

## Dingle – Skillnet Gaeltachtaí na Mumhan

(Dingle Skellig Hotel – 29<sup>th</sup> September 2008)

A year to eighteen months ago, we were all living in an economy, with an apparently high level of certainty and with no shortage of confidence about investing or expanding; the Celtic Tiger was alive and well, even if it was not spreading its wealth-creation evenly across the Country; the housing sector was still strong and prices were still rising, although not as fast as previously, and there were initial signs of a down-turn, with lay-offs after the August holidays; there was no shortage of credit; share prices were still rising, although some had reduced from their peak; the National Accounts were heading for another surplus and National Debt was declining, with lower interest being paid by the Department of Finance; everything seemed rosy, though there were some mutterings about the danger of inflation and the European Central Bank was warning all countries about the possible need to increase interest rates, in order to control inflationary tendencies. By and large, we were laughing at George Lee and his pessimism (and at other economists, who were preaching the same story), but we all recognised that, after nine years of being consistently wrong, he, and they, would probably be right some day – but, we assumed, not for another while.

And then, last week, we got confirmation of what we half-expected, but didn't want to hear - that Ireland is now officially in recession, having had two consecutive quarters of negative growth; and I have no doubt that the current quarter will also show a decline. George Lee and the others are now telling us that it will last longer than any of us believed and, again, they may be right.

What none of us could have predicted (and not even the most pessimistic economist did predict) was that, within a period of not much more than six months, Ireland and most of the international economy would be hit by a series of factors, with the potential to de-rail the economic progress and prosperity of the entire developed world and some of the developing world, and create a world-wide economic and financial crisis. We had:

- a significant appreciation of the Euro against our two main trading partner currencies – Sterling and the Dollar – making Irish exports uncompetitive and damaging our Balance of Trade;
- a huge and unrealistic hike in the value of oil, from not much more than \$50 a barrel to over \$150; and that was accompanied by significant increases in steel prices (about 70% over a year) and other metals, pushing up costs in construction and some sectors of manufacturing, and reducing margins to Irish companies which were competing with others trading in Sterling;
- a significant decline in the housing market, which was predictable, but which would probably have resulted in a so-called 'soft landing', had it not been for the fourth factor, and the one which really knocked the whole thing into a tail-spin and that was -
- the credit crunch, which theoretically should have had very little, or nothing, to do with the Irish economy or the Irish banks, but clearly had.

I still have problems with that last one; for the life of me, I cannot understand why Irish banks were holding worthless pieces of paper, purporting to have value, because they were based on loans for houses, when those loans were to people with no capacity to repay and no security; if anyone here had gone to a bank looking for a loan, there is no way any Irish bank would have given out money without some form of security - and certainly not to someone with no capacity, or doubtful capacity, to repay. Even worse, is the fact that it is less than twenty years since the Savings and Loan debacle in America, which had similar roots, and here we are, in 2008, with history repeating itself and banks replacing Savings and Loans institutions, as the villains of the piece.

The reality is, of course, that once international banks became unsure of which other banks they could trust, which banks were holding this worthless paper, and which banks were liable to be short of liquidity, the whole system of interbank lending collapsed and every bank in the developed world became vulnerable to a shortage of capital.

That scenario of uncertainty was made worse by the hedge funds and a small number of traders, who started 'shorting' the shares of Irish banks, especially Anglo Irish and Bank of Ireland, causing their prices to fluctuate wildly, but follow a downward trend overall. Some of you may have seen, in last Sunday's Tribune, the names of seven funds and a number of traders who were the prime movers in shorting the shares of Irish banks.

So in reality, we have had five factors combining to produce what we now see as the core factors in our economic difficulties: firstly, a housing sector, which is not moving; a massive shortage of credit; declining exports; and the possibility of a run on the banks, such as happened with Northern Rock, and even if that is only a remote possibility, it has an impact on individuals' decision-making and on corporate investment decisions.

The difference between Northern Rock and most of the Irish banks is that the Government could not afford to allow one of our banks to collapse; the collapse of one of our banks would almost certainly produce a domino effect and bring the whole system down, so the Regulator and the Government would have to step in and save the first one, unless it was an insignificant player or a small subsidiary of a foreign-owned bank or something like that. For that reason, I think it is reasonable to expect a few 'combinations' occurring in the Irish banking system, over the next few months – possibly over the next few weeks – with the Regulator forcing financial institutions to merge in order to ensure the stability of the overall system. That may draw some criticism, but it is probably the best thing to do in the current situation.

Despite what Shane Ross says (and I have some sympathy with some of his comments), the shorters could have precipitated a run on an Irish bank, resulting in the collapse of a bank and causing a massive impact on Government finances. Now that the European Central Bank has given comfort to the Euro-based banks, a run on an Irish bank is much less likely, but depending on how long the current down-turn lasts, one could not rule it out indefinitely, in the absence of some movement by the Regulator to ensure the stabilisation of the overall system.

The current economic and financial circumstances, internationally and in this Country, are creating an environment in which conducting business is much more difficult than it has been, at any time since the early-to-mid 1970s.

But in some ways, not that much has changed from the perspective of the individual business; O.K., money is scarce and it is hard for businesses to collect money from customers and impossible to get it from banks; markets are weak, and that applies to both our domestic market and export markets; the cost of doing business in Ireland is still too high, with too much regulation and governance, too much external bureaucracy and too little financial support.

But, and it's a big 'but', good, well-run businesses will still make money and will survive this recession. I want to talk for a few minutes about business in a general sense, using a few specific examples as illustrations.

Despite the fact that I started off as an academic, in the 1960s, in circumstances which bear no resemblance to anything one might experience in West Kerry, or I experienced in South Fermanagh either, most of my background represents a combination of business and sporting involvement; and odd as it might seem, I see those two activities as having an awful lot in common. Sportsmen and women and businessmen and women both strive for success – both want to be the best, both aim to be winners. The recipe for success is, by and large, the same in both activities.

To demonstrate the common features of sport and business, I have often repeated a story which I first saw in the programme for last year's All-Ireland Hurling Final. It described an occasion, when the Ballyhale Shamrocks Club, in South Kilkenny, were playing an under-age game and they had only sixteen players; there was a young lad, who was deemed to be a bit overweight and not good enough, not skilful enough, for the team, so he got the number sixteen jersey.

More than a decade later, a lad from Ballyhale, won his sixth All-Ireland Senior medal, having survived a major injury incurred in winning his fifth one; he has seven All-Star awards; he Captained Kilkenny to their Thirtieth All-Ireland title,

having been selected as National Hurler of the Year in 2006. He's now 6'3" tall, thin as a whippet and, by far, the best hurling forward in Ireland over the last six or seven years; his name is Henry Shefflin – the same Henry Shefflin who was sixteenth player for Ballyhale as a juvenile.

That story is not a bad allegory, or metaphor, for tonight's event. Henry Shefflin became a great hurler, because he made himself a great hurler – not because, at the outset, he had greater talent than many others; he is now a great hurler because he worked at improving his skills, he trained himself to be fitter than any of his opponents and he developed the courage to take on whatever opponent he faced, confident in his ability to succeed and determined to make himself a success.

It is exactly the same in business. People succeed in business, not because they are born with silver spoons in their mouths, but because:

- they work for their success and are prepared to work to succeed,
- they hadve the courage to try things, which others are afraid to try,
- they are willing to take whatever risks are needed, and
- they have the confidence to back themselves and win.

Whether they run a big business or a small business, whether they make millions, or just scrape a living from it, whether they have many employees or only one or two, they all have had the vision to dream their dream and to make it work for them. Without exception, they deserve whatever successes they have had and they deserve our wholehearted admiration.

In reality, it was always so. For centuries, those who started out by not making the team have regularly come through as the best and the most successful.

Over one hundred and fifty years ago, a young man of Irish descent – his family came from Ballygawley in Tyrone, where Mickey Harte comes from - joined the American army; a few years later he left, in very dubious circumstances – he may even have been dismissed.

He started farming on land given to his wife by his father-in-law and he went bust; he became a real estate agent and again he failed; he joined the customs service and lost his job; eventually, he went to work in his father's store, selling leather goods and he was bad at that too – he lost weight, he lost interest in life and his family and his neighbours began to worry about him; he was seen as a waster and useless – a lost cause!

A couple of years later, the American Civil War began and he re-joined the army; within a few years, he had been appointed a General by Abraham Lincoln and placed in command of part of the Union army; he became the most successful soldier in that army, contributing massively to winning the Civil War for the Union side.

The failed farmer, the failed estate agent, the failed customs officer, the failed shop assistant was called Ulysses S. Grant. Within a few years of the end of the Civil War, he was elected President of the United States with, until then and even to this day, one of the biggest percentages of the popular vote in American history. He had a reputation as a fearless, even reckless, soldier, who was prepared to lose hundreds, even thousands, of men, in order to win; yet he still showed outstanding mercy to his opponent General Robert E. Lee when he accepted the ceasefire, allowing Lee's soldiers to keep their horses, as he put, for the Spring ploughing.

Today, President Grant is one of America's most revered Presidents, and is commemorated on the back of the United States' \$50 note.

Ulysses S. Grant may not have taken the first chance he got, or the second, or even the third, but eventually, he succeeded, because he identified something he wanted to do, something he was convinced he could do well, may be even something he thought he could do better than anyone else. So he grabbed the chance and succeeded.

General Grant was not unique in that respect. Robert the Bruce is supposed to have learned that lesson on Rathlin Island from watching a spider – “if at first you don't succeed, try and try again”.

The reality is that one of the most important qualities of any successful person is perseverance and a refusal to be beaten or to lie down; the golfer who said “The more I practice, the luckier I get”, was absolutely right.

I want to give you a couple of examples of people who started from nothing and succeeded in business, and then I will try to indicate what made them successful and what lessons we can all learn from their experiences.

George Bernard Shaw once wrote, and the late President Kennedy quoted in his inauguration speech, that *“Some Men See Things and Say ‘Why?’; But I Dream of Things That Never Were and Say ‘Why Not?’”*.

And that is how many businesses start; someone has a VISION; he/she sees a Market Opportunity – a Gap in Product or Service Provision, or Gaps in the Market, or Potential for New Developments, or The Possibility of Doing Things Better, like some improvement from New Technology. I have three examples of businesses, which I would like to give you.

- (i) Shore of Lough Neagh;
- (ii) 3 Young Men;
- (iii) Someone who was once one of the worst farmers in the history of Fermanagh farming.

So what are the crucial components of success in business? Apart from Vision, I would like to raise a few which I think are important.

Firstly, success in business demands a capacity for Taking Risks: I have a very simple view, some would say overly simplistic; my view is that a Strong Stomach for Uncertainty and a Willingness to Take a Risk are prerequisites to building a successful business; it is not a feature of our Public Sector and that is a major issue for the economy, because, in the current economic environment, issues like risk-taking, efficiency, effectiveness, productivity and value-for-money, have to be just as important in the public sector as they already are in the private sector.

**We cannot afford inefficiency and poor service and quality, in any sector of activity, whether public or private, in the current environment – or even when the environment is much stronger. Economic problems are, almost universally, created during prosperous times, but they crystallise when things turn sour.**

**The statistics indicate that, in UK, 50% of New Starts Fail Within Three Years and, here in Ireland, we have a low proportion of business starts anyway, as recent data on international comparisons indicate clearly. In the USA, it is estimated that 8 out of 10 successful companies are run, or established, by people who have previously failed and some venture capital companies will not consider a project unless the promoter has already failed; here, we are too dependent on support.**

**In business, the reality is that things will go wrong – it's inevitable; in practice, the good ones have the stomach to handle it and the bad ones panic! And that will continue as long as the business operates; a very important aspect of management and of enterprise is Handling Problems. So that's the first issue; if you cannot Handle Risk and, even worse, uncertainty, join the public sector, or become a teacher, or a traffic warden, or something similar.**

**Secondly, the really good businesspeople are Natural Leaders; they can motivate, they can manage, they are willing to make decisions, they can work with people; but they are also confident – confidence is necessary. They are not necessarily obvious at school; some are late developers; but generally, you can spot them on the sports field – they lead intelligently; they can spot what needs to be done; and they can point the way to others and be accepted. They have an Ability to Work with People and to Motivate Them; there is No Prescribed Method. And they are Good at Team-Building and at building an Organisation, with proper Structures and Discipline.**

Structure is very important; while it receives far less attention in literature than strategy, **Structure Must Match Strategy** – two companies in same sector, with different strategies, will almost certainly have different structures i.e. reporting relationships, control systems etc.

And good business people have the **Courage** to make things work and take difficult decisions. They are willing to delegate: they recognise the need to create space for people to grow; they know that no one person can do it all himself or herself and they appreciate that failure to delegate constrains growth and de-motivates staff.

Thirdly, they **Focus On Results**; they aim to **Be the Best** (the most efficient and most productive in the sector) thereby making their businesses partially immune to downturns.

They **Think Strategically** but they also **'Mind The Kitchen'** – the big picture is very important, but the little details are crucial.

Strategy inevitably puts the customer in a hugely important role, with a huge emphasis on **Quality and Service**.

Fourthly, they use a good business model; I have a strong preference for the **Production Model** and a high level of antipathy for the **Administrative Model**, which is so beloved of academics and the public sector.

Finally, good business people **Want Success**; they are hungry; they are determined; they persevere; they keep trying and they eventually succeed.

Because, in the end, it is the triers who succeed – the triers, who match their efforts with a degree of vision and a willingness to gamble and go for it, whatever it happens to be in any individual case - not those with the best education, or the most academic awards, or the luckiest, or those who get

everything handed to them, but those with the most courage to take risks, with the determination to bounce back from adversity and with the capacity to learn from failure.

These are the people who built the Celtic Tiger – the men and women who were prepared to invest in the early 1990's when others were too scared, who backed themselves and their ideas when others thought they were mad, who tried new things, dreamed new dreams, saw new visions, who wanted to make a difference and did.

There are many such people in this room tonight. With typical Irish reserve, many of you may have difficulty recognising yourselves in my description, but you fit the description all right. It is you and your likes, who have made this County the success it has become over the past twenty years and contributed to making this Country what it is today.

At a time when the population of the Country is growing once again, it is all too easy to forget that, less than forty years ago, Ireland's population was only two-thirds of what it is now, having declined for over a century. It is easy to forget that fifteen years ago we were exporting 30,000 people per annum; that is why comparisons with our current position and previous recessions are entirely false – we are starting from a completely different base today.

The entrepreneurs and business-people of Ireland have been responsible for most of the changes, which have fuelled the Country's population growth; they have created the reduction in emigration; they have produced the increased prosperity. More than any other factor, apart possibly from the advances in education, the business sector has contributed to the new Ireland and to the more prosperous West Kerry too. By comparison with what I saw, when I was growing up, around Teemore and Ballyconnell, we now have a Country and a People, particularly a Young Population:

- **Who Have a Level of Confidence, Which Those of Us Who Were Born in the 1940's Could Never Have Foreseen – Could Not Even Have Imagined in Our Most Improbable Visions;**
- **Who Have the Imagination to Dream Impossible Dreams and Make Them into Realities;**
- **Who Have the Courage to Try New Things, to Take Risks, to Question Convention, to Build and Expand and Innovate, to Change and Grow – to Embrace New Ideas, New Technologies and Modern Inventions;**
- **Who Have a New and Strong Sense of Identity, of Place, of Community, of County and of Country;**
- **Who Have Created the Fourth Wealthiest Country in the World on Some Indices and Some Measures, but Where Community Values Are Still Strong and Volunteerism Is Still Alive and Thriving;**
- **Who Want to Make a Difference and Are Doing so Very Successfully; and**
- **Who Are Proud to Live in An Ireland Which Has Changed, as Yeats Put it “..Changed Utterly...” – Changed Mostly for the Better, Because “the Good Old Days” Were Not That Good in Cavan, or in Most Other Places Either.**

**More than anyone else, these young Irish people have no time for the harbingers of doom; for those who tell us our economy is on the brink of irretrievable collapse; for those who talk the property market in continuing and steep forward decline and who write of the manufacturing sector; for those who do not even see a half empty glass but see a glass which is shattering. It's time the merchants of doom 'wised up'; it's time we started ignoring them; it's time for positive attitudes.**

**This is not the time to panic, because there is no need to panic. And anyway, panic achieves nothing.**

**Our economy has not been doing well over the past year; our G.D.P. will be lower this year than it was last year; our rate of economic growth has slowed down after a decade of extraordinarily strong growth.**

**But our economy is still fundamentally strong; it is a lot stronger than it was fifteen years ago. And it will grow again; and it will probably grow faster than most other countries in the European Union, or elsewhere in the world.**

**Our property sector will recover, but it will take time; we may not build as many houses as we did in 2005 or 2006, but we will still build more than we did in 1991, or 1992, or 1993; we will still have to house our increasing population.**

**We have scope to borrow at national level, and we will need to, but we will also be capable of repaying it.**

**Even if there is a short breathing space, or temporary reversal in the rate of growth by comparison with the last tremendously successful decade of expansion in our economy and our prosperity, it will do us no harm.**

**When the international economy starts to expand again, we in Ireland will be in a perfect position to take advantage of the opportunities which will arise. We have the people – a young, well-educated population, with enough older people with the experience and expertise to co-operate with those young people in creating a genuine winning team for the international economic championship. We have the resources – human, physical and financial; we have the vision and the visionaries; we have the entrepreneurs and the managers and the first class employees. We have the complete package and we will do well – we will continue to prosper.**

**There are no better examples of the people who can lead us on that journey than tonight's attendance. Many of you have faced serious competition and won, and you deserve your successes.**

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