on the rise include energy efficiency, connectivity, car-to-car communications, advanced drive-assistance and, ultimately, autonomous drive, McKearney observes. PwC recently noted that regulations covering emissions and safety in Europe will promote an accelerated incorporation of connected devices and components in vehicles to ensure compliance and provide monitoring and reporting. Chip companies specifically serving this market include Infineon, STMicroelectronics, Bosch, EL MOS Semiconductor and Micronas.

Meanwhile, the industrial sector in its broadest sense encompasses such areas as medical applications, factory automation and energy efficiency. McKearney points to the Internet of Things as a key trend, which could throw up all sorts of opportunities for Irish companies. Connectivity and sensing are key, but security is a hot topic too. With more things connected to the internet, there are more targets for criminals to hack. Factories, cars and even companies need to be secured against threats.

Industrial electronics is the second largest microelectronics segment in Germany, with a share of over 25 per cent of the domestic semiconductor industry. Indigenous behemoths include the likes of Siemens, and having German customers is a creditable calling card in France and Italy, where the market is significant too.

## GERMAN FAMILY VALUES

With over three decades of experience in the German semiconductor industry, McKearney is well positioned to offer advice to those seeking business in this market. His first pointer is that a huge portion of German industry is family owned, the so-called *Mittelstand*, and they tick to a different tock than stock-market driven companies. “Even huge concerns like Volkswagen, BMW, Bosch have a strong family

influence. The culture tends to be very different from what you see with American-style capitalism. It is far longer-term thinking, and they aim for sustainability, even though there are short-term pressures from the stock market.”

This applies in the automotive sector, but even more so in the industrial sector, where highly innovative, small and mid-sized companies dominate. “Those types of companies are reliable partners, once you earn their trust,” says McKearney.

“Our experience in this market is that it's a long process,” adds Brosnan. “You have to take the time to meet them and build up trust. They like to meet customers face-to-face. They like to sit down and meet the engineers.” Regular quarterly review meetings are the norm. Brosnan meets all customer four to five times every year. “That's expected,” he says.

Another given is that you stick to the schedule and the specifications agreed upon come hell or high water. If your company dips its toes in the water and fails to live up to promises, beware: companies in these industries have long memories.

“The golden rule in automotive is ‘thou shall not stop the line’. It has huge consequences,” agrees McKearney. Volkswagen (VW) assembles thousands of Golfs each week at its Wolfsburg factory; selling at around €35,000 apiece, so stopping the line can inflict huge economic damage to VW and its suppliers.

“You've got to show them that they are not taking a risk using a small company in Ireland. Show them you have your risk-management under control and a business continuity plan in place. For the automotive sector, they will want to know how production will be kept running if your factory burns down in the morning,” he continues. And he recommends Irish companies shouldn't be shy about promoting our political stability or the fact that Irish companies typically retain their engineers and expertise, unlike in lower cost countries, where staff churn can be high.

Being comfortable speaking German is another distinct advantage. “It is not mandatory, but it is highly beneficial. They all have good English, but to build good relationships, it is important to be able to interact on a personal level, and speaking with them in a relaxed manner in German is a huge positive,” McKearney says. Moreover, while technical documents will be available in English, meetings are often held in German and English.



## Industry events to watch

Key events for suppliers with sights on the auto-industry include SEMICON, a trade show that rotates between Dresden and Grenoble (this year it is in Dresden in October), and Productronica, a trade fair held in Munich in November. VDI ELIV (Electronics in Vehicles) in Baden-Baden takes place in October every two years, while Advances in Automotive Electronics Congress in Ludwigsburg is held during the summer. Meanwhile, for those targeting the industrial market, Embedded World in Nuremberg is one to watch.





## Abrel Products: A case study on winning in Europe

Abrel Products was recently named the preferred supplier by Austria Microsystems (AMS AG) for all of AMS's reliability testing. "It's a major coup for us," says Declan Brosnan, CEO of the Limerick-headquartered company.

Brosnan founded Abrel in 1994 and has observed major shifts in the industry over the last two decades. At the start, much of the company's business was in the UK and Ireland, especially the old 'Silicon Valley' of Scotland. That's now changed. "Our biggest export market is Southeast Asia, a market we weren't even selling in 10 years ago," he says. This year, he reckons 30 per cent of Abrel's exports will go to Southeast Asia, to countries like the Philippines, Singapore and Malaysia.

But Brosnan advises against dismissing the European market. "Europe still has a strong R&D and technical development model, and you will find that that doesn't translate over to the low-cost model." Failure to recognise this fact will squeeze business opportunities not only in Europe but in Asia too, he believes. "We find that a lot of the initial R&D work might happen in Europe, and we get involved in the reliability work at that stage. Then, when it migrates to the US or Asia in particular, when it goes into production, if we haven't already been involved, we have missed the boat."

Abrel deals with almost all the major semiconductor manufacturers, but one of its biggest customers is Bosch. "Our strongest export markets in Europe are currently Austria and Germany. This year about 22 per cent of our exports will go there, and a lot will be to automotive-type customers like Bosch, NXP, Phillips and Infineon."

The automotive sector is one companies might be tempted to overlook if seeking a quick market entry, he adds, but balanced against that, it's a strong, stable market. Another area he recommends watching is the upsurge in fabless companies in Europe, which have been increasingly knocking on Abrel's door.

**IN AREAS SUCH AS MEDICAL APPLICATIONS, FACTORY AUTOMATION AND ENERGY EFFICIENCY, THE INTERNET OF THINGS IS A KEY TREND, WHICH COULD THROW UP ALL SORTS OF OPPORTUNITIES FOR IRISH COMPANIES.**

"We attend meetings where some translation is still required," Brosnan adds. "It would be very difficult to do this remotely or without having a German-speaking salesperson."

To tap into procurement opportunities, McKearney says that Irish companies could consider hooking up with German partners already plugged into the automotive sector. He had personal experience of this while at Fujitsu. BMW wanted to use technology from a small Munich-based company called Inova Semiconductors but were reluctant because of the company's size. So instead Fujitsu, a supplier to BMW, partnered with Inova and integrated their technology.

This is becoming an issue particularly with the rise of the Internet of Things. "Traditionally in microelectronics, you produced a chip, sold it and let the company buying it figure out what to do with it. But more and more, microelectronics is seeing itself as an enabling technology. So it is not straight CMOS chips anymore, you are trying to connect it to other stuff all around," adds Blake.

This involves connecting the digital computing world to all sorts of analogue functions, a trend dubbed 'More-than-Moore' (MtM). The MtM trend sees new, non-digital

functionalities moving from the system board level into the package or onto the chip itself. This includes analogue and mixed signal processing, sensors and even micro-fluidic devices with biological interface capabilities. Ireland has strengths in analogue and mixed signal design, which matters for MtM. "You are connecting the digital smarts in the system to the More-than-Moore stuff. Ireland is good at that; we've got experience built up there," Blake says.

Emer O'Byrne, a market adviser in Enterprise Ireland's German office, and organiser of the recent European Semiconductor Summit, says that a key objective was to facilitate business linkages between Irish suppliers and major European players. Firms such as Toshiba Electronics, e2v, Socionext, ON Semi, Dialog Semiconductor and Renesas attended.

O'Byrne stresses that the German market is the biggest in Europe, shares our currency and has just emerged from a difficult number of years. It, along with the UK and the French markets, promises decent growth rates. "Companies should look to the European market, where the currency is the same and we have a strong affinity in terms of business culture," she advises.

# SAP RISING START-UPS

**Irish financial services company Bankhawk Analytics recently took part in SAP's Startup Focus Programme, designed to help the rise of start-ups in the Big Data, predictive and real-time analytics space developing new applications for the SAP HANA platform. Here the company's CEO and lead software developer tell Charlie Taylor about some of the benefits.**

In recent years, some well-known tech companies have started reaching out to smaller ones that are developing products through their platforms to offer advice with a view to helping them to make it. One organisation that believes it has gained from its participation in such a support programme is Dublin-based Bankhawk Analytics.

Bankhawk was one of 1,250 start-ups from around the world to take part in the programme, which gives firms the opportunity to pitch their products to SAP's customer base, showcase their offerings at premier industry events and help generate a robust sales pipeline.

"We looked at partnering with a number of the big technology companies from a strategic perspective, and the level of engagement we got from SAP was way ahead of the others," says Brian Weakliam, Bankhawk's chief executive. "That engagement was both on a product development level and on a sales and marketing/go-to-market level."

Bankhawk was set up by Brian and his brother Joe in June 2007. It employs 12 people, and its clients include KPMG, Fyffes, AXA, Paddy Power, Aer Lingus and Dairygold. The company used its involvement in the programme to showcase its flagship Bankhawk 365 analytics software, which companies can use to unlock cash trapped in banking systems, uncover hidden banking costs and generate large ongoing savings.

The company's lead software developer Martin McCool said that, as the programme was split into four distinct sections, the company got a great overview of how to develop its product.

The sections included an initial boot-camp at which participants got hands-on experience of using SAP HANA; a development accelerator stage, where the firm was able to develop its proof-of-concept for Bankhawk365 powered by SAP's platform; a value engineering section in which Bankhawk's software was certified; and a market-enablement phase, during which the firm got advice on how to sell its product successfully.



Bankhawk beat some 1,900 entrants to be named most transformative start-up at the SAP Sapphire Now conference in Florida last summer.

"What we liked about the way the programme worked was that there was a number of different well-defined stages that helped us architect the Bankhawk 365 application for HANA and gave us access to their developers so that we could get help with any technical issues," said McCool.

"Having got certification for the technology, the next phase is obviously go-to-market. And they [SAP] were very proactive, bringing us to a number of conferences, having us on their stand and helping us to meet potential customers," continues Weakliam.

"It would have been far more difficult to reach these people outside of a programme such as this because you've got a credibility gap and people don't know who you are or whether your technology is any good. Because we'd impressed SAP with the quality of our software, we got warm introductions to really good people, who we could sell to or who could help us to sell. It was invaluable to us."

While the Bankhawk team was impressed with the help it got on the programme, it seems as though SAP was equally impressed. The firm

beat some 1,900 entrants to be named most transformative start-up at the SAP Sapphire Now conference in Florida last summer, and Weakliam also got some valuable one-to-one time with SAP co-founder Hasso Plattner, Germany's 10th richest man.

"Winning the award has been a great springboard for us. It has brought us to the attention of quite a few venture capitalists, and they are very interested in what we're doing," said Weakliam.

"We're very ambitious and have big plans. Participating in the programme has been good for us. It was a big commitment time-wise, but you're developing your product further while doing it and are also building your sales collateral and strategy, so it dovetailed well with where we were at as a company."

Through its Global Sourcing programme, Enterprise Ireland can help forge introductions for SMEs that would like to work with multinationals. For further information, contact [mary.barton@enterprise-ireland.com](mailto:mary.barton@enterprise-ireland.com).



# VIETNAM'S RISING STARS

As Vietnam has its sights firmly on entering the ranks of developed nations through proactive wooing of foreign direct investment, Donal Nugent asked three Irish business people about prospects in their industry sector.



In the heart of East Asia and a member of the ASEAN nations, Vietnam is increasingly using growth to play catch up on in its more advanced neighbours. The country has set firm targets to shed its 'developing' status and become a developed nation by 2020, a transformation that its government recognises will only happen through a radical scaling up of inward investment.

As the country repositions itself as a major economic player in the region, it draws FDI from a wide pool. In 2014, active projects involved investors from over 100 countries, backing its claim to be a global destination of choice among foreign investors. This diversity also reflects the vast scope of opportunity, with major ongoing projects in infrastructure, healthcare, construction, IT, manufacturing, retail, tourism and hospitality.



## Come fly with us: Aviation industry opportunities

Aviation contributes US\$6 billion to the Vietnamese economy, and growth in the sector reflects its rapid recent development. Passenger numbers grew by 96 per cent between 2008 to 2013, and the country's aviation master plan involves the creation or further development of 26 airports across the country. Recently announced plans to privatise the Airports Corporation of Vietnam will accelerate this process.

For a small country, Ireland's footprint in international aviation is surprisingly large, and Kevin O'Driscoll, Dublin Airport Authority's Senior Vice-President for the Asia Pacific Region and International Training, believes that this accumulated experience and expertise, built up over 70 years, can allow the sector to play a major support role in Vietnam.

Having met with senior figures in the country's aviation

industry earlier this year, through introductions arranged by Enterprise Ireland and the Embassy of Ireland in Vietnam, O'Driscoll comments that "they are well aware that what lies ahead is extremely challenging. They are coming out of a regime where the state operated everything, and they recognise they need to find new models and ways to develop their industry. We would like to offer them the expertise in developing airports and new terminals and in air traffic management. We bring to the equation a level of expertise that is rated as among the best in the world."

For Dublin Airport Authority (DAA), the goal would be to help the country manage its airport infrastructure more efficiently, develop airline traffic and ensure the secure, safe and compliant operation of its airports. "They will be building new airports and new terminals, and we would like to assist them, whether that's through

management on a contract basis or providing the necessary consultancy expertise."

With Dublin now just one stop from the country's major cities, O'Driscoll sees an opportunity for the entire Irish aviation industry, and he says now is the right time for the sector to get involved. "I'm confident, having met with senior aviation authorities, that Vietnam is ready to engage. Up to now, the government had been considering its options in relation to what kind of model of airport industry it would have. Having made its decision, the opportunities are now opening up."

He adds that the industry should approach opportunities recognising the need to form a good cultural match above all else. "Vietnam is not Ireland but, having said that, I think Irish people are pretty well suited to adapting to its culture. From my short experience to date, it seems that we were a very good mix."

"Up to now, the government had been considering the kind of airport industry it would have. Having made its decision, the opportunities are now opening up."

## Candidate country: Software development prospects

Glandore Systems is a software development and business process outsourcing firm with offices in Cork and Ho Chi Minh City. In Vietnam, Glandore's R&D Centre boasts over 135 employees, making the company the largest Irish operation there. Glandore first turned to Vietnam eight years ago in response to the challenge of recruiting software developers in Ireland. From tentative beginnings, Vietnam is now central to the company's operations. "Cork is more focused on the conceptualisation of products and high-level thinking," company founder and managing director James Galvin explains, "While Vietnam is more about the muscle and turning ideas into something useful."

Glandore's flagship product is vSource, an intelligent candidate-sourcing platform that the company says radically improves the recruiting process and has found a ready audience among some of the world's leading IT companies, including Amazon, Facebook, Yelp and Twitter.

The company has spent the last two years developing vSource into a more data-driven resource, as well as building a new generation of software to drive the back end of the service. "This allows us to look at talent acquisition from a broader perspective, incorporating channels such as social media, but also mapping out the industry. It's about taking a more holistic view of talent acquisition, or what

used to be called recruiting, reflecting the fact that it has become more of a long-term play and more about data," Galvin explains.

Key to the appeal of Vietnam in this process is scalability. "As we add new customers and sign up major brands, our location in Vietnam gives us the opportunity to expand. This is one of few countries in the world where you could add a headcount of 100 in the field in which we work in a very short space of time. That ability to hire and to grow a team quickly is crucial."

Government commitments to vastly increase the output of ICT graduates are facilitating this. However, Galvin has some concerns that an increasing number of foreign entrants seeking out low-cost outsourcing opportunities may ultimately unbalance the marketplace. "We are not here for cost savings, while most outsourcing companies are. For us, the appeal is scalability, and we are willing to pay the extra needed to get top developers. They cost the same or nearly the same everywhere, and they are just as scarce in Vietnam as in Ireland."

The last three years have also seen the introduction of a new senior management tier in Vietnam. Most are European, simply because, Galvin says, there remains a challenge in Vietnam in finding senior management talent with the necessary knowledge of business internationally.

Whatever about the

vastness of the Asian marketplace, his experience is that, among FDI businesses, close and rewarding connections develop. "There are a lot of companies here, and, in some ways, it has become more of a community. A lot of our business in Asia has come from the fact we have a presence on the ground here. American technology companies in particular are aware of the need to be prepared when they enter a market."

He observes, however, that there has been no great follow through by other Irish companies in the technology sphere since Glandore arrived. It is unfortunate, he adds, because a real opportunity is being missed. "Vietnam may be a little behind on the technology space, but things are really getting off the ground quickly. We are seeing e-commerce pushing ahead along a familiar trajectory, and that means a demand for the kind of development services that Irish companies could be providing."

For Glandore, talent remains the best reason for the company to be there. "Ultimately, we would like to be more involved in developing products for the local market, but that hasn't emerged as an opportunity as yet. Our focus is on developing vSource, and one thing I have learned over the last few years is not to try to do too many things. If you have the right business and a clear focus, there are a lot of opportunities in Vietnam."



"Vietnam may be a little behind in the technology space, but things are really getting off the ground quickly."





"In market size, it is one of the smallest in the region, but over the next five years, it is expected to grow by 600 per cent in our product area alone."

## Healthy outlook: Medical device market set for growth

One of Ireland's major success stories in the area of medical devices, Creganna Medical specialises in minimally invasive delivery and access devices. Supplying the nearby Vietnam market, the company's Singapore operations have been its flagship in ASEAN for a number of years. A 35,000-sq-ft manufacturing facility in the city state employs 135 staff and specialises in the manufacture of catheters for minimally invasive surgery.

Graham Reeves is General Manager for Asia at Creganna Medical. He explains that the Singapore facility was developed to allow the company to better serve the Asia Pacific region as well as providing a localised low-cost supply base to support its future strategies. Singapore is, of course, unlikely to top anyone's list in terms of low cost, but Reeves explains that, in the medical device industry, cost is a more complex calculation. "Location is not just about the cost base, but the cost risk. There are a lot of factors to be taken into account, from currency fluctuations, to taxation, to transfer pricing, to education, legal, taxation and duty issues. Singapore has very established policies and a very stable environment in terms of government policy and environmental factors."

While located in the ASEAN region, the facility's biggest markets to date have been China, Korea and Japan. However, that situation is starting to change, and it is here that Vietnam enters the picture.

"Vietnam is very much an evolving economy. Government policy is developing very quickly in the healthcare space, and there is a real commitment to establishing local competency and capability. If you look at it in market size, it is one of the smallest in the region, but over the next five years, it is expected to grow by 600 per cent in our product area alone."

With attractive tax incentives encouraging healthcare manufacturing operations to set up, Creganna Medical's involvement with Vietnam started one year ago. "We began by supplying components to companies on a small scale, and that has since evolved to providing full products."

While Creganna Medical isn't yet considering a manufacturing facility there, "from a trading perspective, we have seen no issues to date. The companies we have worked with have been on a very quick learning curve, and the workforce has shown itself to be capable in the medical device sector."

In terms of infrastructure, Reeves observes that Vietnam is a step behind countries such as China and India, and, because of this, companies tend to establish close to the country's airports. "We've never visited a company that is outside one of the main cities," he observes.

Conversation and business can be conducted in English from engineering staff up to the CEO, "who will typically be well versed in English". However, awareness of Ireland is very limited, and Creganna Medical isn't known to its clients there as being an Irish company.

For businesses looking to get into the market, Reeves advises that "the first step is to engage with a local agency in the market, such as Enterprise Ireland". The second is to visit the country. "If you think you can succeed without being here, and getting an understanding of the infrastructure and road network, you are under appreciating the level of transaction friction you will encounter."

That complexity extends to importing products into Vietnam. "There are a lot of tariffs and duties, and, from what we have seen, Irish companies may not build that into their initial costing. The end result could be that they lose business as their customer isn't willing to absorb the costs. We do all our dealing with Vietnam from Singapore, but we also understand you have to be there on the ground to do business."

# Vietnam's path to growth

While no one could claim they were separated at birth, Vietnam and Ireland have shared more than a few points of similarity in their recent economic journeys. Blighted by periods of conflict and economic stagnation in the 20th century, both emerged as dynamic and fast-growing economies in the 1990s, with foreign direct investment (FDI) central to their economic policy. More recently, banking troubles

and intensive economic restructuring, with a strong focus of growing exports and curbing public spending, provide further common ground. Over the 20-year period from 1991 to 2010 economic growth averaged 7.5 per cent a year in Vietnam, easing to a respectable 5.6 per cent between 2011 and 2013.

For all of this, GDP per capita remains stubbornly low, at just US\$1,900. However, with some 60 per cent of

its 90 million population of working age and with a median age just 30 years, Vietnam's ability to offer a ready supply of cheap and educated labour is central to its appeal. The country's education system received a vote of confidence from the OECD in 2013, when a study placed its 15-to-16-year-old students 17th out of 65 countries in the world, scoring higher in maths than their peers in the US and UK.

"Vietnam's ability to offer a ready supply of cheap and educated labour is central to its appeal."



This month's tech treats cover every type of digital interaction for every type of consumer, from the outdoor adventurer and mobile warrior to the deskbound worker. Ian Campbell puts them to the test.

# OF MICE AND ACTION CAMS

## HTC One M9

from €599  
(without contract)

**A**fter the success of the HTC One, the Taiwanese manufacturer has made incremental tweaks to its flagship Android smartphone without tinkering too much with a winning formula. The most striking change with the M9 is aesthetic – the all-metal body is gorgeous and has made the side button controls much more tactile.

The silver version I tested looks and feels as elegant as any phone on the market, but is skin-deep-beauty enough in the age of the Samsung S6 and iPhone 6? You need to deliver on features and specification.

For many folks, the 5-inch, 1080P screen will be big and bright enough but larger and more dynamic OLED screens are now available. And the 20-megapixel camera with 4K video capability sounds better than it is, with HTC optics struggling to compete with the big two.

Where HTC scores well is with the front-facing stereo speakers, which beat the competition and pack a real punch. Also to be applauded is its out-of-the-box BlinkFeed feature that pulls in content from selectable sources, including your own social-media feeds, to create a dynamic and good-looking front page. Combined with other customisation features, it adds up to one of the best phones for home screen personalisation on the market.

Still a great device, it will find an audience among people who want quality, style and value rather than cutting edge.



## Logitech MX Master Wireless Mouse

€104

**T**hough it looks like a retro sci-fi prop from the original Star Trek, it turns out that MX Master is decidedly modern and makes a convincing case for upgrading a mouse in the age of touchscreen devices.

You get every kind of control at your fingertips: a superfast scroll wheel; left/right click buttons, another wheel for moving between web pages, and two dinky lozenge-shaped buttons for doing the same only more quickly. With additional software, there's also a gesture control area, just below your thumb.

A doddle to set up, I was using it with a Microsoft Surface Pro and Apple iMac in minutes. Just download the operating system software and connect it up – via Bluetooth or the tiny USB receiver that comes with it. Effortless.

Because it's fast and responsive and glides so easily across every type of surface, I came away convinced that if you spend a lot of time glued to a desktop, then it may well be worth paying a premium for a luxury mouse.





## Sony Action Cam HDR-AS100VR

€389

The GoPro opened up a market for tiny video cameras that struck a chord with outdoor enthusiasts who want to capture their derring-do activity for immortality. No surprise that Sony, master of miniature technology and camcorders, has pitched a product into this space. Just as you might expect from a manufacturer that has always played up quality and design, it's a wonderfully engineered little gizmo.

Just 81.55mm long and 92g in weight, it's small enough to attach to a helmet or handlebar with the grip and adhesive mounts that come with the package. It also comes with a housing for some underwater action. If drizzly days out in Ireland are as close as you expect to get to water, then the good news is that it's rainproof too.

Sony encourages you to use it with its free PlayMemories software, but you can pull the XAV/MP4 files into any decent editing package. It also has GPS so you can overlay location details onto your videos.

For the actual shoot, the chances are you will need to operate it remotely so it comes with a separate control with a small screen and record button, worn as a wristband. Alternatively, you can download an app for Android or iOS (not Windows Phone) and monitor shots on your smartphone. It works well when you get it up and running, but the ultra-compact design demands small buttons that are fiddly to activate. Not very user-friendly.

Once mastered, however, the results are fab. You shoot onto a micro SD card in a choice of modes, including standard and high-def. Both looked good, bright, vibrant and crisp, even when the light dips. Not cheap, but a price worth paying if you are out and about enough.



## Nexus 9

€399 (16Gb)

Google's Nexus 9 goes up against iPad Air 2 in the never-ending battle between Apple and everyone else. The bottom line doesn't change – the Nexus is cheaper and offers a richer and more accessible ecosystem of apps and connectivity, but the iPad is slicker and a better experience.

Before you choose between the two, you need to consider what kind of device you need and why. With an 8.9-inch screen and weighing 420g, the Nexus occupies a very specific space in the burgeoning mobile device market – somewhere between a big smartphone and a full-size tablet. If you have a 5-inch smartphone, is it really worth splashing out for a tablet that gives you three more inches?

Powered by Android 5.0 Lollipop and packing a 64-bit processor, NVIDIA's 192-core Tegra K1 superchip, it feels fast and powerful. Some nice refinements are immediately evident: notifications are prominently displayed on the lock screen along with widgets for recently used apps. This means you can quickly flick through them to find the one you want and carry on where you left off.

Made by HTC, it features the firm's signature mini-speakers that deliver surprisingly powerful sound. The full HD screen has a 4:3 aspect ratio, neat and tidy for most applications and perfect for browsing web pages, but widescreen movies show with black bars on the top and bottom. There's an optional keyboard accessory if you want to use it for some serious work.

All up, a perfectly fine tablet and a welcoming gateway into the Google/Android universe.





It's summer time, and our new books featured in this issue are all about blue sky thinking, writes **Lucille Redmond**.

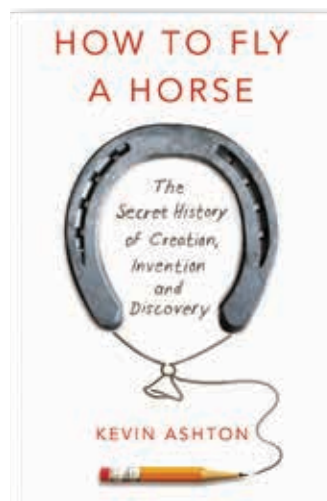
# THE ART OF INNOVATION

**O**n the island of Réunion, thousands of miles from any continent, stands one of the world's few statues of a child slave.

Edmond was the boy's name. In his bronze statue, he's nicely dressed in suit and bowtie, but barefoot, and he holds out his hand with thumb and finger pinched together in what is now universally known in the multimillion-euro vanilla industry as '*le geste d'Edmond*' - Edmond's gesture.

Kevin Ashton writes in *How to Fly a Horse* that Edmond's gesture, which signifies the method for pollinating vanilla that the 12-year-old slave discovered, is the basis of one of the world's great money-spinners. Vanilla is the world's second most expensive spice, after saffron; it is the principal flavouring in Coke. It is an ingredient in Paris scents, in cleaning products, in chocolate. The most expensive vanilla costs \$10,000 per pound. And we have it only because a child walked behind the plantation owner and listened to his description of naturalist Christian Konrad Sprengel's botanical research (which horrified the 19<sup>th</sup>-century world) showing that plants had sexual organs and could be fertilised. Edmond tried it out on the plantation's supposedly sterile vanilla plants, pinching open the organs and fertilising them with a sliver of bamboo.

*In How to Fly a Horse, Ashton explores the concept of creativity, in the arts, invention and, especially, in relation to business.*



"Creation is human. It is all of us. It is everybody," writes Ashton. This is the thesis of *How to Fly a Horse*. He utterly despises the theory of genius - that someone like, say, Mozart, has a gift from the gods and can produce wonder in one beautiful explosion of talent, rather than with hard work and creative thoughtfulness.

Ashton is able to walk the walk, because he is, more than any other, the person

who invented the 'Internet of Things' - the concept of interconnected machines serving humanity, when in 1997, "I could not keep a particular shade of Procter & Gamble lipstick on store shelves." The problem was that stocktaking was done by humans, who had more things to be doing with their time in a busy shop.

It occurred to Ashton that there was a solution. He designed a system that put a tiny microchip into each lipstick and a radio transmitter on each shelf, so that the shelf could automatically report to the wholesaler when it needed to be restocked. His invention revolutionised supermarket and department store storage and selling.

In *How to Fly a Horse*, Ashton explores the concept of creativity, in the arts, invention and, especially, in relation to business. He describes methods of thinking and how traditional schooling smothers them; he examines female scientists' work and the Nobels that went to their male colleagues for that work; he describes how a dispersed crowd of thousands produces each can of Coke; he follows the development of *Sesame Street*'s Bert and Ernie - and he applies all this to business; to how people cooperate, how they think out a problem, how they develop a product and market it. An insightful book.

**H**ubert Henry is head of innovation and R&D in Bord na Móna – a national institution that started in the 1940s to develop peat harvesting, but by now has spread into power generation, wind energy, gas, waste remediation materials, horticulture and more.

His book *Everyday Innovation* is designed as a simple 10-step toolkit to help businesspeople establish an innovation management system in their companies. Innovation, he says, is necessary to harness ideas for commercial benefit – to open the company into growth. And a company that establishes a formal innovation-management system can pick the best ideas and develop them to its advantage.

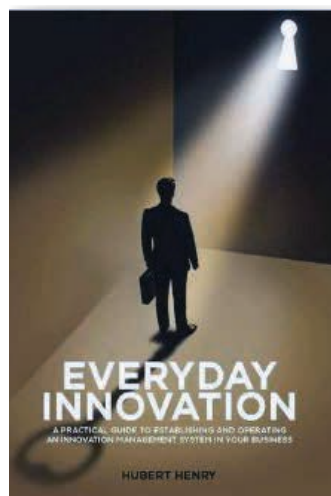
Henry's 10 steps for establishing an innovation management system come from a lifetime's experience in industry and Ireland's European involvement. An environmental scientist by training, he is a member of the NSAI (National Standards Authority of Ireland) working group assisting in the production of European (CEN) and international (ISO) standards in innovation management and an expert who lectures widely on innovation and its management.

His steps start with the most vital, but sometimes most difficult: get senior management support for the process! The steps and their substeps range from structuring the team and setting objectives, down to maintaining an innovation culture, getting outside finance and regular reviews of the process.

Henry adds nice panels with advice from executives on their failures and successes – Evelyn O'Toole, CEO of CLS Pharmaceuticals in Galway talking about changing the

business model in response to the BSE and foot-and-mouth crises and John McSweeney, director of innovation at ESB, about collaboration and exploring new technologies. The panels have down-to-earth advice from some of the country's top industries and institutions.

In one, Ciaran Herr, CEO of Horseware, a small but internationally successful Irish company that makes horse products and sells them in



Henry's 10 steps for establishing an innovation management system come from a lifetime's experience in industry and Ireland's European involvement.

over 100 countries, makes an excellent, often ignored point about the widespread belief that it is only the high-tech companies in the pharma or ICT sector that innovate. "Innovation is very important to us," he writes, "so much so that it is in our organisation's DNA."

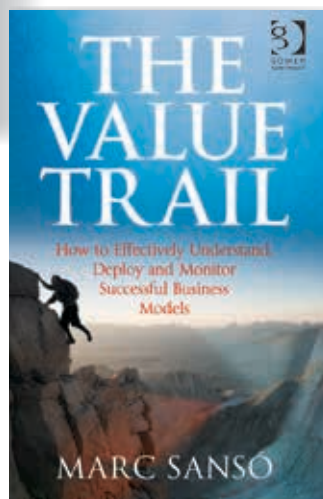
Henry's book is a simple yet detailed and extraordinarily useful guide for businesspeople.

In 2006, writes industrial engineer Marc Sansó in *The Value Trail*, Juan Carlos Unzué, football coach at Barça, noticed a trainee player with his eyes fixed on the club's two stars. Young Leo Messi kept watching Ronaldinho and Deco as they practised free kicks after training.

He asked Messi if he wanted to try himself. "Not yet," said Messi, without taking his eyes off his teammates.

Sansó writes: "If Leo Messi,

Entertaining and deeply analytic, this book is essential to anyone involved in positioning and marketing a new business.



probably the best football player of all time, advocates a continuous improvement perspective to critically assess his performance, we should all be applying it."

In *The Value Trail*, Sansó uses a series of brilliantly analysed applied examples to show how business success can be achieved through intelligent analysis, persistence and – of course – hard work. The examples vary from Dell

vs Apple to Apple vs Nokia to Burger King to Bank of America to the Australian surfing business. Charts, intense analysis and reams of figures to back the analysis.

Entertaining and deeply analytic, this book is essential to anyone involved in positioning and marketing a new business.

**"P**rofessional cultures flow through companies and institutions like rivers carrying values, attitudes, mental models," writes marketing consultant Kamil Michlewski in *Design Attitude*.

In an intensely technical and philosophical book, he posits that cultures change the companies they inhabit, and occupational subcultures, with their distinct languages and jargon, image systems and values, can have a huge impact on the work and success of their environment. In one example, Google, an engineer-centred organisation, methodically tested 50 shades of blue to find the one with "the right saliency", overriding any suggestions from the design team.

Michlewski quotes Kathleen Gregory's study of subcultures in Silicon Valley; she found that programmers formed an occupational subculture that was similar in every company – arguably true of many professions. As Tolstoy might have said, all engineers are alike. But do all designers think different?

.....  
***How To Fly A Horse: The Secret History of Creation, Invention, and Discovery*** by Kevin Ashton; William Heinemann

***Everyday Innovation*** by Hubert Henry; Oak Tree Press

***The Value Trail*** by Marc Sansó; Gower

***Design Attitude*** by Kamil Michlewski; Gower



Compiled by Enterprise Ireland's Market Research Centre team.

## MARKET INTELLIGENCE

*Enterprise Ireland's Market Research Centre hosts Ireland's most comprehensive collection of business intelligence resources and is staffed by specialists who can assist EI clients find company, market and project information.*

*The centre subscribes to a wide variety of databases, including*

- Frost & Sullivan
- Forrester
- Euromonitor Passports
- AMA Research
- BvD Orbis

*The reports summarised on these pages are just a sample of the type of information available. Follow us on Twitter @EI\_MRC to see further examples of recent reports available or check out the MRC site at [www.enterprise-ireland.com/MRC](http://www.enterprise-ireland.com/MRC)*

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### ICT/SOFTWARE

#### Disrupting Finance: Mobile Payment Systems

*Forrester*

March 2015

The mobile mind-shift has inspired a generation of disrupters that use mobile technologies to make payments faster and easier for consumers and merchants alike. This report is designed to help eBusiness professionals at financial institutions understand the mobile payments landscape, the main players, their disruptive potential and how eBusiness executives should react.

#### The State of Mobile App Development

*Forrester*

March 2015

eBusiness professionals struggle to keep pace with consumer expectations of mobile apps. According to this research by Forrester, eBusiness professionals who feel they are set up for success own their mobile app development

resources, but only a minority of those Forrester surveyed do (or plan to do). This report is designed to help eBusiness professionals create a tactical plan to set themselves up for success independent of their budget or how they are building mobile apps.

#### Asia-Pacific Tech Market: Outlook For 2015 To 2016

*Forrester*

March 2015

Local-currency growth in business and government purchases of tech goods and services in the Asia-Pacific region can be expected to rise by 5.0 per cent in 2015 and 4.5 per cent in 2016 – about the same as the 4.9 per cent growth projected for 2014. US tech vendors will capture slower growth in revenues in US dollars (3.2 per cent), due to the dollar's strength against most Asian currencies. Investment in business technology (BT) is boosting aggregate demand in the region, but the BT catalyst is weaker in Asia Pacific than in the US or Europe.

#### Spain – Telecoms Country Profile

*Global Comms*

February 2015

This report focuses on the wireless, broadband and wireline sectors in Spain, providing a regulatory overview of the telco sector there. Similar reports are available for other countries.

#### Digital Wallets: Sizing the Global Opportunity

*Datamonitor*

March 2015

This brief examines the most recent findings from Datamonitor's annual Financial Services Consumer Insight Survey, pointing to key opportunities in the digital-wallets space based on consumer behaviour and sentiment.

#### Global Marketing Automation Software Market: Marketing Automation Evolves into a True Cross-Channel Marketing Suite

*Frost & Sullivan*

April 2015

The global marketing automation market continues to show phenomenal growth, according to Frost & Sullivan. This study discusses two end-user segments: small and medium-sized businesses and large enterprises, with regional forecasts covering North America, Latin America, Europe, the Middle East and Africa and Asia Pacific.

#### Cloud Infrastructure as a Service Market Update, 2015

*Frost & Sullivan*

March 2015

This study analyses the current IaaS market and forecasts revenue growth over the next five years, broken down by Compute as a Service, Storage as a Service and the public and hosted private cloud. It explores the strategies and market shares of the key players and the competitive landscape in this fast-evolving market.

### FOOD, RETAIL AND CONSUMER PRODUCTS

#### Herbal/Traditional Products in Sweden: Category Briefing

*Euromonitor*

April 2015

This report explores the herbal/traditional products market in Sweden, outlining value and volume data and opportunities. It forecasts an overall value compound aggregate growth rate of 2 per cent at constant 2014 prices, reaching SEK2.1 billion by 2019. During 2014, herbal/traditional tonics and bottled nutritive drinks were the fastest growing category, with a 9 per cent growth in current value terms

#### Retailing in Kenya: Industry Overview

*Euromonitor*

March 2015

Kenya's double-digit economic growth projections are promising thanks to sound macroeconomic policies. The retail industry is registered improved sales and accounts for a significant share of the country's GDP. Major retail outlets such as Uchumi, Nakumatt, Tuskys and Naivas continue to increase their number of stores countrywide.

#### Blurring Gender Boundaries in Fast Moving Consumer Goods (FMCG)

*Datamonitor*

March 2015

In the FMCG industry, a number of categories are almost exclusively targeted at either men or women, thus overlooking half of the market and often reinforcing outdated gender stereotypes. This report identifies key societal changes that are shaping new consumer needs among men and women and the corresponding categories that are poised to benefit most from these changes.



**UK Cooking and Eating Habits***Keynote*

2015

This report examines how cooking and eating habits have changed over the past few years, as well as exploring key factors that have influenced such changes. Factors covered include lifestyle, ethnicity, the environment and ethics, dietary and health concerns, new product development and religious and cultural beliefs. The report also explores the UK's current supply, distribution and sale of food, as well as the ways in which consumers shop or order their groceries.

**Blurring Lines in Beauty, Current and Future Implications: Global Briefing***Euromonitor*

March 2015

This PowerPoint presentation considers the status of beauty products, highlighting current issues and exploring future implications such as cross-category benefits and opportunities, key category crossover prospects and the territories that show the most growth potential.

**Floorcoverings Market Report – UK 2014-2018 Analysis***AMA*

2015

This report reviews the floorcoverings market in the UK, assessing recent developments within the overall market and individual sub-sectors. It notes indications of some growth in the mid-upper sectors but reports that the lower-value sectors, particularly laminates, have remained difficult.

**Small Specialty Retail Stores in the United States***IBIS World*

March 2015

This reports covers industry operators handling specialised goods, such as art supplies, cigarettes and cigars, paper goods, collectors' items, fireworks, religious merchandise and trophies. This industry also includes general merchandise auction houses (except electronic auctions), but it excludes mass merchandisers, department stores, grocery stores, warehouse clubs and supercentres. Growth rates, including opportunities and risks are outlined, with projections provided for future growth.

**Next Generation Marketing in Emerging Markets***Datamonitor*

March 2015

As emerging markets increasingly embracing digital communication technologies, this report discusses the key trends shaping the opportunity for FMCG businesses to exploit evolving possibilities to connect with consumers.

**CLEANTECH, LIFE SCIENCE, CONSTRUCTION AND INDUSTRIAL****Wind Energy: Global Markets***BCC Research*

February 2015

This report from BCC Research predicts that the global wind energy market, which totalled \$165.5 billion in 2014, will grow at a compound annual growth rate of 7.2 per cent between 2015 and 2020.

**Technologies for Intelligent Transportation Systems***BCC Research*

February 2015

This report predicts that the global market for intelligent transportation system devices should reach \$111.8 billion by 2019, with a compound annual growth rate of 16.4 per cent from 2014 to 2019. The report also provides a regional breakdown of growth projections.

**Drug Testing: Technologies and Global Markets***BCC Research*

March 2015

According to this report, the global drugs-of-abuse (DOA) testing market reached almost \$2.8 billion in 2014 and is set to grow at a compound annual growth rate of 4.5 per cent to reach almost \$3.5 billion by 2019. The report also reviews the global environment related to regulations, national level policies and legislation in several parts of the world and their effect on DOA testing markets.

**Analysis of the Global Diabetes Drug Delivery Market***Frost & Sullivan*

Future Options for End Users

The global diabetes drug delivery market is mainly divided into injectable drug delivery and oral drug delivery systems. Market trends will continue in 2015, as four major products enter the US and European diabetes markets: Afrezza (an inhalable drug); Tanzeum (an injectable pen), Xigduo XR (an oral drug) and Xultophy (an injectable pen).

**Home Automation Market Report: UK 2015-2019 Analysis***AMA Research*

February 2015

Currently a niche market, home automation demand is growing in the UK.

This report analyses recent and current trends by application and comments on future prospects and implications for suppliers and the industry as a whole.



## An update on customs compliance, trade regulations and negotiations

# TRADE REGULATIONS, INFORMATION AND NEGOTIATIONS

### EC proposals for modernising cross-border e-commerce VAT treatment

This May, the European Commission announced its Strategy for the EU Digital Single Market. Aimed at modernising the VAT regime for cross-border e-commerce, proposals include

- extending the single electronic registration and payment mechanism to intra-EU and third-country online sales of tangible goods to private consumers;
- introducing a common EU-wide simplification measure (VAT threshold) to help small start-up e-commerce businesses;
- allowing for home country controls, including a single audit of cross border businesses for VAT purposes, and
- removing the VAT exemption for the importation of small consignments from suppliers in third countries.

### More electronic items subject to Indian controls

The Indian Ministry of Communication and Information Technology has added a further 15 items to the list of electronic products requiring compulsory registration under the Bureau of Indian Standards (BIS) Act. This is in addition to 15 separate commodities previously notified in September 2012.

Since May 2015, items now subject to registration include mobile phones, smart-card readers, point of sale terminals and power adapters for IT equipment. Under the registration requirements, the manufacturer or shipper of electronic products into India must obtain the approval of the Ministry of Communication and Information Technology as registered under the BIS Act prior to their importation.

Furthermore, all such regulated goods should be marked with a self-declaration on each individual item as well as on any external product packaging. The self-declaration must include the registration

number of the product concerned and the Indian Standard (IS) number allotted to that specific commodity. See [www.bis.org.in/cert/RegOverview.asp](http://www.bis.org.in/cert/RegOverview.asp)

### Japan and the EU move towards the mutual recognition of 'trusted traders'

This June, Japan and the EU took another step towards creating 'fast-lane' customs clearance for mutually recognised Authorised Economic Operators by signing an Interface Control Document specifying the IT system that will support automated data exchange between customs authorities in the two markets.

Under similar agreements negotiated by the EU in other markets, businesses can become certified as Authorised Economic Operators, or 'trusted traders, to gain access to simplified customs regimes and more favourable treatment when complying with new security requirements.

The EU and Japan mutually recognised their respective 'trusted trader' programmes in terms of security requirements in 2010, and a Mutual Recognition Agreement has been fully implemented since 2011. However, this next step, the digitalisation of customs procedures, is crucial in order to ensure that these programmes function.

### New look European Commission taxation and customs union website

The European Commission taxation and customs union website – a valuable source of information on taxes, customs procedures, rules of origin and so on – has been given a new homepage and improved navigation. It also features a completely revised VAT

section. See [http://ec.europa.eu/taxation\\_customs/index\\_en.htm](http://ec.europa.eu/taxation_customs/index_en.htm)

### Commission presents action plan to reform corporate tax

The European Commission has presented an action plan to reform corporate taxation in the EU. Proposed actions include a strategy to re-launch the Common Consolidated Corporate Tax Base and a framework to ensure taxation where profits are generated. The Commission is also publishing a first pan-EU list of third-country non-cooperative tax jurisdictions and launching a public consultation to assess whether companies should have to publicly disclose certain tax information.

### Slight deceleration in G20 trade restrictions

With trade-restrictive measures on the up since the onset of the global economic slowdown, the WTO's thirteenth trade monitoring report on G20 trade measures, issued this June, shows some good news. The average number of such measures applied per month is now lower than at any time since 2013. However, the report stresses that it is not yet clear that this deceleration will continue.

### Seychelles becomes 161st member of WTO

The Seychelles officially became the 161st World Trade Organisation member this April, following 20 years of negotiations.



## Ethiopian Airlines provides direct Dublin-Addis Ababa link

**E**thiopian Airlines, the largest airline in Africa, launched direct flights from Addis Ababa to Dublin and onward to Los Angeles this June. From Addis Ababa, the airline also offers onward connection to 50 destination in Africa. The eastbound 8.5-hour flight, ET504, departs Addis Ababa at 23:00 on Wednesdays, Fridays and Sundays and arrives at 05:30 the following morning in Dublin. It then departs Dublin at 06:30 and arrives in Los Angeles at 09:30. The 11-hour westbound ET505 service departs Los Angeles on Mondays, Thursdays and Saturdays at 23:30 and arrives in Dublin the following evening at 18:30. The flight departs Dublin at 19:30 and arrives at 06:00 in Addis Ababa on Tuesdays, Fridays and Sundays.

## Finnair launches Dublin-Helsinki flights

**F**innair has launched a new service between Dublin and Helsinki. Finnair will operate the 3-hour flight between the two cities six times a week throughout the year. Flights depart at 09:50 on Monday, Wednesday, Friday and Sunday and 18:05 on Thursday and Saturday. There are no scheduled services on Tuesdays.

## Irish airlines announce winter schedules

**A**nnouncing its 2015/16 winter schedule, Aer Lingus has promised improved timings and frequencies on popular business routes. There will be an additional evening flight on the airline's Dublin-to-Paris route, an improved evening time service between Dublin and Brussels to facilitate day-return customers and additional flights from Dublin to Zurich and Geneva.

In addition, Aer Lingus's Dublin-to-Washington seasonal service is being extended until January 4, 2016. There will be a winter services to Orlando for the first time. A double-daily flight will be offered on the Dublin-to-Boston route in November,

December and March, and Chicago will be served up to ten times weekly with a new 05:30 arrival time. Meanwhile, flights between Dublin and Toronto and Shannon and Boston will continue throughout the winter.

Separately, Ryanair has announced increases on routes between Dublin and Gatwick, Liverpool, Birmingham and Manchester on its winter 2015/16 schedule. Winter frequencies from Dublin to Barcelona, Madrid and Warsaw Modlin are also to be increased. Meanwhile, services to Copenhagen, Lublin and Venice Treviso are to be extended to a year-round basis.



## Canada to require electronic travel authorisation

**F**rom March 2016, travellers to Canada will be required to obtain an electronic travel authorisation (ETA) to enter the country at an airport. Eligible travellers can apply for an ETA from 1 August, 2015. The authorisation will be electronically linked to the traveller's passport and will be valid for five years or until the passport expires.

## US Homeland Security to extend immigration pre-clearance at 10 new airports

**U**S Homeland Security is planning to extend immigration pre-clearance, currently available in Dublin, to 10 additional airports, including Heathrow and Manchester. The nine countries that are in discussions with the US are Belgium, the Dominican Republic, Japan, the Netherlands, Norway, Spain, Sweden, Turkey and the United Kingdom.

### In brief:

**This June,** SWISS Airlines launched a four-times weekly service from Dublin to Geneva.

**British Airways has increased flights** from Dublin to London City, adding a sixth daily weekday service. The move follows Flybe's decision to withdraw its Dublin-London City route.

**Turkish Airlines is now operating a double-daily service** from Dublin to Istanbul. Flights depart Dublin at 11:00 and 16:40 daily, arriving in Istanbul at 17:20 and 23:05 local time.

**Wizz Air has launched two new routes** from Belfast International Airport, serving Katowice in south western Poland and Vilnius in Lithuania.

**The new Stena Superfast X ferry,** which launched in March, is operating a twice daily return sailing schedule, departing Dublin Port 02.15 and 15.10, and departing Holyhead 08.55 and 20.30.





**The cultural heart and soul of Vietnam it may be (the city proudly cites more than 1,000 years of history, of which the past few hundred has been exceptionally well preserved), but Hanoi is also full of boundless economic energy and ambition. According to a recent ranking by PricewaterhouseCoopers, Hanoi will be the fastest growing city in the world in terms of GDP growth up to 2025. In line with economic advances, Hanoi's infrastructure is constantly being upgraded, yet it remains one of only a few Asian capitals to retain its historic charm amid rapid modernisation and population growth.**

#### FROM THE AIRPORT TO THE CITY:

Located 15km north of Hanoi, Noi Bai International Airport was impressively upgraded in January of this year when a new international terminal (T2) opened. A new highway and cable-stay bridge connecting the airport to Hanoi centre were also unveiled at the same time. Public transport and taxis are in plentiful supply.

#### SLEEP:

**1st Choice:** Maison d'Hanoi Hanova, 120 Quan Thanh Street, Ba Dinh District, blends contemporary design with Indochinese elegance. Its location, south of the Old Quarter, is beside Hang Gai, one of Hanoi's most popular shopping streets. [www.hanovahotel.com](http://www.hanovahotel.com)

**2nd Choice:** Maison d'Orient, 26 Ngo Huyen, is located south of the Old Quarter. With just a dozen rooms, this is a compact hotel but it's tucked away from the noise of the city, and so worth searching out. [www.maison-orient.com](http://www.maison-orient.com)

#### EAT:

**Lunch:** Eat like a local at Xuan Xuan, 47 Ma May Street; the food here is regarded as the most authentic you'll eat in the city. Your food is brought to your table, where you can then barbeque it over a small gas stove. Very atmospheric and very tasty!

**Dinner:** One for the foodies out there is Green Tangerine, 48 Hang Be Street, Hoan Kiem District. This is an evocative Parisian-style bistro where the chefs mix

and match Vietnamese cooking with a French twist and vice versa. (Anyone for king prawns cooked with mango and rum liqueur?) [www.greentangerinehanoi.com](http://www.greentangerinehanoi.com)

#### THREE THINGS TO DO IF YOU HAVE A FEW HOURS TO SPARE:

**Sightseeing:** Recommended for all visitors to Hanoi – a casual walking tour of the city's Old Quarter (Hoan Kiem District), which packs in colonial architecture and Buddhist temples amidst narrow streets teeming with the kind of giddy ambience you have probably never experienced before.

**Shopping:** The largest market in Hanoi is Dong Xuan, and over several floors, you can take in the amazing sight of local traders selling clothes, souvenirs and local produce at extraordinarily low prices.

**Museum:** The National Museum of Vietnamese History, 1 P Trang Tien, is an ochre-coloured building that houses bronze items from the Dong Son culture (3rd century BC to 3rd century AD), Hindu statuary from the Khmer and Champa kingdoms, and artefacts from Imperial Vietnam.

# Enterprise Ireland International Network

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## The Americas

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## Asia-Pacific

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<b>Shanghai</b>	+(86 21) 6010 1380	+(86 21) 6279 7066	Commercial Section, Consulate General of Ireland, Suite 700A, Shanghai Centre, 1376 Najing Road West, Shanghai 200040, China
<b>Singapore</b>	+(65) 6733 2180	+(65) 6733 0291	Ireland House, 541 Orchard Road #08-00, Liat Towers, Singapore 238881
<b>Sydney</b>	+(61 2) 927 38514	+(61 2) 926 49589	Level 26, 1 Market Street, Sydney 2000, NSW, Australia
<b>Tokyo</b>	+(81 3) 3263 0611	+(81 3) 3263 0614	Ireland House, 2-10-7 Kojimachi, Chiyoda-ku, Tokyo, 102-0083, Japan

For any other markets not mentioned, contact Market Development Dublin. For further contact information, visit [www.enterprise-ireland.com/contact](http://www.enterprise-ireland.com/contact)

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[www.the-market.ie](http://www.the-market.ie)