

## delivering real economic growth

Business Eye, in association with the University of Ulster & MERC Partners, has launched a new series of Business Forum discussion panel events, with a lively debate held at the University's Jordanstown campus recently on how Northern Ireland can deliver 'real' economic growth.

**Dr. Michael Maguire**  
Chairman



### THE PANELISTS

**Dr. Michael Maguire (Chairman)** - Chairman of the Institute of Directors in Northern Ireland and recently led the Institute's response to the Review of Public Administration. Michael is Country Head of PA Consulting Group in Ireland and a specialist in strategy and organisational development.

**David Gavaghan**  
Strategic Investment Board Ltd



**David Gavaghan (Chief Executive, Strategic Investment Board Ltd)** - Born in Kenya, educated in Dublin, David was a Director of Hambros Bank and Head of Transport of SG Hambros based in London before taking the top job at the new Strategic Investment Board for Northern Ireland.

**Michael Brannigan**  
Ernst & Young



**Michael Brannigan (Assistant Director, Mergers & Acquisitions, Ernst & Young)** - A member of the market-leading E&Y Corporate Finance team for seven years, he is a specialist in life sciences but has worked across a number of sectors, including aerospace, and on Ernst & Young teams supporting a number of leading transactions both in Ireland and GB.

**Ciaran Sheehan**  
Director, MERC Partners



**Ciaran Sheehan (Director, MERC Partners Executive Search & Selection)** - One of NI's leading specialists in top-level executive appointments, he has helped bring a number of top ex-pat executives back to Northern Ireland. He is also founder and Managing Director of an expanding local nursing home group employing 150 people.

**Hugh Donnelly (Regional Director, Bank of Scotland)** - A chartered accountant, Hugh moved from accountancy practice to Bank of Scotland (Ireland) in 1996 to help launch its local presence. He was appointed Regional Director of a bank operation which now employs more than 50 people during last year.

**Hugh Donnelly**  
Bank of Scotland



**Ian McMorris (Managing Director, Ulster Weavers)** - A former Chairman of CBI Northern Ireland, he remains involved on its management committee and with the CBI-IBEC Council. He has represented the textile sector on the NI Growth Challenge, as vice-chairman of the NI Textiles Association and has chaired a major review of the industry.

**Ian McMorris**  
Ulster Weavers



**Larry McCurry (Acting Head, School of International Business, University of Ulster)** - A former senior executive in the electronics and telecommunications industries, Larry is a Senior Lecturer in Operations Management & Change at the University's Magee campus. Heavily involved in technology transfer activities, he is a member of the Irish Production & Inventory Control Society.

**Larry McCurry**  
University of Ulster



**Michael Townsley (Finance Director, Fusion Antibodies)** - A chartered accountant, he is co-founder of Fusion, ranked as world leaders in the design and production of recombinant proteins. The Belfast company was recently ranked in the Deloitte Fast 50 rapid growth listing.

**Michael Townsley**  
Fusion Antibodies



**Maguire -** Against the background of recent comments by the Secretary of State and the Review of Public Administration, the real issue we want to look at is the sustainability of the local economy and the balance between public and private sectors. How do we change things? Reviewing the public sector is not all about 'slash and burn'...we have to manage the transition. And the private sector itself must step up to the plate. How can that best be achieved? And what of recent calls for changes in corporation tax... what are our views on that?

But first let's re-visit the Secretary of State's comment that the NI economy is unsustainable....

**McMorris -** We are largely funded by the GB taxpayer, and 60% of GDP is public sector funded. Clearly this is not sustainable. We have too many people in the public sector and not enough in the private sector. The signs are there already that Gordon Brown will not be giving anything else to Northern Ireland until we put our fiscal house in order. It is incumbent on the private sector to give some leadership...because we're not getting it from our politicians.

**Gavaghan -** My analysis after 18 months or so is that the public sector here has filled a very important role sustaining the economy over decades, and that was the only show in town. But the only show in town into the future is the private sector. It is the only wealth creation vehicle and that is the essential issue for all of us.



**Maguire -** So the way in which we've done things in the past is no longer acceptable, so we need a new approach all round.

**Donnelly -** Crucial to this is the question of corporation tax. We look at our colleagues in the South and at their 12.5%, and a change like that could be a big catalyst for the private sector to grow here.

Corporation tax is not the magic bullet...and the Treasury will never agree to it....

**Maguire -** But isn't there a risk that we are looking for a magic bullet. My view is that corporation tax is not that magic bullet. Yes, it would be nice to have, but the Treasury simply will not agree to it and distort the UK economy. Let's look at a much broader range of measures instead of focusing on something which won't happen.

**Townsley -** What's important to companies like our's are measures like R&D tax credits. Capital for technology companies is precious and in relatively short supply. To take a lead on the economy is a heck of a monkey on the backs of a relatively small number of companies. There is a big funding gap for a mid-market fund of between £50 and £100 million serving the private sector on an all-island all-sector basis.

**Brannigan -** Our corporate base is relatively small. We have a mid-market economy and what we lack is a strong source of equity for those businesses. We have a few early stage equity funds. We need a funder of the type that 3i used to be...investing in bigger buyouts, mergers and acquisitions and supporting local management. There is a big funding gap for a mid-market fund of between £50 and £100 million serving the private sector on an all-island all-sector basis.

**Townsley -** And it's all very well talking about bringing in US investors and so forth, but they're looking for a quick exit. We've had a number of good tech companies here ruined by investors taking the money and running.

**Gavaghan -** Education has a role to play in promoting a real enterprise culture. Sustainable enterprise is about changing the culture....maybe that is the magic bullet.



young people. If we're going to have a sustainable business infrastructure, then we need to make changes.

**Maguire -**

There seems no doubt that the system is pushing young people into the professions... medicine, law, maybe even accountancy!

**Brannigan -**

There is also the old question of whether an entrepreneur is born or made? When we compare ourselves with the Republic, they don't hesitate to hold up exemplars when it comes to enterprise. We do produce entrepreneurs, but we don't value them

**McMorris -**

We do produce entrepreneurs, but we don't value them.

**Brannigan -**

But we also have this 'whatever you say, say nothing' culture. And people forget that people like Alan McClay and Peter Fitzgerald built their businesses up over decades, and through the hard time here, getting the capital where they could and working hard at it. We must inspire more young people through success and wealth creation.

**Townsley -**

Also, we can't all be leaders. We need more young people prepared to understand and work for businesses. Our message should be that private sector commerce is a better place to be than the public sector.

**Sheehan -**

A lot comes down to the simple matter of leadership. Companies are grown by good leadership, and young talent is nurtured by good leadership. Maybe there is a step change needed at board level to get companies to look at strategy and how they grow more effectively.

We're training people and we're putting them into the big monolith that is the public sector.

**Maguire -**

There are something like 3,000 suppliers of management

development courses in Northern Ireland, and that's an absolute nonsense. Also, it seems that we're training people and we're putting them into the big monolith that is the public sector. It's a big issue. On another subject, should we be arguing for more privatisation to kick start the sort of private sector that we need?

**Gavaghan -**

There is the question of whether the private sector is up to it, and the answer is definitely yes. We will undoubtedly see more moves in that direction.

The idea that privatisation is akin to selling the family silver is slightly bizarre. There are plenty of good international examples of how the process can be managed well.

**Brannigan -**

It's a big growth opportunity. Outsourcing in the public sector has been growing. There must be an opportunity to sell more of the same to Government through a partnership approach.

We also need to take away this fear of failure. Legislation is moving in the right direction, but the old stigma is still around. That needs to change to the American model where you wear your scars on the front.

**Donnelly -**

Bank funding is not an issue. I think we have an aggressive and successful banking community here. Deals are not being hit by any lack of finance. Yet the level of deal flow we see coming through is not huge.

**Brannigan -**

The banks lend money, rather than give it to you...and you wonder sometimes if some people misunderstand that. Our banks are very professional and take as much risks as any others. But we do have the glaring equity funding gap which I mentioned earlier.

If companies need £5 million worth of equity they've got to go to Dublin or London, and London players will not be interested in traditional businesses. We need an indigenous support mechanism.



**Maguire -**

Not that long ago, Government had a programme which set out to help make graduates employable. That doesn't say a lot about what's coming from the education system.

**McCurry -**

Let's not forget that we have the largest ever employment figures, but people in business keep telling us that they can't get the right skills. So clearly we have a skills deficit, and a need to upskill the people we have. From my perspective I think the University has a key role in providing the right skills that business and industry need.

**McMorris -**

We've got problems on a number of levels on the education front. Our grammar schools are very good at producing people who want to go into the professions or safe, pensionable jobs. They're also risk averse and tend to export too many



**Townsley -**

Venture capitalist provide equity and add value. We've gained a lot from our work with the VC sector. Invest NI provides nothing of the sort.

**Gavaghan -**

We need to keep a focus on people issues. One of the great sadnesses is the number of young people we lose to third level education elsewhere... who never come home. We also need to make sure the experience is right for those who do make it back. These people can make such a difference in cultural terms.



**Townsley -**

And our local development agency does not play any role here.....

**Maguire -**

One of the big issues is the role of Invest NI. Are we getting the kind of support we need?

**McMorris -**

Do we need 700 people sitting in an office in the centre of Belfast? I don't think so. Of course we need inward investment. If nothing else, inward investment companies have an important role in training and nurturing local talent. But having people who get involved in the day to day running of companies is a thing of the past.

**Townsley -**

Invest NI is irrelevant. We have young civil servants with no industrial experience telling us how to run a technology business. We compete with the best in the world, and we've had INI people suggesting that we're not viable!

**McCurry -**

They have a role to play and as civil servants, that is the stewardship of public money.

**McMorris -**

But how many people are needed to steward the amount of money they have got?



**Sheehan -**

We're at the front end of the homecoming process, and the wider political situation has speeded things up. Companies are also getting more realistic about equity participation, salaries and remuneration. Under the current climate, there are big opportunities on the horizon for more people to come back.

**Maguire -**

There is no question that with the RPA and other changes, we are moving into uncharted territory. We must see a set of opportunities rather than a set of problems. Perhaps having a crutch or two removed from us might do us no harm!

**Brannigan -**

Yes, there are definitely opportunities. Look at Northern cities like Sheffield some years ago, which were post-union wastelands. Now they're hotbeds of financial and other service industries. Two of the UK's biggest banks are Scottish. We can re-invent ourselves, but we

have to have a risk taking mentality. Perhaps having a crutch or two removed from us might do us no harm!

**McMorris -**

We do need political stability as well.

**Maguire -**

If we'd been having this discussion five years ago, that would have been top of the agenda. It says something for the climate that we're only mentioning it at the end.

There is no sense the businesses are hammering at the gate wanting local politicians back in control.

**Donnelly -**

But it would create a confidence and a feelgood factor, something like the days post-ceasefire. That wouldn't do any harm to the economy.

**Maguire -**

Would a local First Minister have made the sort of comment Peter Hain made recently on the poor performance of the local economy? Highly unlikely, I would have thought.

**McMorris -**

And if we do have local Ministers, they need to start understanding economic issues and the importance of wealth creation... not just wealth dispersal.

**McCurry -**

That's the crux. We don't need job creation. We need wealth creation... and for the wealth to stay here.

