



INSTITUTE OF DIRECTORS
IN IRELAND

50 UNDER 50

A Research Report
with 50 Directors Under 50 Years of Age

50
UNDER
50

For this research report, the Institute of Directors interviewed fifty of its members who are under fifty years of age and who currently hold directorships in Ireland.

The respondents represent the main director categories – Chairpersons, Non-Executive Directors, Executive Directors, Chief Executive Officers and Managing Directors, and represent both male and female directors, with an average of five years or more experience acting as directors. The research survey was both quantitative and qualitative, with substantial commentary provided on the areas under examination.

The directors were questioned under five categories and this summary report captures the key findings within each of these categories.

Research was conducted between 11th September – 24th September 2012 with a sample of fifty IoD members, under fifty years of age, who hold directorship positions. The majority of respondents (67%) indicated that they serve on boards of private companies, 11% on boards of public companies, 4% on boards of voluntary organisations and 11% on boards of State bodies.

Base Numbers: 62% Male, 38% Female, 26% Executive Directors, 21% Non-Executive Directors, 2% Chairpersons, 13% Chief Executives, 23% Managing Directors, 15% Other (Company Secretary etc.)

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Executive Summary

The rationale for undertaking this **50 under 50** research was to gauge the views of members of the Institute of Directors in Ireland who are under fifty years of age. The purpose of the research was to ascertain their level of training, to find out about their experiences of being a director and about the appointment process to boards and, to seek their views on the failings by boards and directors in Ireland in recent years and what they believe could have been done to prevent those failings.

The research found that an overwhelming majority of directors in this cohort would favour the introduction of minimum training requirements for all directors in Ireland. Formal director training scores highly among this cohort, with half of those surveyed having undertaken specific training for the role and a further quarter planning to do so within the next one to two years.

While a significant number of directors under fifty admit to having reservations at the time of becoming a director, overall, the experience has been a positive one for almost all of the directors surveyed.

Of concern though, is the proportion of directors in this cohort who consider the appointment and selection process to boards to still be about 'who you know'. Openness and transparency in the appointment process to boards is crucial to rebuilding confidence and trust in directors and boards in Ireland.

Directors under fifty hold strong views about the failings of boards and directors in Ireland in recent years, citing a lack of knowledge and challenge by directors and the existence of a 'club' culture on boards, which saw a group-think and short-termism approach to decision-making.

A majority of directors do not believe that regulation alone will address these failings. A combination of training, greater oversight and challenge by non-executive directors, better skills, knowledge and expertise on boards and greater independence, were also signalled as needed to prevent such failings in the future.

The IoD is a firm advocate of the need for directors to undergo formal training for the role and while regulation is needed to improve standards and can go some way to addressing the mistakes and failings of the past, training and developing the knowledge and expertise of directors is equally important.

When asked about what could be done to improve the reputation and standing of directors and boards in the future, directors under fifty believe that greater accountability for board members, mandatory training for directors, greater diversity on boards and a more transparent appointment process would all contribute to rebuilding the reputation of directors and boards in Ireland.

The directors surveyed are optimistic about the role they can play in contributing to Ireland's future growth, claiming that by acting responsibly and showing leadership, they can help businesses in Ireland to sustain and grow long-term value.

It is encouraging to see the value placed on training by directors under fifty. They recognise the benefits of formal training and believe that greater accountability for board members and greater diversity on boards will help to rebuild the reputation and standing of directors and boards in Ireland.

The issues which directors under fifty have identified with regard to the appointment process to boards are not surprising and must be addressed. We must learn from the mistakes and failings of the past in order to build boards that are fit for purpose and fit for the future and we must try to ensure that those mistakes are not repeated.

Maura Quinn
Chief Executive
Institute of Directors in Ireland

Section One:

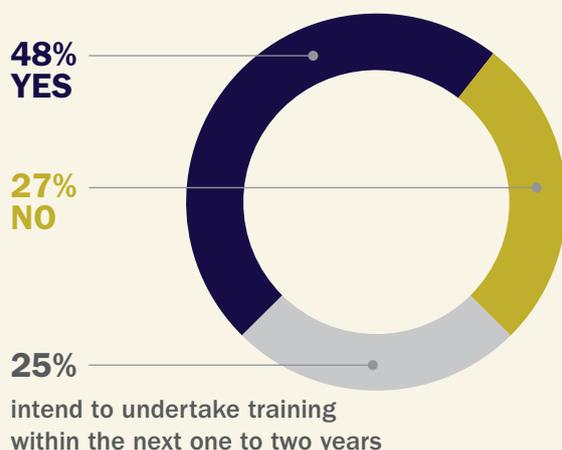
Qualifications and Training

In this first section, we asked about the level of qualification and training attained by the directors to date, whether they feel adequately qualified to serve as a director, based on their current level of training, whether respondents consider themselves up-to-date with the latest developments in corporate governance and the legal and regulatory environment and finally, to seek views on the training requirements for directors of Irish companies, namely whether there should be a defined minimum level of training that directors be required to undertake.

The directors surveyed indicated a high level of academic achievement with 96% educated to degree level or higher and 38% holding a Masters, Ph.D. or MBA.

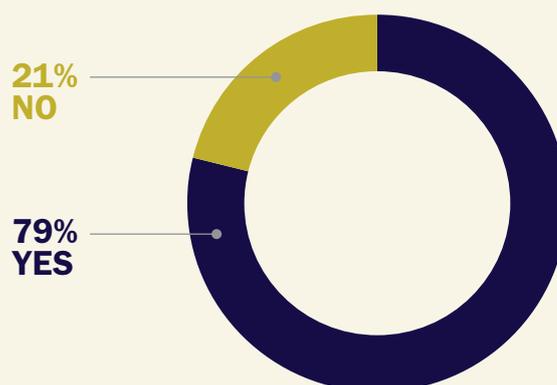
The role of directors and strategic leaders in all sectors and sizes of business has never been under as much scrutiny. Investors and the general public demand professionalism and integrity from Ireland's business leaders and there are significant demands on directors, demands that they need to be adequately trained to deal with.

Q: Have you ever undertaken any formal director training?



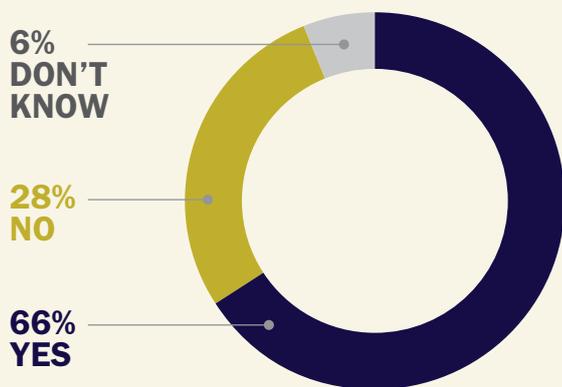
It is encouraging to see that almost half of those surveyed have already undertaken formal director training, with a further 25% planning to do so within the next one to two years, though it is concerning that over a quarter of directors have undertaken no formal training.

Q: Based on your level of training now, do you feel adequately qualified to serve as a director?



Taking into account respondents' educational qualifications and any formal training they have undertaken, we asked directors if they consider themselves to be adequately qualified to serve as a director. 79% feel adequately qualified, but 21% do not. While the figure is positive, it is still concerning to see that 1 in 5 directors surveyed do not feel confident or adequately qualified to perform their role.

Q: Do you feel sufficiently up-to-date with the latest developments in corporate governance and the legal and regulatory environment, relevant to your sector?



When asked whether they consider themselves sufficiently up-to-date with the latest corporate governance developments and the regulatory and legal environment, 6% of directors surveyed are uncertain, but of the remaining directors, 66% say they are up-to-date, while 28% say they are not. In this case, the women surveyed are more confident of being up-to-date with the latest developments in corporate governance with 74% answering 'yes' compared to 61% of men.

“Being a director carries with it duties and responsibilities that if not fulfilled, leave the director open to legal action”

In certain sectors, especially sectors regulated by the Central Bank of Ireland, the demands on directors in terms of increased governance regulation mean that they must meet minimum requirements. For regulated companies, the Central Bank requires

that each director has the qualification, experience, competence and capacity appropriate to the role of director.

It is essential that any person acting as a director is fully aware of the latest developments in corporate governance and the legal and regulatory environment, relevant to their sector, in order to perform the role effectively.

Q: Do you think that directors should be required to undertake a defined minimum level of training?

90% YES

Respondents are overwhelmingly of the view that a defined minimum level of training for directors should be mandatory. 90% of directors under fifty are in favour of this requirement, with just 10% not in favour. The focus of that training, according to the directors surveyed, should be on corporate governance, specifically on understanding the duties, responsibilities and consequences of being a director, and on the legal and regulatory framework.

“Everyone should have to attend a basic introduction course before being allowed to become a director. This should have the effect of raising the standard of corporate governance across all business sectors”

Section Two:

Becoming a Director

In this section, we focused on the appointment process; examining how the directors under fifty were appointed to their positions and their experiences of the selection and recruitment process, whether they believe the perception of a 'who you know' culture still exists in boardrooms in Ireland and what they consider to be the most positive and negative aspects of being a director.

Q: Did you/or do you have any specific reservations about becoming a director?

43% YES



43% of directors surveyed admit to having reservations at the time of becoming a director, with men displaying much higher levels of reservation than women. Just 22% of women had reservations at the time of being appointed as a director, while 55% of men had reservations. The directors surveyed listed the responsibilities of the role of a director as a major concern, with the potential personal liability, both financial and reputational, also of high importance.

“Damage to professional reputation cannot be insured against”

“The responsibilities are very significant from a personal and business perspective”

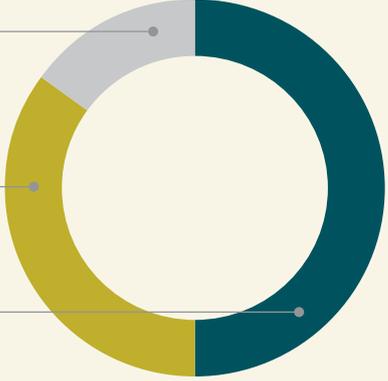
Half of directors say there are barriers to being appointed as a director in Ireland, while 35% disagree and 15% are unsure. The terms 'old boys' club', 'who you know, not what you know', 'closed shop' and 'inner circle' were quoted as still evident by some of the respondents. A number

Q: In your opinion, are there any barriers to being appointed as a director in Ireland?

15% DON'T KNOW

35% NO

50% YES



of the directors surveyed believe that there is not enough emphasis on industry knowledge or on qualifications, but a focus instead on a referral and 'who you know' culture. "There is a heavy reliance on referrals and so this makes entry a challenge for those with limited networks interested in first time directorships", said one director. A number of directors also referenced the dearth of women directors on Irish boards, one saying that 'non-connected' women have been hampered from becoming directors.

Q: What was your experience of the selection and appointment process for your role as a director?



38% LARGELY POSITIVE



59% POSITIVE



3% NEGATIVE

A majority of the directors surveyed say that the process around their own appointment as a director was positive, with just 3% saying it was a negative experience. However, there is less credit given to the general selection and appointment process for directorships, as when asked to rate the process with a choice of terms, 60% said that it is about 'who you know' or is a 'closed shop'. Directors also referenced 'gender bias' and 'age bias' as being factors, along with other forms of diversity as requiring attention – directors with different experiences, perspectives and career routes. Fewer than 1 in 10 (9%) believes the selection and appointment process to be 'open and transparent'.

“Seems to be the same celebrity directors appointed and no real attempt to look for really accomplished directors from areas such as multinational, voluntary or other successful smaller enterprises or even those who might have insights as stakeholders”

Q: Selecting as many as apply, which of the below best describes the appointment and selection process to boards in Ireland?



45% BASED ON WHO YOU KNOW



16% GENDER BIASED



16% CLOSED SHOP



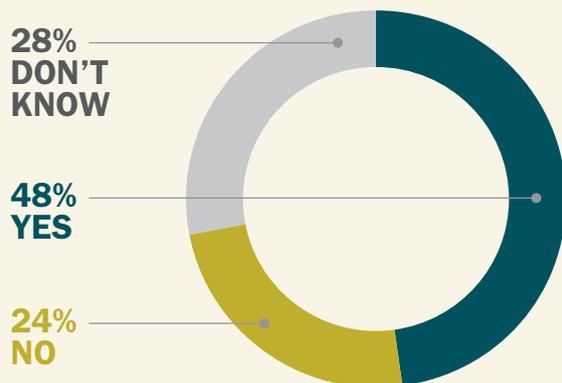
11% AGE BIASED



9% OPEN AND TRANSPARENT

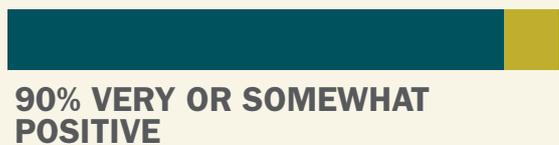
When asked whether they believe there is a ceiling or barrier in the appointment of directors to the 50 largest companies in Ireland, it was found that seven times more people said there were barriers than those who said there were none. “Many companies look to retired executives, or executives of that approximate age group, and not younger potential board members”, said one director; “my impression is that there is a perception that until you are over 50 years of age you have not gained sufficient experience to serve on the board of any of the top 50 companies in Ireland”, said another.

Q: In your opinion, is the profile of directors in Ireland changing?



Almost half of directors surveyed think that the profile of directors in Ireland is changing. In particular, there is considerable comment about the fact that more women are joining boards and that there is increased professionalism and focus on corporate governance and responsibility.

Q: How has your experience as a director been to date?



A majority, 90%, say that their experience of being a director has been positive, with only 10% stating that it has been a negative experience. Among the most positive aspects of being a director cited by respondents, is the ability to contribute to strategic direction, to effect change, to make a difference and to influence the direction of a company. Others say that they welcome the opportunity to work with individuals from diverse backgrounds and to take a 'helicopter' view of the organisation without being side-tracked by the executive detail.

Directors were also asked to describe the most negative aspects of being a director, and perhaps unsurprisingly, the issues of increased compliance and legal requirements and the personal liability that directors carry, were mentioned by a majority of directors.

Section Three:

Regulation

In this section, we asked directors for their views on the level of regulation of Irish companies. We asked about the key failings of Irish business in recent years, what they believe could have been done to prevent such failings and what lessons can be learned from these failings. We probed their views on further requirements or regulation which might be introduced for directors, and asked whether there should be a change to the detention period for those suspected of white collar crime.

Q: How would you rate the current level of regulation for boards in Ireland?



47% APPROPRIATE



31% TOO LITTLE



14% TOO MUCH

Just 14% of directors believe that there is too much regulation, while 47% of directors under fifty deem it to be appropriate. So while in previous comments respondents alluded to the onerous nature of regulation and the constraints it places on businesses and on individual directors, they are in agreement that the regulation is appropriate or could even be increased.

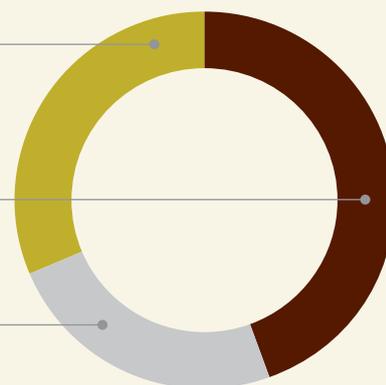
“After some ineffective corporate governance during the boom times, I think that directors are now much more aware that it’s not just about turning up on the day”

Q: Are there further regulations or minimum requirements you would like to see introduced for directors?

31% NO

45% YES

24% DON'T KNOW



When directors were asked whether there are minimum requirements or further regulations which should be applied to directors themselves rather than to their companies, those surveyed had a number of strong suggestions, from requiring an annual license, to minimum competency requirements, to formal background checks, but overwhelmingly, the directors surveyed believe that requirements should be training based. “...training, a mandatory base standard of governance and outside oversight and compulsory transparency in recruitment process” was called for by one director, while a number quoted mandatory training, regular courses and an increase in professional and CPD requirements for all directors.

Q: What would you identify as the key failings of boards and directors in Ireland in recent years?

Naturally, this question produced substantial commentary from respondents; the main failings identified were:

- Too little questioning of management
- Not enough knowledge or experience on boards
- Lack of understanding by directors of their responsibilities and the industry sector
- Group-think and ‘short-termism’
- Too little challenge because they were part of the ‘club’

The comments by directors in this section, contained the words ‘lack of’ in practically every answer: lack of challenge, lack of attention, lack of probity, lack of transparency, lack of understanding, lack of leadership.

“Inadequate engagement; inadequate experience for the job; lack of attendance at board meetings and inability to think independently and challenge against the tide of popular beliefs”

Q: What, in your opinion, could have been done to prevent these failings?

The directors surveyed were equally vocal in setting out their views on what could have been done to prevent the board failings of the past and again, a few crucial elements of board operation were raised repeatedly:

- Better regulation of companies
- More training for directors
- Greater oversight and challenge by non-executive directors
- Better skills, knowledge and diversity on boards
- Better leadership from chairpersons
- More independence on boards

Q: Do the present levels of scrutiny and regulation address these issues sufficiently?

60% NO



When asked to reflect on the board failings, in terms of the lessons which could be learned, there was consensus with improved standards, more training, more challenge, more engagement and more scrutiny, outlined by a majority of respondents. Also, increased transparency, better risk management and thorough questioning of management are thought to be very important qualities needed in order to learn from the failings of the past. Three in 5 (60%) directors surveyed do not believe that the present levels of scrutiny and regulation will address the

issues identified sufficiently. Finally in this section, directors were asked whether they would support a legislative change to extend the current 24-hour period of Garda detention for suspects of white collar crime, as was proposed by former Director of Corporate Enforcement, Paul Appleby. The results show that a considerable majority, 71%, would be in favour of such a legislative change.

Q: Would you support a legislative change to extend the current 24-hour period of Garda detention for suspects of white collar crime to combat corporate criminal activity in Ireland?

71% YES



“There is far too lenient a regime for white collar crime”

Section Four:

The Boardroom

In this section, we examined the board itself and asked directors under fifty what they believe to be the essential elements of a good board and whether there were aspects of boardroom practice that should improve. We also enquired about their confidence in fulfilling the role of challenger at the boardroom table and examined their views on gender quotas.

The research set out a range of important elements for effective board functioning and asked respondents to rate them in terms of importance. Rated highest was ‘an appropriate mix of skills’ with directors being of the view that having the right mix of skills around the table is the most important element of a well-functioning board. The second highest rating was ‘the leadership of the chairperson’ and third was training – ‘directors who are trained in their roles and responsibilities’. Good dynamics between board members and board diversity in terms of gender were also signalled as being important.

An encouraging 83% of directors in this cohort feel able to challenge board decisions and to voice their views and opinions to the board. “I have no problem speaking my mind on an issue. If something is wrong, it is wrong. If something needs to be challenged, it needs to be challenged. If you are not prepared to speak up, you should not be there”, said one director. “This is an essential ‘must’ for all directors and all boards”, said another. One director was sceptical: “I think some MDs build boards of YES men. Other board members are remunerated so much that the financial cost of challenging the board to the point of stepping down as a director is too expensive, so stay quiet to protect their personal situation...”.



“If something needs to be challenged, it needs to be challenged. If you are not prepared to speak up, you should not be there”

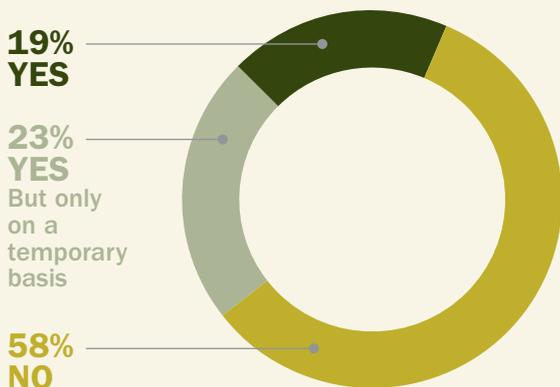
Q: From your experience of boards to date, what do you think needs to improve?

Directors were asked for their views on what needs to change in the boardroom, using their own experience as guidance. The areas where directors feel boards can improve are:

- Diversity, age, profile
- Governance procedures
- More evaluation of board issues and impact
- More competent and skilled directors with a better understanding of their role and responsibilities

Words like trust, openness, communication and listening were repeated by many directors in response to what they consider needs to improve on boards, as well as challenge, strategic insight and understanding.

Q: Would you support the introduction of minimum quotas to increase female participation on boards?



“A good director is a good director and should be there, no matter what gender”

Directors were asked if they support the introduction of minimum quotas to increase female participation on boards. Even though directors had mentioned the need for gender diversity throughout the survey, the majority is not in favour of quotas. 58% say they would not support quotas; though 42% of all directors would support quotas, more so if such quotas were implemented on a temporary basis.

Interestingly, almost three-quarters (72%) of the women surveyed under fifty would support the introduction of quotas.

A majority of the directors surveyed commented on their support for more women on boards: “given the data that companies with more female directors outperform their peers, it’s a no-brainer”, said one director. But many do not believe in quotas as the way to achieve this balance. “I believe there are many very capable women out there who have the skills that make them valuable as directors. However, I’m not a fan of quotas, I believe that an appropriate skill-set is the key attribute”; said one director. “I fully support female participation on a board or indeed in any role. I believe it is almost an insult to women to have a quota in place. A good director is a good director and should be there, no matter what gender”, said another.

“More women on boards would bring a different dynamic, a different set of values. You would get more balanced decisions”

Section Five:

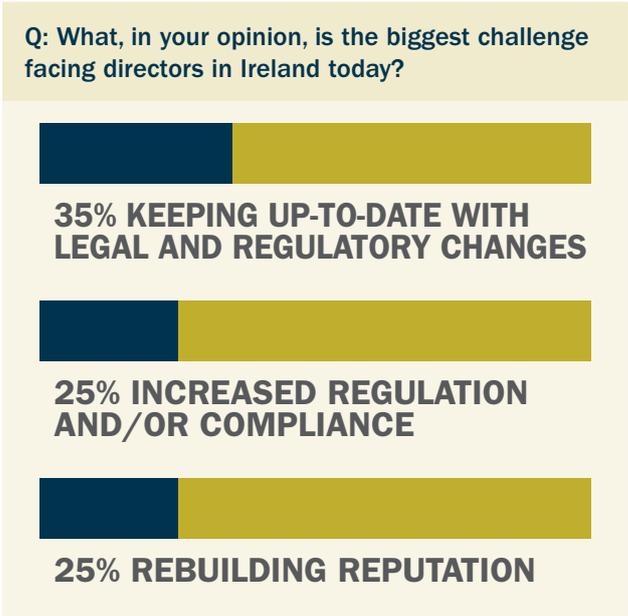
Building for the Future

In this final section, respondents were asked about the future, both in relation to their own future careers and the future of boards and businesses in Ireland. Respondents were also asked about the challenges facing directors and the obstacles facing businesses, and how Ireland’s directors might make a contribution to overcoming these obstacles.

We asked directors under fifty for their opinions on what should be done to improve the reputation and standing of directors and boards in the future.



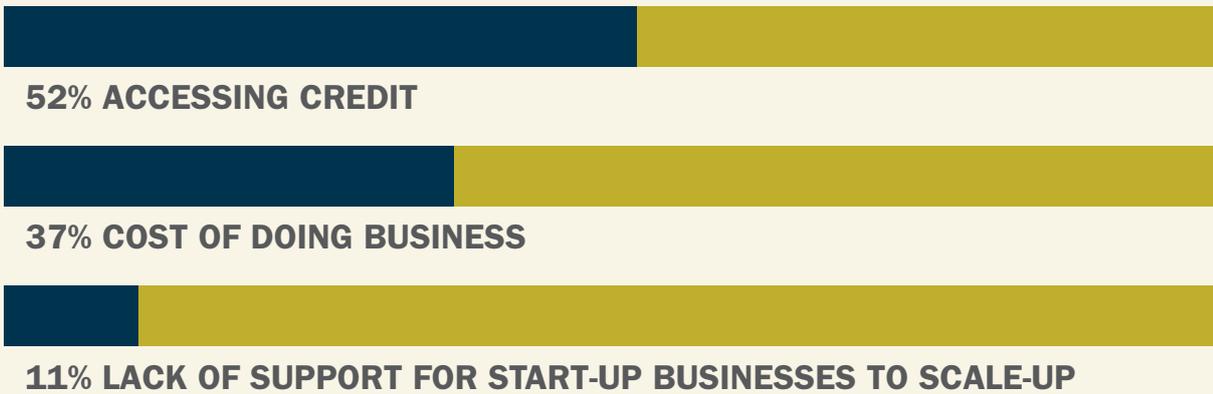
The key improvement, according to the directors surveyed, is to train board members and make them accountable. Diversity and transparency in the board appointment process are also considered to be important.



We also asked respondents what they considered to be the biggest challenge facing directors in Ireland. The most significant challenge identified was ‘keeping up-to-date with legal and regulatory changes’ while ‘increased regulation and/or compliance’ and ‘rebuilding reputation’ are the next largest concerns among those surveyed.

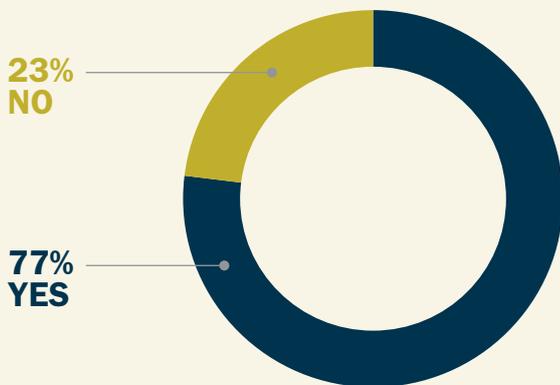
Directors were asked what they consider to be the biggest obstacles to growing business in Ireland:

Q: What, in your opinion, are the biggest obstacles to business growth in Ireland:



“Everyone is saddled with debt - companies, banks and individuals. Until that layer of debt is significantly reduced credit will not flow, people and companies won’t spend and businesses will not grow”

Q: Do you think the Government should establish a dedicated lending bank to support SMEs now and into the future?



Probing further on the difficulty of accessing finance, we asked directors if the Government should establish a dedicated business lending bank, similar to ICC, to support SMEs now and into the future. 77% of directors under fifty support such a move; just 23% are against it.

Q: How can directors play a role in contributing to Ireland's future growth?

- They need to be positive
- To act responsibly
- To show innovation and leadership
- To help businesses to sustain and grow long-term value

“Run their businesses to the best of their ability, generate employment, make profits, pay appropriate taxes”

We asked directors under fifty what was important to them in their careers ahead. Training and learning were listed by a significant number of directors, as was the importance of responsibility, diligence, leadership and challenge.

“Being a very diligent director and taking my responsibilities very seriously, as there are so many things at stake; shareholders, employees, reputation”

“Continue to help build the companies I am involved with and contribute to restoring Ireland's reputation as a great country to do business in, help restore our economy and restore our national pride”



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