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Featured Business: Megazyme

Posted by: AIB Business

Name: Dr Barry McCleary,
CEO of Megazyme – a biotechnology company,
which develops and supplies diagnostic technology for the
food and wine industries

Employees: 36

Since: 1996 (Ireland) 1988 (Australia)

Lifestage: Established (€2.1 million expansion in progress)



Company Background:

How do winemakers know how to correctly label a wine? Whether it's sweet or dry depends on the sugars in the wine – and an Irish company, Megazyme, is one of the two biggest suppliers of testing kits for the wine industry. 35 wine testing kits that measure the different elements affecting the quality of wine are just one offering in a wide range of products.

Originally the company's research focused mainly on development of methodology and products for the cereals industries – from the farm gate right through to the final product. It also developed analytical methodologies and products for the fermentation industries i.e. for the measurement of enzyme activities.

Dr Barry McCleary, who co-founded Megazyme in Australia in 1988 with Angela Kennedy, moved the company to Ireland in 1996 for personal and business reasons. For Megazyme, Ireland is the ideal place to be. The tax credits for research and development are brilliant – much better than in Australia, says Barry. He also finds the corporate tax rate great. With a lot of pre-planning, they transferred the business from Australia to Ireland over a weekend and didn't lose any business.

Based in Bray, County Wicklow, the company has grown from very humble beginnings in a garage beside a house in Australia – and is still growing. Megazyme is building a €2.1 million extension, which will house a synthetic organic chemistry research facility and a large 200-litre fermenter, as part of an investment in synthetic biochemistry and a platform for fungal enzyme production.

Having just celebrated 25 years in business, 2013 has been a good year for the company. It was named overall winner at the SFA National Small Business Awards, as well as winning Innovator of the Year for the third time – exactly 20 years since it won the New South Wales Small Business Award from its original premises.

99% of the business is now export, compared to 95% in Australia; and the company exports to 60 countries.

Interview with Dr Barry McCleary

What was the inspiration for setting up your business?

I was principal research scientist with the New South Wales State Department of Agriculture. Every time it came to doing research I found the first thing I had to do was develop methodology. I then came to see there was a real need for better analytical methodology for the cereals industry; from the farm right through to the industry. From publications, I could see there was a bigger interest around methodology than solving problems. I took the opportunity to work with a lot of labs around the world. I didn't realise it then, but I was moving towards commercial interests; I was always developing methodology and people were constantly asking "How do I get access to this method? We need these enzymes," etc. I got dragged into it in a lot of respects.

How did you initially fund your business?

I approached companies that were asking me to do bits and pieces for them and told them I was going out on my own and asked them if they would consider employing me on a consultancy basis. For the first two years, approximately 90% of the company income came from consultancy. By the third year, I had managed to build up a small range of products for sale that I figured could generate enough income to run a business. We ran the business in Australia from 1988 to 1996. When we moved from Sydney, we sold our house and that pretty much paid for the first Megazyme research facility over here. We did borrow some money from AIB and have been with the bank ever since. We also received a small, but useful, grant from Enterprise Ireland. Since then, we've received two R&D grants: one in 2002, when we set up a molecular biology division, and one in 2005.

Have you diversified your offering from your original focus or set up other businesses?

In 2002 we decided to diversify into the food and wine sectors, with the development of a range of test kits. To be able to do that, we needed access to a whole range of enzymes that were not available to us, meaning that we had to make them ourselves. A decision was made to establish a molecular biology division within the company to allow us to clone genes and produce the required enzymes. We employed excellent genetic engineers who cloned the genes and produced the enzymes. We have about 35 test kits to allow analysis of all of the components that affect wine quality; it took us about four or five years to build the full range up for the wine area.

What have been the highlights to date?

Personally, it has been the research challenges: the buzz you get when a method works and can be economically developed into a kit that can be sold with a profit margin. From a business point of view, winning the New South Wales Small Business Award in 1993 and then the SFA National Small Business Award in 2013, exactly 20 years later, are particular highlights.

What's your favourite part of being a business owner/entrepreneur?

I think for any person running their own business, it's being able to make your own decisions. It's really being able to decide the direction of the company and which projects you're going to invest in; you don't need to get approval from someone else.

How do you achieve a work-life balance?

I'm 63 this year so I've started my retirement process. What that means is I'm going to work only five days a week and I start work at 10am. At 8am I go for a walk to get fit, go home and get ready and come into work. I'm really enjoying that. To be able to do this, I have managers I trust implicitly. As the business starts to grow and make money, you can afford to invest in great people; you can start to get the work-life balance after about 10 years (but unfortunately, about 10 years after you need it). To start your own business, you need to be willing to work very hard.

Are you inspired by any business figures or success stories?

Generally, I love stories about successful people – particularly people who start small, whether it's sports or business. If I was to say any one person, it's Leslie Auchincloss who owns a company called Marigot. He was the owner and instigator of Biocon Biochemicals in Cork. I still have incredible respect for that guy.

What tools do you utilise that benefit your customers or that make running your business easier or more profitable?

We have a fantastic website. 98% of the business is over the web and, as many pay via the web, we have a great payments system. People pay by credit card and we take the bank charges. People pay from South America and it could cost them as much for the bank charges as the cost of the product, so allowing payments by credit card makes our products accessible to them. We treat our website very much like a library. It contains lots of information about the product. We have training videos as well on YouTube. The web serves as a great way of minimising the number of technical questions people ask.

Do you feel you know what your customers really want? How do you stay updated with this information?

Yes, I do feel we know what they want. A lot of our feedback would come from attending conferences and reading scientific papers. At trade shows, people often come up and ask if we have a particular test kit. We listen to these requests and take action where we can. That keeps us at the cutting edge.

What has been the biggest challenge your business has faced?

The continual competition from companies, larger and smaller, is always there. We were the David fighting against Goliath; we're now the bigger David. New little companies, perhaps university spin-offs, come into the marketplace and we have to compete on quality rather than on price because they have much less overheads.

What do you think the biggest challenge to businesses in Ireland is at the moment?

I think for start-ups, it's the availability of funds or grants. Thankfully, we're past that stage but the country needs new companies starting up every year.

What part of running a business comes to you naturally?

I think identifying the areas in which to do research and the products to make; and also improving production efficiency. They're the things I really enjoy doing.

What has been the best reward in running your own business?

Personally, it's the challenge of solving a problem and staying ahead of the field.

What was the main catalyst for growth?

I want the company to grow and I am willing to invest to achieve this: it is as simple as that. Initially, the catalyst was that I really saw a need for improved analytical methodology. I realised that we needed to make enzymes in-house to allow development of new analytical methodology. I targeted the development and sale of wine testing kits as a potential way to fund this investment. We are now applying this capability platform to other challenges.

How did you scale/grow your business?

Building the extensions to the research facility was funded mainly from cash flow, but with some bank borrowings. The R&D tax credits are fantastic encouragement for further investment in research. In terms of products, we try to determine what our customers need and whether it's worthwhile putting effort into specific projects.

What obstacles to growth have you faced in the past?

When we first came to Ireland there was a situation of near full employment in the economy and thus we had difficulty getting the people we needed to grow the company. Scientists chose positions in bigger companies, with the opportunity for international travel. It took a number of years to get the correct ethos

within Megazyme such that everyone regarded it as their company and decided that they wanted a long term career with Megazyme – to want to grow this company and their career opportunities. We had quite a turnover of staff from 1996 to 2002. We seemed to be always training people for other employers, rather than building strengths in our own company.

How do you get ideas to further your business?

We try to better understand the business we are in. It's about building the knowledge base and determining the best way to identify and solve analytical challenges.

What motivates you to stay running a business?

The alternative is gardening or golf and I'm not interested in either. I spend two days a week at the laboratory bench and that's what I really enjoy about the business. That's where all the fun is. Nothing quite beats being able to go to the lab bench, mix a few things yourself and see if it does or doesn't work.

What's your vision for the future?

For the company to continue growing. We have invested a couple of million euro into the next expansion of the research facility to give space for a new synthetic chemistry laboratory and expansion of our fermentation facilities. To protect the company into the future, I have also set the company up as a Trust.

Do you have a mentor; do you find this has positively impacted on your success?

No, but I would always admire and listen to motivated people.

What's the best business advice you've received?

What I heard from Colin Dowzer, the manager for Biocon in Australia, was "Control the supply of your raw materials and, as much as possible, try and make them yourself." As much as you can control the manufacture and availability of these materials, that's how independent you'll be.

What would be your advice to businesses starting out?

In broad terms, surround yourself with positive people, keep physically fit and make time for your family and friends. Then, when you come into the specifics, you've got to be willing to take risks but managed risks; you've got to control your expenditure and don't be impatient – don't spend the money before you've got it; don't expect to drive around in a Merc just because you have a business.

What's your favourite motivational business quote?

I like, "The harder you work, the luckier you get." I think you could change it to "The smarter I work, the luckier I get."

What, if anything, would you do differently?

If I were to do anything differently, I'd employ more highly-trained managers earlier than I did. It would have meant "buying more time for myself" years earlier.

