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Rural Businesses Making a Difference:

**A Collection of Business Cases Based on Rural Enterprises in Newfoundland and Labrador and
the Republic of Ireland**

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Foreword

The use of business cases as descriptors of real life business situations and as the basis for the development of analytic business skills has long been recognized as a valuable component of the pedagogy of business education at the university and college level. Unfortunately, cases available for classroom use tend to be lengthy and to be based on very large, often global, enterprises. This is well suited for courses in strategic management taught at senior levels of graduate and undergraduate business programs. However, there is an established need for shorter cases that can be utilized at other levels of these programs. The cases in this book are specifically designed to meet this need.

Today's business press tends to focus on megaprojects and business organizations based in urban centers. The role played by smaller businesses in sustaining rural areas is often overlooked. The businesses profiled in this book, five from Newfoundland and Labrador and five from the Republic of Ireland are all located in smaller centers; each has overcome the disadvantages associated with being located outside urban centers and has developed a unique approach to delivering a product or service that enables it to successfully compete.

Cushendale Woolen Mills

Introduction

The first mill was established at the present site of Cushendale Woolen Mills in 1204 A. D. when Cistercian monks discovered the purity of the River Duiske and built a monastery there. The monastery prospered through the export of wool and became the order's largest Irish foundation. Over time the village of Graig na Manach, literally, the Monk's Village grew up around the abbey and its mills. The area's skill-set was further enhanced in the mid-1600s with the arrival of a group of Flemish weavers. A descendant of this latter group, Patrick Cushen and his family had established a woolen mill in the town by the late 1800's. Later his son, the present Philip Cushen's grandfather acquired the former abbey mill in 1925. This gave them access to an improved water supply for washing and dyeing purposes. In fact, the River Duiske is one of the few in the area that originates in granite, making its water much softer than other rivers that originate in limestone, an important advantage in working with wool. It was Philip Cushen Sr. who originally used the trade name "Cushendale" when marketing his products; when his descendants subsequently incorporated the business in 1977 "Cushendale Woolen Mills" was the logical choice of name. Now in its sixth generation of ownership, the mill is still operated as a family business by Philip, his wife Mary, and five dedicated long-term employees. Like many family firms, however, Cushendale is facing a future fraught with challenges; how to build on its expertise in transforming raw wool into colorful fashion and household items, and find new ways to deliver its products to market.

Production

Currently Cushendale works with four different fabric types, lambs wool, 100% Irish wool, mohair and chenille. Of these fibers only the Irish wool can be obtained locally, the others have to be imported for further processing in the mill. By purchasing the Irish wool locally the business provides a stimulus to the local farming community. Ironically, Philip points out that Ireland's attaining membership in the European Union (EU) actually acted to the firm's detriment. The EU introduced an incentive program, the Headage Payment Scheme, designed to encourage sheep farming for food purposes. As a consequence of this scheme, local sheep farmers began to abandon the larger sheep breeds, such as Suffolk, Border Leicester and Cheviot, which produced high quality wool, and concentrate instead on smaller breeds which, although they were more suitable for food production, yielded wool of an inferior quality. More of these smaller breeds could be maintained on the same acreage and the subsidy, which was paid per individual sheep, gave a higher income to the farmer. Now that the scheme is being phased out it is to be hoped that farmers will be encouraged to restock their land with the indigenous sheep breeds.

After the annual shearing, raw wool is baled and forwarded to the mill by the farmer through a merchant. The wool is washed to remove impurities such as dirt, dead skin and vegetable matter, and is next "carded", in other words, the matted wool fibers that comprise the fleeces are combed out and then spun into yarn. The yarn is next run through a dyeing process and dried. The final step in the process is to weave the final wool product into a variety of products for sale in the marketplace. The entire production process is highly automated; computer controlled weaving machines are used to

determine the specific patterns and color combinations that are required in the final product. Philip points out that the machines must be sensitive to the fabric that is being used. Wool has a lower tensile strength than most man-made fabrics; the machine speeds are set to take this into account and to stop automatically should a yarn break during the process. Water quality is also of paramount importance during the process. Philip states emphatically that soft water, such as that obtained from the River Duiske, enables a more effective cleaning process and also results in crisper colors in the dyeing process. Overall, wool produced using soft water is itself softer to the touch, leading to a higher quality product. At the same time he points out that the company has taken care to ensure that his water usage is environmentally neutral; water returning to the river following its use in the plant has been treated in the modern local sewerage plant to ensure that pollutants have been essentially removed.

Over the years, Philip has been able to take advantage of the years of experience that his family has accumulated in the milling process. For example, the use of Italian machinery provides a greater degree of flexibility in the manufacturing process. Different wool densities require different dyeing techniques in order to achieve the best results. As previously mentioned, the differences in wool density and strength require that the machines be operated at different speeds in order to minimize the amount of yarn breakage. Philip also maintains a ledger that provides the formulae to enable the machine operator to set up the machinery to produce any one of a number of different color combinations, patterns, and so forth.

One advantage that Philip feels has contributed to the efficiency of his production over the years has been his ability to purchase good used equipment, often from the closure of other mills. In fact, quite often equipment that is not really needed at the moment is acquired and stored, the philosophy being that the firm will probably be able to use it down the road.

Product Lines

Philip divides his product line into two distinct groups. The household line includes blankets, throw rugs and other fabrics that are designed for use in home or commercial decorating. These are made from brushed or boucle mohair, 100% Irish wool, lambs wool, cotton chenille, or sometimes, a combination of these. The fashion line is made primarily from brushed or boucle mohair or lambs wool and includes such items as scarves, hats, capes, pocket stoles and bolts of material that can be used by other manufacturers. A key challenge for the company is maintaining the right balance of fashion and household products. Even within those categories, there is a bewildering array of different products and sizes, not to mention the different color combinations that are possible. As Philip points out, "This is both an art and a science. Beyond the science of processing the wool and turning it into final products, there is a real art to maintaining the right proportion of each product." In addition, a sharp eye must be kept on fashion trends within the industry. Products must appeal to the eye; color combinations are very important. Today's popular items may not be tomorrow's sellers. For a number of years inspiration for design/color has been drawn from many continental European sources and a Danish clothing designer has been advising the company on the fashion side.

One promising new line of activity is the production of traditional balls of knitting wool in response to a renewed interest in this activity, especially in North America. While this is not a major contributor to the company's success at this point, Philip feels that it has the potential to grow over the next several years.

Market Considerations

At the present time, Cushendale Woolen Mills has two primary marketing channels. The company has established a web site, which it uses to attract customers in Ireland, the European Union and the United States. Philip's philosophy is that customers are willing to pay a little more for quality, pointing out that "customers lured by the lowest price usually have almost no loyalty to a business." Based on this, he doesn't compete on price; rather he prices his products at a small premium.

The second marketing channel is through an on-premises shop in which they sell a variety of jackets, sweaters, and souvenirs in addition to their own manufactured products. The latter, however, has been negatively impacted by the downturn in the global economy; tourism, particularly the number of foreign visitors to Ireland has declined over the past years. This downward trend is expected to continue until the EU economy begins its recovery process; likely in several years time. The effect of this decline in tourism has been particularly harsh in Graignamanagh, which is located well off the beaten track. On the brighter side, however, is the fact that tourism within Ireland by the Irish has increased, possibly as an alternative to more expensive travelling abroad.

Although Cushendale Woolen Mills is the last surviving woolen mill in the Kilkenny area, it does face strong competition from other Irish mills, mainly from Blarney Woolen Mills, Glendalough Woolen Mills, Foxford Woolen Mills, and Kerry Woolen Mills. Some of these have taken different marketing approaches to those of Cushendale. Blarney Woolen Mills has an on-line store that markets not just their own products, but other Irish products such as Waterford crystal. Glendalough Woolen Mills and Kerry Woolen Mills both have on-line stores that sell their own products exclusively. Foxford, while not having an on-line store, has an in-house restaurant, jewelry workshop, and art gallery.

The Future

As with many small family businesses, Cushendale Woolen Mills faces a number of challenges in moving forward. The company and its owners have established a number of core values by which they operate. These include:

- Quality. The company sees quality as its first priority. Quality is embedded in all of the firm's activities, from selection of the highest quality raw materials to product finishing. A key element in the firms' quality manufacturing is the purity and softness of the water from the River Duske that is used in the mill.
- Experience. The family has been in the business of producing wool products at least since the mid-1800s. In addition, the firm's core group of employees, all of whom have been with the business

for many years, shares both the knowledge necessary to ensure quality production as well as the other values of the family.

- Flexibility. The relatively small size of the business, together with the fact they offer a complete production process from raw material to finished product, enables it to be extremely flexible in its products. The company is able to move from one product to another, and to change fabrics, color combinations and patterns effectively in short order.
- Innovation. The company is committed to integrating its traditional quality production with up to date automated equipment. In addition, the owners are constantly reviewing the product line itself. Are the patterns up to date and fashionable? How about the color combinations? To repeat a previously quoted comment from Philip, "Operating the mill...is both an art and a science..."

A key challenge for Cushendale Woolen Mills lies in maintaining these core values in the face of increasing competition, both from other Irish woolen mills as well as from the broader range of products that comprise the fashion and household fabric industries generally. Identifying new markets and developing innovative approaches to developing them are critical to the firm's future success.

A recent development, namely the promotion of Irish made goods by the Crafts Council of Ireland has given a tremendous boost to the morale of Cushendale and other indigenous manufacturers. Now, for the first time in many years, there is a government agency actively promoting Irish made goods and giving down-to-earth advice in the areas of design and marketing. There has been a reversal of the Celtic Tiger policy of encouraging Irish manufacturers to cease manufacture in Ireland and move production abroad and thence become importers and distributors of 'Irish' style goods made overseas. The new policy is already bearing fruit with increased interest from home and foreign buyers in the goods on display in the new Irish Made area – 'Creative Island' – at the recent Showcase 2010 exhibition in Dublin.

One of the most important issues that must be addressed by all family-owned firms is the question of succession. At this point, both Philip and Mary are in excellent health and have no desire to retire from the business. At the same time, all of their five children are now living out of home, all have achieved high levels of post-secondary education, and, now at least, none appears to be interested in assuming management of the mill. It is quite possible that, after being owned by the Cushen family for seven generations, Philip and Mary will see the mill pass to one or more owners outside the family.

Focus Questions

1. Cushendale Woolen Mills is a small manufacturing business located in a relatively isolated area in Ireland. How can it effectively compete with larger competitors in an increasingly international market place?
2. Philip and Mary Cushen are approaching the point where they might consider retiring from the business. Identify and evaluate the options available to them in carrying this forward.
3. Rural businesses play an integral role in the sustainability of local communities. Identify some government policies that could assist local firms.

Design Management Group

Introduction

Design Management Group (DMG) is an engineering design-consulting firm based in Gander, Newfoundland. Reg Hedges formed the company in 1992 following the dissolution of one of the Province's largest locally owned engineering firms, Shepherd, Hedges and Green. The firm has grown to employ around 35 professionals, technicians and administrative staff. It offers a range of engineering services that include, on the design side, the design of buildings, roads, municipal infrastructure and wharves. The firm also manages construction projects. The 1990's were not a particularly good time to be in the engineering business in Newfoundland and Labrador. High interest rates, reduced government, and private spending on capital projects made it difficult to remain in business. Recognizing that the local market for engineering services was subject to wide swings of activity, the firm decided to explore international projects as a way to smooth the wide fluctuations in the local market for engineering services. This possibility had actually been discussed within the predecessor firm; however, it was not until the formation of DMG that any real concrete steps were taken to bring the idea to fruition. During the ensuing years, DMG has completed a number of international projects and is presently involved in another. At the same time, the firm has remained active in the local market and has successfully completed a large number of design projects over the years.

Background

The original firm, Shepherd, Hedges and Green was formed in 1972 to provide engineering services to all levels of government as well as private sector projects in the Province of Newfoundland and Labrador. The market for these services fluctuated wildly over the following years. As Terry Parsons, the Manager of Business Development for DMG and a veteran of the original firm puts it: "In the late 70's and early 80's we dealt with a prime rate of 22 ¾ at one time, which was damming on all fronts. You survived that and came out the other end. The mid to late 80's were good. There was a lot of money being spent. The economy of the Province wasn't too bad and as a result we did well. ...In the late 80's, moving into the early 90's, and I look at this on the federal scene, I could see problems coming and they were problems I felt that were going to affect us. The problems were huge, huge deficits that we were running as a country at the time and a mounting debt that I felt would eventually end in reduced government spending and hurt to ourselves, you know. And unfortunately I was right." It was at this point the firm decided to pursue international contracts seriously, but with no international experience to draw on, the road to internationalization proved long and expensive, with many bumps and turns along the way,

Terry's first international trip was undertaken in 1989, prior to the formation of DMG. At the time the federal government was sponsoring a series of trade missions to the eastern seaboard of the United States in an attempt to build trade linkages between local companies and potential trade partners in that region. As Terry puts it, "The Boston trip was an education for our firm". We learned that there probably was not a lot of opportunity for a firm like ours in the States. They had an ample supply of engineers, architects and people who were well established. I guess what we learned from that trip was

what not to do. And sometimes that is almost as important as what to do.” The lesson learned from that experience was that developing international work at DMG would likely involve identifying what the firm’s core competencies were and then finding areas in the world where these were in short supply. The introduction to the workings of the Canadian Trade Commissioner Service at the Canadian Consulate in Boston was also a valuable addition to the firm’s knowledge base.

Meanwhile, the demand for engineering services in the local market place continued to fluctuate. “In 1992/93 the Liberal government took over and Paul Martin put the reins on spending, which was the right thing to do at the time but it put firms like ours in difficult straits. It is not that all of your work is government work but when the government money starts to decline private investors hold back as well.” Another major blow to the provincial economy also took place at this time; the cod moratorium. This proved devastating to rural areas of the province. “We lost over 80,000 people from this island, a very difficult time, anyone who survived from 92-99, boy you had to have your wits about you. They were tough, tough times and we survived, and partly that was due to the fact that we were successful in landing international work.”

It was during that period also that DMG felt the effects of being outside the major economic and population center of the province. “It often appeared that the province stopped at the overpass. It is fair to say the projects in rural areas of the province didn’t seem to be as important as those in and around St. John’s. We spent a good deal of time trying to stress the importance of maintaining the infrastructure in the remainder of the province, but we just didn’t seem to be able to get through to those making the decisions.” The problems this situation created for DMG were two-fold. First, they were at a cost disadvantage because they were located remotely from many of the projects. Secondly, it often appeared that their rural location kept them outside the loop when it came to local industry knowledge. Terry sees this situation as having improved over the past several years. “We are now extremely busy with projects in rural areas; projects that include local schools, hospitals and other government funded developments as the current Provincial Administration spreads the dollars outside of St. John’s. “

A second issue that DMG feels strongly about revolves around the several mega-projects that have marked the province’s industrial development over the past several years; projects that include the off-shore oil industry and, most recently, the construction of a processing facility to handle the ore from the huge Voisey Bay mineral deposit. Terry is quick to acknowledge the high level of economic benefits that have accrued to the province as a result of these developments. At the same time, however, he feels that the province is not taking full advantage of the benefits derived during their design and construction phases. “Generally, these huge projects are awarded to large international engineering firms, most of which are based in Montreal, Toronto, or even outside of Canada. It is true that quite often the specialized knowledge required to bring these projects forward is not present in the local engineering firms. You have to recognize though that these projects also contain large amounts of pretty routine work that can be packaged properly and handled by the local firms. Things like building roads or airstrips, or laying out townships are certainly within the scope of local firms. From our point of view, being able to design and manage some of this work would provide additional resources that would enable us to go after more international work. From the government’s point of view, right now the

profit on these projects accrues to firms outside the province; therefore the government loses taxes on the profit that would have been earned by local companies.” It is difficult to argue with this analysis; DMG is presently lobbying the developers of the next potential mega-project, the Lower Churchill hydro development, to have the project unbundled so that local firms will have the opportunity to compete for segments of the overall project.

The First Major International Project

Right from its conception in 1992 DMG had decided that in order to help smooth the rollercoaster that was the local demand for engineering services it would aggressively seek international design projects. Its first international experience was with a local entrepreneur, Phil Keeping. Keeping had amassed a considerable fortune developing and selling cable television systems in both Newfoundland and Labrador, and in New Brunswick. While vacationing in the Bahamas he realized that there was no cable television available. He decided to fill that need and subsequently received a licence from the Bahamian government to establish cable service throughout the country. As a native Newfoundlander, Phil turned to DMG as the local engineering service providers to provide the civil engineering component for the cable network; DMG’s proposal was accepted. Terry sees this project as a major step in the evolution of DMG. “We worked there for three years with at times up to 8 of our regular staff based in Nassau. That provided the dollars and the confidence to springboard into the next step. I think it is important for everyone to learn when you are going out of your backyard to compete in the international arena you have to have the confidence that you can do it... Our experience certainly from this project is that the group we have working here are as good as what is out there.”

Entering the Arena

In many ways, DMG’s legitimacy as an international player in the engineering consulting field was established by a project the company completed in Malawi. Malawi, a country located in Central East Africa, has severe economic and quality of life problems. Among its problems is a declining life expectancy, due in part to a shortage of safe drinking water. The Malawi project undertaken by DMG consisted of upgrading the water supply in a large area of the country. The design and construction project was funded by the World Bank and the preliminary studies and planning partially funded by the Canadian International Development Agency (CIDA).

Terry describes the process leading to the Malawi project: “We went to Malawi first in 1996 on a CIDA project. We did another CIDA project and we got to a stage where we were positioned for the World Bank project. It was a World Bank project with regulations to the yin yang...we managed to get ourselves short-listed down to a group of six, but to put it in perspective, there were 35 firms around the globe that took out the terms of reference. Thirteen or fourteen eventually submitted proposals, six were short-listed, and I have to tell you the other five companies on the short list were huge firms. It came down to two of us in the final analysis and on the marking scheme, we were very, very close. The other firm was Parkman, civil engineers, a 100 year old firm out of London, England with 800 engineers on staff and we had 3, so it was a David and Goliath meeting head on and we were successful.” As Terry puts it, “The Malawi project was actually bid in 1999, awarded in 2000, and completed in 2002. It is fairly

recent and the whole process of positioning, getting and successfully completing the project was one of “*now we know.*””. In other words, the firm now knew that it could compete on a world stage, taking on much larger opponents in a competitive bidding process, and come out successfully at the end. “That was our defining moment.”

The firm learned a lot from the Malawi project. There were endless numbers of meetings with everyone from World Bank officials in Washington during the project procurement phase, to members of in-country local water boards during the design and implementation phases, as the firm was careful to include the pertinent knowledge of the local population in the design. The firm recognized early on that women play a critical role in the local culture of Malawi both in the obtaining and in usage of water; their point of view was incorporated also. Finally, the firm was careful to include technology transfer in the project; local residents were trained in the maintenance of the system as well as how to identify new potential water sources. All of this came at a price. “A humongous travelling cost. We had 7 people from this office who spent a minimum of 4 months in Malawi, and we have one guy who spent 2 ½ years there.”

Lessons Learned

Over the years, DMG has progressed from an international neophyte to a legitimate international engineering consulting firm. Along the way, the firm has identified some important success factors, as well as some challenges that have to be dealt with. A key success factor is trust. “In our business, what we really sell is trust. A lot of people could do the work but they trust you to actually do it.” “I think a lot of times being a Canadian out there helps. I am not saying that all Canadians should be trusted, but it has been a help to us.”

A second key is relationship building. “I don’t care what kind of business you are in, the international market is all about relationships, and you can’t fake a relationship. You either like the person or you don’t like the person, and if he decides to come to dinner and bring his kids with him and you don’t like kids, you can’t fake that. If you invite a person to supper, it is never one person. It can include his wife and family and the guy next door because in a lot of cases, they’re hungry. You genuinely have to have empathy for that.”

You have to enjoy what you are doing. “A basic thing you can tell your kids is that I don’t care what you do in life, enjoy doing it. We enjoy working in the international market, but, by the same token, I’ve taken people outside of the country and they’ve taken one trip and they’re not going back. They did not enjoy it. It was too hot. They didn’t like the food. They were out of their element and couldn’t adapt to change.”

“You also have to like the particular area of the world you are in. Some time ago, we did a job in Mexico City. We did fine with the job but it is not a place I enjoyed working.”

“Another key element, you have to be able to adapt, you have to be able to think on your feet, you have to be able to go with the flow, to be able on a dime to come up with a fresh creative idea. You have to have the confidence to sit at a table while clients are talking around you in their language while you

have no idea what's going on. Keep smiling and look at your translator who is probably the most important person in the room. You also have to trust your translator and spend time educating him/her as to what you are trying to accomplish."

A major challenge faced by the firm has been the level of financial resources required to compete internationally. Most international projects take years to develop; smaller firms like DMG have to find ways to finance the development cost, knowing that at the end the project might be awarded to a competitor, or may not take place at all. This can create severe strains within the organization as cash flow is continuously diverted from local projects and invested in developing international projects.

In Conclusion

At this point DMG has evolved from a very competent, locally based engineering consulting firm to one that still works in the local market, but which also has established a legitimate international presence. As Terry puts it, "The engineering things we do are similar, whether they are being done in Gander, in Malawi, or in some other international venue. The differences are in finding the projects, establishing the relationships, and in having the patience to spend the time and commit the resources that are necessary to bring the project to reality." Terry estimates that it took a total of 6 years to bring the Malawi project from the initial contact stage to completion. When asked at which point DMG began to receive a positive cash flow his answer was succinct; "the 6th year". The burden of carrying the costs of developing international projects creates a major strain for companies like DMG, "a lot of money for a little company based in Gander." Finding a solution to that problem would enable the firm to intensify the search for international work; perhaps to take on a number of projects at once.

Terry sums up DMG's approach as follows: "We are a small, locally owned engineering firm. That means we can make decisions quickly without going through 8 or 9 layers of organization. We pay premiums to those who spend time away on international projects. We work extremely hard when it's busy, but in the winter if things slow down we can take a long weekend to go skidooing. Reg (Hedges) has created the type of work environment where everyone is comfortable with his ability to make decisions." The type of leadership provided by DMG in the development of opportunities for locally based expertise on the world stage has made it possible for others to look outside the province also.

Focus Questions

1. Evaluate DMG's internationalization strategy.

FastForm Research

David Sheehan, the promoter of FastForm Research, is from an engineering background. He has worked in that sector in Ireland, Germany, South Korea, and Spain. The company is based near Waterford airport in the south east of Ireland and is involved in product innovation and development. David originally qualified as a mechanical engineer following a trade apprenticeship and has always been interested in doing things and making things. Coming from a rural area in county Waterford, he always operated in an environment where improvisation was the expectation if things went wrong or if you did not have the ideal kit for a job or a process. DIY thus was an integral part of his mindset. The second thing he learned to appreciate was the benefit of automation: once you made the task perform well then you should think about automating it so you could move on to something else and render the original task as an automatic one that no longer required your intervention or effort. Of course, in order to automate anything you really need to understand the science, mechanics and behaviours associated with a process as otherwise there is strong likelihood that what emerges as the automated process will be different from what was intended.

He spent some time working in South Korea as his engineering employer saw his potential and gave it practical recognition through increased responsibility. He met and married his wife there. He became the production-engineering manager. He learned to appreciate the importance of building trust among others in him and to communicate in a way which built that trust further over time. This is a key element of Korean culture and sees respect and trust as highly ranked in business situations along with innovation. As a result, his role was expanded further from Production/Engineering manager to include management of the R&D facility and team. Among the many materials he worked with there was fibreglass associated with boat building for the fishing industry. This gave him an appreciation of advanced materials in an engineering context and awakened new possibilities particularly for prototyping and low cost tooling. Understanding the properties of materials meant that you could envisage applications not previously considered as allowing for the constraints that such properties imposed on the deployment of materials. Know your stuff might be a crude way of expressing this! Before his departure from Korea, the company through David's resourcefulness and nonconformist approach to the major Korean automotive companies had secured a contract for \$1million and triggered the construction of a second factory located in Ulsan to supply Hyundai.

David was then assigned to Valencia, Spain where he was promoted to Plant Manager. Through continuous improvement, he rationalised production and manufacturing methods and achieved labour efficiencies, which saw staff numbers fall from 30 people to 13 people. After 2 years in Spain, David returned to work at a daughter plant in Waterford, Ireland. He continued his rationalisation and automation programme there against a backdrop of tremendous cost-cutting pressure from automotive companies and the continual demise of manufacturing in the west in favour of low-cost sites in Eastern Europe. After a period of serious rationalisation resulting in a streamlined workforce, the company emerged "lean and mean" – and much more cost efficient than its parent company in Germany. As a result, a major contract was awarded to the plant in Waterford, which saw staff numbers increase from

50 people to 110 people. A leaner and fitter operation had led to greater prosperity as commercial sharpness gave the business an edge in its marketplace.

Trades' people as individuals are all the time dealing with customers who have a need, which requires a solution, and that solution has a value. Good trades' people understand that an identified need, a defined solution, and a value proposition, which marries price, product and service, are needed to do business. A trades' person makes sure each part sits well with the others so that the entire package leaves the customer and the trades' person satisfied with what is completed in the course of the exchange.

As an "intrepeneur" and innovator working for others at home and abroad he decided that he wanted to pursue his calling to become an "entrepreneur" and to go-it-alone to optimistically realise his full potential. However to compliment his technical, managerial and international experience, David decided that a business degree would be an invaluable asset to give him a broader perspective when setting up, growing and running his business venture. Shortly before leaving his employer, he had completed a Business Studies degree by night at Waterford Institute of Technology. Armed with real-world experience and a business degree provided a catalyst for him to move on and set up his own technology business focused on medical devices in 2001.

Unfortunately, without continuous improvement and innovation coupled with price pressure from Eastern Europe his previous employer closed the plant in 2004 at Waterford, having traded there for 25 years.

His original concept for his business was prompted by the Gölcük earthquake in Turkey during 1999 which was very vividly carried in the broadcast media. This event saw many people marooned in remote areas with no shelter, and young and old extremely exposed to the elements, some of which died of exposure. Reflecting on this humanitarian disaster, he devised a shelter, which could be used in an emergency aid situation such as existed in Turkey. He applied and was accepted on to a start your own business programme at Waterford Institute of Technology, which was supported by Enterprise Ireland. This involved taking 10 business modules. This program offered him a breathing space as it gave him financial support of 50% of his previous salary. He decided to record in a "journal of ideas" various business and product ideas that he got while on the program for follow up afterwards.

While on the program, his original product idea evolved and he soon realised that the technology employed could also be used in products for treatment and immobilisation of fractures. Ireland has established itself as having expertise in the pharmaceutical and medical devices industries and this reputation and track record helps give innovators a degree of confidence. Again, from growing up in the country David had learned and observed from childhood animals as they were injured and treated. He had also been an active first-aider for 9 years with the local Civil Defence. These observations and experience in first aid offered insights into treating animals and people literally in the field with basic materials. David reflected on his experience and on materials he had come across in the automotive industry. He felt that there were better malleable materials that could be transposed to the treatment of injured individuals and animals if the properties were modified and tuned to the requirements of such

products and procedures. To this end, David formulated a novel biodegradable polymer to deliver the properties needed for highly conformable, yet strong and light weight casts and splints for the treatment of fractures.

Effectively David had developed a technical solution that had emerged from the automotive sector to solve a problem in the healthcare sector. (Medical device) David calls this process “cross-pollination” of ideas, solutions and sectors.

On the program, David had interactions with people in WIT in the materials area and he found out that there was a Centre for Polymer research in Athlone Institute of Technology. This offered him a means of outsourcing some research and development and the production of a prototype. “Entrepreneurs passionately envision a way to solve a real problem with a novel solution or approach and are satisfied that they can achieve this profitably based on their own self-belief and their impression of market appeal and potential. Therefore setting up a new business means you have to be able to see a mental picture of what does not currently exist and to be able to sketch that picture for others” remarked David. “The colours might be a bit faint at the outset but gradually you give the picture a more definite form: “This is really important if you want investors to share your vision and become motivated to buy into that vision and support the venture”

He also had to raise money externally and obtained some mentoring support from an uncle. He managed through a combination of his own and enterprise agency networks to raise €350k in seed capital to develop the business, using a government incentive called the Business expansion scheme. This allowed investors to obtain a tax refund for their equity injection. This was later followed by a further investment from Enterprise Ireland. A shareholders agreement was put in place to protect shareholders and cover the issues that would arise under various exit strategies for the investors and for the promoter. Over a series of fund raising rounds, coupled with investments from Enterprise Ireland for R&D a total of €2.7m was raised for the project.

With external money came a need for a form of governance structure and the business took on some external directors. These included the managing director of a local subsidiary of an international company in Ireland. This board meets about every six weeks and it takes David about a day and a half to complete his CEO report for the Board. “This is a good discipline,” he felt, “it makes me keep track of my action promises and assists me in maintaining momentum”. He also appreciated the opportunity to discuss the trajectory and pace of effort in the business. In addition, David established a clinical advisory board, which meets 2/3 times per annum to review clinical matters and to make suggestions for developments. Establishing links with clinical practitioners in the accident and emergency domain and in the orthopaedic discipline was especially useful. Being in Waterford where both the local regional hospital and a private hospital are located was an advantage to this business. These provided expertise, user feedback on performance, price positioning, product presentation and packaging. However, management is not all about strategy and external interfaces: things still need to get done at ground level. Thus at an operational level David conducts a 10 minute meeting every morning to keep in touch with staff, and re-enforce priorities and sustain progress on projects and initiatives.

He commissioned a promotional video, which was done locally and partly filmed in a hospital involving medical personnel who had used the product on a trial basis and were satisfied with its efficacy. These days so much of people's impressions are based on visual cues that an audio visual presentation of this nature was almost an imperative.

The business has addressed intellectual property issues and is pursuing the registration and execution of a number of patents. This is an expensive process but where global potential exists, it represents an important ingredient in preparing for international expansion and providing external investors with confidence in the values of the potential revenue stream.

Clinical trials are in progress and the results of these will have a positive bearing on the adoption of FastForm products by medical practitioners. When evidence based medicine is the mantra, then if you wish to win commissioning and purchasing support, you have to generate the evidence and it must be rigorous and credible.

David noted that in developing the business at different times along the way he had got *favour*: use of equipment, advice, and good terms from suppliers. Being genuine and up front was critical in obtaining such generosity. He also valued the input of mentors at different times: people who had already grown businesses and in some cases had launched firms themselves. The business needed to be nurtured and being able to obtain and to accept insights helped him tackle issues in a more informed and ready fashion.

Sometimes he found negotiating his way through some of the state agencies a bit of a bureaucratic nightmare where goal posts were always moving. External agencies certainly can be very risk averse and there is a bit of waiting to see who will 'take the plunge first' in committing funds to the new venture. Much form filling, layers of decision-making, business reviews, and meetings are associated with this aspect of the business. The lead-time from seeking funding to obtaining cash is quite long and David felt sometimes that third parties did not fully appreciate the pressure that this puts on the whole exercise and small business. Things did improve once some investors came on board and this gave everyone confidence. "It is bit like the fledgling penguins going into the water, each one is waiting for another to take the first plunge" remarked David.

The company's major offering is a substitute product for plaster of paris, a messy time consuming application that has been used in accident and emergency wards for decades. FastForm's product is a dry application for fractures involving hinge removal with no skin pressure points that allows the patient's skin to remain dry and cool. Patients can swim and shower with a FastForm and it is easier for practitioners to apply it.

In this business, David sought to match the product, the production tools and the production process. He wanted to make sure that he had the tools that could make a finished product speedily and with high quality. He saw that the necessity for using design for manufacture principles was important so that product manufacture could be done in minutes when scaled up rather than the hours it took at the outset when prototypes were being knocked together. "Good design is a principle that applies to every stage of the business and not just the finished product" David commented. The company also wished to

be able to demonstrate its commitment to high quality and achieved this by regulator accreditation under ISO 13485 (the quality standard for the medical devices sector). This enables the company to design, develop and manufacture medical devices and is an important step for obtaining regulatory approval for product adoption in many jurisdictions.

A key challenge for a company like this is distribution: how to get your product to the end user and the end buyer. For many small businesses, they struggle with this issue for many years hitting one brick wall after another. Very early on David recognised this was an issue that would have to be addressed if they were to ramp up the size and profitability of the business. It is strategically important to tie up with an international distributor that sees the value of what we have to offer and have multiple channels to the market. Therefore, a considerable effort was expended into making progress on this axis to get the volumes that will make all the effort and investment worthwhile. This has led to the company establishing a distribution arrangement with a US based company. Like all such distribution arrangements, the proof of its efficacy will lie in the sales that are generated by the distributor and the strength of the customer linkages established over time.

Segmenting the market is also being addressed. Different user groups with different purchasing patterns for medical supplies can be identified and these command variations in how they are approached, communicated with, served and grown. They can vary also according to the scope they have for influencing their peer group of prospective purchasers. Mapping your market is a worthwhile activity according to David and that map gets more detailed and informative as you become more familiar with the market terrain. You are better able to plan routes, select your crew and choose your vehicle.

The business has joined the trade group called the Industrial Research and Development Group, an association which is subscription based and is focused on skills and intelligence for R&D active companies. David saw this as the first network worth participating in; others may follow later such as the Chamber of Commerce and the Irish Medical Devices Manufacturers. He felt he had to ration his time effort, mental commitment and money. These are scarce resources so a focused selection would be necessary at each stage of the firm's development.

David, as he looks back at the journey he has come with FastForm since 2001, recalls that it has been a longer journey than first anticipated, it involved tying together many exchanges, and it meant looking about five ways at each and every issue in order to understand their intricacies and direction. It would be fair to say that this demands being simultaneously far sighted as well as focused on immediate challenges. Knowing your own properties is not dissimilar in some respects to knowing the properties of the things with which you work with for your products, David felt.

Forteau Food Processors

Introduction

The Town of Forteau is located on the southern shore of Labrador, the mainland portion of the Canadian Province of Newfoundland and Labrador. It was originally settled in the late eighteenth century and, like many rural areas of the Province, was dependent on fishing as its primary industry and main source of employment. With the decline in the fishery that the Province experienced in the 1980's and 90's, however, many of Forteau's population of about 500 were forced to seek alternative employment, mainly in the oil-rich province of Alberta and, more recently at the new mining activities in Northern Labrador. While many of these people still consider Forteau home and return at every opportunity, in order to remain viable in the long term the challenge for communities like Forteau is to develop new employment through the creation of new businesses. Forteau Food Processors is an example of a firm that identified opportunities based on increases in the number of tourists visiting the area, as well as utilizing the area's natural resources.

The Company

Forteau Food Processors is part of a group of businesses founded by Stelman Flynn. Mr. Flynn began his entrepreneurial career some 35 years ago by establishing a small takeout restaurant. Over the ensuing years the business expanded to include a restaurant and motel, a lounge, a bakery, commercial real estate and retail grocery stores located in Forteau and Red Bay, a community located further along the Labrador coast. Forteau Food Processors, which markets its products under the trade name "Labrador Preserves", was established approximately 20 years ago.

Labrador Preserves grew out of a local community event, a bakeapple festival. Bakeapples, or cloudberry as they are more generally called, grow profusely in the area. The festival drew together residents of local communities, together with a growing number of tourists, with a view to comparing recipes for bakeapple jams and preserves, and to sample various bakeapple products. Mr. Flynn eventually realized that there was a demand for these products beyond the festival and began to sell jams prepared from his bakeapple recipes in the restaurant and grocery stores, as well as using them as toppings for cheesecakes sold by the bakery. Twenty years later the company's product line has expanded to include preserves and syrups made from bakeapples and two other locally produced berries, blueberries and partridgeberries; as well as several products that are used internally in the restaurant and bakery. The company has been actively marketing the preserves and syrups throughout Canada and the Northern United States.

Organization

Although Mr. Flynn maintains a presence in the group of companies he founded over the years, much of the day-to-day management activities are carried out by Mr. Brad Hancock. Mr. Hancock, a native of Forteau, received post-secondary education in business in Corner Brook, Newfoundland, and joined Mr. Flynn's companies shortly afterwards. He is presently negotiating the purchase of the businesses from Mr. Flynn. One of his primary responsibilities upon joining the business was to develop Labrador

Preserves, transforming it from a small supplier of berry products to the company-owned restaurant and bakery to an export oriented operation that could become sustainable and contribute to the local economy. He has since added a marketing manager, whose primary responsibility is to identify and exploit new markets for Labrador Preserves. At the time this case was written, Mr. Hancock was negotiating with Mr. Flynn to assume ownership of the businesses.

Marketing Activities

When Brad Hancock first became involved in the marketing aspects of Labrador Preserves, he decided that, despite their high cost, trade shows would be a good place to start. In order to effectively present his products, however, he realized that an attractive labeling design, product brochures and business cards would be necessary. This was accomplished through the efforts of a local artist with the assistance of the Provincial Department of Development and Rural Renewal as well as the provincial craft marketing agency. The designs received great reviews from the local market; however, after attending one or two shows it became clear that the local labels in particular would not be suitable for a national or international marketing campaign and would have to be redesigned. As Brad points out, “locally within Newfoundland and Atlantic Canada we’re selling to a craft market, a gift market, whereas once you get outside of Atlantic Canada it changed to gourmet and fine food specialty.”

The company attended its first show as visitors in order to get a feel for the show experience; a year later, they became involved as exhibitors. Over the years shows of various kinds have become the focus of the company’s marketing efforts. Brad estimates that since the marketing director came on board two and one half years previously he has attended some 14 shows. Brad himself attended a dozen or so prior to that. He credits show attendance with developing the wholesale side of Labrador Preserves’ sales; some 95% of the company’s sales are now carried out through intermediaries. As Brad points out, retail sales, which are carried out through the company’s restaurant and gift area, and which are largely dependent on local tourism, would hardly be sufficient to support the quantities necessary to achieve sustainability. At the same time, though, the company’s experience on the wholesale side has been mixed. “We’ve spent so much of our money trying to penetrate the Ontario market and as of right now we still don’t have a distributor in Ontario.” The company has, however, been selling its products through a number of high-end food specialty stores located in Toronto and has established itself in a number of supermarkets in the Edmonton and Fort McMurray areas.

The company spent some time early on in the development of internet-based sales through its website. This was discontinued for several reasons. For one, Brad felt that the time and effort involved in packing and shipping one or two items at a time was simply too expensive. He also experienced high damage rates; customers then expected to have the product replaced free of charge. Shipment of pallet lots through the local representative of a national trucking firm has proven to be far more convenient and cost-effective. As Brad put it, “right now, for example, I have an order on my desk for one bottle of bakeapple syrup from a customer in Jacksonville, Florida. ...I could pack it up in a box and send it off and charge her more for freight than the order is worth... I’ll just pass the order on to a distributor and they’ll take it from there.”

Ironically, the company finds that its main competition is based not in Canada, but in Scandinavia. Exporters based in Sweden and Finland, in particular, are well established in the North American market, primarily in the jam and preserve market. The company has reacted by developing a series of berry-based syrups that are used mainly in cooking. These are featured in the company's restaurant to flavor chicken and pork dishes, and recipes are provided on their web site. Although syrups provide a measure of competitive advantage, especially in the high-end food store market, Brad feels that a big education effort is needed. "...they've (the Europeans) got all these products and they're light years ahead of us..."

Raw Materials

The area on the Labrador coast known as the "Labrador straits shore", which includes the Forteau vicinity, is well known locally for its abundance of wild berries. It's hard to believe, then, that a major constraint faced by Labrador Preserves is a shortage of raw materials. As Brad put it, "(This year) probably hundreds of thousands of tons of bakeapples rotted on the bogs." The other staples in the Labrador Preserves product line, blueberries and partridgeberries, are equally difficult to obtain. According to Brad, compensation is not the problem, "where berries are plentiful a person can pick upwards of \$800 to \$1,000 a day. That's good money to me." So if compensation isn't the problem, what is? Berries sometimes grow in remote areas. In situations like that picking berries is only part of the process. As Brad puts it, "...you've got to get them off the bogs, you've got to get them in bags, you've got to get them in boxes, you've got to get them frozen." The logistics of that process can be daunting. Brad points out that berry harvesting is not the only area where labor is difficult to find. All of the company's operations, whether it be the restaurant, providing food services on the Labrador ferry, or the bakery face this problem. "...we're paying \$12 to \$16 per hour for up to 70 hour weeks...we can't get berries at \$800 per day. Sometimes I think we've got it a little too good here."

What Brad is referring to is the social safety net system in place in Canada. This system varies in detail from region to region; in the Labrador straits area 10 weeks of insurable earnings from employment entitles one to 42 weeks of employment insurance payments. While this is undoubtedly extremely important in an area with low employment rates and few employment opportunities, there is no doubt that it can also operate as a deterrent to work past the necessary qualifying period. Brad believes that one important reason that labor is difficult to find in areas like his is the system; people generally try to qualify as early in the year as possible. Later, when berries are ready for harvesting, people are no longer interested. Brad is quick to point out though that this is a two edged sword. While making it difficult to find employees when they are needed, the steady income stream generated by the system benefits the other company-owned business activities, such as the supermarket, bakery, lounge and restaurant.

So what is the solution to Brad's berry problem? One might be to amend the safety net system to provide an incentive for individuals to accept available work; a politically difficult task at best. Nevertheless, Brad needs berries. "We've spent thousands of dollars in marketing and packaging and everything else in the past couple of years. One way or the other you got to fill those orders." So what options remain? "I can buy a container of bakeapples out of Finland and bring them over here on a ship and have them delivered to me as cheap as I can buy them here locally. It's unfortunate but it's the

same with the partridgeberries.” An incredible solution considering the berry-rich region Labrador Preserves operates in!

The Future

It’s near the end of the day and Brad has a few minutes to reflect on the future. How can he use his marketing manager to best advantage? What is the best marketing strategy for Labrador Preserves? How to solve the raw material problem? How to deal with manpower issues generally? How to divide his time between Labrador Preserves and the other aspects of the business? Brad realizes that some long reaching decisions must be made prior to his taking control of the businesses. Can he reorganize the operations in a more effective manner? Has the business reached the point where more professional management is needed? In the midst of his deliberations, the telephone rings. A delivery truck full of grocery items has just turned up at the supermarket. In the absence of anyone else, Brad has to take care of the unloading. As he pulls on his jacket and hits the light switch, Brad thinks to himself, “There’s got to be a better way.....”

Focus Questions

1. Undertake a review of the company's marketing efforts to date. What recommendations would you make?
2. Identify and discuss some alternative solutions to the company's chronic manpower issues.
3. How can the company solve its raw material problems?
4. What suggestions would you make to improve the company's organization?

Mecon Water Management

Introduction

John Connolly and Tom Meacle formed Mecon Water Management Ltd. with a specific goal in mind; to reduce commercial and household water usage in large urban centers throughout the United Kingdom and Ireland. Like many new product-driven businesses, Mecon was responding to a specific need. In an era of expanding population, especially in urban areas, and diminishing potable water resources various levels of government had instituted by-laws restricting water use. As much as 33% of water delivered to households is used for flushing toilets and as much as 35% of delivered water to schools is flushed down the toilet. Mecon's contribution to a solution to this problem consisted of a relatively simple concept, that an attachment to a standard toilet that reduced the amount of water required by the flushing process by as much as 50%. Like many new ventures that are based on a new invention, however, Mecon faces a number of challenges associated with commercializing the product. Among these are production considerations, development of distribution channels and a promotional plan, and acquiring the financing needed to fund the company properly.

The Opportunity

The product concept behind Mecon originated with a telephone call to John Connolly from a friend who was employed in a manufacturing company, specifically referencing his years of experience in the production of molded plastic products. Southern Water, a large water service company in the south east of England, was experiencing problems supplying water to their customer base of two million. The UK Environmental Agency had begun a pilot study with Southern Water to evaluate the effectiveness of retrofitting toilets with a water saving device to reduce the flush volume of siphonic toilets. At the same time, the regulatory regime that the Authority operated within was changing to reflect a greater recognition of the value of water as a resource and a movement to institute a more effective user-pay system of charging for water usage. To John, there appeared to be an opportunity implicit in this, the question was how to take advantage of it.

The company's approach to the identification of a specific product that could address this opportunity was to talk to as many people in the water management authorities as possible. "Be personal, get to know the individual. Even if they are not the right person to speak with they can probably direct you to the right one. You might be able to get them to make the contact for you." Out of the information gathered during this process, John was able to identify the need for a system to manage water flow. He targeted an obvious source of water waste; the standard toilet uses far more water than is actually needed to perform its function. Both John and Tom believed that they could develop a product that could significantly reduce this water usage and, in the process, reduce the water related costs to the water authorities as well as to the Irish school systems. The network that was established stood them in good stead during the product development process. By maintaining contact with potential customers throughout, he was able to fine-tune the product to fit their needs. John's philosophy throughout this process can be summed up as "Always be hypothetical; open to suggestions; always have a backup in mind, don't miss the opportunity."

The product that resulted from this process is an attachment to the flush siphon of the toilet, which enables an individual, by pressing a button, to restrict the amount of water used during the flushing process. The UK Environmental Agency defines the product as a Retrofit Variable Flush Mechanism. Right from the beginning, John was conscious of the financial constraints implicit in his being a startup venture. "You have to make base decisions on facts; you can burn a lot of money quickly." At the same time, he recognized the need to maintain an image of quality and value.

The Entrepreneurs

Tom Meacle came from a manufacturing background, having worked for many years with the Irish Glass Bottle Company. Originally from County Offaly, John and he met through a mutual friend and both had a passion for product development. They found they had shared interests and outlook in this matter and also had a common love for hurling and Gaelic football. This helped when they were travelling together to trade shows, etc. Having a production background, they were willing to improvise and this helped them explore different materials, parts and assembly possibilities for their offering without having to rely on external design consultants who might otherwise charge for each variation as it was tested and refined or discarded. They considered a number of product possibilities before settling on the current device and they patented this in the UK and Ireland where it is suitable for the hardware typically used in these jurisdictions.

John is based in Gowran, a village in County Kilkenny while Tom lives in County Dublin about 100 km away. This distance has never proved an obstacle to the business. They meet regularly and they communicate and send documents and drawings by phone, by post and by email. In fact, John felt that the substance and frequency of communication was more important in many instances than the speed. This applies to customers too. On a recent visit to Australia and New Zealand, he was phoned by a customer, and, together with his partner in Ireland, they were able to advance the customer's project through phone contacts, followed up by more substantial email exchanges shortly after the initial dialogue. This type of interaction is also helped locally as next day postal delivery is typical in Ireland, while packages sent to the UK by post can similarly be relied on for delivery within a short time span.

The business is a true joint venture and their respective spouses also became directors at the outset. Neither promoter had direct marketing experience; this was one of the reasons John completed a start up program for entrepreneurs at the Waterford Institute of Technology. He observed, "This program developed my marketing skills and awareness and even seeing the different presentation styles allowed me to get ideas how to develop my own for customer interactions."

Marketing Issues

John sees a huge market for Mecon's product. "There are 10 million customers in London alone, and a further 3 million in Southeast England; all of whom pay water tax. Plus all of the school districts in Ireland are now charged for water. There are enough sales there to keep us busy." Supporting these numbers is John's belief that awareness of the problem runs high. "People know about this; it is not something new." An advantage of the company in relation to these markets would be its proximity;

they are just 12 hours shipping time from the London area. The company has approached the challenge of marketing the product from a number of directions.

John sees attending trade shows as a critical piece of the marketing puzzle. In fact, much of the firm's early marketing efforts were directed toward exhibitions and technical conferences. "You have to get out in front of your potential customers and become known. Sell, sell, sell. If you are dealing with executives from potential, large scale users make sure they all get one of your products and know how to install it. You can receive valuable feedback about packaging, price, suitability, aesthetic appearance, etc."

A second marketing initiative undertaken by the firm was the development of a relationship with a large chain of do-it-yourself stores. Although this arrangement presented itself, Mecon decided not to pursue it as the margins were too small and would absorb too much of the company's resources which would not justify the returns. "Normal profit margins in the hardware industry are about 50%. We were squeezed way below that."

The company has also marketed through several other channels. It paid to establish on Google ad words, for example. Unfortunately, however, very little business was derived from this. A video was produced for Mecon, and is now available on the Mecon website for viewing on You-Tube. The company also sells through its website. John sees this as a real plus, "We get 21 euro for the product on the web-site and only 10 euro for those we wholesale."

Overall, John sees the main focus of marketing as maintaining his network of contacts. "You have to stay in touch and make sure problems are worked out. That's time consuming when you are dealing with people in so many different countries."

Production

At this stage of the company's life, production is carried out in Gowran and Dublin. However, when sales demand grows, the company has provisional plans to increase output; only 5,000 units a week would test the limits of this facility severely. If the company succeeds in penetrating even one of the major markets that John is targeting the company will be hard pressed to meet the demand. There are a number of potential solutions to this problem; the company could consider the construction of a new manufacturing facility, for example. While this could solve the manufacturing situation, the company would have to restructure financially to make this possible. At this particular stage of John's career he is not too enthusiastic about taking on a heavy debt load or in diluting his ownership position to any great extent. A second option could be to outsource individual components of the product with final assembly taking place at the Gowran workshop. A third option might be to outsource the manufacturing completely, possibly to India or China. John points out, however, that the landed cost of outsourcing internationally would probably be not much different than if the product was made locally. Nevertheless, a decision will have to be made on this issue in the near future.

An additional factor that could complicate the manufacturing might lie in another issue the firm is grappling with; making the unit as user-friendly as possible to install. Right now, a hole sufficiently large

to permit installation of the unit must be drilled in the toilet cisterns, a process that many customers might find challenging. The company is considering two possible solutions to this problem. The first is to provide a tool especially designed to accomplish this with the basic unit. The second would be to install the unit in the standard toilet flush handle. Either of these courses of action could impact the manufacturing process and the overall unit cost of the product.

Financing

At this point because the company is operating on a very small scale, John finds it relatively easy to measure the cost of each unit, and to determine overall unit profitability. As demand for the product increases, however, this will change. How great the increase in difficulty of establishing cost control becomes, however, will depend largely on the choice of production method. A choice that involves the company in large-scale manufacturing will make it necessary to develop a sophisticated managerial accounting system. Out-sourcing, on the other hand, will make the establishment of unit costs much simpler, and will make product profitability far easier to determine.

The choice of manufacturing option will also impact the firm's financial structure. Building a plant will involve large infusions of debt and equity capital; a prospect John, who is in his 50's does not find particularly appealing. On the other hand, building a plant could qualify the firm for funding from the European Union, up to 50% of capital costs. Outsourcing the manufacturing process will reduce the amount of capital needed; however, there will still be a need for product warehousing and space for other associated activities.

Conclusion

At this point Mecon Water Management Ltd is at a crossroads. The company is targeting potential markets for its product that could result in huge increases in sales volume and, hopefully, profitability. At the same time, a choice of production direction must be made. Of equal importance is the sequencing of these decisions. In other words, chasing the large potential orders could overwhelm the company and make it a victim of its own success. In any event, as John puts it, "The company already has € 250,000 tied up in this. You've got to make the right choices first; you won't get a second chance." For Mecon Water Management Ltd the choices will not be easy.

Focus Questions

1. Whom do you see as the company's main target customer groups? Identify and evaluate alternative marketing strategies to reach these groups effectively.
2. Evaluate the alternatives John and Tom must consider when deciding on a production strategy.
3. Develop a brief business plan that could be used to raise expansion and working capital.

Springdale, NL

Springdale, Newfoundland is a seaside town of approximately 3000 located on the north shore of central Newfoundland. Springdale is approximately 125 km away from both Grand Falls and Deer Lake, the two bigger rural centers for this particular region of the province. Springdale, like much of the island of Newfoundland, is known for its rich history, spectacular scenery and beautiful coastlines. Springdale has everything one would need to live comfortably in a small town: K - 12 schools, churches, museums, libraries, recreational facilities, and sports complexes. Springdale is the “hub” of an area called Green Bay, providing the main infrastructure such as health care facilities, banks, and other government services to the town and its surrounding areas. As well, the commercial side of Springdale is alive and well with the existence of approximately 100 small businesses and an active industrial park. The Springdale Chamber of Commerce is responsible for the monitoring, developing and planning of economic activities in the town.

A Day in the Life...

It's a typically busy Monday afternoon at 137 Main Street, Springdale, as David Oxford, owner and operator of NFSales.com tries to grab a quick cup of coffee between fixing a computer monitor and balancing this week's accounts receivables. There is not much time, or space, for leisure, with just himself and a computer repair assistant on staff in the back room. As David enjoys a moment's peace he glances behind the front counter to do a mental inventory count of the laptops, PC towers and a few other items that are piling up in the back, cluttering his assistant's workspace. “It's going to be one of those weeks,” David says, but is quickly interrupted from his thoughts by a customer entering through the front door. “You must be Dave,” says the man laughing. “I thought I'd never find you! Even after asking your location at the Town Office, I drove by this place three times before I spotted it. Your town is hard to navigate after long highway drives! Anyway, I'm here about my B&B, the one on the West Coast, we spoke about on the phone last week. I'm looking at getting a website up and running.” David must have received at least a few dozen calls that day, but he never forgets a customer. “Oh yes, Mr. O'Brien, it's nice to finally meet you. Have a seat and we'll get started.” That coffee will have to wait after all.

NFSales.com – A Company Overview

The computer workshop is only the tip of the iceberg for David Oxford's small empire, his main business existing not on Main Street, Springdale, but rather in the virtual world. NFSales.com (read No Fuss Sales) is a “No Fuss E-Commerce Solution” that allows businesses to develop and maintain their own websites. There is no need for a client to download expensive software, as the “No Fuss Site Builder” is a web-based system accessed via an internet browser. In addition, the site can be edited anytime, anywhere, from any laptop or computer device, giving the mobile business person hands on access to their web-presence anywhere.

After logging on, clients have access to unlimited space to develop and personalize their online storefront using a variety of templates, tools, and options provided as a guide by NFSales. Clients can choose personalized color schemes, upload unlimited photos, and even customize the shopping cart layout for their product or service. E-commerce tools available on the site include PayPal for transactions, online marketing tools for advertising, and even a system for recording invoices and sales and calculating tax remittances. Hotels and other hospitality providers have access to a reservation system online and exporters have the ability to offer shipping options to their customers.

To complement the website itself, NFSales.com offers support and training for the technologically challenged business person. Clients can choose between hands on and web based e-commerce training to learn about all aspects of doing business in a virtual world. The website itself is very user friendly and easy to navigate. The Set-Up Wizard guides clients through every step of the web design process, even checking the finished product to ensure all functions are working properly on the site.

NFGuestbooks.com

David's sideline business is NFGuestbooks.com. This website operates on the same premise as NFSales.com, but targets clients who are looking for a guestbook page for their already existing website. Clients can create an account to link to their own website from NFGuestbooks.com, giving their customers and web visitors a place for commentary.

The main income for NFGuestbooks.com is from advertising. David matches advertising links on the web pages according to their content, and receives a payment for every "click". This website was developed prior to NLSales.com, but is maintained now as a secondary project to make a little extra income. Since his hands are full, literally and figuratively, with both the repair shop and NFSales.com, David says about the sideline project, "I leave it there and get a check once and a while".

The Computer Repair Shop

The NFSales.com Computer Repair Shop deals mainly with business clients. David and his assistant fix computers both on-site at their clients' location and in-shop, offering basic services that include computer programming, computer maintenance, and computer repair. In addition, David has local contracts with large organizations that include Wal-Mart and Shoppers Drug Mart, and, under contract to IBM, even provides maintenance services on bank machines in the area. Geographically, the clients are primarily from Central Newfoundland, but once in a while David gets clients from other areas that require him to venture to one side of the island to or another to complete a job.

The Early Years

The original idea for NFSales.com began when David Oxford was the Information Technology Development Officer for the Springdale Economic Development Corporation. As part of his duties, David was responsible for the organization's website, including updating the online profiles of each of the Board Members. After being bombarded by requests to post the latest updates for each of these

people, David realized there was a definite need for a system that allowed individuals to update their own profile webpage, so he developed a web based database that allowed the Board Members to do just that. To his surprise, David received inquiries not only from the other Board Members of the corporation who wanted to update their own webpage, but from many other people outside the corporation who were looking for similar features in a program. The result, as David would put it, was many late nights developing this program on a dial-up internet connection from home until 3am, then trying to make it into work for 8. As Dave incorporated more and more elements into the system and the NFSales.com model as we know it now began to take shape, Dave decided it was time to resign from his current position to focus solely on what he believed had great potential.

Over the next few years, David continued to develop the software out of his home office. David's home, being a remote cabin in rural Newfoundland powered by solar panels and a wind generator, was certainly an unconventional setting for such a technology intensive project, but ironically it provided a number of advantages. Power and electrical failures were never a threat, as his power sources allowed him to work even in the worst of storm conditions. The only internet connection available at the time for this isolated location was dial up, so David had to develop his software on a slow connection. This forced him to work slowly and more carefully, perfecting the model in the process. Furthermore, the complexity of the computer code used to develop his model required much internet research in order to find the proper coding and syntax to make the program work, so David could take his time with the research. But after five years, approximately 800 pages of code, and countless coffees, NFSales.com was in business.

Technology

The technology involved in the NFSales.com model is extremely complex. There are approximately 18,000 to 20,000 lines of code on each of the approximately 800 pages. The secret code that enables the website to produce unlimited pages and unlimited space is protected by Canadian Copyright and is David's competitive advantage over other companies offering web-building services like him. Bigger companies and developers have approached David trying to figure out his system, one even offering employment on condition that the code accompany David to the new position. "I wonder how long the job would last after they got the code!" David jokes. Fellow programmers have also tried to crack the code, but to no avail. Nobody seems to be able to understand the code so David isn't too concerned about having his software copied. The system is so complex only David understands the programming and doubts he could even explain it to another employee. Therefore, in his opinion it would be a waste of time and money to hire somebody else in order to expand his NFSales team: he knows the system, he knows the customers, and he knows how to give the customers what they want from the system, so why waste the time, money and effort?

The Market

Clients sign on for one year of service at a time and choose between different pricing options depending on their needs. Clients can opt for the full e-commerce version or a partial one can be tailored just for

them. Furthermore, pricing is based on the services they require and how much “hand holding” is needed from NFSales. In addition, non-profit organizations get a special discount.

At this point NFSales.com has approximately 80 clients located mostly in rural Newfoundland. The largest contract they have is for 25 Youth Centers across the province; the second largest is for 20 non-profit organizations. Municipal councils, tourist outfitters, and hotels and other accommodation providers make up the remainder of the client base; the accommodation industry in general has been the focus of much of the company’s product development and marketing activities in latter years.

NFSales feels their product serves the smaller rural businesses in the province best. They believe small business owners such as the operators of bed and breakfasts, lodges, and inns in addition to smaller rural clubs, societies, and organizations can benefit most from their services. These types of organizations do not have the time, money, or in-house skill base to invest in e-commerce or website development so the ready-to-go, easy-to-use nature of NFSales suits their small business needs.

NFSales does not intend to expand into the larger urban markets such as St. John’s for a number of reasons, but mainly because the rural clients are more appreciative and cannot depend on just walk-in customers like in a bigger center

NFSales estimates that about 90% of its business is generated from word of mouth; the other 10% coming from logo advertising on NFSales clients’ websites that links potential customers to their site. As a promotion, David offers a discount to current clients who bring another customer to NFSales. As a result of their solid reputation for quality, user-friendly service, David hasn’t considered it necessary to invest heavily in marketing or promotion. In the past, David has hired some commission based external sales representatives to get new clients for NFSales, but he has found it difficult to find the right people and to train them because of the complexity of his software model. He has therefore discontinued this practice, deeming it a waste of time and money. David believes a good marketing move is to expand the service offerings of NFSales, offering more features and tools on the website. Then the word of mouth will take care of itself.

Growing Pains

As the workday is winding down, David says goodbye to his assistant and closes up shop for the evening. Of course, there is no going home for David, as it seems his work is never done. It’s finally time for that coffee. David sits down at his desk with his cup in hand and thinking cap on head to mull over his life’s work again. This time, however, the focus is not the damaged computer monitor on the floor, the unanswered e-mails in his inbox, or even over the newest bug he’s discovered in his computer code that needs fixing; but on the bigger picture, “Where do I go from here?”

As it is, David is certainly busy with his current work load, but it is still manageable at this point. David, and David alone, knows all the ins and outs of his software program and is the creative genius behind the company name. David is able to maintain communications with all his clients personally. Furthermore, David has full control over all aspects of his company, with exception of a few computer

repairs that he delegates to his assistant. After all, NFSales is his baby, right? Isn't that how a real entrepreneur should run his business?

But then the question of growth comes to mind. If he does not grow, will his current client base provide enough stability for future sustainability? On the other hand, if he does choose to take the next step and grow the business, how on earth will he go about doing it? With three divisions within the company, one employee, and a very focused target market it seems unnecessary to market outside this perimeter, but is that really the right way to go? If expansion into other services is realistic, where would he start? Plus, time and cost factors are key; the amount and cost of training it would take to get another person on board will surely take away from much needed focus on current clients, right?

"Anyway, I'll figure it out one of these days" David mumbles to himself as he turns his attention toward doing what he knows best, upgrading, testing and adding new features for his clients. "Now this I can handle."

Focus Questions:

1. NFSales is at the stage where they can take the next step to grow the business, or stay at the current level. If they decide not to expand, is it feasible? If they choose to expand, is it feasible and how will they do it?
2. Should NFSales focus on just one of its businesses rather than spreading themselves thin over three? Or would growing the business allow them to expand each division separately?
3. Has NFSales properly assessed their target market or are they missing out on opportunities? (i.e. Tapping the urban market in Newfoundland, or tapping the rural market in other maritime provinces)
4. Has NFSales made the right decision not to invest much in marketing or should they put more focus on marketing and how?
5. Does David have the business mind it takes to lead the company or is he better fit for the creative and technological side of the company? Should the company invest in another employee to head the management side of things?
6. Is Guestbook an unnecessary venture or is it an untapped and underestimated resource for profit and business expansion?
7. Considering the ever-changing technology industry, does NFSales face the reality of becoming an obsolete product sooner than David thinks?
7. Should David consider a buyout offer from a larger company for his software?
8. What challenges or advantages present themselves as a result of operating a business such as NFSales in a rural location?

Nutri-Science

Introduction

It's a Friday and Louise Grubb, Managing Director of Nutri-Science is sitting at her desk, reflecting on her business and pondering some difficult decisions that will have to be made in the near future. Louise and her business partner, John Brennan, founded Nutri-Science in 1999. At the time, Louise had just relocated from Dublin to Waterford and employment options in the Waterford area were limited. Starting a business had always been a dream of hers, so given her situation the timing seemed ideal. Both Louise and John come from pharmaceutical backgrounds; the fledgling business began with a couple of human nutritional products, which they later adapted for use by animals. As Louise puts it now, "We had put together a couple of products that worked really well, had supporting clinical work, but a real stumbling block was 'how to make them'." Shortly afterwards Louise met Claire Hughes, who had experience in pharmaceutical manufacturing and was looking for a new opportunity, and the basic Nutri-Science team was in place. Although Claire's main interest was in human products, and the business had two of these in their stable, Louise saw that the best strategic direction was in the animal market, which was growing rapidly and specifically the veterinary market "mainly because it was a smaller easily targeted niche and we had limited money to market products." The business developed products in liquid form, a first for the industry and a key selling point as an easier delivery option for small animals. At present, about 40% of the company's sales are directed toward horses, 50% to small pet animals and 10% to humans. Early on Louise realized that a key challenge in the marketplace would be maintaining a quality image, especially as a small firm competing in a market with much larger players. Attaining ISO 9000 status and investing in attractive packaging and presentations went a long way toward establishing that credibility.

At this point in its development, Nutri-Science has attained a sales level of approximately 2 million euro. Getting to the next level will involve decisions that involve reexamination of the company's marketing strategy, whether the company should manufacture incremental products, staffing at a management level, and, above all, financing. As with most business situations, all of these decisions are interrelated; deciding to increase top level staffing, for example, will necessitate a sales increase in order to cover the additional overhead. This, in turn, will impact the manufacturing and financing decisions.

Marketing

Right from the beginning, the company geared itself toward exporting, mainly to members of the European community. As Louise puts it, "We realized very quickly that Ireland is very small, but each country has the same kind of dogs and cats and the vets read the same literature, so very quickly we got into a couple of markets....we happened to get the right distributor at the right time." This strategy has worked pretty well for the vet market; the business now uses distributors in most European countries with few credit problems. "Don't forget, you are dealing with the best. They're big companies and they're organized." That's not exactly true of the equine products. These are sold in a variety of ways, often to small businesses that are not far past startup themselves. Collecting from these customers often involves follow-up, generally with a telephone call.

Selling into a market as diverse as the European Community has created its own set of issues. The company had to deal with the fact they were facing a number of large competitors. “We spent a lot of money on presentations and packaging because again, going with the pharmaceutical distributors, they’re used to dealing with Pfizer....guys with professional packaging”. Branding the company was also expensive. “It took almost as much money on logo design because it added credibility.” Compounding the problem is the variety of products produced by the company; its website lists some 19 products in the pet and equine markets. Some of these are sold in a variety of forms, which can include liquid, powder and/or capsule for any given product. There are good reasons for that practice, including product stability and consumer preference. It does, however, create the need to develop and keep up to date a variety of forms of packaging. Language is also an issue; the company labels its products in the language of the market country. Overall producing for markets in specific countries throughout the European union requires high levels of packaging inventory and short production runs for each individual product and packaging type, with the increased production costs associated with that practice.

Management of the distribution channels is another challenge facing the company. As Louise points out, “To keep the relationship going you have to meet people at least twice a year, regardless if everything is fine.” This has mainly been Louise’s challenge; however, with her other responsibilities she has been finding it increasingly difficult to maintain the travel schedule that requires. “I can’t be away all the time and so I manage to go in short, sharp bursts where I’ll be gone every single week.” Although this solution might be alleviated by hiring a general sales manager, Louise points out, “Actually two years ago we decided to take on a general manager for marketing to grow the business. We then had much higher overhead and had a loss for the first time ever....having made a mistake and taken in the wrong person was a mistake that could have changed the business around. But it means again you go back to basics and do things you’re good at. You can lose not only the salary of the wrong person but the effect on the business, the customers, and the lost time trying to figure out what to do.”

Production

From the beginning, Louise and her business partner John were well equipped with the experience and education that was needed to develop pharmaceutical products. The dilemma they faced was manufacturing; how to make the product. Claire’s coming on board added manufacturing experience to the team. She was able to organize the manufacturing processes that were necessary to meet the Department of Agriculture’s demanding regulations, and to eventually attain ISO 9000 rating and also to source raw materials at reasonable prices. However, as Louise points out, “...we were always sub-contracting – it came down to we were always having small runs of product – we were trying to customize product to individual customers and also we have a huge issue in that we label the product in the language of the country.” In addition to the original liquid form, the company has been custom producing powders; they also market tablets but the manufacturing is outsourced. The addition of an operations manager two years ago has opened some eyes, “we were looking at gross margins in the vicinity of 58-60% but that wasn’t putting in the labor cost. Putting in the labor costs we are starting to look at the results and they are frightening. Particularly with small unit volumes.” The company is now

exploring the possibility of bringing in animal/pet products that have been contracted out in standard 250ml bottles unlabeled, with the labeling done at the Waterford plant.

The company's human products are manufactured in Holland. "We bring in several hundred thousand tablet lots and pack them down into 60 size bottles. Our distributors now think bottles are old-fashioned so everything now is blister packs. We went back to see if we could source it. The company that makes the tablets can pack them and it's actually going to save money to bring them in blister packed compared to packing them here."

At this point, the company is faced with a number of decisions with respect to its manufacturing policies. These revolve around the short production runs caused by the diversity of its product line, the variety of forms each product may be sold in, and the language issues. Production costs are high; at the same time, there is little room for price increases to offset these. Right now, the company has several new animal products that are ready for market. As Louise puts it, "We will still continue to employ...we will continue to make a small volume, customize it and we can only do that when we control the manufacturing but if we decide to pursue this small animal market we'll have to make some changes."

Organization

Despite its impressive growth, Nutri-Science has managed to remain lean and mean. In addition to Louise, John, Claire and Brian O'Shea, the operations manager, the company employs a sales coordinator and a part time bookkeeper three days per week. "Things get missed," states Louise, citing several examples of near problems created by lack of staff. "We have to make sure the telephone gets answered", she jokes.

In its early stages, the company employed a professional accountant with his own small practice to maintain its accounting records. Louise laughingly points out that he once commented, "What do you need a profit and loss for?" to which Louise replied, "How else do you know if you are making money?" "He was used to dealing with small shops and he was looking at this little girl coming in starting a business..."

At this point, the company has a board of directors that meets regularly. It also has a mentor who has provided invaluable advice over the years. As past managing director of Waterford Crystal, he brings a wealth of experience and practical business knowledge to the board, but is also available to have a chat from time to time as issues arise.

Financing

One of the company's biggest challenges revolves around the availability of financing. It started off with an overdraft arrangement of €15,000, which has since been increased to €30,000. As Louise puts it, "I turn over almost 200,000 euro per month with an overdraft arrangement of €30,000. The buildings have mortgages to secure those, but when we lost the money, we had to borrow an amount because we had the loss, but again, secured by the building. There is no opportunity to get working capital." The lack of working capital places severe limitations on the options available to the company in the future.

“Going forward this will be a pressure because we’re looking into bringing in product from manufacturers. Minimums are high and you have to pay them for them up front.”

The lack of capital will also make it difficult to undertake a research and development investment of about 400,000 euro over 2-3 years. While the government would contribute about 40% of this, the remainder will have to be raised from other sources. But, as Louise points out, “We’re probably not big enough or attractive enough for a venture capitalist. After all, we are manufacturing which isn’t always interesting to an investor, especially when we started we really couldn’t get any money because at the time in 2000 it was all IT. It was all internet that was going to make a fortune for the venture capitalists. They all got burned but nobody at the time wanted to hear of a little company that was putting liquids in bottles and trying to sell bottle by bottle.” Angel investors don’t appear to be an option either. “The way the economy evolved here people that had money put it into property and made money on property. It was detrimental to businesses like ours...there was tax relief as well for investing in property.” When asked about possible local investors Louise jokes “even graduates that have done wonderful things have left this. I mean, we are in the southeast of Ireland. We’ve hardly got a road coming into the place let alone any infrastructure.” Louise attributes much of this to the incredibly conservative nature of the Irish, pointing out as an example, “My mother when I left my pensionable job in the health service as a nutritionist at age 22 said, it’s a pensionable job, you can’t leave it. I went to work with a big international company and she said that companies close all the time. When I started this, she gave up on me altogether. That’s what you are dealing with.”

The Future

Nutri-Science has come a long way since 2000 but at this point it is at a crossroads. There are a number of critical decisions to be made. In the marketing area, the network of distributors must be maintained and expanded. In addition, the company must ensure that distributors are continually supplied with fresh marketing and promotional materials, and are visited periodically. The equine distribution chain needs a good deal of attention also. The company is also considering the use of third party catalogues as a means of attracting sales. If the company decides to go that route, the relationship between catalogues and the distribution chain is another issue to be worked out.

Manufacturing is also an area of concern. The profitability of in-house manufacturing must be assessed carefully. Out-sourcing manufacturing also has its challenges, particularly the financial costs associated with larger production runs and high levels of prepaid inventories. In addition, there are still the issues associated with packaging and language.

A third major issue facing the company is its financial structure. A lack of working capital and inaccessibility to venture capitalists or angel investors is severely constraining its flexibility to choose among the alternatives that appear to be available.

Nutri-Science has a number of things going for it, including a dedicated management team; a strong, recognized product line; and a sound working knowledge of the market and its distribution system. At this point, however, the company has to make a number of difficult decisions in order to move to the next level. “If we thought the previous years were fun...” Louise points out.

Focus Questions

1. Evaluate the options available to Nutri-Science in the marketing area. Provide recommended courses of action with supporting arguments.
2. Identify and evaluate alternative sources of financing for the company.
3. Identify and evaluate manufacturing options open to the company. Provide recommended courses of action with supporting arguments.

Neil O'Grady – Selling Uilleann Pipes to the World

Introduction

Neil O'Grady had always loved music and had always wanted to own his own instruments. Unlike many of his generation, however, Neil's musical interests went well beyond the usual country or rock and roll tunes of the day. "One day I heard this particular instrument, I thought that I didn't know what it was but I had to find out." The instrument turned out to be a Uilleann (Irish) bagpipe. In those pre-internet days it wasn't easy to find information about his new discovery but Neil persevered and gathered bits of information over a period of time. Neil was struck by the fact that the pipes are not commercially manufactured in large quantities; rather, there are a number of small producers that make pipes individually by hand. Neil had always had an interest in wood-working and had accumulated some basic wood-working equipment over the years. In addition, he came from a family of wood-workers that had a tradition of making and repairing instruments. He determined that he would like to make a pipe, but really didn't know how. Luckily he found a pipe producer in Massachusetts that was willing to spend some time working with Neil to teach him the basics of pipe making. After spending 2 weeks learning the ropes as an apprentice, Neil decided that making and selling Uilleann pipes presented an opportunity to work on his own and make a comfortable living doing something he really enjoyed.

The Opportunity

The Uilleann bagpipe has a strong connection to Irish culture and traditions. In contrast to the more familiar Scottish bagpipe, the Irish pipe is designed to play in a different key, produce a more mellow sound and to be used indoors. "It's more suited to a church than a parade ground." Neil learned there are actually 3 types of Uilleann pipes; the full set, a half set, and a practice set which is designed to allow beginners a low cost means of trying the pipes out. Like fine violins, pipes are identified with particular pipe makers. "You can tell that is a MacLeod set or an O'Grady set; the last name is a tag but I don't sign the pipes as some makers do." Instead Neil relies on the experience of pipers to distinguish his pipes from others. "Signing the pipes doesn't add value to them." It is the nuances of sound and quality of workmanship that establish the relative value of the pipes to the piper.

One stumbling block Neil encountered as he got started was a lack of equipment. The basic woodworking equipment in his basement shop was just not capable of producing the intricate carving required to ensure that the pipes were of highest quality. Fortunately, the Atlantic Canada Opportunities Agency recognized the potential in Neil's business and provided funding that helped him add the equipment he needed. "I still haven't had to move out of my basement though. Everything I need is down here."

As time went on, Neil added a second line of products to his repertoire, the bodhran (Irish drum). These are made in three sizes and complement the pipes in that they can be made using the same equipment and, for the most part are sold to the same basic customer group. As with the pipes, Neil remains a purist. "There are 3 sizes of bodhrans. I avoid putting old foolishness like a Guinness label or Blarney Castle on them. They're musical instruments, not for hanging behind the bar."

The Entrepreneur

As the Introduction mentioned, Neil has been a long-time music lover. However, he is quick to point out, “If I had to play for a living I probably could, but I’m really tone-deaf and can’t read music or play by ear.” As the reputation of his pipes attests though he can certainly tell when pipes are in tune. A real strength that Neil brings to the business is patience. Pipe making is a tedious process. “A \$4,000 set of pipes will have about \$300 in actual materials. The rest is labour. “ Patience is also important in ensuring that each individual set of pipes is made exactly the same way. “If a customer calls needing a new part I can’t be wondering now where exactly did I drill that hole, or what exact size of bolt did I use. You want to be able to send a new part that will fit exactly right away.” This consistency adds to the reputation for quality that Neil has acquired over the years. “I was lucky to do a few really good jobs right away and sell them to musicians with big mouths. That set me up.”

Neil shares a number of personal attributes with other entrepreneurs. In addition to being a very patient wood-worker, he has become more proficient in dealing with the public. Like many entrepreneurs, he has had difficulty in fitting into traditional employment. “I wouldn’t mind working for someone else if they were sensible. Unfortunately, much of my work has been for people that weren’t.”

Marketing

Neil found that in the pre-internet days making initial customer contacts was difficult. “I found my first distribution source by looking through magazines. I found an ad from a company that was selling something close to my stuff and contacted them by snail mail. Anytime you spot something in a magazine, whether it be folk, Celtic or traditional music, you always look and see. You are dealing with a very small market.” The business model has been based on slow, steady growth and has been dependent on building the customer base as his reputation grew among satisfied customers and this spread throughout the piping community. He has remained focused on the pipes as instruments, ensuring that quality production and true sound are paramount. There can be some cosmetic changes; a current popular trend is to inlay artificial ivory over some of the wood surfaces; however, he has resisted what he calls the snob appeal factor, “mine is silver, yours is only brass.” Attaching a brand or logo to the pipe is not particularly important, nor does it add to profitability. Experienced users can differentiate between pipe producers based on the slight differences in sound and feel. Neil equates the experience of buying a pipe with that of buying a car. “Cars may have a similar price but they are all different. Some have more bells and whistles than others. Some makers have better reputations than others.”

Although Neil is a self-confessed non-techie, he feels that the internet has made it much easier to find customers, or rather, for customers to find him, He strongly believes in establishing relationships with customers before making a sale. “Relationship selling is important. Instead of just trying to sell the pipes try to get to know the customer, make sure the pipes are right for them. I don’t try to discourage anyone from buying but try to avoid problems later by finding things out now.” As a result of this approach, many customers will actually travel long distances to visit Neil’s workshop in Carbonear. “They get a feel for the place and that adds confidence to their decision to buy.” Neil has an interesting

anecdote that arose from his focus on relationship building. “Scottish pipers and Irish pipers don’t like each other much. Scottish pipers tend to look down on Irish pipers. An American highland piper heard one of my pipes and wanted one. As a result, he became a bit of an outcast among his peers. I noticed though that there was a flurry of activity around his area. I found out after that a lot of his followers were buying them too because he was sort of advertising them for me.”

A typical customer of Neil is an American who will buy a full set of pipes for about \$4,000. The customer will generally find Neil and will often provide references or, as previously noted, will actually visit the shop. The customer will make a refundable down payment of \$100 that will cover the cost of the raw materials needed to start the job. “This is not as high as some who will require 40-50%.” Almost all sales are to individuals. Neil once sold 4 sets to a music store and will occasionally sell 9-10 bodhrans together, but these are definitely exceptions. Although there are no certified pipe teachers, there are people that will take on students. Neil finds these to be an excellent source of referral business. “If they are playing your pipes it’s easier if the student has the same thing.”

Neil will sell between 30 and 35 sets of pipes in a typical year. “It’s easier when you are dealing with people that know the pipes. Sometimes when you’ve done a good job you can give yourself a bit of a raise. But my pricing looks good on me – you can tell when someone is from an area with high cost of living because their prices are higher. Reputation and price are the most important selling points. I didn’t start making trash like some of my colleagues when their reputation got made.”

Neil’s reputation in the market place has led to another source of revenue; repairing both Irish and Scottish pipes. Pipes are shipped to his workshop in Carbonear where Neil refurbishes and then returns them. Recently he has been receiving enquiries about used pipes. “The slowdown has had an impact on pipe sales. People say you don’t need a pipe, you need food on the table. There are enquiries for used pipes. I have bits and pieces coming in and sometimes I can cobble up a set. The demand for second hand is increasing. I think it is because of the downturn in the economy.”

Neil has also found that membership in associations dedicated to preserving Irish culture and traditions to be helpful. Specifically, Na Piobairi Uilleann is an organization that promotes Irish pipes and the Irish harp. Being part of this organization has helped him to identify contacts. They also carry his information for the reference of its membership. “We had a tìonol (a gathering sponsored by this organization) in St. John’s. I did a piece on reed making that attracted some interest. “

Manufacturing

The pipes are made in a workshop in Neil’s basement. As he is quick to point out, it took him 7-8 years to accumulate the equipment he has today. “I didn’t bite off more than I could chew. I can do it with the basic tools, everything else is gravy.” Nonetheless, he finds that the extra pieces of equipment he has added over the years has made it easier and has speeded the manufacturing process up substantially. At this point, he finds it convenient to make several sets at a time. “It makes sense when you consider the time involved in setting up each piece of equipment.” Neil also stresses that the key to successful manufacturing is consistency; ensuring that each set of pipes is the same.

Bagpipes have three essential types of raw material; exotic hardwoods, bagpipe leather (which is the same leather used in Scottish pipes), and brass. Because each pipe is a special order, it is not unusual to find that other materials, such as artificial ivory or even silver, might be added for cosmetic purposes. A full set of pipes will take about 3 weeks to complete; practice sets can be done in 4 days. Neil sees that the manufacturing period will determine the level of income he can generate; efficiency without sacrificing quality is extremely important.

Although he perceives it as a risky undertaking, on occasion Neil has bought used pipes to refurbish and sell. "You have to be careful; you have to wheel and deal a bit. I would never buy a set on e-bay."

Conclusion

At the end of the interview, Neil was asked where he would like his business to be in 5 years. His response:

"Hopefully in 5 years time I'll still be here doing the same thing. There were Irish pipes in *Braveheart*, which was a Scottish movie with Irish music, and in *Titanic*. There are young pipers coming along now keeping the interest alive.

I've got a simple supply of materials and a simple supply of good customers. You are not stressed by your work colleagues. No boss breathing down your neck all the time. There is none of that in this business.

Sometimes you forget about the cheque. Sometimes you forget about the money aspect and you make up something beautiful and this is your pay. You are not thinking about your Friday pay cheque. Craftspeople don't think of a salary or wage, they do it to get rewarded by their work. You might go 3 or 4 weeks and one day you open the mail box and there are orders from god knows where and you get all excited about it. There is no system to that like being a labour of love. It makes it easier."

Focus Questions

1. Neil O'Grady is presently facing a situation in which he is unable to keep up with demand for his pipes. Discuss the alternatives available to Neil in dealing with this situation.
2. Does Neil have the experience or education to handle the business end of the company? Would he be better off leaving that end of the business to someone else and concentrating on the manufacturing process?
3. Discuss the marketing options available to Neil.
4. Are there advantages to Neil moving to a larger, more sophisticated facility and hiring assistants with the manufacturing process?

Rising Tide Theatre

Introduction

The Town of Trinity is situated on a small peninsula located between two the two arms that comprise Trinity harbor, “the best and largest harbor in all the land,” according to the 1689 publication, *English Pilot*. By the early 1700’s the largely migratory fishing fleet that operated out of the port had spawned a small permanent population, which grew to over 1250 by the 1836 census. For much of the 19th and early 20th centuries Trinity rivaled St. John’s and Twillingate as the most important town in the colony of Newfoundland. By the early 1990’s, however, the gradual decline of the fishery, culminating in the closure of the all-important ground-fishery, severely impacted the town’s fishing and boat-building industries. Out-migration eroded the population of the town to about 600 by 1991. With the destruction of its traditional means of employment Trinity, like many small Newfoundland communities, faced an uncertain future with little chance of sustainability, resulting in further declines in population.

The Company

Rising Tide Theatre was founded as a non-profit organization in 1978 by Donna Butt and David Ross, both alumni of the Mummers Troupe; a well-known, socially active group of performers named for the traditional Newfoundland practice of dressing up in costume over the Christmas season and dropping in unannounced on friends and neighbors. Initially Rising Tide continued the Mummers’ tradition by founded rising Tide Theatre as a non-profit organization in 1978; a well-known, socially active group of performers named for the traditional Newfoundland practice of dressing up in costume over the Christmas season and dropping in unannounced on friends and neighbors. Initially Rising Tide continued the Mummers’ tradition by producing plays such as *Daddy ... What’s a Train?* which addressed the loss of the Newfoundland railway. Later, more mainstream productions such as *The Crucible* and *A Midsummer Night’s Dream* were added to the repertoire. In 1985 the first of the revue series, *Revue ’84* was produced. This has since become something of a tradition itself, with annual *Revue*s poking good natured fun at the events and personalities of the previous year. In 1993 the company produced the first Trinity Pageant. As Donna Butt, the driving force behind Rising Tide, puts it, “...Rick Boland, we decided on the idea of an outdoor pageant. We came out and took a look at the community and it looked like it would lend itself to such a thing so then we started the long and tedious process of gathering the resources and support to be able to do that.” In fact, Donna points out that the Trinity Pageant was very close to being the Carbonear Pageant. “My first thought, originally I intended to go out to the Carbonear area, Spaniard’s Bay area, somewhere out there because my mother’s from Spaniard’s Bay, my father’s from Carbonear and I spent all my summers and weekends there when I was a child.” It was the scenic beauty of the Trinity area, as well as its rich history in the fishing and boatbuilding industries, that lead to the final decision.

The Pageant

Having decided to base the pageant in Trinity, Donna and Rick set out on the often-frustrating tasks associated with making it happen. In retrospect, Donna points out, “One of the things that really struck me at the time was that there were so many groups of people that have a small p power base in any

community. You go from community, to surrounding communities, to regions, to larger regions and you got yourself one hell of a challenge to do anything. And then you've got so many groups and committees and agencies and governments that all feel they are in the business of economic development you can actually spend 80% of your time sitting around talking to people about trying to do something for economic development. It's very frustrating." Working with these groups was not always easy. "There was a good deal of territorial protection going on which I feel is still the case. Although, there is a greater movement to cooperation now that didn't exist back then." One of the challenges was the uniqueness of the concept. "The term 'cultural tourism' hadn't been created at the time," says Donna, who subsequently was awarded the Order of Canada for her pioneering work in the field. "This is a huge tourist area now but that wasn't always the case so we were starting from scratch." Eventually, the necessary startup capital was raised through Human Resources Development Canada and the Provincial Department of Regional Development.

While Rick and Donna were working on the resource issue, there was also the pageant itself to consider. Right from the beginning it was to be an outdoor production that would combine humor with serious social commentary. "The physical land and seascape seemed as if it would speak differently than if you were doing it in downtown St. John's." Material for the pageant, which is presented in segments as the audience walks through the community, was gathered from a number of sources. "Rick and I ...talked to people that had an association with the place, we went to the archives, we researched the material." Some adjustments were made along the way. "When we came out and I saw the church, such a magnificent building, we really had to use the church so we inserted the story about the sealers which is a true story and what happened to them. I was talking to ___ one day and he had this document about people starving in a bad fishing year so he gave us that to form the basis of that scene." The entire pageant, which they entitled *The New Founde Lande*, is presented from a common man perspective. "Rick and I came from working class families and that was what we knew."

The first year of the pageant was an unqualified success, which, ironically, contributed to the dissolution of the working partnership between Rick and Donna. "Now the idea was to do it for one year but I'd always been interested in building a festival of Newfoundland plays ... and I was interested in doing it in a place where the whole idea of what you say would make such sense." "It's fair to say that Rick's idea was let's take the pageant and run it in 5 or 6 different communities, help them develop it, whereas I was interested in something permanent plus I got to know a lot of people out here and so on."

Year two of the pageant marked the beginning of the transition to the Trinity Festival. "We did the pageant for the first year and then the second year we did a couple of shows that we did out of the school in Port Rexton (a neighboring community), and I knew that wasn't really the venue for what I was looking for, so then we negotiated with the parish hall and moved into the parish hall. We moved into the parish hall until we built the theatre. The pageant is still the anchor event and largely what people come to see." Nevertheless, the growth of interest in the *Summer in the Bight* theatre festival created the need for a further expansion, into a new fully equipped theatre completed in 2000. Today, the Trinity Festival operates from spring to fall, presenting, in addition to the pageant, nightly dramatic productions, most with a Newfoundland theme, and a dinner theatre, which captivates audiences with

its mixture of drama, humor, and outstanding musical presentations. Rising Tide has come a long way since Donna and Rick first thought of the idea of an outdoor festival!

Rising Tide Today

It is fair to say that Rising Tide has had an enormous economic impact on the Trinity region. A visitor during tourist season will find, in addition to the festival itself, a bustling community with a variety of inns and bed and breakfast establishments, restaurants, gift stores, museums, even an operating blacksmith forge. Trinity after tourist season, however, is a different story. Almost everything closes during off-season. "This place has less than half the population that it had when I came here in '93. I lost my three box office people last spring. They're all gone to Alberta. People always worked seasonally but now there's big bucks and they're going. The wives are going because the husbands are going and whatever. Do you know what the population of Trinity was last winter? Thirty-three, including me." This lack of continuity has severe implications. New people must be identified, selected and trained, only to see them not return the following year. There is little Rising Tide can do to deal with this. The *Revue* series can accommodate some of the actors; that only solves a small portion of the problem. "Even the older people are moving out of the area. They move to be near the grandkids, or to be near health care, or to avoid the desolation of many smaller communities."

A second issue involves the way funding is provided to non-profits. While Donna is very appreciative of the financing she received to construct the theatre, she also points out, "We have a theatre; it's in the town's historic district which is where the province and the town insisted that it go. We had to meet all these standards. We weren't allowed to use any money for lights or sound or any theatrical things, just for structure of the building." As a non-profit organization operating a theatre festival, Rising Tide constantly walks the tightrope between ensuring high quality theatrical productions and balancing the budget. This often leaves little room for maneuvering. "I don't mind paying the operational things like heat and light because that's on-going. But, because we are in the historic district and certain standards have to be met I have to stain the building. Where am I going to get \$10,000 or \$15,000 to stain the building?" Donna sees the solution to issues like this as resting in a greater understanding by funding agencies of the relationship between the roles of for-profit and not-for-profit organizations with a local economy. "In our case we're a theatre company so the sustaining money we get is all around the development of professional theatre. New artists, new works, there's a huge demand that way but there's also a huge demand on you as an economic generator for things that are happening here." Most of the for-profit businesses in the area exist solely because of Rising Tide. Yet operating in a year-to-year manner, applying for financial assistance for the artistic or business aspects of the festival each year with no clear understanding that it will be available creates high levels of stress and frustration.

A second, more insidious issue associated with not-for-profit organizations, particularly those based in the arts, is the "starving artist syndrome," a feeling by non-artists that artists, because of their love for what they do, are prepared to work for less than more mainstream individuals. Donna echoes that view, "Do you expect the people that run the non-profit ... the people in the arts to do it because they love the arts, they are committed to it? So they get us for lousy money and long hours because you have that level of commitment." Donna is quick to acknowledge that long hours and hard work are not

restricted to the non-profits. However, she does point out, “If you own a b & b at least at the end of the day you own your business. You own it, you can sell it or you can hand it down. In a non-profit that’s not so.” In a similar manner, those responsible for promoting economic development in a government agency have a degree of job security, medical plans, and pension. A real weakness in the system, then, is that despite being the central focus of the area’s economy, at the end of the day, Rising Tide, the organization, will leave little for Donna. Like Donna, in many cases those on the ground who are at the forefront of regional development are disadvantaged.

The Future

Over its 30-year history, Rising Tide has evolved from a small, socially active theatre company to one that has developed an entirely new approach to economic development, cultural tourism. The organization has grown significantly over that period and now produces the immensely popular *Revue* series as well as operating the Trinity Festival, which includes an outdoor pageant and now has a complete theatre, which houses productions of Newfoundland-based plays, and a dinner theatre. People have come and gone within Rising Tide; the constant has been Donna Butt, whose creativity and energy have driven this evolution. When asked where the organization can go from here Donna becomes uncharacteristically pensive. Without directly answering the question, she provides her take on what is needed to create an environment in which non-profits and for-profit organizations can work together with government agencies to create viable economies in rural areas of the province. It begins with information gathering: “Nobody to my knowledge has ever done a careful study of how many people are coming to Newfoundland and Labrador, how many are coming to the out ports, how much money they are spending in each place, and whether that’s enough money to sustain those places. These things are not rocket science to do if someone would do them. Why can’t someone figure this stuff out?” She next moves to the role of economic development agencies. After commenting on the number of agencies that exist in any given region, “our biggest industry in some areas is the economic development industry,” she stresses the importance of local involvement. “People who end up doing these sorts of things are not necessarily people that have produced something on the ground during their lifetime. It’s very different looking at economic planning out of a window in St. John’s than it is out in an area where you get beat up all the time and you’re living in a fish bowl.” Some final thoughts relate to the type of planning that’s required, “You take a region like this one. This is a compact region, especially if you shrink it down a bit from the zone board. If you took from Clarenville to Bonavista and a portion over around Bonavista Bay, King’s Cove; look at this region; look at what’s going on in this region, look at where it can be in ten years. I don’t understand why they can’t do that. Why can’t somebody look at that and say this is what can happen, here’s what can’t, here’s what we are going to give the region for the next ten years. This is what you have to contribute every year; this is going to be driven by a combination of government, non-profits, and free enterprise. In our region, we happen to be the focal point. Other regions can have other focal points. I get very frustrated when I get letters from government asking for my growth plan every year. How can I plan growth on a one year time frame?”

Donna, ever the optimist, has strong ties to rural Newfoundland and believes that rural areas of the province can be sustained. But with out-migration and other factors in play, time is running out on

many regions. “Right now, Trinity is one of the stronger rural areas of the province but it’s dependent on the festival for much of this sustainability. In effect, we are the mine that made Buchans viable.¹ Without the festival...” She’s got a point.

¹ Buchans is small town in Central Newfoundland. Once a thriving mining community, the town’s economy has stagnated since the mine’s closure a number of years ago.

Focus Questions

1. Rising Tide Theatre is an example of social entrepreneurship, a concept that applies entrepreneurial principles to social development. Compare and contrast the process involved in establishing this organization with the establishment of a for-profit business.
2. Donna Butt points out that much of the government funding support she receives is based on an annual application process. What are the implications of this process for the organization's long-term viability and stability?
3. Social enterprises are sometimes said to operate with more than one bottom line. How does this concept differ from traditional businesses and how does the concept apply to Rising Tide Theatre?

Joe Wolfe and Associates

Introduction

Joe Wolfe is the co-owner of a successful management consulting and training firm based in Thomastown, County Waterford, Ireland. The company started in 1999, and has since grown to employ eight fulltime people in addition to a larger number of individuals who are employed part time. The firm had its origins in the health care system but has since expanded into several other areas of competence. This growth has not been random; instead, it has been the product of systematic planning and careful management of resources. At this point the owners are considering a number of growth alternatives and have been spending a good deal of time undertaking a strategic review of the firm's operations in order to ensure that growth is achieved in an orderly manner that will not place its other activities in jeopardy.

Joe Wolfe had had a successful career in the healthcare industry in both the United Kingdom and Ireland prior to starting the firm; however, as he puts it, "I began to see the need for this; I thought there was a particular need for an external body to work in and support health services." At the same time, he was feeling restricted in his role within the system. "I was limited in the amount of autonomy I had and wanted a greater challenge with more self-determination." From an early age Joe had been involved in money making activities, for example, running errands for elderly neighbors. The challenge of wanting to try something for himself, to go out and take a risk, proved irresistible; as a result, Joe Wolfe and Associates was established in April, 1999.

The Start-up Process

Joe is quick to point out that starting his business was not simply a leap into the dark. Instead, he saw it as taking a calculated risk. At the time there was only one other person offering consultancy services to the healthcare industry. This individual had established himself as a sole proprietorship; Joe saw an opportunity for a much larger scale of operation. He had also spent time soliciting the views of colleagues in the industry. They confirmed his view that a need for this type of business existed. From a more formal point of view, he sent prospective clients a document that combined marketing with market research. On one side, the document described what he had in mind and asked for their support. On the other side, he asked where and how services should be delivered, the price ranges that they would be willing to pay and whether there were other services that they might be interested in. He also was able to arrange support from Enterprise Ireland, who at the time was offering financial and other support to new businesses. As Joe describes the process, "I had started to do some informal market research and it was very clear that people were looking for this sort of organizational development training, and even research to some extent."

The Evolution of the Business

After reflecting on the company's growth over the years, Joe noted that the business often moved in directions that were very different from his original concept. "I think there is a key issue here and it is something I have talked to a lot of business owners about. What you set out to do initially is not what

you end up doing and you are driven to some extent by market demand.” Over the years, the business has grown to employ 8 fulltime employees and has also developed a substantial network of part time individuals with expertise in specific business areas. Joe sees the latter as a way to expand the business without incurring high levels of overhead.

Products and Services

As Joe pointed out, the business started with a mission to provide an independent source of advice and education to the healthcare industry. Over the years, this mandate has evolved into several specific components within the company. The first of these is training. The company is presently running in the order of 100 separate training programs within the healthcare, social care and education fields. The company focuses on in-house corporate training sessions. It has deliberately avoided advertising sessions to the public. Many of these programs have been developed in response to the changing environment the firm operates in. For example, “...lot of issues in the late 90’s and early 00’s about abuse. Nobody delivering training on...for people investigating abuse, screening for abuse so we developed it... now it is one of our biggest products.” Joe is of the view that the firm’s capacity to develop training and consultancy solutions to topical requirements in a flexible and speedy manner is paramount to continued success. The company’s most recent new training initiative also resulted from a perceived need in the environment in which they operate. “There is a lack of validated training programs in managing aggression and violence across a whole range of sectors. And there have been a lot of cases settled in court or on the steps because people have not got good systems in place around the management of aggression in police, healthcare settings, social care settings. We are half way through developing a new model which is going to be Irish specific; which is going to give a total systems approach ... we will put in policies, systems and layered training depending on the level of training people need.” Joe is quick to point out the importance of academic credibility in delivering training. “A number of our programs are in association with Waterford (Institute of Technology) and I also have some association with other bodies and agencies.” At this point Joe estimates that 30-40% of the company’s revenue derives from training.

A second important source of revenue for the company is in organizational evaluations. These can take one of two forms. In the first, which they refer to as participative, company consultants work in conjunction with client personnel; the second is inspectional, in which the company conducts an independent evaluation of some aspect of the organization’s activities. Evaluations generally compare a client organization’s internal operations with regulatory requirements or best practices. Again, Joe points out, “Many organizations are undergoing regulatory assessment of their standards for the first time and require support in preparing for this. We would often conduct an independent pre-evaluation of where they are and what they need in order to adhere to standards. It is an interesting area and a growth area.” Joe estimates that the company has undertaken more than 120 evaluations over the past 4 years. This translates to about 25% of the company’s activities and is growing quickly.

A third stream of revenue derives from contract research, which presently contributes 10-15% of the business. The company undertakes research contracts for organizations such as the Health Research Board and the Mental Health Commission, among others. As with the training arm of the company,

research activities began with the healthcare system but have since grown to include a broader range of industries. The company has the expertise to conduct a variety of different types of research methodologies, which can include a combination of focus groups, interview-based qualitative studies, data base research, and quantitative activities that might include surveys and questionnaires.

The fourth source of revenue to the organization is organizational development; assisting organizations in bettering some area of their operations. As Joe describes it, "It could be a financial analysis as to where they are or where they need to be going. It could be implementing policy systems; it could be doing a strategic plan, business plans, or addressing human resource requirements like implementing performance management systems."

All four of these streams of activity have evolved horizontally. The business started in healthcare but has since expanded into other areas. "We started in healthcare, we broadened into social care; we are now doing quite a lot in social care. A lot of our customers are also in the hospitality industry; for example, our training in customer care skills or managing violence is transferable." This movement into other industries has created its own set of issues. "We are building our part time team. In particular, we have people with different expertise and different backgrounds. It gives greater breadth going in. We are doing a lot of work with state bodies on change and on conflict management and issues like that and it would be my vision to go much broader than what we originally started."

Human Resources

As Joe pointed out earlier in the interview, a major challenge has been developing the expertise to expand the company's offerings, particularly in the training area, without incurring the high levels of overhead associated with large numbers of permanent staff. The solution was to develop a network of part time employees with the necessary specializations. This, however, has also necessitated careful management. "There are very clear issues about maintaining our ethos and our philosophy because ultimately our business is built on these, so even if the person is employed on a sessional basis it is fundamental that the Joe Wolfe & Associates ethos, mission and standards are maintained. We have a lot of quality control systems in place to ensure we achieve this." Joe is quick to point out that, despite their part time status, these individuals are treated as full members of the team and pointed out that "we have been extremely fortunate in being able to attract an extremely high caliber of capable, loyal people to our team and this is fundamental to the success of the firm to date."

Another key human resource issue identified by Joe is the composition of the eight permanent staff. "The one person can't be everything. There is a need for an innovator, an entrepreneur, a pragmatist, completer finishers; you need a balance between creativity and action. Risk taking is also important but if you do it in a vacuum, it is poor management. So we have put a lot of effort into financial analysis, where we are exactly, key customers, levels of demand, which sectors key customers are coming from."

Critical Skills

Over the years, the company has relied on the use of a number of particular skills in the development and growth of its business. Perhaps the most important of these is relationship building. As Joe points

out, “I think the growth of the business is synonymous with good relationships. We put effort into supporting our customers. We might get a phone call from someone who says, ‘I’m really struggling with this, do you know of anything?’ Sometimes it might take 20 minutes to find a paper to give them or sometimes we might spend an hour on the phone giving them advice. I’m not interested in charging for this type of advice as it is about being supportive to your customers. I think you don’t automatically get a return but it comes around eventually.” Relationships are also important for generating repeat business. “If I’m in Cork on a particular piece I’ll go see a CEO or someone I haven’t seen in a while. I’ll pick up the phone and make phone calls, not constantly, but I have very good relationships with lots of our customers and I think that has to be built.”

Other skills Joes feels are important include financial discipline. “A lot of businesses don’t know where they are financially. How can you make decisions around expansions, etc? There’s no way.” Independence is also important. “I wouldn’t compromise ethics, especially on evaluations and things like that.” Independence has to be tempered with diplomacy. “A lot of our evaluations, the way we order our reports, it is important they are done in a way they are objective and honest, they are not going to negatively affect people’s confidence because you have to effect change afterwards and that cannot be achieved if people feel bruised after an evaluation. What we tend to do is ask what are the strengths and what are the positives and what are the areas for development. When you are doing that through the review the report itself is not a shock.”

The Future

In many ways, Joe sees the future of the business as a continuation of the principles he has used in the past. Having the right team with the right skills; developing and maintaining relationships with customers; continuing to monitor the company’s financial health are of vital importance. Above all, Joe’s philosophy can be summed up as follows:

“We have deliberately planned our goals; we have been able to grow the business through proper planning. We haven’t sold any equity in the business; we haven’t resorted to getting loans. We have been able to grow the business through proper planning and structured growth without going into the red. It is not that we are very cautious about risk taking but we worked very hard to ensure we had the capital coming in to keep the growth going.”

Focus Questions

1. Evaluate the process that Joe used in getting his business started. What are the strengths and weaknesses of this approach? Would you have done it differently?
2. Joe has grown the business largely based on part time, or sessional, employees. What are the advantages and disadvantages of this approach?
3. Joe believes that there is a high level of expansion potential for the business. Identify and discuss strategies where by this can be achieved. Which strategies do you feel are most effective in this situation?



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