DELIVERING A STRATEGIC POLICY FRAMEWORK TO PROTECT IRISH SMEs

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ABSTRACT

DELIVERING A STRATEGIC POLICY FRAMEWORK TO PROTECT IRISH SMEs

Directed by: Dr.sc. Hrvoje Volarević

This research critically examines the role of small and medium-sized enterprises (SMEs) within the Irish economy, set against the backdrop of evolving global dynamics and the dominance of multinational corporations (MNCs). Despite Ireland's commendable economic performance, significant disparities between multinational and domestic sectors have emerged, exacerbated by events such as the COVID-19 pandemic. SMEs face considerable challenges, including restricted access to finance, rising business costs, low confidence, and inadequate government consultation. Findings indicate that many Irish SMEs experience severe financial constraints, with traditional banking channels often inaccessible for crucial investment projects. Elevated business costs, encompassing labor, rents, and utilities, further strain their operational capacities. Additionally, low confidence and insufficient governmental support contribute to a sense of marginalization among SMEs.

The research recommends the establishment of a standalone state agency dedicated to SMEs. This agency would address SMEs' specific needs by providing a unified and strategic policy framework designed to foster growth, innovation, and resilience. By bridging existing gaps in the literature and proposing targeted policy interventions, the research offers actionable insights for policymakers and stakeholders. The proposed agency aims to enhance economic resilience, promote inclusive development, and mitigate vulnerabilities associated with overreliance on

multinational corporations. By creating a supportive environment for SME growth, Ireland can more effectively support its domestic enterprises, ensuring sustainable economic development and reducing the disparities between multinational and domestic sectors.

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CHAPTER 1: Introduction

1.1 Introduction

Small and medium-sized enterprises (SMEs) play a vital role within the Irish economy and communities across the entire state. The sector is diverse and vibrant, comprising over 99.8 percent of all active enterprises with over one million employees (67.5 percent of the total employment in the Irish business economy) (CSO, 2021), and producing 37.3 percent of gross value added (GVA) in the economy (CSO, 2017).

SMEs are the employers of an even higher majority of the labour force in the services, construction, and distribution sectors of the Irish economy (CSO, 2021). Employment within the Irish SME sector increased by 24.1 percent between 2012 and 2018 (CSO, 2021), namely due to small businesses spanning all sectors within the economy and delivering much-needed goods and services.

Most SMEs are relatively small and referred to as micro-enterprises in employment terms, with 92.3 percent employing less than 10 people, but providing employment to 411, 892 workers in Ireland. Others (only 6.5 percent) are categorized as small enterprises, employing between 10 and 49 employees, and a mere 1.2 percent, deemed medium enterprises, employ between 50 and 249 workers. Therefore, as the main source of jobs and enterprise, the sheer significance of the small and medium-sized enterprises to the Irish economy and rural and regional development should not be understated.

Irish SMEs, however, are particularly susceptible to shifting internal economic and political circumstances as well as external shocks. Nonetheless, SMEs – as a result of their size – can be particularly agile in response to changing conditions through innovation, business remodelling, or strategic adjustments. Hence, such characteristics, together with the sector's varied aspects - diversity of activity, enterprise location, and business ownership model - mean that SMEs should be viewed as a source of tremendous opportunity for policymakers to help sustain growth in what is now a dynamic and challenging environment.

1.2 Statement of the problem

Today, Irish SMEs operate in a difficult and uncertain environment. The unprecedented challenges posed by the COVID-19 pandemic coupled with the interaction of the UK's departure from the European Union (Brexit), inflationary pressures, energy price spikes, high business costs, interest rate rises, levels of bureaucracy, and the power and influence of the multi-national sector over government business and industrial policy, mean that the almost voiceless SME sector is exposed to multi-factorial risks and shocks.

Against this backdrop, it is believed that the Irish economic model, which is heavily focused on attracting Foreign Direct Investment (FDI), is ill-equipped to enhance productivity and provide the urgently required policy support to the SME sector (OECD, 2019). For instance, the Irish government's fiscal and economic policy places a significant dependence on a small number of large multinational corporations. While this poses a potentially huge risk to Ireland, it also means that the domestic economic model, mainly concentrated within the SME sector, is not receiving the required attention.

It is argued then that the SME sector must be pivoted to become an integral element of government economic and business development policy. While the FDI sector enjoys the full formal support of the semi-state Industrial Development Agency (IDA), to highlight their economic and fiscal policy concerns, SME companies have no such avenue. In turn, the SME sector is largely disadvantaged, rendered silent, and devoid of influence in Irish policymaking.

Given the enormous array of unprecedented challenges now facing Irish SMEs, this research will investigate options to develop a strategic national proposal to foster, grow, enhance, support, and sustain the Irish SME sector. Consequently, it is also likely to yield questions regarding the current public policy platform and whether it provides the necessary support for or conversely, hinders Irish SMEs within the context of the current evolving environment. For example, is the established system working beneficially for Irish SMEs? If not, what measures can be executed to ensure their growth and sustainability? What hindrances, if any, are hard-hitting to the sector? Does the sector demand a complete transformation? Consequently, it is hoped that by probing this domain, answers to such questions will break forth.

1.3 Significance of the study

The narrow focus of Ireland's industrial development policy lacks diversity and leaves the country more economically vulnerable to external shocks while inhibiting longer-term sustainable growth (Bailey and Lenihan, 2015). The vulnerabilities of Ireland's industrial policy are further exposed because of ongoing geopolitical tensions, complicated economic and energy fluctuations, and the power and influence of multi-national corporations, together with sweeping reforms to introduce a new global minimal corporate tax (Bailey and Lenihan, 2015). These factors emphasize the imperativeness for Ireland to radically change its approach to industrial policy. Such a policy change is supported by Minniti (2008), who highlights that government institutions, and the policies which shape them, are a central facet of the development and expansion of a healthy and productive entrepreneurial and innovative ecosystem.

There exists limited literature that explicitly examines the prescriptive policy interventions that could enhance, protect, transform, and propel Irish SMEs. However, the OECD's (2019) in-depth review makes several policy recommendations, which will be explored as part of this research. For instance, one alarming finding from the OECD (2019) review is that only 6.3 percent of the total Irish SME population exports its products, putting Ireland at the lowest level among all 36 OECD members. Contrastingly, almost 37 percent of Dutch SMEs export, while German and British firms average around 17.5 percent (OECD, 2019). Therefore, this research will examine such failures and seek to prescribe policy remedies. In overall terms, the OECD (2019) review highlights extensive policy gaps and hindrances, including the lack of a unified strategy, poor digital technology adaption, lack of finance options, low value-added and export performance, that are negatively impacting Irish SME's and entrepreneurial economic performance. These elements will be carefully reviewed in this study.

Paradoxically, it has long been established within various policy-influencing enterprise reports in Ireland that SMEs require particular attention. For instance, Telesis (1982), Culliton (1992), and O'Driscoll (2004) identified the comparative weaknesses of Irish indigenous industrial policy, compared to the policy approach for foreign direct investment. Over time, the Irish industrial policy has brought about two distinct economic sectors, distinguished as foreign and indigenous respectively, with notable poor interactions and large differentiation between both (Ramirez, et al., 2016). This was brought about by the policy approach adopted by successive Irish governments of increased funding to attract and retain new foreign direct investment, often at the expense of developing the dynamism of the indigenous SME sector (Ramirez, et al., 2016). All in all, this has led to a potentially skewed imbalance on internationally traded and tech-driven activity, as the primary source of growth (Woodgate, 2022).

This is further emphasized by Martinez et al. (2020), who posited that despite some changes, the ongoing policy narrative has completely failed to embrace, incentivize, and capture the optimal potential of the diverse SME sector for the wider economy's benefit. This constrained policy environment has widened the gap between foreign and indigenous sectors, with the latter constrained by subpar access to finance and flexible policy supports, which is limiting investments in the sector and inhibiting growth by as much as 55 percent (Martinez et al., 2020). This raises pertinent questions about the hindrance of the current policy framework and whether it is capable of sustaining or even transforming the SME sector.

Alternatively, over the last 35-year period, transnational business elites have been carefully embraced by Irish public sector agents (non-elected public servants), using a wide range of attractive financial incentives such as tax breaks, low corporation tax rates, tax holidays, special capital allowance for intangible assets and grant-aided subsidies (Bohle et al., 2021). Conversely, over the same time frame, policy support, incentives, and investment in the Irish SME sector have been inhibited (Martinez et el, 2020). Seemingly, this approach to industrial and enterprise policy is based on the probability of public officials much less likely to engage with SMEs or their business associations, as they have become more closely aligned with the bosses of powerful multinational corporations (Bohle et al., 2021).

As a result, Bohle et al. (2021) conclude that the close connections of key business actors, within the multinational sector, yield a disproportionate level of power and influence over Ireland's industrial and enterprise policy framework, through a narrow lens of striking behind-closed-doors deals with non-elected public sector elites (permanent government), far removed from the glare of electoral politics or democratic accountability.

Accordingly, the role of public sector elites within this sphere raises substantive questions about Ireland's under-the-radar politics in forming industrial and enterprise policies as engines for economic development and national growth. Its impacts - detrimental or otherwise - also raise concerns about the development potential and long-term sustainability of the domestic SME sector (Bohle et. al., 2021). For instance, in a submission to the Irish Senate's Public Consultation Committee report (2019, p.75) on small and medium-sized businesses in Ireland, the Irish Small Firm's Association (SFA), a representative body, stated that:

"It is clear that the small business sector is not performing at its optimal level in many areas… this amounts not only to a risk (heavy reliance on FDI in an uncertain global environment) but to a major missed opportunity for Ireland. Small business is not fulling its potential."

Furthermore, while contributing to the same parliamentary Public Consultation report, the Irish Small and Medium Enterprise Association (ISME), another SME representative body, stated:

"Ireland's industrial policy is almost exclusively invested in foreign MNCs (multinational corporations) … We need to pivot industrial policy towards indigenous enterprise as a matter of urgency" (2019, p 75).

Clearly, these submissions by the two leading Irish SMEs' representative bodies, while raising serious concerns about the state's overreliance on limited foreign multinationals for corporate tax income and jobs, demand an urgent correction, and this is supported by research conducted by Jacobson (2015), who argues that Irish policies in support of indigenous enterprises are largely ineffective. Jacobson (2015) also asserts that there exists a tremendous opportunity to pivot and develop the entire Irish SME sector through adequate state policy support, exemplifying that financing of the sector is insufficient when compared to support offered to multinational corporations.

Moreover, against this backdrop, the ongoing international pressures for nations to harmonize taxes for multinational corporations and reduce tax non-compliance could reduce the attractiveness of Ireland as a destination for multinational corporations (Jacobson, 2015). Consequently, the researcher will investigate to determine whether, within the context of this geopolitical environment, now is the time for Irish policymakers to enhance state support and incentives, while strengthening the policy and financial toolkit available to the SME sector.

International comparisons:

Separately, broader lessons can be gleaned from international examples of SME sector development. For instance, the German SME sectoral policy focuses on family-owned businesses, to be exact - the Mittelstand firms, compared to Ireland's concentration on riskier new high-growth start-up enterprises, funded through venture capital (EU Commission, 2018). This is relevant because an analysis by Credit Suisse (2018) found that family-owned firms generate stronger top-line growth compared to their non-family peers, with family businesses on average outperforming and outlasting non-family businesses. Forbes (2015), contrariwise, reports that 90 percent of start-up firms fail.

The contrast in policy focus between both states may well place the German SME sector on a considerably stronger footing to mitigate the challenges of shifting international geopolitical conditions, as the owner-managed (family-owned) SME model is better positioned to withstand economic shocks and crises (Berlemann et al., 2021). For instance, in Germany, the evidence suggests that owner-managed SMEs, or Mittelstand firms, seemingly more robust than larger firms during the 2008/09 recession, are more innovative and are involved extensively in vocational training, thus delivering greater sustainability for the entire economy (Berlemann et al., 2021). Berlemann et al. (2021) also strongly argue against an industrial policy framework that is over-reliant on developing large champion or multinational corporation-style policies, as evident in Ireland.

Another distinct example is from the Canadian government, which established the Business Development Bank of Canada (BDC) in 1944 but repurposed its function in 1995 to augment the growth of Canadian small and medium-sized entrepreneurs and start-ups (Centre for Public Impact, 2017), when the Parliament of Canada passed the Business Development Bank of Canada Act. The legislative underpinning of the bank, which is periodically reviewed, has been an important driver of growth in small firms (those with fewer than 100 employees) through access to finance and key advisory services to Canadian small and medium-sized enterprises (Business Development Bank of Canada, 2010).

While it would not be necessarily appropriate to replicate an industrial policy from one nation to another, learning points can be useful. The German example points to the need for balance when adopting enterprise strategy, to avoid creating detachment between large and small enterprises or indigenous versus foreign-owned. Correspondingly, building an enterprise sector that is sustainable in the long term is preferred over shorter-term, higher growth and higher-risk strategies (Starbeck, 2018). Equally, perhaps the Canadian Development Bank model could address some of the access to financial constraints upon which Irish SMEs operate, as outlined by Martinez et al. (2020), which is undermining the sector’s economic growth and expansion.

The OECD report specifically highlights how Irish SME business vitality and start-up rates are quite low compared to other countries, largely immobile in international markets with little appetite or capacity for growth (OECD, 2019). The same report indicates a need to strengthen managerial skills, investment, and the transition to technology within the sector through policy-supported interventions (OECD, 2019).

While key lessons can be gleaned from elsewhere, Jacobson et al. (2015, p.141) reinforce the need for a thorough examination of how *"a wide range of different policies, from different government departments, impact on existing and potential future firms*" in Ireland, to be equipped with the tools to make key enhancing policy recommendations. As such, the researcher will undertake such a study, while also seeking to examine the German and Canadian SME support models to determine whether elements of either (or both) may prove useful or detrimental to augmenting Irish industrial and enterprise policies.

1.4 Research Objectives and Framework for Questions

This study utilizes a mixed-method (qualitative and quantitative), inductive research approach, employing open-ended questionnaires and interviews with key stakeholders. This methodology is chosen to capture rich, nuanced insights into the experiences of the SME sector, which are often not fully captured through one research stream. The qualitative approach is particularly important in this study, as it allows for a deeper exploration of complex issues and stakeholder perspectives, providing a more comprehensive understanding of the challenges and opportunities faced by SMEs. Likewise, the quantitative research element, with the study's numerical tables and specific questionnaires targets, lends accuracy and reliability to it. The primary data collection will involve a dual-method strategy of questionnaires and semi-structured interviews, designed to address twenty-three specific research questions.

Questionnaires will be distributed to senior representatives from six key organizations representing Irish SMEs: the Irish Small and Medium Enterprise Association (ISME), the Small Firms Association (SFA), Retail Grocery Dairy & Allied Association (RGDATA), Vintners Federation of Ireland (VFI), the Restaurants Association of Ireland (RAI), and Digital Business Ireland (DBI). Although Retail Excellence Ireland (REI) and the Irish Hotels Federation (IHF) were invited to participate, they did not respond and are thus excluded from the study.

The questionnaires will be electronically disseminated on July 1, 2024, with a submission deadline of July 12, 2024. Concurrently, a formal interview with the Director of the Small Firms Association (SFA) will be conducted on July 12, 2024, to enrich the data collection with qualitative insights.

In addition to primary data collection, the study will include an empirical analysis of secondary data from Ireland and comparable jurisdictions such as Germany and Canada. Secondary data sources will include publications from the Irish Central Bank, the Central Statistics Office, government publications, OECD reports, and technical or trade publications. This comprehensive approach ensures a robust understanding of the research questions by leveraging both qualitative and quantitative data. The secondary data will complement the primary data analysis by providing a broader contextual framework and validating findings through cross-referencing with established statistical and policy insights.

Incorporating a mixed-method approach, this study aims to provide a comprehensive understanding of the research questions. The qualitative insights from questionnaires surveys and interviews will be complemented by quantitative analysis of secondary data from Ireland, Germany, and Canada. This fusion ensures a robust exploration of the issues facing Irish SMEs, leveraging diverse data sources to validate and enrich the findings. Moreover, this approach allows for a nuanced understanding of the challenges and opportunities within the SME sector, providing actionable insights for policymakers and stakeholders.

Hypotheses

This research has developed the following hypotheses, which it aims to explore and substantiate through a rigorous analysis of qualitative and quantitative data:

- **Hypothesis 1:** Enhanced government policies and the establishment of a dedicated state agency will significantly improve access to finance and overall support for Irish SMEs, particularly in sectors affected by external economic challenges such as Brexit, the COVID-19 pandemic, and inflationary pressures.
- **Hypothesis 2:** Increasing the digital capabilities and technological adoption among Irish SMEs will enhance their competitiveness and resilience, enabling them to better integrate into international markets and respond to evolving economic landscapes.
- **Hypothesis 3:** Implementing targeted policy interventions to support sustainability and regulatory adaptation will significantly enhance the operational efficiency and long-term viability of Irish SMEs, particularly in addressing climate change and regulatory challenges.

This study will investigate these hypotheses by analyzing data collected through questionnaires and interviews, aiming to provide obtainable insights for policymakers and stakeholders. The questionnaires are expected to reveal whether current policy measures optimally benefit Irish SMEs in terms of growth and sustainability. If not, this research aims to identify impediments that could be addressed through policy interventions or sector transformation. This approach helps mitigate researcher bias often present in official publications, which may only measure expected outcomes.

To analyze the data, questionnaire and interview responses will be collated and transcribed into a single document. Following transcription, thematic coding will be applied to organize the raw data. This will be followed by synthesis and abstraction, grouping the coded data to identify patterns and summaries. This qualitative inquiry will be complemented by an empirical analysis of some quantitative secondary data, consisting of reports and numerical evidence, which will provide a broader contextual framework and validate findings through cross-referencing with established statistical and policy insights. This mixed methods approach allows for a comprehensive understanding of the research questions by integrating qualitative insights with quantitative data. The process will be conducted solely by the researcher.

The objectives of this data collection are to capture the unique experiences, opinions, and motivations of each SME representative organization, providing invaluable feedback from thousands of Irish SMEs through their respective representative organizations. The mixed methods approach is deemed most suitable for this study, highlighting the limitations of relying solely on a singular research stream to capture real-time data in a post-Brexit, post-COVID, inflationary period.

Research Pillars

It is pertinent to delineate the research pillars outlined below, as they form the foundational framework for both the research and the initiatives being undertaken:

1. Identify and critically evaluate the existing policy framework within which Irish SMEs operate.

2. Evaluate successful SME policies from Germany and Canada to determine if elements could support Irish industrial and enterprise policies.
3. Identify key challenges for Irish SMEs employing a mixed-method approach with twenty-three purposefully crafted open-ended questions and predominately quantitative secondary data.
4. Develop new findings that contribute to the understanding and support of Irish SMEs.

1.5 Background

Four decades ago, the Telesis Report (1982) argued that Irish industrial policy was excessively focused on mobile investment from abroad, at the expense of indigenous industry. Similarly, the Culliton Report (1992) argued for the creation of an agency solely devoted to Irish industry. While Enterprise Ireland has since been formed, many SME stakeholders argue that Ireland lacks the necessary policy prescriptions for the indigenous enterprise sector to mitigate new challenges, propel scaling, and decrease dependence on the multinational sector.

The past four years have been tough for Irish enterprises - the difficulties posed by Brexit, the COVID-19 pandemic, high inflation, labor shortages, and now a faltering economy compound ever-increasing challenges for small business owners. Declining business expectations are dampening the current economic climate due to ongoing geopolitical tensions and feeble consumer sentiment, as observed through weaker than expected growth in the eurozone. Consequently, this shifting economic and geopolitical environment has caused a significant drop in business expectations for the entire Irish SME sector.

Against this backdrop, the researcher has identified a need to examine existing industrial and enterprise policy supports to the SME sector and determine whether they remain fit-for-purpose and if they can ensure the survival and future potential of Irish SMEs. The existing literature points to the challenges being experienced by Irish SMEs, mainly due to foreign-owned investment gaining a central foothold over industrial policy and consequently, shaping the entire economy (Bailey and Lenihan, 2015).

Thus, the researcher will undertake a thorough examination of the key current policy platforms and associated initiatives aimed at the SME sector, to determine their usefulness or detriment and to examine whether, as suggested in the literature, the focus on foreign, high-growth, export-oriented, and tech-driven enterprises is skewing the national enterprise and industrial policy position. The research will additionally aim to ascertain the optimal potential for Ireland's diverse and talented SME population and its delivery. Furthermore, the research will analyze the longer-term sustainability of the current policy trajectory. This is to see if the Irish government's assumption, that foreign multinationals will always be the engine of our economic policy, is, in fact, sustainable.

This inquiry into the sustainability of Ireland's reliance on foreign multinationals as the cornerstone of its economic policy sets the stage for a critical examination of the historical policy foundations that have shaped the current industrial landscape. For example, the current policy platform is largely built on the foundations of the first Programme for Economic Expansion (1958-1963), which set a template for industrial development that ended protectionism, opened Ireland to international trade, and reversed a century of population decline. However, while pivoting from protectionism to the export-led FDI growth model in the late 1950s and 1960s helped economic growth, it has led to other parts of the economy, such as indigenous enterprises, falling behind (Bailey and Lenihan, 2015).

Therefore, six decades on, it is the researcher's objective to determine if Ireland's industrial policy is fit-for-purpose to support the wider economy, particularly within the context of the domestic small and medium-sized enterprises (SMEs) and whether the sector is receiving sufficient attention from policymakers. For instance, to highlight the sheer significance of the SME sector, the table below (ESRI, 2020) highlights the enormous contribution to the Net National Product (NNP) made by the indigenous enterprise sector, which stands at 3.8 times that of the foreign multinational sector. This is despite the literature pointing to industrial and enterprise policies that are largely ineffective in supporting the SME sector (Jacobson, 2015).

Table 1: NNP at Basic Prices, Before Adjusting for the Statistical Discrepancy, € Million

TABLE 1 NNP AT BASIC PRICES, BEFORE ADJUSTING FOR THE STATISTICAL DISCREPANCY, € MILLION

Foreign MNEs	2013	2014	2015	2016	2017	2018
1. Compensation of employees	18,056	18,848	20,201	21,089	22,373	23,308
2. Gross operating surplus/mixed income	52,654	59,552	117,723	118,073	131,425	145,830
3. Consumption of fixed capital	14,710	16,135	42,730	49,244	57,244	62,279
4. (2-3) Net operating surplus	37,944	43,417	74,993	68,829	74,181	83,551
5. (1+2) Gross value added	70,710	78,400	137,924	139,162	153,798	169,138
6. (5-3) Net value added	56,000	62,265	95,194	89,918	96,554	106,859
7. Corporate taxes	3,329	3,427	5,202	5,615	6,258	7,936
8. Factor flows - profit repatriations (allocation of primary income flows)	34,615	39,990	69,791	63,214	67,923	75,615
9. (6-8) Contribution to NNP	21,385	22,275	25,403	26,704	28,631	31,244

Domestic	2013	2014	2015	2016	2017	2018
1. Compensation of employees	52,591	54,250	57,588	61,579	65,778	69,986
2. Gross operating surplus/mixed income	41,267	45,924	48,977	53,266	57,671	63,958
3. Consumption of fixed capital	11,829	12,548	13,603	14,512	15,832	16,989
4. (2-3) Net operating surplus	29,438	33,376	35,374	38,754	41,839	46,969
5. (1+2) Gross value added	93,858	100,174	106,565	114,845	123,449	133,944
6. (5-3) Net value added	82,029	87,626	92,962	100,333	107,617	116,955
7. Corporate taxes	955	1,206	1,689	1,758	1,959	2,485
8. Factor flows - profit repatriations (allocation of primary income flows)	0	0	0	0	0	0
9. (6-8) Contribution to NNP	82,029	87,626	92,962	100,333	107,617	116,955

Source: Fitzgerald, J., 2020.

Moreover, the researcher will examine whether the existing policy trajectory creates an enhanced concentration risk in Ireland's corporate tax base, with an added complication that the multinationals' tax revenues may prove unreliable and itinerant in the future. For instance, the Irish

Parliamentary Budget Office (2021) determined that the public finances are over-exposed to the performance of a limited number of multinational corporations. The researcher will analyze whether Ireland's industrial policy is out of step or closely aligned with the Small Business Act for Europe (SBA), an overarching framework for EU policy on Small and Medium Enterprises (SMEs), which emphasizes the need to "think small first" (SBA, 2008).

As such, while much has already been published about the need to make improvements to Ireland's industrial policy position, most of this research, to the best of the researcher's knowledge, has failed to prescribe definitive policy actions. Hence, the basis for this research is made evident, which will aim to establish a policy framework for the sector.

In addition to primary data collection, the study will include an empirical analysis of secondary data from Ireland and comparable jurisdictions such as Germany and Canada. Secondary data sources will include publications from the Irish Central Bank, the Central Statistics Office, government publications, OECD reports, and technical or trade publications. This comprehensive approach ensures a robust understanding of the research questions by leveraging both qualitative and quantitative data. The secondary data will complement the primary data analysis by providing a broader contextual framework and validating findings through cross-referencing with established statistical and policy insights. By integrating qualitative and quantitative data, the study aims to provide a comprehensive understanding of the research questions, informing evidence-based policymaking and strategic decision-making. These revisions ensure that the section aligns with the mixed methods framework, emphasizing the integration of qualitative and quantitative data and highlighting the potential policy implications of the research.

1.6 Assumptions and Scope of the Study

The Irish industrial development model has remained largely unchanged, irrespective of which parties held power in government, with unelected civil servants consistently pursuing policies that are closely aligned with the FDI sectors (Hardiman & Metinsoy, 2018). This stresses the significant influence and lobbying power of the Irish Industrial Development Authority (IDA), the American Chamber of Commerce, and individual multinationals over national economic policymaking (O'Riain, 2004; Brazys and Regan, 2017). Not only is this undermining the national interest, but there is now a growing acknowledgment that the concentrated economic and industrial policy model is also undermining the resilience and adaptability of the entire SME sector (Kinsella, 2012).

The underlying imperative of this research will be to investigate whether the existing model remains valid today and, if not, to deliver recommendations to propel a mechanism and strategy to support all small businesses, regardless of size or sector. The research will predominantly aim to provide a national-level approach to the design of policy initiatives, while also recognizing the sub-national ecosystems that exist across the country, to enable for a bottom-up approach aiming to foster inclusive growth.

Ultimately, the underlying objectives of this research are trifold: to investigate the existing unilateral suite of measures available to Irish SMEs as opposed to foreign-multinational corporations; if gaps emerge, to recommend enhanced supports to be delivered effectively by the government, to augment the SME population in Ireland; and, to help SMEs capitalize on growth and productivity improvements, while better preparing the sector for emerging challenges and opportunities.

The mixed methods approach adopted in this study not only enhances the validity and reliability of the research findings but also provides a comprehensive framework for understanding the multifaceted nature of the SME sector. By integrating qualitative and quantitative data, the study aims to offer a balanced perspective that informs evidence-based policymaking and strategic decision-making. This approach underscores the importance of considering diverse data sources and methodologies to address complex research questions effectively. The integration of qualitative insights with quantitative data will involve triangulation techniques to ensure a cohesive analysis and validate findings.

The findings of this research have the potential to inform policy decisions and contribute to the development of targeted interventions that support sustainable growth and innovation within the Irish SME sector. These revisions ensure that the section aligns with the mixed methods framework, emphasizing the integration of qualitative and quantitative data and highlighting the potential policy implications of the research.

CHAPTER 2: Review of the literature

2.1 Introduction

Industrial policy and enterprise policy play a crucial role in shaping the economic strategy and performance of small, advanced economies, such as Ireland, due to the unique characteristics inherent in these economies (Skilling, 2022). These economies often prioritize the development of competitive advantages in externally oriented clusters, which serve as the main drivers of productivity growth. Consequently, policy efforts in high-performing small, advanced economies are frequently directed towards fostering the growth and competitiveness of these clusters (Kuah et al., 2011). However, it is important to recognize that such economies are highly exposed to external factors. Structurally, their performance is intricately linked to the international economic and political system, which has been relatively favourable in recent decades but is gradually becoming more challenging due to increasing geopolitical competition according to the Organization for Economic Cooperation and Development (OECD, 2019). Furthermore, these economies are vulnerable to fluctuations in the business cycle, with GDP growth being sensitive to variations in global GDP and trade expansion. This susceptibility is particularly pertinent in the case of Ireland, where the economy is exposed to specific international changes spanning policy domains such as climate change and corporate taxation, as well as technological advancements and emerging sources of international competition (Skilling, 2022).

Furthermore, rapid technological advancements are reshaping various aspects of all economies, generating both positive and negative implications. The advent of automation technologies, particularly artificial intelligence, has altered job markets and organizational structures, giving rise to concerns about the future of work, and SMEs will need to monitor this progression closely (OECD, 2023). Additionally, multinational corporations, including digital platforms, have attained unprecedented market dominance, prompting inquiries into their economic and social impact and the consequent implications for public policy (OECD, 2019). Simultaneously, new patterns of globalization have emerged, with investments and trade shifting towards the southern and eastern regions of the world (World Bank, 2019). This transition has been facilitated by the establishment of intricate global production networks and supply chains by large transnational corporations. The financialization of advanced economies persists, characterized by increased private debt, greater returns to shareholders, and, in some cases, larger financial sectors relative to the rest of the economy (Cournède et al., 2015). The globalized financial system, coupled with new financial technologies, poses challenges to national financial regulation (Agénor et al., 2019).

These challenges are particularly pronounced following a period in which most OECD economies have performed substantially weaker than in the past. The 2008 financial crisis exposed serious flaws not just in financial regulation but in the credit-based form of growth which preceded it. Its effects continue to unfold. For most countries, the recovery after the recession was among the slowest on record. Economic growth has been restored in the last few years, but it remains generally fragile, still dependent on the emergency life support of ultra-low interest rates and hugely expanded central bank balance sheets (Cournède et al., 2015). Public and private debt levels, as a proportion of national income, remains high in many countries. Productivity growth has stalled in some countries and is historically low in many others; innovation at the technological frontier is no longer being diffused to the rest of the economy as it was in the past (Cournède et al., 2015).

In Ireland, while the overall economy continues to exhibit robust performance, recent data from the Central Statistics Office (CSO) highlights an increasing disparity between the multinational sector and the domestic economy, a trend that has intensified since the COVID-19 pandemic (CSO, 2021). The multinational sector, driven by leading pharmaceutical and technology companies, has shown remarkable resilience, contributing to a notable 7.8 percent increase in gross domestic product (GDP) in the first quarter of 2021 (CSO, 2021). For example, while most Irish SMEs faced significant challenges due to lockdown measures, the IT sector experienced an impressive 19 percent growth in activity during the first three months of the year (CSO, 2021). Additionally, industrial output, particularly in the pharmaceutical sector, saw a substantial 12.8 percent increase (CSO, 2021). These expansions in output collectively led to nearly 6 percent growth in exports, predominantly driven by multinational corporations.

The latest data from the Central Statistics Office (CSO, 2024) reveals a concerning concentration in export activities, with just ten companies accounting for 57 percent of Ireland's goods exports value, and foreign companies representing 87 percent of all exports. This underscores the significant challenges indigenous SMEs face in penetrating international markets. In 2022, large enterprises employing over 250 employees were responsible for 80 percent of the total value of Irish goods exports, with the total value exceeding €199 billion, of which €173 billion was exported by foreign-owned companies (CSO, 2024). This highlights the relatively small contribution of Irish SMEs to export values. In contrast, during the same period, the construction sector suffered a dramatic decline of nearly 25 percent in activity, and the distribution, transport, hotels, and restaurants sector contracted by approximately 10 percent (CSO, 2021). This divergence illustrates the uneven impact of economic forces on different sectors within the Irish economy.

It is important to note that the headline GDP figures often do not fully reflect the actual state of the Irish economy. When examined through the lens of modified domestic demand, which the CSO considers a preferred indicator for the domestic economy, the reported 7.8 percent expansion translates to a 2.9 percent contraction (CSO, 2019). This is not to suggest that the domestic or SME element of the economy is regressive; rather, it operates in response to prevailing economic conditions and is affected by issues commonly encountered in other economies, such as inadequate investment in certain sectors, housing shortages, and transportation congestion. Furthermore, from a regional development standpoint, multinational investments primarily concentrate on Dublin and the eastern coastal regions, exacerbating an existing divide between urban and rural areas (OECD, 2018). Globalization has contributed to economic polarization, affecting both economies and workers (Kyove et al., 2021). Ireland serves as a microcosm of this phenomenon, with growing wage disparities, poor SME export performance, housing challenges, and healthcare inequalities fuelling an increasingly contentious political discourse, which all impact SMEs for a variety of reasons.

Conversely, the important points to note here are that while multinational corporations attract attention with their impressive growth rates, the resilience and potential of the domestic Irish economy should not be overlooked by policymakers. Supporting and nurturing the SME sector is essential for achieving a more balanced and inclusive economic development (Small Firms Association, 2022). Therefore, the objective of this research is to investigate whether the significant role played by the domestic economy, predominantly comprised of small and medium-sized enterprises (SMEs), is sufficiently acknowledged and supported from a national public policy standpoint. After all, within a changing economic landscape, these SMEs, forming the backbone of Ireland's economic landscape, contribute to job creation, foster local entrepreneurship, and drive innovation, therefore, they should not become invisible in the face of large multinationals.

It must be remembered that SMEs often operate in sectors closely intertwined with the everyday lives of Irish citizens, such as retail, hospitality, and construction. They provide vital services, generate employment opportunities, and contribute to local communities across the country. Moreover, SMEs foster regional development by promoting economic activity beyond the urban centres, addressing the existing east-west and urban-rural divide. By investing in the domestic economy and empowering SMEs, policymakers can foster longer-term sustainable growth, reduce economic disparities, develop rural and regional areas, and enhance economic resilience. As mentioned in the previous chapter, this research will delve into the current challenges and offer remedies for enhanced support, which could come in various forms, including access to financing, targeted business support programs, streamlined regulatory frameworks, and initiatives aimed at promoting local entrepreneurship.

This research has been approached from a foundational awareness and recognition of the crucial role of SMEs in the domestic economy and the imperative to strike a balance between attracting multinational investments and strengthening the local business ecosystem. A thriving domestic economy built upon a robust network of SMEs can ensure long-term economic stability, create a favourable environment for innovation and entrepreneurship, and mitigate vulnerabilities associated with heavy reliance on multinational corporations (Lawless et al., 2022).

Skilling (2022) further supports the argument that Ireland has pursued a coherent and sustained FDI-intensive economic strategy, which has contributed to its strong economic performance. This has resulted in the country exhibiting high levels of internationalization, including exports and FDI, as well as significant investment rates, but this strategy means less focus, care, and attention from policymakers to the domestic SME sector (Lawless et al., 2022). Additionally, Skilling (2022) argues that Ireland receives favourable rankings for its policy foundations and possesses a high level of human capital and skills. However, despite these strengths, Ireland faces major challenges in terms of innovation, especially in the domestic sector of the economy (EIB, 2021). It has one of the weakest records of innovation among small, advanced economies, characterized by low levels of total and business research and development (R&D) spending as a proportion of GDP and a relatively low ranking on the Global Innovation Index (Skilling, 2022; OECD, 2020). While Ireland demonstrates economic complexity and excels in sophisticated exports such as pharmaceuticals, electronics, and technology, these achievements almost exclusively result from imported innovation capabilities within the multinational sector. Therefore, it is incumbent upon policymakers to foster an enabling environment for SMEs, providing them with the necessary resources, support, and opportunities to thrive. By doing so, Ireland can leverage the strengths of both the multinational sector and the domestic SMEs, achieving a more resilient, inclusive, and sustainable economic future.

Ireland's economic model, characterized by FDI-driven internationalization, exhibits inherent weaknesses that warrant attention (Lawless et al., 2022). The dominance of multinational corporations (MNCs) in certain sectors not only hampers the competitive strength and incentives for innovation and exports in other externally oriented parts of the economy but also raises concerns reminiscent of the concept of "Dutch Disease" (Anwar and Mang, 2022). Dutch Disease is an economic phenomenon where a country's currency appreciates due to a boom in a particular sector, such as the discovery of natural resources, leading to negative consequences for other sectors. This appreciation makes exports more expensive and imports cheaper, reducing the competitiveness of the country's manufacturing and other tradable sectors. In the context of MNCs, their overwhelming presence can lead to similar effects, where the focus on these corporations results in an economic imbalance, potentially stifling the growth and competitiveness of domestic industries. This situation underscores the need for balanced economic policies that mitigate the adverse impacts associated with such dominance.

Furthermore, the concentration of resources in MNC-dominated sectors contributes to an elevated overall wage and cost structure, posing challenges for the expansion of other sectors. This mirrors the negative consequences experienced by the Netherlands when revenues from natural resource exports adversely affected manufacturing and agriculture (Anwar and Mang, 2022).

Concerns have emerged regarding the limited domestic value capture by multinational corporations (MNCs) in Ireland, as these entities often exhibit weak linkages with the local economy. This situation restricts their ability to enhance productivity and innovation within the country, raising the risk of MNCs relocating to other regions (Lawless et al., 2022). To address these structural issues and adapt to global economic changes affecting cross-border trade and investment, strategic policy responses are essential. Other small, advanced economies, such as Singapore, have successfully implemented policy measures that promote knowledge and innovation sharing through intensive vertical clusters. These clusters serve as engines for driving innovation, productivity growth, and international engagement (Fujita et al., 1999). Similarly, South Korea has leveraged the presence of foreign MNCs to generate strategic positive spillovers for small and medium-sized enterprises (SMEs) (KoreaTechDesk, 2024). Implementing such policies in Ireland could foster stronger linkages between MNCs and domestic firms, enhancing the overall resilience and productivity of the Irish economy. This approach could involve encouraging collaboration and innovation partnerships, thereby creating a more integrated and dynamic economic environment.

The White Paper on Enterprise (2022), released by the government of Ireland, highlights the distinctive features of the country's economic model, characterized by a high degree of openness and heavy dependence on relatively concentrated export activities. However, this model faces inherent risks stemming from potential de-globalization trends caused by the COVID-19 pandemic or geopolitical factors. These risks are further compounded by the concentration of output and exports within a limited number of sectors with significant international orientation. To safeguard the economic model and effectively manage the potential threats arising from ongoing global transformations, Ireland must proactively address these challenges and implement appropriate measures, as outlined in the White Paper on Enterprise (2022).

In addition to these challenges, Ireland faces significant exposure related to its relatively high emissions intensity and low share of renewable electricity generation. These factors pose obstacles to the transition to a net-zero economy and contribute to a competitive disadvantage for Ireland as a location and for externally oriented Irish firms (Siedschlag and Yan, 2021). The Irish government’s White Paper on Enterprise emphasizes the imperative of embedding decarbonization into enterprise policy as both an environmental and economic necessity (2022). Recognizing the resource disparities, it is essential to acknowledge that larger firms possess greater capital resources to invest in new equipment and technology aimed at environmental protection and cleaner technologies. Conversely, small firms may face constraints in accessing such resources and therefore require targeted state support to effectively pursue these objectives.

The financial capabilities of larger firms grant them the capacity to allocate substantial funds towards sustainable practices, facilitating the adoption of environmentally friendly technologies and processes (Iversen and Soskice, 2020). These firms have the means to invest in research and development initiatives, implement energy-efficient systems, and comply with stricter environmental regulations. Their financial strength enables them to undertake significant investments without compromising their operational viability. Conversely, small firms often face limitations in financial resources, making independent investment in environmentally conscious measures challenging. Targeted state support is crucial to enable these firms to engage in sustainable practices (Iversen and Soskice, 2020). Policymakers play a pivotal role in facilitating the transition to cleaner technologies by offering tailored financial incentives, grants, tax breaks, or subsidized loans that align with the specific needs and capacities of small businesses. Such support mechanisms alleviate the financial burden associated with investing in environmentally friendly equipment, technologies, and practices, making them more accessible to small firms. Additionally, state support can extend beyond financial assistance and encompass educational programs, training initiatives, and technical assistance aimed at enhancing the knowledge and capabilities of small businesses in implementing sustainable practices. By providing guidance and expertise, governments empower small firms to overcome barriers and navigate the complexities of adopting environmentally friendly technologies (Iversen and Soskice, 2020).

Ireland’s recent White Paper on Enterprise (2022) underscores the ongoing significance of foreign direct investment (FDI) as a central element of the country's growth model and economic strategy. The dynamics of globalization and the competition for FDI, between state actors and influential corporate entities, will continue to impact the performance of the Irish economy, as well as the role of small and medium-sized enterprises (SMEs) within it (Bohle and Regan, 2021).

The argument put forth by Iversen and Soskice (2020) regarding the strengthening of the "capitalist democratic state," in relation to large corporations in the context of globalization, fails to consider the divergent growth performance and high-tech output observed among advanced economies. This oversimplification obscures the reality of FDI competition, which often occurs between relatively weak state actors and influential corporate interests, leading to resource distribution imbalances that undermine SMEs and the dynamics between labour and capital (Iversen and Soskice, 2020).

Ireland's national industrial policy trajectory over the past five decades has been focused on attracting inward investment by targeting high-tech and emerging sectors. However, it is evident that a coherent and comprehensive strategy for SMEs has been lacking, failing to leverage the diversity and potential of the sector across cities, towns, and regions (Cantillon et al., 2022). In this context, the significance of SMEs becomes evident.

Within the Irish economy, SMEs represent a diverse and dynamic sector, comprising over 99.8 percent of active enterprises (CSO, 2021). These enterprises play a crucial role in employment, accounting for approximately 67.5 percent of total employment within the Irish business economy. Moreover, SMEs make a significant contribution to the economy by generating 37.3 percent of the gross value added (GVA). The interplay between globalization dynamics, FDI competition, and the role of SMEs highlights the complex dynamics within national economies and underscores the importance of comprehensively understanding their interconnectedness for economic analysis.

The majority of SMEs in Ireland are categorized as micro-enterprises, employing fewer than 10 people. However, collectively, these micro-enterprises provide employment to 411,892 workers, accounting for 92.3 percent of SME employees (CSO, 2021). Small enterprises, employing between 10 and 49 employees, represent 6.5 percent of SMEs, while medium enterprises, employing between 50 and 249 workers, constitute only 1.2 percent of the sector (CSO, 2021). Despite their relatively small size individually, SMEs collectively serve as the primary source of jobs and enterprise in the Irish economy, underscoring their significant role and emphasizing the importance of their contributions. Moreover, SMEs play a significant role as employers in key sectors of the Irish economy, including services, construction, and distribution (CSO, 2021). Notably, between 2012 and 2018, employment within the Irish SME sector witnessed a substantial growth of 24.1 percent (CSO, 2021). This growth can be attributed to the presence of small businesses across diverse sectors, fulfilling the demand for essential goods and services.

That said, Irish SMEs encounter various internal and external challenges that can have a significant impact on their operations. Factors such as changing economic and political circumstances, external shocks, and global events like the COVID-19 pandemic and Brexit pose unprecedented challenges to the sector. Nevertheless, SMEs, owing to their size and flexibility, can effectively respond to changing conditions through innovation, business restructuring, and strategic adaptations. The diverse nature of SMEs, in terms of their activities, locations, and ownership models, presents policymakers with an opportunity to support and sustain growth in this dynamic and challenging environment.

In general, SMEs in Ireland, as well as in other countries, face a range of challenges, with access to finance being a pressing concern. Understanding these challenges is crucial for policymakers to develop effective measures aimed at facilitating SMEs' access to the necessary financial resources for their growth and development. The OECD (2017) highlights that since the 2008 financial crisis, there has been a widening gap in credit costs between SMEs and large enterprises, resulting in higher interest rate burdens for SMEs, thereby impacting their ability to access finance and hindering their growth potential.

The European Commission's report (2019) emphasizes the critical role of access to finance in enterprise development. SMEs face unique challenges compared to multi-national or large-scale enterprises (LSEs) in securing financial resources, as LSEs typically have greater direct access to capital markets. Consequently, it is essential to address the specific financing needs of SMEs through targeted policy interventions.

Across the European Union, including Ireland, SMEs heavily rely on external financing, primarily through bank credit lines or overdraft facilities, leasing/hire purchase arrangements, and bank loans (European Commission, 2019). However, the European Commission's 2019 Survey on the Access to Finance of Enterprises (SAFE) reveals a consistent decline in the relevance of bank loans as a financing source since 2014, mainly due to a lack of available internal funds.

While interest rates for SMEs have declined in most OECD countries since 2013, Ireland and Switzerland stand out as exceptions (OECD, 2018). Remarkably, Ireland experiences one of the highest costs of capital for SMEs among all OECD nations, despite the implementation of looser monetary policies in the past decade. Consequently, it is imperative to investigate whether the recent shift towards monetary tightening, as the prevailing policy trajectory to address inflation, has further exacerbated the situation in Ireland.

Irish SMEs face a significant challenge in the form of high business costs, as highlighted in a report by the Small Firms Association (2022). These costs span various operational aspects, including labour, rents, transportation, insurance, banking, and utilities. Operating in low-margin environments, SMEs struggle to absorb cost escalations and compete with larger companies, especially in international markets. Furthermore, customer demand for value often prevents these enterprises from passing on increased costs. The mounting business costs, coupled with high inflation and rising input prices, raise concerns about viable enterprises facing closure due to their inability to absorb these expenses (Small Firms Association, 2022).

In addition, a study conducted by Vodafone Ireland (2021) reveals that despite their willingness to invest, 58 percent of Irish SMEs encounter significant barriers to technology adoption. The report identifies cost as the primary obstacle (37 percent), followed by trust in suppliers (36 percent), integration with older systems (32 percent), and the lack of appropriate in-house capabilities (28 percent) as the main impediments for SMEs looking to invest in technology (Vodafone Ireland, 2021).

To understand the potential for development within Ireland's SME sector, it is essential to consider the broader European landscape, where high levels of productivity, digitalization, and innovation are commonly observed (Johnson, 2014). One indicator of SME sector development is the proportion of value added generated by domestic firms for export. The European Union (EU) average stands at 88.4 percent, indicating that approximately 88 percent of the value created and sold abroad originates from EU firms. However, Ireland falls behind in this aspect, with a significantly lower score of 58 percent. In comparison, countries like Denmark (71.9 percent), Latvia (79.3 percent), and Estonia (65 percent) demonstrate stronger performance (Johnson, 2014).

Because of their reliance on a small customer base and difficulties in obtaining extended credit lines, Irish SMEs are more vulnerable to significant disruptions compared to their counterparts in the European Union when faced with lockdowns or restrictive economic circumstances, such as the COVID-19 pandemic (Vodafone Ireland, 2021). Entrepreneurs embarking on business ventures must possess the confidence in their abilities and technical expertise to capitalize on market opportunities and build successful enterprises (Davidsson et al., 2006). However, they often underestimate the time required to develop and launch their product/service, establish market presence, and meet customer demands. Delays in these processes can deplete available funds, a factor frequently underestimated by promoters during the early stages of business development. Therefore, it is crucial to equip entrepreneurs with strong financial acumen to effectively manage their limited resources during the challenging initial phases. Additionally, facilitating easier access to various funding options such as equity, grants, and loans for startups and SMEs is essential and is identified as a major constraint in the literature. It is the objective of this study to also assess whether simplifying bureaucratic procedures can encourage promoters and owners to engage with state agencies, equity providers, and financial institutions while ensuring comprehensive processing of necessary information and clear understanding of commitments.

In summary, Irish SMEs confront various challenges, including limited access to finance, high business costs, and a lack of digital skills and infrastructure, which impede their growth and competitiveness in domestic and international markets. This literature review examines the gaps in Ireland's industrial policy, specifically focusing on small and medium-sized enterprises (SMEs). While Ireland exhibits strengths in certain aspects of its SME sector, factors such as low business dynamism and limited start-up rates pose significant obstacles to its development. The review emphasizes the need for a diversified industrial policy approach to mitigate economic vulnerability, particularly in the face of external shocks, geopolitical tensions, and the influence of multinational corporations. While existing literature acknowledges these issues, there is a noticeable gap in the explicit examination of prescriptive policy interventions that can enhance the performance of Irish SMEs and address their unique challenges.

2.2 Current Perspectives on Irish SMEs and Entrepreneurship

As stated in the previous section, the strengths of Irish SMEs and entrepreneurship are evident, as Ireland has successfully generated high-growth firms, and SMEs are renowned for their innovative practices (OECD, 2019). Moreover, the overall business environment in Ireland is favourable, characterized by low corporate taxation, extensive support for research and development, and robust physical infrastructure. Positive attitudes toward entrepreneurship contribute to the entrepreneurial ecosystem. However, there are critical areas that require immediate attention to further bolster SMEs and entrepreneurship in Ireland (Bailey and Lenihan, 2015). The literature highlights increasing business dynamism, fostering productivity growth, and promoting a higher business start-up rate as key priorities. Additionally, the literature emphasizes the importance of Irish SMEs engaging more actively with international markets, addressing weaknesses in management skills, capital investment, and technology adoption (OECD, 2019). Access to finance remains a persistent challenge, and there is scope for enhancing crucial advisory services and providing incentives for investment in SMEs and entrepreneurship. It is also necessary to address skill shortages and support SMEs' involvement in shaping business regulation policies (OECD, 2019).

The rationale for policymakers to improve enterprise policy in favour of SMEs extends beyond supporting domestic job creation and growth. It also entails reducing the Irish economy's vulnerability to external economic and political circumstances, as well as external shocks. Given their size, SMEs are particularly agile in responding to changing conditions through innovation, business remodelling, and strategic adjustments (Seanad Public Consultation Report, 2019). Therefore, SMEs should be viewed as sources of opportunity for policymakers to sustain growth in a dynamic environment. The objective of this study is to identify a framework or suite of potential measures that can be utilized to support and foster the SME sector in Ireland. As such, the literature highlights concern regarding the reliance of Irish industrial policy on attracting multinational corporations, neglecting the needs of domestic SMEs and hindering their growth (Jacobson, 2015). Inadequate support in terms of access to finance, resources, and networks has been identified as a significant barrier for SMEs, resulting in limited growth and innovation (Jones-Evans, 2013).

Promoting the establishment and growth of new businesses is crucial for economic expansion, as start-ups have the potential to generate job opportunities at a disproportionate rate (Lawless, 2014). However, Ireland has been experiencing low levels of business entry and exit dynamism compared to other developed countries (OECD, 2018). Therefore, designing enterprise policies that differentiate between the early stages of firm development and established businesses is essential. Such policies should focus on encouraging investment in and by new businesses, with particular emphasis on supporting initial employment stages (Lawless et al., 2022). Existing enterprise policies, such as Capital Gains Tax Retirement Relief and Entrepreneur Relief, may not effectively promote entrepreneurship or investment, due to a lack of targeting (Kakoulidou and Roantree, 2021). Instead, a more effective approach could involve shifting towards tax relief on investments made into new firms (Adam and Miller, 2021). By removing reduced rates of Capital Gains Tax and introducing an investment vehicle that offers up-front income tax relief on equity investments, policy measures can incentivize business owners to expand or establish new enterprises (Lawless et al., 2022).

The transition to a low-carbon economy requires increased investments in low-carbon technologies by enterprises (Acemoglu et al., 2012; Costantini et al., 2013; Voigt et al., 2014; Ghisetti and Quatraro, 2017). However, research indicates that the proportion of Irish firms making green investments remains low, with larger enterprises being more likely to invest in environmental protection and cleaner technologies (Siedschlag and Yan, 2021). Implementing targeted policy measures that enable small and medium-sized firms to invest in environmental protection is crucial for achieving a faster transition to a sustainable long-term growth model (Lawless et al., 2022).

The transition to a low-carbon economy underscores the need to address skills gaps, particularly in emerging sectors associated with the green transition (CEDEFOP, 2018; OECD, 2017). Research from the ESRI highlights the development of new skills within the enterprise workforce as a key challenge in implementing Ireland's Climate Action Plan (Siedschlag et al., 2022). To facilitate a successful transition, tailored training programs at different stages of the low-carbon economy journey, specific to each sector, are crucial in empowering businesses to effectively adapt and manage the changes (Lawless et al., 2022). Access to digital skills is also vital for enterprises to innovate and transition to a low-carbon economy across all sectors (EIB, 2021). However, evidence suggests that the demand for digital skills in the enterprise sector in Ireland and other European countries remains unmet (Eurostat, 2021). Addressing this gap requires focused efforts to enhance digital skills training and development programs, equipping enterprises with the necessary capabilities to thrive in the digital era (Lawless et al., 2022).

The establishment of robust supply chain linkages between domestic and foreign-owned firms plays a crucial role in facilitating technology transfer and the integration of multinational enterprises (MNEs) into the local economy (Javorcik, 2004; Havranek and Irsova, 2011; Jude, 2016; OECD, 2013). Evidence from Ireland demonstrates that domestic firms in upstream industries experience positive impacts on their productivity by supplying foreign-owned firms (Barrios et al., 2011). However, international evidence suggests that foreign multinationals operating in Ireland source fewer inputs from domestic firms compared to the OECD average (OECD, 2021). To maximize spill-over effects and enhance the absorptive capacity of small and medium-sized enterprises (SMEs), targeted policies are necessary. These policies should focus on cluster development, skills upgrading, financial incentives for research and development (R&D) and innovation, and the improvement of supplier databases (Lawless et al., 2022). By implementing such policies, SMEs can strengthen their supply chain linkages with MNEs, thereby increasing their ability to benefit from technology transfer and foster economic growth.

2.3 Challenges Faced by Irish SMEs

Despite Ireland having a robust set of support programs for small and medium-sized enterprises (SMEs) and entrepreneurship, there is a need for refinements to address certain concerns. The OECD has raised concerns about traditional SMEs falling between support offers from different entities (OECD, 2019). To enhance the SME sector in Ireland, the OECD suggests upscaling and refining programs in areas such as microcredit, credit guarantees, financial literacy, innovation support, and SME internationalization.

At the local level, Local Enterprise Offices (LEOs) play a crucial role in providing tailored support to SMEs. However, there is a need to explore whether efforts can be made to enhance local networks, particularly in industry clusters, and connect SMEs and entrepreneurs in remote regions with broader entrepreneurship ecosystems. The OECD (2019) recommends improving mentoring and business advisory services in Ireland, which play a vital role in addressing challenges and maximizing the effectiveness of support programs.

The literature reveals that the Irish industrial development model has primarily favoured foreign direct investment (FDI) sectors, influenced by powerful entities, such as the Irish Industrial Development Authority (IDA), the American Chamber of Commerce, and multinational corporations (Hardiman and Metinsoy, 2018; O'Riain, 2004; Brazys and Regan, 2017). This concentration of power has resulted in the neglect of the national interest and has raised concerns about the resilience and adaptability of the SME sector (Kinsella, 2012). Although the challenges faced by Irish SMEs have been highlighted in the literature, explicit examinations and prescriptions of policy interventions to address these issues are lacking. As a result, this research aims to fill in gaps in the literature by developing effective policy measures that promote the growth and competitiveness of Irish SMEs, contributing to the long-term economic development of Ireland. The study will investigate the validity of the existing industrial development model and its implications, proposing recommendations to support all small businesses, regardless of size or sector, and enhance the overall support available to Irish SMEs compared to foreign multinational corporations. By addressing these gaps, the research seeks to have a significant impact on the advancement of Irish SMEs and their contributions to the national economy. Furthermore, the study recognizes the importance of considering both national and sub-national ecosystems in policy design. It will adopt a comprehensive approach that recognizes the diverse regional contexts across the country, fostering inclusive growth and supporting SMEs at various scales. By addressing the challenges faced by Irish SMEs and preparing the sector for emerging opportunities, the research aims to create a more resilient and dynamic entrepreneurial ecosystem.

The potential implications of filling the gaps in the literature are substantial. Enhanced policy measures and targeted support can empower Irish SMEs to overcome obstacles, seize growth opportunities, and improve productivity, thereby fuelling job creation, innovation, and sustainable economic growth. By rebalancing the industrial development model, Ireland can reduce its vulnerability to external shocks and foster a more diverse and inclusive business environment. Additionally, Ireland presents an interesting and important case for examining SMEs' access to bank financing. The country experienced a decline in new lending to SMEs during the 2008 global financial crisis and subsequent Euro-zone sovereign debt crisis (ECB, 2012). The impact of these crises on SMEs' access to bank credit in a heavily affected country, like Ireland, remains understudied. Furthermore, the strong growth in credit demand until 2008, driven by property-related speculations, followed by a sharp decline in property prices, has affected the demand for credit (Whelan, 2013; Beck, 2014). Additionally, Irish banks heavily rely on short-term borrowing on international inter-bank and money markets due to insufficient domestic deposits, which presents challenges during financial crises (Whelan, 2013; Honohan, 2010; Nyberg, 2011; Regling and Watson, 2010; Brunetti et al., 2011; Hördahl and King, 2008). Exploring the impact of bank funding constraints, induced by external shocks on lending to SMEs in Ireland, will provide valuable insights.

Despite Ireland's notable strengths in certain aspects of its SME sector, the literature highlights critical issues that remain unaddressed. These challenges include low business dynamism, limited access to finance, low start-up rates, and a lack of international market activity, as emphasized by the OECD (2017). Additionally, concerns arise regarding stagnant SME productivity growth, weaknesses in management skills, insufficient capital investment levels, and limited technology adoption. These areas of weakness warrant further investigation, particularly considering the current influences of the COVID-19 pandemic, inflation pressures, geopolitical tensions, and the shift towards monetary tightening, all of which impact the Irish SME landscape. Consequently, a clear gap exists in the existing literature regarding the specific challenges faced by Irish SMEs and the necessary strategies to address these issues and promote their sustainable growth and development.

2.4 Issues in Ireland's Industrial Policy

Criticism has been directed at the narrow focus of Ireland's industrial development policy, which renders the country more economically vulnerable to external shocks and impedes long-term sustainable growth (Bailey and Lenihan, 2015). This vulnerability is further heightened by ongoing geopolitical tensions, complex economic and energy fluctuations, and the influence of multinational corporations, compounded by the introduction of sweeping reforms such as the implementation of a new global minimum corporate tax (Bailey and Lenihan, 2015). These factors underscore the urgent need for Ireland to adopt a fundamentally different approach to industrial policy. This policy shift is supported by Minniti (2008), who emphasizes the pivotal role of government institutions and the policies that shape them in fostering a healthy and productive entrepreneurial and innovative ecosystem.

While limited literature explicitly examines prescriptive policy interventions to enhance, protect, transform, and propel Irish SMEs, the OECD's in-depth review (2019) offers several policy recommendations that will be explored in this research. Notably, the OECD review reveals a concerning finding that only 6.3 percent of the total Irish SME population engages in exporting activities, placing Ireland at the lowest level among all 36 OECD members (OECD, 2019). In contrast, Dutch SMEs export at an alarming rate of almost 37 percent, while German and British firms average around 17.5 percent (OECD, 2019). Therefore, this research aims to investigate these failures and propose policy remedies. Overall, the OECD review underscores the presence of extensive policy gaps and obstacles, such as the absence of a unified strategy, limited digital technology adoption, inadequate financing options, low value-added, and export performance, which adversely affect Irish SMEs and entrepreneurial economic performance. These aspects will be thoroughly examined in this study. Addressing these challenges through well-designed policy interventions can positively impact the growth and performance of Irish SMEs.

Paradoxically, as stated previously, numerous policy-influencing enterprise reports in Ireland have long established the need for specific attention to be given to SMEs. Telesis (1982), Culliton (1992), and O'Driscoll (2004), for instance, identified the comparative weaknesses of Irish indigenous industrial policy in contrast to the approach taken for foreign direct investment. As a result, the Irish industrial policy has created two distinct economic sectors: one comprised of foreign entities, and the other consisting of indigenous enterprises. These sectors exhibit notable poor interactions and significant differentiation between them (Ramirez et al., 2016). Successive Irish governments have prioritized increased funding to attract and retain foreign direct investment, often at the expense of developing the dynamism of the indigenous SME sector (Ramirez et al., 2016). Consequently, this has led to a potentially skewed imbalance, with internationally traded and technology-driven activities becoming the primary source of growth (Woodgate, 2022). This issue is further highlighted by Martinez et al. (2020), who argue that the ongoing policy narrative has failed to fully embrace, incentivize, and harness the optimal potential of the diverse SME sector for the broader economy's benefit. The constrained policy environment has widened the gap between the foreign and indigenous sectors, with the latter facing challenges, such as limited access to finance and inflexible policy supports. These constraints hinder investments in the sector and impede growth by as much as 55 percent (Martinez et al., 2020). These observations raise critical questions about the hindrances posed by the current policy framework and its capacity to sustain, or even transform, the SME sector.

Over the past 35 years, Irish public sector agents, particularly non-elected public servants, have strategically engaged with transnational business elites by offering a variety of financial incentives. These incentives include tax breaks, low corporate tax rates, tax holidays, special capital allowances for intangible assets, and grant-aided subsidies (Bohle et al., 2021). In contrast, the same period has seen limited policy support, incentives, and investment directed towards the Irish SME sector (Martinez et al., 2020). This disparity in industrial and enterprise policy suggests a preference among public officials to prioritize engagement with multinational corporations over

SMEs and their business associations, resulting in a closer alignment with powerful multinational interests (Bohle et al., 2021).

Bohle et al. (2021) argue that the strong connections between key players in the multinational sector afford them disproportionate power and influence over Ireland's industrial and enterprise policy framework. These actors often engage in confidential negotiations with non-elected public sector elites, shaping policies away from the scrutiny of electoral politics and democratic accountability. This dynamic raises critical questions about the covert nature of policy formulation in Ireland, particularly concerning industrial and enterprise development as drivers of economic growth. The influence wielded by these actors has significant implications for the growth potential and long-term sustainability of the domestic SME sector, prompting concerns about whether such policies ultimately benefit or hinder the broader economic landscape (Bohle et al., 2021).

These concerns are echoed in submissions to the Irish Senate's Public Consultation Committee report by representative bodies, such as the Irish Small Firm's Association (SFA) and the Irish Small and Medium Enterprise Association (ISME). The SFA highlights that the small business sector is not performing optimally in many areas, posing a risk due to heavy reliance on foreign direct investment (FDI) in an uncertain global environment and representing a missed opportunity for Ireland. Similarly, the ISME emphasizes the need to pivot industrial policy towards indigenous enterprises urgently (Seanad Public Consultation Report, 2019). These submissions underscore the pressing need for reform and align with Jacobson's (2015) critique that Irish policies supporting local enterprises have been largely ineffective. Jacobson further identifies a substantial opportunity to shift focus and bolster the entire Irish SME sector through comprehensive state policy support, particularly in financial assistance, which currently falls short compared to the support extended to multinational corporations. Additionally, with ongoing international pressures to standardize taxes for multinationals and curb tax avoidance, Ireland's appeal as a hub for these corporations may wane (Jacobson, 2015). In light of this, the researcher will explore whether the current geopolitical climate presents an opportune moment for Irish policymakers to enhance state support and incentives, thereby strengthening the policy and financial resources available to the SME sector. Given these circumstances, it is crucial to assess whether Irish policymakers should seize this opportunity to fortify state support, incentivize SMEs, and expand the policy and financial tools accessible to this vital sector.

2.5 Common Themes Emerge

A recurring theme in the literature is the existence of several critical challenges that impede the sustainable growth and development of Irish SMEs. Against the backdrop of long-term global trends and international policy developments, these challenges demand a cohesive strategic direction and enhanced policy coordination among government departments and agencies. Scholarly literature suggests that the policy framework to address these challenges should encompass a combination of horizontal policies that shape the overall business environment (e.g., competition and enterprise policies) and targeted policies that address areas such as investment incentives, the transition to a green economy, digital transformation, financial support for research and development (R&D) and innovation, supply chain linkages between SMEs and multinational enterprises, skills development programs, entrepreneurship, and regional development (Cantillon et al., 2022; Criscuolo et al., 2022; Kakoulinidou and Roantree, 2021; Siedschlag and Yan, 2021; Siedschlag et al., 2022).

It is crucial to subject this enhanced policy mix to regular evaluations to test its effectiveness, thus ensuring its success (Criscuolo et al., 2022; Ruane and Siedschlag, 2013). While

Ireland demonstrates strengths in certain aspects of its SME sector, such as its strong reputation in specific industries, there are significant unresolved issues that require attention. By synthesizing findings from different sources, a comprehensive analysis can be developed to understand the overall landscape. The following key points summarize the major themes and trends:

1. **Power Dynamics and Influence of Multinational Corporations:** The influence of multinational corporations on Irish industrial and enterprise policies raises concerns about power dynamics and their disproportionate impact on policy formulation (Morgenroth et al., 2019). The close connections between key business actors in the multinational sector and public sector elites have led to an imbalanced policy focus, impeding the development potential and long-term sustainability of the domestic SME sector. SME representative bodies have emphasized the need to pivot industrial policy towards indigenous enterprises and enhance support for the SME sector.
2. **Regulatory Environment:** The literature consistently identifies the complex and burdensome regulatory environment as a significant challenge. Irish SMEs face difficulties with compliance requirements, licensing procedures, and administrative burdens. Streamlining processes and reducing excessive paperwork are essential to foster business growth and innovation. Implementing digital systems for licensing and compliance procedures, along with centralized information portals, can alleviate administrative complexities. Closer collaboration between regulatory authorities and SMEs through advisory services and consultation initiatives ensures that regulations are business-friendly while maintaining necessary oversight. Enhanced collaboration with the government can foster a bottom-up approach to policy development (OECD, 2019; Martinez et al. 2020).

3. **Costs of Doing Business:** While Ireland benefits from favorable cost competitiveness due to a slow rate of price increases, specific areas such as housing and childcare have experienced significant price hikes, putting pressure on wages (Irish National Competitive Council (ICC), 2019 and 2024). Maintaining competitiveness requires aligning real wage increases with productivity improvements. The report emphasizes that total hourly wage costs in Ireland were eight percent higher than the euro area average and 20.6 percent higher than the UK in 2017 (Irish National Competitive Council (ICC), 2019). Property costs, transport costs, and utility costs are identified as direct drivers of the cost of doing business in Ireland, while residential property and childcare costs create wage pressures that affect the competitiveness of firms and Ireland as a business destination. A study by the Small Firms Association (2022) reveals that these enterprises encounter significant cost challenges across various operational aspects, including labor, rents, transportation, insurance, banking, and utility expenses. Many SMEs operate in low-margin environments, making it difficult for them to absorb cost escalations or compete with larger companies, especially in international markets. Additionally, customer demand for value often prevents SMEs from passing on increased costs. The Small Firms Association (2022) expresses concerns about viable enterprises facing potential closure, due to their inability to absorb rising business costs, particularly amid high inflation and continuous increases in input prices, such as energy costs.
4. **Barriers to Technology Adoption:** The academic literature identifies significant barriers hindering the adoption of technology by Irish SMEs, despite their willingness to invest. A study by Vodafone Ireland (2021) highlights cost as the primary obstacle

(37 percent), followed by trust in suppliers (36 percent), integration with older systems (32 percent), and the need for the right in-house capabilities (28 percent). These barriers pose challenges for SMEs seeking to invest in technology. Digital transformation emerges as a critical theme in the academic discourse, with evidence suggesting that investing in new and advanced technologies and bridging the digital divide will be crucial for driving productivity growth among small and medium enterprises (SMEs), particularly those lagging (OECD, 2020; Irish National Competitive Council (ICC), 2024). Research indicates that SMEs typically make investments each year across various categories such as machinery, equipment, vehicles, staff, and buildings. However, only a third of these enterprises invest in digital activities, highlighting the importance of ensuring that SMEs have the capacity and willingness to seize opportunities and invest in new technologies to address the productivity gap.

Financial and non-financial factors play significant roles in SME investment decisions, according to several studies (Lawless et al., 2021; Gargan et al., 2018). Therefore, the policy framework aimed at stimulating investment should involve facilitating lending support, such as long-term, low-cost loan facilities, and other enablers, like management training, to bridge the investment gap.

The acquisition and utilization of digital competencies are crucial for enterprises to innovate and transition to a low-carbon economy across industries, as supported by empirical data on a global scale (European Investment Bank, 2021). However, current evidence indicates that the enterprise sector in Ireland and other European countries lacks the necessary digital expertise (Eurostat, 2021). To remain competitive in the global market, Irish SMEs are urged to embrace digital technologies and online platforms. However, they often face challenges related to the cost of implementation, lack of digital skills, and resistance to change. Limited technology adoption is identified as a challenge for Irish SMEs. Embracing technological advancements and digital transformation can enhance competitiveness and operational efficiency (Irish National Competitiveness Council (ICC), 2024). Government support, in the form of grants or subsidies, can help SMEs overcome financial barriers associated with digital transformation. Furthermore, offering training programs and workshops to enhance digital literacy among business owners and employees can facilitate the adoption of digital technologies. Fostering a culture of innovation and change within SMEs through knowledge-sharing platforms and mentorship programs can also encourage a smooth transition towards digitalization.

5. **Improving productivity:** While Irish productivity indicators, particularly labor productivity, have shown positive outcomes at an aggregate level, it is important to note that these positive outcomes are primarily driven by a small number of large multinational firms with high productivity levels (Irish National Competitive Council, 2021 and 2024; Papa, 2019). In contrast, many Irish domestic firms, particularly small and medium enterprises (SMEs), exhibit significantly lower levels of productivity. The Organisation for Economic Co-operation and Development (OECD, 2020) highlights the challenge faced by Ireland in terms of a substantial proportion of SMEs with low productivity. This can be attributed, in part, to the persistent use of low-productivity techniques, deficient management practices that require improvement, and gaps in investment in digitalization.

6. **Access to Finance:** SMEs in Ireland face a persistent challenge in accessing financial resources. Multiple sources highlight the limited availability of traditional bank loans and the stringent collateral requirements imposed by financial institutions. This issue particularly affects startups and small businesses that lack established credit histories or tangible assets. However, alternative financing options, such as crowdfunding and peer-to-peer lending networks, are emerging as potential solutions to address the financing difficulties faced by Irish SMEs. Moreover, government initiatives modelled after successful programs, like the Business Development Bank of Canada could play a vital role in bridging the financing gap by promoting small business lending and reducing collateral requirements.

   The European Commission's 2019 report emphasizes the importance of finance accessibility in enterprise development and highlights the distinct challenges faced by SMEs compared to large-scale enterprises, due to their limited access to capital markets. To address the specific financing needs of SMEs, targeted policy interventions are necessary.

   SMEs in the European Union, including Ireland, heavily rely on external financing, primarily through bank credit lines, overdraft facilities, leasing/hire purchase arrangements, and bank loans. However, the European Commission's 2019 Survey on the Access to Finance of Enterprises (SAFE) indicates a consistent decline in the relevance of bank loans as a financing source since 2014, primarily due to the limited availability of internal funds.

   Interestingly, a notable deviation from the trend observed in most OECD countries is evident in the case of Ireland and Switzerland, where interest rates for small and medium enterprises (SMEs) have not decreased since 2013. Of particular concern is Ireland, which stands out with one of the highest capital costs for SMEs among OECD nations, despite the implementation of accommodating monetary policies. Given recent shifts towards monetary tightening in response to inflation concerns, it becomes crucial to investigate whether this situation has further deteriorated.

Examining the specific context of Ireland, Gertler and Gilchrist (1994) argue that small or micro firms face significant liquidity constraints. Additionally, research conducted by Fort et al. (2013) highlights that younger and smaller firms experience pronounced credit constraints, primarily due to their reliance on a more localized customer base. In contrast, Cowling et al. (2015) finds that large SMEs with access to capital demonstrate the ability to grow. Furthermore, Varum and Rocha (2011) discover that larger firms are more vulnerable to the impacts of recessions and are often the first to initiate workforce reductions during periods of financial turmoil.

These contrasting findings underscore the complex dynamics within the SME sector, where the availability of financial resources and the size of the enterprise play pivotal roles in shaping growth prospects and responses to economic fluctuations. Further analysis is necessary to gain a comprehensive understanding of the specific factors contributing to the observed variations and their implications for SMEs in Ireland.

Overall, access to finance is a critical issue faced by SMEs in Ireland and other countries. Policymakers must understand these challenges to design effective measures that facilitate SMEs' access to the necessary financial resources for their growth and development. To support investment in and by new businesses, it is essential to reconsider certain aspects of Ireland's enterprise policy, particularly tax expenditures.

For instance, Kakoulidou and Roantree (2021) highlight the need to redirect existing tax expenditures away from reduced rates of Capital Gains Tax on the disposal of specific business assets and towards tax relief on investments in new firms. This reallocation would ensure that investments are made at the point of investment, empowering business owners to make proportionate new investments and fostering a favourable environment for entrepreneurship and investment.

7. **Low Business Dynamism and Limited Start-Up Rates:** The academic discourse draws attention to the concerning lack of business dynamism and constrained start-up rates observed in Ireland. These trends signify a dearth of entrepreneurial activity and innovation within the small and medium-sized enterprise (SME) sector, which poses significant obstacles to its growth and competitiveness. Furthermore, Irish SMEs exhibit limited engagement in international markets, representing missed opportunities for expansion and enhanced global competitiveness. The establishment and growth of new businesses play a pivotal role in driving economic progress, with young firms playing a disproportionate role in job creation (Lawless, 2014). Regrettably, Ireland lags, in terms of business entry and exit dynamism, compared to other developed countries. OECD evidence reveals that Ireland ranks among the countries with the lowest proportions of start-ups in the business economy, coupled with relatively low employment levels (OECD, 2018).

   To address these challenges, it is crucial to prioritize the encouragement and support of a continuous stream of new enterprise start-ups through strategic enterprise policies. Policy frameworks need to recognize that strategies tailored to the early stages of firm establishment and initial employment differ significantly from those applicable to well-established enterprises, necessitating targeted enterprise policies that effectively stimulate investment in and by new businesses.

8. **Skills and Talent Shortages:** The academic literature highlights weaknesses in management skills within Irish SMEs, emphasizing the need to strengthen management capabilities and foster leadership development. Additionally, a related significant theme is the shortage of skilled workers and talent, particularly in emerging fields such as technology and digital sectors. SMEs face considerable challenges in recruiting and retaining skilled employees, creating a skills gap that hampers competitiveness and limits their ability to adapt to evolving market demands.

   To address these challenges, proactive policy measures can be implemented. One mechanism is to incentivize vocational training programs and provide subsidies for upskilling initiatives. Collaborative efforts among educational institutions, industry associations, and SMEs can help develop tailored training programs that address the specific needs of SMEs, cultivating a skilled workforce capable of driving innovation and economic growth.

   The presence of skills' gaps is particularly evident in nascent sectors associated with the transition to a low-carbon economy (CEDEFOP, 2018; OECD, 2018). Recent research conducted by Siedschlag et al. (2022) highlights the primary challenge faced by enterprises in implementing Ireland's Climate Action Plan, which revolves around developing new competencies within their workforce. The findings suggest that sector-specific training programs, aligned with each enterprise's position in the low-carbon transition, can enhance the readiness, effectiveness, and management of the transition for small and medium enterprises (SMEs).

While Irish SMEs operate within the national ecosystem, they also compete in a global market for talent, particularly in ICT sectors where multinational companies are prominent players. The government has made substantial efforts to support companies in developing their talent pool and fostering sectoral collaborations to enhance access to required skills. However, specific attention is needed to address the talent acquisition needs of rural SMEs, as attracting young professionals to rural areas can be challenging when urban centres offer perceived better quality of life. Building a workforce that embraces new technologies is crucial for long-term agility and scaling of SMEs and improving communication channels between government bodies and SME promoters/owners who may not fall directly under the purview of state agencies is imperative. State agencies possess valuable tacit knowledge that can support companies throughout various stages of development and growth, and enhancing their accessibility to SMEs is essential.

9. **Innovation and Research:** The academic literature consistently emphasizes the importance of innovation and research for small and medium enterprises (SMEs). The need to address stagnant productivity growth among Irish SMEs underscores the significance of strategies that enhance efficiency, effectiveness, and innovation within these businesses. Collaborative partnerships with research institutions and access to funding for research and development (R&D) play a crucial role in driving innovation and enhancing the competitiveness of SMEs.

   To catalyse innovation, dedicated funding programs targeting R&D activities of SMEs can be established. Such programs can provide financial support and incentivize SMEs to invest in research and development. Moreover, promoting partnerships between

SMEs and research institutions, through grant schemes or matchmaking platforms, can facilitate knowledge exchange and foster collaborative projects. By fostering these collaborations, SMEs can leverage the expertise and resources of research institutions, enabling them to engage in cutting-edge research and drive innovation within their industries.

In addition, the creation of networks or innovation hubs that bring together SMEs from diverse industries can cultivate a supportive ecosystem for sharing ideas, experiences, and best practices. Such platforms provide opportunities for SMEs to collaborate, learn from each other, and collectively drive innovation. These networks can act as catalysts for a cross-pollination of ideas, enabling SMEs to gain insights from different perspectives and disciplines.

Furthermore, the transition to a climate-neutral economy and sustainable long-term growth requires increased investments in low-carbon technologies by enterprises. International evidence supports the notion that incentivizing firms, including SMEs, to invest in environmental protection and cleaner technologies is crucial for achieving sustainability goals. Research highlights a low proportion of firms in Ireland engaging in green investments, with larger enterprises exhibiting a greater inclination toward investing in R&D and equipment for environmental protection. Targeted policy measures aimed at encouraging small and medium-sized firms to invest in environmental protection can contribute to a faster transition to sustainable long-term growth and help achieve net-zero goals.

While Ireland's investment in Research, Development, and Innovation (RD&I) reached €4.6 billion in 2020, it fell short of the target of 2.5 percent of Gross National Product

(GNP), accounting for 1.6 percent of GNP or 1.2 percent of Gross Domestic Product (GDP) (White Paper on Enterprise, 2022). This indicates the need for increased investment in RD&I, to align with international benchmarks and foster a culture of innovation and research-driven growth within Irish SMEs.

The synthesis of findings provides insight into the key challenges and trends confronting Irish SMEs, as discussed previously. Effectively addressing these issues is crucial to creating an enabling environment for SME growth and maximizing their contribution to the Irish economy. The evidence underscores the importance of investing in new technologies and bridging the digital divide, particularly for SMEs with lower productivity levels. However, the current investment landscape reveals that a significant portion of SMEs are satisfied with their existing capacity, resulting in relatively low levels of digital investments (Cantillon et al., 2022). Overcoming the productivity gap necessitates a policy framework that not only facilitates lending support, such as long-term, low-cost loan facilities, but also provides non-financial support mechanisms, like management training to encourage SMEs to invest in new technologies (ESRI, 2023; Lawless et al., 2021; Gargan et al., 2018).

While certain aspects of Ireland's enterprise policy have successfully incentivized investment in and by new businesses, such as employment incentives and investment schemes, there are areas that require improvement (Kakoulidou & Roantree, 2021). Inadequately targeted tax expenditures, such as Capital Gains Tax Retirement Relief and Entrepreneur Relief, raise concerns regarding their economic rationale. International research suggests that similar tax reliefs often lead to tax-minimization strategies during retirement rather than genuinely promoting entrepreneurship or investment. As a result, shifting current tax benefits from lower Capital Gains

Tax rates when selling certain business assets to tax relief for investing in new companies is a persuasive proposal to promote investment in and by new businesses.

2.6 International Comparisons

In the realm of international comparisons, the examination of successful SME sector development models, in countries like Germany and Canada, offers valuable insights.

2.6.1 Germany's Mittelstand policy framework:

Germany's renowned SME sector, known as Mittelstand firms, primarily consists of owner-managed small and medium-sized enterprises (SMEs) (Berlemann et al., 2021). Alchian and Demsetz (1972) argue that such owner-managed firms possess a distinct advantage, as the managing owner is fully dedicated to the company's success. This unique ownership structure aligns the incentives for decision-making with the best interests of the SME, unlike situations where owners delegate management responsibilities to hired managers, which can lead to a principal-agent relationship (Jensen and Meckling, 1976). The predominance of family-owned businesses within the Mittelstand has contributed to their resilience during economic shocks and crises (Berlemann et al., 2021).

Germany's policy approach, characterized by long-term financing support, vocational training programs, and collaborative networks, has played a significant role in fostering the growth and sustainability of Mittelstand firms (Berlemann et al., 2021). The divergent policy focus between Germany and Ireland highlights the potential advantages of the German SME sector in navigating the challenges posed by shifting international geopolitical conditions. In contrast to Ireland's emphasis on developing large national champions or multinational corporations, Germany's focus on protecting and nurturing the SME sector has yielded positive outcomes (Berlemann et al., 2021).

Research conducted by Berlemann et al. (2021) reinforces the superior performance of Mittelstand firms compared to non-Mittelstand firms during the 2008/09 recession. The study emphasizes the importance of avoiding industrial policies that primarily prioritize the development of large corporations over SMEs, advocating instead for policies that safeguard and foster the SME sector. The findings indicate that large, non-owner managed firms are typically more susceptible to volatility during times of crisis compared to Mittelstand firms. Consequently, the current emphasis on industrial policies in Ireland, which may be more short-term focused rather than driven by a longer-term strategic vision, could potentially compromise the crisis resistance of the Irish economy (Berlemann et al., 2021).

In contrast to Ireland's approach, Berlemann et al. (2021) strongly argue against an industrial policy framework that overly relies on the development of large champion or multinational corporation-style policies. This critique highlights the significance of fostering a vibrant and diverse SME sector as a crucial driver of economic stability and growth. By recognizing the strengths and advantages of the owner-managed SME model, Germany appears to be better positioned to navigate the complexities of the evolving international geopolitical landscape. For instance, in their detailed analysis of Germany's resilience during the 2008 Global Financial Crisis, Audretsch and Lehmann (2016) identify the role played by Mittelstand firms as one of the key factors contributing to Germany's rebound. However, alternative explanations, such as German price competitiveness resulting from wage suppression, technological advancements, and the utilization of flexible labour market instruments like short-time work, have also been proposed by other researchers (Lapavitsas et al., 2011; Bibow, 2015; Storm and Naastepad, 2015; Reisenbichler & Morgan, 2015).

These small-and mid-sized German firms, often family-owned and located in smaller cities, serve as the backbone of the German economy (Forbes, 2022). Whether they specialize in manufacturing machine parts, chemicals, or cutting-edge software, Mittelstand companies are known for their strength, reliability, and commitment to the community. In fact, in many German towns, most of the population is employed by a Mittelstand company (Forbes, 2022). These firms accounted for 57.6 percent of Germany's employment and 34.4 percent of national revenues in 2020, and in 2018, they constituted 99.5 percent of all companies in Germany (Forbes, 2022).

The Mittelstand, as a crucial component of the German economy, faces new challenges in the context of globalization and the rise of technologically advanced competitors such as China. However, German SME policy, under the purview of the Federal Ministry for Economic Affairs and Climate Action, equips the Mittelstand with the necessary tools to effectively address these challenges and navigate future structural changes (Federal Ministry for Economic Affairs and Climate Action, 2022). While many of these companies are regional champions within Germany, they have not actively pursued expansion, even compared to other European countries (OECD, 2019). Lackey and McLarney (2014) assert that Germany's success as an exporter persists, despite being a mature economy with higher labour costs. They highlight the strengths of German SMEs, including their agility in adapting to market changes, their emphasis on innovation and quality, and their robust relationships with suppliers and customers.

The Mittelstand's formidable international competitiveness extends beyond its domestic presence. Its success has made it a globally attractive model, although attempts to replicate its core philosophy have had limited success (OECD, 2019). The Mittelstand approach offers three significant long-term benefits. First, it contributes to an expanded manufacturing base by specializing in specific areas of expertise. Second, it generates vocational and skill-based jobs, addressing the needs of a large population of employable young individuals entering the workforce. Third, it demonstrates resilience and growth even during economic recessions, relying on traditional structures (Federal Ministry for Economic Affairs and Climate Action, 2022). The German Economic Ministry (2022) reports that over 99 percent of Mittelstand companies fall within the small and medium-sized enterprise (SME) definition and account for 60 percent of German jobs.

Various studies, both within and outside Germany, have showcased the Mittelstand's ability to maintain low unemployment rates and generate jobs during economic downturns (Storm and Naastepad, 2015). This successful track record provides a compelling reason for Ireland to closely examine and learn from the Mittelstand model. One distinctive aspect of the Mittelstand is its versatility, encompassing both creative artisanal enterprises and technology-driven initiatives, effectively combining manpower and technology (Federal Ministry for Economic Affairs and Climate Action, 2022). The smaller scale of the Mittelstand offers advantages in mitigating labour disputes and other challenges typically associated with larger industrial structures. Ireland’s comprehensive regulatory structure for each enterprise sector could potentially encourage the adoption of the Mittelstand philosophy among micro, small, and medium-sized enterprises (MSMEs) by providing clearer and less burdensome rules and regulations compared to extensive industrial frameworks.

Germany's SME sector, particularly the Mittelstand, is renowned for its exceptional exporting capabilities, even in the context of a mature economy and relatively high labor costs (OECD, 2019). According to the Federal Ministry for Economic Affairs and Climate Action

(2022), 44 percent of German SMEs engage in exporting activities, in stark contrast to only 6 percent of Irish SMEs (OECD, 2019). These German SMEs demonstrate agility in responding swiftly to market dynamics and place a strong emphasis on innovation and quality. Their competitive advantage is further bolstered by robust relationships with suppliers and customers, which are integral to their success (Federal Ministry for Economic Affairs and Climate Action, 2022). The success of German businesses is primarily attributed to the strength and innovation of SMEs, which contrasts with the situation in Ireland. These companies, like Ireland, account for over 99 percent of all firms in Germany, contributing more than half of the economic output and nearly 60 percent of jobs. Significantly, approximately 82 percent of apprentices in Germany undergo vocational training within SMEs. German enterprise policy is designed to support businesses' capacity to innovate by creating a pro-innovation environment and market-driven funding programmes with the Central Innovation Programme (ZIM) providing grants to SMEs for market-driven research and development programmes in the field of technology (Federal Ministry for Economic Affairs and Climate Action, 2022).

German SMEs, widely recognized as the country's drivers of innovation and technology, are enjoying a strong global reputation (Federal Ministry for Economic Affairs and Climate Action, 2022). German Mittelstand companies demonstrate strong capabilities in innovation, with over 42 percent of them introducing product or process innovations to the market in 2014, surpassing the EU average of just over 30 percent (OECD, 2019). Many of these high-tech SMEs are recognized as "hidden champions," as they hold leading positions in their respective niche markets or within supply chains for larger corporations (OECD, 2019). To maintain a competitive edge, companies must remain at the forefront of new developments. A study commissioned by the Federal Ministry for Economic Affairs and Climate Action (2021) highlights that innovative SMEs will continue to propel the success of the 'Made in Germany' trademark. By embracing emerging trends, particularly digitization, and finding effective ways to attract skilled labour even during times of shortage, SMEs can thrive in their specialized niche markets.

Germany's SME sector exhibits a remarkable level of diversity (Federal Ministry for Economic Affairs and Climate Action, 2021). It encompasses a wide range of businesses, including family-owned companies with a long-established presence, innovative start-ups, traditional craft firms, self-employed individuals, service providers, retailers, freelancers, pioneering high-tech companies, regional suppliers, and global players. The size of these SMEs varies from sole proprietors to companies employing several hundreds of individuals worldwide (Audretsch and Lehmann, 2016). Within the Mittelstand, there are well-established brands as well as newcomers and lesser-known brands that maintain the same standards of quality, precision, and innovation. This diverse composition contributes to the sector's overall strength (OECD, 2019). In addition to its domestic impact, the Mittelstand plays a crucial role as a strong partner for large corporations throughout the entire value chain, which is something not seen as strongly in Ireland (Barrios et al. 2011; Di Ubaldo et al. 2018). These highly specialized Mittelstand firms often produce upstream and downstream products that enable large corporations to develop innovative and complex offerings, services, and system solutions (Storm and Naastepad, 2015). This collaboration between the Mittelstand and larger firms fosters synergistic relationships and drives economic growth (OECD, 2019).

The international presence of the German Mittelstand is notable, with approximately 44 percent of German companies exporting their goods or intermediate goods to global markets (Federal Ministry for Economic Affairs and Climate Action, 2021). This export-oriented approach contributes significantly to the overall success of the German economy. Even small companies benefitting from venturing into foreign markets, as evidenced by a substantial portion of their turnover, averaging over 20 percent, is derived from exports (OECD, 2019).

Mittelstand companies exhibit a distinctive mindset that sets them apart within the German economy, as they represent a significant proportion of owner-managed small and medium-sized enterprises (Berlemann et al., 2021). This unique business culture has been instrumental in Germany's post-war recovery and has fostered the country's ability to effectively respond to global and external shocks (Berlemann et al., 2021). Characterized by owner responsibility and risk-bearing, Mittelstand firms exhibit agile decision-making processes with minimal hierarchy, enabling swift adaptations to market changes (Storm and Naastepad, 2015). Prioritizing continuity and long-term success, these companies demonstrate a strong sense of responsibility in their relationships with employees, customers, and business partners (Reisenbichler and Morgan, 2013). Moreover, they maintain close ties to their regions, actively engaging with customers and meeting their specific needs, which allows them to remain attuned to market dynamics and promptly adapt (OECD, 2019).

The Mittelstand's resilience, growth, and success in the German business landscape are attributed to its diverse composition, collaborative partnerships with large corporations, international orientation, emphasis on innovation and technology, owner-managed structure, and regional attachment (Berlemann et al., 2021). Thus, Germany's Mittelstand has earned a reputation as a strong partner for large corporations, demonstrating its value across the entire value chain.

The distinctive business culture of Mittelstand companies is a defining characteristic, derived from their owner-managed structure (Berlemann, 2021). Empirical studies consistently highlight the full responsibility and risk-bearing undertaken by management within this arrangement, facilitating agile decision-making processes and swift responses to market changes due to minimal hierarchical barriers (Alchian and Densetz, 1972; Ewers et al., 2013; Zhou et al., 2017). Mittelstand firms prioritize continuity and long-term success, demonstrating a strong sense of responsibility in their interactions with employees, customers, and business partners. Furthermore, they exhibit a strong regional attachment, maintaining close customer relationships and promptly adapting to market fluctuations (OECD, 2019).

The global prominence of the German Mittelstand is exemplified by its numerous hidden champions (OECD, 2019). These companies engage in close collaboration with customers worldwide, delivering highly specialized products and services at the forefront of technological advancements. Key attributes of hidden champions include their commitment to top-quality offerings, value-added processes, and a steadfast focus on core capabilities (OECD, 2019). The diverse, dynamic, down-to-earth, and innovation-oriented nature of the Mittelstand contributes to its resilience, competitive advantage, and job creation, while emphasizing long-term human resource policies and investment in the workforcem even in challenging global economic environments, thereby fostering Germany's economic and social stability, including low youth unemployment rates (OECD, 2019).

Recognizing Mittelstand's vital role in the economy, the Federal Ministry for Economic Affairs and Climate Action is committed to creating an enabling environment for the success of these companies (2019). The ministry's modern SME policy aims to cultivate a favorable ecosystem for start-ups and businesses while promoting long-term strategies for success (OECD, 2019). Moreover, the ministry's initiatives encompass ten focal areas, encompassing entrepreneurship promotion, strengthening financing for start-ups and growth, securing skilled labour, reducing bureaucratic obstacles and enhancing regulatory frameworks, harnessing digitization, fostering innovation, capitalizing on globalization, shaping European SME policy, supporting SMEs in less-favoured regions, and encouraging the development of new business fields arising from the energy transition (Federal Ministry for Economic Affairs and Climate Action, 2022). These initiatives align with the ministry's overarching objective of supporting SMEs in driving growth and generating employment opportunities (Federal Ministry for Economic Affairs and Climate Action, 2022).

Since 2015, the Federal Ministry for Economic Affairs and Climate Action has established twenty-six Mittelstand 4.0 centres of excellence, which serve as valuable resources for small and medium-sized enterprises (SMEs) in navigating the realm of digitization (2019). These centres, comprising both regional and thematic entities, provide a comprehensive range of support tailored to diverse sectors and corporate requirements. Through workshops, training sessions, practical tests, webinars, and consultations, the centres offer unbiased and easily comprehensible services specifically designed to address the needs of SMEs. Importantly, the Federal Ministry for Economic Affairs and Climate Action ensures that these services are accessible to all SMEs at no cost, irrespective of their industry, encompassing businesses as varied as rural butcher shops, suppliers to global industrial corporations, and small hairdressing salons (2019).

German small and medium-sized enterprises (SMEs) have demonstrated remarkable resilience in the face of economic challenges, outperforming large corporations (Audresch and Lehmann, 2016). Despite the financial crisis of 2008-2009, SMEs increased their workforce while large corporations reduced theirs. Even during the COVID-19 pandemic, SMEs managed to navigate the crisis relatively well, sustaining profitability and a stable return on sales (OECD, 2021). As countries transitioned from emergency liquidity assistance to recovery and resilience measures, Germany's response set the stage for other nations, emphasizing investments in greening, digitalization, innovation, and skills (OECD, 2021). While the policy interventions were not specifically targeted at SMEs, Germany implemented structural support measures and demand stimulus to revive economic growth. Additionally, Germany established a €2 billion start-up fund to support SMEs and incentivize corporate investments, internationalization, and innovation activities (OECD, 2021).

Another notable attribute of German SMEs is their flexibility in meeting customers' needs and market demands. Their agile production processes, characterized by smaller batch sizes, allow them to swiftly adapt and fulfil specific customer requirements, contributing to their overall resilience and the strength of the German economy (OECD, 2019). German small and medium-sized enterprises (SMEs) distinguish themselves from large corporations by their distinct approach to employee treatment, resulting in higher productivity according to an OECD study (2019). SMEs prioritize job enrichment, enlargement, and employee participation, creating a work environment that avoids monotony and enhances motivation. In contrast, large corporations face bureaucratic standardization and regulatory challenges due to organizational complexity. The less differentiated workplace organization within SMEs fosters increased staff productivity (OECD, 2019).

In terms of financing, German SMEs primarily rely on traditional funding sources such as internal financing, bank loans, and shareholder deposits or loans (OECD, 2021). They have limited engagement with financing instruments like initial public offerings (IPOs) and capital market-oriented debt financing, mainly due to the perception that these options are not suitable for their size. However, historical evidence suggests that capital market financing is feasible and beneficial for SMEs, offering untapped potential to further enhance their performance capabilities (OECD, 2019).

The German Mittelstand's emphasis on family-owned businesses contrasts with Ireland's focus on high-growth start-ups fuelled by venture capital and multinational champion firms.

German SMEs have demonstrated greater resilience, stronger growth, and long-term sustainability, making them less susceptible to economic shocks or external disruptions. This model aligns well with economic crises, positioning the German SME sector advantageously (OECD, 2019). Shifting the focus from supporting large multinational corporations to promoting SMEs may contribute to greater economic sustainability in Ireland (Berlemann et al., 2021).

The German SME and entrepreneurship policy framework is built on two key pillars. Firstly, the "Valuing SMEs - Strengthening Opportunities - Reducing the Burden: The German SME Strategy" (2019) supports SMEs in addressing economic challenges in a changing world and maintaining their competitive position in domestic and international markets. The strategy emphasizes building resilience and long-term competitiveness (OECD, 2021). Secondly, Germany has an SME Advisory Board within the Federal Ministry for Economic Affairs and Energy, consisting of independent experts. This board focuses on the current and future economic prospects for SMEs and provides advice on the impacts of structural changes (OECD, 2021). It also analyzes the effects of domestic economic policies on SMEs, enabling adaptable and agile policymaking in response to challenges or changing circumstances, while giving SMEs a platform to voice their concerns at the national level (OECD, 2021).

The German SME policy provides valuable insights and potential strategies for supporting enterprise policy in Ireland. Implementing a modern and forward-looking SME policy that promotes long-term success, facilitates growth and international expansion, implements initiatives for SME exports, and encourages proactive engagement with local SMEs are among the measures that could benefit Irish SMEs. Germany's successful economic model, characterized by a strong presence of SMEs, serves as a compelling example for countries aiming to foster a flourishing small and medium-sized enterprise sector (Federal Ministry of Education and Research, 2021).

2.6.2 The Canadian Business Development Bank of Canada:

Throughout the COVID-19 pandemic, governments worldwide have prioritized supporting small and medium-sized enterprises (SMEs) through various measures such as direct financial assistance, public guarantees on loans, and tax relief. While these programs provide short-term benefits, it is essential to consider the long-term sustainability and resilience of SMEs in the face of multiple challenges, including decarbonization, digitalization, international expansion, and talent acquisition. Moreover, many of these support programs are approaching their expiration dates, necessitating a comprehensive and forward-looking approach to SME policy (McKinsey, 2022).

In Canada, SMEs play a significant role in the economy, accounting for 98.1 percent of all employer businesses in 2021 (Statistics Canada, 2020). Small businesses employed 9.7 million individuals, medium-sized businesses employed 3.2 million individuals, and large businesses employed 2.3 million individuals. The contributions of small and medium-sized businesses to employment and economic prosperity are substantial. With approximately 1.15 million SMEs, these dynamic enterprises are vital drivers of economic growth (Statistics Canada, 2020).

Regarding financing behaviour, Canadian SMEs primarily rely on classic instruments such as internal financing, bank loans, and shareholder deposits or loans (OECD, 2019). However, SMEs tend to overlook financing options like initial public offerings (IPOs) and capital market-oriented debt financing, due to the perception that they are not suitable for capital markets based on their size. Nevertheless, evidence suggests that capital market financing is feasible and advantageous for small and medium-sized enterprises, presenting untapped potential to enhance the performance capabilities of Canadian SMEs (OECD, 2019).

The establishment of the Business Development Bank of Canada (BDC) as a financial Crown corporation, was a significant step in addressing the challenges faced by Canadian SMEs. Originally founded in 1944, the BDC underwent a transformation in 1995 to specifically support the growth of small and medium-sized entrepreneurs and start-ups (Centre for Public Impact, 2017). As highlighted in Chapter One, the legislative framework governing the BDC, which undergoes periodic review, has played a crucial role in facilitating access to finance and providing essential advisory services to small and medium-sized enterprises (Business Development Bank of Canada, 2010).

The BDC operates independently from the government and offers a comprehensive range of services tailored to the specific needs of SMEs. These services encompass business loans, advisory services, wholesale financing, and venture capital investments. By functioning at arm's length from the government, the BDC acts as a complement to traditional financial institutions, addressing the unique challenges faced by SMEs and fostering their growth and innovation (Business Development Bank of Canada, 2023). Additionally, its mandate aligns with the objective of supporting Canadian SMEs in realizing their full potential. Through its diverse set of services, the BDC strives to provide the necessary financial resources and expertise to fuel the growth and development of small and medium-sized enterprises across the country. By operating in close collaboration with SMEs and understanding their distinctive needs, the BDC aims to contribute to the overall prosperity of the Canadian business landscape.

The Business Development Bank of Canada (BDC) demonstrates a strong commitment to supporting Canadian SMEs, with approximately $47.8 billion allocated to over 95,000 SMEs as of the fiscal year 2022 (Business Development Bank of Canada, 2022). According to the Bank of Canada (2019), credit availability for Canadian SMEs has improved since the 2008 financial crisis, contrasting sharply with the liquidity challenges faced by Irish SMEs. The BDC offers a suite of low-cost loans and tailored digital adoption finance, complementing the financial support from the banking sector, which remains the largest lender to SMEs in Canada. However, the presence of the BDC forces banks to operate more competitively (Bank of Canada, 2019). This competitive environment fosters better access to finance for SMEs, contributing to their growth and resilience in the Canadian economy.

This support has contributed to the growth and modernization of SMEs, enabling them to access capital, finance their operations, engage in research and development activities, and improve competitiveness. Notably, studies have shown that providing SMEs with both financial support and advisory services leads to more substantial growth, higher rates of employment, and increased productivity (Business Development Bank of Canada, 2013).

The Government of Canada also recognizes the need to enhance financing programs to meet the evolving needs of small businesses in the digital economy. The Canada Small Business Financing Program (CSBFP) is a national loan guarantee program that partners with financial institutions to increase access to financing for small businesses. Ongoing improvements to the CSBFP include expanding eligibility criteria, increasing maximum loan amounts, and introducing additional products, such as lines of credit to address liquidity and short-term working capital needs (ISED, 2021).

Additionally, Farm Credit Canada (FCC), as Canada's only financial institution focused solely on the agricultural industry, provides specialized products and services tailored to the needs of Canadian producers, agribusinesses, and agri-food operators (Business Development Bank of Canada, 2023). These offerings, including long-term mortgages, short-term credit, leasing, and venture capital for farming operations and related businesses, contribute to the sustainability, growth, and innovation of the agricultural sector.

In overall terms, access to credit for small and medium-sized enterprises (SMEs) in Canada has generally improved since 2010, except for specific disruptions affecting certain regions or sectors, such as the 2014 oil crash (Bank of Canada, 2019). The overall debt financing market in Canada is highly competitive, providing SMEs with a wide range of options from various financial suppliers. Domestic chartered banks serve as the primary source of debt capital, representing the majority (58 percent) of the total outstanding loans to SMEs, which amounted to $312.5 billion in 2021. Between 2011 and 2018, an average of 27 percent of SMEs sought external debt financing annually, with approval rates averaging approximately 86 percent. However, the average interest rate on these debt financings experienced a marginal increase from 5.3 percent at the beginning of the review period to 5.7 percent in 2018 (ISED, 2021). That said, certain challenges existed for SMEs seeking traditional debt financing. Growth-oriented firms with higher risk profiles, intellectual property-intensive firms, and firms with irregular revenue cycles or large upfront costs faced difficulties in accessing credit. Similarly, firms in sectors with longer market-testing timelines, such as creative industries, clean technology, and life sciences, or those operating in emerging sectors deemed higher risk by financial institutions, such as the nascent cannabis sector, encountered obstacles. Furthermore, customer-facing service firms in sectors, like tourism, hospitality, or food service, experienced countercyclical trends during the pandemic, further impacting their access to traditional debt financing (Business Development Bank of Canada, 2022).

To address the ongoing challenges faced by SMEs, the Canadian government introduced various programs. For instance, the Business Credit Availability Program (BCAP) was launched in early 2020 to provide low-interest loans of $25,000 to $1 million, guaranteed by the government, to otherwise viable businesses significantly affected by COVID-19 and in need of operational cash flow support. Another initiative, the Highly Affected Sectors Credit Availability Program (HASCAP), aimed to assist businesses continually impacted by the pandemic (Business Development Bank of Canada, 2022). Moreover, in response to the need for digital transformation and economic recovery, the Budget 2021 announced that the Business Development Bank of Canada (BDC) would offer loans of up to $2.6 billion over four years, to support SMEs in implementing their digital adoption plans. Eligible businesses with a digital adoption plan, through the Canada Digital Adoption Program (CDAP) or equivalent pre-approved provincial or regional programs, could access these loans. Additionally, the Boost Your Business Technology grant, part of CDAP, facilitated the development and implementation of digital adoption strategies. Successful recipients of the grant from the Innovation, Science and Economic Development Canada (ISED) had the opportunity to apply for an interest-free BDC loan of up to $100,000 to acquire new technology aligned with their digital adoption plan (2022).

The Canada Small Business Financing Program (CSBFP) is a long-standing national loan guarantee program that collaborates with financial institutions to enhance access to financing for small businesses, supporting their start-up, growth, and modernization. Through this program, small businesses can secure up to $1,000,000 for term loans and $150,000 for lines of credit, with a maximum limit of $1.15 million per borrower. While the CSBFP has been successful and effective, a recent comprehensive review acknowledged the need for ongoing evolution to address the changing financing needs of small businesses in the digital economy. In response to the recommendations from the review and Budget (2021), ISED is working with stakeholders to implement changes in the legislative and regulatory frameworks. These changes include removing restrictions that exclude not-for-profit and charitable enterprises as eligible borrowers, expanding eligible loan classes to cover start-up costs and intangible assets, increasing maximum loan amounts for non-real property loans to $500,000, and extending the maximum government coverage period to 15 years for these loans. Additionally, a new line of credit product with a five-year government coverage period will be introduced to support liquidity and short-term working capital needs, while administrative burdens for lenders and borrowers will be reduced. These changes aim to improve access to affordable financing for Canadian small businesses by facilitating additional private sector lending through the CSBFP.

The Government of Canada, through institutions such as the Business Development Bank of Canada and programs like the Canada Small Business Financing Program, recognizes the significance of SMEs and aims to provide them with the necessary financing and advisory services to thrive. By addressing the unique challenges faced by SMEs, fostering innovation, and promoting inclusive economic growth, Canada can leverage the potential of its vibrant small and medium-sized enterprise sector. While in these circumstances, there exists a need to widen the range of alternative financing for SMEs (asset-based finance, alternative debt, equity instruments and hybrid instruments), to fulfil the financing needs in different circumstances, and thus improve their contribution to economic growth, job creation, competitiveness, and innovation. In applying these measures, a more diversified set of alternative financing options can contribute to the reduction of the systemic risk and enable SMEs to continue their role in growth, employment, investment, and innovation (Beck, 2007). Therefore, it can be concluded that the evolving role and functions of the Business Development Bank of Canada endures its pivotal position in equipping SMEs for the future, by providing expertise, support, and a valuable alternative to gain access to liquidity, veering from pillar banks. The other supports offered by the Business Development Bank of

Canada, the Canada Small Business Financing Program, and Farm Credit Canada equips SMEs, of varying sizes across various sectors, with access to alternative pathways to finance as opposed to traditional financial institutions. Not only does this drive competition, but it also provides variety, keeping access to finance competitive. The Government of Canada recognizes the critical importance of small and medium-sized enterprises (SMEs) and has implemented various initiatives to support their growth and success (OECD, 2020). The availability of financing is an essential prerequisite for the establishment and future growth of small and medium-sized enterprises (Beck, 2007).

By addressing the unique challenges faced by SMEs, fostering innovation, and promoting inclusive economic growth, Canada can harness the full potential of its vibrant small and medium-sized enterprise sector. It is crucial to expand the range of alternative financing options available to SMEs, including asset-based finance, alternative debt, equity instruments, and hybrid instruments. These alternative financing options cater to the diverse financing needs of SMEs in different circumstances, thereby enhancing their contributions to economic growth, job creation, competitiveness, and innovation (Beck, 2007).

The evolving role and functions of the Business Development Bank of Canada are crucial to sufficiently equipping SMEs for the future. This not only fosters competition in the financial market but also ensures a diverse and competitive landscape for accessing finance. Overall, the support and services provided by the Business Development Bank of Canada, the Canada Small Business Financing Program, and Farm Credit Canada equip SMEs with alternative financing options, enabling them to navigate the challenges of accessing finance and facilitating their growth, investment, and innovation.

2.7 Unveiling Opportunities: Bridging Knowledge Gaps to Propel SME Development in Ireland and Beyond

The literature review provides a comprehensive analysis of the strengths, challenges, and policy gaps surrounding small and medium-sized enterprises (SMEs) in Ireland, Germany, and Canada. While each country has its unique context, there are common themes and lessons that can be derived from examining their SME sectors. In Ireland, notable strengths in generating high-growth firms and fostering an innovative entrepreneurial ecosystem have been identified. However, there are critical areas that require immediate attention, such as increasing business dynamism, enhancing access to finance, addressing skill shortages, and shaping business regulation policies in collaboration with SMEs. A comprehensive and strategic approach to industrial and enterprise policy is needed to promote sustainable growth, support indigenous enterprises, and ensure a competitive and resilient SME sector.

Key priorities identified in the literature include increasing business dynamism, fostering productivity growth, promoting a higher business start-up rate, and enhancing SMEs' engagement in international markets. Access to finance remains a persistent challenge, and there is a need to improve advisory services and provide incentives for investment in SMEs. Skill shortages and the involvement of SMEs in shaping business regulation policies also require attention. Policymakers should view SMEs as sources of opportunity to sustain growth in a dynamic environment and reduce the economy's vulnerability to external shocks. Designing enterprise policies that differentiate between the early stages of firm development and established businesses is crucial. Tailored policies should focus on supporting initial employment stages and incentivizing investments in new firms. Moreover, promoting investments in low-carbon technologies, addressing skills gaps in emerging sectors, and enhancing digital skills training are essential for a successful transition to a sustainable, low-carbon economy.

Supply chain linkages between domestic and foreign-owned firms play a vital role in facilitating technology transfer and the integration of multinational enterprises into the local economy. Policies should aim to strengthen supply chain linkages, cluster development, skills upgrading, and financial incentives for research and development and innovation. The existing literature highlights the narrow focus of Ireland's industrial policy on attracting multinational corporations, neglecting the needs of domestic SMEs. This imbalance necessitates a fundamental shift in the approach to industrial policy to promote sustainable growth and better support the SME sector. Specific attention should be given to addressing the policy gaps, obstacles, and imbalances between foreign and indigenous sectors, including limited access to finance and inflexible policy supports for indigenous SMEs. The literature review findings emphasize the necessity for a comprehensive and strategic overhaul of industrial and enterprise policy in Ireland. The considerable influence of multinational corporations on policy-making, coupled with the insufficient support provided to indigenous small and medium-sized enterprises (SMEs), raises significant concerns about the balance and sustainability of the domestic SME sector. Existing academic literature, statutory reports, and submissions from various SME representative bodies highlight the urgent need to redirect policy focus towards local enterprises. This includes improving access to financing and enhancing the policy and financial tools available to the SME sector. Such measures are crucial for fostering a more equitable and sustainable economic environment in Ireland.

Addressing the challenges faced by Irish SMEs requires a cohesive policy framework that encompasses horizontal policies shaping the business environment and targeted policies addressing specific areas such as investment incentives, digital transformation, green technologies, skills development, innovation, and supply chain linkages. Streamlining the regulatory environment, reducing business costs, and addressing barriers to technology adoption are crucial to fostering SME growth and competitiveness. Furthermore, policies promoting access to finance, particularly for startups and small businesses, are essential to support their development and expansion. Investing in research and development, fostering innovation, and enhancing collaboration between SMEs and research institutions are vital for driving productivity growth and competitiveness. Bridging the digital divide and improving digital skills within SMEs are key to their successful adaptation to the digital era. Additionally, addressing skills and talent shortages, particularly in emerging sectors associated with the low-carbon transition, is necessary to ensure the long-term sustainability and competitiveness of Irish SMEs.

The synthesis of findings reveals common themes and trends that provide a comprehensive understanding of the challenges and opportunities facing Irish SMEs. It underscores the importance of adopting a holistic approach to policy formulation, ensuring coordination among government departments and agencies. Regular evaluations of policy effectiveness are necessary to track progress and adjust when needed.

Germany's Mittelstand serves as a successful model for SME sector development. The owner-managed structure, long-term financing support, vocational training programs, and collaborative networks have contributed to the resilience, growth, and sustainability of Mittelstand firms. The focus on protecting and nurturing SMEs, as well as fostering strong supply chain linkages and regional attachment, has been instrumental in Germany's economic success. Ireland can learn from the Mittelstand model and shift its focus towards promoting SMEs to achieve greater economic sustainability. In Canada, the Business Development Bank of Canada (BDC) and programs, like the Canada Small Business Financing Program, have played a significant role in supporting SMEs through tailored financial resources and expertise. The BDC's commitment to providing essential financial support and advisory services has contributed to the growth and modernization of SMEs. The Government of Canada has also recognized the need to enhance financing programs and alternative financing options to meet the evolving needs of small businesses. Access to a diversified set of financing instruments is crucial to fulfil the financing needs of SMEs and promote economic growth, job creation, competitiveness, and innovation.

The synthesis of findings from the literature review underscores the significance of adopting a comprehensive and strategic approach to SME policy in each country. By addressing the identified challenges, implementing well-designed policy interventions, and learning from the experiences of other countries, Ireland, Germany, and Canada can significantly impact the growth, competitiveness, and sustainability of their SME sectors. By fostering an inclusive and supportive environment for SMEs, these countries can leverage the potential of their vibrant SME sectors, drive economic growth, job creation, and innovation, and ensure resilience in the face of global uncertainties.

In conclusion, the literature review underscores the pivotal role of SMEs in driving economic growth, job creation, and innovation. It reveals that while each country has its unique strengths, challenges, and policy initiatives to support SMEs, there are valuable lessons to be learned from the experiences of nations like Germany and Canada. By adapting these insights to Ireland's specific context, policymakers can cultivate a robust SME sector that significantly contributes to the national economy's development and resilience.

This literature review forms the foundational basis for the subsequent research, guiding the study's focus and direction as informed by existing scholarship. It highlights the necessity of adopting a holistic approach that addresses policy gaps, enhances access to finance, promotes innovation and skills development, and fosters collaboration between SMEs, research institutions, and larger corporations. The implementation of evidence-based policy recommendations can significantly enhance the growth and development of Ireland's SMEs, creating an environment conducive to their success.

As the study transitions into the methods chapter, the insights gained from the literature review will inform the research design and methodology. This approach ensures that the study is grounded in a thorough understanding of the current landscape and is equipped to propose actionable strategies that enable SMEs to bolster the economy's resilience in a globalized world.

CHAPTER 3: Methodology

3.1 Introduction

This chapter provides a detailed examination of the methodological framework developed for the current study. It encompasses the philosophical underpinnings guiding the chosen approach, elucidates the data collection strategy, discusses the selection of research instrumentation and sampling methods, and concludes with an overview of the analytical tools employed for data analysis. The methodological framework employed aims to provide a thorough examination of small and medium-sized enterprises (SMEs) in Ireland, with a specific focus on enhancing the ecosystem and ensuring the long-term sustainability and growth of SMEs. In today's competitive and dynamic markets, a company's success hinges on crucial elements such as training, research, development, and adaptability. Individual behaviors, training programs, personality traits, and mindsets play pivotal roles in shaping decision-making processes, interactions, and overall engagement within organizations.

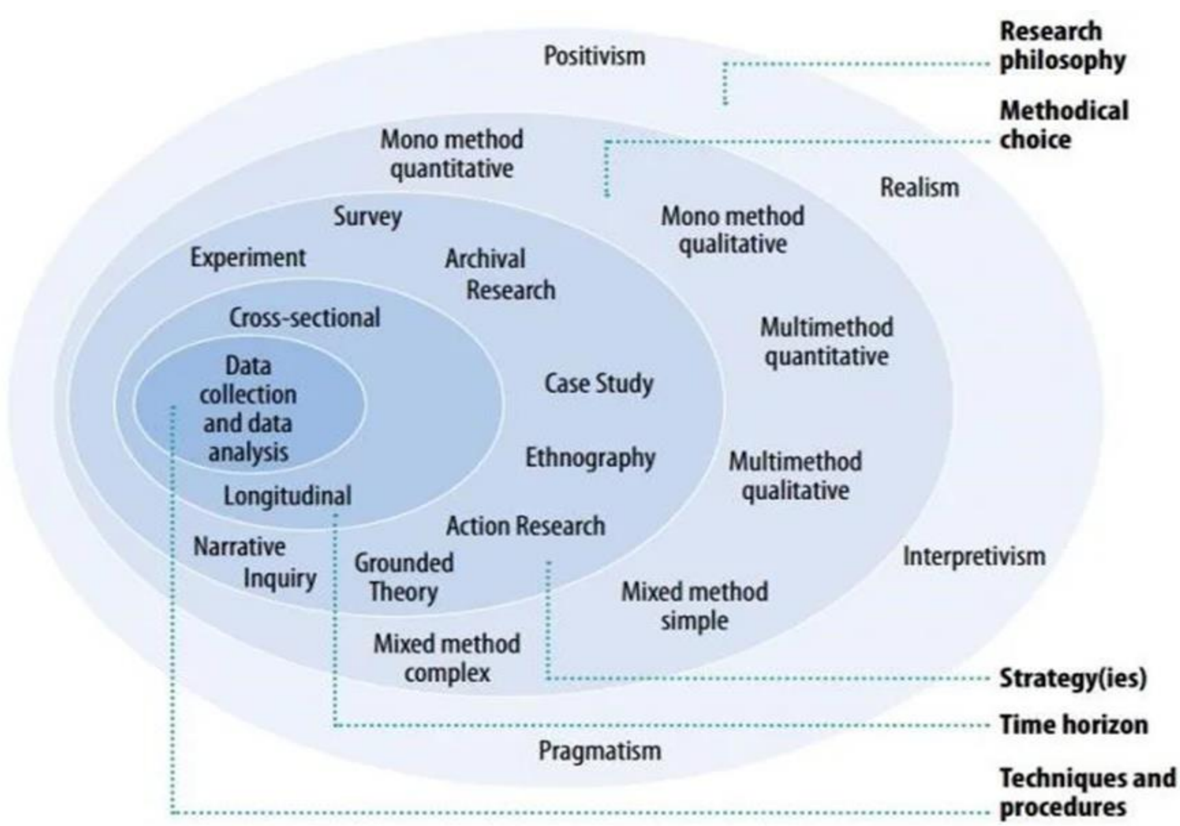
This study aims to follow the guidelines outlined by Wiles et al. (2008) to maintain participant confidentiality and uphold research ethics standards. In terms of instrumentation, structured questionnaires incorporating a mix of open-ended questions and observations will be used to gather participant data. As emphasized by Bird (2009), questionnaires provide a standardized format for data collection, facilitating comparability within the dataset. They are particularly advantageous in social sciences for capturing participant characteristics, behaviors, attitudes, beliefs, and motivations related to the research topic. Additionally, open-ended questions, as highlighted by Geer (1988), offer insights into participants' attitudes beyond their ability to articulate responses.

In this research, questionnaires are meticulously structured to elicit comprehensive insights and establish a baseline. Furthermore, the questionnaire is valued for its simplicity, versatility, and ability to strike a balance between offering respondents' sufficient choices while ensuring manageability. Johns (2010) also outlined that research validates the accuracy of surveys with fewer than five or more than seven response options.

Research Onion

Central to defining the research approach are philosophical principles that guide the overall strategy for designing or proposing research efforts. This involves integrating philosophical principles, research frameworks, and specific methodological decisions, illustrated in Figure 3-1 below.

Figure 1: Research Onion



Source: Saunders and Tosey, 2013.

The research onion, conceptualized by Saunders et al. (2007), serves as a systematic framework guiding researchers through the various stages of the research process. Hierarchically structured, each layer symbolizes distinct facets of research methodology. Peeling back these layers enables researchers to systematically address critical considerations, ranging from overarching research philosophies to specific data collection methods.

At its core, the research onion model categorizes research into five essential areas:

Research Philosophy: This foundational layer encompasses significant philosophical orientations such as objectivism, constructivism, positivism, interpretivism, and pragmatism (Saunders et al., 2007). For instance, positivism advocates a natural scientific approach, emphasizing structured methodologies that facilitate generalization and quantification, assessable through statistical methods (Remenyi et al., 1998; Gill & Johnson, 1997). In contrast, phenomenological approaches critique reductionist tendencies, arguing that oversimplifying real-world observations fails to capture the inherent complexity of social contexts (Saunders et al., 2000). These orientations profoundly shape researchers' views on reality, the researcher's role, and the methods used to acquire knowledge. Ethical considerations regarding participant protection, research integrity, and findings dissemination are pivotal within this foundational layer.

Building upon the philosophical foundation, the subsequent layer of the onion pertains to research approach and strategy, delineating the overarching framework guiding research design and methodology. Researchers select between deductive or inductive approaches, define study objectives, and choose appropriate methods.

Further inward, the research onion encompasses layers focusing on specific research strategies, time horizons, techniques, and procedures. These decisions critically influence the validity, reliability, and rigor of research findings.

The meticulous development of research methodology in this study necessitates a deep understanding of underlying philosophical concepts guiding the chosen approach. This aligns with the structured layers of the research onion model by Saunders et al. (2007), offering a systematic guide through the research journey, from philosophical underpinnings to methodological implementation.

In selecting the interpretive research approach for this project, the researcher navigates between deductive and inductive reasoning within the layers of the research onion, ultimately selecting inductive. The inductive approach, commonly applied when theory emerges from observations, permits exploration of rich, context-bound phenomena in business and management domains (Dümke, 2002). Additionally, it acknowledges the inherent complexity of these fields and aims to develop theories grounded in empirical observations, thereby aligning seamlessly with the overarching research objectives.

3.2 Research Purpose

The fundamental aim of this research is to assess the contemporary relevance of the existing model and, if necessary, propose recommendations to enhance support mechanisms and strategies for all small businesses, regardless of size or sector. Specifically, the research seeks to develop a national-level approach to designing policy initiatives while also acknowledging the diversity of sub-national ecosystems across Ireland. This approach allows for a comprehensive analysis that combines top-down policy considerations with bottom-up insights, aimed at fostering inclusive growth. The research methodology employs structured environments, integrating participant data collected through a combination of structured questionnaires; such tools aim to elicit detailed, open-ended responses, alongside observational feedback. This mixed-method approach endeavours to gather comprehensive data, insights, and feedback essential for assessing the impact and efficacy of Ireland's entrepreneurial policy platform in fostering sustainability and growth within the SME sector. This study is particularly pertinent amid the dynamic shifts in geopolitical, market, and business landscapes, highlighting the pivotal role of a resilient SME ecosystem in supporting job creation, income stability, and overall economic advancement.

Research Specific Aims

The underlying objectives of this research are trifold:

1. To assess the adequacy of the existing suite of measures available to Irish SMEs compared to multinational corporations.
2. To evaluate the effectiveness of governmental supports in sustaining and enhancing the SME population in Ireland.
3. To ascertain the readiness of Irish SMEs to capitalize on growth and productivity opportunities and address emerging challenges.

3.3 Selecting an Appropriate Research Approach

Research approaches encompass a spectrum of plans and procedures, ranging from broad assumptions to detailed methodologies for data collection, analysis, and interpretation (Creswell, 2013). The selection of a research approach is influenced by various factors, including the nature of the research problem, the researchers' experiences, and the intended audience (Guetterman, 2015; Lewis, 2015; Creswell, 2013). While research approaches can be tailored to suit specific studies, they typically fall into three main categories: qualitative, quantitative, and mixed methods. However, these categories are not rigidly distinct; instead, they represent points on a continuum (Creswell, 2013; Newman & Benz, 1998).

Qualitative research explores meanings, perceptions, and experiences through open-ended inquiries, whereas quantitative research focuses on numerical data and closed-ended questions (Lewis, 2015; Guetterman, 2015). Mixed methods research integrates elements of both approaches, allowing for a comprehensive analysis that leverages the strengths of each method (Creswell, 2013). This study employs a mixed methods approach, explicitly integrating qualitative and quantitative data to provide a comprehensive understanding of the research questions. The qualitative insights from questionnaires and interviews are complemented by quantitative analysis of secondary data, ensuring a robust exploration of the issues facing Irish SMEs.

Understanding the underlying philosophical assumptions, research strategies, and specific methods employed in each approach is essential for selecting the most appropriate research methodology for this study. The integration strategy involves triangulation, where qualitative and quantitative findings are cross-validated to enhance the reliability and validity of the results (Guetterman, 2015). This approach is particularly suitable for addressing the complex challenges and opportunities within the SME sector, as it provides a nuanced understanding that neither qualitative nor quantitative methods exclusively could achieve.

3.4 Research Design

In crafting the research design for this study, careful consideration was given to the philosophical assumptions that underpin the overall research endeavor. These assumptions intersect with research designs and specific methods, guiding the researcher in framing inquiries and selecting suitable methodologies. The current research adopts a mixed methods approach, integrating qualitative insights from stakeholders' experiences, perspectives, and behaviors with quantitative data from secondary sources. This choice is rooted in the capacity to generate hypotheses, deepen the understanding of existing quantitative data, and capture stakeholders' experiences, perspectives, and behaviors. Mixed-method research excels in addressing questions concerning the "hows" and "whys" as well as the "how many" and "how much" (Foley et al., 2015). This methodology utilizes both non-numerical and numerical data to discern meaning and understand social phenomena within specific populations or contexts (Punch, 2013). It delves into individuals' perceptions, capturing their experiences within natural settings, and exploring local knowledge, meanings, relationships, and contextual factors influencing societal dynamics (Gentles et al., 2015).

Myrid methodologies fall under the umbrella of mixed methods research, including logic, ethnography, discourse analysis, case study, open-ended interviews, participant observation, biography, comparative method, literary criticism, and historical research (Cibangu, 2012). The choice of mixed methods aligns closely with the study's objectives to comprehensively investigate the Irish SME landscape, elucidating policies, processes, and patterns of human feedback and behavior that are challenging to quantify (Foley et al., 2015). This approach facilitates a deep exploration of human behavior, emotions, attitudes, and experiences across different domains, contributing to a nuanced understanding of social and business realities (Tong et al., 2012). Mixed methods research involves statistical analysis and empirical calculations, systematically describing and interpreting phenomena, generating new concepts, and developing theories (Brink, 1993). Methodological choices in mixed-method research are guided by the specific research questions posed (Viswambharan & Priya, 2016).

Regarding relevance, the specific research questions, totaling twenty-three for this study (set out in the appendices), aim to address numerous current and pressing issues facing Irish SMEs and to incorporate the wider question of unique challenges within smaller, advanced economies. The objective in crafting the research questions was to make them highly relevant for research in today's business landscape, ensuring each question is clear and focused, targeting specific aspects of challenges faced by SMEs, government support, financial access, export performance, innovation, workforce development, regulatory environment, industrial policy, global economic trends, and more. It is argued that the questions prompt in-depth investigation and analysis, offering ample scope for rigorous examination of policies, challenges, and opportunities affecting SMEs and small economies. Most of the questions provide an open-ended element, allowing for extended qualitative feedback and diverse perspectives, which can enrich the research findings. The research questions have the potential to generate actionable insights that can inform policymaking, industry practices, and strategic decision-making for SMEs and stakeholders. Various dimensions of business, economics, policy, and technology have been incorporated into the questions to attract a dimension of feedback that can enrich and aim to offer a comprehensive framework for studying the multifaceted nature of SMEs and small economies. From a global perspective, the questions strike a balance between addressing immediate challenges faced by SMEs and exploring broader economic trends and policy implications, by garnering a greater understanding and advancement of business practices and policies in the context of Irish SMEs and small advanced economies.

The prominence of mixed-method research within scientific communities has grown significantly, prompting debates on epistemological, philosophical, and methodological grounds (Spencer et al., 2003). This study embraces a mixed-method research strategy to procedurally explore various aspects of social phenomena, leveraging both published and unpublished secondary data sources. Published data are sourced from a wide array of publications, research reports, books, technical journals, websites, and public records, while unpublished data are collected from diaries, letters, biographies, and interactions with scholars, researchers, and organizations. This methodological diversity contributes to a comprehensive understanding of human behavior across multiple disciplines, including business, education, healthcare, sociology, anthropology, psychology, management, and information systems (Denzin & Lincoln, 2005). Mixed-method research is particularly effective at delving into local knowledge, individual experiences, and contextual factors, often leading to the development of new theoretical frameworks (Leedy & Ormrod, 2001). Various methodologies, such as logic, discourse analysis, surveys, interviews, and participant observation, contribute to the depth and breadth of mixed methods research (Cibangu, 2012), fostering a nuanced understanding of human behaviors and societal dynamics across diverse domains (Tong et al., 2012).

In selecting an appropriate methodology for this study, several mixed-method research approaches were evaluated, each with unique strengths and applications. Some of these approaches are discussed here to highlight their shortcomings and illustrate their unsuitability for this research. Ethnography, originating from social and cultural anthropology, provides an in-depth portrayal of social phenomena through direct immersion in participants' environments (Cleland, 2017). However, the extensive time and resources required for this immersive approach rendered it less suitable for this study. Grounded theory, which focuses on developing theoretical models from data collected through observations of a study population, offers valuable insights into social interactions and experiences (Huston & Rowan, 1998). However, this study requires a methodology that allows for the exploration of predefined research questions and the assessment of existing policy frameworks. Grounded theory's emphasis on generating new theories from emergent data does not align with the study's objective to evaluate and enhance current support mechanisms for SMEs based on established theoretical frameworks and empirical evidence. Phenomenology, which investigates experiences from the individual's perspective, provides profound insights into lived experiences (Cleland, 2017). While valuable, the scope of this study extended beyond individual experiences.

After thorough consideration, the narrative research approach was deemed the most suitable for this study. This method, adept at weaving together sequences of events to construct coherent narratives, aligns closely with the study's objectives. Its capacity to provide 'thick' or 'rich' descriptions and to comprehend the influences shaping narratives renders it a potent tool for this research (Cleland, 2017). Furthermore, the potential for uncovering innovation opportunities through the tension or conflict of differing narratives underscores its appropriateness.

Furthermore, mixed-method research enables the exploration of processes and patterns that statistical analyses alone may overlook. By employing survey-based questionnaires within the mixed-method framework, this study enhances methodological rigor by systematically gathering structured qualitative data from a diverse range of stakeholders. This methodological approach not only enriches the depth of inquiry but also provides a robust foundation for generating insights that can inform policymaking, industry practices, and strategic decision-making for SMEs and stakeholders. This selection reflects a comprehensive understanding of mixed-method research approaches and a deliberate evaluation of the most effective methodology for this study.

Research paradigms serve as the foundational assumptions, norms, and standards guiding various research approaches. Essentially, research paradigms represent the 'worldview' informing research endeavors (Devers, 1999). It is imperative for researchers to delineate the paradigms within which they operate, as understanding the theoretical foundations of research paradigms enables researchers to discern the strengths and weaknesses of their chosen approach and make informed adjustments. Different paradigms encompass distinct ontological and epistemological perspectives. Ontology refers to the assumptions concerning the nature of reality, while epistemology involves the assumptions about the nature and scope of knowledge (Cleland, 2017). These philosophical foundations guide researchers in framing their inquiries and selecting appropriate methodologies. Understanding the ontological and epistemological underpinnings of a research paradigm is crucial for comprehending the approach and its underlying assumptions. Researchers' ontological assumptions inherently shape their engagement with research endeavors. A thorough exploration of the research paradigm necessitates an elucidation of positivist, postpositivist, and constructivist philosophies.

In selecting the appropriate research methodology for this study, the researcher considered the philosophical underpinnings that shape the overall research endeavor. These philosophical considerations intersect with research designs and specific methods, guiding the researcher in framing their inquiries and selecting suitable methodologies. Unlike studies primarily focused on numerical data points, which have been extensively collated by governmental statistical analyses and economic reports on the SME and multinational sectors in Ireland (as detailed in the literature review chapter), the current research adopts a mixed-method approach. This mixed-method strategy aims to generate hypotheses and further investigate and understand existing quantitative data, focusing on gathering stakeholders' experiences, perspectives, and behaviors. This mixed-method approach provides answers to questions concerning the "hows" and "whys" as well as the "how many" and "how much" (Foley et al., 2015). Utilizing mixed methods research allows for the exploration of processes and patterns of human behavior that can be challenging to quantify.

In summary, the mixed-method approach and survey-based questionnaires were selected to align methodologically with the study's objectives and research questions. These choices are grounded in the method's ability to delve deeply into qualitative data, providing nuanced insights into complex social phenomena and contributing valuable perspectives that quantitative approaches may overlook. Consequently, this study integrates the mixed-method approach, emphasizing the combination of qualitative and quantitative data to provide a comprehensive understanding of the research questions. Similarly, it ensures that the methodology aligns with the study's objectives and the broader research framework.

3.5 Philosophical Underpinnings

Qualitative research, deeply entrenched in disciplines such as social and cultural anthropology, philosophy, psychology, history, and sociology, aims to systematically describe, and interpret phenomena, generate new concepts, and develop theories (Domholdt, 1993). Methodological choices in qualitative research are directed by the research questions posed (Viswambharan & Priya, 2016).

To further elucidate the philosophical underpinnings of this study, it is imperative to examine positivist and postpositivist philosophies. Positivism advocates for applying the scientific method to both social and natural sciences, asserting an objective reality independent of individual perception. This philosophy informs quantitative research, emphasizing causality, generalizability, and replicability (Devers, 1999). Conversely, postpositivism contends that while social reality may not be entirely explicable, it can be approximated. Postpositivists argue for the inherent limitations in applying natural science methods to the social world, associating postpositivist philosophy with qualitative research (Devers, 1999). Constructivism, a subset of postpositivism, posits that reality is constructed rather than objectively existing. It emphasizes the dynamic nature of our world and asserts that individuals' experiences and views, shaped by their unique experiences, form their reality (Corner et al., 2019).

In the context of mixed methods research, pragmatism serves as a guiding philosophy, focusing on the practical integration of qualitative and quantitative approaches to address complex research questions. This study leverages the strengths of both positivist and constructivist perspectives to provide a comprehensive understanding of the SME landscape, integrating diverse methodologies to capture the multifaceted nature of the research problem.

3.6 Population and Sampling Strategy

The population and sampling strategy employed in this study are carefully crafted to gain a through understanding of the challenges faced by the small and medium-sized enterprises (SMEs) sector in Ireland. The selection of participants adheres to the principles of purposive sampling and criterion sampling, meticulously chosen to reflect the diverse landscape of Irish SMEs. While various other sampling methods, such as convenience sampling, snowball sampling, extreme case sampling, and typical case sampling, were considered, they were deemed unsuitable due to the specific focus on gathering in-depth insights from a targeted group of participants.

The methodology employed in this study involves the strategic distribution of surveys to key stakeholders representing a broad spectrum of businesses within the Irish SME sector. These questionnaires were meticulously designed to align with the research questions and were disseminated electronically via Google Forms to senior contacts within six major representative bodies of Irish SMEs: the Irish Small and Medium Enterprise Association (ISME), the Small Firms Association (SFA), the Retail Grocery Dairy & Allied Association (RGDATA), the Vintners Federation of Ireland (VFI), the Restaurants Association of Ireland (RAI), and Digital Business

Ireland (DBI). Although the Irish Hotels Federation (IHF) and Retail Excellence Ireland (REI) were initially invited to participate, both organizations declined. Nevertheless, the participation of the six representative bodies provided a comprehensive and diverse representation of SMEs across various sectors.

All responses were received electronically, except for the Small Firms Association's response. For this, the researcher conducted an in-depth interview via an online video meeting with the Director, lasting one hour. During this session, the researcher systematically addressed all research questions and gathered detailed feedback. This approach ensured a thorough understanding of the perspectives and challenges faced by SMEs, enhancing the diversity of approach, depth, and quality of the data collected.

Notably, ISME represents over 11,000 firms, while the SFA and the other bodies collectively represent more than 30,000 small and medium-sized businesses across sectors such as food, retail, hospitality, manufacturing, technology, start-ups, and rural economies. This sampling approach was designed to offer a balanced and accurate depiction of the SME ecosystem in Ireland, acknowledging that small businesses constitute 98 percent of the total number of businesses in the country and employ nearly half of the private sector workforce. These SMEs are crucial to economic and community development nationwide, and their inclusion in the study ensures that the findings are reflective of the sector's diverse interests and challenges.

Given the specific and complex characteristics of the policy interventions within the industrial and entrepreneurial landscape, this study focused on a relatively small population. Therefore, purposive sampling and criterion sampling methods were employed to select key participants who could provide insightful and illuminative perspectives on the phenomenon under investigation. As advocated by Patton (2002), purposive and criterion sampling ensures that participants are not only relevant to the study but also possess rich and informative insights that contribute to a deeper understanding of the research objectives.

The questionnaires were dispatched on July 1st, 2024, with a designated two-week timeframe for completion and return (July 12th, 2024), with the interview with the Director of the Small Firms Association held on the 12th of July. The approach of surveying representative bodies, instead of individual small firms, was deemed more effective in garnering insightful and high-level feedback. This methodological choice seeks to capture a diverse range of perspectives and experiences within the SME sector, thus enriching the depth and breadth of the study's findings.

Data collection for this study primarily employed qualitative inductive-based research approaches, utilizing open-ended questionnaires to elicit rich, responsive, and empathetic insights from SME stakeholders in Ireland. Following data collection, the gathered information underwent rigorous thematic coding, synthesis, and abstraction, overseen solely by the researcher. The integration of qualitative data with quantitative secondary data allows for a comprehensive analysis, providing a nuanced understanding of the SME sector's challenges and opportunities.

The overarching research objectives of this study encompass critically evaluating the existing policy framework governing Irish SMEs, examining successful SME policies from comparative jurisdictions such as Germany and Canada, identifying key challenges faced by Irish SMEs through the collection of rich qualitative data, and generating novel findings to inform policy and practice. This methodological approach underscores the significance of aligning the sampling strategy with the research objectives and the inherent characteristics of the study population, ensuring robust and insightful outcomes.

3.7 Data Collection

Data collection in social science research involves a variety of methodologies, each tailored to the research objectives and the nature of the phenomenon under investigation. In quantitative research, data is frequently collected through experiments or quasi-experiments, which enable researchers to draw strong causal inferences. Conversely, qualitative research typically employs semi-structured or open-ended questionnaires and interviews to explore individuals' experiences, perceptions, and interpretations of phenomena (Harris & Brown, 2010).

Given the complex and multifaceted nature of the research topic in this study, a mixed methods approach was selected, integrating both qualitative and quantitative data collection methods. Open-ended questionnaires were chosen as the primary method for qualitative data collection. These questionnaires provide a practical and efficient way to gather rich, qualitative data from a large and representative sample, facilitating an in-depth exploration of the research topic and the perspectives of key stakeholders. By combining open-ended questionnaires with interviews, the study was able to provide diverse insights into social trends, values, and attitudes (McGuirk & O'Neill, 2016).

Furthermore, the use of open-ended questionnaires and interviews offers a cost-effective means of data collection, as they can be distributed online (Abowitz & Toole, 2010). This approach not only reduces paper costs and minimizes environmental impact but also enhances the efficiency of data collection, aligning with sustainable research practices. Together, these methods complement each other, enriching the study's findings and providing a comprehensive understanding of the research topic.

By employing qualitative data collection methods, this study aims to enhance the validity and reliability of the research findings (Abowitz & Toole, 2010). Questionnaires and interviews, despite their differing strengths and weaknesses, complement each other to provide comprehensive insights into the research topic (Harris & Brown, 2010).

In this study, twenty-three open-ended questions and observations were utilized for primary data collection. Participants were approached through senior representatives within the prominent SME representative bodies in Ireland, ensuring a diverse and representative sample. Confidentiality was strictly maintained, with participants referred to by their organization names to safeguard their identities.

The questions explored critical themes including challenges encountered by SMEs, the efficacy of current policies, readiness for digital transformation, financial constraints, and other pertinent issues. Participants were encouraged to provide detailed insights, offering nuanced perspectives on the intricate challenges faced by SMEs in Ireland.

Furthermore, the questionnaires were meticulously designed to capture prevailing social trends, values, and attitudes pertinent to the SME sector in Ireland. These instruments were distributed electronically, ensuring flexibility in data collection methods while minimizing environmental footprint.

The choice of data collection methods in this study is further informed by the specific context of the research topic and the practical constraints of conducting research within the SME sector. By selecting open-ended questionnaires with the option for open-ended responses as the primary data collection method, this study seeks to achieve a balance between depth and breadth of data collection, ensuring a comprehensive understanding of the challenges and opportunities facing Irish SMEs.

Pilot Testing and Validation Procedures: Prior to full-scale implementation, the survey instrument and interview protocols underwent rigorous pilot testing among a select group of SME representatives. Feedback from this pilot phase played a crucial role in refining the instruments for clarity, comprehensiveness, and relevance, while upholding methodological rigor.

This study employed qualitative data collection methods to conduct a thorough exploration of the challenges and opportunities facing Irish SMEs across various sections of the economy. By capturing nuanced insights directly from key stakeholders, this approach enriches the research findings. Additionally, secondary data analysis complements the primary qualitative research. Drawing upon existing research from the literature, governmental publications, and technical reports, this mixed methods approach facilitates a comprehensive exploration of SME policies and practices across different national contexts. It enables comparative analysis and the identification of best practices (Eisenhardt, 1989; Yin, 2018).

3.8 Data Analysis

The data analysis process in this study was conducted meticulously, involving transcription, thematic coding, synthesis, and abstraction. Thematic coding, grounded in established qualitative analysis methodologies, aims to unveil emergent themes and patterns relevant to the challenges and opportunities faced by Irish SMEs. Ethical considerations were paramount throughout the research process, with informed consent obtained from all participants and stringent measures implemented to safeguard their privacy and well-being. Evaluation criteria, focusing on credibility, confirmability, and transferability, is employed to assess the robustness and authenticity of the study's findings (Burkett & Morris, 2011).

In addition to thematic coding and synthesis, this study employed an iterative process of constant comparison to identify patterns and themes across qualitative data. This approach involved systematically analyzing transcripts and field notes to uncover emergent themes and variations within the data, ensuring a rigorous interpretation of participant perspectives.

Qualitative data analysis poses unique challenges due to the volume of data generated and the need for in-depth analysis while presenting findings in a concise and logical manner (Shaffer, 1997). However, the focused nature of this research, encompassing insights from six large SME representative organizations encompassing the views of thousands of small and medium-sized companies, allowed for a systematic synthesis of data. Despite variations in data generated according to the research design, analysis generally adheres to fundamental principles (Haradhan, 2018).

Data analysis is an iterative process, involving the recognition of emerging themes, identification of key ideas or units of meaning, and integration of literature findings (Haradhan, 2018). In this study, intensive data analysis commenced upon completion of data collection, with each respondent's transcript thoroughly reviewed to identify patterns and themes relevant to the research question and literature review (Hammersley & Atkinson, 1983). Emerging patterns were identified by the researcher, culminating in thematic categories of description. Each transcript was closely examined for significant phrases or paragraphs central to the broader area of interest.

Furthermore, incorporating contrasting views or opinions of sectoral SME bodies, enhances the richness of the study findings, providing readers with alternative perspectives. The final step in data analysis involves linking different categories to develop a logical explanation or theory for the findings, aligning them with existing literature. This process refines tentative themes, adding trustworthiness and rigor to the research through triangulation, where findings are substantiated by comparing data from various sources (Isaacs, 2014).

Since the study primarily employs open-ended questionnaires, allowing for open-ended responses and observations, it is expected that these methods will yield a comprehensive understanding of the research findings and offer deep insights into the perspectives of the participants (Bachiochi & Weiner, 2004).

Integration of Quantitative Data: Aligning with the mixed-method approach, quantitative data from secondary sources is integrated into the analysis to provide a broader contextual framework and validate qualitative findings. This integration involves cross-referencing qualitative themes with quantitative insights to enhance the depth and breadth of the study's conclusions.

By employing a mixed-method approach, this study aims to enhance the validity and reliability of the research findings, providing a comprehensive understanding of the challenges and opportunities facing Irish SMEs across various sections of the economy. By capturing nuanced insights directly from key stakeholders and complementing them with quantitative data, this approach enriches the research findings.

Additionally, secondary data analysis complements the primary qualitative research. Drawing upon existing research from the literature, governmental publications, and technical reports, this mixed-method approach facilitates a comprehensive exploration of SME policies and practices across different national contexts. It enables comparative analysis and the identification of best practices (Eisenhardt, 1989; Yin, 2018).

3.9 Selecting an Appropriate Research Strategy

The selection of a research strategy is a critical juncture in any scholarly endeavor, where methodological rigor intersects with philosophical underpinnings. Thus, the researcher navigates the diverse landscape of research methodologies, guided by the imperative of scholarly prudence and academic excellence.

Navigating Methodological Diversity: Within the vast expanse of research methodologies, a plethora of options beckon the discerning researcher. From telephone interviews to web-based surveys, each method bears its own merits and limitations, offering unique pathways to empirical inquiry (Haq, 2014). In this study, a mixed methods approach is used, integrating survey-based questionnaires and secondary data analysis to provide a comprehensive understanding of the research domain. Such questionnaires, entrenched in non-experimental descriptive designs, offer a conduit to explore the realities of the research domain (Kelley et al., 2003).

Justification in Methodological Alignment: The selection of survey-based questionnaires is not arbitrary but rooted in methodological alignment and scholarly prudence. Grounded in philosophical assumptions and methodological imperatives, this choice reflects a deliberate effort to harmonize theory with practice and philosophy with methodology (Kelley et al., 2003). Pragmatism underscores the rationale behind choosing survey-based questionnaires, emphasizing their practicality and cost-effectiveness. Such instruments, tailored to the study's objectives and participant demographics, serve as conduits for scholarly inquiry without imposing undue burden on resources (Kelley et al., 2003).

Ensuring Clarity in Qualitative Focus: It is paramount to underscore that, despite the use of structured questionnaires, the study remains firmly rooted in a mixed methods approach. The questionnaires were designed to elicit detailed, nuanced responses that capture the complexities and subtleties of the participants' experiences and perspectives. This approach aligns with the study's qualitative orientation, focusing on rich, in-depth insights, while quantitative data from secondary sources provide broader contextual understanding.

By carefully integrating these methodological choices, the research ensures that the mixed methods nature of the inquiry is maintained, providing a comprehensive understanding of the phenomena under investigation. This alignment between methodology and philosophical underpinnings not only enhances the study's academic rigor but also ensures the clarity and coherence of the research process.

3.10 Limitations and Delimitations of Qualitative Research Data Collection

In navigating the terrain of qualitative research data collection, it is essential to acknowledge and address its inherent limitations. A paramount concern involves the ethical dimensions surrounding human subject participants. Ensuring the protection of participants' rights, privacy, and well-being is crucial in qualitative research endeavors. By adhering meticulously to ethical guidelines, including obtaining informed consent and securing ethical review board approvals, researchers safeguard participants' interests. The questionnaire, designed to be unintrusive and brief, respects participants' time commitments and ensures their anonymity, with responses devoid of identifiable information (Wiles et al., 2008).

A significant challenge involves demonstrating methodological rigor in qualitative data collection exercises. Unlike quantitative methodologies with predefined parameters, qualitative research unfolds in open-ended narratives, granting participants considerable agency in shaping the discourse. This flexibility may challenge conventional notions of methodological rigor, as data collection encounters diverse trajectories shaped by participants' perspectives.

Qualitative data collection also poses logistical challenges, often requiring substantial time and resources. Skilled interviewers are essential for navigating nuanced conversations and eliciting rich insights from participants. Moreover, categorization and thematic coding require significant time and effort during the analysis phase. Despite these challenges, rigorous analysis is essential to unearth nuanced patterns and themes embedded within qualitative datasets.

Another concern relates to the subjectivity inherent in qualitative research findings. Unlike quantitative methodologies with standardized measures, qualitative data are contextually embedded, shaped by the interplay of researchers' and participants' subjectivities. Consequently, achieving consensus on the reliability and validity of findings poses challenges, with limited generalizability beyond specific contexts and populations.

Moreover, qualitative research findings may encounter barriers in influencing policy decisions, often perceived as lacking the precision and objectivity inherent in quantitative evidence. The opacity surrounding qualitative datasets, coupled with challenges in replication and verification, may impede their integration into policy discourse, limiting their impact on decision-making processes.

While this study acknowledges its limitations, such as potential biases in participant responses and constraints related to sample size and geographic scope, delimitations include focusing exclusively on SMEs within the Irish context. This deliberate boundary allows for a concentrated exploration of issues specific to this demographic, ensuring depth and contextual relevance in the findings.

Finally, while qualitative research offers invaluable insights into the complexities of human experiences, it is essential to approach its limitations with a critical lens. By navigating ethical considerations, addressing challenges in methodological rigor, and acknowledging the inherent subjectivity of qualitative inquiry, researchers can mitigate potential pitfalls and leverage the strengths of qualitative methodologies to enrich scholarly discourse and advance knowledge in their respective fields.

Addressing Mixed Methods Limitations: The integration of qualitative and quantitative data presents unique challenges, such as ensuring consistency in findings and effectively triangulating data from diverse sources. By acknowledging these challenges, the study aims to enhance the reliability and validity of its conclusions, leveraging the strengths of both qualitative and quantitative methodologies to provide a comprehensive understanding of the research topic

3.11 Conclusion

The conclusion of the methodology chapter serves as a critical juncture to reflect on the research approach, highlighting its strengths, limitations, and alignment with the study's objectives. This chapter meticulously details the research design, population and sampling strategy, data collection methods, and data analysis procedures employed. Ethical protocols for this study include obtaining informed consent from all participants, ensuring confidentiality through data anonymization, and securing ethical approval from the Swiss School of Business and Management's Institutional Review Board. Participants are thoroughly informed about the study's objectives, procedures, potential risks, and benefits, with stringent measures in place to protect their rights throughout the research process. The chosen methodology, rooted in philosophical assumptions and ethical imperatives, embodies a holistic approach to inquiry, balancing theoretical rigor with practical applicability.

Central to the methodology is the integration of qualitative and quantitative research approaches, guided by an interpretive stance in understanding complex social phenomena. By prioritizing the voices and experiences of stakeholders within the small and medium-sized enterprises (SMEs) sector in Ireland, the researcher aims to move beyond numerical abstractions and explore the lived realities that shape organizational dynamics and policy landscapes. Quantitative data from secondary sources, including government reports, official publications, and cross-country analyses between Ireland, Canada, and Germany, provide a broader contextual understanding. This data complements the qualitative insights and enriches the overall analysis by validating findings through cross-referencing with established statistical and policy insights.

The methodological framework also emphasizes the critical importance of ethical considerations, including rigorous standards for participant rights and confidentiality. Adherence to these standards, such as obtaining informed consent, upholds the integrity and trustworthiness of the findings.

As the study progresses into the empirical phase, maintaining an awareness of methodological nuances and practical challenges is essential. Flexibility and reflexivity are paramount in navigating the complexities of data collection and analysis, allowing for openness to emergent insights and unexpected findings. The integration strategy involves triangulation, where qualitative and quantitative findings are cross-validated to enhance the reliability and validity of the results. This approach is particularly suitable for addressing the complex challenges and opportunities within the SME sector, as it provides a nuanced understanding that neither qualitative nor quantitative methods alone could achieve.

In conclusion, the methodology outlined here establishes a foundation for a rigorous and nuanced investigation into the challenges and opportunities facing Irish SMEs. By leveraging a mixed methods approach and embracing the complexities of qualitative and quantitative inquiry, the researcher aims to generate actionable insights that contribute to scholarly discourse and inform evidence-based policymaking. This approach not only sheds light on the dynamics within SMEs but also holds implications for future research methodologies in organizational studies. Furthermore, the findings may offer valuable insights for policymakers seeking to design targeted interventions that support sustainable growth and innovation within the Irish SME sector.

CHAPTER 4: RESULTS

4.1 Introduction

This chapter presents the findings of the research, offering an analysis and discussion of the results derived from survey questionnaires and interviews. The data collection period spanned July 1st to July 12th, 2024. As outlined in Chapter four, the researcher employed a semi-structured interview method, encompassing on 23 carefully-crafted research questions. These interviews were conducted with senior executives from six prominent SME representative organizations in Ireland, collectively representing tens of thousands of Irish small and medium-sized enterprises.

This research holds significant importance within the broader context of SME studies and policy development. Small and medium-sized enterprises (SMEs) form the backbone of the Irish economy, representing over 99.8 percent of all active enterprises and employing more than one million individuals, which accounts for 67.5 percent of total employment in the Irish business economy or private sector (CSO, 2021). Furthermore, SMEs contribute 37.3 percent of Gross Value Added (GVA) in the economy (CSO, 2021). By examining the current challenges and opportunities faced by Irish SMEs through the perspectives of their representative bodies, this study aims to bridge the gap between academic research and practical policy-making. The findings have the potential to inform evidence-based policy decisions, enhance support mechanisms for SMEs, and contribute to the resilience and competitiveness of the Irish business landscape in an ever-changing global economy. This research not only highlights the critical role of SMEs but also underscores the necessity for tailored and effective policy interventions to foster their growth and sustainability.

The participation of high-ranking individuals from these six representative organizations provided the researcher with rich, in-depth insights into the current and evolving challenges and opportunities facing Irish SMEs. Five organizations responded via Google Forms, while one participated in a live video interview, offering methodological variance. The six participating organizations were previously identified in Chapter four. Although eight representative bodies were initially invited, the six that participated yielded a robust response rate, with all respondents holding senior positions (CEO or Director level). The depth and quality of the responses were deemed sufficient to proceed with the research, aligning with the saturation principle, which suggests that data collection can cease when no new information or themes are emerging from the data, as proposed by Guest et al. (2006).

The limited policy recommendations emerging from the literature serve as a motivation for this research, which aims to propose and examine prescriptive policy interventions to protect, enhance, transform, and propel Irish SMEs. The OECD's in-depth review (2019) provides several policy recommendations that will be explored in this research. Notably, the OECD review highlights a concerning statistic: only 6.3 percent of Irish SMEs engage in exporting activities, placing Ireland at the lowest level among all 36 OECD member countries (OECD, 2019). In stark contrast, nearly 37 percent of Dutch SMEs are involved in exports, while approximately 17.5 percent of German and British SMEs participate in such activities (OECD, 2019). However, according to the Federal Ministry for Economic Affairs and Climate Action (2022), 44 percent of German SMEs are engaged in exporting. This discrepancy underscores the need for Ireland to enhance its SME export capabilities. Drawing lessons from countries with higher export rates among SMEs could provide valuable insights into fostering a more robust and competitive Irish SME sector. Therefore, this research aims to investigate these shortcomings and propose policy remedies. By addressing these critical issues, the study intends to contribute to the development of robust, evidence-based strategies that can significantly enhance the performance and global competitiveness of Irish SMEs.

Additionally, previous policy-influencing enterprise reports in Ireland, such as those by Telesis (1982), Culliton (1992), and O'Driscoll (2004), have long established the need for specific attention to be given to SMEs. These reports identified the comparative weaknesses of Irish indigenous industrial policy in contrast to the approach taken for foreign direct investment. This has led to the creation of two distinct economic sectors in Ireland: one comprised of foreign entities and the other consisting of indigenous enterprises, with notable poor interactions and significant differentiation between them (Ramirez et al., 2016). This dual-sector approach has often resulted in both policy and funding imbalances, prioritizing foreign direct investment over the development of indigenous SMEs (Ramirez et al., 2016).

This chapter provides a comprehensive overview of the qualitative responses obtained during the research, exploring field-level perspectives, concepts, and perceptions of SME representative bodies. These organizations are uniquely positioned to offer a holistic view of the status of the Irish SME landscape. Additionally, two of the largest SME representative bodies in Ireland, the Irish Small and Medium Enterprise Association (ISME) and the Small Firms Association (SFA), shared their 2025 pre-budget submissions for inclusion in this research. The SFA also provided a recent high-level professional research survey conducted by *Amarach* Research in May 2024, involving 486 SME member firms, which addressed challenges faced by smaller businesses employing up to 50 employees. This survey acted as a valuable tool for gaining greater depth from the SFA responses to the research questions.

As highlighted in Chapter one, most Irish SMEs are relatively small, often referred to as micro-enterprises in employment terms, with 92.3 percent of all Irish SMEs employing fewer than ten people but providing employment to 411,892 employees (CSO, 2021). Additionally, 6.5 percent are categorized as small enterprises, employing between 10 and 49 employees, while a mere 1.2 percent are considered medium-sized enterprises, employing between 50 and 249 employees. This underscores the sheer significance of the entire sector and highlights the importance of the representative bodies that advocate daily for these firms. These bodies are acutely aware of SMEs' needs and can provide a comprehensive view of their status, serving as an essential link between these firms and state policymakers.

The use of questionnaires in this study, while often associated with quantitative research, serves a qualitative purpose by allowing for substantive exploration of open-ended questions (Yin, 2015). Surveys complement the interviews by providing diverse perspectives and potentially revealing insights not previously considered by the researcher. Interviewees were invited to respond to twenty-three survey questions, with the option to leave questions blank that proved irrelevant to their SME sector. The questions allowed for open-ended answers, with a final supplementary question allowed for free expression of opinions. The in-person interview with the Director of the Small Firms Association, conducted on July 12th, 2024, lasted 60 minutes, providing additional depth and variance to the collected data.

The results of this study are analyzed using a thematic analysis approach, as outlined by Braun and Clarke (2006). This method involves identifying, analyzing, and reporting patterns (themes) within the data, which allowed the researcher to meticulously review the responses to each question, code relevant information, and group similar concepts to form overarching themes derived from the insights obtained. These themes are then interpreted in the context of existing literature and current economic conditions in the next chapter, allowing for a comprehensive understanding of the Irish SME landscape.

The analysis is rooted in the unique perspectives offered by the six key representative bodies, aiming to illuminate both common and sector-specific challenges. This nuanced approach seeks to identify not only the prevalent issues but also the less common, yet significant, obstacles faced by SMEs. In the following chapter, the study endeavors to make policy recommendations based on the feedback data and existing literature, ensuring that the proposed solutions are well-grounded and actionable.

The subsequent sections of this chapter systematically present the results for each research question, highlighting key concerns or views from each specific representative body where relevant. Insights are drawn from the data to summarize the key findings for each question. The chapter concludes with a brief transition to the subsequent discussion chapter, where these findings are interpreted in greater depth and recommendations formulated from the research outcomes.

It is important to note that the structure of the responses varies, with the first six questions receiving more in-depth and detailed feedback from the six representative bodies compared to the subsequent eighteen questions, which proved equally meaningful but were answered more concisely. This variation results from the initial questions addressing broader or more fundamental areas of concern, thus eliciting longer, more comprehensive responses from participants.

4.2 Question one: Representation of Irish SMEs

The first research question aimed to establish the scope and sectoral distribution of SME representation among the participating organizations. This information provides essential context for understanding the breadth and depth of the insights gathered. The responses reveal a diverse and substantial representation across various sectors of the Irish economy, outlined in the below organisations:

- **Vintners Federation of Ireland (VFI):** Represents 3,500 SMEs in the hospitality sector, encompassing drink, food, entertainment, accommodation and tourism businesses. Representing firms in a sector (hospitality) employing 270,000 employees (CSO, 2021).
- **Retail Grocery Dairy & Allied Association (RGDATA):** Represents 3,500 SMEs specifically in the food and convenience retail sector.
- **Irish Small and Medium Enterprise Association (ISME):** Directly represents just under 11,000 SMEs, and indirectly represents many more through affiliated associations.
- **Restaurants Association of Ireland (RAI):** Represents 3,000 SMEs in the food-led hospitality sector, including a diverse range of establishments such as restaurants, cafés, coffee shops, gastropubs, hotel restaurants, and golf club restaurants. Representing firms in a sector (hospitality) employing 270,000 employees (CSO, 2021).
- **Digital Business Ireland (DBI):** Represents 8,500 SMEs, primarily in the digital and e-commerce sectors.
- **Small Firms Association (SFA):** While not providing an exact figure, the SFA represents SMEs with 50 employees or fewer, commonly referred to as micro-enterprises. The estimated representation is between 10,000 and 20,000 SMEs.

This data indicates that the participating organizations collectively represent a significant portion of the Irish SME landscape, with a combined representation ranging from 39,500 to potentially over 49,500 SMEs across various sectors. The diversity of sectors represented - including manual/trade-based, manufacturing, hospitality, retail, digital business, and general SMEs - provides an extensive view of the challenges and opportunities facing Irish small and medium-sized enterprises. The substantial number of SMEs represented by these organizations underscores the significance of their insights and the potential impact of their collective voice on policy-making and support mechanisms for the SME sector in Ireland. This broad representation ensures that the subsequent findings of this study are grounded in a wide-ranging and representative sample of the Irish SME ecosystem.

4.3 Question two: Effectiveness of Government Policies and Interventions

The second research question focused on evaluating the effectiveness of recent government policies and interventions in supporting Irish SMEs amidst challenges such as Brexit, the COVID-19 pandemic, and inflationary pressures. The responses from the six representative organizations provide a nuanced view of the impact and suggests areas for improvement in government support, evident in the details below.

Vintners Federation of Ireland (VFI): The Vintners Federation of Ireland (VFI) highlighted the effectiveness of government policies during the COVID-19 pandemic, noting that sector representatives were actively consulted, leading to swift and impactful responses. However, the organization criticized the “one-size-fits-all” payment scheme, administered by the Department of Social Protection, for its adverse effects on employment. The VFI stated that the scheme caused full-time industry professionals to not return to the sector, while part-time employees received higher compensation than their salaries, creating a disincentive to return to work. This led to labor shortages upon reopening, as many employees did not return.

Additionally, the VFI indicated that recent government policy measures have led to significant new cost increases for their sector. Policies, such as minimum wage hikes, the impending auto-enrollment pension scheme, and expanded sick pay entitlements, have all been implemented without meaningful input or consultation with the industry. For instance, the VFI mentioned the recent 12.4 percent increase in the minimum wage (with further increases scheduled for 2025 and 2026), greater entitlement to sick pay up from three to five days with planned rises to seven and then ten days, and the high unknown cost of pension entitlements as causes of enormous stress and anxiety for the labor-intensive hospitality sector. This creates a scenario of future cost increases that are unknown, making it difficult to plan.

The VFI emphasized the need for a dedicated section within an economic department to take responsibility for the hospitality sector, as current oversight is fragmented and ineffective. They noted that current consultations are often nothing more than a "talking shop" or a rubber-stamping exercise.

The Retail Grocery Dairy & Allied Association (RGDATA) reported that while small and micro businesses benefited from government supports during the COVID-19 period, medium-sized businesses often did not qualify due to stringent criteria. For instance, the Increased Cost of Business (ICOB) grant was introduced in Ireland as part of Budget 2024 to assist small and medium-sized businesses facing rising costs in areas such as rent, labor, and energy. However, the ICOB scheme, designed to help businesses defer commercial rates payments, excluded many businesses due to conditions such as having annual rates over €30,000 or leasing premises.

RGDATA highlighted that the cumulative impact of new government employment policies is fueling wage and labor cost increases for SMEs, significantly affecting labor-intensive food and convenience retailers. Many of these retailers remained open during COVID-19 and did not apply for business supports, while other failed to avail of schemes such as the Temporary Business Energy Support Scheme (TBESS), due to timing issues with energy cost increases and the inflexible and complicated nature of the scheme criteria.

The association stressed the need for more flexible and inclusive support schemes to accommodate the diverse circumstances of SMEs. They argued that medium-sized businesses, which are invariably overlooked in policy support, require tailored assistance to address their unique challenges.

Irish Small and Medium Enterprise Association (ISME): The Irish Small and Medium Enterprise Association (ISME) commended the government's policies during Brexit, describing the support and responsiveness as a "comprehensive, whole-of-government approach." Nevertheless, ISME expounded mixed outcomes regarding pandemic-related policies. While the pandemic supports were beneficial for employees earning below €70,000, the long-term consequences of business closures and lockdowns are only now becoming apparent. Specifically, the Revenue Commissioners' Debt Warehouse Scheme, which deferred SME tax liabilities, is now coming due, placing additional financial strain on businesses.

ISME also criticized the exclusion of SMEs from the Labour Employer Economic Forum (LEEF), characterizing it as a structural failure leading to "strategic blindness in government policy-making." This exclusion has resulted in policies that raise labor costs for SMEs, thereby hampering productivity and profitability. The association underscored the need for more inclusive and strategically aligned policymaking to better support the SME sector.

The Restaurants Association of Ireland (RAI): The Restaurants Association of Ireland (RAI) heralded the government's swift and decisive actions during the COVID-19 pandemic, particularly the Employment Wage Subsidy Scheme (EWSS) and the Temporary COVID-19 Wage Subsidy Scheme (TWSS), which effectively protected jobs. Additionally, the Debt Warehousing Scheme, as previously mentioned by ISME above, was highlighted as a critical support mechanism. The RAI praised the pandemic response for being responsive, agile, and decisive, noting that these measures saved many SMEs in the tourism and hospitality sectors.

However, the RAI expressed significant concerns about the post-pandemic support landscape, describing it as much less favorable and even counterproductive. The government's decision to increase the VAT rate from 9 percent to 13.5 percent in September 2023, representing a 50 percent increase, was cited as a major blow to the sector. The RAI censured poorly designed support schemes, such as the €1.2 billion Temporary Business Energy Support Scheme (TBESS), from which only a small proportion of funds have reached SMEs, and the Increased Cost of Business (ICOB) scheme, which has similarly failed to meet sectoral needs.

The RAI argued that the survival of the sector depends on the reinstatement of the nine percent VAT rate, along with a more user-friendly policy approach tailored to the specific needs of SMEs. They emphasized that current government supports are misaligned with the needs of the sector, pointing to mismatched criteria and a lack of targeted, effective measures. Additionally, the RAI echoed the calls from other respondents for a revised, fairer methodology for calculating the living wage, underlining the need for policies that better reflect the realities faced by SMEs.

Digital Business Ireland (DBI): Digital Business Ireland (DBI) acknowledged the vital role of government grants in sustaining companies during challenging times, such as the recent pandemic. However, the organization emphasized the necessity for simplifying the application process to make these supports more accessible. DBI contended that current grant application procedures are overly complex and in adequately tailored to the specific needs of SMEs.

Simplifying these processes would enhance the effectiveness of government support and better align with the operational realities and capacities of small and medium-sized enterprises.

Small Firms Association (SFA): The Small Firms Association (SFA) praised the government for its effective life support to SMEs during the COVID-19 pandemic. However, the cessation of these supports has led to a 'cliff edge' scenario, as increased business costs in Ireland and associated financial strains take a tremendous toll on SMEs. The SFA accentuated the inefficiency of overly complex application processes for support schemes, which smaller SMEs struggle to navigate. These processes are not designed with the interests of SMEs in mind. To access some of these schemes, SMEs are expected to have regulatory and dedicated in-house teams capable of navigating the application process, suggesting these schemes are designed for much larger companies or multinational corporations (MNCs) with such in-house support.

The SFA advocated for a simpler support system tailored to the unique needs of SMEs, which often lack dedicated teams to spend significant time completing complex application forms or gathering data. For instance, the SFA recommended a simplified PRSI rebate scheme for SMEs that requires minimal time-consuming form-filling. Such a system would likely result in a much higher uptake and allow SMEs to focus on daily challenges and opportunities.

The SFA's May 2024 survey of 486 member companies indicated that one third of businesses are now dependent on government supports, while another third does not qualify, and 21 percent are unaware of the existence of such supports. This critical gap between the announcement of government supports for SMEs and their actual utilization indicates a disconnect, with one in five businesses unaware of the available supports according to the SFA’s response. The most significant challenge facing SFA member companies is the increasing cost of doing business, with 83 percent of their members surveyed in May 2024 experiencing higher costs, primarily driven by labor, energy, and insurance expenses.

The SFA emphasized the need for more tailored and consultative government policies to effectively support Irish SMEs. While initial responses to crises such as Brexit and COVID-19 were commendable, ongoing support must be more nuanced and effective. There should be a focus on reducing administrative burdens and addressing sector-specific challenges. The SFA advocates for support measures that are tailored to the unique challenges faced by the SME population, avoiding overly complicated and bureaucratic application processes that demand substantial manpower and resources, which SMEs often lack.

As of July 5, 2024, 7,042 SMEs owe over €100 million, averaging approximately €14,000 each, to the Revenue Commissioners under the deferred taxation scheme. These SMEs are deemed non-compliant according to a parliamentary response by the Minister for Finance on July 4, 2024 (PQ, 23236/24). Meanwhile, another 12,747 SMEs have entered into extended repayment arrangements with Revenue. These financial challenges highlight the critical need for effective government interventions and underscore the importance of understanding the real-world implications of current policies on SMEs.

Key Insights:

Based on the responses to this research question about the effectiveness of government policies and interventions for Irish SMEs, several key insights emerge, including:

1. Varied effectiveness of crisis interventions: Government interventions during crises like Brexit and COVID-19 were generally effective in providing immediate support. However, the long-term consequences of these interventions, such as the Revenue

Commissioners' Debt Warehouse Scheme, are now creating financial strain for many SMEs.

2. Limitations of a one-size-fits-all approach: Many support schemes, particularly during the COVID-19 pandemic, adopted a broad approach that failed to account for sector-specific needs. This led to unintended consequences, such as labor shortages in the hospitality sector upon reopening.
3. Complex application processes: The overly complex and bureaucratic application processes for support schemes create significant barriers for SMEs, particularly smaller ones that lack dedicated resources to navigate these procedures. This complexity often results in low uptake of available supports.
4. Misalignment of eligibility criteria: Many medium-sized businesses fall through the cracks of support schemes due to stringent or arbitrary eligibility criteria. This highlights a need for more flexible and inclusive support mechanisms that reflect the diverse circumstances of SMEs.
5. Lack of SME representation in policy-making: The exclusion of SMEs from key policy-making forums, such as the Labour Employer Economic Forum (LEEF), has led to policies that are not well-aligned with SME needs, particularly concerning labor costs and productivity.
6. Post-crisis support gaps: Despite the commendability of initial crisis responses, ongoing support measures have been less favorable and sometimes counterproductive. For instance, the increase in VAT rates and poorly designed energy support schemes have been criticized for their negative impact on SMEs.

7. Cumulative impact of new policies: Recent government policies, such as minimum wage increases, auto-enrollment pension schemes, and expanded sick pay entitlements, are creating significant cost pressures for SMEs, particularly in labor-intensive sectors.
8. Awareness gap: A significant proportion of SMEs are unaware of available support measures, indicating a communication gap between government initiatives and their intended beneficiaries.
9. Need for sector-specific support: There is a strong call for dedicated support and oversight for specific sectors, such as hospitality, to address unique challenges and ensure effective policy implementation.
10. Simplification and tailoring of support mechanisms: Stakeholders consistently emphasize the need for simpler, more targeted support mechanisms that align with the operational realities of SMEs, such as PRSI rebate schemes with minimal administrative requirements.

These insights amplify the complex challenges faced by Irish SMEs and the need for more nuanced, flexible, and sector-specific government interventions to effectively support this crucial segment of the economy.

4.4 Question three: Obstacles in Accessing Finance for Irish SMEs

The third research question revealed a multifaceted set of challenges faced by Irish SMEs in accessing finance, with varying degrees of severity across different sectors. The insights, provided by the six representative organizations, underscore the complexity and breadth of these liquidity challenges, underscoring the crucial need for targeted interventions and policy reforms.

Hospitality and Pub Trade: The Vintners Federation of Ireland (VFI) and the Restaurants Association of Ireland (RAI) both identified severe difficulties in the hospitality sector. The pub and hospitality trade, particularly outside Dublin, faces a significant lack of appetite from lenders. This reluctance is attributed to the lingering effects of COVID-19, labor shortages, inflation, and government-imposed costs. The RAI further emphasized that the hospitality sector struggles not only with accessing finance but also with obtaining affordable insurance and energy providers. This financial strain hinders the ability of hospitality SMEs to avail themselves of government schemes such as energy efficiency programs and enterprise innovation grants, as they lack the necessary funding to match the required capital expenditure.

Retail Grocery Dairy & Allied Association (RGDATA): The Retail Grocery Dairy & Allied Association (RGDATA) reported that food and convenience shops are increasingly cautious about borrowing. This wariness stems from concerns about their ability to manage increased employment costs, indicating a reluctance to take on additional financial burdens. The cumulative impact of government employment policies, particularly wage costs, is greatly affecting these retailers. As highlighted in responses to question one, these policies are placing substantial strain on a sector characterized by low margins and high labor intensity. Consequently, retailers are struggling to compete with multinational-style retailers, making them hesitant to seek external financing, due to the increased costs of doing business and widespread uncertainty.

Blue-Collar Services: The Irish Small and Medium Enterprise Association (ISME) delineated “blue-collar” services, alongside hospitality, as facing particular strain in accessing finance, primarily due to rising costs in these sectors. The response highlights the narrow banking base in Ireland, with effectively only two and a half pillar banks (Bank of Ireland, Allied Irish Bank, and Permanent TSB) remaining, after the withdrawal of KBC Bank and Ulster Bank from the Irish market. This limited access to finance severely restricts the availability of credit to all SMEs, who are already under weighty cost pressures.

ISME referenced Eurostat data (2024), indicating that Ireland has among the highest business and energy costs in the EU. Additionally, Ireland's standard VAT rate of 23 percent is the fourth highest in the EU, and the reduced rate of 13.5 percent is also one of the highest. Coupled with high rental and housing prices, these factors create an exceedingly challenging environment for SMEs. This confluence of high costs contributes to low confidence among SMEs in taking out finance, further exacerbating their financial strain.

New Businesses: Digital Business Ireland (DBI) stressed that new businesses frequently face enormous challenges in meeting the stringent requirements for loans. This creates a substantial barrier for startups and young enterprises, which struggle to secure the necessary funding for growth and development. The rigorous criteria, set by lenders, often exclude these nascent businesses, hindering their ability to establish themselves and thrive in the competitive market.

Broader SME Landscape: The Small Firms Association (SFA) outlined a considerable trust deficit between SMEs and traditional banks that has persisted since the financial crash of 2008. This enduring mistrust has contributed to a lack of competition within the Irish banking sector, resulting in higher borrowing costs for SMEs and a general disinterest from banks in lending to these businesses, despite their promotional efforts. The SFA's May 2024 survey revealed that 25 percent of SMEs now rely on family and friends for financial support, reflecting a lack of accessible and affordable formal lending options. In contrast, only 38 percent of SMEs turn to pillar banks when necessary. This indicates alarming liquidity issues, with one third of member businesses at risk of the depletion of financial reserves within six months. The SFA argued that this liquidity crunch is not adequately captured in official figures, suggesting an underreported financial distress in the SME sector.

Additionally, the SFA reports that 83 percent of surveyed companies have experienced higher business costs over the past year, with an average increase of 16.6 percent. These increases are primarily driven by labor (57 percent), energy (51 percent), and insurance (45 percent) costs. The rising costs are severely straining smaller firms by diminishing their working capital, leaving them unable to expand markets, improve productivity, or invest in new technologies and energy efficiency improvements. This lack of available capital also prevents firms from expending government grants that require matching funds.

Furthermore, the SFA explained that medium-sized SMEs (ten to fifty employees) face more severe financial challenges compared to micro-enterprises (one to nine employees). These medium-sized businesses have higher levels of debt and greater reliance on government supports. Despite reasonably modest debt levels for many, 35 percent of businesses report that they could not sustain operations beyond six months without additional funding. This underscores the urgent need for tailored financial solutions and improved access to credit for the SME sector.

Key insights:

Therefore, the third research question reveals a multifaceted set of challenges faced by Irish SMEs in accessing finance, with varying degrees of severity across different sectors. The insights provided by the six representative organizations highlight the complexity and breadth of these liquidity challenges, underscoring the critical need for targeted interventions and policy reforms.

1. Severe difficulties in the hospitality sector: According to the Vintners Federation of Ireland (VFI) and the Restaurants Association of Ireland (RAI), both organizations stress the severe

difficulties in accessing finance within the hospitality sector, particularly outside Dublin. This reluctance from lenders is attributed to the lingering effects of COVID-19, labor shortages, inflation, and government-imposed costs. The financial strain is further exacerbated by challenges in obtaining affordable insurance and energy providers, hindering the ability of hospitality SMEs to leverage government schemes, such as energy efficiency programs and enterprise innovation grants.

2. Cautious borrowing in retail: The Retail Grocery Dairy & Allied Association (RGDATA) emphasized that food and convenience shops are increasingly cautious about borrowing due to concerns about managing increased employment costs. The cumulative impact of government employment policies, particularly wage costs, significantly affects these retailers, making them hesitant to seek external financing. This reluctance is compounded by the competitive pressures from multinational-style retailers.
3. Strain in blue-collar services: The Irish Small and Medium Enterprise Association (ISME) state that blue-collar services, alongside hospitality, face particular strain in accessing finance due to rising costs. The narrow banking base in Ireland, with effectively only two and a half pillar banks remaining, severely restricts the availability of credit to all SMEs. This limited access to finance is further compounded by Ireland's high business and energy costs, creating a challenging environment for SMEs.
4. Challenges for new businesses: As asserted by Digital Business Ireland (DBI), new businesses frequently face significant challenges in meeting the stringent requirements for loans, creating substantial barriers for startups and young enterprises. The rigorous criteria set by lenders often exclude these nascent businesses, hindering their ability to secure the necessary funding for growth and development.

5. Trust deficit and limited competition in banking: The Small Firms Association (SFA) emphasise the significant trust deficit between SMEs and traditional banks, persisting since the financial crash of 2008. This lack of competition within the Irish banking sector results in higher borrowing costs for SMEs and a general disinterest from banks in lending to these businesses. The SFA's May 2024 survey revealed that 25 percent of SMEs now rely on family and friends for financial support, reflecting a lack of accessible and affordable formal lending options. Additionally, one-third of member businesses are at risk of running out of money within six months, indicating severe liquidity issues. This trust deficit is a major barrier to accessing formal lending options and highlights the need for rebuilding trust and improving the banking model to better serve SMEs.
6. Rising business costs: The SFA’s survey findings demonstrate that 83 percent of surveyed companies have experienced higher business costs over the past year, with an average increase of 16.6 percent. These increases are primarily driven by labor, energy, and insurance costs. The rising costs severely strain smaller firms by diminishing their working capital, leaving them unable to expand markets, improve productivity, or invest in new technologies and energy efficiency improvements. This lack of available capital also prevents firms from utilising government grants that require matching funds.
7. Financial challenges for medium-sized SMEs: According to the SFA’s insights, medium-sized SMEs (ten to fifty employees) face more severe financial challenges compared to micro-enterprises (one to nine employees). These businesses have higher levels of debt and greater reliance on government supports. Despite reasonably modest debt levels for many, 35 percent of businesses report that they could not sustain operations beyond six months

without additional funding. This underlines the urgent need for tailored financial solutions and improved access to credit for the SME sector.

8. Inadequate banking model: The current banking model in Ireland is not well-suited to the needs of SMEs. The limited number of pillar banks and the stringent lending criteria create significant barriers to accessing finance. This situation is exacerbated by a general reluctance among lenders to extend credit to SMEs, particularly those in low-margin or high-risk sectors.

The insights from this research question underscore the multifaceted challenges faced by Irish SMEs in accessing finance. The lack of access to finance, compounded by a banking model that does not align with SME needs, necessitates for targeted interventions and policy reforms. By addressing these challenges through tailored financial solutions and improved access to credit, Ireland can create a more supportive environment for SMEs, fostering their growth and competitiveness in the economy.

4.5 Question four: Primary Financial Obstacles Confronting Irish SMEs

The fourth research question, building on the insights from the previous question, delves into the primary financial obstacles faced by Irish SMEs, including issues of funding accessibility, credit constraints, and borrowing costs. The responses largely mirror the issues identified earlier, with additional insights related to challenges and potential policy interventions to minimize constraints on firms' employment and investment goals.

Vintners Federation of Ireland (VFI): The VFI highlights the 'key man' risk as a significant obstacle for small businesses, where the founder often assumes multiple roles, including sales, production, and administrative duties. The loss or incapacitation of this key individual could lead to severe business disruption. Additionally, small businesses are often price-takers with limited ability to pass on costs, making them particularly vulnerable to financial instability.

Retail Grocery Dairy & Allied Association (RGDATA): RGDATA identifies the 'constant barrage' of new costs imposed by local and national governments as a primary financial obstacle for food and convenience retailers. Operating in a highly competitive sector with low margins, these businesses cannot continually raise prices without losing customers. The cumulative effect of these costs is making otherwise viable shops unviable.

Irish Small and Medium Enterprise Association (ISME): ISME points out that many SMEs lack the repayment capacity to meet their debt finance needs due to the high cost of capital. This renders them not creditworthy. The issue is exacerbated by a narrow banking base in Ireland. ISME emphasizes the need for government policy to focus on educating and supporting SMEs to scale. However, current tax and education policies are more accommodative of multinational corporations (MNCs) rather than SMEs.

Restaurants Association of Ireland (RAI): The RAI did not provide specific feedback for this question, echoing their response to the previous question.

Digital Business Ireland (DBI): DBI suggests that loan offers should be based on turnover rather than stringent credit requirements. This approach would better accommodate the financial realities of new and growing businesses.

Small Firms Association (SFA): The SFA identifies several key financial challenges for SMEs. Firstly, the association points to significant bank risk aversion towards lending to SMEs. Many small businesses struggle to secure loans due to stringent lending criteria imposed by financial institutions. This issue is compounded by a lack of financial literacy among smaller companies, highlighting the need for enhanced mentorship and support in navigating complex financial products. Secondly, rising business costs present a major obstacle to accessing finance. The trend of ever-increasing operational costs puts considerable pressure on SMEs' financial stability. The SFA has previously touched on this issue, emphasizing how escalating costs are detrimental to SMEs. Thirdly, liquidity issues are prevalent among SMEs. Despite relatively modest debt levels, with 46 percent of their member businesses managing debt under €10,000, a concerning 35 percent reported that they could not sustain operations beyond six months without additional funding. This liquidity crunch is severe and undermines the sustainability, growth, and even the continued operations of many SMEs.

The SFA also highlighted the urgent need for the government to offer financial support in areas such as training and to improve communication about existing supports available for SMEs. Additionally, they stress the importance of tailoring these supports to be more accessible and effective for smaller businesses.

Key insights:

Building on the insights from the previous question, the fourth research question delves deeper into the primary financial obstacles faced by Irish SMEs, focusing on issues of funding accessibility, credit constraints, and borrowing costs. The responses from the representative organizations illuminate several additional constraints on firms' employment and investment goals.

1. Key Man Risk: The VFI highlights 'key man' risk as a major challenge for small businesses, where the founder frequently takes on multiple roles, such as sales, production, and administration. The absence or incapacitation of this pivotal individual could result in

significant business disruption, underscoring the vulnerability of SMEs to personnel-related risks.

2. Cumulative impact of government-imposed costs: RGDATA points to the 'constant barrage' of new costs imposed by local and national governments as a primary financial obstacle for food and convenience retailers. Operating in a highly competitive sector with low margins, these businesses cannot continually raise prices without losing customers. The cumulative effect of these cost increases, driven by labour, energy, regulatory and insurance, is having a significant negative impact on all SMEs, especially those in blue collar, tourism, hospitality and retail sectors and making, for example, otherwise feasible retail shops infeasible.
3. High cost of capital and narrow banking base: ISME asserts that many SMEs in Ireland struggle to meet their debt finance needs due to the high cost of capital, which affects their creditworthiness. This issue is compounded by the limited banking options in Ireland, with only two and a half pillar banks remaining. ISME advocated for government policies that focus on educating and supporting SMEs to scale, as current tax and education policies are more favorable to multinational corporations (MNCs) than to SMEs.
4. Stringent loan requirements for new businesses: DBI suggests that loan offers should be based on turnover rather than stringent credit requirements. This approach would better accommodate the financial realities of new and growing businesses, making it easier for startups and young enterprises to secure the necessary funding for growth and development.
5. Bank risk aversion and financial literacy: The SFA identifies significant bank risk aversion towards lending to SMEs, compounded by a lack of financial literacy among smaller

companies. This highlights the need for enhanced mentorship and support in navigating complex financial products. The SFA also emphasizes the importance of improving communication about existing supports available for SMEs and tailoring these supports to be more accessible and effective for smaller businesses.

6. Rising business costs and liquidity issues: Rising business costs present a major obstacle to accessing finance. The trend of ever-increasing operational costs puts considerable pressure on SMEs' financial stability. Despite relatively modest debt levels, a concerning 35 percent of businesses reported that they could not sustain operations beyond six months without additional funding. This liquidity crunch undermines the sustainability, growth, and even the continued operations of many SMEs.
7. Need for tailored government support: The feedback underscores the dire need for the government to offer financial support in areas such as training to improve access to liquidity and to improve communication about existing supports available for SMEs. Additionally, there is a call for these supports to be more tailored and effective for smaller businesses, addressing the unique challenges they face.
8. Sector-specific financial challenges: Different sectors face unique financial challenges. For instance, the hospitality sector struggles with high labour, insurance and energy costs, while the retail sector, while also burdened by these costs, is also reporting cumulative government-imposed costs. These sector-specific challenges necessitate targeted interventions to ensure that supportive measures are effective and relevant.

The insights from this research question underscore the multifaceted financial obstacles faced by Irish SMEs, including issues of funding accessibility, credit constraints, and rising costs. The lack of access to finance, compounded by a banking model that does not align with SME needs, highlights the need for targeted interventions and policy reforms. These insights build on the findings from the previous question, further emphasizing the demand for a comprehensive and nuanced approach to supporting liquidity or the oxygen required to sustain the life of Irish SMEs.

4.6 Question five: Perspectives on Establishing a Standalone State Agency for Irish SMEs

The fifth research question examines the potential establishment of a standalone state agency with financial capabilities akin to those of Ireland's Foreign Direct Investment Agency (IDA Ireland) to foster, support, and advance the Irish SME sector. Responses from the six representative organizations reveal a broad endorsement for such an agency.

Vintners Federation of Ireland (VFI): The VFI questions the necessity of creating a new agency, arguing that Enterprise Ireland (EI) already fulfills some of these functions, albeit with limitations. While acknowledging the strides made by Local Enterprise Offices (LEOs), the VFI suggests that enhancing or expanding EI's mandate could offer a more effective solution for supporting SMEs.

Retail Grocery Dairy & Allied Association (RGDATA): RGDATA strongly advocates for the creation of a standalone state agency dedicated to SMEs. They criticize the current lack of SME representation in critical government forums, such as the Labour Employer Economic Forum (LEEF) and the Low Pay Commission. RGDATA asserts out that Enterprise Ireland's focus is predominantly on export-oriented businesses, which does not adequately address the needs of the SME food, retail, and convenience sectors. They argue that the cumulative impact of new government policies, which have imposed additional costs without prior consultation with the sector, threatens the survival of these businesses.

Irish Small and Medium Enterprise Association (ISME): ISME supports the establishment of a new state agency, emphasizing the need to focus on scaling SMEs. They highlight a significant disparity between Ireland's Gross Domestic Product (GDP) and Gross National Income (GNI), indicating that SMEs could achieve higher productivity. ISME advocates for aligning the new agency with reformed tax policies to enhance SME growth, scaling capabilities, and overall productivity.

Restaurants Association of Ireland (RAI): The RAI did not provide specific feedback for this question.

Digital Business Ireland (DBI): DBI strongly recommends for the establishment of a standalone state agency dedicated to supporting indigenous Irish companies. They argue that such an agency could address the emerging challenges faced by domestic SMEs, particularly in light of global tax harmonization changes that threaten the long-term viability of the Foreign Direct Investment (FDI) sector. DBI emphasizes that a specialized agency could provide the robust and tailored support necessary for nurturing and sustaining the growth of domestic businesses, which is currently lacking under existing structures.

Small Firms Association (SFA): The SFA supports the concept of creating a standalone state agency but proposes a measured approach. They suggest conducting a thorough evaluation of the recent changes to the Local Enterprise Office (LEO) network before establishing a new agency. The SFA highlights significant inconsistencies in how different LEOs operate across various local authority areas, noting discrepancies in support availability and procedural rules. They also criticize Enterprise Ireland for its narrow focus on 'winners' and export-oriented companies, leaving many domestic SMEs underserved. The SFA advocates for either a standalone agency or a dedicated government department to better address the needs of SMEs, ensuring a more equitable and effective support system.

Key Insights:

Based on the responses to this research question the following key insights emerge regarding the perspectives on establishing a standalone state agency for Irish SMEs:

1. Strong support for enhanced SME representation: There is a robust consensus among the majority of organizations for improved support mechanisms for SMEs, with four out of six organizations endorsing the concept of a new standalone state agency. This indicates a significant perceived gap in current support structures.
2. Inadequacy of current support structures: Existing support mechanisms, such as Enterprise Ireland (EI) and Local Enterprise Offices (LEOs), are viewed as insufficient or too narrowly focused. EI is criticized for primarily supporting export-oriented businesses, leaving domestic SMEs underserved.
3. Lack of SME representation in key forums: Several organizations highlight the absence of SME representation in crucial government forums like the Labour Employer Economic Forum (LEEF) and the Low Pay Commission. This exclusion is seen as detrimental to SME interests in policy-making processes.
4. Need for Sector-Specific Support: Responses indicate a demand for more tailored, sector-specific support, particularly for industries like hospitality and retail, which face unique challenges not adequately addressed by current policies.
5. Inconsistency in existing support: The SFA points significant inconsistencies in how different LEOs operate across various local authority areas, suggesting a need for more standardized and equitable support across regions.

6. Focus on scaling and productivity: ISME emphasizes the need for the proposed agency to focus on scaling SMEs and improving their productivity, highlighting a disparity between Ireland's GDP and GNI that could potentially be addressed through enhanced SME performance.
7. Anticipation of changes in FDI landscape: DBI stresses the importance of supporting indigenous SMEs in light of potential changes to the Foreign Direct Investment (FDI) sector due to global tax harmonization, suggesting a need to strengthen the domestic business ecosystem.
8. Desire for improved policy input: A clear call exists for better communication channels and feedback loops between SMEs and policymakers, with the proposed agency seen as a potential facilitator of this improved dialogue.
9. Cautious approach to implementation: While supportive of the concept, some organizations like the SFA recommend a measured approach, suggesting a thorough evaluation of recent changes to existing support structures before establishing a new agency.
10. Potential for systematic support: The concept of a standalone agency is perceived as offering a more systematic approach to support, protect, and grow the SME ecosystem, particularly vital as SMEs operate in an increasingly global marketplace.

These insights highlight a strong desire for change in how SMEs are supported and represented in Ireland, with the proposed standalone agency seen as a potential solution to address current gaps and challenges in the SME support landscape.

4.7 Question six: Preparedness of Irish SMEs for Digital Transformation

The sixth research question examines the preparedness of Irish SMEs for digital transformation within the evolving technological landscape. The responses from the six representative organizations illustrates diverse perspectives:

Vintners Federation of Ireland (VFI): The VFI acknowledged that the pub sector is engaging in various aspects of digital transformation, particularly in enhancing customer experience. However, they expressed concerns about whether these efforts reflect a cohesive and strategic approach to digital integration. The VFI stressed the importance of preserving the unique 'live' experience inherent to hospitality, even as digital tools are increasingly adopted.

Retail Grocery Dairy & Allied Association (RGDATA): RGDATA reported that food and convenience retailers are generally more advanced in their digital transformation compared to other SMEs in the retail sector. These businesses leverage digital tools for customer engagement, food-to-go orders, marketing, and promotions. Additionally, food and convenience retailers, along with their independent wholesalers, employ advanced technologies, including artificial intelligence (AI) and data analytics, to improve operational efficiency. RGDATA highlights the need for government schemes to provide digital vouchers and support, noting that SMEs engaged in domestic sales have been largely excluded, while those involved in exports have received more attention.

Irish Small and Medium Enterprise Association (ISME): ISME observed that many Irish SMEs are inadequately prepared for digital transformation, with the sector lagging significantly behind multinational companies via digital capabilities and productivity. Financial constraints are identified as a major barrier to investment in digital technologies. In response, ISME proposed the

"Blue Cert" initiative to the Department of Enterprise, Trade and Employment (DETE) in 2019. This initiative aims to upskill SME owners in digital competencies through a certification process designed to 'professionalize' the SME sector. The framework, developed in collaboration with Network Ireland and Griffith College, seeks to enhance SME productivity and resilience by drawing inspiration from the successful Teagasc Specific Purpose Certificate in Farm Administration (Green Cert). However, ISME has expressed disappointment that, despite the potential benefits of this proposal, it has languished with the Department for five years. This delay may reflect a lack of responsiveness from the Department to the evolving digital needs of SMEs.

Restaurants Association of Ireland (RAI): The RAI highlighted its involvement in the RESTwithEU project, an 18-month European Parliament initiative aimed at supporting digital tool implementation within the restaurant sector. This project has resulted in the development of a digital pathway tool designed to assist businesses in their digital transformation efforts. Despite these advancements, the RAI identified several significant challenges faced by the sector, including a lack of innovation culture, low profit margins, insufficient staff competencies for the digital age, and high regulatory burdens. Additionally, sector fragmentation, labor shortages, high failure rates, and seasonal fluctuations further complicate digital adaptation. The RESTwithEU project report, to which the RAI contributed, underscores these challenges and outlines best practices for digitalization and sustainability in food-led hospitality businesses. The goal is to enhance resilience and sustainability in the sector by 2030.

Digital Business Ireland (DBI): DBI underscored the necessity for enhanced state support and funding for SMEs, particularly in light of expanding regulatory requirements. They argued that current initiatives fall short in adequately preparing SMEs for digital transformation, suggesting that more robust measures are needed to support businesses in navigating these evolving challenges.

Small Firms Association (SFA): The SFA characterized the digital transformation landscape as varied, with technology-oriented SMEs performing well, while the majority face difficulties. They acknowledged the value of the government's Trading Online Voucher Scheme administered by Local Enterprise Offices (LEOs), but advocate for its enhancement. Many SMEs lack the in-house skills and training to fully exploit digital opportunities, often being too engrossed in daily operations to utilize the voucher or undergo necessary training. Additionally, the SFA highlighted the growing threat of cybercrime as a pertinent concern, noting that many SMEs are unprepared and lack the resources to invest in cybersecurity measures. This is particularly troubling given the static or declining productivity and profitability among Irish SMEs. Both ISME and the SFA emphasized the urgency of addressing gaps in digital and managerial skills to scale indigenous enterprises effectively.

Key Insights:

The sixth research question examines the preparedness of Irish SMEs for digital transformation within the evolving technological landscape. The responses from the six representative organizations demonstrate diverse perspectives and illustrate several critical insights:

1. Sectoral variability in digital readiness: There is significant variability in digital preparedness across different sectors. Food convenience retailers and technology-focused SMEs are generally more advanced in their digital transformation efforts, leveraging digital tools for customer engagement, marketing, and operational

efficiency. In contrast, other sectors, such as hospitality and blue-collar services, lag behind in adopting digital technologies.

2. Need for cohesive digital strategies: While many SMEs are adopting digital tools, there is a lack of cohesive and strategic approaches to digital integration. For instance, the Vintners Federation of Ireland (VFI) highlights that the pub sector is engaging in digital transformation to enhance customer experience but lacks a unified strategy. Similarly, the Retail Grocery Dairy & Allied Association (RGDATA) emphasizes the need for government schemes to provide digital vouchers and support to domestic sales-focused SMEs, which have been largely excluded from current initiatives.
3. Financial constraints as a major barrier: Financial constraints are a significant barrier to digital transformation for many SMEs. The Irish Small and Medium Enterprise Association (ISME) explains that the high cost of digital technologies and limited access to finance hinder SMEs' ability to invest in digital tools. This financial barrier is compounded by the narrow banking base in Ireland, which restricts credit availability for SMEs.
4. Lack of innovation culture and skills: The Restaurants Association of Ireland (RAI) identifies a lack of innovation culture, low profit margins, insufficient staff competencies, and high regulatory burdens as major challenges to digital transformation in the restaurant sector. These issues are further complicated by sector fragmentation, labor shortages, high failure rates, and seasonal fluctuations.
5. Importance of government support and funding: Enhanced state support and funding are crucial for facilitating digital transformation among SMEs. Digital Business Ireland (DBI) underscores the necessity for more robust measures to support SMEs in

navigating expanding regulatory requirements. The Small Firms Association (SFA) also advocates for the enhancement of the government's Trading Online Voucher Scheme and highlights the need for simplified application processes to make these supports more accessible.

6. Cybersecurity concerns: The growing threat of cybercrime is a significant concern for SMEs, many of which are unprepared and lack the resources to invest in cybersecurity measures. The SFA emphasizes the urgency of addressing gaps in digital and managerial skills to scale indigenous enterprises effectively and protect them from cyber threats.
7. Delays in government initiatives: ISME expresses disappointment over the delayed implementation of the "Blue Cert" initiative, which aims to upskill SME owners in digital competencies. Despite its potential benefits, the proposal has languished with the Department of Enterprise, Trade and Employment (DETE) for five years, reflecting a lack of responsiveness to the evolving digital needs of SMEs.
8. Need for holistic and joined-up responses: There is a call for more holistic and joined-up responses to support SMEs in their digital transformation efforts. The current piecemeal approach, such as the Trading Online Voucher Scheme, is beneficial but insufficient. A more comprehensive strategy is needed to prepare SMEs for the digital age and the associated threats, including cybercrime.
9. Digital transformation as a competitive necessity: The insights reveal that digital transformation is not just a technological upgrade but a competitive necessity for SMEs operating in an increasingly global and digital marketplace. The ability to leverage

digital tools effectively can enhance productivity, customer engagement, and operational efficiency, positioning SMEs for long-term success.

10. Sector-specific challenges and best practices: The RESTwithEU project, highlighted by the RAI, underscores the importance of sector-specific digital pathways and best practices. The project's findings emphasize the need for tailored support to enhance resilience and sustainability in the food-led hospitality sector by 2030.

The insights from this research question reveal a complex landscape of digital readiness among Irish SMEs, marked by significant sectoral variability, financial constraints, and the need for cohesive digital strategies. Enhanced government support, simplified application processes, and targeted funding are critical to overcoming these challenges. Additionally, addressing cybersecurity concerns and fostering an innovation culture are essential for enabling SMEs to thrive in the digital age. These findings build on the previous question's insights, further strengthening the need for a comprehensive, yet nuanced approach to supporting Irish SMEs in their digital transformation journey.

4.8 Question seven: Barriers to Digital Technology Adoption and Integration

Based on the responses and to avoid repetition from previous answers, the key insights from the seventh research question are outlined below focusing on the primary barriers hindering Irish SMEs from adopting and integrating digital technologies and innovative practices.

Key insights:

1. Inadequate profitability for long-term investment: The VFI highlights that insufficient profitability limits SMEs' ability to invest in supportive infrastructure, forcing them to prioritize front-line operations over digital transformation.

2. Limited government support for comprehensive training: ISME's proposed "Blue Cert" level 6 qualification for SME owners, aimed at professionalizing the sector across various areas including digital and technological transformations, has been stalled for five years, indicating a lack of government support for comprehensive SME training initiatives.
3. Insufficient funding for existing training programs: The limited budget allocation for training programs like Skillsnet Ireland's MentorWorks scheme (€1.5 million in 2023) is inadequate to meet the high demand for SME training.
4. Prohibitive technology costs: DBI emphasizes that the cost of technology itself can be a significant barrier for SMEs, particularly when combined with the lack of in-house skills to implement and manage these technologies.
5. Cybersecurity as a major concern: Multiple respondents elucidate the threat posed by cybersecurity issues, noting a lack of focus, awareness, and government support in this critical area for SMEs.
6. Need for a more comprehensive support system: While acknowledging the positive impact of existing programs like Skillsnet and Local Enterprise Offices (LEO), the SFA advocates for a more robust national support system, such as a national training voucher or full-cost reimbursement for training.
7. Urgency for enhanced and holistic training approaches: The contrast between ISME's stalled Blue Cert proposal and the SFA's call for more comprehensive support underscores the urgent need for enhanced, holistic training approaches tailored to SME needs.

These insights expound several existing challenges facing Irish SMEs in their digital transformation journey, stressing the need for more targeted, comprehensive, and well-funded support mechanisms to overcome these barriers.

4.9 Question eight: Current Digital Capabilities and Preparedness for Advanced Technologies

The eighth research question evaluates the current digital capabilities of Irish SMEs in adopting cloud technologies and their readiness to integrate "big data" analytics and AI technologies into their business processes. With many experts predicting that technology will revolutionize the workplace and that machines may soon surpass human capabilities, this area holds significant potential for SMEs. Notably, the presence of the major technology firms—Alphabet, Apple, Amazon, Microsoft, and Meta—all of which have European headquarters or outposts in Ireland and are investing substantial capital into these technologies, accentuates the importance of this issue. The responses provide several key insights:

1. Early-stage adoption: As explained by ISME, SMEs are at an early stage in adopting advanced technologies, although the adoption of cloud technology accelerated during the pandemic out of necessity.
2. Investment barriers: DBI contends that investment remains a significant barrier to the adoption of advanced technologies. Despite the potential efficiencies that technologies like AI and "big data" analytics can drive, the high costs involved deter many SMEs from investing.
3. Growing appetite for advanced technologies: DBI asserts a growing appetite has emerged for advanced technologies among SMEs, due to the efficiencies they can

deliver. Strikingly, almost one fifth of Irish employees deploy AI daily, though this is often driven by employees rather than company leadership.

4. Leadership hesitation: DBI further claims that company leadership often hesitates to adopt advanced technologies due to fears of risks and cyber breaches. This leadership hesitation presents a significant obstacle to broader technology adoption.
5. Learning from multinationals: According to the SFA, SMEs can potentially learn from and collaborate with the FDI sector and multinationals already located in Ireland via technology adoption. Although no formal processes exist, policy support for such synergies could be beneficial, including business-to-business sales of goods and services to MNCs, which already operate in global markets.
6. Need for strategic vision: The SFA additionally states SMEs often lack a strategic vision for digital transformation and market development, being too focused on daily survival, indicating a greater need for more direct support, mentorship, and guidance to help SMEs develop a long-term digital strategy.
7. Sector-specific knowledge gaps: Mutually aligned here, the VFI and RAI indicated a lack of specific knowledge about their sectors' digital capabilities, suggesting potential gaps in sector-wide understanding or monitoring of digital adoption.

These insights reveal a particularly poor level of digital readiness among Irish SMEs driven by a lack of skills and liquidity, highlighting both challenges and opportunities in the adoption of advanced technologies. The findings suggest a need for targeted strategic supports, training and education, and policy interventions to enhance the digital capabilities of Irish SMEs.

4.10 Question nine: Specific Supports Required for Enhancing Digital Capabilities of Irish SMEs

Based on the responses to question nine regarding specific supports required for enhancing digital capabilities of Irish SMEs, numerous key insights materialise:

Key insights:

1. B2B digital support gap: ISME advocates for extending trading online supports to Business-to-Business (B2B) enterprises, highlighting a serios gap in current support structures that primarily focus on Business-to-Customers (B2C) businesses.
2. Comprehensive digital education framework: The proposed "Blue Cert" qualification framework, developed collaboratively by ISME, Network Ireland, and Griffith College, aims to provide structured, recognized digital education programs tailored for SME owners and employees.
3. Alternative Connectivity Solutions: Digital Business Ireland (DBI) suggests offering Starlink vouchers as an alternative to address the slow-paced rollout of the National Broadband Plan. Starlink provides low-latency, high-speed internet access, which could be particularly beneficial for rural SMEs that require immediate and flexible connectivity solutions. By leveraging such satellite-based internet services, businesses in remote areas can overcome the limitations posed by traditional broadband infrastructure and gain reliable access to the digital economy.
4. Localized digital skills training: Enhanced courses through Local Enterprise Offices (LEOs) are recommended to bridge the digital divide and upskill SMEs, emphasizing the need for accessible, community-based training.

5. Digital accessibility compliance support: A new grant scheme is proposed to help SMEs meet digital accessibility obligations by 2025, highlighting the need for financial support to comply with upcoming digital regulations.
6. Digital infrastructure development: DBI suggests lifting the ban on connecting data centers to the grid, viewing it as essential for Ireland to play a leading role in Europe's digital landscape and potentially leverage MNC involvement for SME support.
7. Hands-on digital transformation support: The SFA emphasizes the need for practical training and support schemes, suggesting that current offerings may be too theoretical for SME needs.
8. Personalized digital guidance: Mentorship programs are highlighted as a fundamental support requirement, indicating a need for individualized guidance in digital transformation processes.
9. Sector-specific digital focus: The lack of specific responses from some organizations (VFI, RGDATA, RAI) may indicate a need for increased awareness or tailored digital support initiatives in certain sectors.

These insights reveal the need for a multifaceted, practical, and sector-specific approach to supporting Irish SMEs in enhancing their digital capabilities, addressing gaps in current support structures and emphasizing the importance of accessible, hands-on assistance.

4.11 Question ten: SME Preparedness for Climate Change and Regulatory Challenges

The tenth research question explores the readiness of Irish SMEs to address climate change challenges and associated regulatory demands, the impact of sustainability factors on SMEs, and their preparedness to address these challenges. The responses from the representative organizations provide valuable insights into the current state of SME preparedness and emphasize several key areas of concern.

Key insights:

1. Sector variability in adoption: Vintners Federation of Ireland (VFI): Significant variability is present within the pub sector, with some businesses leading in addressing climate change challenges while others remain reactive, only taking action when mandated by law or necessity.
2. Early adopters in retail: As the Retail Grocery Dairy & Allied Association (RGDATA) posits, food convenience retailers have been proactive in adopting sustainable practices, such as upgrading lighting, refrigeration, and air-conditioning, and incorporating sustainable energy sources in attempts mainly to reduce energy costs by improving efficiencies. However, the financial burden of these upgrades is substantial, with costs for a small supermarket potentially exceeding €600,000.
3. Financial constraints: RGDATA and VFI both agree that financial constraints are a major barrier, as many SMEs cannot meet the match-funding requirements for government schemes, thus missing out on grant aid. This issue is compounded by low liquidity within the sector, limiting the ability to invest in necessary sustainability measures.
4. Policy understanding gap: ISME claims a major gap in understanding exists within the Department of Enterprise, Trade and Employment (DETE) regarding the financial constraints SMEs face in funding climate initiatives. Many SMEs, especially in the tourism and hospitality sectors, are focused on immediate business survival rather than long-term investments in sustainability.

5. Cost-related reluctance: Digital Business Ireland (DBI) states SMEs are generally reluctant to embrace sustainability options due to cost concerns. The current policy focus on electric vehicle deployment is seen as too narrow, with a need for a more comprehensive strategy that includes alternative fuels.
6. Survival vs. sustainability: The SFA maintains that the primary challenge for many small businesses is remaining operational amidst an uncertain business environment and high costs. Environmental sustainability goals are often deprioritized due to the uncertain payback on investments, especially for businesses struggling to stay afloat.
7. Supply chain implications: The SFA also asserts that the EU Corporate Sustainable Reporting Directive (CSRD) poses a significant challenge for SMEs, potentially locking them out of supply chains due to stringent requirements. The impact of this directive on SMEs is greatly understated, necessitating government support to help businesses comply.
8. Government support need: Multiple Organizations, including the SFA and RGDATA, report a a strong call for increased government support, including access to low-cost finance and greater direct state financial assistance. Tailored policy interventions are needed to help SMEs transition towards more sustainable practices while maintaining business viability.

These insights reveal a complex landscape where Irish SMEs are grappling with balancing immediate business survival needs against long-term sustainability requirements. While some sectors, particularly in retail, have made significant strides, many SMEs face substantial financial and operational barriers to implementing climate-friendly practices. The responses suggest a need for tailored policy approaches that consider the diverse challenges faced by different sectors and sizes of SMEs in addressing climate change and regulatory demands. Furthermore, the effectiveness of government interventions, while praised for initial crisis responses, has been criticized for their subsequent complexity and inaccessibility. This highlights the need for more streamlined, SME-friendly support mechanisms that address both immediate financial pressures and long-term sustainability goals, while considering the limited resources and diverse needs of different SME sectors in addressing climate change and regulatory demands.

4.12 Question eleven: Export Performance and Internationalization of Irish SMEs

Based on the insights provided for Question eleven regarding the export performance and internationalization of Irish SMEs, here are the key points.

Key insights:

1. Knowledge and training gap: ISME identifies a significant lack of knowledge and training among SME owners regarding the importance and processes of exporting, highlighting the need for targeted educational initiatives.
2. Insular mindset: DBI points out that Ireland's island status contributes to an insular thinking pattern regarding the exportation of goods, products, and services, potentially limiting SMEs' willingness to explore international markets.
3. Selective support focus: Enterprise Ireland's tendency to support primarily tech and scalable businesses for expansion and export overlooks other sectors with potential, such as e-commerce. This leaves many businesses to self-fund their international strategies.

4. Domestic market comfort: The SFA notes that many small businesses are content to remain within the domestic market, indicating a need for incentives or support to encourage international expansion.
5. Restrictive export support criteria: The SFA suggests that Enterprise Ireland's criteria for export support are too stringent and exclusionary, calling for more flexible and comprehensive support mechanisms to help smaller companies navigate exporting challenges.
6. Investment in human capital: A strong emphasis emerges for the need to invest in people operating or working in SMEs through advice and mentorship programs, helping them understand and seize export opportunities.
7. Potential of e-commerce sector: The responses highlight the untapped potential in the e-commerce sector for B2B opportunities, suggesting a need for more focused support in this area.
8. Emerging market opportunities: The insights point to significant opportunities in emerging markets, particularly in Asia, Africa, and India, due to rising global population and increasing consumer bases in these regions.
9. Need for mindset shift: The responses indicate a need for a broader shift in mindset among Irish SMEs towards recognizing and pursuing international market opportunities.
10. Holistic approach to export support: Ther is a call for a more holistic approach to export support, moving beyond just picking 'winners' to providing comprehensive assistance to a wider range of SMEs.

These insights highlight the complex challenges facing Irish SMEs in terms of export performance and internationalization, while also pointing to clear strategies and opportunities for improvement through targeted policy interventions and support mechanisms. Irish SMEs can overcome insular thinking and expand internationally by implementing targeted educational initiatives to raise awareness about the benefits of exporting, fostering better mentorship programs for guidance, and advocating for more inclusive government support that addresses the unique challenges faced by various sectors. Additionally, leveraging digital technologies and e-commerce platforms can help SMEs tap into global markets, while collaboration with experienced exporters can provide valuable insights and strategies for successful international expansion.

4.13 Question twelve: Workforce and Skills Development

Based on the insights provided for Question twelve regarding workforce and skills development for Irish SMEs, numerous crucial insights surface.

Key insights:

1. Historical training infrastructure gap: The closure of a dedicated state training agency and facility for hospitality careers has left a void in sector-specific training, highlighting the need for renewed focus on specialized training programs.
2. Sector-specific continuous learning: The convenience/food retailing sector emphasizes ongoing investment in mandatory training and upskilling, including new apprenticeship and degree programs. Clearly, a recognized need exists for continuous review and adaptation of these programs to maintain relevance.

3. Early digital skills intervention: Advocacy for integrating digital skills education earlier in the educational system emerges, particularly targeting transition year students, to build a foundation of necessary skills regardless of future career paths.
4. Emerging AI skills gap: A significant gap in AI skills and knowledge has been identified, with unknown opportunities and effects on people and management. This underscores the need for strategic thinking in training programs to adapt to the AI era.
5. Practical skills shortage: An emerging shortage of 400-foot truck drivers in Ireland highlights the need for responsive training initiatives that address practical skills gaps, potentially through an adaptive apprenticeship program.
6. Management skills development: A significant management skills gap has been identified, emphasizing the need for targeted training programs to enhance leadership and management capabilities within SMEs.
7. Entrepreneurial mindset in education: Suggestions strongly indicate a need to incorporate entrepreneurial spirit and mindset development into the second-level education system to foster future business leaders and innovators.
8. Strategic workforce planning: The insights clearly to a need for more strategic and forward-looking workforce planning to anticipate and address future skills requirements in various sectors.
9. Cross-sector collaboration: The responses indicate a potential benefit in fostering collaboration between educational institutions, industry bodies, and SMEs to develop more relevant and effective training programs.

10. Adaptive training frameworks: The need for flexible and adaptive training frameworks that can quickly respond to changing industry needs and technological advancements is evident across the responses.

The insights gathered regarding workforce and skills development in Irish SMEs underscore the pressing need to address historical training gaps and align educational initiatives with the evolving demands of the sector. The closure of dedicated training facilities, as noted by the Vintners Federation of Ireland (VFI), highlights the necessity for renewed focus on sector-specific training programs. Continuous investment in staff training is emphasized by the Retail Grocery Dairy & Allied Association (RGDATA), which advocates for ongoing upskilling and the introduction of new apprenticeship and degree programs. Additionally, the Irish Small and Medium Enterprise Association (ISME) reiterates the importance of the "Blue Cert" initiative to enhance managerial skills and resilience among SME owners.

Furthermore, Digital Business Ireland (DBI) calls for early interventions in the educational system to address digital skills' deficits, targeting transition year students to cultivate essential skills. The Small Firms Association (SFA) identifies significant management and AI skills' gaps, stressing the need for strategic training initiatives that not only focus on new technologies but also address practical skills shortages, such as the emerging demand for truck drivers. Collectively, these insights reveal that a multifaceted approach is required to bridge skill gaps, involving collaboration between educational institutions and industry stakeholders to create relevant, accessible training programs that meet the dynamic needs of Irish SMEs.

4.14 Question thirteen: Skills Shortages and Talent Gaps

The thirteenth research question examines how skills shortages and talent gaps affect the competitiveness and innovation capacity of Irish SMEs, particularly in emerging sectors, and what strategies can be employed to enhance management capabilities and to attract and retain talent within SMEs.

Key Insights:

1. Competitive disadvantage in talent attraction: ISME highlights the "crowding effects" experienced by SMEs due to higher wages offered by large enterprises and the public service, making it challenging for SMEs to attract and retain talent.
2. Labor affordability in hospitality sector: The Restaurants Association of Ireland (RAI) reports a shift in the primary challenge from recruitment and retention to labor affordability. This is driven by government-induced policies, higher living costs, and increased operational expenses. These consequences include reduced operational hours and increased reliance on employees with work permits, while skills' shortages persist in certain areas.
3. SMEs vs. MNCs in talent attraction: Digital Business Ireland (DBI) notes that SMEs often struggle to compete with multinational corporations (MNCs) in attracting talent. Strategies suggestions include highlighting broader lifestyle benefits (e.g., seaside living, cheaper housing) to attract talent to SMEs. The development of work hubs and relevant university programs is seen as crucial for supporting digital industry growth and talent retention.
4. Need for enhanced management capabilities: The Small Firms Association (SFA) emphasizes the importance of practical training, guidance, and mentorship to enhance

management capabilities within SMEs. SMEs require support to understand and leverage opportunities in exporting and digital transformation.

5. Impact on operational efficiency and innovation: These skill gaps and workforce challenges significantly affect the operational efficiency, growth, and innovation potential of Irish SMEs.
6. Multifaceted approach required: Addressing these challenges necessitates a comprehensive strategy including early educational interventions, targeted training programs, and strategic support to enhance management capabilities and talent retention.

These insights stress the complex interplay between skills shortages, talent attraction, and the competitiveness of Irish SMEs. The findings underscore the need for tailored strategies that address both immediate workforce needs and long-term talent development, particularly in emerging sectors. The next chapter will explore the implications of these findings and potential strategies for addressing workforce and skills development in Irish SMEs.

4.15 Question fourteen: Regulatory Environment and Business Environment for Irish SMEs

The fourteenth research question explores the regulatory burdens and bureaucratic processes that impede the growth and profitability of Irish SMEs, and what reforms are necessary to streamline regulatory compliance and foster an environment conducive to SME innovation and entrepreneurship.

Key Insights:

1. Fragmented and complicated licensing system: The VFI accentuate the complexity of opening and managing a licensed premises in the hospitality sector, requiring about

seventeen licenses and permits managed by six different departments and agencies. The lack of communication between these agencies contributes to the bureaucratic burden. Similarly, RGDATA explains that the food, retail, and convenience shop sector must deal with over twenty different licensing requirements and inspections from several state agencies and departments, leading to inefficiencies and duplication. A single licensing and inspection system would be more efficient and less bureaucratic.

2. Multifaceted regulatory challenges: RGDATA provides a comprehensive list of regulatory challenges facing independent convenience food SMEs in 2024, including enhanced reporting of non-taxable benefits, increased annual paid sick leave, new environmental schemes (e.g., Deposit Return Scheme), new public holidays, minimum wage increases, potential pension auto-enrolment schemes, increased insurance premiums, and changes in age restrictions for purchasing certain products.
3. EU Small Business Act (SBA) criteria: ISME points out that Ireland should apply the EU Small Business Act (SBA) criteria to new legislation impacting SMEs. The SBA, designed by the EU Commission in 2008, includes principles to promote entrepreneurship, improve access to finance, and cut regulatory red tape for SMEs.
4. Housing crisis impact: The Restaurants Association of Ireland (RAI) emphasizes that the housing crisis significantly impacts SMEs' ability to recruit and retain staff, affecting wage pressures, overall business costs, and Ireland's attractiveness for international talent. This issue is particularly acute in the tourism and hospitality sector.
5. Tax relief and investment incentives: Digital Business Ireland (DBI) suggests increasing entrepreneurs' tax relief, reducing capital gains tax, and maintaining the

current rate of the Employment and Investment Incentive Scheme (EIIS) to foster entrepreneurship and investment.

6. Regulatory overload: The Small Firms Association (SFA) highlights the overwhelming pace of regulatory change in recent years. Businesses, especially post-COVID-19, are struggling to keep apace with new regulations, including auto-enrolment pensions, increased PRSI contributions, and minimum wage legislation, all contributing to higher labor costs. Additionally, inflationary pressures and high banking costs further strain SMEs.
7. Need for regulatory respite: The SFA emphasizes that businesses need "breathing space" from new regulations, as they feel overwhelmed, stressed, and overburdened with red tape.

These insights reveal a complex regulatory landscape for Irish SMEs, characterized by fragmented systems, rapid changes, and indirect impacts from broader economic issues like the housing crisis and heightened energy bills. The responses suggest a need for streamlining regulatory processes to heighten their adaptability for workers and businesses, considering the cumulative impact of various regulations on SMEs, and potentially providing periods of regulatory stability to allow businesses to adapt and grow. This also advocates the need for policymakers to implement the principles of the EU SBA into all enterprise-related legislation changes that impact SMEs. The implications of these findings and potential strategies for regulatory reform will be explored further in the next chapter.

4.16 Question fifteen: Impact of Rising Costs on Irish SMEs' Competitiveness

The fifteenth research question explores how rising costs in areas such as housing, childcare, and labour affect the competitiveness of Irish SMEs, and what policy measures can mitigate these cost pressures to support SME sustainability and growth.

Key Insights:

1. Housing crisis impact: The Vintners Federation of Ireland (VFI) and RGDATA underline that housing shortages exacerbate staffing issues, forcing businesses to recruit from afar and provide accommodation. This not only increases operational costs but also fuels wage demands, as employees seek compensation to cover high housing expenses, thereby affecting SMEs' competitiveness.
2. Childcare challenges: Rising childcare costs significantly impact business viability, as noted by Digital Business Ireland (DBI). The Small Firms Association (SFA) adds that increased regulatory compliance in the childcare sector is pushing providers out of business, particularly affecting baby room facilities. This creates additional pressure on SMEs to offer higher wages to attract and retain staff who face high childcare expenses.
3. Government policy and cost inflation: ISME argues that government policies are elevating costs faster than the rate of inflation. Specifically, tax policies have negatively impacted the supply of affordable rental accommodation, further exacerbating housing costs and, consequently, wage demands.
4. Sector-specific impacts: RGDATA points out that food and convenience retailers provide crucial part-time positions for parents and carers, supporting work-life balance. However, the childcare sector faces significant challenges due to excessive regulatory

compliance, which increases operational costs and impacts the overall viability of SMEs in this sector.

5. Proposed solutions: DBI suggests several policy measures to mitigate cost pressures, including universal, state-provided childcare to help with costs, allocating more land for residential development to address the housing shortage, and elevator funding with mentoring programs for businesses capable of rapid scaling. These measures aim to reduce operational costs and support SME growth.
6. Strategic planning gap: The SFA points out that the government's approach to the SME sector lacks a clear strategic plan or roadmap, contrasting with the more focused approach to the Foreign Direct Investment (FDI) sector. This “scattershot” approach results in inconsistent support and missed opportunities for addressing the specific needs of SMEs.

These insights highlight the complex interplay between rising costs in housing, childcare, and labour and the competitiveness of Irish SMEs. The responses suggest that these cost pressures are not only directly impacting SMEs' foundations but also affecting their ability to recruit and retain staff. The contrasting approaches to different sectors within the SME landscape highlight the need for more cohesive and strategic policy-making to address these challenges effectively. The implications of these findings and potential strategies for mitigating cost pressures will be explored further in the next chapter.

4.17 Question sixteen: Factors Contributing to Low Business Dynamism and Constrained Start-Up Rates in Ireland

The sixteenth research question explores the factors contributing to the low business dynamism and constrained start-up rates observed in Ireland, and how policy initiatives can stimulate entrepreneurial activity and foster a culture of innovation within the SME sector.

Key Insights:

1. Isolation and lack of support: The Retail Grocery Dairy & Allied Association (RGDATA) notes that SME entrepreneurs often feel isolated and unsupported. This sense of neglect is particularly acute among those employing 50-100 people, who feel burdened by new wage and regulatory costs without adequate representation or support, leading to frustration and disengagement.
2. Unaccommodative tax policy: The Irish Small and Medium Enterprise Association (ISME) points out that current tax policies are not favourable for SMEs. High corporate tax rates, elevated PRSI rates, and complex processes for claiming R&D tax credits deter entrepreneurial activity. Additionally, the public service's low regard for SME owners and the self-employed further discourages potential entrepreneurs.
3. Lack of confidence and support: Digital Business Ireland (DBI) highlights a significant lack of confidence among potential entrepreneurs, which hampers business start-ups. They emphasize the need for vibrant and well-resourced Local Enterprise Offices (LEOs) to provide the necessary support and encouragement for micro and SME businesses to take the leap into entrepreneurship.
4. High cost of doing business: The Small Firms Association (SFA) underscores that escalating business costs, including increased minimum wages and additional

government regulations, are demoralizing small business owners. While the start-up ecosystem is robust, the main challenge lies with "stay-ups," or existing businesses that struggle to grow due to high operational costs and regulatory burdens.

These insights reveal that a combination of isolation, unaccommodative tax policies, lack of confidence and support, and high business costs are contributing to the low business dynamism and constrained start-up rates in Ireland. Considering SMEs are the backbone of the Irish economy, this is a rather alarming finding. Addressing these issues requires a multidimensional approach, including better support structures, more accommodating tax policies, and measures to boost confidence among potential entrepreneurs. The implications of these findings and potential strategies for stimulating entrepreneurial activity and fostering a culture of innovation within the SME sector will be explored further in the next chapter.

4.18 Question seventeen: Implications of Geopolitical Tensions and Global Business Politics on Irish SMEs

The seventeenth research question explores the implications of geopolitical tensions and global business politics on Irish SMEs, and how they can adapt to the legal and political ramifications of globalization.

Key Insights:

1. Impact of the Ukraine war and Brexit: The Retail Grocery Dairy & Allied Association (RGDATA) emphasizes the significant impact of the Ukraine war on food convenience retailers, primarily due to soaring energy bills that have not returned to pre-war levels. Brexit has further exacerbated the situation by affecting prices across the board. Despite the sector's general agility, the unprecedented increased costs imposed globally,

nationally, and locally over the past twelve months have led to shop closures, heightening the severe strain on SMEs.

2. Supply chain disruptions: Digital Business Ireland (DBI) clarifies that growing tensions between the EU and China, and the potential for a trade war, have notable incidental impacts on supply chains. Irish SMEs, like businesses worldwide, are struggling with supply chain costs and logistics. DBI emphasizes the need for focused and targeted briefings from the Department of Enterprise, Trade and Employment (DETE) to help businesses understand opportunities for sourcing supplies from alternative markets to drive competitiveness.
3. Role of representative bodies: The Small Firms Association (SFA) underscores the critical role of representative bodies like the SFA and ISME in distilling government policies and wider information to SMEs. They advocate for regular briefings by government departments with SME representative organizations to ensure new information and data are effectively communicated down the chain. The SFA highlights the importance of independent representative organizations in improving communication channels and providing valuable support to SMEs navigating complex global challenges.

These insights reveal the widespread effect impact of geopolitical tensions and global business politics on Irish SMEs, particularly in terms of energy costs, supply chain disruptions, and the need for effective communication and support from government and representative bodies. The responses suggest that while SMEs are generally adaptable, the current global landscape presents unprecedented challenges that require coordinated efforts to address. The implications of these findings and potential strategies for helping SMEs adapt to the legal and political ramifications of globalization will be explored further in the next chapter.

4.19 Question eighteen: Influence of Industrial and Enterprise Policy on Irish SMEs

The eighteenth research question explores how both industrial and enterprise policy influence the economic strategy and performance of small, advanced economies like Ireland, and whether these policies are overly influenced by the FDI sector.

Key Insights:

1. Perceived bias towards FDI: RGDATA expresses concern that the Department of Enterprise, Trade and Employment, which is supposed to support SMEs, is imposing additional burdens on them. They believe there is disproportionate influence from FDI, larger businesses, and the public sector on policy, while SMEs have little to no input. A specific criticism is the inclusion of multinational and public sector wages in the "Living Wage" calculation, which they argue skews the median wage and imposes unrealistic standards on SMEs, potentially reducing their competitiveness and profitability.
2. Focus on FDI over indigenous enterprises: ISME argues that indigenous enterprise policy is overly focused on the FDI sector. They note three findings: the R&D credits are not widely used by SMEs, the Key Employee Engagement Programme (KEEP) is ineffective; and, the Employment and Investment Incentive Scheme (EIIS) is too complex. ISME suggests that tax policy prioritizes anti-avoidance over industrial policy, disadvantaging SMEs. Similarly, DBI acknowledges that policies typically focus on multinational corporations (MNCs) but notes the indirect benefits to other

businesses through the multiplier effect. They highlight a recent shift in industrial policy where the IDA Ireland is willing to take equity stakes in foreign businesses locating in Ireland, suggesting similar state measures must be introduced for promising SMEs to foster the next generation of entrepreneurs.

3. Need for updated SME policy: The SFA praises the positive impact of the Irish FDI roadmap and strategy but criticizes the current White Paper on Enterprise 2022-2023 as outdated and insufficient for SMEs. They call for a new focus and long-term vision for SME policy, emphasizing the need for greater government accountability and clearer support mechanisms.
4. Call for meaningful consultation: A strong urge for meaningful input and consultation with the SME sector is required to address key challenges in areas such as access to finance, tailored supports, digital transformation, cutting red tape, innovation, and education and training.

These insights reveal a perceived imbalance in policy focus, with a strong emphasis on supporting FDI potentially at the expense of indigenous SMEs. While policies supporting MNCs can have indirect benefits for the broader business ecosystem, a clear need for more direct and tailored support mechanisms for SMEs is evident to ensure their growth and sustainability. The implications of these findings and potential strategies for balancing industrial and enterprise policy to better support SMEs will be investigated further in the next chapter.

4.20 Questions nineteen and twenty: Role of Research and Innovation in Irish SMEs

The nineteenth and twentieth research questions explore overlapping themes regarding the role of research and innovation in driving productivity, competitiveness, and sustainability within Irish SMEs. These questions also examine how government policies can encourage greater investment in R&D activities and foster collaboration between SMEs and research institutions. The responses from various representative organizations provide insights into the current state of research and development activities within Irish SMEs, the challenges they encounter, and potential areas for improvement. Based on the insights provided for these questions, here is a combined summary of the **key insights:**

1. Critical role in food/convenience sector: RGDATA emphasizes the vital importance of research and innovation in the food and convenience retail sector. Irish convenience and fresh food retailers are noted for their ability to compete globally through constant innovation. This sector demonstrates how research and innovation can directly impact competitiveness and sustainability.
2. Investment in food academies and new producers: RGDATA highlights the investment in food academies and support for new producers as key areas where government investment and tax breaks can foster further innovation. This suggests a model for how targeted support can encourage R&D and innovation in specific sectors.
3. Challenges in SME participation: Digital Business Ireland (DBI) points out the difficulty in getting SMEs to participate in high-level research projects due to their immediate business demands. SMEs are generally more interested in end products rather than involvement at the research stage, indicating a need for strategies to make research participation more accessible and relevant to SMEs.
4. Simplification of R&D tax credits: The Small Firms Association (SFA) advocates for simplifying the R&D tax credit scheme for SMEs. They propose a pre-approval process with less ambiguity and additional mentorship support to help SMEs navigate the

complexities of R&D initiatives. This suggests that current R&D support mechanisms may be too complex for many SMEs to utilize effectively.

5. Low penetration of R&D support among SMEs: ISME notes that the penetration of the R&D tax credit and the Knowledge Development Box (KDB), a tax incentive policy reducing total corporation tax from 12. Percent to 6.25 percent, among SMEs is extremely low in fiscal terms. They argue that these schemes are designed with rules and criteria more appropriate for large and publicly quoted companies rather than domestic SMEs.
6. Disproportionate benefit to large enterprises: ISME explains that despite SMEs comprising the majority of active enterprises, 71 percent of the cost associated with the R&D tax credit flows to large businesses employing over 250 employees. This highlights a significant disparity in how R&D support is distributed across the business landscape.
7. Need for targeted policy reform: The insights suggest a need for policy reform to make R&D support more accessible and relevant to SMEs. This could include simplifying application processes, providing more direct support and mentorship, and tailoring R&D incentives to the specific needs and capacities of SMEs.
8. Potential for collaboration: While not explicitly mentioned, the insights suggest potential for fostering greater collaboration between SMEs and research institutions. This could involve creating platforms or programs that bridge the gap between academic research and practical business applications, making it easier for SMEs to engage with and benefit from research activities.

These insights underscore the pivotal role of research and innovation in enhancing SME competitiveness, particularly in sectors like food and retail. However, they also reveal significant barriers to making R&D support accessible and relevant to SMEs. Addressing these challenges through targeted policy reforms and support mechanisms could greatly amplify the impact of research and innovation on productivity, competitiveness, and sustainability within Irish SMEs.

Insights from Questions 20 and 21 highlight that while research and innovation are crucial for driving productivity, competitiveness, and sustainability within Irish SMEs, there are considerable obstacles to SME participation in R&D activities. The complexity of the current R&D tax credits' system and communication issues emerge as key challenges. Overcoming these barriers requires simplified processes, improved communication, and targeted support to encourage greater investment in R&D and to foster collaboration between SMEs and research institutions.

The implications of these findings, along with potential strategies for enhancing R&D participation among SMEs, will be considered further in the next chapter

4.21 Question twenty-one: Economic and Social Impacts of Multinational Corporations on Irish SMEs

The twenty-first research question examines the economic and social impacts of multinational corporations (MNCs) attaining unprecedented market dominance on Irish SMEs, and how these smaller enterprises can adapt to the legal and political ramifications of globalization.

Key Insights:

1. Competition in retail sector: The Retail Grocery Dairy & Allied Association (RGDATA) highlights the intense competition faced by independent food and

convenience retailers from global grocery giants like Aldi, Lidl, and Tesco. They express concern about the practice of allowing these multinationals to build on greenfield sites outside towns with free parking, which they argue is hollowing out towns and villages, causing the slow death of main streets.

2. Community role of independent retailers: RGDATA emphasizes the unique role of independent food and convenience shops in communities. Local shop owners are often deeply invested in their communities, supporting local groups, charities, sports, and other activities. The closure of these shops results in the loss of valuable local resources that cannot be replicated by global multinationals, despite their public relations efforts.
3. Crowding effects and labour market dynamics: The Irish Small and Medium Enterprise Association (ISME) points out the crowding effects and symptoms of "Dutch disease" or "Silicon Valley Syndrome." Younger workers are particularly attracted to multinational corporations (MNCs) or the public service, potentially draining talent from SMEs. ISME argues that without a greater balance between indigenous and FDI/MNC enterprises, Ireland's economy will suffer, increasing economic inequality and creating a two-tier economy.
4. Economic vulnerabilities: Digital Business Ireland (DBI) highlights several risks associated with MNC dominance, including job risks, over-dependence on a mobile sector, loss of indigenous Irish companies, and impacts on communities. They emphasize the need for focused and targeted briefings from the Department of Enterprise, Trade and Employment (DETE) to help businesses understand opportunities for sourcing supplies from other markets to drive competitiveness.

5. Positive spin-offs and learning opportunities: The Small Firms Association (SFA) acknowledges that there are positive spin-offs from MNC presence. However, they emphasize the need to enhance and embed these benefits to make them more sustainable. The SFA suggests that SMEs can learn from multinationals, particularly in areas like digital technology and cybersecurity, to improve their own practices and competitiveness.
6. Need for enhanced benefits: The SFA calls for efforts to gain more from the current situation, suggesting that the spin-offs from MNC presence should become more sustainable and beneficial for the broader economy. They advocate for policies that better integrate the benefits of MNCs into the local economy and support the growth of indigenous SMEs.

These insights reveal a complex relationship between multinational corporations and Irish SMEs. While MNCs bring economic benefits and potential learning opportunities, their dominance also poses significant challenges for local businesses, particularly in retail and labour markets. The responses suggest a need for balanced policies that can harness the benefits of MNC presence while protecting and nurturing the indigenous SME sector. The implications of these findings and potential strategies for managing the impact of MNCs on Irish SMEs will be probed further in the next chapter.

4.22 Question twenty-two: Disparities Between the Multinational Sector and the Domestic Side of the Irish Economy

Building on the insights from the previous question about the impact of multinational corporations (MNCs) on Irish SMEs, the twenty-second research question elucidates the disparities between the multinational sector and the domestic side of the Irish economy, particularly considering events such as the COVID-19 pandemic.

Key Insights:

1. Pay and policy disparities: ISME highlights that pay, regulation, and tax policies are optimized for Foreign Direct Investment (FDI) rather than for domestic SMEs. This creates a great disparity between the multinational sector and the domestic side of the economy, reinforcing the "two-tier" economic structure mentioned in the previous question.
2. Cost absorption capabilities: The RAI points out that multinationals have a greater ability to withstand sudden and significant cost increases, such as those in energy and food costs. In contrast, these spikes have severely impacted SMEs, particularly in the energy-dependent hospitality sector. Government measures to improve working conditions will have a negligible impact on MNCs but will disproportionately affect SMEs, increasing labour costs by 19 percent by 2026.
3. Complexity of government support: DBI observes that while MNCs receive comprehensive support from the government, particularly through the IDA, SMEs find the application process for government support overly taxing and complex. This disparity in access to support further widens the gap between multinational and domestic sectors.
4. Economic vulnerabilities: Building on the previous question's insights, DBI reiterates that the dominance of MNCs creates economic vulnerabilities, such as job risks and over-dependence on a mobile sector. This can lead to the loss of indigenous Irish

companies and negative impacts on local communities, highlighting the need for a more balanced economic structure.

5. Need for simplified support systems: The SFA emphasizes the need for simplified and user-friendly support systems for SMEs. The current complexity of government support schemes makes it difficult for smaller businesses to access the help they need, contrasting sharply with the comprehensive support available to MNCs.

These insights reveal significant disparities between the multinational sector and the domestic side of the Irish economy, exacerbated by events such as the COVID-19 pandemic. While MNCs can absorb cost increases and navigate complex support systems, SMEs struggle with these challenges. This builds upon the previous question's findings about the impact of MNC dominance, highlighting the need for a more balanced approach to policy-making that considers the unique needs of domestic SMEs.

The implications of these findings and potential strategies for mitigating these disparities will be reviewed further in the next chapter, focusing on how to create a more equitable business environment that supports both multinational and domestic sectors of the Irish economy.

4.23 Question twenty-three: GDP and Economic Indicators

Building on the previous questions about disparities between multinational and domestic sectors, the twenty-third research question probes to what extent the headline GDP figures accurately reflect the true state of the Irish domestic economy, especially for SMEs, and how other indicators might provide a clearer picture.

Key Insights:

1. Discrepancy between high-tech and high-street sectors: The Vintners Federation of Ireland (VFI) emphasizes the distinction between 'High Street' Ireland and 'High Tech' Ireland. They argue that policies based on earnings in tech and pharma sectors, such as the living wage, are unsuitable for high street enterprises that operate from a lower base and at a slower pace.
2. Challenges for local independent stores: RGDATA notes that national statistics showing full employment and overflowing tax coffers do not reflect the challenging reality faced by local independent food and convenience stores. Many owners are reconsidering their future in the business due to these challenges.
3. GDP as a devalued indicator: ISME describes GDP as a devalued figure that fails to accurately represent the domestic economy. They suggest that SMEs operate in the GNI (Gross National Income adjusted for globalization effects) world, which provides a more accurate reflection of their economic environment.
4. Disparity in business openings and closures: The RAI points out that while the general economy may show a high ratio of business openings to closures (10:1), the food-led hospitality sector is experiencing more closures than openings, indicating a significant disparity not captured by headline GDP figures.
5. VAT receipts as a better indicator: DBI suggests that VAT receipts provide a more accurate picture of the domestic economy than GDP figures, which are distorted by the exportation of products from the multinational corporation (MNC) sector.
6. Employment figures and SME representation: The SFA emphasizes that employment figures for the SME sector are not accurately captured by GDP data, which is skewed

to reflect the FDI sector. They also note that SMEs find it overly taxing and complex to navigate government supports, which are largely tailored within the current MNC policy-making narrative.

These insights reveal that headline GDP figures do not accurately reflect the true state of the Irish domestic economy, particularly for SMEs. The responses suggest that alternative indicators, such as GNI, VAT receipts, and specific sectoral data, provide a clearer picture of the economic environment faced by SMEs. This analysis builds upon the previous questions by further highlighting the disconnect between the experiences of multinational corporations and domestic SMEs. It underscores the need for a more nuanced approach to economic measurement and policy-making that considers the unique challenges and contributions of the domestic SME sector.

The implications of these findings and potential strategies for improving economic indicators, to better reflect the state of the domestic economy, will be explored further in the next chapter. This exploration will focus on developing a more comprehensive and accurate representation of the Irish economy that can inform more effective and equitable policies for both multinational and domestic sectors.

4.24 Question twenty-four: Additional Feedback and Policy Gaps

The final optional feedback question aimed to gather additional insights and elaboration on potential policy gaps from the respondents. Specifically, it sought to understand how policymakers could deliver quick wins by allocating resources to fill these gaps and spur SME development and growth.

Key Insights:

1. Strategic importance of SMEs: ISME emphasizes the critical role of SMEs in Ireland's economy, noting that they make up 99.8% of the business demography, employ 60% of the workforce, and contribute 3.8 times more to the state in net national product terms compared to other sectors. They highlight the need for the state to formally engage with the SME sector in the same way it does with the multinational, semi-state, and public sectors.
2. Cost of living and business challenges: ISME stresses that addressing the cost of living and doing business is crucial, rather than solely focusing on wage increases. They suggest that the government has tools to address these issues but has not yet exercised the willingness to do so. Proposed changes to PRSI and CGT could potentially yield an additional €1.4 billion to the Exchequer.
3. Public service efficiency: ISME calls for a comprehensive review of public spending and service delivery, proposing the establishment of standing commissions on public spending and public service pay. They emphasize that simply increasing funding without reform will not improve outcomes for citizens.
4. Indigenous industrial policy: ISME notes signs of "Dutch disease" in the Irish economy, where a significant increase in income from MNCs is leading to a decline in the SME part of the economy. They call for an all-encompassing review of indigenous industrial policy to rebalance the national economy, stressing the need for upskilling SME management and workers to address productivity shortfalls, as set out in the previously mentioned ‘Blue Cert’ proposal.

5. Sector-specific challenges: The Restaurants Association of Ireland (RAI) highlights that the food-led hospitality industry is primarily focused on viability issues, with 74% of their members not expecting to be open next year without the reinstatement of the lower 9% VAT rate. They note that many SMEs in their sector are not currently focused on improving digital capacity or sustainability practices due to immediate viability concerns.
6. Research-based insights: The Small Firms Association (SFA) refers to their research survey, which captures additional insights into the challenges and needs of SMEs. They emphasize the need for simplified and user-friendly support systems for SMEs.
7. Access to finance and liquidity issues: A recurring theme is the lack of access to finance and low liquidity among SMEs. Many businesses struggle to match fund government grants due to low levels of cash. A call for a standalone state agency or government department is present, dedicated to advocating for SMEs and addressing their unique financial challenges.

These insights reveal that while the questions aim to provide a comprehensive framework for investigating the challenges and opportunities facing Irish SMEs, additional feedback highlights several critical areas for policy intervention. The responses suggest that policymakers need to formally engage with the SME sector, address cost pressures, improve public service efficiency, and provide targeted support for struggling sectors like hospitality. The implications of these findings and potential strategies for addressing these policy gaps and delivering quick wins to spur SME development and growth will be delved into in the next chapter.

4.25 Themes and Closing Remarks:

Based on the comprehensive responses gathered from the various questions, ten key themes have emerged that effectively capture the key insights from all the questions (one to twenty-four), encapsulating the challenges and opportunities facing Irish SMEs. Each theme synthesizes the diverse perspectives of the representative organizations and highlights critical areas for policy improvement and targeted support. Below is an overview of the themes, enhanced with additional context and suggestions for further exploration where needed:

1. **Government Policy Disconnect and SME-MNC Divide**

   This theme underscores the significant disconnect between policies designed for multinational corporations (MNCs) and the needs of domestic SMEs. The responses highlight the importance of tailored, consultative approaches to policy-making that consider sector-specific needs. The call for simplification of complex application processes for support schemes is crucial to reducing administrative burdens and improving accessibility. There is a strong need for systematic consultations with SME representatives, to ensure their voices are heard in policy discussions, particularly considering the influence of MNCs on the Irish economy.

2. **Financial Challenges and Obstacles**

   SMEs face severe financial challenges, particularly in sectors like hospitality and blue-collar services, where stringent lending criteria and rising operational costs threaten sustainability. The legacy of the 2008 financial crash has created a trust deficit with banks, forcing many SMEs to rely on alternative funding sources. Addressing these financial challenges requires innovative funding solutions, government-backed financial support, and a focus on improving liquidity for SMEs. The responses suggest that enhancing access to affordable insurance and addressing rising energy costs are also critical to supporting SME resilience.

3. Standalone State Agency for SMEs

Dominant support exists for establishing a new standalone state agency dedicated to SMEs. This agency would serve as a centralized hub for advocacy and support, ensuring that the unique challenges faced by SMEs are prioritized in policy discussions. By providing tailored support and simplifying access to resources, the agency could enhance representation for domestic, non-exporting SMEs, which are currently underserved. This initiative would address the current imbalance in support between MNCs and SMEs, fostering a more equitable business environment. By creating a dedicated agency, the government could enhance its ability to develop and implement support programs specifically designed for SMEs. This would include addressing the needs of non-exporting businesses, which are often underserved in the current landscape. A standalone agency would streamline access to resources, simplifying the process for SMEs to obtain funding, training, and other necessary support. This centralization would reduce the complexity that many SMEs face when navigating existing support structures.

Moreover, the agency could cultivate sector-specific expertise, providing nuanced guidance that is more effective than generalist approaches. It would act as a bridge between the government and SMEs, facilitating better communication and ensuring that government initiatives align with the realities of the SME sector. Enhanced coordination among existing support structures, such as Enterprise Ireland (EI) and Local Enterprise

Offices (LEOs), could also be achieved through this agency, optimizing resource allocation and reducing duplication of efforts. The establishment of a standalone agency is seen as a crucial step toward addressing the current imbalance in support between MNCs and SMEs. By focusing on the unique needs of the domestic SME sector, the agency could drive meaningful change and foster a more equitable business environment. This initiative would not only empower SMEs but also contribute to a more resilient and diverse economy, ultimately enhancing the overall competitiveness of Ireland's business landscape.

4. Cost of Doing Business and Regulatory Burdens

The rising cost of doing business due to increased regulatory burdens is a major concern for SMEs. The responses highlight the need for a comprehensive review of current regulations to assess their impact on small businesses. Regulatory impact assessments should be conducted to ensure that new policies do not inadvertently stifle SME growth. Simplifying compliance processes and reducing red tape can help restore confidence among SMEs, enabling them to focus on growth and innovation.

5. Digital Transformation and Barriers to Adoption

Digital preparedness among SMEs varies significantly, with many lagging in their adoption of technology. There is a pressing need for inclusive government support schemes and targeted upskilling initiatives to help SMEs leverage digital transformation opportunities. Addressing barriers such as high costs, lack of internal expertise, and cybersecurity concerns is essential. Cross-sector collaboration and public-private partnerships can play a pivotal role in facilitating digital adoption and ensuring that SMEs are equipped to compete in a digital economy.

6. Innovation and R&D Support

The responses indicate a critical need for enhanced support for innovation and research and development (R&D) among SMEs. Many SMEs face barriers to accessing existing R&D tax credits and funding opportunities. Simplifying the application processes for these programs and providing mentorship can encourage greater participation in innovation initiatives. Additionally, fostering collaboration between SMEs and research institutions can drive innovation and help SMEs adapt to changing market demands.

7. Export Performance and Internationalization

Low export performance among Irish SMEs is attributed to a lack of knowledge, training, and insular thinking. To stimulate international expansion, more flexibility is required for export support criteria and investment in mentorship programs that provide guidance on entering foreign markets. Learning from successful high-exporting SMEs in other countries can offer valuable insights and strategies for Irish businesses.

8. Professionalization and Skills Development

Skill gaps and workforce challenges significantly impact the operational efficiency and innovation potential of SMEs. Continuous investment in staff training, early educational interventions, and initiatives like the "Blue Cert" qualification framework are essential to address these gaps. Collaboration with educational institutions and industry bodies can enhance the effectiveness of these initiatives. Moreover, creating a more appealing work environment and career growth opportunities within SMEs can help attract and retain talent.

9. Resilience and Crisis Preparedness

The findings suggest that SMEs need to develop greater resilience and preparedness for future crises. Lessons learned from the COVID-19 pandemic and Brexit should inform strategies for crisis management and business continuity planning. Building financial and operational resilience will be crucial for SMEs to navigate uncertain economic landscapes.

10. Sustainability and Green Transition

As SMEs face increasing pressure to adopt sustainable practices, government financial assistance and policy interventions are necessary to support this transition. Addressing the cost barriers to implementing sustainability measures and providing guidance on best practices can help SMEs become more environmentally responsible while maintaining competitiveness.

The interplay between government policy, financial constraints, digital transformation, and workforce development emerges as a critical factor in shaping the future of the SME sector in Ireland. Addressing these themes through strategic initiatives, informed by comparative analysis and best practices, can significantly improve the operational environment for SMEs. The ten themes encapsulate the core challenges and perspectives shared by representative organizations, highlighting areas for policy improvement and targeted support. These insights provide a foundation for developing targeted recommendations and strategies to support the growth and sustainability of Irish SMEs in an increasingly competitive global marketplace. While future research should continue to explore these themes and their implications for policy-making, the next chapter will expand upon these findings, offering detailed analysis and actionable recommendations to ensure the unique challenges and contributions of the SME sector are adequately addressed.

4.26 Conclusion

The comprehensive analysis of the Irish SME landscape presented in this chapter reveals a complex ecosystem characterized by resilience, innovation, and significant challenges. The insights gathered from representative organizations underscore the multifaceted nature of the issues facing Irish SMEs, ranging from financial constraints and regulatory burdens to skill gaps and competitive pressures from multinational corporations. These findings emphatically highlight the need for a nuanced, balanced approach to policy-making that addresses the unique needs of the SME sector while fostering an environment conducive to growth and innovation.

The themes that have emerged from this research provide a robust foundation for developing targeted strategies to support Irish SMEs. As we transition to the discussion and recommendations chapter, these insights will serve as critical guideposts for formulating actionable policies and initiatives. The subsequent analysis will delve deeper into the implications of these findings, exploring synergies between policymakers, industry leaders, and SMEs themselves to create a more resilient and dynamic SME sector.

The discussion will prioritize areas requiring immediate intervention, such as enhancing access to finance, streamlining regulatory compliance, and addressing the pressing need for a standalone state agency dedicated to SME support. Concurrently, it will aim to address longer-term strategic imperatives, including the enhancement of digital capabilities, fostering innovation, and improving export performance. By synthesizing the diverse perspectives presented in this chapter, we aim to construct a comprehensive roadmap for strengthening the position of Irish SMEs in the global economy.

Furthermore, the forthcoming recommendations will be contextualized within the broader economic landscape, considering the evolving symbiosis between SMEs and multinational corporations, the impact of global events such as Brexit and the COVID-19 pandemic, and the imperative for more accurate economic indicators that truly reflect the realities of the SME sector. This holistic approach will ensure that our proposed strategies are not only responsive to current challenges but also forward-looking, positioning Irish SMEs for sustainable growth and success in an increasingly complex and competitive global marketplace.

In conclusion, the findings presented in this chapter serve as a clarion call for transformative action. As we move forward, the goal is not merely to address the challenges faced by Irish SMEs but to catalyse a paradigm shift in how these vital economic actors are supported and empowered. The subsequent chapter will build upon these insights to chart a course towards a more vibrant, resilient, and globally competitive Irish SME sector, one that serves as a cornerstone of national economic prosperity and innovation.

CHAPTER 5: DISCUSSION

5.1 Introduction

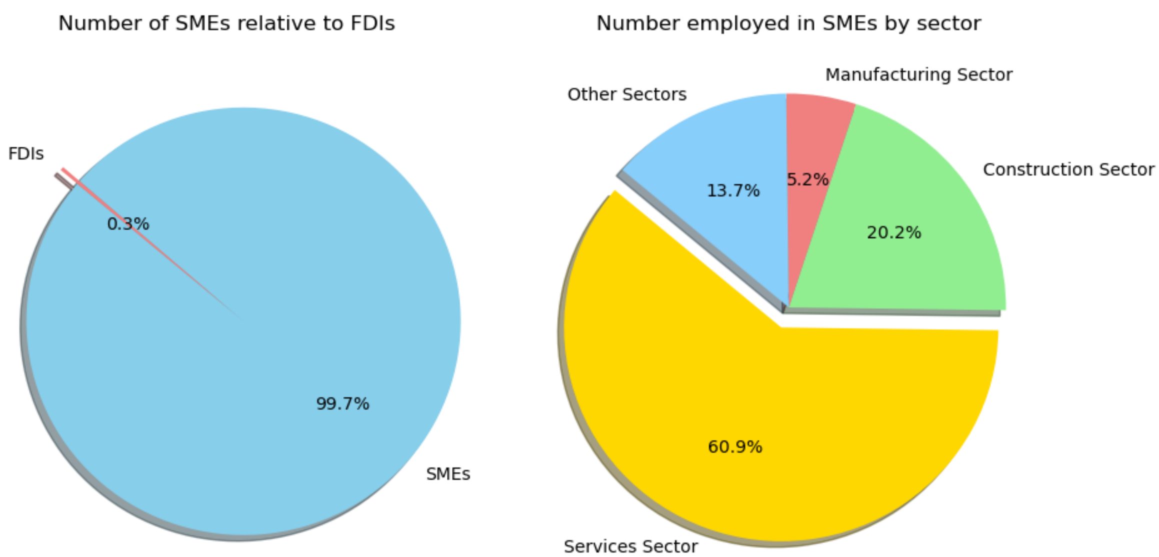
This chapter synthesizes and critically examines the findings from the comprehensive analysis of challenges and opportunities facing Irish small and medium-sized enterprises (SMEs), as elucidated in the preceding chapter. By integrating insights from key stakeholders across diverse sectors, this discussion aims to provide a nuanced understanding of the current landscape for SMEs in Ireland and identify actionable strategies for policymakers, industry leaders, and SMEs to foster a more robust and resilient SME sector.

This chapter addresses the research objectives outlined in Chapter one, which encompass examining the efficacy of existing industrial and enterprise policies, evaluating their impact on the SME sector, and proposing evidence-based recommendations for enhancing the support framework for Irish SMEs. These objectives were carefully selected to address the critical gap in understanding between policy intent and real-world outcomes for SMEs, a theme echoed in recent literature (Skilling, 2022; OECD, 2023; Lawless et al., 2022; Anwar and Mang, 2022Author, Year).

The foundation of this discussion is built upon an in-depth analysis of qualitative data gathered from six key SME representative organizations in Ireland. This rich dataset, comprising insights from the Vintners Federation of Ireland (VFI), Retail Grocery Dairy & Allied Association (RGDATA), Irish Small and Medium Enterprise Association (ISME), Restaurants Association of Ireland (RAI), Digital Business Ireland (DBI), and Small Firms Association (SFA), provides a comprehensive picture of the SME landscape. These organizations were strategically chosen for their diverse sectoral representation and their significant roles in advocating for SME interests, ensuring a holistic view of the challenges, threats, and opportunities facing Irish SMEs.

According to the latest figures from the Central Statistics Office (CSO, 2021), there are 249,338 active Irish SMEs, accounting for 99.8 percent of all active enterprises in Ireland. These SMEs, defined as enterprises employing fewer than 250 employees, stand in stark contrast to the mere 698 enterprises (0.2 percent) that exceed this employee threshold. In terms of overall employment, Irish SMEs contribute significantly, accounting for 69.2 percent of all persons employed in the business economy (CSO, 2021). This employment distribution is further delineated by sector, with 60.9 percent of SME employment in the services' sector, 20.2 percent in the construction sector, and 5.2 percent in the manufacturing sector.

Figure 2: Breakdown of SMEs relative to FDIs and number employed in SMEs by sector in 2021



Source: CSO, 2021.

This research is particularly timely given the evolving economic landscape and the persistent challenges faced by SMEs, as highlighted in recent studies (Lawless et al., 2022). The dynamic nature of the SME sector, coupled with its substantial contribution to employment and economic stability, underscores the importance of developing targeted policies and support mechanisms to bolster their resilience and growth.

The analysis of this study's findings is framed within institutional theory (David, Tolbert & Boghossian, 2019), which provides a valuable lens for understanding how policy frameworks and institutional pressures shape SME behaviors and outcomes. This theoretical approach allows the researcher to critically examine the alignment between policy intentions and the lived experiences of SMEs.

While the qualitative approach employed in this study offers rich, contextual insights, it is important to acknowledge its limitations, such as potential bias in organizational perspectives and the challenge of generalizability. Nevertheless, the depth of information gathered provides a solid foundation for policy recommendations.

In the following sections, the researcher systematically addresses each research objective, synthesizing the insights from the qualitative data with existing literature and policy documents. This discussion aims to not only highlight the current state of Irish SMEs but also to chart a path forward for more effective policy interventions.

This chapter will present a detailed discussion of the results, critically examining the study's limitations and proposing avenues for future research. Furthermore, it will directly address and elucidate the research questions posed at the outset of this study, ensuring a comprehensive response to the initial inquiries. The primary objective of this research is to contribute to the existing body of knowledge on organizational behaviour, particularly within the context of Irish SMEs, while also providing practical insights for policy formulation and implementation.

The discussion is framed within the historical context of Irish industrial policy, drawing parallels between current challenges and those identified in seminal reports such as the Telesis Report (1982) and the Culliton Report (1992). These reports highlighted the excessive focus on mobile investment from abroad at the expense of indigenous industry, a concern that remains relevant today. Despite the establishment of Enterprise Ireland, many SME stakeholders argue that Ireland still lacks the necessary policy prescriptions for the indigenous enterprise sector to mitigate new challenges, propel scaling, and decrease dependence on the multinational sector. This historical perspective provides a crucial backdrop for understanding the persistent challenges facing Irish SMEs and the need for policy evolution.

Recent years have presented significant challenges for Irish enterprises, including Brexit, the COVID-19 pandemic, high inflation, labour shortages, and a faltering economy. These factors have compounded difficulties for small business owners, leading to declining business expectations and a dampened economic climate. The shifting economic and geopolitical environment necessitates a re-evaluation of existing support structures. This context underscores the urgency of this analysis and the need for adaptive policy responses.

Against this backdrop, this research examines existing industrial and enterprise policy supports for the SME sector to determine their fitness for purpose and ability to ensure the survival and future potential of Irish SMEs. The existing literature, as corroborated by the researcher's findings, points to challenges experienced by Irish SMEs, primarily due to foreign-owned investment gaining a central foothold over industrial policy and consequently, shaping the entire economy (Bailey and Lenihan, 2015). This research aims to bridge the gap between academic insights and practical policy implementation, offering a comprehensive analysis of the current state of Irish SMEs and proposing targeted interventions.

This chapter will undertake a thorough examination of key current policy platforms and associated initiatives aimed at the SME sector. It will assess their usefulness or potential detriment and examine whether, as suggested in the literature and supported by the findings, the focus on foreign, high-growth, export-oriented, and tech-driven enterprises is skewing the national enterprise and industrial policy position. Additionally, the research aims to ascertain the optimal potential for Ireland's diverse and talented SME population and its delivery, considering both short-term needs and long-term strategic objectives.

The discussion will analyse the longer-term sustainability of the current policy trajectory, questioning the Irish government's assumption that foreign multinationals will always be the engine of economic policy. It will also examine whether the existing policy trajectory creates an enhanced concentration risk in Ireland's corporate tax base, with the added complication that multinational tax revenues may prove unreliable and transient in the future. This analysis will be contextualized within global economic trends and comparative studies of SME policies in other advanced economies.

Furthermore, this chapter will assess whether Ireland's industrial policy aligns with the Small Business Act for Europe (SBA), an overarching framework for EU policy on SMEs, which emphasizes the need to "think small first" (SBA, 2008). This assessment is particularly relevant given the concerns raised by SME representatives regarding the disconnect between policy formulation and the realities faced by small businesses. The analysis will consider how Ireland's policies compare to best practices across the EU and identify areas for potential alignment or improvement.

By synthesizing the diverse perspectives presented in the previous chapter and contextualizing them within the broader policy landscape, this discussion aims to provide a comprehensive roadmap for strengthening the position of Irish SMEs in the global economy. The subsequent sections will delve deeper into the implications of these insights, exploring how policymakers, industry leaders, and SMEs themselves can collaborate to create a more robust and resilient SME sector. This analysis will be grounded in empirical evidence, drawing on both qualitative insights from industry representatives and quantitative data where available to support our arguments and recommendations.

Role of Industry Associations in SME Advocacy:

Before delving into the emerging themes, it is crucial to understand the role that industry associations play in advocating for SMEs' needs. These associations serve as vital intermediaries between SMEs and policymakers, helping to bridge the resource gap that exists between smaller businesses and their larger counterparts. As evidenced in the findings, industry associations represent large numbers of SMEs across various sectors, giving them a collective voice to government and policymakers. They participate in policy consultations, highlight sector-specific issues, advocate for tailored supports, provide feedback on policy effectiveness, and call for structural changes where necessary. Additionally, they raise awareness of SME contributions to the economy and help disseminate information about available supports and policy changes to their members.

The importance of these associations becomes particularly apparent when contrasted with the resources available to larger multinational corporations (MNCs). While MNCs often have dedicated public policy teams, regulatory and legal experts, and human resources departments, SMEs typically lack such resources. The contrast between the advocacy capabilities of industry associations representing SMEs and the in-house resources of larger MNCs highlights a significant disparity in policy influence. As Culpepper (2011) notes, larger firms often have "quiet power" in policy-making due to their economic importance and resource availability. This disparity underscores the critical role that industry associations play in leveling the playing field and ensuring that the voices of SMEs are heard in policy discussions.

The following sections will explore ten key themes that have emerged from our analysis, each representing a critical area of concern for Irish SMEs. These themes will be discussed in detail, drawing on the insights provided by industry representatives and contextualizing them within the broader academic and policy literature. Through this discussion, we aim to provide a comprehensive understanding of the challenges facing Irish SMEs and offer actionable recommendations for policy reform and support. Each theme will be analyzed through the lens of current academic research, international best practices, and the specific context of the Irish economy, ensuring a rigorous and well-rounded examination of the issues at hand.

By adopting this comprehensive approach, the researcher seeks to not only identify the challenges facing Irish SMEs but also to propose innovative solutions that can drive meaningful change in the sector. The recommendations that follow will be grounded in evidence, tailored to the Irish context, and designed to foster a more dynamic, resilient, and competitive SME sector that can thrive in an increasingly complex global economy.

5.2 Key Findings, Emerging Themes, and Policy Implications

The analysis of qualitative data gathered from six SME representative organizations in Ireland has revealed several key findings and emerging themes that offer new insights into the challenges and opportunities facing the Irish SME sector. These themes, which were not necessarily anticipated in the literature review or initial hypotheses, provide a nuanced understanding of the complex landscape in which Irish SMEs operate.

The responses highlight several crucial areas with significant policy implications, including the need for tailored support mechanisms, the importance of balancing support between foreign direct investment (FDI) and indigenous enterprises, the necessity of regulatory reform, and the pivotal role of skills development and innovation in driving SME growth.

This research underscores the critical importance of small and medium-sized enterprises (SMEs) within the Irish domestic economy. According to data from the Economic and Social Research Institute (ESRI, 2020), SMEs contribute 3.8 times more to Ireland's Net National Product than the foreign multinational sector. This striking disparity illuminates the substantial economic impact of indigenous businesses. Furthermore, as emphasized by the Irish Small and Medium Enterprises Association (ISME), SMEs constitute 99.8% of Ireland's business demography and employ 60% of the workforce. These statistics heighten the sector's pivotal role in job creation and economic stability.

The stark contrast between the contributions of SMEs and multinational corporations to the Irish economy emphasizes the urgent need for a recalibration of policy focus. Current policies often prioritize foreign direct investment and multinational corporations, potentially overlooking the significant potential of the indigenous SME ecosystem. This research suggests that a more balanced approach is necessary to better support and nurture Irish SMEs, ensuring their continued growth and contribution to the national economy.

ISME's call for the state to formally engage with the SME sector in the same manner as it does with multinational, semi-state, and public sectors further underscores this point. Such engagement could lead to more tailored policies and support mechanisms that address the unique challenges and opportunities faced by SMEs in the Irish context. By recognizing and leveraging the strategic importance of SMEs, policymakers can foster a more resilient and diverse economic landscape that balances the contributions of both indigenous and foreign enterprises.

One of the central themes emerging from this research is the importance of human capital in the small business ecosystem. The responses highlight the critical need for skills development, management training, and fostering an entrepreneurial mindset among SME owners and employees. This focus on people (manpower) aligns with the European Commission's emphasis on human capital as a key driver of SME competitiveness (European Commission, 2020).

Furthermore, the research reveals a concerning disconnect between SMEs and the policy-making process. Despite the efforts of representative bodies, many small business owners find themselves unable to effectively navigate the complexities of government regulations or to meaningfully engage in policy advocacy. This lack of engagement represents a significant barrier to creating truly SME-friendly policies and advocates the need for more inclusive and accessible policy-making processes.

The thought-provoking responses obtained through this research not only outline the crucial role of SMEs within the Irish economy but also delve into the critical issues facing small businesses. Moreover, they explore innovative policy proposals aimed at fostering SME growth and sustainability. These proposals range from the creation of a dedicated SME state agency to the implementation of more flexible and responsive regulatory frameworks.

As each emerging theme is examined in detail, it becomes clear that addressing the challenges faced by Irish SMEs requires a multifaceted approach. This approach must consider the unique needs of SMEs, balance support between indigenous enterprises and FDI, streamline regulatory processes, foster skills development and innovation, and create more resilient business models capable of withstanding economic shocks. The following sections will explore these themes in depth, drawing on the insights provided by the SME representative organizations and contextualizing them within the broader policy landscape. By doing so, the researcher endeavours to provide a comprehensive understanding of the current state of Irish SMEs and offer actionable recommendations for policymakers, industry leaders, and SMEs themselves.

In conclusion, the findings presented in this chapter reveal a complex ecosystem of challenges and opportunities for Irish SMEs. The interplay between government policy, financial constraints, digital transformation, and workforce development emerges as a critical factor in shaping the future of the SME sector. As will be seen in the next chapter, these themes will serve as a foundation for developing targeted recommendations and strategies to support the growth and sustainability of Irish SMEs in an increasingly competitive global marketplace.

5.3 Theme One: Government Policy Disconnect and SME-MNC Divide

The theme highlights the significant disconnect between government policies designed for multinational corporations (MNCs) and the needs of domestic small and medium-sized enterprises (SMEs). Stakeholder responses underscore the importance of tailored, consultative policy-making that considers sector-specific needs. Simplifying complex application processes for support schemes is crucial to reducing administrative burdens and improving accessibility for SMEs. Systematic consultations with SME representatives are essential to ensure their voices are heard in policy discussions, particularly given the outsized influence of MNCs on the Irish economy.

Critical Insights and Policy Effectiveness

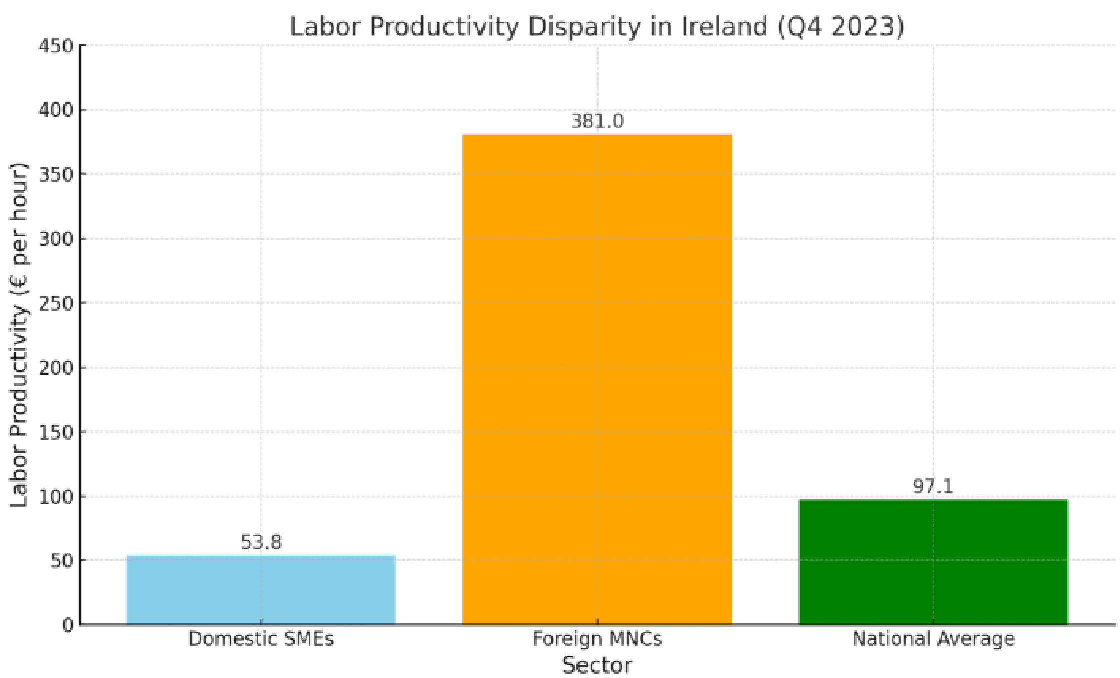
Government interventions during crises like Brexit and the COVID-19 pandemic were generally effective in protecting jobs and supporting businesses through schemes like the Employment Wage Subsidy Scheme (EWSS) and Temporary COVID-19 Wage Subsidy Scheme (TWSS). However, these measures often lacked tailored approaches for different sectors and SME sizes. The Irish Small and Medium Enterprise Association (ISME) warns of “strategic blindness in government policy-making" regarding Ireland's enterprise policy, emphasizing the need for SMEs to be included in policy decisions to create more inclusive and strategically-aligned policies that support SME growth and development.

Responses from the Vintners Federation of Ireland (VFI), the Retail Grocery Dairy & Allied Association (RGDATA), and the Restaurants Association of Ireland (RAI) emphasise the gap in post-pandemic support. These supports have frequently been one-off and lack strategic focus on the long-term sustainability of SMEs. A pressing need exists for a coordinated and structurally-robust approach to yield long-term benefits, as current government policy measures are not aligned and often drive up the costs of doing business. Many SMEs are drowning in bureaucratic red tape and duplication.

Economic Imbalance and Productivity Disparity

Ireland's enterprise policy exhibits a pronounced imbalance, marked by a disproportionate focus on MNCs to the detriment of indigenous SMEs. This policy skew has engendered a bifurcated digital economy, wherein MNCs demonstrate significantly higher levels of digitalization and productivity compared to their domestic SME counterparts. According to the Central Statistics Office (CSO) data for quarter four 2023, labor productivity is starkly disparate: €53.80 per hour in the domestic SME sector compared to €381.00 per hour in the foreign multinational sector, with the overall national average at €97.10 per hour (CSO, 2024). Addressing this imbalance requires a policy platform conducive to growth, scaling, and modernization, allowing SMEs to form greater synergies with successful FDI sector companies already operating in global markets. Labor productivity, defined as output per hour worked, is a fundamental indicator of economic efficiency. The considerable productivity gap between MNCs and domestic SMEs reflects an imbalance in technological adoption and capital investment. MNCs, benefiting from substantial investment in advanced technologies and infrastructure, operate at the cutting edge of digitalization, significantly enhancing their productivity. In contrast, indigenous SMEs often lack similar access to resources, resulting in lower productivity levels and highlighting a structural inefficiency within the domestic economy. The graph below illustrates the stark labor productivity disparity in Ireland and underscores the urgent need for policy reforms that enhance resource allocation and technological support for domestic SMEs, ensuring they can compete more effectively and contribute to Ireland's overall economic productivity.

Table 2: labour Productivity Disparity in Ireland (Q4, 2023)



Source: CSO, 2024.

Policy and Administrative Challenges

The complexity of application processes for support schemes creates significant administrative burdens, particularly for smaller SMEs, resulting in lower accessibility and uptake of available supports. The current policy landscape often fails to address the unique challenges faced by SMEs, potentially hindering their growth and competitiveness, including issues related to digital adoption, access to finance, and skills development.

Literature Connection

Puumalainen, K., Sjögrén, H., Soininen, J. et al. (2023) argue that crisis response policies often lack sector-specific considerations, leading to inefficiencies and unintended consequences. Hardiman and Metinsoy (2018) highlight that Ireland's enterprise policy has remained largely unchanged over the decades, with policies closely aligned with the needs of the FDI sector while alienating the SME sector. The Institute for Government (2020) emphasizes the dual impacts of Brexit and COVID-19 on various sectors, underscoring the necessity for differentiated support measures rather than a one-size-fits-all approach influenced by large firms, which constitute only 0.2 percent of all enterprises in Ireland. McConnell and Stark (2021) discusses the adverse effects of a one-size-fits-all approach in policy-making, which can stymie effective crisis management and exacerbate sectoral disparities.

The responses from six representative bodies corroborate and underscore the perspectives of O'Riain (2004) and Brazy and Regan (2017), highlighting the significant influence of the FDI sector over the country's industrial policy. The shortcomings of this approach are evident in the responses, as government supports for the SME sector appear haphazard, piecemeal, and misaligned with their unique needs. The European Investment Bank (EIB) Report on the digitalization of SMEs in Ireland illustrates the two-speed nature of the Irish economy, noting a stark contrast between highly digitalized, foreign-owned multinationals and slower digital adoption among traditional indigenous SMEs. This disparity underscores the need for targeted policies to bridge the digital divide and foster inclusive growth.

The Irish Competitiveness Council Report (2024) outlines the current policy mix being overly focused on attracting and retaining FDI, potentially to the detriment of the indigenous enterprise base. While Ireland’s enterprise policy has successfully attracted foreign multinationals, it has been less successful in developing a strong indigenous enterprise base, highlighting the disconnect in policy effectiveness between MNCs and SMEs and the need to rebalance Ireland's enterprise policy to place greater emphasis on developing the indigenous enterprise base.

Lessons can be learned from the German policy approach and its renowned SME sectoral model known as the Mittelstand firms. As outlined in Chapter two, this model prioritizes SMEs for state supports through long-term low-cost financial assistance, vocational training programs, and collaborative networks. According to Berlemann et al. (2021), this approach has fostered long-term growth and sustainability of the sector, even through the 2008 financial crisis (Audretsch and Lehmann, 2016). Ireland must learn from the German approach and implement policies that safeguard the SME sector rather than continue with a policy focus that is overly reliant on the continued development of large-scale multinational or larger champion firms.

The successful track record of the Mittelstand model underscores a compelling case for Ireland’s policymakers to closely examine the policy and adopt some of its strengths as part of an enterprise policy review. This would enhance the versatility, resilience, responsiveness, and tailored supports to Irish SMEs, enabling them to scale and export. The German enterprise model is starkly different from the Irish one, with a long-term and strategic focus on nurturing and developing the SME sector. This sector accounts for a similar level of employment in percentage terms as Irish SMEs do within the Irish employment landscape. It provides lessons and points to the long-term competitive advantages for states to foster and develop the domestic sides of their economies, which, in the long term, can be more sustainable and committed to remaining in operation within the state.

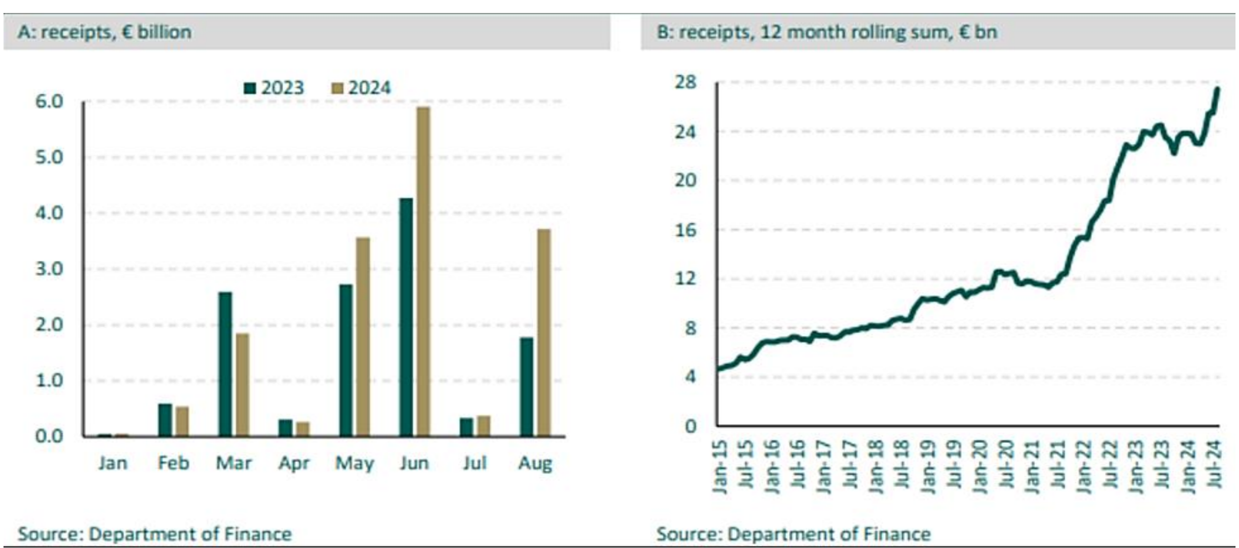
The German SME and entrepreneurship policy framework is built on two key pillars. Firstly, the strategy is built upon long-term competitiveness in the domestic and international marketplace, reducing regulatory burdens, and building resilience (OECD, 2021). Secondly, it includes the established SME Advisory Board within the Ministry of Economic Affairs and Energy, consisting of independent experts who understand the unique challenges faced by the SME population. This board focuses on the future and analyzes all economic policy through the lens of its impact on SMEs, enabling adaptable, agile policymaking where SMEs are represented at the policy-making table and their voices are heard (OECD, 2021).

Analysis and Implications

The analysis reveals a significant disconnect between policies designed to attract and retain foreign direct investment (FDI) and the needs of indigenous small and medium-sized enterprises (SMEs). This policy misalignment exacerbates the productivity gap, underscoring the necessity for tailored policies that specifically address the unique challenges faced by SMEs. Despite representing 99.8 percent of all enterprises, SMEs contribute only 40 percent of the total business sector value added in Ireland (ICC, 2024). This disparity highlights the inadequacy of current support mechanisms, which are often fragmented and lack coherence, failing to align with the specific requirements of SMEs. Both the literature and responses from representative bodies indicate the adverse effects of a one-size-fits-all approach to policy-making, which disproportionately favors large multinational corporations (MNCs) and neglects the distinct challenges faced by SMEs.

Part of the reluctance among policymakers to address the SME crisis may stem from the surge in corporation tax revenues, which are highly centralized from a small number of large FDIs. For instance, data from the Department of Finance (2024) reveals that €3.7 billion in corporation taxes were collected in August 2024 alone, more than double the amount collected in the same month in 2023 and nearly equivalent to the total collected in a full year a decade ago. In August 2024, corporation tax receipts increased by €1.9 billion from July 2024, representing a 108.7% increase. While such revenues are favorable news for policymakers, relying heavily on these revenues without adequately supporting the indigenous SME sector is shortsighted and poses inherent risks. The concentration of tax revenues from a few large FDIs creates a significant concentration risk, making the economy vulnerable to shifts in the global business environment. Therefore, it is imperative to develop more balanced economic policies that reduce reliance on FDI and enhance support for the domestic SME sector, ensuring sustainable economic growth and resilience.

Figure: Corporation Tax Receipts 2024



Source: Department of Finance, 2024.

The dual impacts of Brexit and COVID-19 have further exacerbated these challenges, intensifying the necessity for differentiated support measures that are tailored to the needs of various sectors. The current policy mix, which is overly focused on attracting FDI, has been successful in bringing foreign multinationals to Ireland but has been less effective in developing a strong indigenous enterprise base. This imbalance has led to a two-speed economy, where highly digitalized, foreign-owned multinationals coexist with traditional indigenous SMEs that struggle with slower digital adoption.

To address this policy disconnect, lessons can be learned from the German Mittelstand model, which prioritizes SMEs through long-term, low-cost financial assistance, vocational training programs, and collaborative networks. This model has fostered long-term growth and sustainability, even through economic crises, and provides a compelling case for Ireland to adopt similar strategies. By focusing on the long-term competitiveness of the domestic SME sector, reducing regulatory burdens, and building resilience, Ireland can create a more balanced and inclusive economic environment.

The establishment of an SME Advisory Board within the Ministry of Economic Affairs and Energy, as seen in Germany, could also be beneficial for Ireland. This board, consisting of independent experts who understand the unique challenges faced by SMEs, would ensure that economic policy is analyzed through the lens of its impact on SMEs. Such a board would enable adaptable, agile policy-making where SMEs are represented at the policy-making table and their voices are heard. As such, the analysis of the government policy disconnects and SME-MNC divide highlights the need for a more balanced, nuanced approach to policy-making that considers the unique needs of the SME sector. By learning from successful models like the German Mittelstand, Ireland can develop policies that enhance the versatility, resilience, and competitiveness of its indigenous SMEs. This approach will not only foster inclusive growth but also ensure the long-term sustainability of the Irish economy. The next sections will delve deeper into the specific policy recommendations and strategies that can be adopted to bridge this divide and support the growth and development of Irish SMEs.

Urgent Need for Policy Review and SME Engagement

The feedback from the six representative bodies indicates an urgent need for the government to undertake a fundamental review of enterprise policy with a view to rebalancing the policy mix, to place greater emphasis on developing the indigenous enterprise base. Research from the Economic and Social Research Institute (ESRI) on Irish enterprise digitalization further emphasizes the importance of accelerating digital adoption across all enterprises, particularly SMEs. ESRI's findings indicate that targeted policy interventions are essential to augment the digital capabilities of SMEs, improving their productivity and competitiveness in a rapidly evolving economic landscape.

Analysis of Policy Gaps and Unintended Consequences

The analysis integrates insights from various themes, highlighting prominent gaps in policy, unintended consequences, resource allocation issues, competitive disadvantages, and the need for a more integrated and tailored approach to support SMEs in Ireland. A significant gap is evident between policy intentions and the veritable realities for SMEs. Feedback from various representative organizations, such as the Vintners' Federation of Ireland (VFI), ISME, the SFA and RGDATA, illustrates the shortcomings of broad-brush policies. For instance, the flat payment of €350 per week during COVID-19 failed to account for the diverse workforce within the hospitality sector. This led to unintended consequences, such as the loss of full-time industry professionals and the disincentivizing of part-time workers from returning. The lack of nuanced and sector-specific policies highlights the disconnect between policymakers and the actual needs of SMEs.

The efficiency of government supports has been hampered by a one-size-fits-all approach. The Small Firms Association (SFA) suggests that simpler schemes, such as a PRSI rebate, would be more accessible to smaller SMEs that lack the resources to navigate complex application processes. The existing broad policies often overlook the unique challenges faced by SMEs, leading to inefficient resource allocation and support that fails to meet their specific needs.

Resource Allocation: Government resources and support are often disproportionately directed towards attracting and retaining MNCs, potentially leaving SMEs with insufficient support for their growth and digital transformation. This imbalance is evident in the significant disparity in labor productivity between the SME sector and the multinational sector. Data from the Central Statistics Office (CSO) for quarter four 2023 highlights a glaring disparity, with labor productivity in the domestic SME sector at €53.80 per hour compared to €381.00 per hour for the foreign multinational sector. This measure of output per hour worked reflects the efficiency of the labor force and is heavily skewed by the dominance of MNCs.

Competitive Disadvantage: The advanced digitalization of MNCs creates a chasm in competitiveness, making it difficult for SMEs to compete both domestically and internationally. This is compounded by the challenges SMEs face in attracting and retaining talent due to higher wages offered by larger enterprises and multinationals. Consequently, traditional indigenous SMEs lag in digital adoption and productivity, contributing to a two-speed digital economy.

Innovation Ecosystem: While MNCs contribute significantly to Ireland's innovation landscape, an overreliance on them may limit the development of a diverse, indigenous innovation ecosystem. This can stifle the growth and competitiveness of SMEs, which are crucial for a resilient and diverse economy. The European Investment Bank (EIB) report on the digitalization of SMEs in Ireland underscores the two-speed nature of the Irish economy, with a small number of highly digitalized foreign-owned multinationals and slower digital adoption among traditional indigenous SMEs.

Reducing Red Tape: An emergent theme across the responses from the six representative bodies underscores the critical need for reducing bureaucratic hurdles faced by small businesses. From both an academic and economic standpoint, streamlining compliance requirements and simplifying regulatory processes are imperative for enhancing operational efficiency and resource allocation within SMEs. These administrative burdens often divert significant time and financial resources away from core business activities, stifling growth and innovation. By minimizing red tape, governments can create a more conducive environment for SMEs to thrive, fostering entrepreneurial activity and improving the overall competitiveness of the SME sector. This reduction in bureaucratic barriers is not merely a matter of convenience; it is an essential economic strategy to enhance productivity, stimulate economic growth, and support sustainable development in the small business ecosystem.

Advocacy and Engagement: Finally, the importance of advocacy and engagement materialises. Encouraging small business owners to participate in policy-making efforts can lead to more informed and effective policies. The results of this study highlight the need for small and medium-sized enterprises (SMEs) that feel isolated from government policy-making to become more involved. Establishing a systematic consultation system is essential to facilitate this engagement and ensure that the voices of small businesses are heard.

These discussions underline the multifaceted approach needed to create a supportive environment for small businesses. By addressing these areas, public policy can play a crucial role in fostering a vibrant and resilient small business sector. The need for tailored, sector-specific policies, encapsulating the unique challenges faced by SMEs, is paramount to bridging the gap between policy intentions and on-the-ground realities.

Theme One Policy Recommendations:

1. **Establish Sector-Specific Task Forces and an SME Advisory Board**
   - **Task Forces:** Create dedicated task forces for different sectors (e.g., retail, manufacturing, technology) composed of industry experts, SME representatives, and government officials. These task forces will identify sector-specific challenges and opportunities, providing tailored policy recommendations.
   - **SME Advisory Board:** Establish a permanent advisory board comprising SME leaders, academic experts, and policymakers. This board would provide continuous feedback on policy effectiveness and advise on necessary adjustments, to ensure that SME interests are consistently represented in the policy-making process.
2. **Implement Regular Consultation Mechanisms**
   - **Annual Surveys:** Conduct comprehensive annual surveys to capture the evolving needs and challenges of SMEs across various sectors.
   - **Bi-Annual Town Hall Meetings:** Organize town hall meetings twice yearly in different regions to facilitate direct dialogue between SME owners and policymakers.

- **Monthly Focus Groups**: Hold monthly focus groups with representatives from different SME sectors to gather detailed insights and real-time feedback on current policies and emerging issues.

3. **Develop a Framework for Rapid Policy Adjustment**

- **Feedback Loop Mechanism:** Implement a feedback loop mechanism where the effectiveness of policies is continuously monitored through key performance indicators (KPIs). Use this data to make rapid adjustments to policies within a defined timeframe (e.g., every six months).
- **Real-Time Data Collection:** Utilize digital tools and platforms to collect real-time data from SMEs on their experiences with government policies, ensuring that policy adjustments are informed by up-to-date information.

4. **Simplify Application Processes and Implement Flexible Thresholds**

- **User-Friendly Digital Portal:** Develop a centralized one-stop-shop digital portal with streamlined, user-friendly interfaces for applying to support schemes. Include step-by-step guides and FAQs to assist SMEs through the process.
- **Support Services:** Provide dedicated helplines and consultancy services to assist SMEs with application processes and navigating bureaucratic requirements.
- **Flexible Criteria:** Implement flexible thresholds and criteria for support schemes, considering variations in sectoral needs and the size of the enterprises. This ensures broader accessibility and more accurate reflection of the diversity within the SME sector.

5. **Rebalance Enterprise Policy**
   - **Dual-Focus Enterprise Policy:** Formulate a dual-focus enterprise policy that allocates specific budgets and resources for SME development, alongside incentives for MNCs. This includes tax incentives, grants, and training programs dedicated to SMEs.
   - **Equal Resource Allocation:** Ensure that resources and support are equitably distributed between SMEs and MNCs, with clear metrics to track the impact of these allocations on SME growth and competitiveness.
6. **Create SME-Specific Digital Transformation Programs**
   - **Digital Grants and Subsidies:** Provide grants and subsidies specifically for SMEs to invest in digital tools and technologies. These could cover costs related to software, hardware, and training.
   - **Tech Partnerships:** Establish partnerships with technology firms to offer affordable digital solutions tailored to the needs of SMEs. These partnerships can include discounted rates, bundled services, and training programs.
   - **Digital Training Initiatives:** Launch training initiatives to enhance digital literacy among SME owners and employees, ensuring they can effectively utilize digital technologies to improve productivity and competitiveness.
7. **Develop SME-MNC Collaboration Initiatives**
   - **Innovation Hubs:** Create innovation hubs where SMEs can collaborate with MNCs on research and development projects. These hubs can facilitate knowledge transfer and joint ventures, fostering innovation and growth.

- **Mentorship Programs:** Implement mentorship programs where experienced professionals from MNCs mentor SME leaders, providing guidance on best practices, marketing strategies, and operational efficiencies.
- **Supply Chain Integration:** Develop programs that encourage MNCs to integrate SMEs into their supply chains, creating opportunities for SMEs to expand their market reach and enhance their capabilities.

8. **Implement Targeted Financial Support**

- **Low-Interest Loans and Micro-Grants:** Offer low-interest loans and micro-grants specifically designed for SMEs investing in expansion, digital transformation, sustainability projects, and research and development.
- **Tax Incentives for Digital Investment:** Provide tax incentives for SMEs that invest in digital technologies, encouraging them to adopt innovative solutions and improve their operational efficiency and productivity.
- **Flexible Funding Options:** Develop flexible funding options that cater to the diverse financial needs of SMEs, including short-term loans, equity financing, and venture capital support.

Addressing the overdominance of MNCs in Irish enterprise policy is crucial for creating a more balanced and resilient economy. By implementing policies that specifically target the needs of SMEs, Ireland can foster a more diverse business ecosystem, enhance the competitiveness of indigenous companies, and create a more sustainable economic model. This balanced approach would not only benefit SMEs but also contribute to the overall economic resilience and innovation capacity of Ireland. The significant disparity in labor productivity between the SME sector and the multinational sector underscores the need for targeted interventions to support SME growth and competitiveness.

5.4 Theme two: Financial Challenges and Obstacles for SMEs

Small and medium-sized enterprises (SMEs) in Ireland face severe financial challenges, particularly in sectors like hospitality and blue-collar services. These challenges are exacerbated by stringent lending criteria, rising operational costs, and a trust deficit with banks - a legacy of the 2008 financial crash. This section delves into these financial obstacles, drawing on the experiences of Irish SMEs and connecting the researcher’s findings to the broader literature on SME finance.

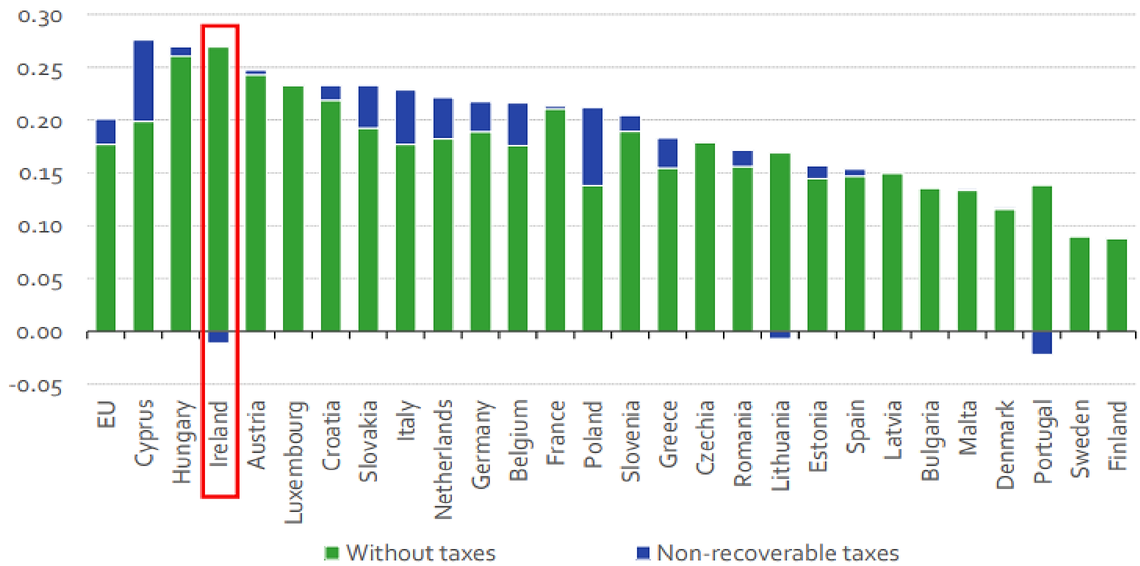
The research reveals that Irish SMEs, particularly in sectors like hospitality and blue-collar services, face severe difficulties in securing finance. Such challenges stem from stringent lending criteria, a lack of affordable insurance, and rising energy costs. The aftermath of the 2008 financial crash exacerbated these issues, creating a significant trust deficit with banks and compelling SMEs to seek alternative funding sources, such as family and friends. Additionally, many SMEs are grappling with alarming liquidity issues and escalating operational costs, which jeopardize their sustainability without further financial support.

A major concern highlighted by this research is the high cost of doing business in Ireland. SMEs are confronted with a range of financial pressures, including steep business expenses and regulatory burdens. Recent government policies, such as the introduction of a living wage, mandatory pension auto-enrolment, and other regulatory measures, have increased operational costs for SMEs. These policies, while aimed at improving employee welfare, often lack sufficient consultation with the SME sector, resulting in added financial strains that are not always aligned with the specific needs of smaller businesses. The cumulative effect of these high costs and regulatory pressures exacerbates the financial challenges faced by Irish SMEs, creating a more hostile environment for their growth and sustainability.

Detailed Analysis of Financial Challenges

The Retail Grocery Dairy & Allied Association (RGDATA) reports that food and convenience stores are increasingly cautious about borrowing due to concerns over managing rising employment and energy costs. According to Eurostat (2023), Irish SMEs are subject to the second-highest electricity prices within the European Union, which contributes significantly to their financial burden. It is, therefore, unsurprising that over half of the respondents in a Small Firms Association survey identified higher energy costs as a major challenge for small and medium-sized businesses. The cumulative impact of government employment policies, particularly concerning wage costs, further exacerbates these financial pressures, making retailers hesitant to seek external financing due to increased operational costs and economic uncertainty. This reluctance is compounded by competitive pressures from multinational-style retailers, which further strain the financial viability of these local shops. The Irish Competitiveness Council Report (2024) highlights that underinvestment in energy infrastructure is undermining Ireland's competitiveness, contributing to the high cost base for enterprises operating in the country. These findings underscore the urgent need for targeted policy interventions to alleviate the financial challenges faced by SMEs, enabling them to remain competitive in a challenging economic environment.

Figure 4: Electricity prices for non-household consumers, second half of 2023 (€ per kWh*)*



Source: Eurostat, 2023.

The Irish Small and Medium Enterprise Association (ISME) identifies blue-collar services, alongside hospitality, as facing particular strain in accessing finance due to rising costs. The narrow banking base in Ireland, with effectively only two and a half pillar banks remaining after the withdrawal of KBC Bank and Ulster Bank, severely restricts the availability of credit to all SMEs. This limited access to finance is further compounded by Ireland's high business and energy costs, creating a challenging environment for SMEs.

Conversely, Digital Business Ireland (DBI) highlights that new businesses frequently face enormous challenges in meeting the stringent requirements for loans. This creates a substantial barrier for startups and young enterprises, which struggle to secure the necessary funding for growth and development. The rigorous criteria set by lenders often exclude these nascent businesses, hindering their ability to establish themselves and thrive in the competitive market.

Within the broader SME landscape, the Small Firms Association (SFA) emphasises a significant trust deficit between SMEs and traditional banks that has persisted since the financial crash of 2008. This enduring mistrust has contributed to a lack of competition within the Irish banking sector, resulting in higher borrowing costs for SMEs and a general disinterest from banks in lending to these businesses, despite their promotional efforts. The SFA's May 2024 survey reveals that 25 percent of SMEs now rely on family and friends for financial support, reflecting a lack of accessible and affordable formal lending options. In contrast, only 38 percent of SMEs turn to pillar banks when necessary. This indicates alarming liquidity issues, with one-third of member businesses at risk of draining money within six months. The SFA argues that this liquidity crunch is not adequately captured in official figures, suggesting an underreported financial distress in the SME sector.

Additionally, as observed from the following table, the SFA reports that 83 percent of surveyed companies have experienced higher business costs over the past year, with an average increase of 16.6 percent which is significant and a major obstacle for SMEs to navigate especially when passing on increased costs is difficult. These increases are primarily driven by labor (57 percent), energy (51 percent), and insurance (45 percent) costs.

Table 3: Increased Cost of Doing Business in 12 months to May 2024

Metric	Value
Percentage of Companies with Increased Costs	83%
Average Increase in Business Costs	16.6%
Primary Drivers of Increased Costs	
- Labor Costs	57%
- Energy Costs	51%
- Insurance Costs	45%
Impact on SMEs	Significant obstacle, difficulty passing on increased costs

Source: SFA business survey, May 2024.

The rising costs are severely straining smaller firms by diminishing their working capital, leaving them unable to expand markets, improve productivity, or invest in new technologies and energy efficiency improvements. This lack of available capital also prevents firms from drawing down government grants that require matching funds. Furthermore, the SFA points out that medium-sized SMEs (10-50 employees) face more severe financial challenges compared to micro-enterprises (1-9 employees). These medium-sized businesses have higher levels of debt and greater reliance on government supports. Despite reasonably modest debt levels for many, 35 percent of businesses report that they could not sustain operations beyond six months without additional funding. This underscores the urgent need for tailored financial solutions and improved access to credit for the SME sector.

Literature Connection

The challenges faced by Irish SMEs are not unique but are well-documented in the broader literature on SME finance. The OECD (2021) report emphasizes that access to finance remains a critical challenge for SMEs globally, particularly in the aftermath of economic crises. The Irish Competitiveness Council (2024) highlights several financial obstacles that SMEs encounter, including the high cost of credit, stringent lending criteria, and the impact of deferred tax liabilities. These challenges are compounded by rising insurance costs and liquidity issues, which collectively hinder the growth and sustainability of small businesses (Irish Competitiveness Council, 2024).

The resource-based view (RBV) of the firm, as discussed by Barney (1991), posits that unique resources and capabilities are essential for achieving sustained competitive advantage. This research supports this notion, highlighting the need for tailored financial solutions to enhance SME resilience. Additionally, the dynamic capabilities perspective, as proposed by Teece, Pisano, and Shuen (1997), underscores the importance of continuous adaptation and reconfiguration of resources in response to changing environments. This perspective is particularly relevant in the context of Irish SMEs, which continue to experience significant constraints in accessing finance, as outlined by Gertler and Gilchrist (1994).

The OECD (2017) maintains that since the 2008 financial crisis, the gap in credit costs and availability between SMEs and large enterprises has significantly widened. This study reveals that Irish banks are no longer the dominant suppliers of finance to Irish SMEs. It is concerning that SMEs have lost trust in traditional banks, which are failing to provide necessary liquidity. Lawless et al. (2013) contend that, following the financial crash, Irish SMEs were among the most reliant on bank borrowing in thirteen EU member states, whether measured by the share of SMEs using bank borrowing or by the percentage of firms' working capital or investment financed by bank borrowing. Despite the public debate and policy focus on bank credit for SMEs, there is limited empirical evidence exists on the importance of banks for SME financing in Ireland. However, evidence indicates that Irish SMEs have consistently been among the most dependent on banks in Europe, both pre- and post-crisis, across various measures (Lawless et al., 2013).

Feedback from the six SME representative bodies in this study indicates that the availability and cost of bank credit significantly constrain Irish SMEs. This is especially problematic, given that the indigenous private sector, 99 percent of which are SMEs, is disproportionately exposed to potential weaknesses in the banking sector compared to other European countries. Lawless et al. (2013) provide evidence of changes in the funding mix for SME working capital and investment since the crisis, showing that the share of bank borrowing fell by roughly half between 2005 and 2012, being replaced by trade credit, equity, and internal funding. Furthermore, data from the Central Bank of Ireland (2022) highlights that SME lending dropped in the 2020 to 2023 period compared to the 2017 to 2019 period.

While it is advantageous for firms to diversify away from dependence on bank funding, policymakers must mitigate the risk that firms are merely turning to underdeveloped, costly forms of financing, such as friends and family, due to an inability to access bank credit. Policy should aim to simultaneously stimulate the flow of bank credit and create well-developed markets for a range of alternative financing sources to complement the role of banks in financing the SME segment in Ireland (Lawless et al., 2013).

This study highlights the significant disparity where many SMEs are effectively locked out of accessing finance from pillar banks. Access to finance for SMEs remains a critical issue, as repeatedly emphasized within the findings of this study. The 2024 Irish Competitiveness Council report identifies that 30 percent of SMEs experience difficulties in obtaining bank loans, compared to just 10 percent of large enterprises (ICC, 2024). This situation is worsened by a concentrated banking sector and limited competition among lenders, creating a critical gap in the formal financial sector's ability to meet SME needs. As a result, numerous businesses find themselves compelled to depend on alternative funding sources, such as financial support from family and friends. Addressing these liquidity constraints through a multifaceted policy approach is essential for enabling Irish SMEs to thrive and contribute significantly to the economy. Thus the urgency of enhancing financial support mechanisms emerges, such as the Strategic Banking Corporation of Ireland (SBCI), in conjunction with developing alternative financing options.

As discussed in Chapter Two, the European Commission's Report (2019) highlights the critical importance of access to finance in shaping effective enterprise policy. Addressing this issue is vital for Irish policymakers, as the current financial constraints are hindering SME growth and productivity. There is a clear need for innovative financial solutions and supportive policies. The Business Development Bank of Canada (BDC) model exemplifies an effective strategy for addressing challenges faced by SMEs, offering tailored financial support and expert advice across various industries and growth stages. By providing comprehensive services, including loans, capital investments, and advisory support, the BDC plays a crucial role in complementing private sector offerings and fostering entrepreneurship throughout Canada. By examining successful international models like the BDC, Ireland can draw valuable lessons to enhance the financial resilience of its SMEs. The BDC's layered approach integrates government initiatives, collaboration with financial institutions, and targeted support programs to ensure sustained access to financing for SMEs. A cornerstone of this model is the Canada Small Business Financing Program (CSBFP), a government-backed guarantee scheme that encourages job and wealth creation by sharing risk with lenders, thereby easing access to loans for small businesses. The BDC's strategy of providing both financial support and advisory services addresses not only capital needs but also the knowledge gaps that often impede SME growth. This comprehensive approach, which includes targeted, low-cost financing and advisory services, could be extremely beneficial for Irish SMEs struggling with scaling up and expanding their operations.

The Business Development Bank of Canada (BDC) exemplifies a robust model for supporting Canadian SMEs, having allocated approximately $47.8 billion to over 95,000 SMEs in the fiscal year 2022 (Business Development Bank of Canada, 2022). This commitment underscores the BDC's pivotal role in enhancing credit availability for Canadian SMEs, a landscape that has seen significant improvement since the 2008 financial crisis, as noted by the Bank of Canada (2019). In contrast, Irish SMEs continue to face liquidity challenges. The BDC offers a comprehensive suite of financial products, including low-cost loans and tailored digital adoption financing, which complement the services provided by the traditional banking sector—the primary lender to SMEs in Canada. Moreover, the presence of the BDC fosters a more competitive banking environment, compelling banks to enhance their offerings and thereby creating a dynamic financial ecosystem that facilitates greater access to finance for SMEs, ultimately contributing to their growth and resilience. This complementary role is further supported by the BDC's provision of advisory services, which are crucial for SMEs seeking to scale and innovate in a competitive market.

However, notable shortcomings arise when attempting to adopt international models like the BDC in Ireland. The unique economic and regulatory environment in Ireland necessitates careful adaptation of these solutions. Cultural differences, market dynamics, and distinct financial systems between Canada and Ireland could present substantial obstacles to directly implementing these strategies. Additionally, the effectiveness of such models hinges on robust governmental support and efficient implementation, which can be impeded by bureaucratic inertia and political resistance. While international models like the BDC offer valuable insights, their adaptation to Ireland must consider local nuances and ensure strong governmental backing to overcome potential implementation barriers. Nonetheless, by learning from these models and tailoring them to the Irish context, policymakers can develop effective strategies to support sustainable growth and innovation within the Irish SME sector.

The general pattern of this study's findings reveals that SMEs in Ireland face major liquidity constraints, necessitating urgent policy intervention. Without access to finance, SMEs cannot develop, adopt new technologies, grow, expand, scale, or become more productive. The existing mistrust between Irish SMEs and traditional financial institutions presents a considerable barrier. Rebuilding this trust will require more than just financial reforms; it necessitates a fundamental shift in the relationship dynamics between lenders and SMEs. This underscores the need for comprehensive strategies that address both the financial and relational aspects of SME financing.

Lastly, while tailored financial solutions and supportive policies are vital, they must be complemented by broader economic reforms that address the underlying issues of high business costs, limited market competition, and regulatory burdens that disproportionately affect SMEs. Without these complementary measures, the impact of financial interventions may be limited, and the broader goals of fostering SME growth and competitiveness may remain unattainable. Addressing these liquidity constraints, through a multifaceted policy approach, is essential for enabling Irish SMEs to thrive and contribute significantly to the economy.

The financial challenges faced by SMEs are complex and require targeted interventions and policy reforms. By drawing on successful models like the BDC in Canada, Ireland can develop a more supportive financial ecosystem for SMEs. This would not only address immediate liquidity concerns but also support long-term growth, resilience, and competitiveness in a dynamic economic environment. Future research should further explore these themes and the potential benefits of tailored financial solutions for SMEs.

Theme Two Policy Recommendations

1. Enhance the Role of the Strategic Banking Corporation of Ireland (SBCI)

The SBCI aims to support SMEs by creating a more competitive environment for SME funding. However, its impact could be enhanced by expanding its scope and offerings. Surprisingly, the feedback from Irish SME representative bodies did not mention SBCI's finance options, likely due to high interest rates and limited accessibility, indicating a gap in its effectiveness.

Recommendations:

a) **Expand Financing Options:** Provide targeted, low-cost financing tailored to various industries and stages of growth. This can help address the unalignment of current SBCI products and the true financial needs of SMEs.

b) **Advisory Services:** Offer comprehensive advisory services to bridge both financial and knowledge gaps. This includes guidance on financial planning, growth strategies, and leveraging digital tools.

c) **Broaden Distribution Channels:** Extend beyond the current partners (Bibby Financial Services, Fexco Asset Finance, Microfinance Ireland, and SME Finance) to include a wider range of financial intermediaries and fintech platforms, thereby increasing accessibility.

2. **Implement a Comprehensive Guarantee Scheme**

Ireland's existing SBCI programs could be reinforced with a robust government-backed guarantee scheme to mitigate lenders' risk and stimulate SME financing.

Recommendations:

a) **Risk Sharing with Lenders:** Develop a guaranteed scheme akin to Canada's Small Business Financing Program (CSBFP), where the government shares the risk with lenders. This would encourage banks to provide more loans to SMEs.

b) **Improved Loan Access:** Address the high-risk perception of SMEs by banks, as highlighted by the OECD. This scheme could lead to increased job creation and economic growth.

3. **Foster Competition in the Banking Sector**

With the withdrawal of some banks from the Irish market (KBC and Ulster Bank), a distinct need emerges to diversify and increase competition in the banking sector.

Recommendations:

a) **Encourage International Entrants:** Facilitate the entry of international banks, such as the potential full banking license application by Toronto-Dominion Bank's Irish unit, to increase competition and options for SMEs.
b) **Develop Non-Bank Lenders:** Support the growth of non-bank lenders while monitoring financial stability risks, as discussed by Gaffney and McGeever (2022).

4. **Develop Sector-Specific Financing Programs**

Different sectors face unique financial challenges, necessitating tailored financing solutions.

Recommendations:

a) **Sector Partnerships:** Collaborate with industry-specific organizations to identify and address the unique financing needs of various sectors.
b) **Tailored Programs:** Develop financing programs similar to Canadian banks' partnerships with Export Development Canada (EDC), focusing on sectors such as technology, tourism, and manufacturing.

5. **Promote Alternative Financing Options**

Alternative financing options are gaining prominence and can provide SMEs with diverse funding sources.

Recommendations:

a) **Peer-to-Peer Lending:** Support the development and regulation of peer-to-peer lending platforms to ensure they are accessible and secure for SMEs.

b) **Fintech Solutions:** Encourage the adoption of fintech innovations that provide flexible and accessible financing options.

c) **Invoice Financing:** Promote the use of invoice financing and other alternative methods to help SMEs manage cash flow and working capital more effectively.

Additional Considerations

Policy Alignment and Collaboration:

- **Inter-Agency Coordination:** Ensure that policies are aligned across various government agencies and financial institutions, to avoid overlaps and ensure cohesive support for SMEs.
- **Stakeholder Engagement:** Engage with a wide range of stakeholders, including SMEs, industry associations and financial experts, to continuously refine and improve financing policies.

Monitoring and Evaluation:

- **Performance Metrics:** Establish clear performance metrics to evaluate the effectiveness of the enhanced SBCI role, guarantee schemes, and other initiatives.
- **Regular Reviews:** Conduct regular reviews of the implemented policies to ensure they are meeting the needs of SMEs and making necessary adjustments based on feedback and changing economic conditions.

These policy recommendations aim to address the current financial challenges faced by SMEs and create a dynamic and supportive financial ecosystem for SMEs in Ireland to grow and innovate. By learning from successful international models like the Business Development Bank of Canada (BDC) and implementing tailored, sector-specific solutions, Irish policymakers can foster a more resilient and competitive SME sector.

5.5 Theme Three: Standalone State Agency for SMEs

This research underscores a strong consensus on the necessity for a dedicated, agile, and comprehensive support structure for small and medium enterprises (SMEs). SMEs, being multifaceted and evolving entities, require a specialized approach that current structures fail to provide. Establishing a standalone state agency or a government department with a dedicated minister for SMEs has emerged as a significant recommendation. This new entity would address the inadequacies of existing structures like Enterprise Ireland (EI) and Local Enterprise Offices (LEOs), which currently leave many SMEs feeling isolated and underrepresented. According to the Irish Small and Medium Enterprises Association (ISME), the government is "strategically blind" to the needs of SMEs, which constitute the largest employment sector in the state. A standalone agency could offer enhanced coordination and targeted support, avoiding the fragmentation seen in current structures.

Literature Connection

The OECD (2021) stresses the necessity of tailored SME support, noting that SMEs are often perceived as costly and risky by financial institutions. The Canadian model, particularly the Business Development Bank of Canada (BDC), offers a relevant example. The BDC combines financial support with advisory services, addressing both capital and knowledge gaps, which could be adapted to the Irish context. The central theme from this research highlights the vulnerability and isolation of the indigenous SME sector in Ireland, exacerbated by geopolitical tensions, economic uncertainties, and the influence of multinational corporations on enterprise and taxation policies (Bailey and Lenihan, 2015).

The study finds that current policies are ineffective for SMEs, as they are often designed with larger firms in mind. This one-size-fits-all approach lacks responsiveness and fails to address the unique challenges faced by SMEs, particularly in a post-COVID environment where bureaucratic red tape and higher operating costs are prevalent. The OECD (2019) notes that only 6.3 percent of Irish SMEs are exporting firms, the lowest among 36 OECD members, indicating a significant policy gap. This study supports the OECD's findings that Irish industrial policy is failing SMEs in a tw0-fold manner: by not having a central, unified strategy, and by not addressing issues such as limited technology adoption, inadequate financing options, and poor export performance.

Feedback from Irish SMEs indicates that the current top-down government approach is unresponsive to their needs and has widened the gap between foreign and indigenous sectors. Martinez et al. (2020) argue that this impedes growth in the SME sector by as much as 55 percent. This study highlights that existing policy structures, like those delivered through EI and LEOs, are piecemeal and fail to meet the needs of domestic, non-exporting businesses, which constitute almost 94 percent of Irish SMEs (OECD, 2019). This suggests a direct hindrance posed by the current policy framework, which is predicated on a one-size-fits-all mentality.

Bohle et al. (2021) assert that Ireland's industrial and enterprise policy platform appears to be influenced by the preference of public officials to engage less with SMEs or their business associations, opting to engage more with powerful multinational corporations. This disproportionate influence undermines the indigenous SME population, which is expected to accept policies stemming from this policymaking vacuum. Jacobson (2015) argues for the need to realign state supports to SMEs, emphasizing that while multinational firms are crucial to the Irish economy, they should not have disproportionate influence.

The OECD (2021) underscores the necessity of tailored SME support, noting that SMEs are often perceived as costly and risky by banks. The Canadian BDC model, again offers a relevant example. The BDC combines financial support with advisory services, addressing both capital and knowledge gaps, which could be adapted to the Irish context. The central theme running through the data, generated from this research, is the vulnerability of the indigenous SME sector in Ireland and the isolation it experiences. Not only are these vulnerabilities heightened as a consequence of ongoing geopolitical tensions, complex economic and energy cost increases, but they also uniquely exist in Ireland, due to the influence of multinational corporations over the enterprise and taxation policy platforms as argued by Bailey and Lenihan (2015).

The findings of this study, substantiate the two issues identified within the literature, first encircling around the power and influence of the multinationals or large firms over Ireland's enterprise policy landscape and second, policymakers' endeavors to use the same policies to fit SMEs. Furthermore, this is an impossible, highly ineffective strategy that lacks both responsiveness and a tailored approach, when a radically fundamental departure is now required, especially at a time of uncertainty with sweeping international reforms of the implementation of the global minimum corporate tax rate and FDI's unguaranteed long-term presence in Ireland. This should act as a catalysing moment for policymakers to pivot enterprise policy towards more nurturing highly productive entrepreneurial and innovative ecosystems, as argued by Minniti (2008).

The findings of this study also illuminate the struggling many Irish SMEs now face, triply burdened by bureaucratic red tape, higher operating costs, and misaligned, often overly complex policy supports that prove difficult to navigate. As such the implications are that Irish SMEs feel increasingly isolated in the post-covid operating environment and that the current Enterprise Ireland (EI) state support structure is overly focused on 'winner' style exporting firms which, according to the OECD (2019), account for a mere 6.3 percent of the total Irish SME population, the lowest level among all 36 OECD members. Therefore, the current policy approach proves inept at allowing Irish SMEs to grow, prosper, develop export capabilities, and become more productive and profitable. Moreover, this study identifies extensive policy gaps and obstacles of Irish SMEs, justifies the OECD (2019) findings of Irish industrial policy is failing SMEs by the absence of a centrally unified systemic strategy, and address the limited technology adoption, inadequate financing options, low value-added, and poor export performance issues, all adversely affecting Irish SMEs and overall entrepreneurial economic performance. This emphasises the urgency to address these issues through well-designed, grounded policy interventions that are tailored to the needs of SMEs, allowing for the key drivers of success (growth and productivity) to transpire.

Data derived from this study indicates that the current top-down government approach is unresponsive to SMEs' needs, hence widening the gap between foreign and indigenous sectors, with the latter facing severe challenges, which could increase if not adequately addressed, as posited Martinez et al., (2020). Additionally, they argue that this governmental approach has impeded growth with the entire SME sector by as much as 55 percent (Martinez et al., 2020). The feedback from this study highlights how many SMEs feel that existing policy structures, delivered by government through the likes of Enterprise Ireland (EI) and the Local Enterprise Office (LEO), are piecemeal and unsuccessfully meeting the needs of domestic, non-exporting businesses, which comprise approximately 94 percent of Irish SMEs according to OECD data (2019). Consequently, such feedback presents worrisome trend, suggesting a clear hindrance posed by the current policy framework, unfortunately predicated upon a one-size-fits-all mentality. The view presented by Bohle et al., (2021) rings true here, aligning with this study's findings, asserting that Ireland's industrial and enterprise policy platform is seemingly influenced by the preference of public officials, to engage less with SMEs and/or their business associations and increasingly more with powerful multinational corporations. Allowing a mobile multinational sector that could remove itself rom Ireland anytime, especially with such disproportionate levels of power and influence over a country's enterprise policy, is erroneous; it lacks transparency and undermines the indigenous SME population, who are expected to accept the policies stemming from this policymaking vacuum.

While multinational firms are integral to the Irish economy, they should not be given disproportionate influence. There is a need to rebalance the playing field, highlighted as an emerging pattern in this study supported by Jacobson (2015), who argues for the need to realign state supports to SMEs. Thus, these findings, while critical of current government enterprise policy should be viewed as a catalyst for change and reform to recalibrate and enhance state supports and incentives while strengthening the policy and financial toolkit available to the SME sector. A dedicated agency could offer a more focused and comprehensive approach to support. As an exemplar, the BDC model's multifaceted approach—providing both financial and advisory services - could be adapted to Ireland to enhance support for SMEs. Additionally, the Canadian government's proactive stance to SME support, through trade agreements and policy initiatives, offers invaluable lessons.

The current fragmentation in SME support structures in Ireland results in inefficiencies and gaps in service delivery. SMEs often find themselves navigating a complex web of support programs with overlapping functions and responsibilities, leading to confusion and underutilization of available resources. A standalone agency would centralize these efforts, providing a streamlined and coherent support system that is more accessible and responsive to the needs of SMEs. This centralized approach would ensure that policies are better aligned with the realities of SME operations, thereby enhancing their growth and competitiveness.

Theme Three Policy Recommendations

1. **Establish a Standalone State Agency for SMEs:** Create a new agency modeled after the BDC, focusing on targeted, low-cost financing and advisory services for SMEs. This agency would address the specific needs of domestic, non-exporting SMEs and offer a concentrated approach to support. The new agency should complement the efforts of EI, which is more focused on exporting companies, and LEOs at the local level, by filling gaps in services and offering a focused approach that current institutions may not be able to provide.
2. **Centralized Information Hub:** Develop a single, comprehensive online portal that aggregates all SME support services, programs, and resources from various agencies. This would serve as a one-stop shop for SMEs to easily navigate and access the full range of available supports.
3. **Streamlined Application Process:** Implement a unified application system that allows SMEs to apply for multiple support programs through a single interface. This would reduce duplication of effort and simplify the process for businesses seeking assistance.

4. **Cross-Agency Coordination:** Establish formal coordinating mechanisms with existing agencies like Enterprise Ireland, Local Enterprise Offices, and others. This could involve regular inter-agency meetings, shared databases, and collaborative policy development to ensure cohesive support delivery.
5. **Needs-Based Service Mapping:** Conduct a comprehensive analysis of SME needs and map them against existing services. This would help identify gaps, overlaps, and opportunities for service integration or improvement.
6. **Integrated Advisory Services:** Offer holistic advisory services that draw on expertise from various domains (e.g., finance, marketing, technology), to provide SMEs with comprehensive support tailored to their specific needs and growth stage.
7. **Unified Monitoring and Evaluation:** Develop a standardized system for tracking SME progress and evaluating the effectiveness of support programs across all agencies. This would facilitate better resource allocation and continuous improvement of services.
8. **Sectoral Specialization:** Create specialized units within the agency that focus on key sectors of the Irish economy, integrating sector-specific supports from various existing programs.
9. **Policy Coordination Role:** Position the agency as the central coordinator for SME policy development, ensuring that initiatives from different government departments are aligned and complementary.
10. **Shared Technology Platform:** Implement a common technology platform that allows for seamless data sharing and collaboration between the new agency and existing support providers.

11. **Training and Capacity Building:** Offer training programs for staff across all SME support agencies to ensure consistent service quality and a shared understanding of the integrated support ecosystem.

By implementing these strategies, a standalone agency could effectively address the current fragmentation in SME support structures, providing a more coherent, accessible, effective and efficient system of assistance for Irish SMEs. This centralized approach would ensure that policies are better aligned with the realities of SME operations, thereby enhancing their growth and competitiveness.

5.6 Theme Four: Cost of Doing Business and Regulatory Burdens

The rising cost of doing business, due to increased regulatory burdens, is a significant concern for small and medium-sized enterprises (SMEs). While this issue overlaps with financial challenges, it warrants its own discussion due to the persistently and pervasive patterns surrounding these burdens. The regulatory landscape, characterized by complex compliance requirements and administrative hurdles, has been identified as a major impediment to SME growth and innovation. This chapter delves into the dimensional nature of regulatory burdens, examining their impact on SMEs and proposing comprehensive policy recommendations to mitigate these challenges. This issue, although interconnected with financial challenges, merits a distinct discussion due to the recurring patterns associated with these burdens. The regulatory landscape, characterized by complex compliance requirements and administrative hurdles, has been identified as a major impediment to SME growth and innovation. As highlighted in the 2024 Competitiveness Report, the "constant barrage of new costs being imposed on businesses by local and national government" is a major obstacle for SMEs, particularly in sectors like food and convenience retail. This cumulative impact of regulations is not being adequately considered, leading to calls for a comprehensive review of current regulations to assess their impact on small businesses. Simplifying compliance processes and reducing red tape can help restore confidence among SMEs, enabling them to focus on growth and innovation.

Incorporating Regulatory Impact Assessments (RIA), further discussed below, into the policy-making process can further enhance the effectiveness of regulatory reforms. RIA provides a systematic approach to evaluating the potential effects of proposed and existing regulations, ensuring that regulatory decisions are grounded in solid evidence. This tool helps to avoid unintended negative consequences and promotes transparency and accountability in the regulatory process. By engaging stakeholders and conducting detailed cost-benefit analyses, RIA ensures that new policies do not inadvertently stifle SME growth and are aligned with the needs of small businesses.

Literature Connection

Regulatory Burdens and SME Growth

The literature consistently highlights the negative impact of regulatory burdens on SMEs. According to the OECD (2019), regulatory impact assessments (RIAs) are crucial for understanding the effects of regulations on businesses and ensuring that new policies do not inadvertently stifle SME growth. RIAs provide policymakers with the necessary information to design regulations that achieve public policy goals while minimizing adverse effects on businesses. Research by Martinez et al. (2020) suggests that the current top-down approach to policymaking in Ireland exacerbates the regulatory burden on SMEs. They advocate for a bottom-up approach, emphasizing the need for greater collaboration and consultation with small business owners. This aligns with the findings of this study, which underscore the importance of simplifying and streamlining regulatory processes to foster a more SME-friendly environment.

The Cost of Compliance

The cost of compliance is a recurring theme in the literature. The Vintners Federation of Ireland (VFI) and RGDATA have highlighted the inefficiencies caused by fragmented licensing systems, which increase the administrative burden on SMEs. Simplifying application procedures and enhancing communication between regulatory agencies can significantly reduce these burdens. The Small Firms Association (SFA) also emphasizes the need for simpler schemes and processes, noting that many smaller SMEs lack the resources to navigate complex compliance requirements.

To address the regulatory challenges faced by SMEs, the implementation of Regulatory Impact Assessment (RIA) is essential. This tool is designed to improve the quality of regulatory decisions by providing evidence-based analysis of the benefits and costs associated with regulatory options.

The benefits of using RIA in policy-making are manifold. Firstly, RIA ensures that regulatory proposals are grounded in solid evidence, which helps in crafting regulations that are more effective and efficient. By systematically analyzing the potential impacts of regulations, RIA helps to avoid unintended negative consequences and ensures that regulations achieve their intended objectives with minimal adverse effects. This rigorous approach to policy-making promotes transparency and accountability, as it documents the evidence and reasoning behind regulatory decisions. Such transparency builds trust among stakeholders, including businesses, consumers, and the public.

Moreover, RIA provides policymakers with a comprehensive analysis of the potential impacts of regulatory options, including economic, social, and environmental effects. This information is crucial for making informed decisions that balance various policy goals and consider the trade-offs involved. By including a detailed cost-benefit analysis of regulatory proposals, RIA helps to identify the most efficient and effective regulatory options. Policymakers can then choose options that maximize net benefits to society, thereby fostering a more supportive environment for SMEs.

Incorporating RIA into the policy-making process also involves consultations with stakeholders, ensuring that the perspectives and concerns of those affected by the regulations are considered. This engagement helps to identify potential issues and improves the overall quality and acceptance of the regulations. By promoting policy coherence and avoiding regulatory overlap and conflicts, RIA makes the regulatory environment increasingly predictable and stable for businesses and other stakeholders.

In conclusion, the use of RIA in policy-making offers numerous benefits, including improved quality of regulations, enhanced transparency, informed decision-making, and the promotion of evidence-based policy. By systematically evaluating the potential impacts of regulatory options, RIA helps to ensure that regulations achieve their intended objectives efficiently and effectively, while minimizing adverse effects. The engagement of stakeholders and the continuous improvement mechanisms embedded in RIA further enhance the robustness and acceptance of regulatory decisions. As such, RIA is a critical tool for creating a more coherent, transparent, and effective regulatory environment, ultimately supporting the growth and innovation of SMEs.

Advocacy and Engagement

Encouraging SMEs to engage in policy-making and advocacy efforts is crucial for creating more informed and effective policies. The OECD (2019) identifies the need for greater collaboration and consultation initiatives to enhance policies and ensure that regulations are business-friendly while maintaining necessary oversight. Bilson (2020) underscores the importance of small businesses participating in advocacy efforts to influence policies that directly impact their operations and growth.

Theme Four Policy Recommendations

To address the regulatory challenges faced by SMEs, the following policy recommendations are proposed:

1. Comprehensive Review of Existing Regulations

Conduct a thorough review of existing regulations affecting SMEs with the aim of simplifying and streamlining where possible. This review should identify and eliminate unnecessary or outdated requirements that impose undue burdens on small businesses.

2. Unified Licensing System

Implement a single, unified licensing system that consolidates the various licenses and permits required from different departments and agencies. This would reduce the complexity and administrative burden on SMEs, as highlighted by the VFI and RGDATA.

3. Standardized Forms and Procedures

Simplify and standardize application forms and procedures to make them more user-friendly. This includes pre-filled forms, clear instructions, and step-by-step guides to help SMEs navigate the licensing process more efficiently.

4. Inter-Agency Coordination

Improve communication and coordination between different regulatory agencies to ensure a more seamless and cohesive approach to licensing. This can help prevent overlapping inspections and redundant requirements.

5. Dedicated Support Units

Establish dedicated support units within relevant government departments to provide assistance and guidance to SMEs in specific sectors. These units can help businesses understand and comply with licensing requirements, reducing the burden of navigating complex regulatory landscapes.

6. Regular Reviews and Feedback Mechanisms

Conduct regular reviews of the licensing process to identify and eliminate unnecessary or outdated requirements. Establish feedback mechanisms where SMEs can provide input on their experiences and suggest improvements.

7. Training and Awareness Programs

Offer training and awareness programs to educate SME owners and managers about the licensing process, compliance requirements, and best practices. This can help businesses better understand and navigate the regulatory environment.

8. Pilot Programs and Phased Implementation

Implement pilot programs to test new licensing processes and gather feedback before rolling them out on a larger scale. This phased approach allows for adjustments based on real-world experiences and ensures smoother transitions.

9. Regulatory Impact Assessments

Conduct regulatory impact assessments to evaluate the potential effects of new regulations on SMEs. This can help ensure that new policies do not inadvertently create additional burdens and are aligned with the needs of small businesses.

10. Leveraging Technology

Utilize artificial intelligence (AI) and automation technologies to streamline the processing of license applications, reduce manual errors, and expedite approval times.

The escalating costs associated with increased regulatory burdens represent a significant challenge for SMEs. By implementing the proposed policy recommendations, Ireland can create a more efficient and supportive regulatory environment for SMEs, fostering innovation, growth, and competitiveness in the sector. Simplifying regulations, enhancing communication and coordination, and leveraging technology are essential steps towards reducing the regulatory burden on small businesses. Advocacy and engagement efforts should also be encouraged to ensure that the voices of SMEs are considered in the policymaking process. Through these measures, public policy can play a crucial role in fostering a vibrant and resilient small business sector.

5.7 Theme five: Digital Transformation and Barriers to Adoption

Digital transformation is a critical driver of economic growth and competitiveness, particularly for small and medium enterprises (SMEs). Despite the potential benefits, the adoption of digital technologies among SMEs in Ireland varies significantly, with many lagging. This disparity poses a challenge to the overall competitiveness of the Irish economy, which is heavily reliant on SMEs. Addressing barriers such as high costs, lack of internal expertise, and cybersecurity concerns is essential for fostering an inclusive digital economy.

Digital advancements, as discussed by Korinek and Stiglitz (2021), offer enormous economic opportunities for SMEs and can significantly advance SMEs in rural and regional areas, helping to improve inequality (Bowen and Morris, 2019). However, the advent of Artificial Intelligence (AI) and digital technologies may be observed as the latest stage of automation and mechanization, and the next step in innovation progress, or alternatively, as something made disruptive and destabilising while the AI and digital revolution poses challenges for SMEs, the potential benefits in driving innovation, productivity, and efficiencies are significant.

The Irish Competitiveness Council's 2024 Report underscores the critical role of digital transformation in enhancing productivity and competitiveness. The Report highlights that while some sectors, particularly technology-focused SMEs and food convenience retailers, demonstrate advanced digital capabilities, many other sectors lag significantly behind. This digital divide poses a substantial challenge to Ireland's overall economic competitiveness and productivity. Given the dominance of SMEs in the Irish economy, it is imperative to place them at the core of any digital transformation strategy. Currently, only 45 percent of Irish SMEs have adopted basic digital technologies, such as cloud computing and e-commerce, compared to 80 percent of large enterprises (ICC, 2024). This stark contrast highlights the dramatic digital divide between SMEs and large firms. A pressing need has emerged for inclusive government support schemes and targeted upskilling initiatives to bridge this digital divide.

Literature Connection

The importance of digital transformation for SMEs is well-documented in recent literature. The European Investment Bank's Investment Survey (EIBIS) reiterates the critical role of digitalisation in enhancing productivity and competitiveness (ESRI, 2024). Furthermore, Ireland's National Digital Strategy, "Harnessing Digital - The Digital Ireland Framework (2022)," sets ambitious targets for SME digitalisation, aiming for most SMEs to have necessary digital capabilities and strong engagement in cloud computing, artificial intelligence, and big data by 2030.

The varying levels of digital preparedness among Irish SMEs reflect a broader trend observed across Europe. While some sectors, particularly those that are technology-focused or consumer-facing like food retail, have made tremendous strides in digital adoption, others remain hesitant or lack the resources to fully embrace digital transformation. This digital divide poses a significant challenge to Ireland's overall economic competitiveness and productivity. The Irish economy's dominance by SMEs necessitates placing them at the core of any digital transformation strategy (Digital Ireland Framework, 2022).

However, the primary barriers to further implementation of digital solutions across SMEs include a lack of knowledge about digital opportunities, technical know-how, and financing issues. Likewise, the financing gap is particularly problematic, with SMEs experiencing difficulties in accessing funding from traditional banking channels for large-scale digital transformation programmes. Cybersecurity emerges as a critical concern in the digital transformation journey. As

SMEs increasingly rely on digital technologies, they become more vulnerable to cyber threats. The lack of awareness and resources to implement robust cybersecurity measures poses a significant risk to SMEs and, by extension, to the broader Irish economy.

The Digital Ireland Framework highlights the importance of digital transformation for SMEs, emphasizing that digital technologies can significantly enhance business resilience, productivity, and competitiveness (Harnessing Digital - The Digital Ireland Framework, 2022). However, it also notes that barriers such as a lack of awareness of digital solutions, financial constraints, and cybersecurity concerns hamper the adoption of digital technologies. The European Investment Bank's Investment Survey (EIBIS) further underscores the critical role of digitalisation in enhancing productivity and competitiveness, while also pointing out the significant disparities in digital adoption across different sectors and firm sizes (ESRI, 2024).

Feedback from Irish SMEs indicates that the current barriers to digital technology adoption are multifaceted and deeply entrenched. The skills' deficit is a pertinent issue, with many SMEs lacking the internal expertise needed to implement and manage digital technologies effectively. Financial constraints and the high costs of technology further exacerbate this problem, making it difficult for SMEs to invest in necessary digital tools and infrastructure. Cybersecurity concerns also pose a substantial barrier, as SMEs often lack the resources and knowledge to implement robust security measures. The Digital Ireland Framework aims to address these challenges by promoting digital adoption across all enterprises, with a particular focus on SMEs. However, the current top-down approach has been criticized for not being sufficiently responsive to the specific needs of SMEs. According to the Irish Small and Medium Enterprises Association (ISME), the government is "strategically blind" to the needs of SMEs, which are the largest employment sector in the state. This criticism highlights the need for more inclusive and tailored support programs that can properly address the unique challenges faced by SMEs.

Theme Five Policy Recommendations

To address these barriers and enhance digital adoption among Irish SMEs, the following policy recommendations are proposed:

1. Develop Sector-Specific Digital Support Programs

Create tailored digital transformation programs that address the unique needs and challenges of different sectors, particularly those lagging in digital adoption. These programs should include sector-specific training, financial support, and advisory services.

2. Enhance Digital Skills Training

Implement comprehensive digital skills training programs for SME owners and employees, focusing on both basic digital literacy and advanced digital technologies. This could involve partnerships with educational institutions and industry bodies to ensure relevant and up-to-date training.

3. Improve Access to Digital Financing

Develop specialized financing schemes that cater to the unique needs of digital transformation projects. This could include government guarantees or subsidies to encourage bank lending for digital initiatives, reducing the financial burden on SMEs.

4. Strengthen Cybersecurity Support

Establish a national cybersecurity support program for SMEs, offering resources, training, and potentially subsidized cybersecurity services to enhance their digital resilience. This program should focus on raising awareness of cybersecurity risks and providing practical solutions to mitigate them.

5. Foster Digital Innovation Hubs

Create regional digital innovation hubs where SMEs can access expertise, technologies, and networking opportunities to accelerate their digital transformation. These hubs can facilitate cross-sector collaboration and public-private partnerships, sharing knowledge, resources, and best practices.

Addressing the digital preparedness gap among Irish SMEs is crucial for ensuring the long-term competitiveness and resilience of Ireland's economy. By implementing targeted support programs, enhancing digital skills, improving access to financing, and strengthening cybersecurity measures, Ireland can create a more conducive environment for SME digital transformation. Drawing insights from global digital leaders and adapting them to the Irish context will be key to developing best practices and strategies that can propel Irish SMEs to the forefront of the digital economy.

5.8 Theme six: Innovation and R&D Support

Innovation and research and development (R&D) are pivotal for the growth and competitiveness of small and medium enterprises (SMEs). In Ireland, SMEs face tremendous barriers in accessing R&D tax credits and funding opportunities, which hinder their ability to innovate and grow. Simplifying the application processes for these programs and providing mentorship can encourage greater participation in innovation initiatives. Additionally, fostering collaboration between SMEs and research institutions can drive innovation and help SMEs adapt to changing market demands.

The National Competitiveness Council's 2024 Report highlights a dire need for enhanced support for innovation and R&D among SMEs. The Report illustrates that Irish productivity indicators are heavily skewed at an aggregate level, driven by a small number of multinational firms. In contrast, many domestic firms, particularly within the SME sector, exhibit significantly lower levels of productivity, innovation, and growth. The feedback obtained in this study suggests that the current R&D tax credit system is largely ineffective in supporting the needs of SMEs and is tailored almost exclusively towards the needs of the multinational sector. The current scheme is complex, and the lack of outreach to SMEs acts as a prohibitive factor, as many SMEs are unaware of and do not understand how to access or utilize the current R&D tax credit scheme despite its complexity. Consequently, a glaring call for surfaces for current R&D tax credit system to be reformed, radically simplified, and made SME user-friendly.

While Ireland's mutual investment in innovation and research and development (R&D) reached €4.6 billion in 2020, it fell short of the target of 2.5 percent of Gross National Product (GNP), accounting for only 1.6 percent of GNP or 1.2 percent of Gross Domestic Product (White Paper on Enterprise, 2022). This shortfall underscores the need for increased investment in innovation and R&D, with a particular emphasis on addressing the unique needs of SMEs to align with international benchmarks. Fostering a culture of innovation and research-driven growth within SMEs is crucial, as evidenced by less than 20 percent of SMEs' engagement in R&D activities, compared to 60 percent of large enterprises (ICC, 2024). The primary finding from this research highlights the urgent need to simplify R&D tax credit applications and enhance outreach efforts to encourage greater SME participation in innovation initiatives.

Literature Connection

The literature underscores the importance of innovation and R&D for SMEs, highlighting the barriers they face in accessing support. According to the National Competitiveness and Productivity Council (NCPC), Irish productivity is heavily influenced by a small number of multinational firms, while many domestic SMEs lag in innovation and productivity. This disparity necessitates targeted support to enhance the innovation capabilities of SMEs.

The European Investment Bank's Investment Survey (EIBIS) also emphasizes the vital role of R&D in enhancing productivity and competitiveness. The survey indicates that many SMEs struggle with the complexity of the R&D tax credit system and the administrative burden associated with applying for funding. Simplifying these processes and providing clear guidelines can significantly improve SMEs' access to R&D support.

Research by KPMG (2024) highlights that the primary barriers preventing companies from applying for R&D state funding and tax credits are the administrative complexity and the time-consuming nature of the application process. The survey found that 60 percent of Irish businesses cited a lack of funding as the main obstacle to increasing their innovation levels, while 41 percent stated to the burdensome grant administration process as a significant hindrance. These findings align closely with the qualitative findings of this study, stressing the urgent need for streamlined processes and increased funding to better support SME innovation. The White Paper on Enterprise (2022) outlines the Irish government's commitment to enhancing R&D support, setting ambitious targets to double business expenditure on R&D and significantly increase overall R&D spending. However, the paper also acknowledges that current efforts fall short of these targets, highlighting the need for more effective and accessible support mechanisms for SMEs.

Importantly, the literature also outlines the successful models in other countries that Ireland can learn from. For example, the UK's approach to supporting SME innovation through tailored R&D tax credits and grants has been effective in driving innovation and productivity growth among small firms. Adopting similar strategies in Ireland could help bridge the gap between multinational firms and domestic SMEs in terms of innovation and productivity.

Theme Six Policy Recommendations

To address these barriers and enhance support for innovation and R&D among Irish SMEs, the following policy recommendations are proposed:

1. Simplify the R&D Tax Credit System

Radically simplify the application process for R&D tax credits, to make it more accessible and user-friendly for SMEs. This could involve reducing the administrative burden and providing clear, concise guidelines on eligibility and application procedures.

2. Increase Outreach and Awareness

Launch targeted outreach programs to raise awareness of available R&D support among SMEs. This could include informational workshops, online resources, and one-on-one consultations to help SMEs understand and access the support available to them.

3. Enhance Financial Support

Develop specialized financing schemes that cater to the unique needs of SME innovation projects. This could include increasing the funding amounts available through grants and expanding eligibility criteria to encourage broader participation in R&D initiatives.

4. Foster Collaboration with Research Institutions

Promote collaboration between SMEs and research institutions to drive innovation and facilitate knowledge transfer. This could involve establishing innovation hubs and providing incentives for joint research projects.

5. Provide Mentorship and Advisory Services

Offer mentorship and advisory services to guide SMEs through the R&D process. This could include pairing SMEs with experienced mentors who can provide strategic advice and support throughout the innovation journey.

6. Strengthen Support for Green Technologies

Enhance supports and incentives for investment in green technologies to promote sustainable and environmentally friendly innovation. This could involve specifically tailoring R&D tax credits and grants with green projects.

Addressing the barriers to innovation and R&D support for Irish SMEs is crucial for ensuring their long-term competitiveness and resilience. By simplifying the R&D tax credit system, increasing outreach and awareness, enhancing financial support, fostering collaboration with research institutions, providing mentorship, and strengthening support for green technologies, Ireland can create a more conducive environment for SME innovation. Drawing insights from successful models in other countries and adapting them to the Irish context will be key to developing best practices and strategies that can propel Irish SMEs to the forefront of innovation and research-driven growth.

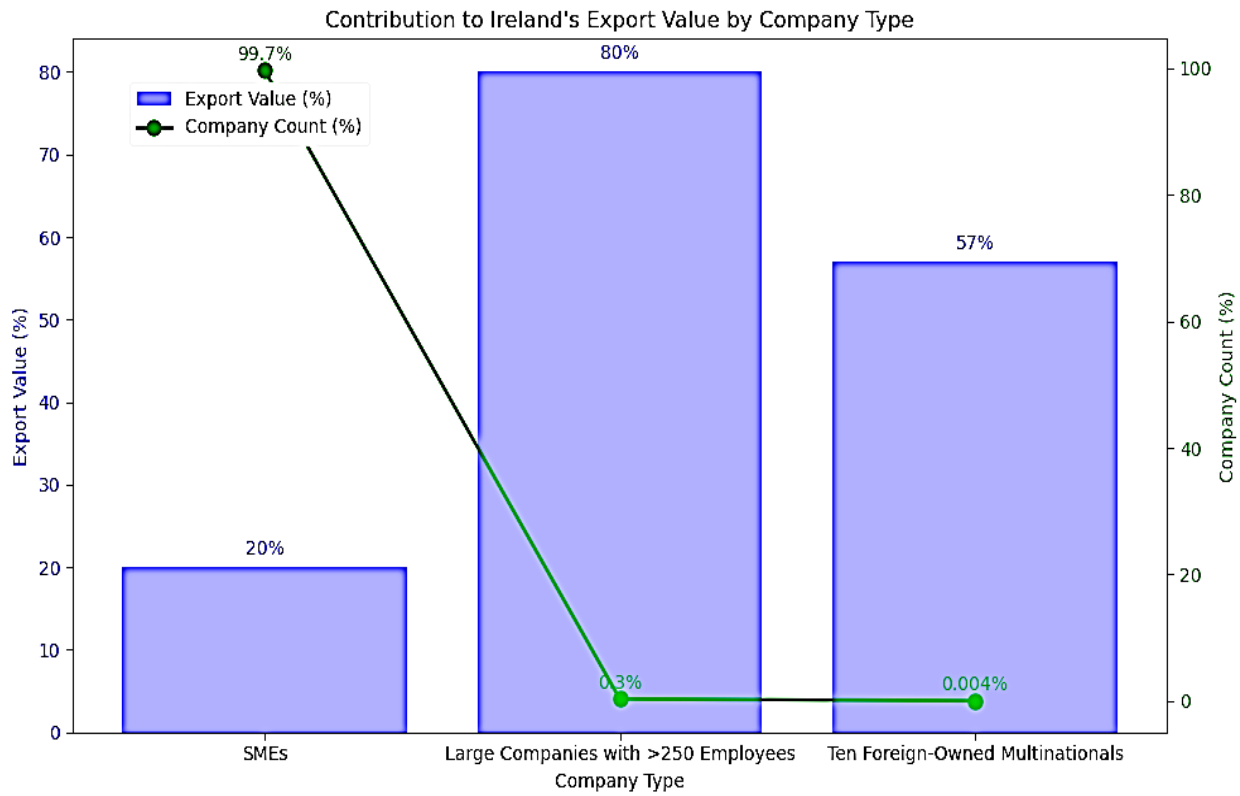
5.9 Theme Seven: Export Performance and Internationalization

This research identifies several factors contributing to the low export performance among Irish SMEs, including a lack of knowledge and training, insular thinking, and a predominant focus on the domestic market. A pressing need exists for more flexible export support criteria and increased investment in mentorship and advisory services to stimulate international expansion. Comparative analysis with high-exporting SMEs in other countries could offer valuable lessons and strategies for improving export performance.

Literature Connection

The OECD (2019) report on SME and entrepreneurship policy in Ireland reveals that approximately six percent of Irish SMEs engage in exporting, a figure significantly below international standards. Similarly, the 2024 Irish Competitiveness Council (ICC) Report highlights that only ten percent of Irish SMEs export their products or services, compared to 50 percent of large enterprises (ICC, 2024). Despite SMEs constituting 99.7 percent of companies, they contribute only 20 percent of exports, whereas large companies with more than 250 employees, which make up just 0.3 percent of companies, contribute 80 percent of exports. This disparity is further emphasized by the fact that ten foreign-owned multinationals account for 57 percent of Ireland’s export value (CSO, 2024).

Figure: Contribution of Ireland's Export Value by Company Type



Source: Irish Competitive Council Report, 2024.

These striking statistics underscore the urgent need to develop flexible export support programs and enhance export training and mentorship for SMEs. Furthermore, adopting a strategy that encourages collaboration between multinational corporations (MNCs) and SMEs can create mutually beneficial outcomes. An exemplary model is South Korea's 'Grow Together' strategy, which fosters symbiotic relationships between large corporations and SMEs while fully supporting the development of local SMEs (South Korea Ministry of SMEs and Startups, 2024). This approach could serve as a valuable framework for Ireland to enhance the export performance and global competitiveness of its SME sector.

This low level of international engagement is attributed to several barriers, including limited knowledge of foreign markets, insufficient training, and a lack of strategic focus on internationalization (OECD, 2019). The Central Bank of Ireland's Report further iterates that Irish

SMEs account for just seven percent of total export flows, with the majority of exports dominated by large multinationals (Central Bank of Ireland, 2023). The low export performance among Irish SMEs is a multifaceted issue. A significant barrier is the lack of knowledge and training related to international markets. Many SMEs are unaware of the opportunities available or the steps necessary to enter foreign markets. The study reveals that the knowledge gap regarding exporting among SMEs is compounded by insular thinking, where businesses predominantly focus on the domestic market. This insular mindset arises from perceived complexities and risks associated with exporting. This correlation between the knowledge gap and insular thinking underscores the need for targeted interventions to enhance export knowledge and encourage broader market engagement.

Financial constraints and the high costs associated with entering new markets further deter SMEs from pursuing international opportunities. The current support structures, while beneficial, often have rigid criteria that do not accommodate the diverse needs of SMEs. For instance, the Market Discovery Fund by Enterprise Ireland provides grants up to €150,000, but accessing such funds can be challenging for smaller firms lacking the necessary resources and expertise (OECD, 2019).

The OECD also notes that increased SME adoption of international standards could support productivity growth and enhance export performance. However, SME's lack of awareness about the benefits of such standards and support for their adoption is not fully integrated into existing policy packages (OECD, 2019).

The National Competitiveness Council's 2024 Report emphasizes the importance of internationalization for SMEs, noting that export-oriented SMEs tend to be more innovative and productive. The Report identifies several key areas for improvement, including the need for more flexible export support programs, enhanced training and mentorship, and better access to export financing (National Competitiveness Council, 2024).

Key Differences Between Irish SMEs and High-Exporting SMEs in Other Countries

- ***Knowledge and Training:*** High-exporting SMEs in other countries often have better access to knowledge and training related to international markets. They are more likely to engage in continuous learning and development programs that focus on export strategies, market research, and international trade regulations (OECD, 2019).
- ***Strategic Focus:*** High-exporting SMEs typically have a stronger strategic focus on internationalization. They actively seek out opportunities in foreign markets and develop long-term plans to expand their global presence. In contrast, many Irish SMEs remain focused on the domestic market due to perceived risks and complexities associated with exporting (Central Bank of Ireland, 2023).
- ***Financial Support:*** SMEs in high-exporting countries often benefit from more accessible and flexible financial support mechanisms. These include government-backed loans, grants, and subsidies, specifically designed to reduce the financial risks of entering new markets. In Ireland, the rigid criteria of existing support structures can be a barrier for smaller firms (OECD, 2019).
- ***Adoption of International Standards:*** High-exporting SMEs are more likely to adopt international standards, which can enhance their competitiveness and ability to win contracts with foreign partners. In Ireland, the lack of awareness and insufficient support for the adoption of such standards among SMEs prove detrimental to business (OECD, 2019).

- ***Networking and Collaboration:*** SMEs in high-exporting countries often engage in extensive networking and collaboration with other businesses, research institutions, and industry bodies. This helps them gain insights into best practices, access new technologies, and build strategic partnerships. Irish SMEs, conversely, may lack the same level of engagement in international networks (National Competitiveness Council, 2024).

Theme Seven Policy Recommendations

To address these barriers and enhance the export performance and internationalization of Irish SMEs, the following policy recommendations are proposed:

1. Develop Flexible Export Support Programs

Create more flexible and accessible export support programs that cater to the myrid needs of SMEs. This could include simplified application processes and lower entry barriers for smaller firms.

2. Enhance Export Training and Mentorship

Implement comprehensive training programs and mentorship initiatives focused on international trade. These programs should cover market research, export regulations, logistics, and cultural nuances of doing business abroad.

3. Improve Access to Export Financing

Develop specialized financing schemes to support SMEs in their internationalization efforts. This could involve government-backed loans or grants specifically aimed at reducing the financial risks of entering new markets.

4. Promote International Standards Adoption

Increase awareness and support for the adoption of international standards among SMEs. This could involve subsidies for certification processes and training on the benefits and implementation of these standards.

5. Foster Cross-Border Collaboration

Encourage partnerships and collaborations between Irish SMEs and their counterparts in other countries. This could be facilitated through trade missions, international networking events, and digital platforms that connect businesses globally.

6. Leverage Multinational Corporations (MNCs)

Enhancing the integration of products and services from SMEs into the multinational sector in Ireland is essential. MNCs, which benefit from well-established export markets and significant tax incentives in Ireland, could be incentivized or required to engage more with indigenous SMEs. This engagement could take the form of joint ventures, technology transfers, training, and mentoring initiatives. For instance, Singapore's Committee on the Future Economy emphasizes the importance of collaboration between MNCs and SMEs, facilitating partnerships that enable SMEs to scale up and integrate into global supply chains (Ministry of Trade and Industry, 2023). Similarly, South Korea's 'Grow Together' strategy exemplifies a successful model, fostering symbiotic relationships between large corporations and SMEs while providing robust support for the development of local SMEs (South Korea Ministry of SMEs and Startups, 2024).

Enhancing the export performance and internationalization of Irish SMEs is crucial for diversifying the economy and increasing competitiveness on a global scale. By implementing more flexible support programs, enhancing training and mentorship, improving access to financing, and promoting the adoption of international standards, Ireland can create a more conducive environment for SMEs to engage in international trade. Learning from the best practices of high-exporting SMEs in other countries will provide valuable insights and strategies to bolster the internationalization efforts of Irish SMEs.

5.10 Theme Eight: Professionalization and Skills Development

Skill gaps and workforce challenges significantly impact the operational efficiency and innovation potential of small and medium-sized enterprises (SMEs). To address these issues, it is imperative to invest continuously in staff training, early educational interventions, and initiatives such as the "Blue Cert" qualification framework. Collaborating with educational institutions and industry bodies can further enhance the effectiveness of these initiatives. Additionally, creating a more appealing work environment and offering career growth opportunities within SMEs can help attract and retain talent.

The rapid pace of technological change and the increasing complexity of business environments necessitate a workforce that is not only digitally literate but also capable of leveraging advanced digital tools and technologies. Skill shortages are reported by 70 percent of SMEs, particularly in areas such as digital skills, management, and technical expertise (ICC, 2024). This underscores the critical need for continuous investment in staff training and early educational interventions to address these skill gaps.

Addressing skill gaps is particularly pressing in the context of digital transformation. As SMEs strive to remain competitive in a global market, the ability to adopt and effectively utilize digital technologies becomes a critical determinant of success. The Digital Ireland Framework emphasizes that digital skills are essential for supporting the broader digital transformation of the Irish economy. This framework sets ambitious targets for SME digitalization, aiming for most SMEs to possess necessary digital capabilities and strong engagement in cloud computing, artificial intelligence, and big data by 2030. Achieving these targets requires a concerted effort to build a digitally skilled workforce through continuous training and education.

Moreover, the European Investment Bank (EIB) highlights that digital skills are a key enabler of productivity and competitiveness, particularly for SMEs. The lack of digital skills not only hampers the ability of SMEs to innovate but also limits their capacity to engage in new business models and markets. This is further compounded by the challenges SMEs face in attracting and retaining talent, often due to higher wages offered by larger enterprises and multinationals. Therefore, creating a more appealing work environment and offering career growth opportunities within SMEs are crucial strategies for mitigating talent gaps and enhancing workforce capabilities.

In conjunction with digital skills, the transition to a low-carbon economy presents new challenges and opportunities for SMEs. The OECD (2019) specifies that skill shortages are a significant barrier to SME growth and innovation, necessitating targeted interventions to build a skilled workforce. This is particularly evident in sectors associated with the transition to a low-carbon economy, where specific training aligned with each enterprise's position can enhance readiness and management of this transition. Recent research by Siedschlag et al. (2022) indicates that the primary challenge faced by enterprises in implementing Ireland’s Climate Action Plan is the lack of competencies within the workforce. This suggests that sector-specific training is essential for effective management and transition.

The lack of political and civil servant willpower can significantly impede the implementation of necessary programs, such as the proposed "Blue Cert" upskilling initiative for the SME sector in Ireland. Despite the clear need for such a program, the proposal has been pending with the Department of Enterprise, Trade, and Employment since 2019. This delay can be attributed to several factors inherent in the political and bureaucratic landscape.

First, political priorities often shift, especially in the context of election cycles and changing government agendas, which can lead to the deprioritization of initiatives that do not align with immediate political goals. Additionally, bureaucratic inertia, characterized by slow decision-making processes and a lack of urgency, can further stall the progress of new proposals. This is compounded by the complexity of coordinating across various governmental departments and agencies, each with its own set of priorities and constraints.

Additionally, the successful implementation of new programs necessitates not only political endorsement but also the effective mobilization of resources and the establishment of suitable administrative frameworks. In the absence of strong leadership and a clear commitment from both political figures and civil servants, even well-conceived proposals risk stagnation. This underscores the critical need to cultivate a political and bureaucratic environment that is both responsive to the evolving needs of the SME sector and committed to facilitating initiatives that drive economic growth and innovation. The current inertia suggests a lack of urgency from the government in addressing the upskilling challenges faced by SMEs. To bridge this gap, it is imperative that policymakers prioritize the development and implementation of comprehensive training programs that effectively address the evolving needs of SMEs.

Literature Connection

The importance of digital transformation for SMEs is well-documented in recent literature. The Digital Ireland Framework underscores the critical need for digital skills development to support the broader digital transformation of the Irish economy. This framework sets ambitious targets for SME digitalization, aiming for most SMEs to have necessary digital capabilities and strong engagement in cloud computing, artificial intelligence, and big data by 2030. The European Investment Bank's Investment Survey (EIBIS) further emphasizes the critical role of digitalization in enhancing productivity and competitiveness. The survey highlights significant disparities in digital adoption across different sectors and firm sizes, reflecting a broader trend observed across Europe.

The OECD (2021) also outlines that skill shortages are a significant barrier to SME growth and innovation, necessitating targeted interventions to build a skilled workforce. The presence of skills gaps is particularly evident in nascent sectors associated with the transition to a low-carbon economy. The CEDEFOP (2018) and OECD (2018) highlight that sector-specific training aligned with each enterprise's position, in the low-carbon or green transition, can enhance readiness and management of this transition. This is supported by recent research conducted by Siedschlag et al. (2022), which indicates that the primary challenge faced by enterprises in implementing Ireland's Climate Action Plan revolves around the lack of competencies within the workforce.

The literature also highlights the importance of addressing barriers such as high costs, lack of internal expertise, and cybersecurity concerns. Korinek and Stiglitz (2021) argue that digital advancements could offer enormous economic opportunities for SMEs and help improve inequality, particularly in rural and regional areas. However, the benefits of digital adoption can only be realized if SMEs are equipped with the necessary skills and resources to leverage these technologies effectively. This underscores the need for inclusive government support schemes and targeted upskilling initiatives to help SMEs overcome these barriers and fully participate in the digital economy.

Furthermore, the ISME proposal for a new "Blue Cert" upskilling program for the SME sector has been pending with the Department of Enterprise, Trade, and Employment since 2019, indicating a lack of urgency from the government in addressing the upskilling challenges faced by SMEs. This highlights the need for more proactive and responsive policy measures to support the professionalization and skills development of the SME workforce.

In summary, the literature delineates the critical importance of digital skills development, sector-specific training, and targeted policy interventions to address skill gaps and workforce challenges in SMEs. By leveraging insights from global digital leaders and adapting them to the Irish context, policymakers can develop best practices and strategies that propel Irish SMEs to the forefront of the digital economy. Addressing these challenges is crucial for enhancing the operational efficiency, innovation potential, and overall competitiveness of Irish SMEs.

Theme Eight Policy Recommendations

1. **Develop Comprehensive Digital Skills Training Programs**

   Implement training programs that cover a wide range of digital skills, from basic digital literacy to advanced technologies such as artificial intelligence and big data. These programs should be accessible to all employees, regardless of their current skill level.

2. **Enhance Early Educational Interventions**

   Integrate digital skills training into the early education curriculum to build a strong foundation for future workers. This could involve partnerships with schools and universities to develop relevant coursework and practical training opportunities.

3. **Promote the "Blue Cert" Qualification Framework**

   Encourage widespread adoption of the "Blue Cert" qualification framework for SME management. This could involve providing incentives for SMEs to participate in the program and integrating it with other training initiatives.

4. **Foster Collaboration with Educational Institutions and Industry Bodies**

   Strengthen partnerships between SMEs, educational institutions, and industry bodies to develop tailored training programs. These collaborations can ensure that training is relevant, up-to-date, and aligned with industry needs.

5. **Invest in Continuous Staff Training**

   Encourage SMEs to invest in ongoing training for their employees to keep pace with technological advancements. This could involve government subsidies or tax incentives to offset the costs of training programs.

Addressing skill gaps and workforce challenges is essential for enhancing the operational efficiency and innovation potential of Irish SMEs. By developing comprehensive digital skills' training programs, promoting early educational interventions, and fostering collaboration with educational institutions and industry bodies, Ireland can build a skilled workforce capable of driving digital transformation. Continuous investment in staff training will ensure that SMEs remain competitive and can fully leverage the opportunities presented by digital technologies.

5.11 Theme Nine: Crisis Management and Economic Resilience

The past few years have underscored the critical importance of crisis management and economic resilience for small and medium-sized enterprises (SMEs). The COVID-19 pandemic, Brexit, and ongoing geopolitical tensions have exposed vulnerabilities and highlighted the need for robust strategies to ensure business continuity and adaptability. This theme explores the necessity for SMEs to build financial and operational resilience to navigate uncertain economic landscapes, with a particular focus on the impacts of global shocks, climate change, and evolving geopolitical dynamics.

Global shocks, such as the COVID-19 pandemic and geopolitical tensions, have significantly impacted SMEs worldwide. The pandemic exposed the fragility of global supply chains and highlighted the necessity for businesses to develop more resilient operational models. While these shocks have affected global poverty rates, they have also led to economic shifts that present new opportunities for SMEs to expand their markets, as more consumers gain purchasing power. The Irish Competitiveness 2024 report emphasizes the need for SMEs to adapt to these changes by enhancing their resilience and preparedness for future crises. The report suggests that SMEs must diversify their revenue streams, build financial reserves, and implement flexible tax and regulatory frameworks to quickly adapt to economic shocks. Notably, only 25 percent of SMEs have formal crisis management plans in place, compared to 70 percent of large enterprises (ICC, 2024), highlighting the importance of developing sector-specific sustainability programs and enhancing financial support for green initiatives to build resilience.

Climate change poses another significant challenge for SMEs. The increasing frequency and severity of climate-related events necessitate the adoption of sustainable practices and the building of resilience against environmental disruptions. The variability in climate change preparedness among Irish SMEs reflects a broader challenge in balancing economic priorities with environmental responsibilities. While some sectors, like retail, are making strides in sustainability, many SMEs struggle to implement meaningful changes due to financial constraints and a lack of clear policy guidance. Government support and targeted interventions are essential to help SMEs transition to sustainable practices and build resilience against climate change.

Furthermore, the evolving geopolitical landscape, marked by trade tensions and shifting alliances, adds another layer of complexity. The European Investment Bank's (EIB) Investment Report 2023/2024 highlights how EU firms, including SMEs, are navigating these pressures by accelerating digitalisation, enhancing energy efficiency, and reinforcing supply chains to build resilience and competitiveness. The Report underscores the need for coordinated support from national governments and EU institutions to bolster resilience and spur the necessary investments for transformation.

Literature Connection

The concept of resilience in SMEs has been extensively discussed in the context of recent global events. The OECD's "Financing SMEs and Entrepreneurs 2024" Report highlights the profound impact of economic shocks on SMEs, emphasizing the need for diversified financial sources and instruments to support resilience and sustainable growth. Similarly, the National Competitiveness and Productivity Council's (NCPC) "Ireland's Competitiveness Challenge 2024" Report stresses the importance of addressing domestic challenges to enhance competitiveness and productivity, two tenets crucial for resilience.

Research indicates that SMEs with robust crisis management and business continuity plans are better equipped to withstand disruptions. For instance, the EY survey on Irish SMEs found that those integrating environmental sustainability into their business models are more likely to develop competitive advantages and resilience. This aligns with the broader European trend towards sustainable business practices, as outlined in the Digital Ireland Framework. The European Investment Bank's Investment Survey (EIBIS) further underscores the critical role of digitalisation in enhancing productivity and competitiveness, while also pointing out the significant disparities in digital adoption across different sectors and firm sizes.

The importance of digital transformation for SMEs is well-documented in recent literature. Digital advancements, according to Korinek and Stiglitz (2021), could offer enormous economic opportunities for SMEs and also advance SMEs in rural and regional areas, thereby helping to improve inequality. While admitting rural and regional development is beyond the scope of this study, the advent of Artificial Intelligence (AI) and digital technologies may be observed as the latest stage of automation and mechanization or perhaps something more disruptive and the next step in innovation progress. The Digital Ireland Framework highlights the importance of digital transformation for SMEs, emphasizing that digital technologies can significantly enhance business resilience, productivity, and competitiveness. However, barriers such as a lack of awareness of digital solutions, financial constraints, and cybersecurity concerns impede the adoption of digital technologies.

The OECD (2021) further highlights that skill shortages are a significant barrier to SME growth and innovation, necessitating targeted interventions to build a skilled workforce. The presence of skills gaps is particularly evident in nascent sectors associated with the transition to a low-carbon economy. Recent research conducted by Siedschlag et al. (2022) points to the primary challenge faced by enterprises in implementing Ireland's Climate Action Plan, revolving around the lack of competencies within the workforce. This suggests that sector-specific training aligned with each enterprise's position in the low-carbon or green transition can enhance readiness, effectiveness, and management of this transition.

The findings of this research suggest that SMEs need to develop greater resilience and preparedness for future crises. Lessons learned from the COVID-19 pandemic and Brexit should inform strategies for crisis management and business continuity planning. Building financial and operational resilience will be crucial for SMEs to navigate uncertain economic landscapes.

Economic Resilience

Improving the ability of SMEs to withstand economic shocks and adapt to changing market conditions is critical. The Vintners' Federation of Ireland (VFI) highlights how the COVID-19 pandemic exposed vulnerabilities in the hospitality sector, particularly in workforce retention and financial resilience. This suggests a need for policies that help SMEs build more robust business models and financial reserves.

Preparedness for Climate Change

This research reveals significant variability among Irish SMEs in adopting climate change measures, with sectors like retail leading in sustainability efforts. Financial constraints, a lack of understanding of policy impacts, and a general reluctance to invest in costly sustainability measures emerge as significant barriers. Government financial assistance and policy interventions are necessary to support SMEs in this transition.

Theme Nine Policy Recommendations

To enhance the resilience and crisis preparedness of SMEs, policymakers should consider the following recommendations:

1. **Develop Sector-Specific Sustainability Programs**

   Create tailored sustainability programs that address the unique challenges and opportunities of different sectors, providing practical guidance and support for implementing climate-friendly practices.

2. **Enhance Financial Support for Green Initiatives**

   Implement specialized financing schemes or grants to support SMEs in adopting sustainable technologies and practices, reducing the financial burden of the transition.

3. **Improve Climate Policy Education**

   Develop comprehensive education programs to help SMEs understand the impacts of climate policies and the potential benefits of early adoption of sustainable practices.

4. **Foster Green Innovation Hubs**

   Establish regional hubs where SMEs can access expertise, technologies, and networking opportunities to accelerate their transition to sustainable business models.

5. **Promote International Best Practices**

   Facilitate knowledge sharing of international best practices in sustainability, potentially through partnerships with leading sustainable businesses or international organizations.

6. **Diversify Revenue Streams and Markets**

   Develop programs to help SMEs diversify their revenue streams and markets, reducing dependency on single markets and increasing resilience against economic shocks.

7. **Create Incentives for Building Financial Reserves**

   Introduce incentives for SMEs to build financial reserves during periods of growth, ensuring they have buffers to withstand future crises.

8. **Implement Flexible Tax and Regulatory Frameworks**

   Develop more flexible tax and regulatory frameworks that can quickly adapt to economic shocks, providing SMEs with the agility needed to respond to changing conditions.

9. **Encourage Sector-Specific Risk Management Tools**

   Promote the development of sector-specific risk management and business continuity planning tools for SMEs, helping them to prepare for and mitigate the impacts of future crises.

Enhancing SME preparedness for crises and climate change is vital to ensuring the long-term sustainability and competitiveness of Ireland's economy. By implementing targeted support programs, improving access to financing for green initiatives, and fostering a culture of sustainable innovation, Ireland can create a more conducive environment for SMEs to adapt to evolving challenges. Drawing insights from global sustainability leaders and adapting them to the Irish context will be fundamental to developing best practices and strategies that can position Irish SMEs at the forefront of sustainable business practices.

5.12 Theme Ten: Sustainability and Green Innovation

As small and medium-sized enterprises (SMEs) face increasing pressure to adopt sustainable practices, the need for government financial assistance and policy interventions becomes imperative. The transition to a green economy is not only an environmental imperative but also a strategic necessity for maintaining competitiveness in a rapidly evolving global market. The COVID-19 pandemic, Brexit, and ongoing geopolitical tensions have further underscored the importance of resilience and adaptability in business operations. Addressing the cost barriers to implementing sustainability measures and providing guidance on best practices can help SMEs become more environmentally responsible while maintaining their competitive edge.

Global efforts to address climate change, as outlined in the United Nations Sustainable Development Goals (SDGs), emphasize the necessity of sustainable economic growth. Over recent decades, there has been a notable decline in the number of people living in extreme poverty, defined by the international poverty line of $2.15 per day. This trend has led to an increase in consumers with greater purchasing power, offering new market opportunities for businesses. Nevertheless, recent global challenges, such as the COVID-19 pandemic, have temporarily reversed some of these gains, underscoring the need for targeted economic policies and interventions.

This shift presents new opportunities for SMEs to cater to an increasingly environmentally conscious consumer base. The Irish Competitiveness 2024 report highlights the imperative for SMEs to integrate sustainability into their business models to remain competitive in this evolving landscape. Notably, the growing consumer demand for sustainable products, as evidenced by recent studies, reinforces the importance of aligning business strategies with environmental priorities. However, climate change poses significant risks to businesses, including increased operational costs due to extreme weather events and regulatory compliance.

The variability in climate change preparedness among Irish SMEs reflects a broader challenge in balancing economic priorities with environmental responsibilities. While some sectors, like retail, are making strides in sustainability, many SMEs struggle to implement meaningful changes due to financial constraints and a lack of clear policy guidance. Government support and targeted interventions are necessary to help SMEs transition to sustainable practices and build resilience against climate change. According to the Irish Competitiveness Council's 2024 Report, only 15 percent of SMEs have adopted green practices, compared to 40 percent of large enterprises. This disparity underscores the need for tailored sustainability programs and specialized financing schemes to support SMEs in adopting sustainable practices.

Furthermore, the evolving geopolitical landscape, marked by trade tensions and shifting alliances, adds another layer of complexity. The European Investment Bank's (EIB) Investment Report 2023/2024 highlights how EU firms, including SMEs, are navigating these pressures by accelerating digitalization, enhancing energy efficiency, and reinforcing supply chains to build resilience and competitiveness. The Report underscores the need for coordinated support from national governments and EU institutions to bolster resilience and spur the necessary investments for transformation.

Literature Connection

The concept of sustainability in SMEs has been extensively discussed in the context of recent global events. The OECD's "Financing SMEs and Entrepreneurs 2024" Report iterates the impact of economic shocks on SMEs, emphasizing the need for diversified financial sources and instruments to support resilience and sustainable growth. Similarly, the National Competitiveness and Productivity Council's (NCPC) "Ireland's Competitiveness Challenge 2024" Report stresses the importance of addressing domestic challenges to enhance competitiveness and productivity, both crucial for resilience.

Research indicates that SMEs with robust sustainability strategies are better equipped to withstand disruptions and capitalize on new market opportunities (Lawless et al., 2022; Ghisetti and Quatraro, 2017). Thus, by integrating environmental sustainability into their business models SMEs are more likely to develop competitive advantages and resilience (OECD, 2021). This aligns with the broader European trend towards sustainable business practices, as outlined in the Digital

Ireland Framework. The European Investment Bank's Investment Survey (EIBIS) further underscores the critical role of digitalisation in enhancing productivity and competitiveness, while also identifying the significant disparities in digital adoption across different sectors and firm sizes.

The importance of digital transformation for SMEs is well-documented in recent literature. Digital advancements, according to Korinek and Stiglitz (2021), could offer enormous economic opportunities for SMEs and advance SMEs in rural and regional areas, thereby helping to improve inequality. The OECD (2021) further highlights that skill shortages are a significant barrier to SME growth, innovation and climate adoption, necessitating targeted interventions to build a skilled workforce. The presence of skills gaps is particularly evident in nascent sectors associated with the transition to a low-carbon economy. Recent research conducted by Siedschlag et al. (2022) outlines the primary challenge faced by enterprises in implementing Ireland’s Climate Action Plan, revolving around the lack of competencies within the workforce. This suggests that sector-specific training aligned with each enterprise's position in the low-carbon or green transition can enhance readiness, effectiveness, and management of this transition.

The findings of this study indicate that SMEs must be supported to enhance their resilience and preparedness for future crises. Lessons learned from the COVID-19 pandemic and Brexit should inform strategies for effective crisis management and business continuity planning. Building financial and operational resilience is crucial for SMEs to navigate uncertain economic landscapes. The study also reveals significant variability among Irish SMEs in adopting climate change measures. While sectors like retail are leading in sustainability efforts, SMEs in the tourism and hospitality sectors are primarily focused on survival and managing daily pressures. Financial constraints, a lack of understanding of policy impacts, and a general reluctance to invest in costly sustainability measures emerge as significant barriers. Therefore, government financial assistance and policy interventions are essential to supporting SMEs in this transition. Lastly, this study and the literature (Jacobson, 2015; Marinez, 2020), illustrate that current Irish policy supposedly in support of indigenous enterprises are largely ineffective stressing the need for a pivot.

Theme Ten Policy Recommendations

To enhance the resilience and crisis preparedness of SMEs, policymakers should consider the following recommendations:

1. **Develop Sector-Specific Sustainability Programs**

   Create tailored sustainability programs that address the unique challenges and opportunities of different sectors, providing practical guidance and support for implementing climate-friendly practices.

2. **Enhance Financial Support for Green Initiatives**

   Implement specialized financing schemes or grants to support SMEs in adopting sustainable technologies and practices, reducing the financial burden of the transition.

3. **Improve Climate Policy Education**

   Develop comprehensive education programs to help SMEs understand the impacts of climate policies and the potential benefits of early adoption of sustainable practices.

4. **Foster Green Innovation Hubs**

   Establish regional hubs where SMEs can access expertise, technologies, and networking opportunities to accelerate their transition to sustainable business models.

5. **Promote International Best Practices**

   Facilitate knowledge sharing of international best practices in sustainability, potentially through partnerships with leading sustainable businesses or international organizations.

6. **Diversify Revenue Streams and Markets**

   Develop programs to help SMEs diversify their revenue streams and markets, reducing dependency on single markets and increasing resilience against economic shocks.

7. **Create Incentives for Building Financial Reserves**

   Introduce incentives for SMEs to build financial reserves during periods of growth, ensuring they have buffers to withstand future crises.

8. **Implement Flexible Tax and Regulatory Frameworks**

   Develop more flexible tax and regulatory frameworks that can quickly adapt to economic shocks, providing SMEs with the agility needed to respond to changing conditions.

9. **Encourage Sector-Specific Risk Management Tools**

   Promote the development of sector-specific risk management and business continuity planning tools for SMEs, helping them to prepare for and mitigate the impacts of future crises.

Strengthening the resilience of SMEs against crises and climate change is essential for securing the long-term sustainability and competitiveness of Ireland's economy. By instituting targeted support programs, enhancing access to financing for environmentally friendly initiatives, and cultivating a culture of sustainable innovation, Ireland can establish a more supportive environment for SMEs to navigate emerging challenges. Leveraging insights from global leaders in sustainability and tailoring them to the Irish context will be pivotal in crafting best practices and strategies that position Irish SMEs as leaders in sustainable business practices.

5.13 Conclusion

The discussion chapter has provided an in-depth analysis of the multifaceted challenges and opportunities faced by Irish SMEs, drawing on qualitative data from key SME representative organizations and contextualizing these findings within broader academic and policy literature. The synthesis of these insights has highlighted critical areas for policy intervention and support to enhance the resilience, competitiveness, and growth potential of Irish SMEs.

Summary of Key Themes and Policy Implications

1. **Government Policy Disconnect and SME-MNC Divide:**

The analysis reveals a significant disconnect between government policies designed for multinational corporations (MNCs) and the needs of domestic SMEs. This policy skew has resulted in a bifurcated economy, with MNCs demonstrating higher levels of productivity and digitalization compared to their SME counterparts. To address this imbalance, there is a need for more tailored, sector-specific policies and support mechanisms that consider the unique challenges faced by SMEs.

2. **Financial Challenges and Obstacles for SMEs:**

Irish SMEs face severe financial challenges, including stringent lending criteria, rising operational costs, and a trust deficit with banks. These obstacles hinder their ability to invest in growth and innovation. Policy recommendations include enhancing the role of the Strategic Banking Corporation of Ireland (SBCI), implementing a comprehensive guarantee scheme, fostering competition in the banking sector, and promoting alternative financing options.

3. Standalone State Agency for SMEs:

The establishment of a dedicated state agency for SMEs is proposed to address the inadequacies of existing structures like Enterprise Ireland (EI) and Local Enterprise Offices (LEOs). This agency would offer targeted, low-cost financing and advisory services, streamline support programs, and ensure cohesive policy development and implementation.

4. Cost of Doing Business and Regulatory Burdens:

The rising cost of doing business, due to increased regulatory burdens, is a significant concern for SMEs. Simplifying compliance processes, reducing red tape, and implementing Regulatory Impact Assessments (RIA) are essential steps towards creating a more supportive regulatory environment.

5. Digital Transformation and Barriers to Adoption:

Digital transformation is crucial for the competitiveness of SMEs, yet many face barriers such as high costs, lack of expertise, and cybersecurity concerns. Recommendations include developing sector-specific digital support programs, enhancing digital skills training, improving access to digital financing, and strengthening cybersecurity support.

6. Innovation and R&D Support:

SMEs face countless barriers in accessing R&D tax credits and funding opportunities. Simplifying the application processes, increasing outreach and awareness, enhancing financial support, fostering collaboration with research institutions, and providing mentorship are key strategies to encourage greater participation in innovation initiatives.

7. **Export Performance and Internationalization:**

The low export performance among Irish SMEs is attributed to a lack of knowledge, training, and strategic focus on internationalization. Policy recommendations include developing flexible export support programs, enhancing export training and mentorship, improving access to export financing, and promoting the adoption of international standards.

8. **Professionalization and Skills Development:**

Addressing skill gaps and workforce challenges is crucial for enhancing the operational efficiency and innovation potential of SMEs. Comprehensive digital skills' training programs, early educational interventions, promoting the "Blue Cert" qualification framework, fostering collaboration with educational institutions, and investing in continuous staff training are principal measures.

9. **Crisis Management and Economic Resilience:**

The importance of crisis management and economic resilience has been underscored by recent global events. Developing sector-specific sustainability programs, enhancing financial support for green initiatives, improving climate policy education, fostering green innovation hubs, and promoting international best practices, along with their dissemination are recommended to build resilience against future crises.

10. **Sustainability and Green Innovation:**

The transition to a green economy is both an environmental imperative and a strategic necessity. Tailored sustainability programs, specialized financing schemes, comprehensive education programs, and incentives for building financial reserves are essential to support SMEs in adopting sustainable practices and building resilience against climate change.

Transitioning to the final chapter of this paper, the Conclusions chapter will synthesize the key findings and policy recommendations discussed. It will provide a comprehensive summary of the research, highlighting the critical areas for policy intervention and support to enhance the resilience, competitiveness, and growth potential of Irish SMEs. The Conclusions chapter will also outline the implications for policymakers, industry leaders, and SMEs themselves, offering a comprehensive roadmap for future research and policy development to foster a more robust and resilient SME sector in Ireland.

By addressing the challenges and opportunities identified in this discussion, Ireland can create a more conducive environment for SMEs to thrive, contributing to a more diverse, resilient, and competitive economy. The insights and recommendations provided in this chapter will serve as a foundation for developing targeted strategies and policies to support the growth and sustainability of Irish SMEs in an increasingly competitive global marketplace.

CHAPTER 6: CONCLUSIONS

6.1 Introduction

This study has provided a comprehensive examination of the multifaceted challenges and opportunities faced by Irish SMEs. Drawing on qualitative data from key SME representative organizations and contextualizing these findings within broader academic and policy literature, the research has highlighted critical areas for policy intervention and support. This concluding chapter synthesizes the key findings, outlines actionable policy recommendations, and proposes strategic initiatives aimed at fostering a more resilient, competitive, and innovative SME sector in Ireland. The conclusions drawn here will serve as a foundation for future research and policy development, emphasizing the need for a dedicated state agency to drive the SME agenda.

Key Findings

1. **Government Policy Disconnect and SME-MNC Divide:** The research reveals a significant disconnect between government policies tailored for multinational corporations (MNCs) and the needs of domestic SMEs. This policy skew has led to a bifurcated economy, where MNCs enjoy higher productivity and digitalization levels compared to SMEs. Addressing this imbalance requires more tailored, sector-specific policies and support mechanisms that consider the unique challenges faced by SMEs.
2. **Financial Challenges and Obstacles:** Irish SMEs face stringent lending criteria, rising operational costs, and a trust deficit with banks, which hinder their ability to invest in growth and innovation. Enhancing the role of the Strategic Banking Corporation of Ireland (SBCI), implementing a comprehensive guaranteed scheme, fostering competition in the banking

sector, and promoting alternative financing options are essential to mitigate these financial challenges.

3. **Digital Transformation and Barriers to Adoption:** The digital preparedness of Irish SMEs varies significantly, with many lagging in their adoption of technology. Barriers such as high costs, lack of internal expertise, and cybersecurity concerns need to be addressed through inclusive government support schemes, targeted upskilling initiatives, and cross-sector collaboration. Digital transformation is crucial for enhancing productivity and competitiveness.
4. **Innovation and R&D Support:** SMEs face significant barriers in accessing R&D tax credits and funding opportunities. Simplifying application processes, increasing outreach and awareness, enhancing financial support, fostering collaboration with research institutions, and providing mentorship are key strategies to encourage greater participation in innovation initiatives.
5. **Export Performance and Internationalization:** The low export performance among Irish SMEs is attributed to a lack of knowledge, training, and strategic focus on internationalization. Developing flexible export support programs, enhancing export training and mentorship, improving access to export financing, and promoting the adoption of international standards are essential to boost SME export performance.
6. **Professionalization and Skills' Development:** Skill gaps and workforce challenges significantly impact the operational efficiency and innovation potential of SMEs. Continuous investment in staff training, early educational interventions, and initiatives like the "Blue Cert" qualification framework are essential to address these gaps. Collaboration with educational institutions and industry bodies can enhance the effectiveness of these initiatives.

7. **Crisis Management and Economic Resilience:** The importance of crisis management and economic resilience has been underscored by recent global events. Developing sector-specific sustainability programs, enhancing financial support for green initiatives, improving climate policy education, fostering green innovation hubs, and promoting international best practices are recommended to build resilience against future crises.
8. **Sustainability and Green Innovation:** The transition to a green economy is both an environmental imperative and a strategic necessity. Tailored sustainability programs, specialized financing schemes, comprehensive education programs, and incentives for building financial reserves are essential to support SMEs in adopting sustainable practices and building resilience against climate change.

By integrating qualitative and quantitative data, this study employs a mixed-method approach to provide a comprehensive understanding of the research questions. The qualitative insights from open-ended questionnaires and interviews are complemented by quantitative analysis of secondary data, ensuring a robust and multifaceted exploration of the issues facing Irish SMEs. This integration allows for a nuanced understanding of the challenges and opportunities within the SME sector, providing reachable insights for policymakers and stakeholders.

6.2 Establishing a Standalone State Agency for SMEs

To address the unique challenges faced by Irish SMEs, this study proposes the establishment of a dedicated state agency with a mandate similar in influence and clout to the Industrial Development Agency (IDA Ireland), which has been instrumental in attracting and supporting foreign direct investment (FDI) in Ireland. This standalone agency would focus exclusively on the SME sector, providing the necessary support and resources to drive growth, innovation, and competitiveness.

Role and Functions of the SME Agency

1. **Policy Development and Coordination:** The agency would be responsible for developing and coordinating policies that address the specific needs of SMEs. By working closely with government departments, industry bodies, and educational institutions, the agency would ensure that policies are aligned with the unique challenges and opportunities faced by SMEs.
2. **Financial Support and Access to Capital:** Similar to the IDA's role in attracting FDI, the SME agency would facilitate access to financing for SMEs. This could include low-cost loans, grants, and guarantees tailored to the specific needs of small businesses. The agency would also work with financial institutions to develop specialized financing schemes that cater to the unique needs of digital transformation and innovation projects.
3. **Digital Transformation and Innovation:** The agency would develop and implement sector-specific digital support programs, providing training, advisory services, and financial support to help SMEs leverage digital transformation opportunities. By fostering collaboration between SMEs and research institutions, the agency would also promote innovation and R&D activities.
4. **Export Promotion and Internationalization:** To enhance the export performance of Irish SMEs, the agency would develop flexible export support programs, provide export training and mentorship, and improve access to export financing. By promoting the adoption of international standards and best practices, the agency would help SMEs compete in global markets.
5. **Skills Development and Professionalization:** The agency would play a crucial role in addressing skill gaps and workforce challenges. This could involve developing comprehensive digital skills' training programs, promoting early educational interventions, and fostering

collaboration with educational institutions and industry bodies. The agency would also promote initiatives like the "Blue Cert" qualification framework to enhance management capabilities within SMEs.

6. **Crisis Management and Economic Resilience:** The agency would develop sector-specific sustainability programs and provide financial support for green initiatives. By improving climate policy education and fostering green innovation hubs, the agency would help SMEs build resilience against future crises.
7. **Sustainability and Green Innovation:** The agency would support SMEs in adopting sustainable practices through tailored sustainability programs, specialized financing schemes, and comprehensive education programs. By promoting the transition to a green economy, the agency would help SMEs contribute to environmental sustainability and long-term economic resilience.

6.3 Comparative Models and Unique Concept for Ireland

The proposed SME agency draws inspiration from successful models in other countries, such as Germany's Mittelstand support structures and the Business Development Bank of Canada (BDC). These models have demonstrated the effectiveness of dedicated institutions in providing comprehensive support to SMEs, fostering innovation, and driving economic growth. However, the proposed agency for Ireland would be unique in its comprehensive approach, integrating elements from these models while addressing the specific needs and challenges of Irish SMEs.

Unlike the 2019 Seanad Public Consultation Report, which proposed the appointment of a Minister with responsibility for SMEs, this study advocates for a more systematic and strategic public policy departure. The establishment of a standalone state agency, with a mandate and resources comparable to IDA Ireland, represents a more focused and powerful approach to supporting the SME sector. This agency would provide a centralized and coordinated effort to address the diverse needs of SMEs, ensuring that they receive the attention and resources necessary to thrive in a competitive global economy.

6.4 Implications for Policymakers and Industry Leaders

The findings and recommendations of this study have significant implications for policymakers, industry leaders, and SMEs themselves. Policymakers must prioritize the development of targeted, sector-specific support programs that address the unique challenges faced by SMEs. Industry leaders should foster a culture of continuous learning and innovation within their organizations, leveraging the support mechanisms provided by the government. SMEs must proactively seek out opportunities for digital transformation, skills development, and internationalization to enhance their competitiveness and resilience.

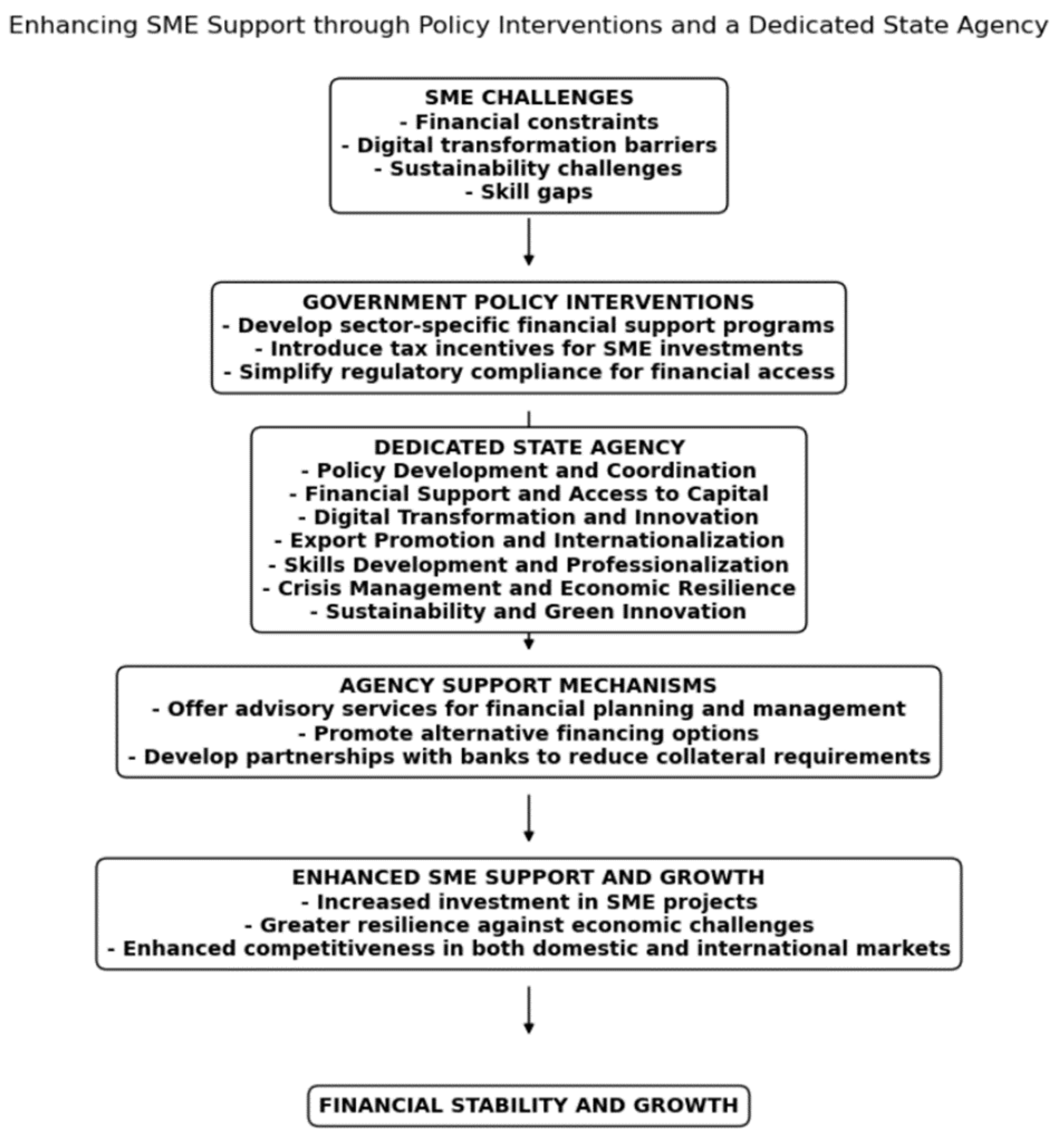
6.5 Impact of a Dedicated SME Agency

A standalone state agency with the leverage of IDA Ireland would be transformative for the SME sector. This agency would:

- **Centralize support:** By consolidating various support mechanisms under one roof, the agency would streamline access to resources, reducing bureaucratic hurdles and ensuring that SMEs receive timely and relevant assistance.
- **Tailored programs:** Develop and implement programs specifically designed to address the unique needs of SMEs across different sectors, ensuring that support is relevant and effective.

- **Enhanced advocacy:** Serve as a powerful advocate for SMEs, ensuring that their needs and challenges are adequately represented in policy discussions and decision-making processes.

Figure 6: Proposed Policy Framework for Enhancing SME Support in Ireland



Source: Adapted from Author's Research.

Resource allocation: Efficiently allocate resources to high-impact areas, such as digital transformation, innovation, export promotion, and sustainability, ensuring that SMEs can leverage opportunities for growth and competitiveness.

- **Collaboration and networking:** Foster collaboration between SMEs, research institutions, industry bodies, and government agencies, creating a robust ecosystem that supports innovation and growth.

6.6 Limitations of the Study

While this study provides valuable insights into the challenges and opportunities facing Irish SMEs, it is essential to acknowledge its limitations. The research primarily involved interviews with six representative bodies of SMEs, which, while offering a comprehensive overview of sectoral perspectives, may not capture the full diversity of experiences and challenges faced by individual SMEs across different industries and regions. This limited sample size can affect the generalizability of the findings, as it may not fully reflect the varied contexts and specific needs of all SMEs in Ireland.

Additionally, the qualitative nature of the interviews, while providing in-depth and nuanced insights, inherently limits the ability to generalize the results to the broader SME population. The subjective nature of qualitative data also introduces potential biases based on the personal experiences and perspectives of the interviewees. However, the integration of quantitative data from secondary sources helps to validate the qualitative findings and provides a broader contextual framework.

Despite these limitations, the study makes a significant contribution to understanding the SME landscape in Ireland by identifying critical areas for policy intervention and strategic development. The insights gained from these representative bodies offer a robust foundation for future research and policy-making, providing a strategic framework to enhance the resilience and competitiveness of Irish SMEs in a rapidly evolving global market. By highlighting key challenges and opportunities, the study informs policy-making and strategic initiatives that can drive the growth and sustainability of SMEs, ultimately contributing to Ireland's economic resilience and innovation capacity.

Future Research Directions

Future research should prioritize assessing the effectiveness of the proposed policy interventions and support programs for SMEs. Conducting longitudinal studies can offer valuable insights into the long-term impact of digital transformation, skills development, and financial support on the growth and competitiveness of SMEs. Additionally, examining the role of public-private partnerships and cross-sector collaborations in fostering innovation and sustainability within the SME sector could yield significant findings.

6.7 Conclusion

This study has conducted a thorough examination of the complex challenges and opportunities facing Irish SMEs, drawing on qualitative data from key SME representative organizations and situating these findings within broader academic and policy contexts. The research underscores critical areas for policy intervention and support, laying the groundwork for future research and policy development aimed at fostering a more resilient, competitive, and innovative SME sector in Ireland. Central to these conclusions is the proposal for a dedicated state agency to drive the SME agenda, ensuring cohesive policy development and implementation.

Confirmation of Hypotheses:

As the study concludes, it is essential to revisit the hypotheses that have guided our investigation from the outset. Through rigorous analysis and comprehensive data collection, the study has yielded findings that substantiate the proposed hypotheses, confirming the need for strategic policy interventions to support the growth and sustainability of Irish SMEs.

- **Hypothesis 1:** Enhanced government policies and the establishment of a dedicated state agency will significantly improve access to finance and overall support for Irish SMEs, which is currently insufficient, particularly in sectors most affected by external economic challenges such as Brexit, the COVID-19 pandemic, and inflationary pressures.
    - **Confirmation:** The research confirms this hypothesis, highlighting the pressing need for more robust and focused policy interventions. The establishment of a dedicated state agency, similar to IDA Ireland, would centralize support and provide tailored financial resources, addressing the specific needs of SMEs and enhancing their capacity for growth and innovation.
- **Hypothesis 2:** Increasing the digital capabilities and technological adoption among Irish SMEs will enhance their competitiveness and resilience.
    - **Confirmation:** The findings support this hypothesis, revealing that digital transformation is crucial for SMEs to remain competitive in the global market. However, many SMEs currently lack the necessary digital skills and resources. Government support in the form of training programs and financial incentives is essential to facilitate digital adoption and integration.

- **Hypothesis 3:** Implementing targeted policy interventions to support sustainability and regulatory adaptation will significantly enhance the operational efficiency and long-term viability of Irish SMEs.
    - **Confirmation:** The research supports this hypothesis, emphasizing the importance of sustainability and regulatory adaptation for the long-term success of SMEs. Tailored policy interventions, such as specialized financing schemes and sustainability programs, are necessary to help SMEs navigate regulatory challenges and adopt environmentally friendly practices.

By confirming these hypotheses, the study highlights the critical role of strategic policy interventions in supporting the growth and sustainability of Irish SMEs. The proposed establishment of a dedicated state agency would provide the necessary resources to drive SME development, focusing on enhancing digital capabilities, financial access, and sustainability practices. This agency would be instrumental in creating a thriving SME sector that could drive economic growth, innovation, and resilience in Ireland.

Addressing the challenges and opportunities identified in this study is essential for enhancing the resilience, competitiveness, and growth potential of Irish SMEs. By adopting the proposed policy recommendations and strategic initiatives, Ireland can cultivate a more supportive environment for SMEs to flourish, thereby enhancing a more diverse, resilient, and competitive economy. The insights and recommendations provided in this study serve as a foundation for developing targeted strategies and policies to support the growth and sustainability of Irish SMEs in an increasingly competitive global marketplace.

Furthermore, by fostering an environment that supports digital transformation, skills development, financial access, and sustainability, Ireland can position its SMEs at the forefront of the global economy. This comprehensive approach will not only benefit individual SMEs but also bolster the overall economic resilience and innovation capacity of the country. The productivity gap between SMEs and large enterprises in Ireland underscores the urgency of these initiatives. As identified in this study, Ireland is currently grappling with multifaceted challenges within the SME sector, including high business costs, liquidity constraints, and issues related to training, education, and skills supply, which are crucial for sustaining economic growth and maintaining competitiveness.

In conclusion, embracing technological advancements and innovation as fundamental drivers of economic progress is vital for ensuring Ireland remains internationally competitive. Investment in research and development (R&D) is crucial for Irish enterprises to innovate, enabling them to compete effectively in both domestic and international markets. By addressing these challenges and leveraging the opportunities presented by technological advancements and innovation, Ireland can secure a prosperous future for its SMEs and, by extension, its economy.

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APPENDIX A:

Research Protocol and Timeline

This table outlines the key steps that were involved in the research process along with their respective timeframes. It provides a clear overview of the timeline for conducting the research study. Adjustments can be made based on specific circumstances or requirements of the study.

Step	**Description**	**Dates**
Step one	Contact the CEO of each organization to identify the best person or team to receive the interview questions. Provide an overview of the research objectives and assure them of individual confidentiality and organizational acknowledgment of participation. The eight representative SME organizations to be surveyed are: • Irish Small and Medium Enterprise Association (ISME) • Small Firms Association (SFA) • Retail Excellence Ireland (REI) • Retail Grocery Dairy & Allied Association (RGDATA) • Vintners Federation of Ireland (VFI) • Irish Hotels Federation (IHF) • Restaurants Association of Ireland (RAI) • Digital Business Ireland (DBI).	**June 10th to 20th, 2024**
	The following six representative organisation of SME's agreed to participate in the research: • Irish Small and Medium Enterprise Association (ISME) • Small Firms Association (SFA) • Retail Grocery Dairy & Allied Association (RGDATA) • Vintners Federation of Ireland (VFI) • Restaurants Association of Ireland (RAI) • Digital Business Ireland (DBI).	
Step two	The research questions were emailed to six identified contacts within the representative organizations. The communication emphasized the importance of their participation and expressed appreciation for their involvement. It outlined that all responses would remain confidential and provided each participant with a summary of the research topic	**Monday, July 1st , 2024**

Step	Description	Dates
	and a consent form. Each participant signed the consent form in accordance with research ethical protocols.	
Step three	Await responses to surveys and send reminders if necessary. Upon receipt of responses, issue thank you letters.	**July 2nd to 12th, 2024**
Step four	Conduct research interview with Director of the Small Firms Association (SFA). Conducted to provide diversity of approach.	**July 12th, 2024.**
Step five	Analyze research responses and gather themes, filtering information.	**July, 2024**
Step six	Disseminate data, write result and discussion chapters, assess results, and make recommendations.	**August – September , 2024**

APPENDIX B:

Interview Questions

These interview questions are integral to the research undertaken for the Doctor of Business Administration (DBA) degree program at the Swiss School of Business and Management. They center on exploring the challenges and dynamics of Irish Small and Medium-sized Enterprises (SMEs) within the contemporary economic landscape of Ireland. Your thoughtful and comprehensive responses to these open-ended questions are highly valued and encouraged.

Finance and Government Support:

1. How many Irish Small and Medium-sized Enterprises (SMEs) does your organization represent and in which sectors of the economy?
2. How effective have recent government policies and interventions been in supporting Irish SMEs amidst challenges such as Brexit, the COVID-19 pandemic, and inflationary pressures? What specific improvements can be made to better serve the sector's needs?
3. Which SME sectors are experiencing the greatest obstacles in accessing finance?
4. What are the primary financial obstacles, if any, confronting Irish SMEs, including issues of funding accessibility, credit constraints, and borrowing costs? How can government policy be augmented and enhanced to minimize constraints on firms' employment and investment goals?
5. Should Ireland establish a standalone state agency with similar financial firepower to Ireland's Foreign Direct Investment Agency (IDA Ireland), to develop, promote and support the Irish SME sector?

Technology and Digital Transformation:

6. Within the context of an evolving technological landscape, how prepared are Irish SMEs for digital transformation?
7. What are the primary barriers hindering Irish SMEs from adopting and integrating digital technologies and innovative practices into their business operations? How can policy interventions promote technology adoption to enhance competitiveness and resilience?
8. What are the current digital capabilities of Irish SMEs in adopting Cloud technologies, and how prepared are they in integrating Big Data analytics and AI technologies into their business processes?
9. What specific supports do Irish SMEs require to enhance their digital capabilities as per the government's Digital Framework targets?

Climate Change and Regulatory Challenges:

10. How equipped are Irish SMEs to address the challenges of climate change and associated regulatory demands? What is the impact of sustainability and environmental factors on SMEs, as well as their preparedness to address these challenges? What policy interventions are necessary to support SMEs during this transition?

Export Performance and Internationalization:

11. What factors contribute to the comparatively low export performance of Irish SMEs in contrast to their OECD counterparts? What strategies can be employed to stimulate international expansion among Irish SMEs?

Workforce and Skills Development:

12. How do skill gaps and workforce challenges impact the operational efficiency, growth, and innovation potential of Irish SMEs? What measures can be implemented to align educational and training programs with the evolving needs of SMEs?
13. How do skills shortages and talent gaps affect the competitiveness and innovation capacity of Irish SMEs, particularly in emerging sectors? What strategies can be employed to enhance management capabilities and attract and retain talent within SMEs?

Regulatory Environment and Business Environment:

14. What regulatory burdens and bureaucratic processes impede the growth and profitability of Irish SMEs? What reforms are necessary to streamline regulatory compliance and foster an environment conducive to SME innovation and entrepreneurship?
15. How do rising costs in areas such as housing, childcare, and labor affect the competitiveness of Irish SMEs? What policy measures can mitigate these cost pressures to support SME sustainability and growth?
16. What factors contribute to the low business dynamism and constrained start-up rates observed in Ireland? How can policy initiatives stimulate entrepreneurial activity and foster a culture of innovation within the SME sector?

Globalization and Industrial Policy:

17. What are the implications of geopolitical tensions and global business politics on Irish SMEs? How can they adapt to the legal and political ramifications of globalization?

18. How do industrial policy and enterprise policy influence the economic strategy and performance of small, advanced economies like Ireland? Are these policies overly influenced by the FDI sector?

Research, Innovation, and Economic Impacts:

19. What role does research and innovation play in driving productivity, competitiveness, and sustainability within Irish SMEs? How can government policies encourage greater investment in R&D activities, fostering collaboration between SMEs and research institutions?
20. Is the current R&D tax credits system effective at facilitating SME participation in this initiative, or should changes be made?

Economic Impacts of Multinational Corporations:

21. What are the economic and social impacts, if any, of multinational corporations attaining unprecedented market dominance on Irish SMEs?
22. What disparities exist between the multinational sector and the domestic side of the Irish economy, and how have these disparities been exacerbated by events such as the COVID-19 pandemic?

GDP and Economic Indicators:

23. To what extent do the headline GDP figures accurately reflect the true state of the Irish domestic economy? How can other indicators, like those focusing on actual domestic demand, provide a clearer picture, especially for small and medium-sized enterprises (SMEs)?

While these questions aim to provide a comprehensive framework for investigating the challenges and opportunities facing Irish SMEs, additional feedback and elaboration on potential policy gaps are welcome. Specifically, how policymakers could deliver quick wins by allocating resources to fill these gaps and spur SME development and growth.

APPENDIC C:

Informed Consent Form

Principal Investigator: Brian Ó Domhnaill

Affiliation: Swiss School of Business and Management

Contact Information:

Dear Participant,

You are invited to participate in a research study titled "DELIVERING A STRATEGIC POLICY FRAMEWORK TO PROTECT IRISH SMEs." This study is part of a Doctor of Business Administration (DBA) program at the Swiss School of Business and Management. Your participation is entirely voluntary.

Purpose of the Study:

This research aims to explore the challenges and dynamics of Irish Small and Medium-sized Enterprises (SMEs) within Ireland's current economic landscape.

Procedures:

You will be asked to complete a survey or questionnaire, which should take approximately 15 minutes. Your thoughtful and comprehensive responses to these open-ended questions are highly valued.

Confidentiality:

All individual responses will remain anonymous. Only the identity of the representative body will be identified in the publication of the study's results. The information obtained may be used in a manner conducive to the study's objectives.

Risks and Benefits:

There are no known risks associated with this research. The benefits include contributing to the understanding of Irish SMEs and potentially influencing future policy frameworks.

Voluntary Participation:

Your participation is voluntary, and you may withdraw at any time without any negative consequences.

Questions:

If you have any questions about the study or your participation, please contact the principal investigator at brian1@ssbm.ch.

Consent:

By electronically signing this letter, you agree to participate in this research study. You acknowledge that:

- You have been informed about the confidentiality and anonymity of the information collected.
- You have received satisfactory answers to any inquiries about the research procedures.
- You understand that you can withdraw your consent at any time.
- You agree to participate in one or more electronically conducted interviews or surveys.
- You consent to the publication of the study's results in any appropriate form.
- You agree that the information obtained may be used to further the study's objectives.

Electronic Signature: ___________________________

Date: ______________

Name of Organisation: ____

Thank you for considering participation in this study.