

**CHAPTER 20 – CATEGORIES OF  
INDUSTRY Unit 6 QUESTION 2**

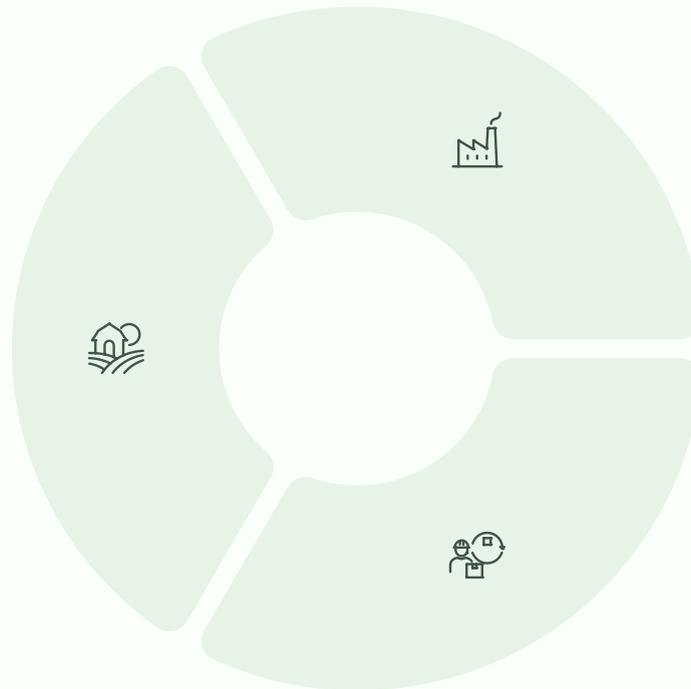
**ThriveForward.**  
Building a brighter Future

# Firms and Industries

A **firm** is an individual producer of a good e.g. Cadburys.

An **Industry** is a collection of firms producing the same good e.g. the chocolate industry. There are 3 categories of industry.

**Primary Sector**  
Extracts or harvests products  
from the earth



## **Secondary Sector**

Transforms raw materials into  
finished goods

## **Tertiary Sector**

Provides services and support for  
other sectors

# The Primary Sector

The primary sector of the economy extracts or harvests products from the earth. The primary sector includes the production of raw material and basic foods. Activities associated with the primary sector include agriculture (both subsistence and commercial), mining, forestry, farming, grazing, fishing, and quarrying. The packaging and processing of the raw material associated with this sector is also considered to be part of this sector.

## Agriculture in Ireland

*Agriculture* in Ireland is in decline. The main reasons are,

- Increased mechanisation
- More attractive options elsewhere e.g. 9-to-5 job with a weekly wage.
- Change in EU supports policy.



# The Agri-Food Sector in Ireland

The agri-food sector in Ireland in 2016 generated 7% of gross value added (€13.9 billion), 9.8% of Ireland's merchandise exports and provided 8.5% of national employment. When employment in inputs, processing and marketing is included, the agri-food sector accounts for almost 10% of employment.

**7%**

## Gross Value Added

€13.9 billion contribution to the economy

**9.8%**

## Merchandise Exports

Significant portion of Ireland's export market

**10%**

## Total Employment

Including inputs, processing and marketing

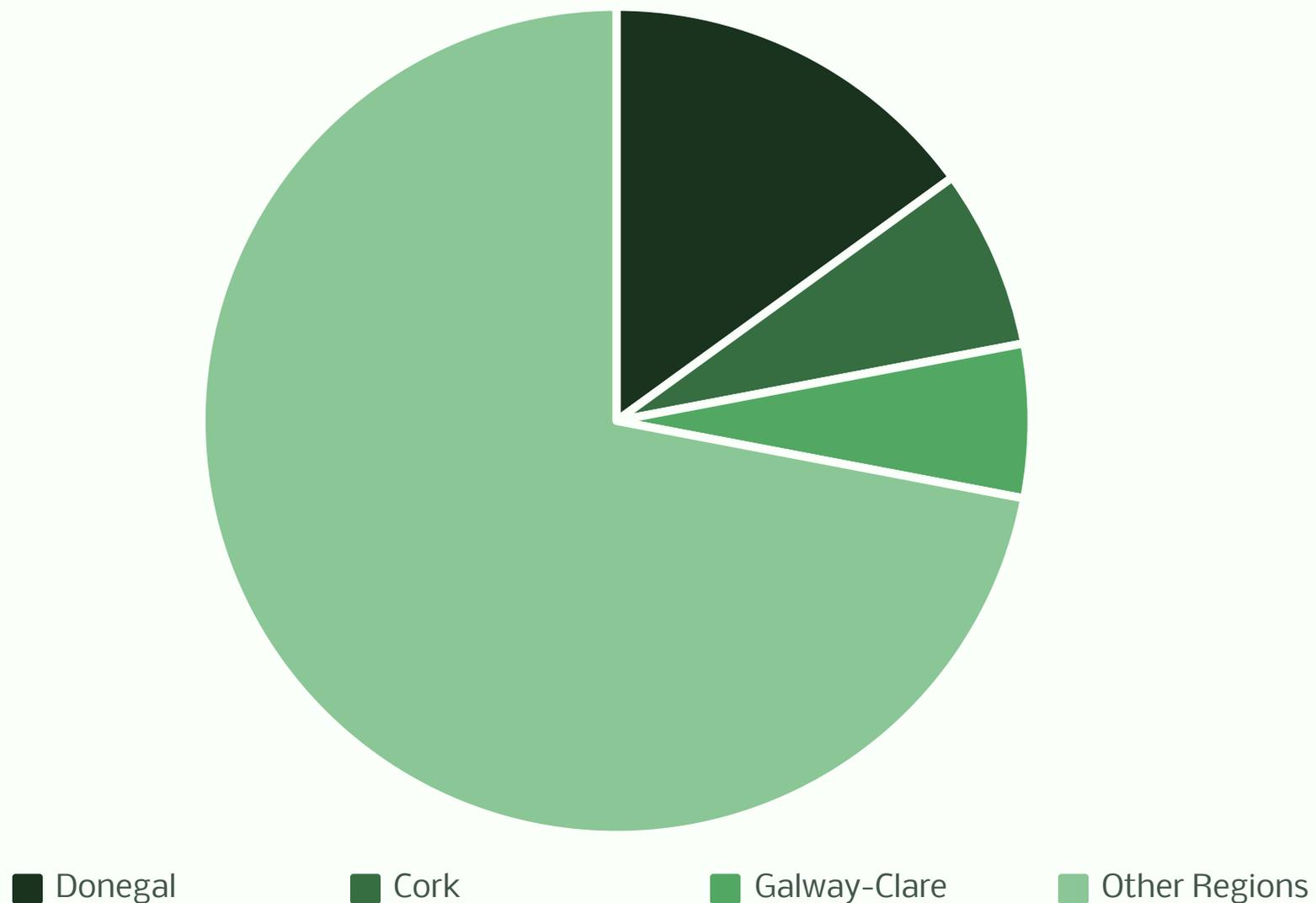


# Fishing Industry in Ireland

The seafood sector has remained strong throughout 2019, with the global issues of Brexit and volatility in the world trade markets still on going. The seafood economy has slowed somewhat due to these challenges along with more specific challenges in shellfish and whitefish markets. Ireland's most popular product, farmed salmon, fell further in 2019 but this was offset by higher prices for a range of seafood products. Employment in the sector grew by 2% in 2019, and now there is more than 16,000 people employed directly or indirectly in the seafood industry. This is mainly focused on coastal regions, with levels reaching 15% in Donegal, 7% in Cork and 6% in Galway-Clare, with the seafood sector remaining of huge socioeconomic value to these areas.

## Domestic Growth

The domestic fish sales were worth 496 million euros for 2019, with 300 million of this being retail and 196 million being foodservice. Total fish sales have increased by 1.3%, while total grocery sales have increased by 3%. Fresh fish sales in particular are responsible for driving this growth. The average price per Kg is up for both. Fresh Fish has gained switch spend from all proteins



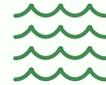
# Natural Resources

These include oil, climate, water, land, minerals, peat, forests, and fisheries. These must be managed carefully by society and the focus is on environmentally sustainable development.



## **Oil & Gas**

Non-renewable resources requiring careful extraction and management



## **Water**

Essential for household consumption and industrial use



## **Forests**

Renewable resource managed by Coillte in Ireland



## **Minerals**

Used in construction and manufacturing industries

# Extractive Industries and Resources

## Extractive Industries

In Ireland, the construction Industry has been the main user of our more important deposits e.g. sand and gravel.

Natural gas has proved to be a significant boost for the economy.

## Water

This is also an important resource for household consumption and Industrial use e.g. the food processing industry. It is important that pollution is carefully monitored in this area.

## Forestry

Coillte is the relevant SSB for forestry and attractive grants have attracted private investors and the fact that the returns are tax-free.

Coillte employs 1100 people.



# Current Trends in Primary Industries

## *Current Trends*

Commodities such as beef and milk are commanding higher prices on world markets as demand increases due to global population growth.

Coillte the state agency operating in forestry, land-based businesses, renewable energy and panel products may be privatised along with other businesses such as Electric Ireland.

As a result of overfishing the EU has introduced fish quotas in an attempt to conserve fish stocks.

Gas deposits discovered in the Fermanagh/Leitrim border may be mined using 'fracking' a controversial mining technique. The Corrib natural gas field has also proved controversial.

Developments in the area of **wind energy and solar power.**

Continued growth in **organic food production** capitalising on Ireland's green image worldwide.

Restriction on **turf cutting due** to EU environmental directive

# Challenges in the Primary Sector

## Climate Change

Climate change means that more sustainable ways of farming and fishing are needed.

## Staff Shortages

Staff shortages means that this sector has struggled to recruit locally.

## Renewable Energy

Growth in renewable energy due to the price of energy

## Brexit

Brexit difficulties with new rules and regulations.

 5% of employment is in the Primary Sector.

Difficulties of beef producers as farmers getting the smallest slice of Beef profits.

# Secondary Industries

These industries transform raw materials into finished goods. They consist of the manufacturing and construction sectors.

At present there is a major push in the innovation sector to develop new exportable products in a more competitive environment

Successful areas in Ireland are.

## **Food Processing**

Producing dairy products etc.  
e.g. Glanbia.

## **Computers**

e.g. Dell, Intel

## **Chemicals and Pharmaceuticals**

e.g. Irish Fertilisers, Elan

## **Printing and packaging**

e.g. Smurfit Kappa

## **Building materials**

e.g. Cement Roadstone Holdings

The "Construction Industry" produces raw materials for building and builds our infrastructure, which is essential for business. Tax incentives and tax changes tend to stimulate or deflate this sector.

# Trends in Irish Manufacturing

## Current Trends:

1. Decline in employment in Secondary Sector - downsizing and closures have resulted in an increase in unemployment, particularly in relation to Manufacturing. and Construction
  2. Increased competition- challenge faced by Agribusiness Sector in food market from foreign retailers i.e... Lidl and Aldi
  3. Increased wage rates in Ireland over the past few years has resulted in loss of competitiveness - relocation of some manufacturing businesses to low-cost economies
- Change towards hi-tech jobs e.g. Google and Microsoft.
  - Move to more competitive locations e.g. Costa Rica and Poland (Dell)
  - Focus on the **knowledge** end of Manufacturing. E.g. Eli Lilly's Kinsale plant (pharmaceutical manufacturing)
  - Move away from textiles.
  - Downsizing due to technological advances



### Single European Market

Greater influx of MNCs to gain access to the EU.



### Niche Markets

Successful "high quality" and "niche market" suppliers e.g. Baileys, and Blarney Woollen Mills



### Green Marketing

Changes towards green marketing and environmentally sustainable development



### Food Conglomerates

Emergence of Irish food conglomerates e.g. Glanbia

18% of Employment is in the secondary sector

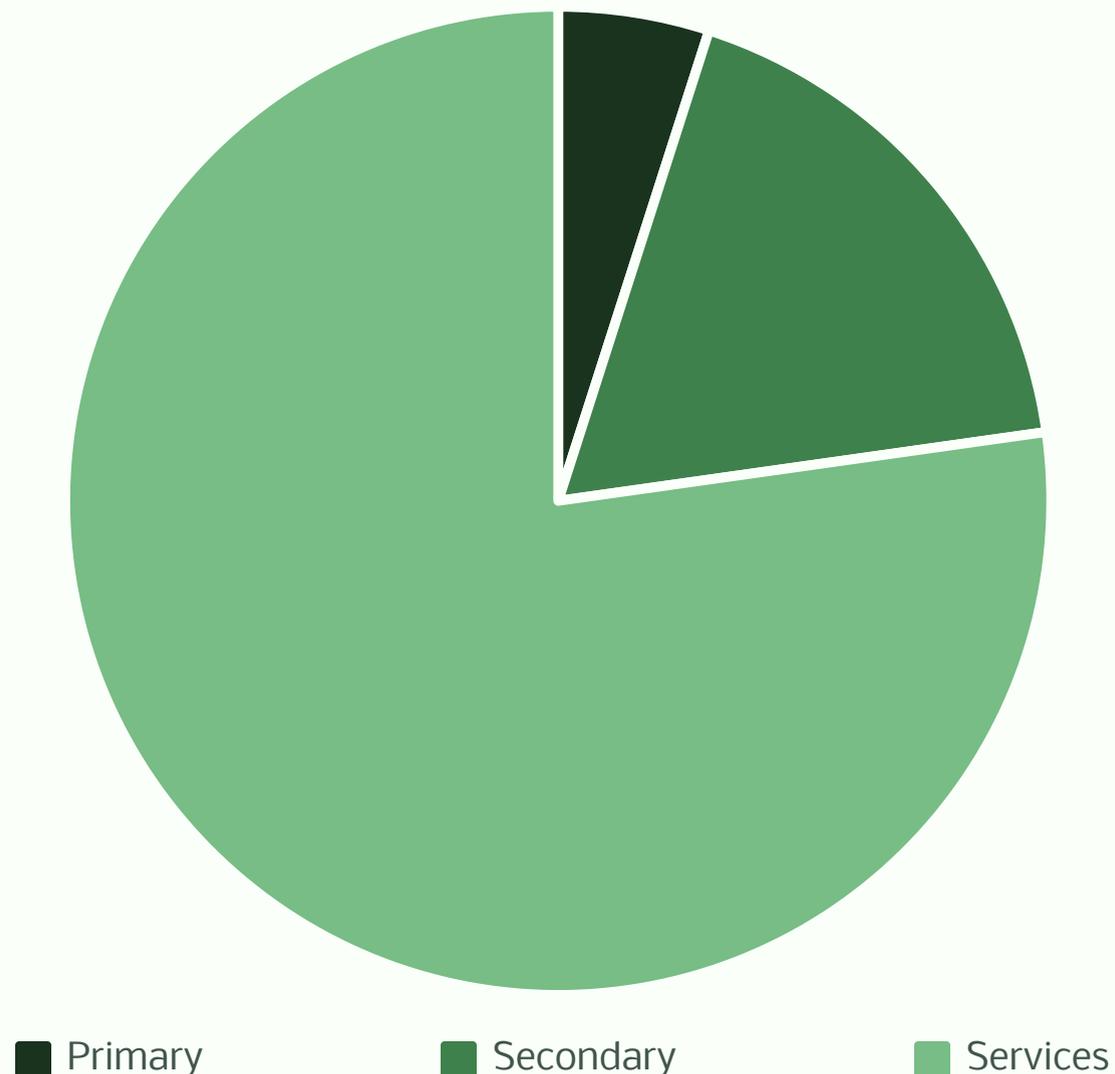
# The Services Sector

This is the tertiary sector that provides essential backup for Primary and Secondary sectors. This category is not in the business of "making" more by way of consultancy and support services. It includes banking, legal, accounting, insurance, and software assistance to name just a few. It includes TV journalism and telecommunications.

**78% of employment is in the services sector.**

Nightline couriers are in the distribution industry and provide an essential service

There are 1.4 million people employed in this sector in Ireland at the moment and this provides a boost for the economy through the knock-on effect of both taxes paid and expenditure.



# Impact of ICT on Services

The rapid growth of Information Communication and Technology has also had a major influence e.g.



## **Banking Technology**

ATMs, Internet Banking, Telephone banking



## **Retail Technology**

Bar codes for stock control



## **E-Commerce**

Internet business transactions.



## **Public Services**

Improvements in public bodies e.g. Motor tax online



## **Education**

Education multi-media packs e.g. eircom tutorials



## **Remote Work**

Teleworking or working from home and avoiding commuter hardships.

# Recent Trends in the Services Sector

## Access to technology / e-commerce

- Poor access to broadband especially in rural areas
- Poor use of websites for selling to consumers.



## Commercial Rates

- Commercial rates charged to business by local authorities.
- They have placed small local retailers under huge pressure as they try to compete with larger retailers.



# Challenges in the Services Sector

## **Brexit/uncertainty**

The uncertainty caused by UK's exit from the EU will have a negative impact on the exporting of goods and services.

## **Rents**

The increase in the cost of rental accommodation in cities such as Dublin will cause employees to lodge claims for higher wages. This reduces the profits of service firms and makes it more difficult for them to remain competitive.

# Wage Demands in Services

Successful wage demands in the transport sector such as Dublin Bus and Luas have led to knock on claims in the services sector. This reduces the profits of service firms and makes it more difficult for them to remain competitive.



## Transport Sector Wage Increases

Dublin Bus and Luas workers secure higher wages



## Knock-on Claims

Other service workers demand similar increases



## Reduced Profits

Service firms face higher wage costs



## Competitiveness Issues

Firms struggle to remain competitive

# Retail Sector Changes

The huge growth in online purchasing has led to the closure of many retail outlets. Growth of discount retailers e.g. Aldi, Lidl,

## Online Shopping

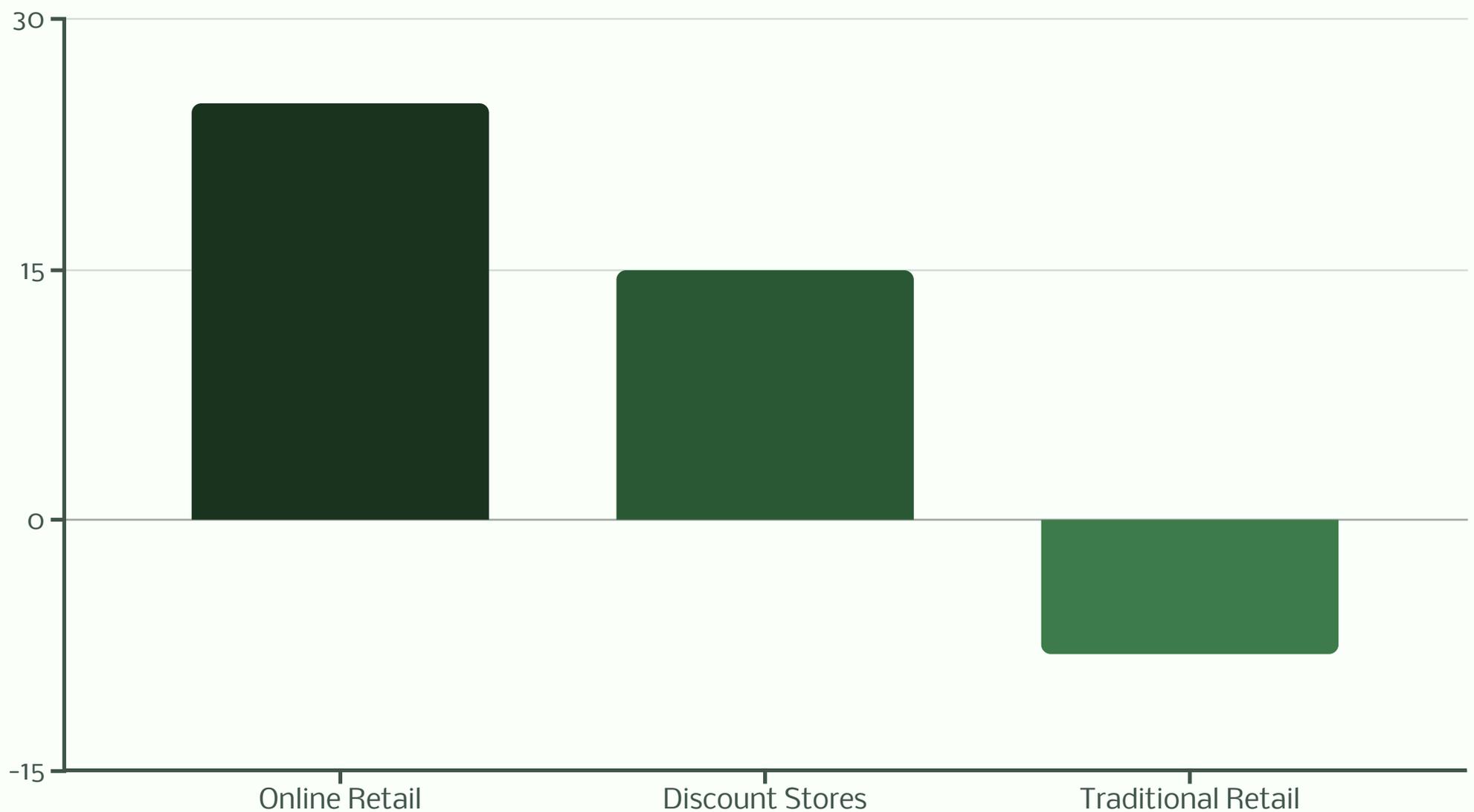
Increasing consumer preference for e-commerce

## Retail Closures

Traditional shops closing due to online competition

## Discount Retailers

Growth of Aldi and Lidl changing the market



# CHAPTER 21 – COMMUNITY DEVELOPMENT

## FOUR MAIN AGENCIES (SAQS)

The Government funds, and in some cases administers, a range of programmes of support for **community development** so that socially excluded groups and local communities can be active participants in identifying and meeting their own development needs, working alongside the Statutory Agencies and others involved in local development initiatives.



# Community Development Program

This Programme provides **financial assistance** to fund community development projects in **disadvantaged areas**. It also provides support for self-help work in specific target groups that experience disadvantage - disadvantaged women and men, lone parents, travellers, etc. - in order to help them articulate their point of view and participate in a process of personal and community development.



## KEY WORDS

- LOCAL SELF-HELP
- SOCIAL
- ECONOMIC

## Problems of local communities

### Unemployment

This leads to higher emigration and a change in the age structure.

### Social problems

These areas have a serious amount of social problems and develop a bad name, and this discourages investment.

### Poor infrastructure

These areas usually have a poor infrastructure, and this also discourages investment in the area.

### Negative multiplier influences

Poverty in the region has a negative knock-on effect and these areas are badly catered for by business and for amenities.

# THE PROCESS OF COMMUNITY DEVELOPMENT

A community is a group of people that have something in common. They may live in the same area or work together or be members of the same club. The community benefits when all members work together and cooperate for the good of all. It develops when members try to create new jobs or leisure facilities or social services.



## Local people are in control

Local people will make the crucial decisions in the area and not rely on Transnational Companies which tend to create a local boom for their duration and then a recession when they leave to go to a more competitive country.



## Advice and Finance

Enterprise is encouraged and helpful advice is laid on by local and national agencies e.g. LEADER + programme. Access to funding is also made available.



## Job creation

Jobs and economic development arise through the efforts of proactive locals and useful agencies.

This is in line with the "Bottom Up" approach to European development.

### **Refurbished Towns and villages**

Jobs are created but also shopfronts are improved, and localities are given a major facelift. These projects qualify for tax relief.

### **Creates entrepreneur mentality**

An enterprise culture is developed, and locals look for solutions to local problems availing of outside help when needed. Innovation is accepted as a must for people in the area.

### **Organises EU funding**

These local groups investigate all EU funding opportunities and maximise local uptake. All schemes insist upon **qualifying criteria** for funding.

### **Develops local skills**

Traditional crafts are revived and as well as catering for local needs are popular with tourists e.g. Bunratty folk park and village.

# Community Development Success Stories

## Killarney and Ring of Kerry



### Quality of life

The rebirth of the town/village brings a new vibrancy to the area and all opportunities are seized e.g. Clarin bridge Oyster festival.

## Galway



### Positive multiplier effect

Extra jobs and extra economic activity have a positive impact on the economic life of the developed community.

# SOCIAL AND ECONOMIC BENEFITS

## Local Enterprise Offices (LEOs)

- They are the most important source of start-up business.
- The Enterprise offices support the start-up & development of local business in Ireland.
- Supports include advice, mentoring & grants or financial supports for training and growth.**
- There are 31 in all.
- They cover areas of development not covered by other agencies e.g. Enterprise Ireland covers larger indigenous firms.
- Each LEO has an enterprise fund.
- They focus on micro projects i.e. **those with less than 10 employees.**

The maximum grant available for the new start up is €63,500 e.g. for feasibility studies, capital, and employment grants.

The **Local Enterprise Office** is the *First Stop Shop* for anyone seeking information and support on starting or growing a business in Ireland.

The Local Enterprise Office provides advice, information, and support to entrepreneurs in starting up or growing your business.

With 31 dedicated teams across the Local Authority network in Ireland, Local Enterprise Offices offer a wide range **of experience, skills, and services.**

The Local Enterprise Office is for people interested in starting up a new business or already in business including entrepreneurs, early-stage promoters, start-ups and small business looking to expand.



# Role of Local Enterprise Offices

**To drive the development of local enterprise, putting local micro and small business at the heart of job creation in Ireland**



To drive and support business start-ups and promote a 'can-do' business culture.



To increase the job potential of new and existing micro and small businesses.



To increase the number of innovative businesses with potential to export.



To be proactive in response to the needs of our clients.

# Qualification Criteria for LEO Support

To qualify promoters of a project must show that:

1

A market for the product / service exists.

2

They have the management and technical ability.

3

The project will create employment opportunities in the specific area.

4

The project does not displace existing local jobs.



# LEO Services



## Support and advice

The LEO provide a full **information and advice** service to expanding and potential entrepreneurs on all aspects of setting up and running a business. LEOs are a **first port of call** for those needing **information and advice** on how to go about setting up or expanding a micro business venture. E.g. Barron lifts aided by Wexford LEO.



## Training

The Local Enterprise Offices (LEOs) provide an extensive range of supports to local business communities. Our confidential advisory service is open to anyone exploring self-employment as an option or for those who are currently operating a business.

To assist the small business community in meeting the challenges of the business world, LEOs provide a wide range of **high-quality training supports** which are tailored to meet specific business requirements. Whether it is starting a business or growing a business there is something suitable for everyone.



## **Mentoring**

A significant and much utilised component of the "soft" support intervention of LEOs is their mentor programme. This particular programme seeks to match up **the knowledge, skills, insights, and entrepreneurial capability of experienced business practitioners** with small business owners who need practical help. E.g. Rachel Quinn Ceramics Sligo was helped with business planning and cash flow forecasting.

## **Equity investment**

The LEO might invest in a project with high potential for growth with the financial projections demonstrating an ability to repay e.g. up to €75,000 may be invested by the LEO in a venture.

# Additional LEO Services

## Feasibility grants

Feasibility Study Grants are designed to assist the promoter with researching market demand for a product or service and examining its sustainability. It includes assistance with innovation including specific consultancy requirements, hiring of expertise from third level colleges private specialists, design, and prototype development.

## Business Angels

The LEO and Enterprise Ireland have a panel of **potential investors** who have indicated their **willingness to invest in worthwhile projects**. These are known as Business Angels. Most of major accountancy firms and legal practices also have such clients willing to take a plunge for the right opportunity. E.g. The Halo business angel partnership which brings **entrepreneurs, investors, and advisors together to work on a suitable start up**.

Partnership Companies were established to tackle growing unemployment in particular areas of the country. Each Partnership Company is made up of representatives from the business community, state agencies and community groups. These established Partnerships combat unemployment and the causes of unemployment in their area by developing and supporting services to unemployed people and through involvement in other special programmes.

# RURAL DEVELOPMENT

## LEADER 2014 - 2020

LEADER will provide 250 million euro in financial resources to rural communities up to 2020. It will be administered by Local Action Groups (LAGs). These are partnerships of both public and private entities from a **defined geographical area**. They are responsible for selecting and approving **projects** in their respective areas in accordance with business plans agreed with LEADER.

We will enter into funding agreements with Local Action Groups on a rolling basis from early 2016. Following this, Local Action Groups will be accepting applications from both **private promoters** and **community groups** for projects, which are consistent with the priorities identified in the local development strategies for their area.

### The broad themes are:

-  The use of **new technologies** to help increase the competitiveness of products and services in rural areas.
-  Improvement of the **quality of life** in rural areas.
-  **Adding value to local products** and facilitating access to markets for small production units.
-  Making best use of natural and cultural resources, including the enhancement of sites of Community interest.

# Aid under the LEADER programme

Aid under the programme may take the form of support for the following measures:

**Training**

**Analysis and Development**

**Innovative rural enterprises, craft enterprises and local services/facilities**

**Exploitation of agriculture, forestry, and fisheries products**

**Enhancement of natural/built/social/cultural environment**

**Environmentally friendly initiatives**



# SOLAS

SOLAS' functions are to manage, co-ordinate and support the delivery of this integrated Further Education and Training by the Education and Training Boards (ETBs); to monitor delivery and provide funding based on reliable, good quality data and positive outcomes; and to promote Further Education and Training provision that is relevant **to individual learner needs and national skills needs**. This includes the **needs of business and future skills requirements**.

SOLAS holds statutory responsibility for the management of the **National Apprenticeship System** in Ireland. Apprenticeship is the recognised means by which people are trained to become craftspeople. It is a demand-driven, workplace and classroom, educational and training programme for employed people aimed at developing the skills of the apprentice to meet the needs of industry and the labour market. **The Curriculum for each apprenticeship programme is based on uniform, pre-specified standards which are agreed and determined by industry.**

SOLAS manages the MOMENTUM programme which is part of the Government's 'Action Plan for Jobs' initiative. It offers training to approximately **6,500 long-term unemployed people to gain skills in identified growing sectors and to provide them with access to a range of education and training projects, work placement/support and relevant industry and NFQ accreditation.**

SOLAS delivers online learning through **eCollege** which offers a range of high quality interactive online learning courses, available any time through broadband internet access, for those who wish to learn at their own pace. **On-Line learning courses** typically take from 14-24 weeks to complete and caters for individuals who are IT literate and who wish to work at their own pace and in their own time. Courses are offered with and without e-tutor support. Learners can register for on-line courses through **[www.ecollege.ie](http://www.ecollege.ie)**. Courses include CompTIA Network+, Mobile Technology, Java Professional Developer and Microsoft.

# CHAPTER 22 – GOVERNMENT AND BUSINESS

- **Suitable climate and regulation of business**
- **How Govt, affects the labour force.**
- **Impact of Business on the Economy**
- **Impact of Economic variables on business 50 STARS**

***Economy*** - An **economy** or **economic** system consists of the production, distribution or trade, and consumption of limited goods and services by different agents in a given geographical location. The **economic** agents can be individuals, businesses, organizations, or governments.

# Centrally Planned Economy

An economic system in which economic decisions are made by the state or government rather than by the interaction between consumers and businesses. Unlike a market economy in which production decisions are made by private citizens and business owners, a centrally planned economy **seeks to control what is produced and how resources are distributed and used**. The production of goods and services is undertaken by state-owned enterprises.

**Market economy** based on supply and demand with little or no government control. A completely free market is an idealized form of a market economy where buyers and sellers are allowed to transact freely (i.e. buy/sell/trade) based on a mutual agreement on price without state intervention in the form of taxes, subsidies, or regulation.

An economic system that features characteristics of both capitalism and socialism

A **mixed economic system** allows a level of **private economic freedom** in the use of capital but also allows for governments to **interfere in economic activities in order to achieve social aims**. This type of economic system is less efficient than capitalism, but more efficient than socialism. The Government provides a regulatory framework for both businesspeople and ordinary people. It gets involved through central and local government and the State Sponsored Bodies

# Government Policy

Government policy is the means of achieving objectives.

## *FISCAL POLICY (INCOME **AND** EXPENDITURE)*

Government spending policies that influence macroeconomic conditions. Through fiscal policy, regulators attempt to improve unemployment rates, control inflation, stabilize business cycles and influence interest rates in an effort to control the economy.

**€96Bn**

**2024 Expected Current revenue**

**€86Bn**

**2024 Expected Current expenditure**

## **MONETARY POLICY (ECB)**

Controlling economic activity by altering the **money supply**.

**Economic and Monetary Union (EMU)** membership means that this is of little use to the Irish government. The European Central Bank sets interest rates for **the Eurozone**.

Main Interest rate is 2%

# Industrial Policy

It is the means of promoting business and employment in the economy. It is prepared in consultation with the social partners. **IBEC ICTU Ireland's present Industrial policy**

Our focus is on attracting Foreign Direct Investment (**FDI**) through a range of services provided by IDA Ireland. **390,000 jobs linked to FDI.**

The high-Tech sector is also being targeted for job creation as we have a competitive advantage in this sector.

The growth of **Indigenous or native Industries** is also being encouraged by **Enterprise Ireland.**

Enterprise Ireland is the government organisation responsible for the development and growth of *Irish enterprises in world markets*. It works in partnership with Irish enterprises to help them start, grow, innovate, and win export sales on global markets. In this way, they support sustainable economic growth, regional development and secure employment.

# A List of the ways in which the Government creates a suitable climate for business.

## 1 Economic planning

Since the 1980s we have had economic plans which were agreed by Government and social partners. Examples have included Towards 2016 and the National Development Plan 2007-2013 There is a major focus on controlling wage costs and to improve the competitiveness of Irish firms. Results of Economic Planning

Low inflation (**currently 2.0%**) which keeps costs low, lessens wage demands and boosts confidence in the economy.

**This planned approach allows business to prosper and helps to improve the Industrial Climate in Ireland.**



### **Economic Planning**

Government and social partners agree on plans



### **Cost Control**

Focus on controlling wage costs



### **Business Growth**

Improved competitiveness of Irish firms

## 2 Expenditure Policies

Government spending can be long term - **Capital expenditure** on infrastructure e.g. The

Castleisland Bypass at a cost of €35m but it alleviates serious traffic bottlenecks on one of our most important gateways.

Government spending can be short term - **Current expenditure** (€68.5 Bn). e.g. The health services executive will spend €23Bn in 2024 and various suppliers will benefit.

Government spending creates employment both directly and indirectly. Government spending boosts the economy and is good for business.

Government Expenditure aims to

- Develop our infrastructure
- Improve public services
- Encourage enterprise and investment **IDA FDI Enterprise Ireland Native firms.**

## 3 Taxation Policies

### Taxation

Ireland's low corporation tax encourages Transnational companies to choose Ireland as a base.

**(12.5%) They can retain a large portion of what they make.**

Low-income tax (20%) encourages work and the availability of a willing labour force. Low indirect taxes encourage spending (13.5%) VAT.

The abolition of the travel tax has stimulated tourism.

## **4 Government Regulations**

These are in place to protect consumers, workers and the environment and help to ***create a suitable climate for business.***

### ***Consumers***

Sale of goods and Supply of Services Act 1980

### ***Employees***

Unfair Dismissals Act 1977-2007

### ***Competition***

Firms cannot abuse a dominant position or prevent restrict or distort trade.

Mars Ireland received substantial compensation from Unilever in 2009 as a result of an attempt by Unilever to exclude Mars ice products from Unilever supplied fridges to Irish retail outlets.

### ***Environment***

The Environment Protection Agency insists that some businesses prepare an Environmental Impact Assessment

### ***Planning laws.***

The Shell refinery in North Mayo was granted planning permission subject to 42 specific conditions.

## 5 State Services for business

The Government helps new businesses and those wishing to expand through various Government departments and agencies.

- |   |  |   |  |   |  |
|---|--|---|--|---|--|
|  | <b>IDA Ireland</b><br>Targets <b>foreign direct investment</b> . |  | <b>Enterprise Ireland</b><br>Promotes <b>indigenous Industry</b> . |  | <b>SOLAS</b><br>Provides subsidised training programmes. |
|  | <b>BORD BIA</b><br>Promotes food and drinks exports.             |  | <b>FAILTE IRELAND</b><br>Targets the tourism sector.               |   |  |

**These agencies help to create a suitable climate for business.**

EXTRA PIECE

## Government role in regulating business:

### Environmental Protection

The government regulates business in order to protect the environment. It established the EPA (Environmental Protection Agency) whose role it is to protect the environment through its licensing, enforcement and monitoring of business activities.

### Consumer Protection

The government regulates business in order to protect the consumer. The Sale of Goods and Supply of Services act 1980 gave rights to the consumer in relation to goods or services bought or hired. The Consumer Protection Act 2007 established the NCA **CCPC** which investigates and prosecutes unfair trading practices.

### Employee Protection

The government regulates business in order to protect the employees in the workplace with legislation on unfair dismissal, equality, and industrial relations. It established the Health and Safety Authority which works to create a national culture where **all stakeholders commit to a safe and healthy workplace.**

### Data Protection

The government regulates business in order to protect the general public against misuse of information in manual or electronic format through the **Data Protection Act** of 2003. Data protection is the means by which the privacy rights of individuals are safeguarded in relation to the processing of their personal data.

# Explain the ways in which the Government affects the labour force?

*Labour force (2.8m people) refers to all those working plus all those available for work but unable to find it.*

## Improve the infrastructure.

If the government put appropriate back up services in place it will facilitate business activity and job creation.

*€3bn spend on broadband will attract investment to rural Ireland and allow employees to work remotely.*

## Lower taxes

Low personal taxation (20%) encourages people to get a job and low corporation tax (12.5%) means that the entrepreneur can afford to hire more labour.

*The universal social charge rates have been lowered in recent budgets. Only Hungary has a lower corporate tax rate than Ireland.*

## Economic variables e.g. interest rates.

If the government/ECB keeps interest rates low, the entrepreneur can afford to build more factories. Consumers can afford to buy more goods. This means that more jobs are created.

*The marginal lending rate is now 4.25% in the euro area compared with 4.75% in 2000.*

## Future plans.

The government puts together national plans, which make job creation a priority. The focus is on sustainable jobs in energy, medical devices and tourism for example.

*The Action plans for jobs and employment strategy was launched at a time when unemployment was 15% in 2012.*

## Direct Employment

The government pays the wages of approximately **323,000 employees** who help to successfully run the country. This has a direct impact on the labour force.

*This is 15% of the Irish entire workforce.*

## Improve investment and training.

The government pumps money into specific agencies such as SOLAS and FAILTE IRELAND whose services make people more marketable by improving skills.

*€415m was spent under the National training fund in 2018.*

# The positive impact of business activity on the Irish economy is as follows:

1

## **Creates jobs.**

Jobs are created in all sectors e.g. agriculture, factories etc. By paying all the bills and expenses of the business further jobs are created. (*Unemployment rate 4%*)

2

## **Re-investment for the future**

By ploughing back current profits we are providing for the purchase of essential fixed assets in the future. A greater stock of capital goods facilitates business expansion in the future.

3

## **Purchase of inputs/raw materials**

One business has a knock-on effect on several suppliers, generating further wealth and boosting the economy. (Baileys source their cream from 40,000 suppliers) **cartons and fruit** sourced locally.

1

## **Feel good factor (enterprise culture)**

Innovation is encouraged in an area. This has a positive effect on the local economic outlook. This reduces the dependence on Transnational companies.

2

## **Business expansion increases economic growth.**

As a firm gets bigger, it produces more output, most of which it exports. This **injects** wealth into the Irish economy and boosts economic growth.

3

## **Expansion boosts competition**

A business strives to be the most efficient and a "**survival of the fittest**" situation emerges. This forces down prices and makes good use of scarce resources.

# However, there is also a negative impact on the Irish economy:

## Price manipulation COVID 19 hand sanitising gels and hotel prices

Businesses tend to mislead unwitting consumers and prices are fixed. This greed has a negative effect on consumers.

## Large firms dominate.

Large firms tend to control markets, alter prices, supply, and abuse their position of dominance. This is anti - competitive. **CARTELS**  
**OPEC**

## Poor ethics among businesses

Business tends to put profits before people. Standards of right versus wrong tend to be ignored. E.g. poor wages. being paid to staff due to a national job shortage.



# DEFINITION AND IMPACT ON BUSINESS

The performance of the Irish economy has a huge bearing on Irish Business. We will look at the key economic variables.

## Interest Rates

This is the **cost** of borrowing.

It depends on the demand and supply of money.

The amount charged, expressed as a **percentage** of principal, by a lender to a borrower for the use of assets. Interest rates are typically noted on an annual basis, known as the annual percentage rate (APR).

In the Eurozone they are set for all member states.



### Low Interest Rate Impact

- Cheap for firms to borrow money
- Businesses will expand, creating jobs
- Consumers will borrow and spend more
- Firms are more profitable, business prospers



### High Interest Rate Impact

- No expansion of factories
- Less consumer borrowing and spending
- Lower consumer confidence
- Lower profits for firms

## Consumer Price Price Index



## Inflation

Is a sustained growth in the general level of prices based on the Consumer Price Index (CPI) and the average family the current rate is 2.0% over time

### Low inflation means **IMPACT.**



Our exports are more competitive in foreign markets.



Positive investment outlook in the economy.



Better standard of living for consumers as the purchasing power of incomes is increased.



Less Industrial Relations unrest and labour days are lost as wages last longer for employees.

# *Unemployment*

The current rate is 4%

It is the number of people who are available and seek work unsuccessfully.

Presently there are ??????? people signing on the live register, and this leads to the following problems

## **IMPACT OF UNEMPLOYMENT**

### **1 High social welfare bill**

€23 Billion

### **2 A need for higher taxes**

PAYE PRSI USC

### **3 A reduced spin off effect in the economy**

Consumers are more careful with their money.

### **4 Lower retail sales and lower profits**

### **5 Employers hiring cheaper labour due to the oversupply in the economy.**

## The Irish Government has tackled it as follows:

### **Lower VAT rates**

Mean more spending by consumers.

### **Lower income tax**

Encourages people to take up available jobs.

### **Focus on training and upskilling**

In the economy.

### **Employment grants and subsidies**

**(payment)** to encourage recruitment by employers.

### **Attraction of Transnational companies**

In the hi-tech sector

### **Promoting an enterprise culture**

With a focus on innovation.

## **Low unemployment is good for business.**

· Affects Tax revenue

· Affects Social Welfare

· Affects Disposable Income

· Drives up standard of living.

# Taxation

*A compulsory payment to the Government*

## Impact on business of high taxation



### Consumer Purchasing Power

It erodes a consumer purchasing power (income) and less money is available for spending on goods and services.



### Company Profit

It reduces a company profit through corporation tax.



### Employment Costs

Employers PRSI increases the cost of employing someone and is bad for business.



### Administrative Burden

The imposition of VAT is an extra burden and inconvenience on a business.

Low tax rates are good for business.



# Exchange Rates (*fixed within Eurozone*)

**This is the price of one currency in terms of the value of another.**

**Our Euro currency still fluctuates against sterling, which is one of our main trading partners. 1 Euro = 86p sterling**

Exchange rates affect foreign trade,

**• A Weak Euro is good for exporters.**



· A Weak Euro encourages tourism, and the stronger Euro is damaging tourism from non- Euro countries.

In 2011 £500 sterling converts to **€581 for** a British tourist coming to Ireland whereas in 2006 **£500** converted to **€793** and therefore currency fluctuations have had an adverse effect on British tourism to Ireland.

**£500 = €581 today 2021**

· A problem for Ireland is that we import 42% of our goods from non-Eurozone countries.

**We in Ireland are still vulnerable to currency fluctuations.**

## Grants

A **non-repayable source of finance** to promote business development. It is financial assistance payable after the expenditure has been incurred. It often has conditions attached.

The main agencies: IDA Ireland LEOs and Enterprise Ireland

- They promote an enterprise culture and encourage new start-ups.
- They help with feasibility studies and market research.

**Enterprise Ireland** helps **indigenous firms** through start-up grants and expansion grants.

The priority is the achievement of **export sales growth from Irish-owned companies**. All its services are geared toward helping Irish companies win international sales.

The range of services is extensive, from funding, to making introductions in key international markets.

## PEOPLE ARE NORMALLY USELESS AT THIS SECTION

### Funding supports

A range of supports, for start-ups, expansion plans, and R&D business plans.

### Export assistance

Including the provision of in-market services, local market information and the facilities of its international office network.

### Supports to develop competitiveness

Helping companies to become leaner to make them more competitive in international markets.

### Incentives to stimulate in-company R&D

New product, service, and process development to ensure sustainability, and growth through the evolution of products and services.

### Assistance with R&D collaboration

With research institutions, to develop and bring to market new technologies, products or processes.

## EVALUATION

Many of their clients tell them that while the **funding** they received from Enterprise Ireland was helpful, **the non-financial assistance, like introductions to experts, buyers and potential customers, was most valuable.**

## Economic Growth

**An increase in the capacity of an economy to produce goods and services, compared from one period of time to another. Economic growth can be measured in nominal terms, which include inflation, or in real terms, which are adjusted for inflation. For comparing one country's economic growth to another, GDP, or GNP per capita should be used as these consider population differences between countries.**

- It is measured by *Gross National Product* and in 2023 the figure was **€375Bn**.
- *GNP* is the value of all goods and services in a given year.
- *Gross Domestic Product* includes all wealth produced even the wealth that does not stay in Ireland. **€488Bn**
- Several years of economic growth was dubbed as "The Celtic Tiger".

ü 2000 = 11% (Boom)

ü 2009 = -7% (Recession)

ü 2016-19 averaged 5%

### ü 2020 Projected -7%

Economic growth leads to **higher sales** for businesses, but it may lead to inflation.

Growth in the economy means greater aggregate demand by consumers and also **greater consumer confidence** which all has a positive effect on business.

## CHAPTER 23 – BUSINESS & SOCIETY



# **BUSINESS & SOCIETY: ETHICAL BEHAVIOUR, SOCIAL RESPONSIBILITY AND ENVIRONMENTAL ISSUES**

This presentation explores the critical relationship between business and society, focusing on ethical behaviour, social responsibility, and environmental issues. Throughout this chapter, we will examine specific examples of how businesses navigate these complex areas and the impact of their decisions on various stakeholders.

KNOW ETHICAL BEHAVIOUR, SOCIAL RESPONSIBILITY AND ENVIRONMENTAL ISSUES AND SPECIFIC EXAMPLES ARE NEEDED IN THIS CHAPTER

# Other Ethical Issues for Business

## **Profits versus Social Responsibility**

Balancing financial goals with obligations to society

## **Employee Welfare**

E.g. Reebok improving the terms and conditions for employees

## **Goods and Raw Materials**

E.g. Body Shop famously refrained from harmful testing practices

## **Community Relationships**

E.g. Banks providing scholarships to people in disadvantaged areas

## **Pollution Attitudes**

E.g. Applying lids to chemicals to prevent evaporation

## **Local Initiatives**

E.g. ESB sponsorship of homeless projects

## **Questionable Trading Practices**

E.g. CRH has a subsidiary in Israel which supplies raw materials to the notorious "settlement Camps"

# Code of Ethics

**Definition:** A code of ethics is a formal written statement setting out the modes of behaviour expected from a business in its dealings with employees, customers and the community in which it operates/encourage a culture of openness.



## Regular Review

The code should be reviewed and updated to suit changes in society.



## Whistleblowing

It could encourage whistleblowing. This involves encouraging staff to report unethical behaviour by creating a climate where whistleblowing is rewarded/legislation.



## Leadership Example

Managers should lead by example. When senior staff is highly ethical and model ethical behaviour it will encourage subordinates to behave in a similar manner.



## Independent Auditing

Independent auditors should be asked to assess the firm.

## CENTRAL BANK CODE OF ETHICS

### NEW

#### Staff Training

A code of ethics should be presented to staff at induction training and reminder training should include modules on ethical behaviour.

#### Discipline Procedures

Rewards should be in place for staff guilty of behaving unethically.

# DOING THE RIGHT THING BY OUR STAKEHOLDERS

Social responsibility is a theory that recognises that business has obligations to society and profit maximisation must incorporate the fair treatment of stakeholders.

As businesses exist in Society and are run by people who form part of a social organisation, it has been recognised that being socially responsible is a worthwhile cost for a business.

A business can adopt a passive approach by obeying all regulations or adopt a more proactive approach whereby it **takes a deliberate action to do the right thing by suppliers.**

A business affects its stakeholders through its actions.

CSR allows businesses large and small to enact positive change. When companies choose to do what is right not only for their bottom line but also benefit financially while building trust with consumers.

Consumers feel that when they use a product or service of a socially responsible company, they are doing their part. The more socially responsible the company, the more supportive the community and consumers become.

**Corporate social responsibility helps build trust, raise awareness, and encourage social change.** Although there are tens of thousands of companies doing their part, large global corporations' efforts have far-reaching results that can impact major world issues from hunger and health to global warming. Here are examples of how some major brands are doing CSR successfully.

REAL LIFE EXAMPLES READ ONLY

# CSR Examples: Netflix, Spotify, Pfizer, and Coca-Cola



## Netflix and Spotify

Companies such as Netflix and Spotify offer benefits to support their employees and families. Netflix offers 52 weeks of paid parental leave, which can be taken at any time whether it is the first year of the child's life or another time that suits their needs. This compares to 18 weeks at other tech companies.

Spotify offers a similar program, although for a shorter duration of 24 weeks of paid leave.



## Pfizer

Uses the term corporate citizenship to coin their CSR initiatives and believes it is a core part of their company and **'simply how they do business'**. Across the globe, the company drives initiatives that raise awareness for non-infectious diseases as well as providing healthcare for women and children who otherwise would not have the care they need. One example of this is the reduction in the price of their Prevenar 13 vaccines (for pneumonia, ear and blood infections) for those in need and in situations such as refugees and emergency settings.



## Coca-Cola

Coca-Cola's massive fleet of delivery trucks contributed 3.7 million metric tons of greenhouse gases to the world. They have made major changes to their supply chain practices including investing in new alternatively fuelled trucks. Their initiatives are intended to create a 25% reduction in their carbon footprint by 2020.

# Starbucks: Social Responsibility in Action

Starbucks is looking to diversify their workforce and provide opportunities for certain cohorts. By 2025 it has pledged to hire 25,000 veterans by 2025 as part of their socially responsible efforts. This hiring initiative will also look to hire more younger people with the aim of "helping jump-start careers by giving them their first job'. While globally the company has joined with the UN Refugee Agency to scale up the company's support and efforts to reach refugee candidates to hire 10,000 refugees by 2022.

## 📌 Key exam information

**MAKE SURE TO INCLUDE THE LAST TWO POINTS FOR THE PURPOSES OF THE ABQ**



# 25,000

**Veterans to be hired**

By 2025 as part of Starbucks' commitment to diversity

# 10,000

**Refugees to be hired**

By 2022 in partnership with the UN Refugee Agency

# Social Responsibility to Investors

## Follow Governing Documents

To act in accordance with its Memorandum and Articles of Association

## Fair Returns

Provide a fair return on the investment by shareholders

## Reasonable Compensation

Avoid excessive payments to senior management

## Financial Transparency

To present a true and fair view of the financial performance and standing of the business and maintain a proper set of accounts

## ⊗ Example of Irresponsible Behaviour

High risk lending at Anglo Irish Bank was not socially responsible to investors.





# Social Responsibility to Employees and Customers

## Employees

- Adhere to Employment Law, Health and Safety Regulations etc.
- Pay a fair wage to all employees
- Provide a safe working environment
- Treat employees with dignity and respect/no discrimination
- Provide equal opportunities for promotion, pay etc. to all employees

## Customers

- Fair and honest advertising of its product
- Abide by health and safety regulations; products must be safe
- Goods must be of merchantable quality, match their description, fit for purpose etc.
- Uphold the right of the customer to complain and to investigate such complaints
- Good after-sales service
- Charge a fair price

# Social Responsibility to Suppliers and Society

## Suppliers

- Always pay them on time
- Always give adequate notice when placing an **order LEAD TIME**
- Use a fair tendering system going for the best quality based on the price charged

## Society

- To be environmentally conscious; to implement environmentally friendly business practices
- Co-operate with government offices e.g. EPA
- Openness and transparency
- Recyclable packaging, clean manufacturing, sustainable development

Over 800 sets of scrubs for nurses, including those who are visiting palliative care patients in their homes, have been made for free by a company in County Louth.

The scrubs were designed, cut, and sewn by Ardee Coach Trim in Ardee, whose general manager Eoin Lennon said nurses and other frontline workers "know they are probably going to get Covid-19 at some stage, but they still smile and head into work."



# Social Responsibility to Government and the Environment

## Government

A business should abide by the laws of the state, which are put in place to regulate the economy.

- Labour laws
- Consumer laws
- Taxation laws
- Planning laws
- Competition laws

⊗ Banks encouraging tax evasion are not being socially responsible.

## Environmental Impact

Businesses have the potential to influence their natural surroundings. This includes:

- Emissions from factories
- Climate change
- Noise and dust pollution
- Farm effluent
- Water pollution by industry
- Food chain problems
- Rainforests being cut down

# Environmentally Sustainable Development

There is a switch towards "**Environmentally sustainable development**" which means meeting the needs and wants of the present generation without wrecking the legacy, which would have been enjoyed by future generations.

## Protecting for future generations.

Environmental risk and credit risk overlap. Bank of Ireland recognises that companies which fail to comply with environmental law represent an unacceptable credit risk. Consequently, the Bank monitors credit applications to assess any potential adverse environmental impact on a customer's business.

In Ireland projects like wind power and solar power are a step in the right direction. Multinationals often damage Third World Countries in their quest for raw materials.

### Environmental Policy

Raise awareness by including **an environmental policy statement** in the mission statement of the enterprise/regular environmental audits.

### Education & Assessment

Educate the enterprise's employees in environmental awareness, e.g. through awards/responsible management. Environmental Impact Assessment for new developments.

### Pollution Control

Invest in machinery that reduces discharges into the environment. Minimise the use of chemical products dispersed into the environment. Reduce pollution air/water by burning fewer fossil fuels/buy only energy efficient equipment. Control pollution (i.e. air and water) by implementing cleaner policies, e.g. replace cfc's with cleaner alternatives.

### Waste Management

Develop environmentally acceptable disposal methods/encourage sorting systems for paper, clothing etc. Recycle whenever possible.

### Transport & Resources

Encourage transport sharing schemes. Arrange for tree planting schemes on land owned by the business. Product design/waste packaging/raw materials/durable products. Access raw materials locally/reduced transport costs and emissions.

### Community Engagement

Consult with local community groups and environmental bodies to ensure consensus/Environmental Consulting Committee.

# Environmental Examples: Ford and Bosch

**KNOW THESE SPECIFIC ENVIRONMENTAL EXAMPLES FOR THE EXAM**

## Ford



Plans to reduce their greenhouse gas emissions using their EcoBoost engine to increase fuel efficiency. It also plans to introduce 40 electrified vehicles (electric and hybrid) by 2022, in an investment of \$11 billion.

"We're all in on this and we're taking our mainstream vehicles, our most iconic vehicles, and we're electrifying them. If we want to be successful with electrification, we have to do it with vehicles that are already popular."

In addition, American Ford dealerships rely on wind sail and solar PV systems to power their locations greatly reducing their use of electricity.

## Bosch



50% of **Bosch's** research and development budget is invested in creating environmental protection technology. By 2021 the company will have invested €50 million to support universities and research programs that are focused on the environment, energy and mobility in Germany, India, the U.S and China through Bosch Energy Research Network, otherwise known as BERN.

# Environmental Examples: Lego and Disney

## Lego

Lego will invest \$150 million over the next 15 years with a focus on addressing climate change and reducing waste. It has reduced their packaging as well as investing in an alternative energy source and plans to source 100% renewable energy by 2020.

To accomplish this the company will hire a team to support its commitment to using sustainable materials and plans to reach a 90% recycling rate.



## Disney

Disney is committed to reducing their carbon footprint with goals for zero net greenhouse gas emissions, zero-waste, and a commitment to conserve water. They are actively ensuring that they set strict international labour policies to protect the safety and rights of their employees.

They are also active in the community and encourage employees to do the same. They also have healthy living initiatives to promote healthy eating habits amongst employees.



# \$150M

**Lego Investment**

Over 15 years for sustainability

# 100%

**Renewable Energy**

Lego's target by 2020

# 90%

**Recycling Rate**

Lego's target for materials

# Environmental Principles: CHAOS Framework

**IN THE EXAM THE EXAMINER IS LOOKING FOR STRUCTURE USE THE ABBREVIATION CHAOS AS A GUIDE**

A major international turning point was the spillage of 11 million gallons of oil into the sea in Alaska caused major damage to the sea, its plant and wildlife.

Several companies have signed a set of principles claiming a **very public commitment to environmental excellence.**

The idea is to promote environmentally sustainable development and to minimise the likelihood of future "Exxon Valdez" incidents.

## Consultation

Consultation with all the interested parties when developing and implementing policies that affect the environment. Consultation also involves getting the most up-to-date information on environmental issues.

## Honesty

The company tells the truth and is above board in all matters affecting the environment. Environmentally conscious businesses are not afraid to have their affairs examined, as they generally have nothing to hide. e.g. it does not hide industrial accidents.

## Awareness

Promotes environmental issues among its employees, customers and business community and spends money on the issues. Regular communication and engagement with staff in increasing awareness and promoting positive behaviours about the environment.

Example: monitoring energy usage and controlling temperatures/ creating an environmentally aware culture throughout the organisation.

Scotland - UK retailer Marks & Spencer has signed a 40-year deal with Smartest Energy in Scotland which will lead to the company powering its Scottish stores & offices using renewable energy sources from April 2010.

## Openness

Openness to the development of new product design/ clean manufacturing processes/ better product end-of life solutions/recycling

Designing products that are durable and capable of maximum possible lifespan /helping to reduce energy consumption/waste.

Using parts that can be recycled/safely disposed/ avoiding environmentally sensitive materials/pollution prevention. Continually reducing products impact on the environment through improved recycling and reuse programmes.

Example: Cadbury Ireland trialled a 100% sustainable sourced cardboard replacement for its traditional Roses tin. The tin (which was trialled at Tesco at Christmas 2009) is 45% lighter and saves 200 tonnes of steel. This initiative was launched in a bid for Cadbury to reach its 24% packaging weight reduction target for seasonal and gift packaging in their 'Cadbury's Purple goes Green' strategy.

## Sensitivity

Sensitive to all environmental considerations in its policy making. Conducts environmental audits (Environmental Impact Statements) to assess the impact of their business on the environment.

**IN THE EXAM COSTS ARE ASSOCIATED WITH GOOD ETHICAL BEHAVIOUR AS WELL AS POOR BEHAVIOUR**

# Costs of Poor Ethical Behaviour



## Loss of Sales to Greener Competitors

- The younger generation are eco-friendlier and more ethical customers and are attracted to firms who try.
- They may boycott the unethical firm and move to a greener more upright competitor.
- Nike was boycotted by customers due to conditions at their factories in Asia.



## Negative Publicity

Legislation changes mean that the general public are better informed about contentious issues. The following issues have generated a negative image:

- The Pacific gas and electric company contaminated the groundwater supply in Hinkley, California with Chromium as featured in the film Erin Brockovich.
- Revelations about poor wages in GAP, Nike factories
- The BP Gulf of Mexico oil spill of 2010 meant that 205 million gallons of crude oil leaked into the sea.

# More Costs of Ethical Behaviour

## Extra Costs

Ethically responsible firms incur the extra costs of:

- Paying proper wages
- The founders of Ben and Jerrys gave 7.5% of annual pre-tax profits to charity.
- Use of Fair-Trade Ingredients

Cleaner production systems are more expensive in the short term.

- Charging fair prices to consumers.
- Extra management time spent on ethical issues.

## Prison and Fines

- Unethical practices are punishable by prison sentences and fines.
- Insider dealings and bad business practice are the most common e.g. abuse of pension funds, false accounting, covering up losses.
- The Environmental Protection Agency (EPA) has legal powers to prosecute even though it could be argued that the EPA and local authorities are too lenient on offenders.
- Red Bull drinks company was fined £261,000 for ignoring environmental regulations in Britain.

# Benefits of Ethical Behaviour



## Cost Reductions

- Newer, cleaner systems are cheaper in the long run, as they are safer and more efficient and insurance premiums go down.
- Clean systems improve the firm's image and make it attractive for the "ethical and eco-friendly" consumer.



## New Business Possibilities

Innovative methods of waste reduction or pro-environmental methods can be sold to other firms on a commercial basis. This offers a new business opportunity.

e.g. Waste cooking oil can be used as an ingredient in animal feed.



## Green Markets

The new market of all those people who are attracted by:

- Ozone friendly
- Low fat
- Low cholesterol
- Recyclable packaging
- The use of renewable resources in production

is referred to as the green market. These consumers are more loyal to products and are willing to pay a premium price for the "green produce".



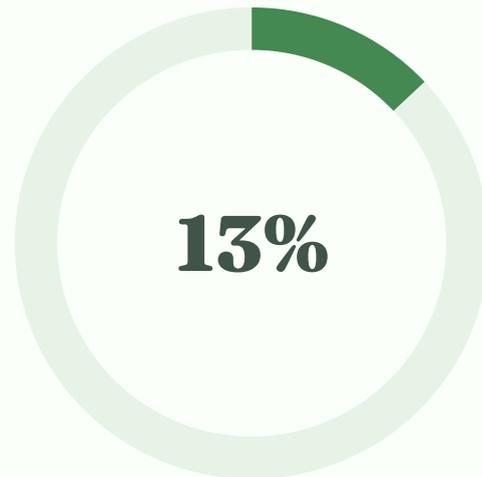
## Employees

Firms who are ethical, socially responsible, and pro-environment have a better Industrial Relations climate with motivated employees who work hard. These firms have low waste, high morale, and lower labour turnovers.

# Access to Capital Through Ethical Investment

Financial institutions are now offering "ethical investment funds" to businesses with good practices. It accounts for 13% of all investment in the US. In Britain there is the FTSE 4 good index. In Ireland interest in such funds has been slow.

It's difficult to get information on which companies behave ethically, but a useful starting point would be the FTSE4Good Index which lists hundreds of companies from around the world which meet three general criteria: **a positive contribution to environmental sustainability, positive relationships with stakeholders and respect for human rights.**



## US Investment

Percentage of all investment in ethical funds in the US



### ✔ FTSE4Good Index Criteria

1. Positive contribution to environmental sustainability
2. Positive relationships with stakeholders
3. Respect for human rights



# The Ten Types of Business Organisations

This presentation explores the various types of business organisations, their structures, advantages, disadvantages, and the changing trends in business ownership. Understanding these different organisational forms is essential for making informed decisions about which structure best suits a business's needs and objectives.

# Sole Trader

## Definition:

This is a person who owns and controls his/her own business e.g. farmers, retailers, hairdressers, plumbers, carpenters

You must register as a self-employed person with Revenue.

You must register your Business name with the Companies registration Office.



## Legalities

Business names Act 1963.

Self-employed taxation system

Health and Safety

Register for VAT.

# Advantages and Disadvantages of Sole Trader

## Advantages

- *Own boss and keeps profits.* This acts as a motivational tool
- *Makes own decisions.* Has full control of business
- *Personality* The personal factor helps to generate repeat sales
- *Easy to establish.* There are no legal complications
- *Do not publish accounts.* This is a confidential type of business.

## Disadvantages

- *Unlimited liability* He may lose private wealth.
- *Suffers all losses.* Bears all the risks solely
- *Need skills in several areas.* Needs to be multitalented
- *Lack of Capital* May find it difficult to access finance
- *Long hours* Needs to be always available
- *Uncertainty* Closes on the death of the owner.

# Partnership

## Definition:

*This is the relation that subsists between persons carrying on a business with a view to making a profit e.g. accountant, solicitor*

## Legalities

- Business names Act 1963.
- The Partnership Act 1890 (This act is followed if no deed of partnership exists)
- Deed of Partnership: This is a written agreement containing the rules and regulations for the running of a partnership e.g. how profits and losses are to be shared.



## Opportunities

Partnerships have access to **greater amounts of capital** as up to twenty partners can bring financial resources to the business.

Partnerships have access to **different skill sets** as new partners may bring new skill sets and expertise to the business e.g. IT or marketing skills.

Partnership can lead to **more effective decision making** as the decision making process is shared eliciting different points of view and opinions from a range of talented people.

Ability to achieve **economies of scale**.

Financial information can remain confidential.

# Partnership Challenges

Partners in the main **have unlimited liability**. This means that they are responsible for the debts of the business if it goes bankrupt and may have to forfeit their personal assets in order to pay business debts.

The partners are **jointly and severally liable** for the debts of the business which means that they have a collective responsibility for each other's debts and their personal assets can be used to clear the debts of their partners.

**Shared decision making could lead to differences of opinion**, disagreements, arguments between the partners, and lost opportunities. This could at best lead to delayed decision making or at worse lead to the dissolution of the partnership.

The **profits of the business have to be shared** according to the ratio set out in the deed of partnership.

**Not a separate legal entity** therefore partners and not the business can be sued in law. If one partner dies or resigns the partnership must be dissolved.

# The Companies Act 2015

The Act provides for the creation of two types of private limited company:

- a company limited by shares (Ltd) - these companies are expected to be the most widely utilised companies; and
- a designated activity company (DAC) - these most closely resemble current private limited companies

## Overview of Features:

### Company Limited by Shares (Ltd)

- Must end in the suffix Limited or LTD
- Minimum **of 1 director**
- 1 - 149 shareholders
- **May dispense** with holding the **AGM**
- **No** requirement for an **authorised share** capital: There is no limit on the number of shares it can issue.
- Articles of Association only: This document will have no objects clause so the company will not be restricted in what it can do.

### Designated Activity Company (DAC)

- Must end in the suffix Designated Activity Company or DAC
- Minimum of **2 directors**
- 1 - 149 shareholders
- **Cannot dispense** with holding the **AGM**
- Must have an **authorised share capital**
- Memorandum and Articles of Association: Capacity limited to the object's clause in the Memorandum

# Key Elements of Company Structure

1

## Constitution

A company limited by shares (Ltd.) has a one document constitution. This consists of the articles of association. This document sets out the conditions upon which the company is granted incorporation. It must contain provisions dealing with certain matters e.g. the name of the company. A designated activity company (DAC) has a two-document constitution consisting of both a memorandum and articles of association.

2

## AGM

Provisions relating to shareholder meetings have been greatly simplified with the requirement to hold an annual general meeting being optional for a Company Limited by Shares (Ltd) and the delivery of notice of general meeting by electronic means being permitted.

3

## Directors

Private limited companies will be entitled to have a single director, but all companies must retain the office of the company secretary. Designated activity companies must have at least two directors. The existing common law duties of directors are codified into eight principal duties which will apply to all directors including shadow directors and de facto directors.

4

## Shareholders

The maximum number of shareholders in both a private limited company and designated activity company is 149.

# Limited Liability and Company Registration

## Limited liability

A company is a legal form of business organisation. It is a separate legal entity and, therefore, is separate and distinct from those who run it. The company (and not the individual shareholders) is the appropriate person to be sued in the event that debts are incurred by the company which remain unpaid, despite demand. The shares in a company are owned by its shareholders. If the company is a limited liability company, the shareholders' liability, should the company fail, is limited to the amount, if any, remaining unpaid on the shares held by them.



## Registration

Companies can be registered with the Companies Registration Office (CRO). The CRO is the central repository of public statutory information on Irish companies. It operates under the aegis of the Department of Jobs, Enterprise and Innovation (DJEI). The Companies Act 2014 generally allows one or more persons to form a private company for any lawful purpose by subscribing to a constitution. A private company may have a maximum of 149 shareholders.

**Company names: there are restrictions on the choice of company name. The CRO may have to refuse a name if:**

- it is identical to or too similar to a name already appearing on the register of companies
- it is offensive
- it would suggest state sponsorship

# Changing from Sole Trader to Private Limited Company

**Outline the reasons why a business might change its organisational structure from a Sole Trader to a Private Limited Company.**



## **Changing circumstances**

A sole trader might change its ownership structure to a private limited company over time to adapt to changing circumstances and market demands. Choosing a private limited company as its ownership structure can facilitate the plans that the owner may have for the organisation far into the future and the vision of where the organisation wants to be.



## **Size/Expansion/Economies of Scale**

The business enterprise might wish to grow. With size comes the burden of extra specialisation where one individual cannot do all things and more people and expertise are needed, e.g. specialists in finance, marketing, production.



## **Limited Liability**

The desire for the protection of limited liability is another reason for changing structure. A businessperson wishes to protect family members from business risks and ensure a secure future for them. Personal assets must be protected to do this. Reduced risk of personal loss. Private limited companies can now be set up with only one shareholder.



## **Capital**

If more capital is needed for the development of the business, then a move from being a sole trader to a private limited company might be necessary. It is possible to raise the necessary capital through the issue of shares to other shareholders up to the amount of authorised capital stated in the Memorandum of Association.



## **Finance/Borrowing**

May be easier to raise finance from financial institutions. Companies may be given higher credit ratings by suppliers of finance.



## **Continuity of existence**

It is easier to pass a company on from one generation to another or from one set of owners/shareholders to another.



# Public Limited Company

This type of company is used in circumstances where it intends to seek a listing on the Stock Exchange or where a major Business Expansion Scheme is being formulated; Unlike Private Limited Companies, there is **no restriction on the number of shareholders.**

Public Companies are required to have a minimum issued capital of €25,000 of which (25%) must be paid up.

This is paid up when **a trading certificate** is applied for and under the Companies (Amendment) Act, 1983 the company cannot start trading or exercise any borrowing powers until this has been done.

It is quoted on the Stock Exchange and shares are freely transferable among members of the public.

# Initial Public Offering (IPO) and Public Listing

## Initial Public Offering (IPO)

An Initial Public Offering is a company's first sale of stock (shares) to the public typically on a stock exchange, also known as 'Going Public'.

## Public Listing

The shares of the company are listed on a public stock exchange and can be bought and sold on that market.



## Benefits of Public Listing

### Access to New finance

New issue of shares raises money for the company and reduces the company's dependence on debt finance.

### Motivating Management and Employees

### Enhanced Company Image and Publicity

### Cashing in

Existing shareholders can sell their shares on a public market thus allowing them to realise the value of their shares.

## Key Features of Public Limited Companies

- A minimum of **7 shareholders** and has no specific maximum.
- Its shares are **transferable** between investors.
- It prepares a **prospectus** inviting members of the public to subscribe for shares.
- It must meet strict stock Exchange standards on profit levels.
- It is then issued with a **trading certificate**.
- All accounts must be **published and audited** and made available to the general public.
- It invites the public to subscribe for shares.
- It has the abbreviation **plc** after its name e.g. Bank of Ireland plc
- It can obtain finance by **issuing shares to the general public**. These are called equity or ordinary shares.

# Advantages and Disadvantages of Limited Liability Companies

## Advantages of a limited liability company

- **Shareholders have limited liability protection.**

They only lose what they invested, and personal assets are protected.

- **It is easier for expansion.**

Better access to finance in the future and investors has more confidence in this entity.

- **It has continuity of existence.**

It is unlikely that after the death of a shareholder that the company would close.

- **Companies generally have a higher credit rating.**

It is easier to access debt from financial institutions.

- **Companies have corporate status.**

They can sue and be sued in their own name.

## *Disadvantages of a limited liability company*

- **They are expensive to set up.**

The legal fees alone are €500.

- **Profits are shared:**

The dividends are shared among a large number of investors.

- **Control and ownership are often far apart.**

Shareholders with a small stake have little say in the running of the company and are often looked upon as people to be accommodated on Annual General Meeting day.

- **Companies are subject to strict Companies Act regulations. (1990 Act)**

Companies must publish their accounts by law and also incur substantial accounting fees in doing so.

# Strategic Alliances

**Strategic alliances** are used by many companies to expand. They may take the form of joint ventures where two companies come together for a particular purpose. This is not a merger. The two companies remain separate entities. Examples of alliances are Ryanair and Hertz.

A business alliance is an agreement between two or more businesses to pool resources and/or expertise to work together over a specified period of time or to complete a specified project, while all parties maintain their separate identities.

## **The partners benefit from the sharing of:**

- complementary expertise/skills
- business networks
- increased resources etc.

Example: The TCD / UCD Innovation Alliance is a partnership which will work with the education sector, the State and its agencies and the business and venture capital communities to develop a world-class ecosystem for innovation that will drive enterprise development and the creation of sustainable high value jobs.

## **The advantages of an alliance as a form of business expansion:**

- Cost effective method of expansion - resources are shared, and associated costs divided between partners.
- Reduces risks associated with expansion for each partner as risks are shared.
- Resources/expertise can be 'recruited' through alliance - lack of resources or expertise does not need to be an obstacle to expansion.
- Provides access to an extended business network and market etc. Examples: One world Airlines Alliance

# Franchising

A *franchise* is an agreement that permits the individual accepting the agreement (the franchisee) to use the established name, logo, methods of operation, marketing strategy and product of the existing business by agreement with the owner (the franchiser). The Musgrave SuperValu Centra franchisee pays no franchise fees whatsoever, but agrees to a buying loyalty agreement and contributing to the marketing of the SuperValu and Centra Brands.

There are both advantages and risks for the franchisee and the franchiser.



# Advantages and Risks of Franchising

## FRANCHISEE ADVANTAGES

- There are **economies of scale** in areas such as centralised purchasing of stock, national advertising, and promotions. These are cost savings
- There is **instant recognition** of the business name, so it is easier to attract customers.
- The business **formula is tried and tested** so there is less risk of the business failing.
- The franchisee has a **guarantee** that there will be **no competition** using the same name in a specified area.
- The management team receives valuable **professional training** and advice from the franchiser.
- Often franchisees are encouraged to add their **own personal touch** to the business.

## FRANCHISOR ADVANTAGES

- The **franchiser can expand at relatively low cost** and risk as most of the start-up finance is provided by the franchisee.
- The franchisor, however, aids with business plans, financial planning, store location and planning permission, equipment leasing and provides a wide range of support services often at no cost to the franchise retailer.
- The franchiser is not involved in the day-to-day management of the business and hence **is free to concentrate on further expansion and development of the business**.
- Each franchisee must **achieve the same standards** as all other outlets. This puts pressure on the franchisee and staff to reach very high standards.

## RISKS

### Franchisee

The **cost** of setting up can be **high**. **Chopped €20000 Subway €115000**

### Franchisor

- The franchiser receives **lower profits** than what could be earned if they owned and managed the outlets themselves.
- There is a **loss of control** over the day-to-day running of the franchise outlets.
- If a franchisee proves unsuitable then the **reputation of the whole franchise is put at risk** by staff problems, poor quality standards, etc.

# Transnational Companies

- Has its controlling office in one country and several branches in many others.
- They move world-wide because of
  - Cheap labour
  - Cheap raw materials
  - Logistical reasons

Products are sometimes modified to suit different laws, tastes or for climatic reasons. Information Technology has speeded up their development - internet, intranet, conference calls.

IDA Ireland has been instrumental in attracting TNCs to Ireland. e.g. Intel, Hewlett Packard, Dell



## KEY FDI IMPACTS ON THE IRISH ECONOMY

**1,550**

**Multinational companies**

now in Ireland

**33%**

**Long-term presence**

of MNCs have been here for more than 20 years

**63%**

**US investment**

of new MNCs came from US in 2019

**€129bn**

**FDI Exports**

(68% of total exports)

**245,000**

**Jobs in FDI firms**

(10.5% of total employment)

**50%**

**Corporation Tax**

Ten MNCs account for 50% of Corporation Tax

# Advantages and Disadvantages of TNCs



## Advantages of TNCs

- *Creation of jobs* - 245,000 direct jobs are created in Ireland by TNCs
- *Boosts exports* - This injects wealth into our economy and 68% of TNC production is exported
- *Spin off effect* - Other business benefits from the knock-on effect as €14 Bn is spent on raw materials and services
- *Corporation Tax* - They contribute 50% of total corporation tax



## Disadvantages

- *No loyalty* - They move to more suitable locations e.g. China.
- *Repatriation of profits* - Profits are sent back to parent country
- *Decisions based on US Economy.* - Global decisions not right for the Irish situation
- *Influence governments* - They put pressure on government and locals lose out **APPLE TAX CASE**

## The main reasons why TNC's locate in Ireland:

01

### ***Tax concessions***

Ireland has offered a 12.5% Corporation tax on company profits for several years. The UK is charging 19%. The EU standard rate is now 12.5%.

02

### ***Access to the European Union***

Non-EU Transnational companies choose Ireland as a location to give them access to a single European market. There are 1550 Transnationals in Ireland.

03

### ***Well educated workforce***

The Irish labour force has the necessary hi-tech skills to give us a competitive advantage in chemicals, medicines, and computer software etc. Ireland has been ranked 4th in a world survey on meeting the needs of a competitive economy through education.

04

### ***English speaking nation***

Ireland is the only English-speaking nation in the "Eurozone" which reduces costs for Transnational companies as English is the world's number one Business language. Ireland is also considered to be a pro-business environment.

05

### ***Grants and financial investment***

The Irish government has offered lucrative grants and now also takes an ownership stake. The IDA Ireland is the agency, which offers the financial incentives. There are grants available for foreign firms that locate their Research & Development facilities in Ireland.

# Co-operatives and Indigenous Firms

## Co-operatives

A co-operative is a business that operates for the benefit of its user members. Co-operatives are based on the values of fairness, equity, democracy, and mutual support. They offer an alternative to the traditional business model and are owned and controlled democratically by their members. By pooling their resources together, members are able to increase their purchasing power, boost their marketing efforts and reduce the risks that can often be associated with new businesses.

Co-operatives operate in a variety of fields including agriculture, credit, housing, utilities, consumer/retail, insurance, and health. In Ireland, they have been particularly successful in the agricultural sector, with major involvement in dairy processing, farm supplies, livestock, and other services.

In general, co-operatives in Ireland are taxed in the same way as other corporate businesses, although there are some minor differences in some areas.



## Rules of formation

- Min of 7 members
- Min of 1 Euro share each.
- Register with Registrar of friendly societies.
- Annual returns to Registrar

## ADVANTAGES OF COOPERATIVES (CREDIT UNIONS EXAMPLE)

Limited Liability. Members' personal assets cannot be sold to pay business debts in the event of insolvency.

Members usually have a common bond (e.g. residents in a local area). Members feel they are doing business with people they know.

Members have a say in how the business is run. Members are invited to the AGM and can vote on issues such as the dividend/ Decisions are made on the basis of "One Member One Vote".

Members' savings are used for the mutual benefit of all members of the credit union. Once members have saved with the credit union they can borrow at fixed rates of interest.

Credit Unions can provide a wide range of low-cost banking services as they are not concerned with profit levels as much as commercial banks. There are no transaction charges on loans or saving accounts. They provide a safe place to save, and to borrow at reasonable rates.

## Indigenous firms

These are set up in Ireland by Irish people. They are wholly owned and native. Enterprise Ireland is the SSB responsible for these firms. Its aim is to create an enterprise culture of our own and lessen our dependence on multinationals. Examples include the Kerry Group, AIB, CRH

# Public Enterprise and Private Enterprise

## Public Enterprise

The main objective is to provide **essential services** e.g. free travel for OAPs; profit is not as relevant.

## VERY SPECIFIC

## Private Enterprise

These are not in state hands, and the main objective **is profit**.

## Semi-State Body

This is an inaccurate description as these bodies are wholly owned by the state e.g. CIE.

## State Sponsored Body

These firms cover the governments **direct interest in commerce**; these are independent public bodies outside the control of the civil service and are **partly or wholly financed by the state**.



## The reasons for State Involvement in Commerce

01

To provide **essential services** to the general public whether they can afford it or not e.g. bus transport to unviable routes.

02

To help to develop a country's **infrastructure** e.g. ESB set up in 1927.

03

To help to develop a **country's natural resources** e.g. Bord na Mona set up 1946, Coillte 1988.

04

To help to develop **human skills** e.g. SOLAS.

05

Often only the state can afford the **capital investment** associated with certain enterprises e.g. CIE is in government ownership since 1950.

## Criticisms of State Involvement

There is **no profit objective**. It does not have to make a profit to survive; losses are covered by the government (i.e. the taxpayer)

**Inefficiency** results in higher costs e.g. Bus Eireann: **higher costs for consumers**

Losses are funded by the taxpayer, and this has adverse effects on the economy.

The SSBs often have **conflicting objectives**, and this leads to **management confusion**.

SSBs are **often highly geared (large amounts of debt or borrowing)** and this reduces profit potential.

Appointments to the boards are often **political appointments** and not based on merit.

## CHANGING TRENDS IN OWNERSHIP

# Privatisation and Changing Trends in Ownership

## Privatisation

Privatisation is the selling off of **state-owned** enterprises to the **private sector**.



## The arguments in favour of privatisation of commercial state enterprises

**Government Revenue:** Selling of a state enterprise provides the government with a large sum of money e.g. Aer Lingus.

**Reduced Expenditure:** The sale of a loss-making enterprise means it will no longer be subsidised on a yearly basis by the government/less borrowing required by government/money available for other services.

**Efficiency:** State owned enterprises are often perceived as being inefficient because they can rely on government funding and have little competition. Private firms are driven by a profit motive and should therefore be more efficiently run.

## The arguments against privatisation of commercial state enterprises

**Loss of state assets:** The state protects industries of strategic interest to the country e.g. transport network, the country's energy supplies for industry and domestic purposes, water supply, communications systems, the economic infrastructure of the country etc

**Increased Unemployment:** There may be a loss of jobs through **rationalisation** of services, leading to higher social welfare spending.

**Social Commitments:** Non-profit making essential services may be discontinued by the private business in an effort to reduce costs e.g. the postal and telecommunications service, electricity, gas and water services to remote areas, etc.

## IMPORTANT FACTORS WHY FIRMS ARE CHANGING STRUCTURE OVER TIME



### Size

As a business expands it might decide on a structure more appropriate for a larger firm. A sole trader set up only suits a small operation, but a private limited company is more appropriate for a larger firm.



### Limited Liability

This concept means that the owner will only lose a maximum of what he has invested in the event of the business going bankrupt. This means that private assets such as the family home are protected. The sole trader might wish to convert to private company status for this reason.



### Finance

All firms need access to sources of finance at all stages of development. A successful private company may wish to convert to public limited company status as it can then issue shares to the public. This finance can be used to help the company to grow. It is easier to raise capital.