



economy. The public sector will shortly embark on the most fundamental shake-up in its history but it is only by driving the growth of the private sector - the wealth creators - that the imbalance in the economy will really begin to be properly addressed.

Northern Ireland is lucky to have some great businesses that compete on a world stage. There are many other rising stars that offer huge growth potential. With careful nurturing and the correct strategic support, these emerging organisations will make a significant contribution to the growth of the Northern Ireland economy.

To perform on a world stage, a business needs a strong board, with world class talent – people with knowledge, vision and a track record in delivering growth and business improvement. While most businesses are keen to bring on talent in an executive capacity, too few companies consider bringing on a director in a non-executive capacity. Many owner managers feel that appointing a non-executive director is only for the PLCs of this world. The appointment of a high calibre non-executive director who can challenge, support, and enhance the capability of the boards in many of our developing companies, should be given more detailed consideration.

Board reviews are not common practice. In some cases a Board review is resisted as owner managers are afraid of releasing any level of control or see it as an acknowledgement of failure. But conducting a board review can often be the catalyst for a step change in business performance.

This first step of realisation of weakness at Board level, particularly when a Board is led by a dominant CEO or MD, is the most difficult one. Once skill gaps are realised there is normally a rapid push towards addressing the issue and

It is no co-incidence that great companies have great boards. Great boards do not simply happen. They are built and developed over time. It is a huge challenge to build a high performing Board but once in place, a good Board will allow a business to really prosper.

In Northern Ireland, with so much of our business sector being comprised of family owned SMEs, perhaps the most important investment that should be planned in 2006 is an investment in the quality of Northern Ireland's boards.

There was much comment in recent weeks regarding the Review of Public Administration and the potential impact on the local



can, in many instances, lead to considering the appointment of a competent non-executive director.

A good non-executive director can add value in many ways. Improving the disciplines and governance of a business is one but others include; the ability to question current strategies; to open the minds of executives to alternative approaches; the introduction of new contacts and business networks that will facilitate new sales; the exploration of new markets and products; adding credibility when financing and capital raising; or perhaps just providing support by occasionally being the sounding board for the Chief Executive.

Historically in Northern Ireland, the pool of non-executives was an 'old boys' club' and in many ways still is, a club in which networks of friendships and contacts were used to identify a non-executive. The concept of a defined group of serial non-executive directors who between them sit on a significant percentage of the board's of Northern Ireland companies is not the way forward. There are many other individuals locally who have the potential to add significant value to a business in a non-executive capacity - given the opportunity. Perhaps more importantly, there are many people who have left these shores to do great things, but still retain an interest in and a desire to help Northern Ireland business. This is exactly the sort of world class talent that the economy needs.

The IT and biotech sectors have taken the lead in making non-executive appointments. It could be argued that this is largely because of the pressure being placed by professional advisors when companies are seeking to raise capital but why should external pressure be necessary? Whether raising capital or not, in most circumstances, appointing a non-executive director will add value to a

business. It is essential to appoint the right one however and the selection process must ensure there is a close match of expectation as well as skill. Someone steeped in the culture and methods of a large corporation might not be able to make a valuable contribution to the governance of a small company which has yet to reach maturity.

The Higgs report entitled "The role and effectiveness of non-executive directors" which was commissioned by the Department of Trade and Industry outlines the need for a radical shake-up at board level, blaming an absence of professional development in boardrooms across the United Kingdom as one of the factors hampering their effectiveness.

Higgs recommends that formal, independent and transparent recruitment processes should be put in place for non-executive director appointments to ensure that qualified candidates are identified and that the skills of the chosen candidate complement the status and culture of a company. Furthermore, the Higgs report believes that continuous assessment of a non-executive director's skills and attributes, along with the renewal of the board members every two three-year terms, will ensure the company and directors are kept fresh and objective.

The problem in many cases is that most companies do not know where to begin if they believe they need assistance in building a stronger board or making a non-executive director appointment.

As a professional advisor and facilitator in making non-executive director appointments, MERC Partners are only too well aware of the issues and challenges that companies need to face. It is a difficult task but one where expert independent guidance can prove most beneficial, not only by independently evaluating the

strengths and weaknesses of the Board and helping to shape the profile of the ideal person, but also providing easier access to a much greater number of highly qualified candidates.

Persuading a potential non-executive director to take up an appointment is also a challenge particularly because there are risks for non-executive directors themselves. Given the remuneration normally on offer, there are not too many non-executive directors who take on roles because they need the money! Becoming a non-executive director might sound great on your CV, but candidates should remember that they share the same accountability as executive directors, should a company get into legal or financial difficulties.

No doubt, many business owners have already evaluated the progress

made in their business during 2005, and are now formalising plans for further growth. How many have had a close look at the quality and capability of their Board?

If you are looking for a step change in business performance, start at the top. Make building a stronger Board the No1 business priority for 2006. Freshen your thinking. Evaluate your Board's effectiveness. Consider bringing in some non-executive talent. It's likely to be one of the best decisions you will ever make.

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