



INSTITUTE OF DIRECTORS
IN IRELAND

Director Sentiment Monitor

Quarterly Members' Survey
2021



The Institute of Directors in Ireland

The Institute of Directors (IoD) in Ireland is a dynamic network with members drawn from companies large and small in the private, public and not-for-profit sectors. As the leading voice in the debate on improving corporate governance standards, IoD Ireland is dedicated to developing and improving the effectiveness and performance of directors and boards throughout Ireland. Our focus is the professional development of our members by offering key services such as: director training; board services, such as the Boardroom Centre and Board Evaluation Service; access to insight and expertise through online and print resources; and networking opportunities through inspirational events.

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Foreword



Boards which are diverse are more likely to create a listening, collaborative environment, one which is constructively challenging and accepts and incorporates disparate perspectives to deliver enhanced board effectiveness and, ultimately, company performance.

It should come as no surprise, then, that an overwhelming majority (88%) of respondents to our Director Sentiment Monitor survey of IoD members for Q3 2021 believes that board diversity leads to enhanced board performance and effectiveness. Furthermore, a clear majority of the respondents to our Q3 2021 survey believes that diversity is important when recruiting new board members.

That said, our survey also finds that the largest cohort (45%) of respondents said they were recruited as a result of a 'direct approach from a member of the board/the board'. Such a sizeable percentage mitigates against recruiting disparate board members. The finding that 34% of respondents say that their primary board doesn't have a succession plan in place raises many flags, too.

On the economy and the phased return to offices/workplaces, there is good news for the Government in our Q3 2021 survey. 57% of our respondents say they believe the Government has judged the phased return to offices/workplaces correctly. In addition, 59% believe the effect of the Government's performance to date on consumer confidence has been positive and the largest cohort (44%) believes believe the effect of the Government's performance to date on their business decision-making has been positive.

This Q3 2021 Director Sentiment Monitor survey of IoD members also reveals findings related to office-based and remote/hybrid working, future financial performance expectations, international taxation reform, and Ireland's competitiveness.

Thank you to all our members who took part in this latest IoD Ireland quarterly survey.

We value your participation and insights.

**Maura Quinn, Chief Executive,
Institute of Directors in Ireland**

Demographics

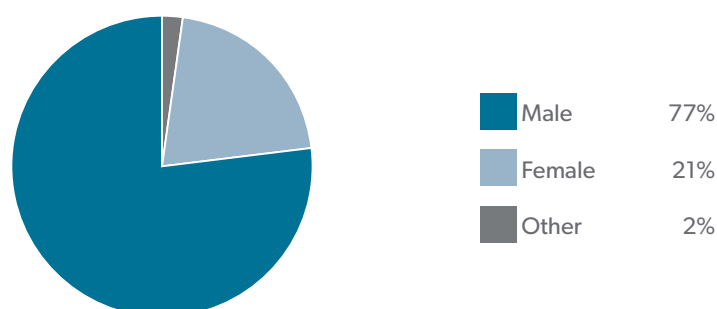
The Q3 2021 Director Sentiment Monitor had 236 respondents. In addition, 81% of the respondents are current board members, with the remainder in senior executive roles. The survey was issued to all IoD members, with a link to the online survey, and was carried out during the time period 2nd September 2021 and 29th September 2021.

For the purposes of comparison, data from previous IoD Ireland quarterly surveys are also included in this publication in certain instances. The findings in this research have been rounded up or down to the nearest decimal point. For the majority of questions, respondents were given the option of one response. In certain cases, these figures will not add up to 100% due to rounding up or down of percentages. The exceptions are for Fig 6: Market Growth, Fig 12: Ireland's competitiveness and Fig 24: Diversity, where the respondents were given the option to have multiple responses. For this reason, each response given is a percentage of the full sample and the results will not add up to 100%.

Gender

The Q3 2021 survey had 77% of respondents who were male and 21% who were female.

Figure 1: Gender of respondents

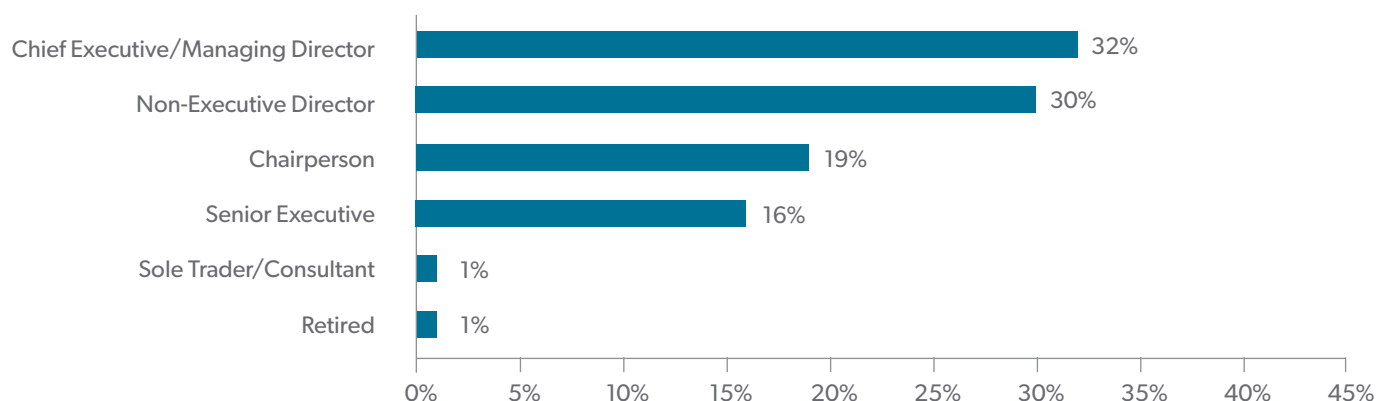


Source: IoD Ireland Director Sentiment Monitor Q3 2021.

Role/Position

The respondents to the Q3 2021 survey hold the following roles/positions:

Figure 2: Breakdown of respondents by role/position



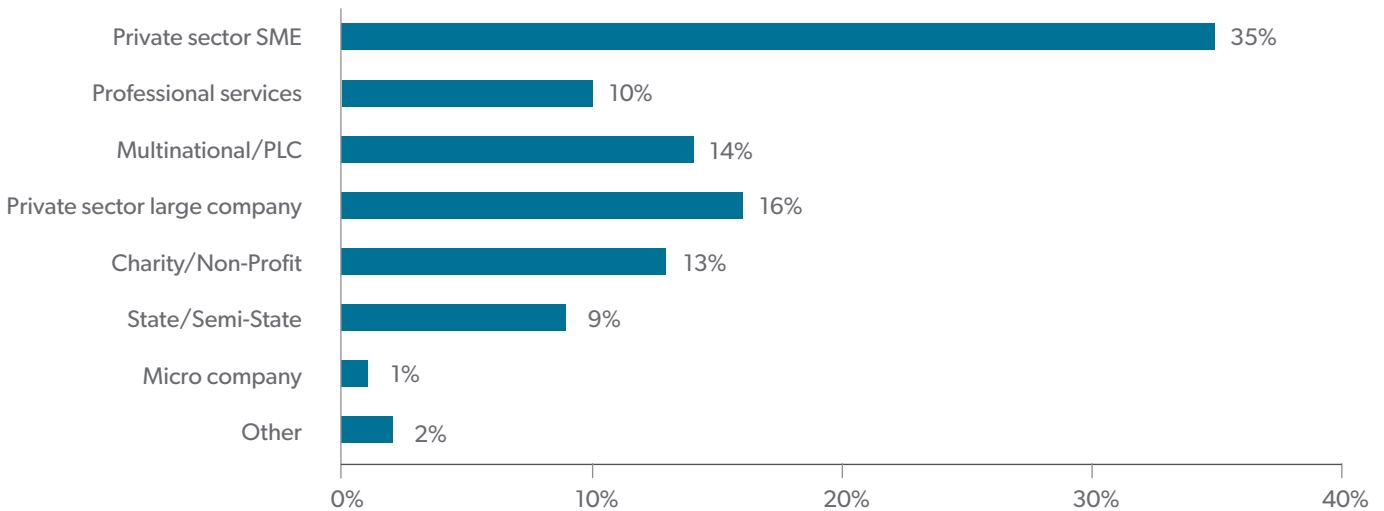
Source: IoD Ireland Director Sentiment Monitor Q3 2021.

Demographics

Company Type

The respondents to the Q3 2021 survey represent the following types of companies:

Figure 3: Breakdown of respondents by company type

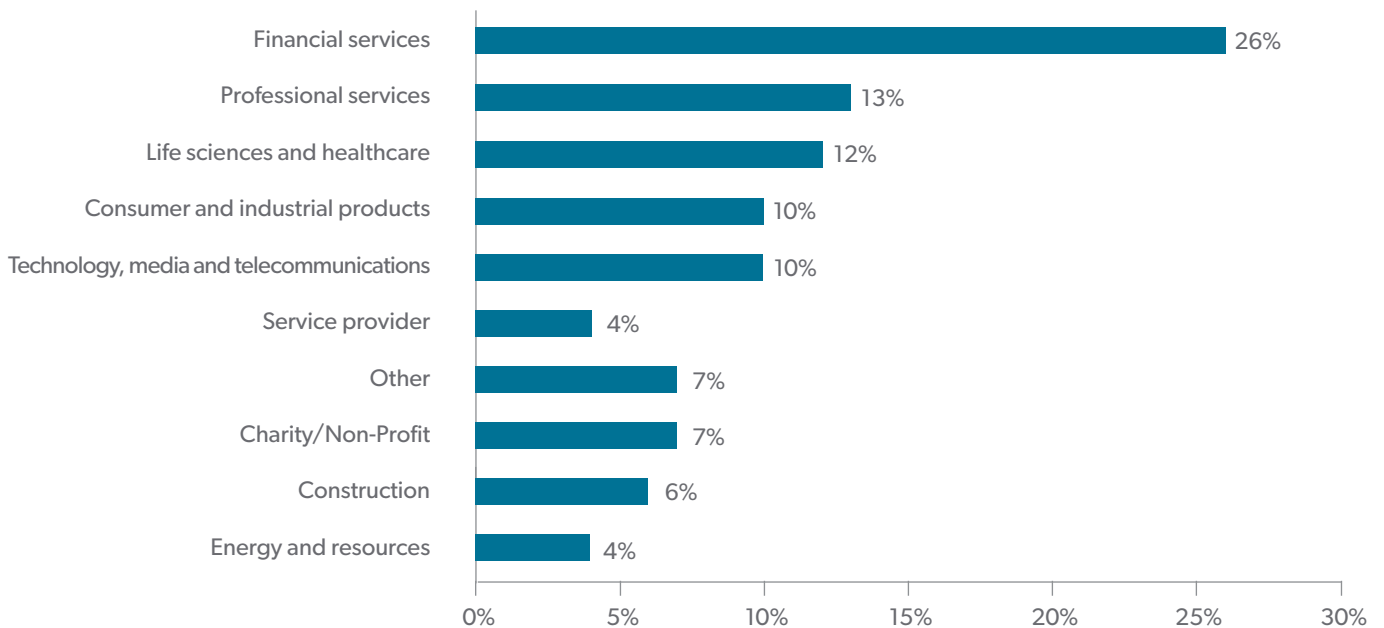


Source: IoD Ireland Director Sentiment Monitor Q3 2021.

Industry Sector

The respondents to the Q3 2021 survey operate in the following types of sectors:

Figure 4: Breakdown of respondents by industry sector



Source: IoD Ireland Director Sentiment Monitor Q3 2021.

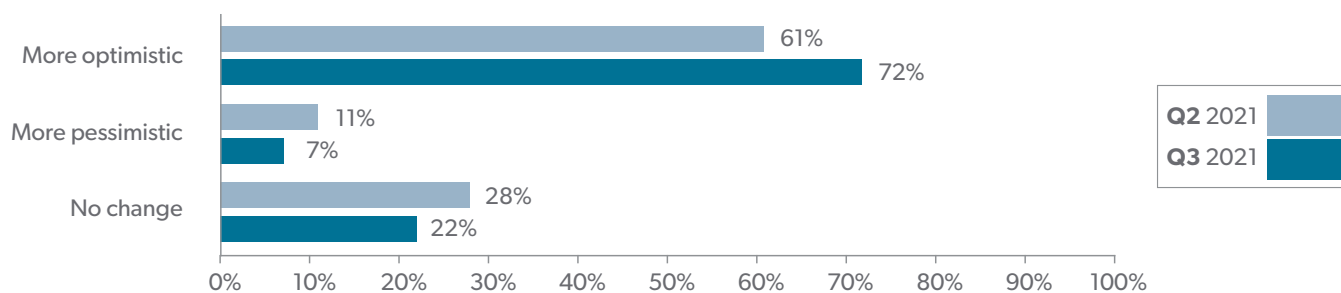
The Economy and Trade

Business Confidence and the Irish Economy

After the seismic impact on sentiment as a result of the arrival of COVID-19 in 2020, there was a slight return to a more positive outlook in Q1 2021 and this increased significantly in Q2 2021, and increased still further in Q3 2021.

- 72% of directors are 'more optimistic' in Q3 2021 compared to 61% in Q2 2021, an increase of 11%.
- Just 7% of directors are 'more pessimistic' in Q3 2021 compared to 11% in Q2 2021, an improvement of 4%.
- In Q3 2021, 22% of business leaders signified 'no change' in how they feel about the economy compared to 28% in Q2 2021, a decrease of 6%.

Figure 5: Business confidence in the Irish economy in Q3 2021 compared to Q2 2021



Source: IoD Ireland Director Sentiment Monitor Q3 2021.

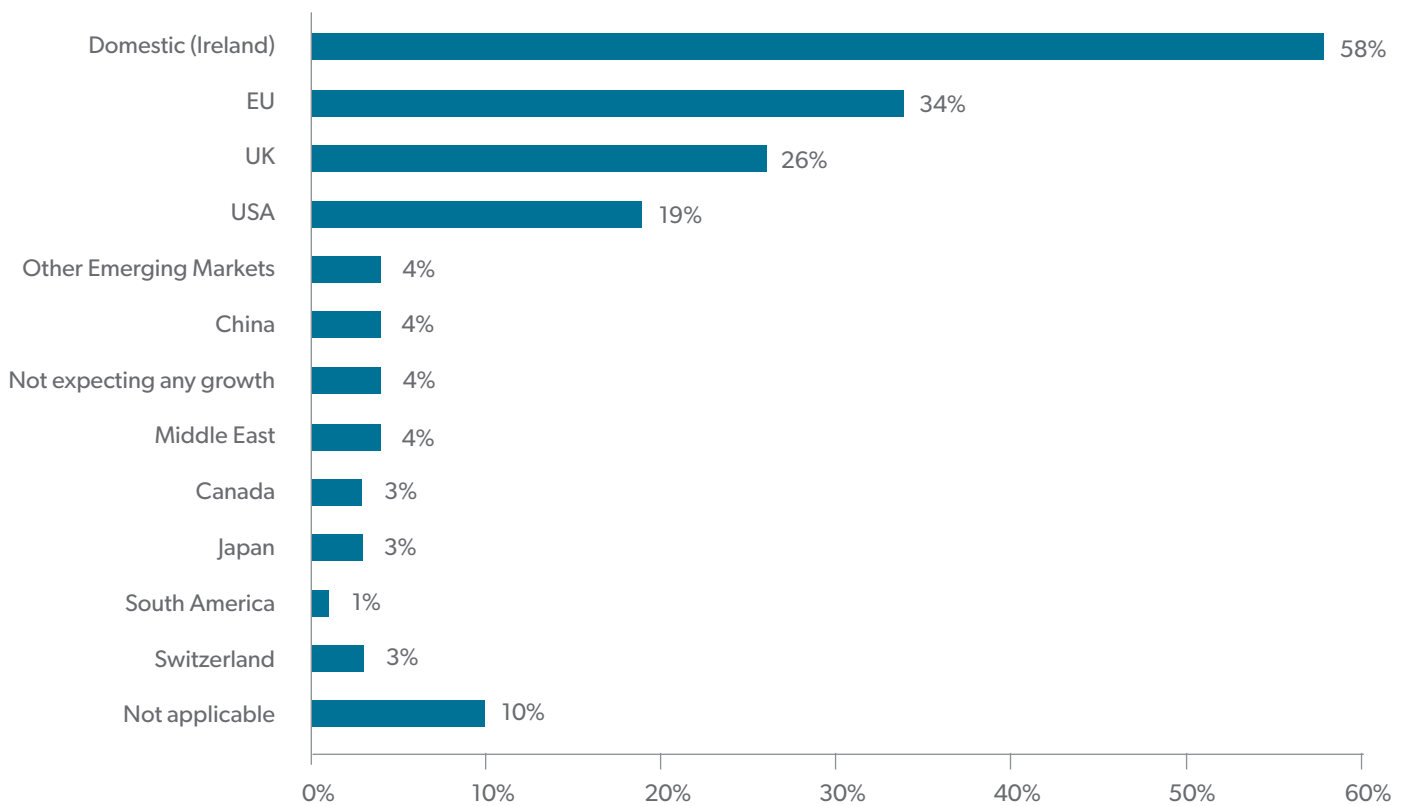
The Economy and Trade

Market Growth

The domestic market continues its leading position in terms of opportunities for market growth in the final quarter of the year, with the EU in second place. Interestingly, the UK has moved ahead of the USA into third position, with the former seeing a 6% increase quarter-on-quarter. It is also noteworthy that in Q1 2021, 10% of directors indicated that they were 'not expecting any growth' and this has fallen to just 4% in Q3 2021, and this is indicative of a notable movement in positive sentiment in our Q3 survey. (Please note for this question, respondents were given the option to select multiple responses. Therefore, each response given is a percentage of the full sample, for example, the EU is 34% out of 100%. For this reason, the responses will not add up to 100%.)

- The domestic market ranked highly for 57% of respondents in Q1 2021 and this decreased slightly to 54% in Q2 2021 but has rebounded to 58% in Q3 2021. The UK had decreased from 23% in Q1 2021 to 20% in Q2 2021 but that, too, has rebounded, to 26%. The US has decreased from 23% in Q2 2021 to 19% in Q3 2021, while the EU has seen no change quarter-on-quarter at 34% in Q3 2021.
- Outside of these top four markets, there has been little movement of any significance in the other markets cited in our survey from Q1 2021 through to Q3 2021, although it worth noting that China has decreased by 5% quarter-on-quarter to 4% in Q3 2021 while 'Other Emerging Markets' has fallen from 8% in Q2 2021 to 4% in Q3 2021.

Figure 6: In respect of your primary organisation, in which markets do you anticipate opportunities for growth during the fourth quarter of 2021?



Source: IoD Ireland Director Sentiment Monitor Q3 2021.

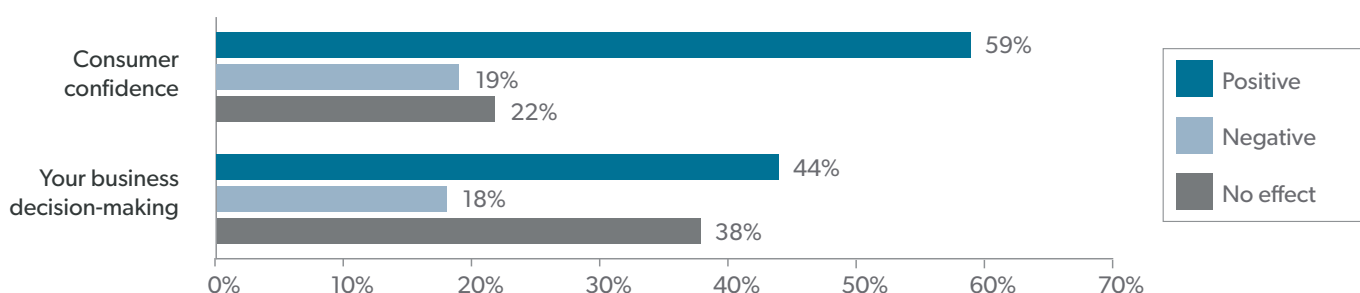
The Economy and Trade

Effect of Government's Performance

The significant sea-change in director sentiment noted in Q2 2021 with regard to the effect of the current Government's performance to date on consumer confidence, on the one hand, and business decision-making, on the other hand, has continued into Q3 2021.

- With respect to consumer confidence, in Q1 2021, just 17% of business leaders believed the effect of the current Government's performance to be positive. That increased to 49% in Q2 2021 and has risen by 10% to 59% in Q3 2021. Furthermore, in Q1 2021, 66% of business leaders believed the effect of the current Government's performance to be negative. That decreased to 35% in Q2 2021 and has decreased by 16% to 19% in Q3 2021.
- With respect to directors' decision-making, in Q1 2021 just 17% of business leaders believed the effect of the current Government's performance to be positive. That increased to 38% in Q2 2021 and has increased by another 6% in Q3 2021 to 44%. Furthermore, in Q1 2021, 37% of business leaders believed the effect of the current Government's performance to be negative. That decreased to 23% in Q2 2021 and has fallen by another 5% to 18% in Q3 2021.
- Worth highlighting, too, are the findings related to those who say the Government's performance has had no effect on consumer confidence (17% in Q1 2021, 16% in Q2 2021, and 22% in Q3 2021) and on their business decision-making (47% in Q1 2021, 40% in Q2 2021, and 38% in Q3 2021).

Figure 7: What do you believe has been the effect of the current Government's performance to date on the following?



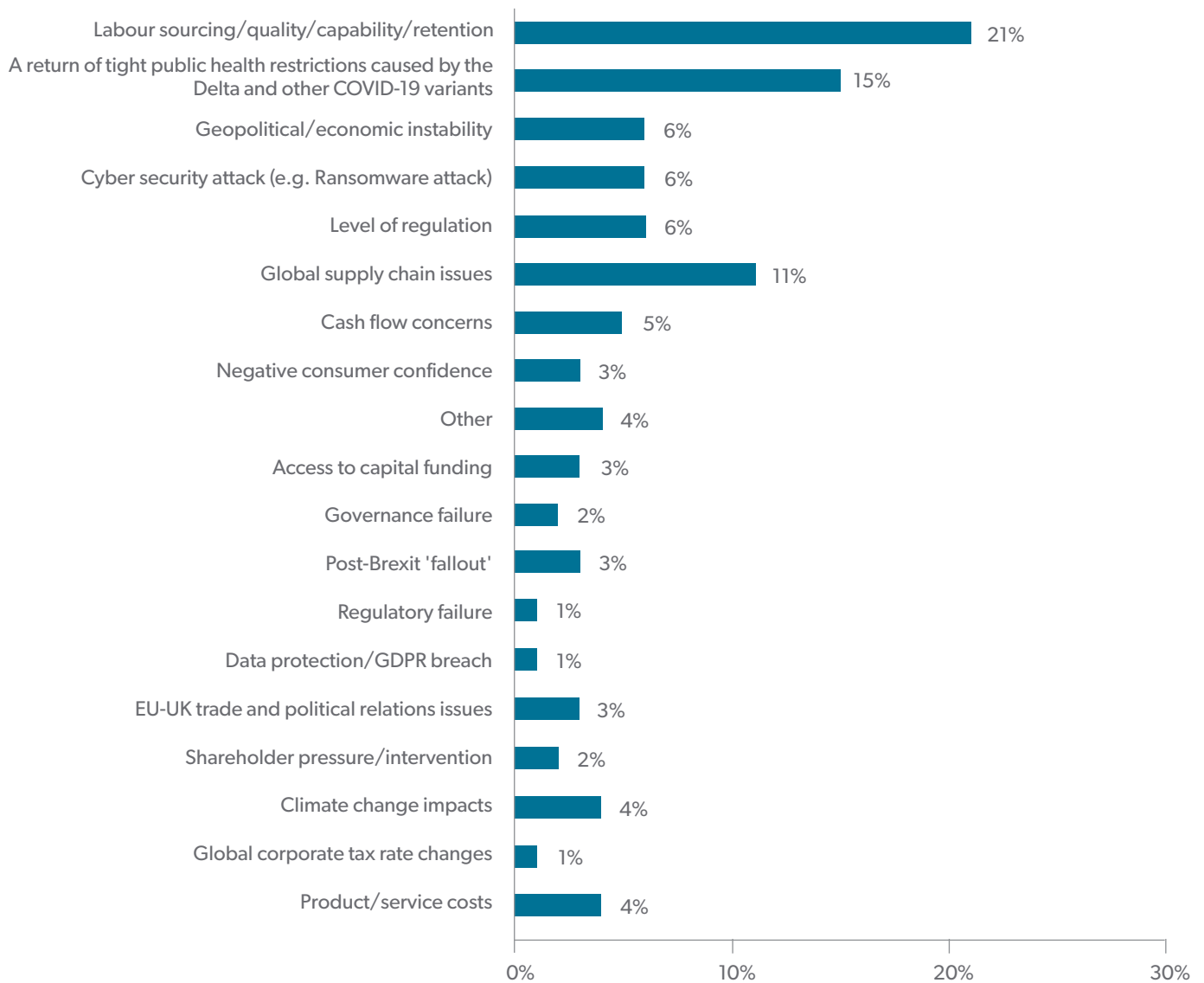
Source: IoD Ireland Director Sentiment Monitor Q3 2021.

Financial Performance and Risk

Risk Factors

In the two previous quarters, and throughout 2021, COVID-19 related risks dominated but, with the success of the national vaccination programme and the phased lifting of public health restrictions, we are seeing significant movement in other areas. 'Labour sourcing/quality/capability/retention' is now the biggest risk factor for 21% of business leaders. Although 'a return of tight public health restrictions caused by the Delta variant and other COVID-19 variants' still figures prominently in second place (15%) - indicative perhaps of continuing caution regarding the coronavirus - it is the 5% increase quarter-on-quarter to 11% for 'global supply chain issues' that is also noteworthy. Interestingly, given current market realities and supply chain issues, 'product/service costs' were seen as the biggest risk for just 1% of our respondents in Q2 2021 but are now of concern for 4% of business leaders.

Figure 8: The single biggest risk respondents say is facing their organisation at present



Source: IoD Ireland Director Sentiment Monitor Q3 2021.

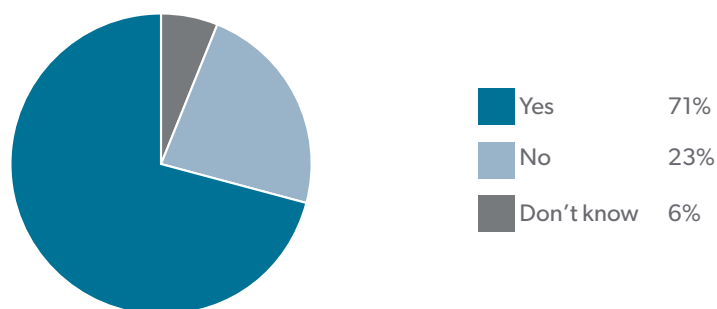
Financial Performance and Risk

Financial Performance

Optimistic sentiment in terms of financial performance was more evident as we approached the end of 2020, and this has continued through Q1 2021 and Q2 2021 and into Q3 2021.

In Q4 2020, 37% of our respondents believed the financial performance of their primary organisation would improve in Q1 2021. In our Q1 2021 survey, this increased by 7% to 44% in respect of Q2 2021 and, in Q2 2021, we saw a further increase of 27% to 71% in respect of Q3 2021. In our Q3 2021 survey, this has remained the same (71%) in respect of Q4 2021. Furthermore, it was not surprising that after such a difficult year in 2020, 52% of business leaders believed the financial performance of their primary organisation would not improve in Q1 2021 but, when looking towards Q2 2021, this fell by 8% to 44% and by another 22% when looking to Q3 2021. In the current survey, this has also remained steady (23%) when looking to Q4 2021.

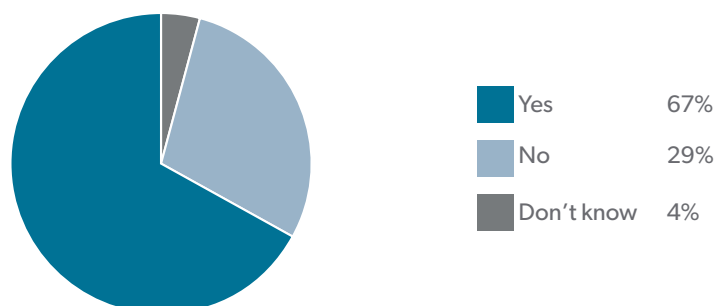
Figure 9: Do you think that the financial performance of your primary organisation will improve in Q4 2021?



Source: IoD Ireland Director Sentiment Monitor Q3 2021.

When looking beyond Q3 2021 to the remainder of the year, a majority of our respondents are also optimistic, with 67% believing the financial performance of their primary organisation will improve for the year 2021 while 29% do not. Just 4% answered 'Don't know'.

Figure 10: Do you think that the financial performance of your primary organisation will improve for the year 2021?



Source: IoD Ireland Director Sentiment Monitor Q3 2021.

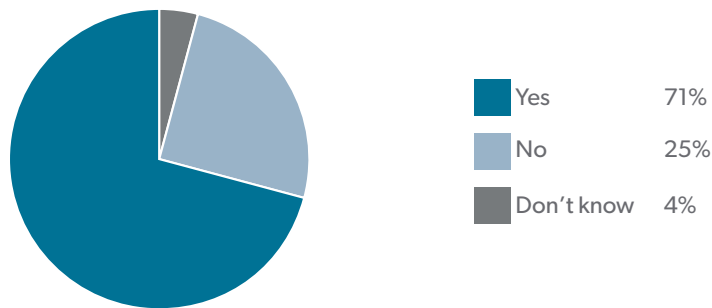
Budget 2022

A Conservative Budget

Caution coming out of the pandemic would seem to be the order of the day, according to our respondents' views on the Government's Budget 2022, in advance of it being delivered by the Minister for Finance.

A clear majority (71%) of business leaders who responded to our research thought the Government should deliver a conservative Budget to prevent the economy overheating too rapidly as public health restrictions are eased in the coming period, while 25% of respondents did not.

Figure 11: Do you think the Government should deliver a conservative Budget in October to prevent the economy overheating too rapidly as public health restrictions are eased in the coming weeks/months?



Source: IoD Ireland Director Sentiment Monitor Q3 2021.

Budget 2022

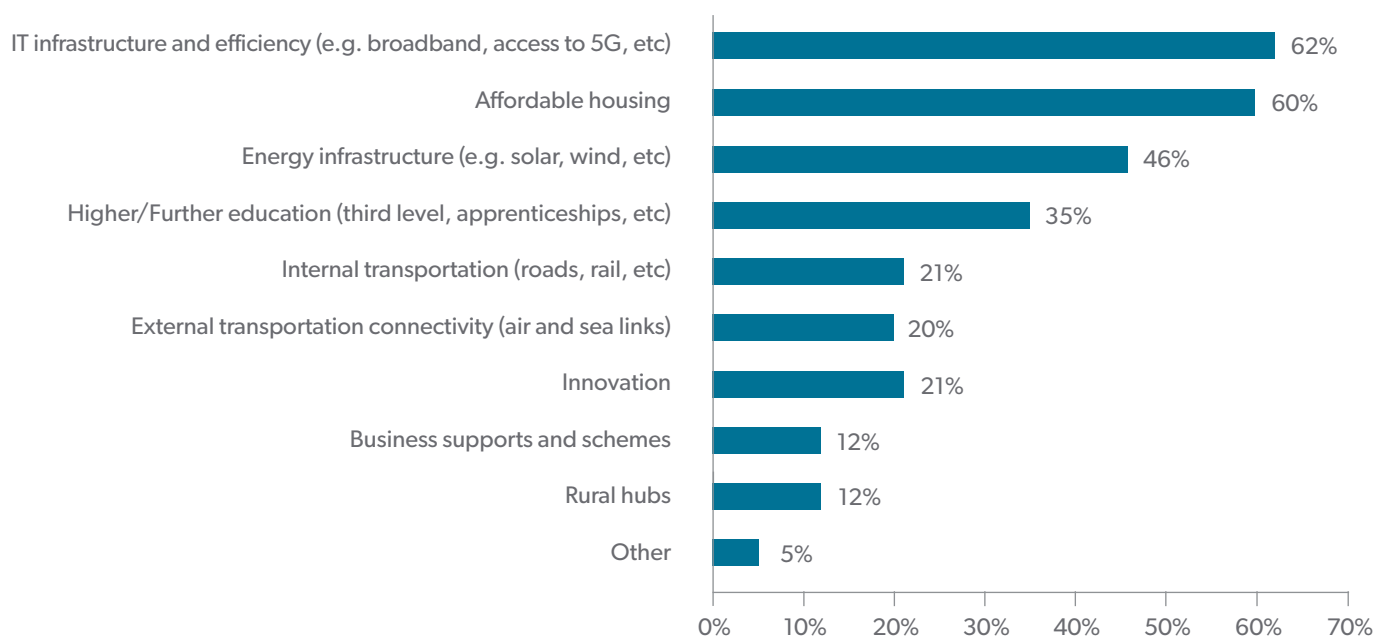
Ireland's Competitiveness

In Q2 2021, when our survey asked business leaders what they saw as the top three areas that the Irish Government should prioritise and invest in to boost Ireland's future international competitiveness, they selected 'affordable housing' (67%), 'IT infrastructure and efficiency' (65%), 'energy infrastructure' (34%) and 'Higher/Further Education' (33%) as clear priorities.

In Q3 2021, when asked the same question, there has been a slight adjustment in priorities, with 'IT infrastructure and efficiency' (62%) seen as the main priority, followed by 'affordable housing' (60%), 'energy infrastructure' (46%), and 'Higher/Further Education' (35%). Indeed, the biggest movement has been in 'energy infrastructure', increasing 12% quarter-on-quarter, perhaps indicative of the notable increases in energy costs announced during 2021.

(Please note for this question, respondents were given the option to select multiple responses. Therefore, each response given is a percentage of the full sample. For this reason, the responses will not add up to 100%.)

Figure 12: What are the top three areas that the Irish Government should prioritise and invest in to boost Ireland's future international competitiveness? (Respondents were asked to select up to three choices.)



Source: IoD Ireland Director Sentiment Monitor Q3 2021.

International Tax Reform

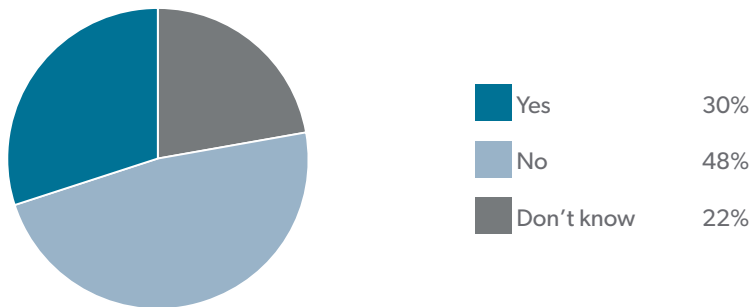
Proposed Framework for Reform

In advance of a plan to finalise the reform of international taxation rules with a view to effective implementation in 2023, in particular with regard to multinational enterprises, the Irish Government has come under significant pressure regarding its long-standing position. (Note: While this report was being collated, and subsequent to the survey being taken by our respondents, a global deal to ensure big companies pay a minimum tax rate of 15 per cent has been agreed, with Ireland a signatory.)

Dispensation for Smaller Countries

A majority (48%) of the respondents to our survey does not believe a dispensation may be made for smaller countries, such as Ireland, to allow their corporation tax rates to remain unchanged. 30% of business leaders believed a dispensation may be made, while 22% answered 'don't know'.

Figure 13: In light of the international taxation reform accord, do you believe a dispensation may be made for smaller countries, such as Ireland, to allow their corporation tax rates to remain unchanged?

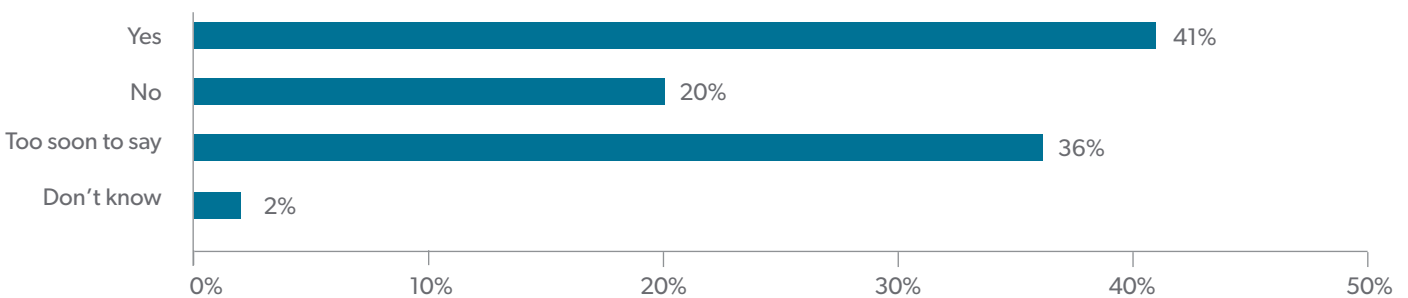


Source: IoD Ireland Director Sentiment Monitor Q3 2021.

Threat to Ireland's Competitiveness

Furthermore, when our survey asked the question, 'Do you think the international taxation reform accord (including a corporate minimum effective tax rate of 15%) recently agreed by the G7 will present a threat to Ireland's competitiveness if agreed with by other OECD countries?' 41% signified that it would be threat to Ireland's competitiveness, 20% said it wouldn't be a threat and 36% said it was 'too soon to say'.

Figure 14: Do you think the international taxation reform accord (including a corporate minimum effective tax rate of 15%) recently agreed by the G7 will present a threat to Ireland's competitiveness if agreed with by other OECD countries?



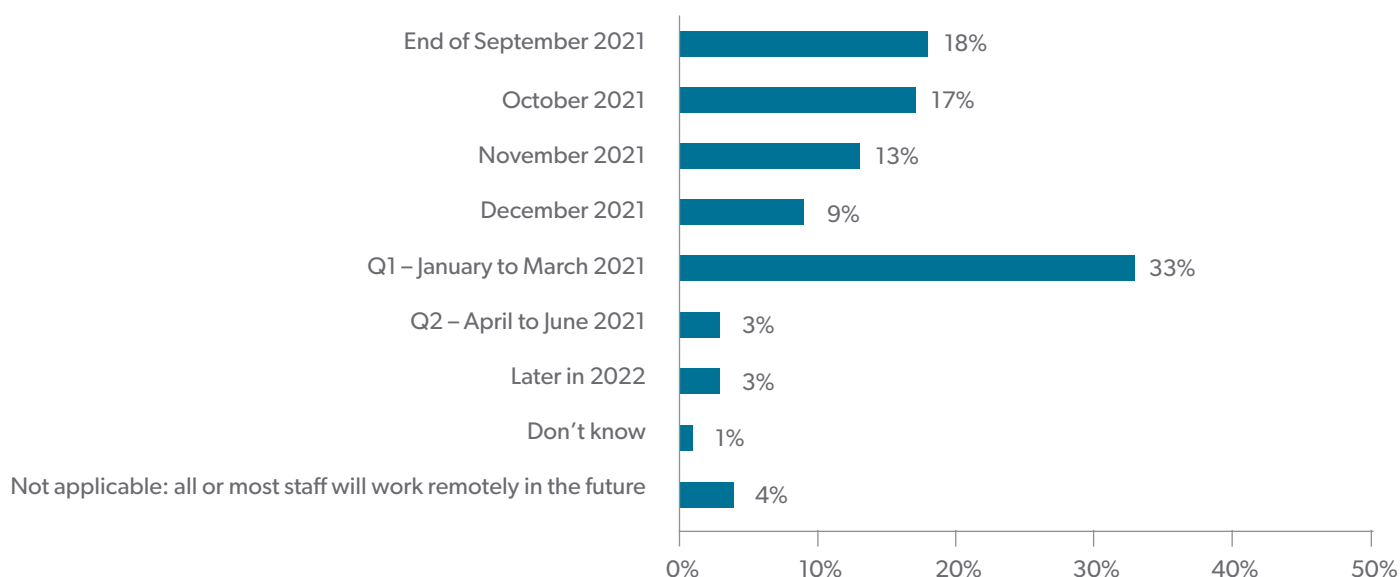
Source: IoD Ireland Director Sentiment Monitor Q3 2021.

Working Life

Return to Company Workplace

In our latest research for Q3 2021, 33% of our respondents believe it will be Q1 2022 when they see the majority of staff being back in the office/workplace. In the interim period, however, a majority of respondents (57%) see the period from the end of September through to December 2021 (essentially, Q4 2021) as the months the majority of staff will be back in the office/workplace.

Figure 15: In respect of your primary organisation, and in view of the phased nationwide vaccine rollout, when do you foresee the majority of staff being in the office/workplace by?

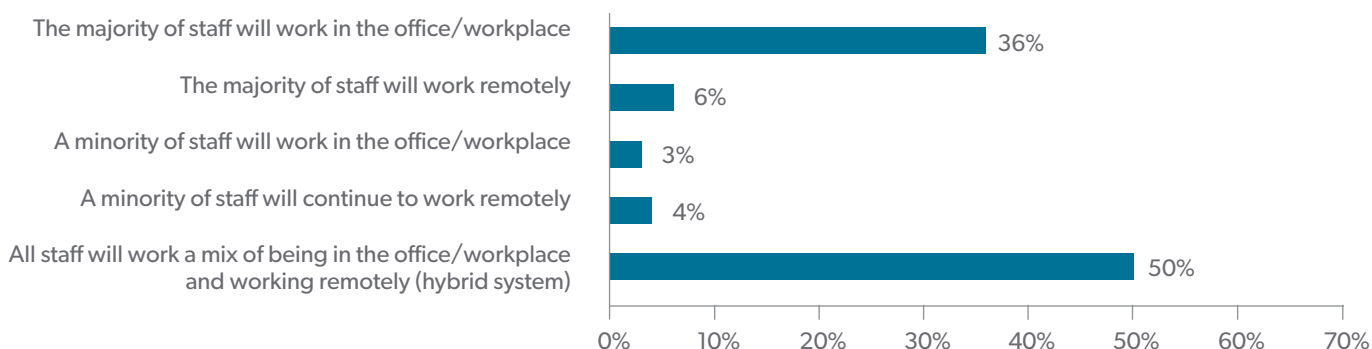


Source: IoD Ireland Director Sentiment Monitor Q3 2021.

Working Model

Furthermore, when asked, 'In respect of your primary organisation, which statement is most relevant with regard to where your staff will be located once recently announced phased return to workplaces is underway?' 50% of respondents say all staff will work a mix of being in the office/workplace and working remotely (i.e. a hybrid model), while 36% say the majority of staff will work in the office/workplace.

Figure 16: In respect of your primary organisation, which statement is most relevant with regard to where your staff will be located once recently announced phased return to workplaces is underway?



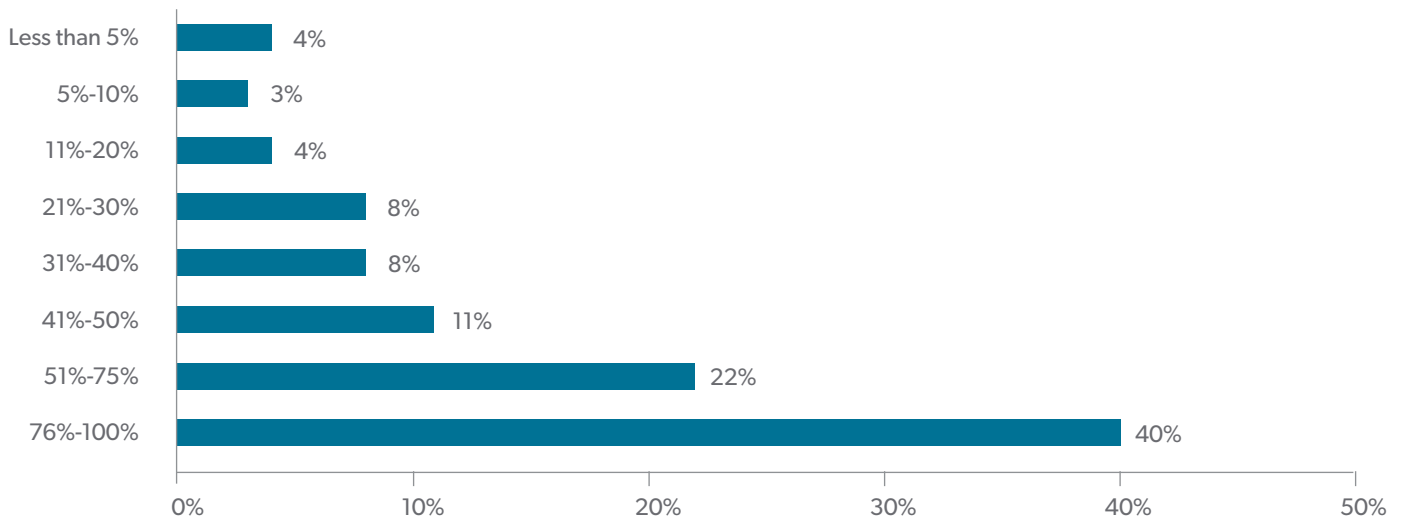
Source: IoD Ireland Director Sentiment Monitor Q3 2021.

Working Life

Percentage of Staff Returning

When asked the question, 'In your primary organisation, what approximate percentage of staff do you expect to return to the office/workplace by 24th December 2021?' the largest cohort (40%) of respondents said '76%-100%', followed by the second largest cohort (22%) who said between '61%-75%'.

Figure 17: In your primary organisation, what approximate percentage of staff do you expect to return to the office/workplace by 24th December 2021?

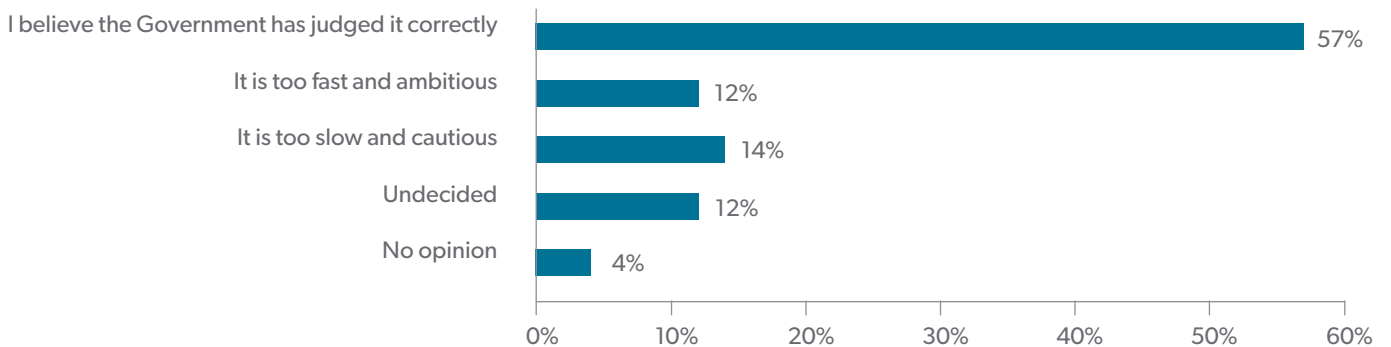


Source: IoD Ireland Director Sentiment Monitor Q3 2021.

The Government's Phased Plan

A majority of respondents (57%) believes the Government has judged correctly the phased return to offices/workplaces, with 14% saying the Government's plan 'is too slow and cautious' and 12% saying it is 'too fast and ambitious'.

Figure 18: What is your general view of the Government's recently announced phased return to offices/workplaces plan?



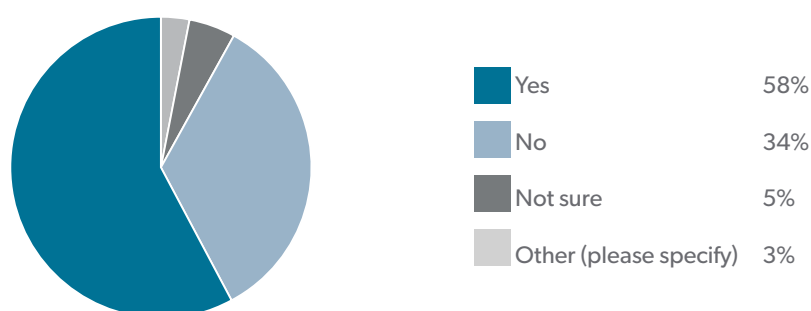
Source: IoD Ireland Director Sentiment Monitor Q3 2021.

Governance

Board Succession Planning

Board succession planning is an important tenet of good governance. In our Q3 2021 survey, 58% of respondents said the board of their primary organisation has a succession plan in place with regard to the composition of its board. Interestingly, 34% said their primary board does not have a succession plan in place.

Figure 19: Does the board of your primary organisation have a succession plan in place with regard to the composition of its board?

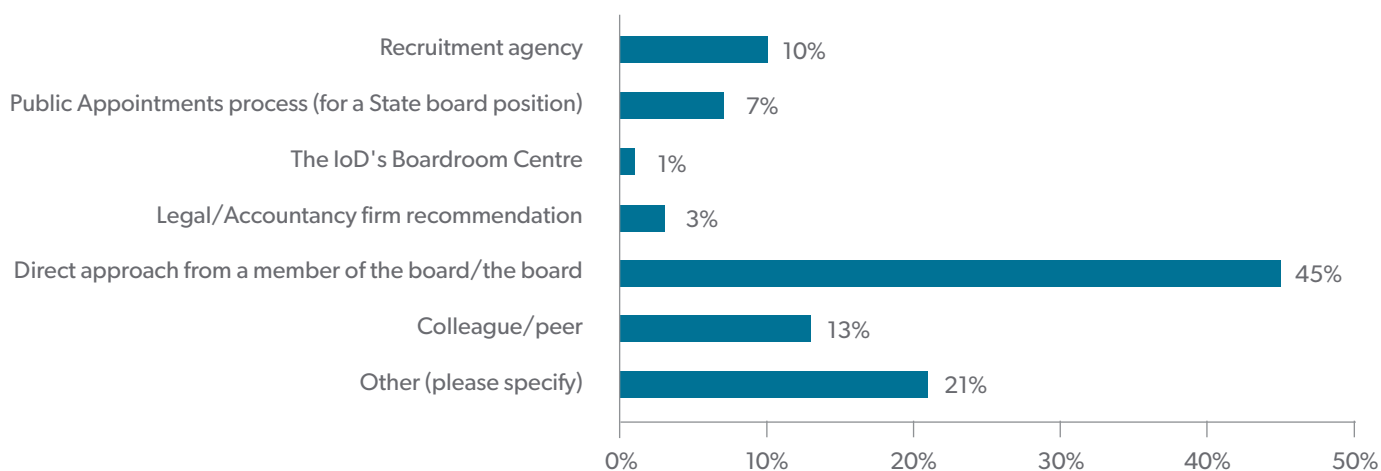


Source: IoD Ireland Director Sentiment Monitor Q3 2021.

Board Recruitment: Methods

When our survey respondents were then asked, 'How were you recruited to join the primary board on which you currently serve?', the largest cohort (45%) said it was as a result of a 'direct approach from a member of the board/the board' while 13% said it was through a 'colleague/peer'. Just 10% said it was through a 'recruitment agency'. Of the 21% that selected the 'other' option, there were a number of mentions for 'owner'/'founder' and 'advertisement'.

Figure 20: How were you recruited to join the primary board on which you currently serve?



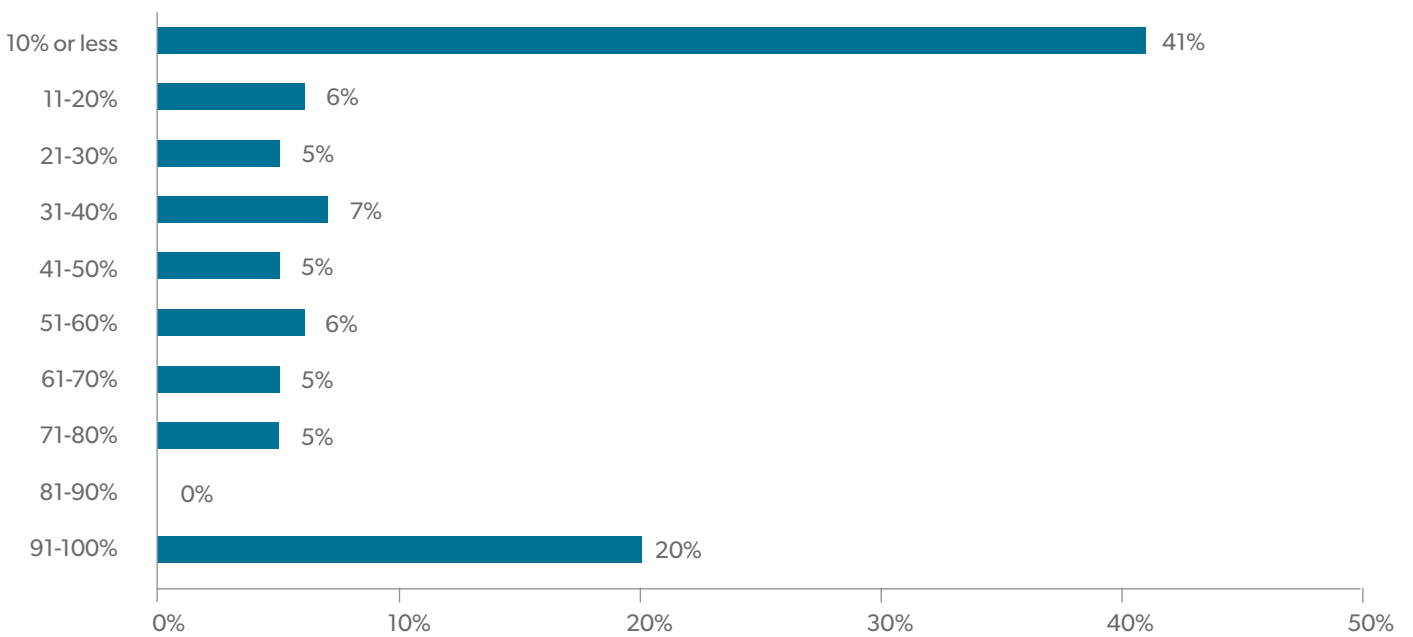
Source: IoD Ireland Director Sentiment Monitor Q3 2021.

Governance

Board Recruitment: Prior Contact

While 41% of respondents knew “10% or less” of the directors of the board they joined, 20% said they knew “91%-100%” of the directors of the board they joined.

Figure 21: What approximate percentage of members of your primary board did you know personally/professionally before you joined?

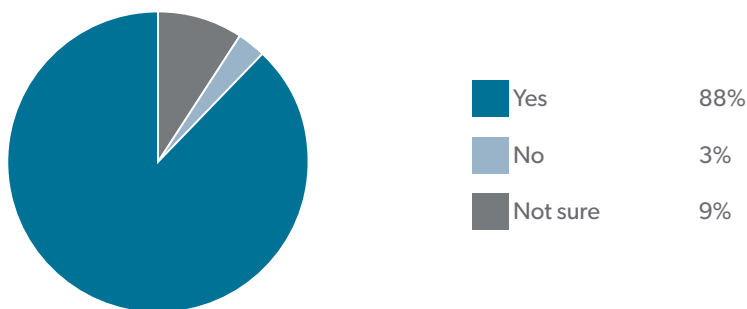


Source: IoD Ireland Director Sentiment Monitor Q3 2021.

Diversity: Board Performance

Board diversity brings a greater variety of different views to the decision-making process. In our research in Q3 2021, an overwhelming majority (88%) of our respondents believes that board diversity leads to enhanced board performance and effectiveness, with just 3% believing it does not.

Figure 22: Do you believe that board diversity leads to enhanced board performance and effectiveness?



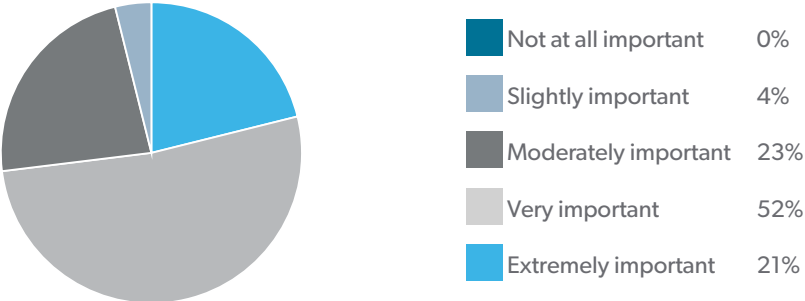
Source: IoD Ireland Director Sentiment Monitor Q3 2021.

Governance

Diversity: Recruitment

With a substantial majority of respondents (88%) acknowledging that board diversity leads to enhanced board performance and effectiveness (see Fig 22), it is not surprising that a clear majority (96%) of the respondents to our Q3 2021 survey believes that diversity is either moderately, very, or extremely important when recruiting new board members.

Figure 23: In your view, to what extent is diversity important when recruiting new board members?



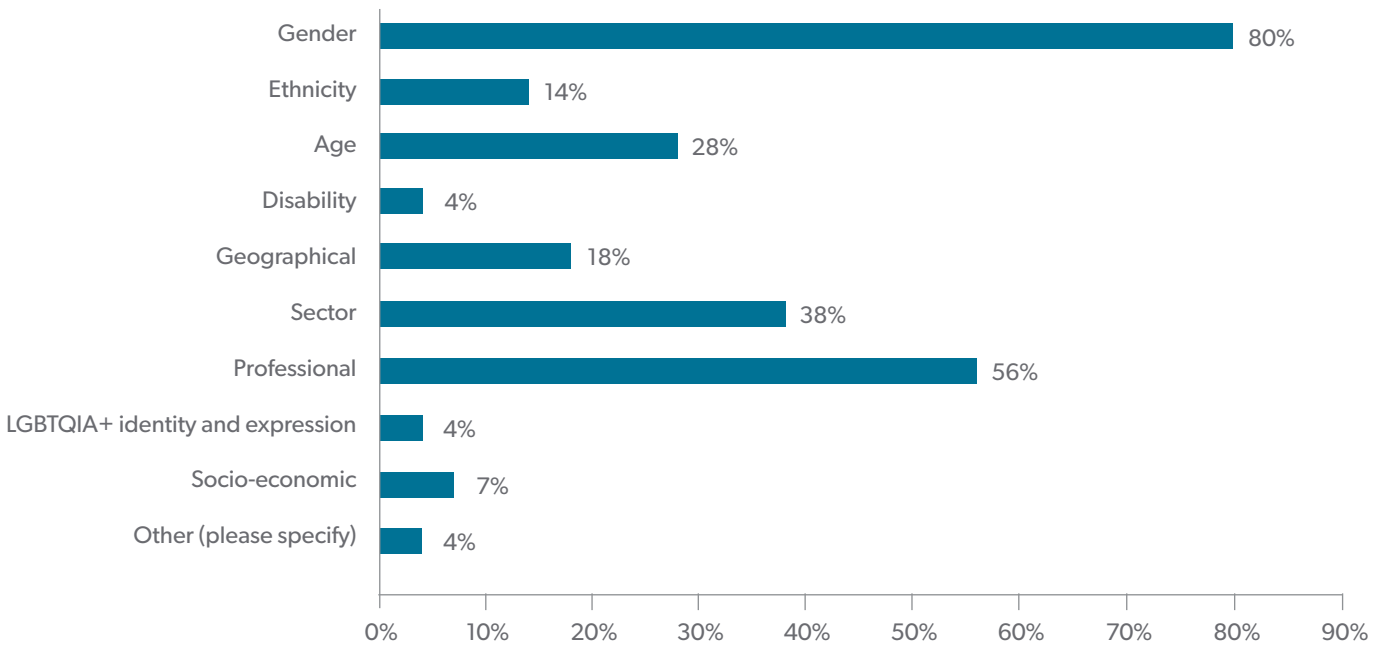
Source: IoD Ireland Director Sentiment Monitor Q3 2021.

Governance

Diversity: Elements

Somewhat unsurprisingly, gender diversity was selected by a majority (80%) of respondents when they were asked, 'When it comes to discussions on board diversity, which diversity elements are the main focus of your primary board?' Furthermore, professional diversity (56%), sector diversity (38%), and age diversity (28%) all rated highly as diversity elements which are the main focus of their primary boards. (Please note for this question, respondents were given the option to select multiple responses. Therefore, each response given is a percentage of the full sample. For this reason, the responses will not add up to 100%.)

Figure 24: When it comes to discussions on board diversity, which diversity elements are the main focus of your primary board?



Source: IoD Ireland Director Sentiment Monitor Q3 2021.



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