

**'It is difficult to tell people you should move away from property and do something else that is far more risky and that demands much greater management techniques'**

**Author of the** highly regarded World Competitiveness Report, Stéphane Garelli is a professor at both the International Institute for Management Development and at University of Lausanne, Switzerland. He is widely seen as the leading authority on world competitiveness, and his research focuses particularly on how nations and enterprises compete on international markets. On a visit to Dublin in March, where he was speaking at the MBA Association Conference, we managed to grab a quiet moment with him to get his views on Ireland's flagging competitiveness. He had some very sound advice for any incoming government.

"I think Ireland is moving into a next stage of competitiveness," says Garelli. "When you are successful,

export-oriented, with some technology and niche strategy, and that will compare favourably with companies throughout the world.

"If you look at the other countries that have been very successful, such as Denmark, Finland, Sweden and, to a certain degree, Switzerland and Germany, the real impact has been that they have many SMEs that are highly competitive on the international market. This is the next step for you."

#### Market migration

Garelli also points to the uncomfortable truth we all now recognise — that many so-called enterprises here tend to look to the domestic market to make their money, with all the wealth that is around, particularly in real estate and construction. "There is so much money to be made in these sectors that it is very difficult to tell people you should move away from property and do something else that is far more risky and that demands much greater management techniques, because now you're operating with foreign markets in Asia, Latin America and even central Europe. It is far more difficult.

"Maybe when you have a correction of the real estate market it will be a blessing in disguise," adds Garelli. "Maybe it will free up some capital and energy to go back into what will be the future of Ireland — building the niche companies that are going to be very efficient abroad, whether that be in technology or more traditional industries, but they must be export-oriented."

Garelli emphasises that these enterprises don't need to be confined to the high-tech sector. "What is important is that they have a very unique, specific competitive advantage. You have to find that and once you do, the world is so big now that even if you just take a very small part of the cake, you can have an enormous success story. In Switzerland, we are selling 100,000 luxury watches in Shanghai alone each year. If the country is successful it is much more because of international activity than local activity.

"For me this is probably one of the big challenges for Ireland now, and you are not alone. Singapore has exactly the same challenge. How do you breed domestic enterprise and how do you help it go abroad?" A very timely question for all our election hopefuls!

## INDEPENDENCE DAY

It's time for Ireland to move to the next stage if it is to compete, says leading competitiveness authority Stéphane Garelli, and the way to do this is by building a layer of export-oriented SMEs that can succeed on the world stage, he tells *Ann O'Dea*

obviously your cost base becomes higher and you have to find something else. Internationally, we are moving from cheap labour costs to cheap brain power. The problem we have — and I say 'we' because Switzerland is in exactly the same situation as Ireland — is that we are not the only ones to think that investing in technology and adding value is the way to go. I mean everybody is doing it now, and we should not underestimate the fact that the large countries such as China and India, which have traditionally been competitive on cheap labour costs, are starting to become competitive also on cheap brain power. This is a major revolution.

"What you have achieved in the past 20 years is outstanding," he continues. "But it all happened very quickly, and people hardly had time to absorb what happened. Now that you are a success story and everything is wonderful, it is very difficult to go back to people and say, 'actually we have to change'."

Garelli points to the fact that Ireland's 'first wave' of success was built on our attractiveness to large international companies. "Now it's time to start talking about the next wave of competitiveness. The next stage in Ireland must be to build a layer of local, small to medium-sized enterprises (SMEs) that are going to be

