



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



The first year of the new decade was another rollercoaster one with numerous challenges requiring business leaders to adapt and be agile. The first two quarters of the year brought the promise and optimism of COVID-19 vaccines, followed by the lifting of many of the public health restrictions during the summer, only for the emergence of the Delta and Omicron variants during the autumn to hasten the need for booster vaccinations and further public health restrictions as we settled into the final quarter of the year. Q4, then, brought further challenges for business leaders and society at large. As we moved through each successive quarter, business sentiment in our quarterly Director Sentiment Monitor surveys of IoD members reflected the tone of the times and the exigencies of business imperatives.

One of the more notable governance trends to gather pace during the pandemic has been the growing importance of Environmental, Social and Corporate Governance (ESG) issues. In our Director Sentiment Monitor research for Q2 2021, 29% of respondents said ESG will be the most desired experience/expertise over the next two years. However, in this, our Q4 2021 survey, it is clear that there are challenges at board level, with 48% of respondents saying their primary organisation is finding it difficult to set realistic KPIs in order to effectively measure ESG targets, and over a third (36%) indicating that the board does not feel sufficiently knowledgeable and informed to deal with ESG matters. On a positive note, it is hugely encouraging that 83% believe there is an onus on business organisations to 'lead from the front' with regard to implementing more ambitious environmentally friendly practices and Net Zero targets. One thing is clear on this issue: ESG will continue to become more important in 2022 and into the future.

Not least among the many challenges in 2021 were inflation and supply chain issues. Rising inflation has become an increasingly topical issue as the year progressed. In this Q4 research, 86% of respondents have indicated that they are concerned, to a greater or lesser degree, about the negative impact of inflation on the financial performance of their primary organisation in Q1 2022. Furthermore, 83% of respondents are concerned, to a greater or lesser degree, that wage inflation will impact staff retention and staff recruitment in Q1 2022.

This research also reveals sentiment findings in relation to the appeal of serving on boards, the effect of the Government's performance, the economy, the estimated timelines for the majority of staff to return to the workplace, and more.

All of these findings are invaluable to the IoD and we sincerely appreciate our members taking the time to consider the questions in this research on a quarterly basis. Thank you.

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

Demographics

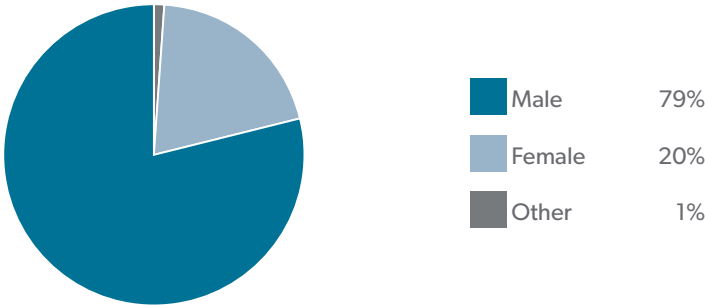
The Q4 2021 Director Sentiment Monitor had 281 respondents. In addition, 74% of the respondents are current board members, with the remainder in senior executive roles. The survey was issued to all IoD members, with a link to the online survey, and was carried out during the time period 29th November 2021 and 10th December 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 all questions, respondents were given the option of one response.

Gender

The Q4 2021 survey had 79% of respondents who were male and 20% who were female.

Figure 1: Gender of respondents

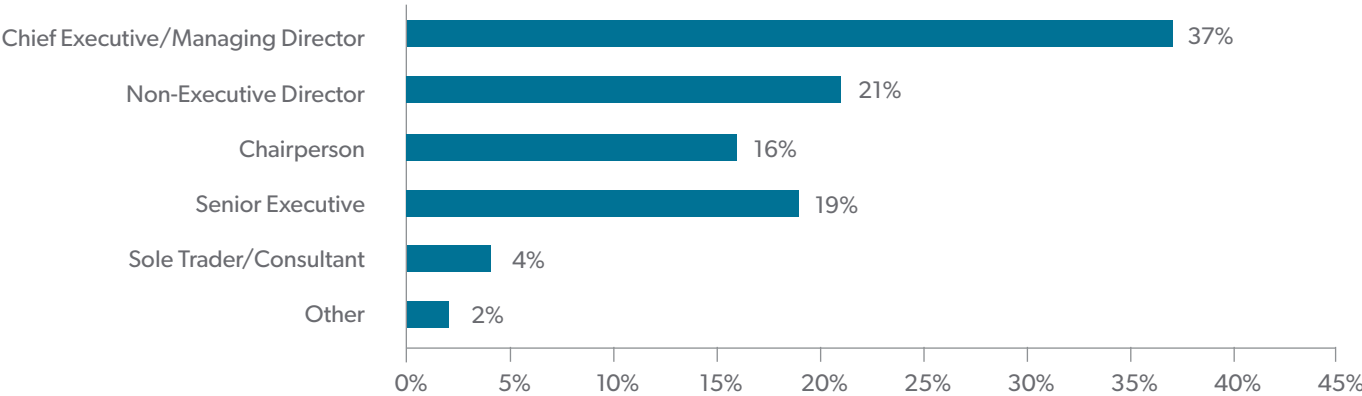


Source: IoD Ireland Director Sentiment Monitor Q4 2021.

Role/Position

The respondents to the Q4 2021 survey hold the following roles/positions:

Figure 2: Breakdown of respondents by role/position



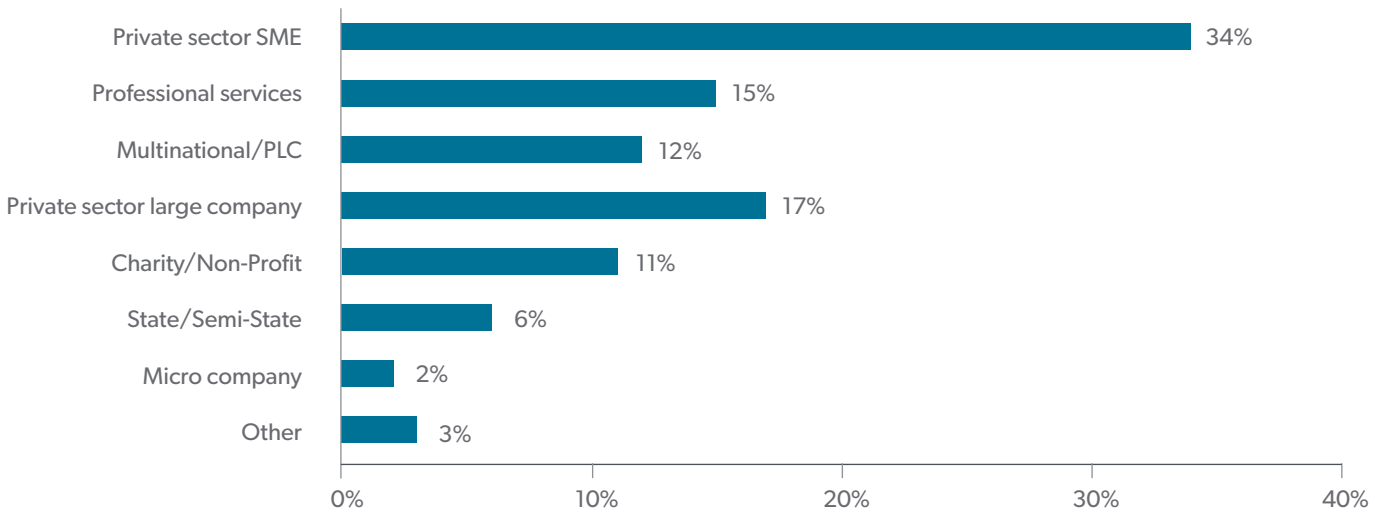
Source: IoD Ireland Director Sentiment Monitor Q4 2021.

Demographics

Company Type

The respondents to the Q4 2021 survey represent the following types of companies:

Figure 3: Breakdown of respondents by company type

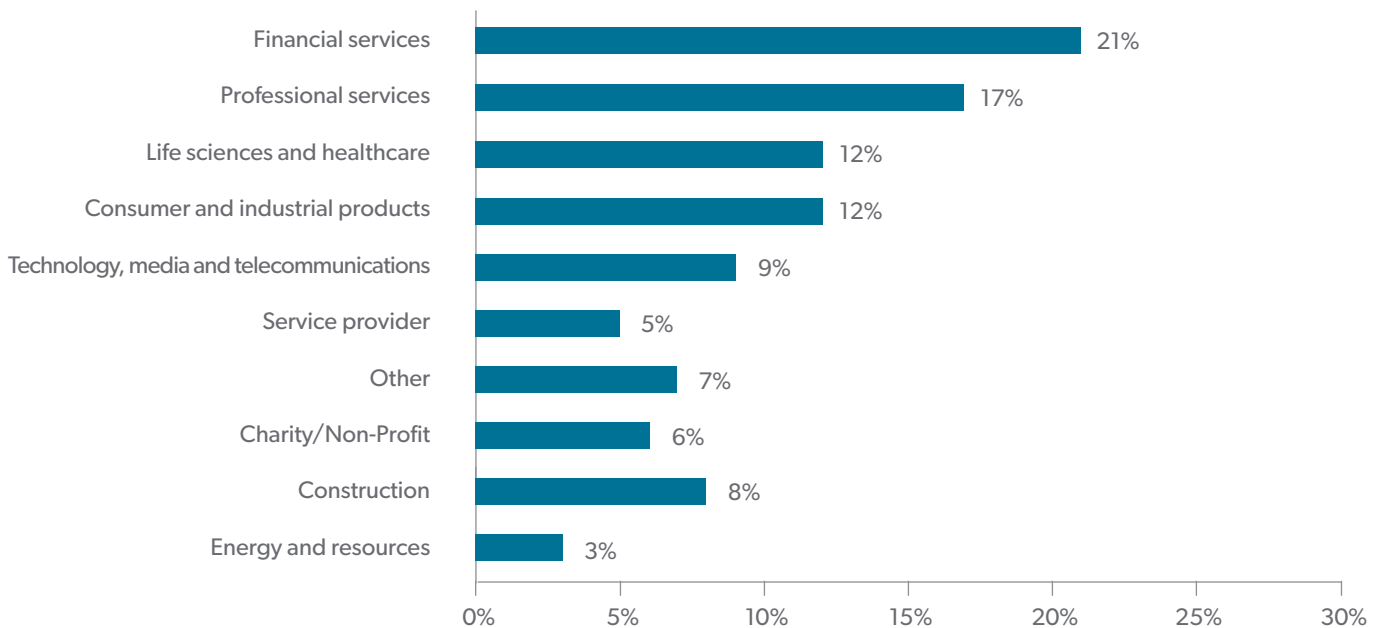


Source: IoD Ireland Director Sentiment Monitor Q4 2021.

Industry Sector

The respondents to the Q4 2021 survey operate in the following types of sectors:

Figure 4: Breakdown of respondents by industry sector



Source: IoD Ireland Director Sentiment Monitor Q4 2021.

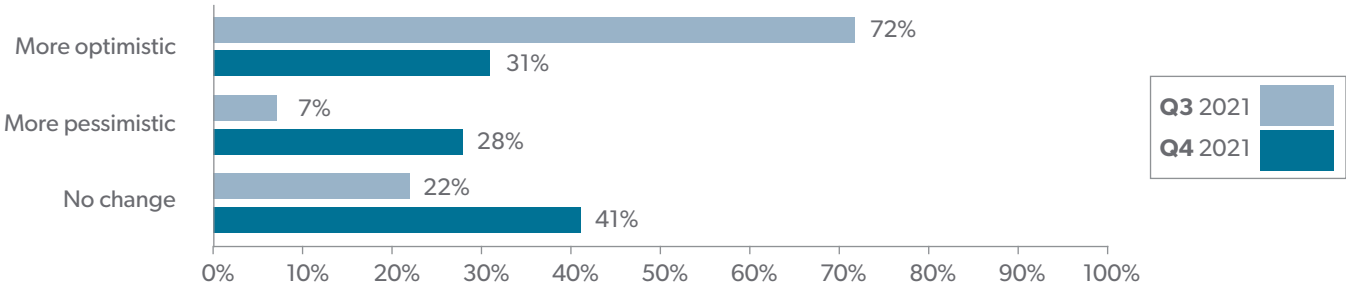
The Economy

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 through to Q3 2021, but this has disimproved in Q4 2021. The findings related to this question (and the following question, see Fig. 6) were undoubtedly influenced by a general prevailing sense of pessimism at the time the survey was conducted in late November and early December 2021, due in large measure to the imposition of new public health restrictions as a response to the emergence of the Omicron variant of COVID-19. The rapid rollout of a nationwide booster vaccine campaign, coupled with a more optimistic view of the future course of the pandemic, may have changed the picture to a significant degree by the publication date of this report in late January 2022.

- 31% of directors are 'more optimistic' in Q4 2021 compared to 72% in Q3 2021, a decrease of 41%.
- 28% of directors are 'more pessimistic' in Q4 2021 compared to 7% in Q3 2021, a difference of 21%.
- In Q4 2021, 41% of business leaders signified 'no change' in how they feel about the economy compared to 22% in Q3 2021, an increase of 19%

Figure 5: Business confidence in the Irish economy in Q4 2021 compared to Q3 2021



Source: IoD Ireland Director Sentiment Monitor Q4 2021.

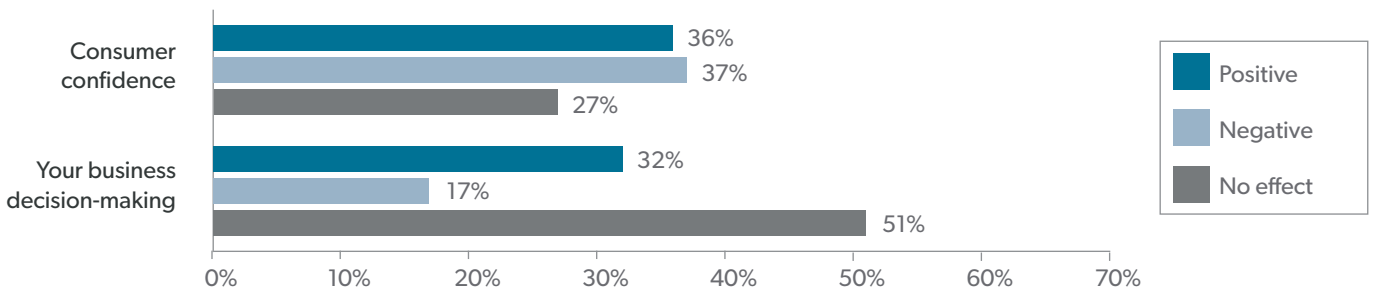
The Economy

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, which continued into Q3 2021 has seen a more negative picture develop in Q4 2021. As a reminder, please note this survey was open between the 29th November 2021 and 10th December 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 59% in Q3 2021 but dropped to 36% in Q4 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 to 19% in Q3 2021, but has increased again to 37%.
- 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 to 44% in Q3 2021 but has decreased to 32% in Q4 2021. 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, to 18% in Q3 2021 and to 17% in Q4 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, 22% in Q3 2021 and 27% in Q4 2021) and on their business decision-making (47% in Q1 2021, 40% in Q2 2021, 38% in Q3 2021 and 51% in Q4 2021).

Figure 6: What do you believe has been the effect of the current Government’s performance to date on the following?



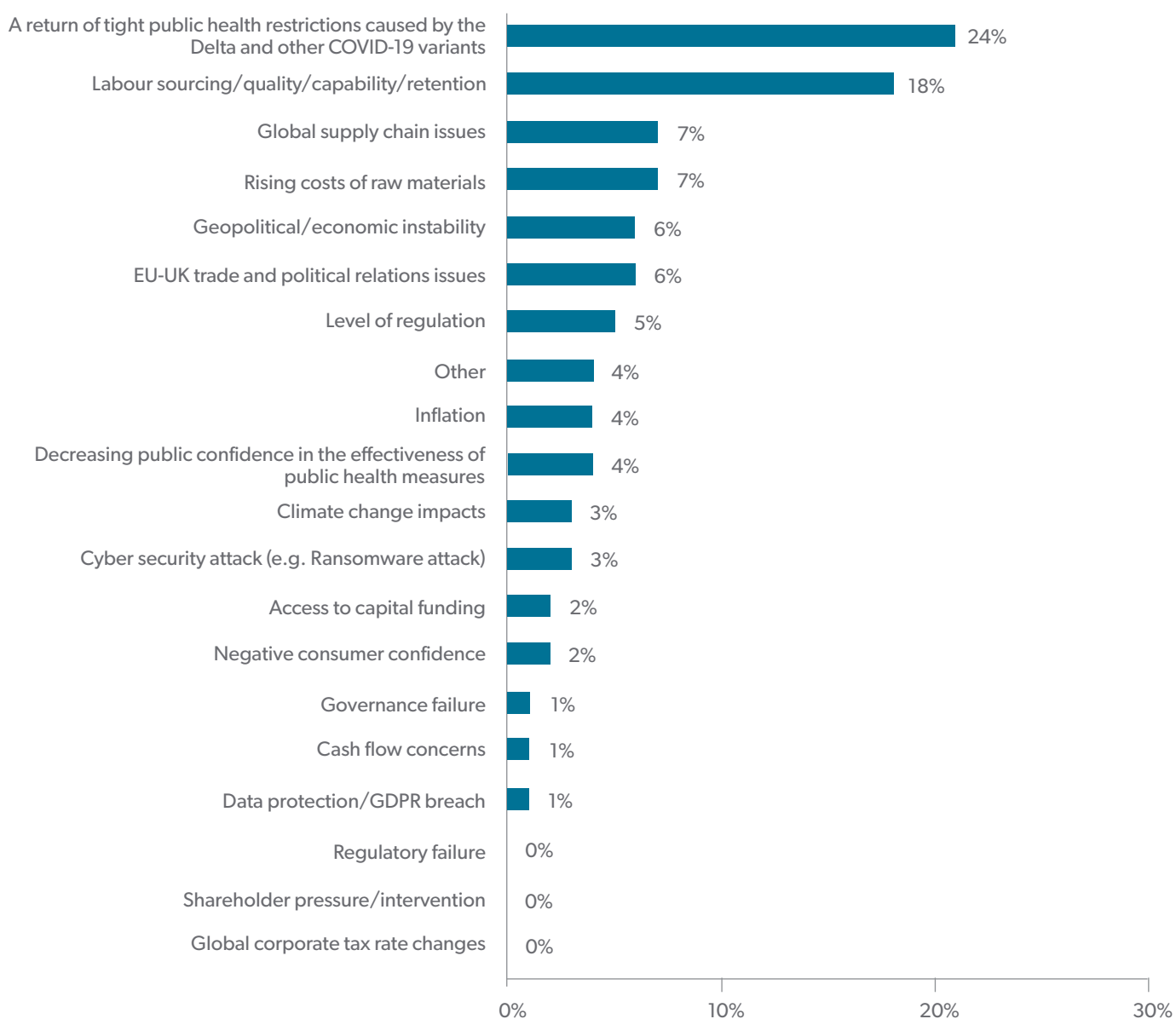
Source: IoD Ireland Director Sentiment Monitor Q4 2021.

Financial Performance and Risk

Risk Factors

Throughout 2021, COVID-19 related risks have dominated sentiment in our quarterly surveys but, with the success of the national vaccination programme and the phased lifting of public health restrictions in the autumn, we saw significant movement in other areas, such as 'labour sourcing/quality/capability/retention', which was the biggest risk factor for 21% of business leaders in our Q3 2021 survey. With the continuing concern around the Delta variant, followed by the swift emergence of the Omicron variant, 'a return to tight public health restrictions caused by COVID-19 and its variants' (24%) is again the number one risk factor for our respondents in Q4 2021, with 'labour sourcing/quality/capability/retention' second (18%), and 'global supply chain issues' and 'rising costs of raw materials' sharing third place on 7% each.

Figure 7: The single biggest risk respondents say is facing their organisation at present



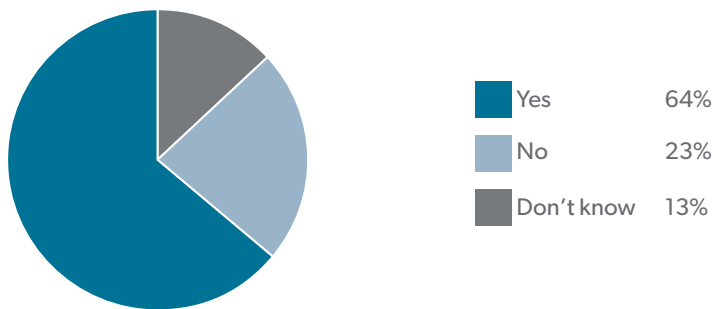
Source: IoD Ireland Director Sentiment Monitor Q4 2021.

Financial Performance and Risk

Financial Performance

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 remained the same (71%) in respect of Q4 2021. However, in respect of Q1 2022, this has dropped by 7% to 64%. 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. This remained steady (23%) when looking to Q4 2021 and is exactly the same (23%) in our Q4 2021 survey with respect to Q1 2022.

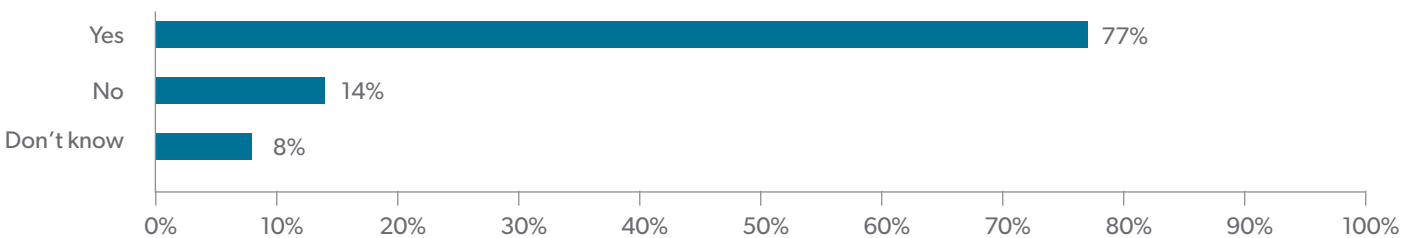
Figure 8: Do you think that the financial performance of your primary organisation will improve in Q1 2022?



Source: IoD Ireland Director Sentiment Monitor Q4 2021.

When looking beyond 2021 to the year 2022, a majority of our respondents are also optimistic, with 77% believing the financial performance of their primary organisation will improve for the year 2022 while 14% do not. Just 8% answered 'Don't know'.

Figure 9: Do you think that the financial performance of your primary organisation will improve for the year 2022?



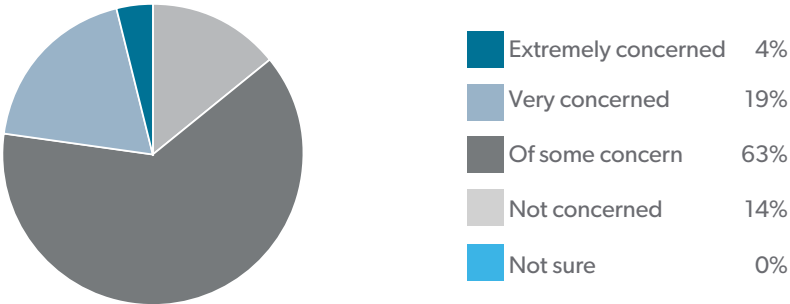
Source: IoD Ireland Director Sentiment Monitor Q4 2021.

Business Challenges

Inflation

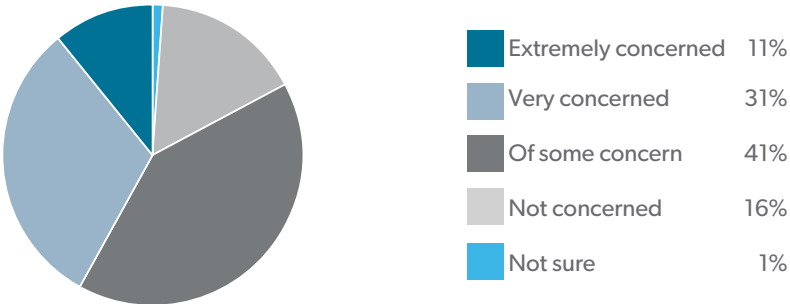
Rising inflation has become an increasingly topical issue as 2021 has progressed. In our Q4 research, 86% of respondents have indicated that they are concerned, to a greater or lesser degree, about the negative impact of inflation on the financial performance of their primary organisation in Q1 2022. Furthermore, 83% of respondents are concerned, to a greater or lesser degree, that wage inflation will impact staff retention and staff recruitment in Q1 2022.

Figure 10: Are you concerned that general inflation will negatively impact the financial performance of your primary organisation in Q1 2022?



Source: IoD Ireland Director Sentiment Monitor Q4 2021.

Figure 11: In respect of your primary organisation, are you concerned that wage inflation will impact staff retention and staff recruitment in Q1 2022?



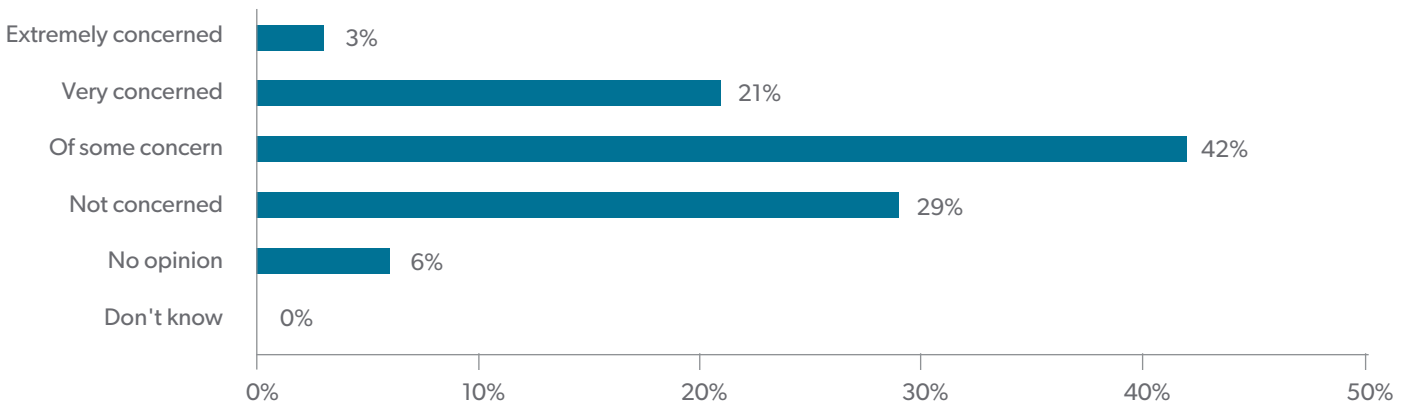
Source: IoD Ireland Director Sentiment Monitor Q4 2021.

Business Challenges

Supply Chain Issues

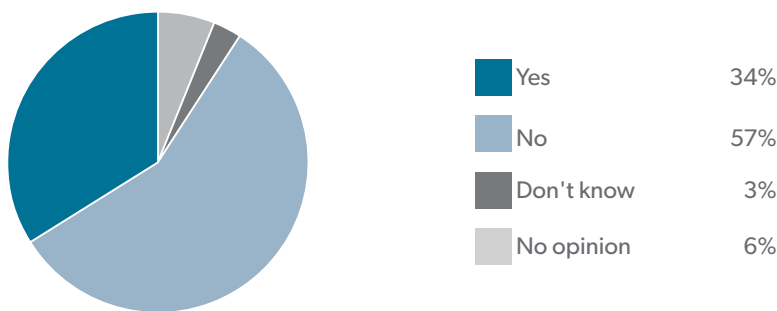
Supply chain issues have been a concern for many organisations from 2020 through 2021. In our Q4 2021 research, 66% of the business leaders are concerned (to a greater or lesser extent) in regard to their primary organisation and its supply chain issues for the end of 2021. 34% of respondents say supply chain issues are impacting their 'bottom line' for 2021, while nearly a third (33%) of the business leaders say their business model has been adapted due to supply chain issues. Looking forward, 46% of the business leaders are concerned that there will be supply chain issues for their primary organisation in 2022.

Figure 12: What level of concern do you have in regard to your primary organisation and its supply chain issues for the end of 2021?



Source: IoD Ireland Director Sentiment Monitor Q4 2021.

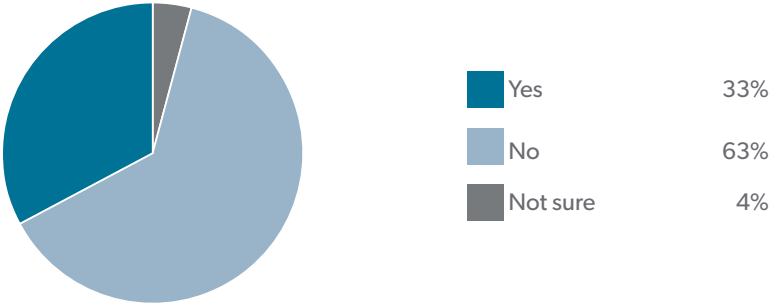
Figure 13: Are supply chain issues impacting your primary organisation's bottom line for 2021?



Source: IoD Ireland Director Sentiment Monitor Q4 2021.

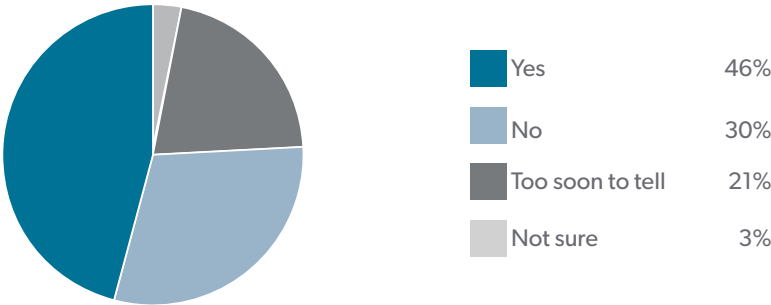
Business Challenges

Figure 14: In respect of your primary organisation, have you had to amend your business model to adapt to supply chain issues?



Source: IoD Ireland Director Sentiment Monitor Q4 2021.

Figure 15: In respect of your primary organisation, are you concerned that there will be supply chain issues in 2022?



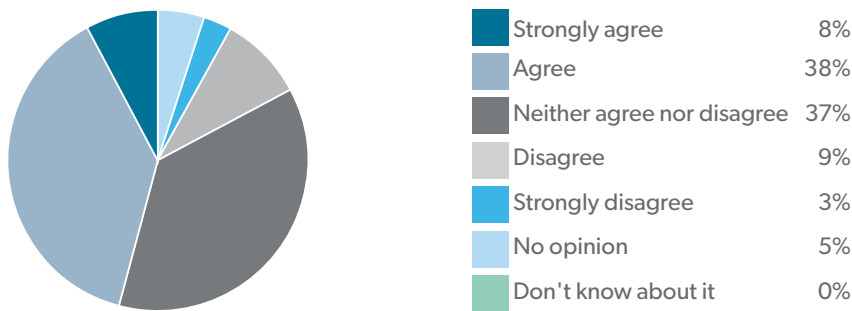
Source: IoD Ireland Director Sentiment Monitor Q4 2021.

Business Challenges

Climate Action and ESG Issues

Since the onset of the pandemic, in particular, environmental, social, and governance (ESG) issues have truly come to the fore. The COP26 Climate Conference stressed the urgency of such addressing such matters. It would appear, however, that there are challenges at board level in terms of developing and setting clear key performance indicators (KPIs) to effectively measure ESG targets (see Figs 18-20 below). It is interesting, too, that 46% of respondents either agree or strongly agree that the Government's Climate Action Plan is good for the business of their primary organisation, while just 12% either disagree or strongly disagree that it is good for the business. A sizeable cohort (37%) neither agrees nor disagrees that it is good for the business of their primary organisation.

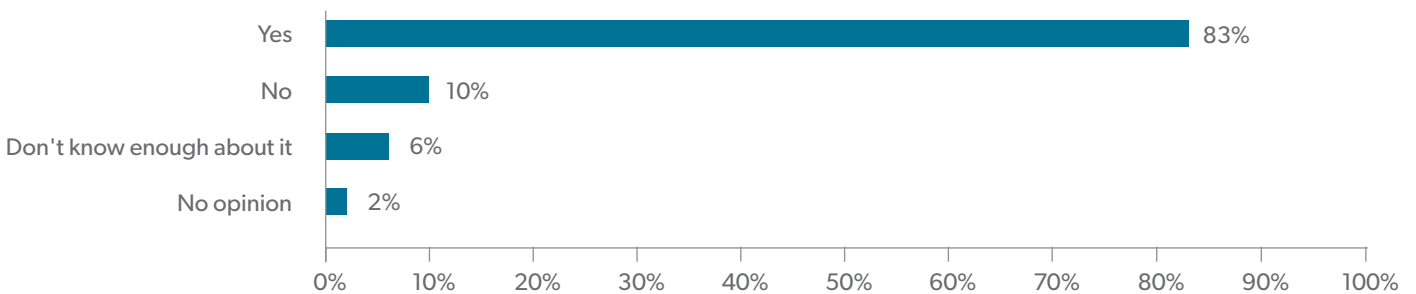
Figure 16: Do you believe the Government's Climate Action Plan is good for the business of your primary organisation?



Source: IoD Ireland Director Sentiment Monitor Q4 2021.

It is absolutely clear, however, that responsibility is being acknowledged, with 83% of our respondents believing there is an onus on business organisations to 'lead from the front' with regard to implementing more ambitious environmentally friendly practices and Net Zero targets.

Figure 17: Do you think there is an onus on business organisations to 'lead from the front' with regard to implementing more ambitious environmentally friendly practices and Net Zero targets?

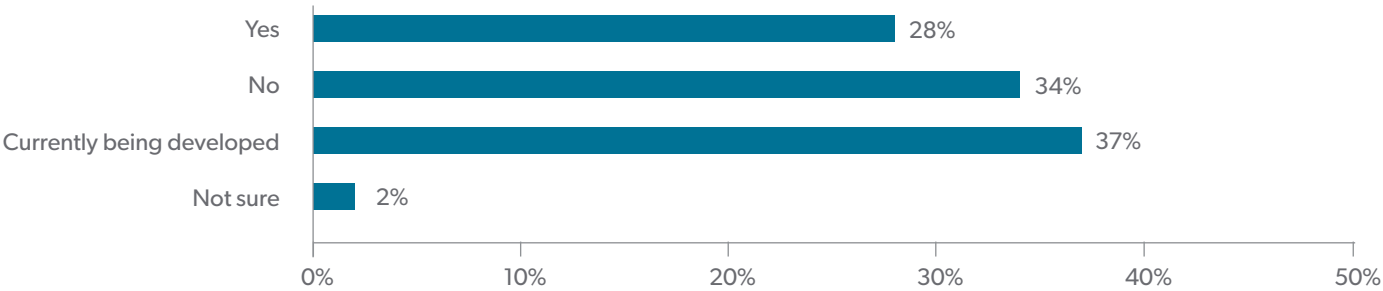


Source: IoD Ireland Director Sentiment Monitor Q4 2021.

Business Challenges

When it comes to the implementation and measurement of ESG targets, it is clear that work remains to be done, with the largest cohort (37%) of respondents saying that KPIs to measure ESG targets are 'currently being developed' and 34% saying their organisation does not have such KPIs in place. Just over a quarter (28%) have these KPIs in place.

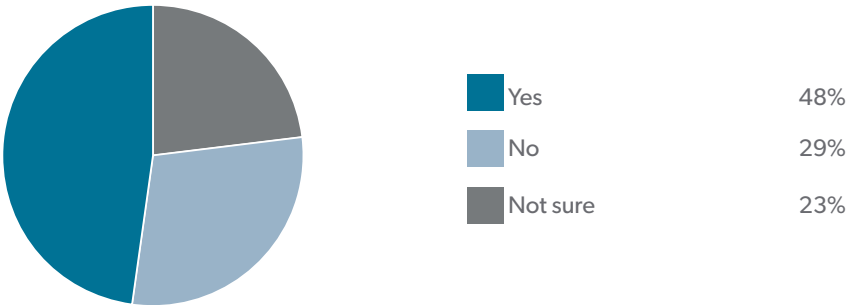
Figure 18: In respect of your primary organisation, does your business have in place clear KPIs to measure ESG targets?



Source: IoD Ireland Director Sentiment Monitor Q4 2021.

The scale of the challenge in relation to setting KPIs for ESG targets, however, may lie in our research finding that almost half (48%) of the business leaders reveal that their business has found it difficult to set realistic KPIs in order to effectively measure ESG targets. Adding to the challenge is our finding that over a third (36%) of respondents admit that the board of their primary organisation does not feel sufficiently knowledgeable and informed to deal with ESG matters, even though 45% feel that they are knowledgeable and informed enough.

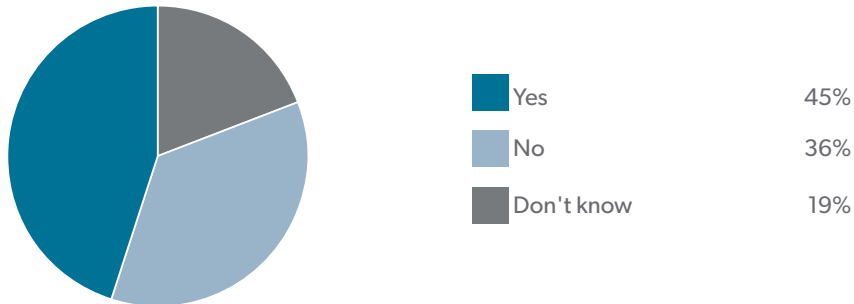
Figure 19: In respect of your primary organisation, did your business find it difficult to set realistic KPIs in order to effectively measure ESG targets?



Source: IoD Ireland Director Sentiment Monitor Q4 2021.

Business Challenges

Figure 20: In respect of your primary organisation, does the board feel sufficiently knowledgeable and informed to deal with ESG matters?



Source: IoD Ireland Director Sentiment Monitor Q4 2021.

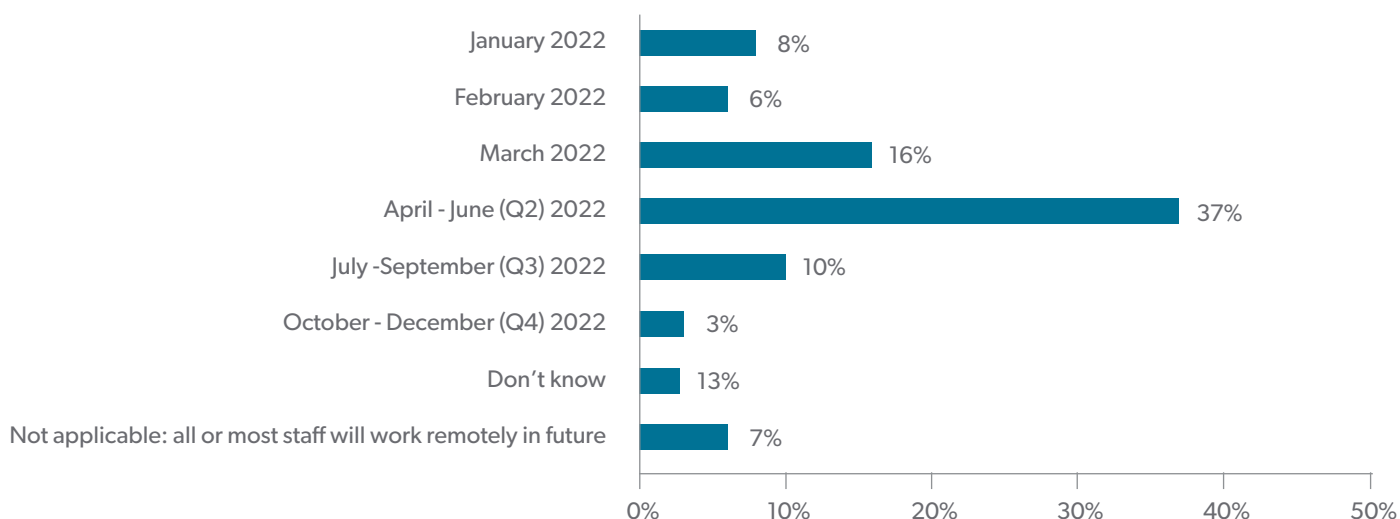
Business Challenges

Return to Office/Workplace

In our Director Sentiment Monitor research for Q3 2021, a majority of respondents (57%) saw the period from the end of September 2021 through to December 2021 (essentially, Q4 2021) as the period when the majority of staff would be back in the office/workplace. Furthermore, 33% believed it would be Q1 2022 when they would see the majority of staff being back in the office/workplace.

However, with the spread of the Delta and Omicron variants of COVID-19 during the autumn, and public health advice to continue remote working where possible, the picture has changed in our Q4 research. The largest cohort of respondents (37%) believe that it will be Q2 2022 when the majority of staff are back in the office/workplace. 30% believe it will be sometime in Q1 2022, while 10% believe it will be in Q3 2022.

Figure 21: In respect of your primary organisation, and in view of the deteriorating public health situation and possible further restrictions, when do you foresee the majority of staff being in the office/workplace by?



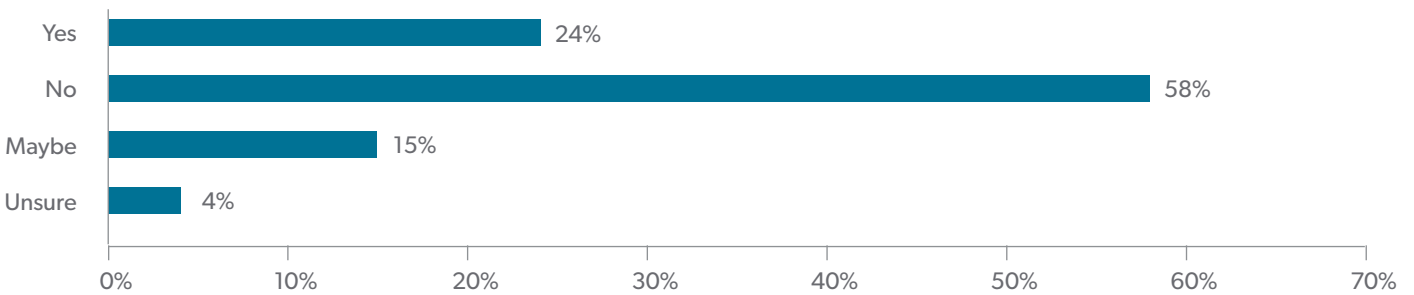
Source: IoD Ireland Director Sentiment Monitor Q4 2021.

Governance

Appeal of Serving on Boards

It is noteworthy that almost a quarter of our respondents believes that the appeal of serving on boards has declined in recent years. Of that cohort, 26% feel that 'impending and future increased regulation/legislation' is the biggest single issue that has impacted on their decreased willingness to serve on boards, followed by the 'current level of regulation/legislation' (18%) and 'potential impact on my personal reputation' (also, 18%), and 'increased level of personal commitment for preparation and attendance at board meetings' (12%).

Figure 22: For you as a director, has the appeal of serving on boards declined in recent years?



Source: IoD Ireland Director Sentiment Monitor Q4 2021.

Figure 23: Those who replied 'Yes' to the previous question were then asked: What do you feel is the biggest single issue that has impacted on your decreased willingness to serve on boards?



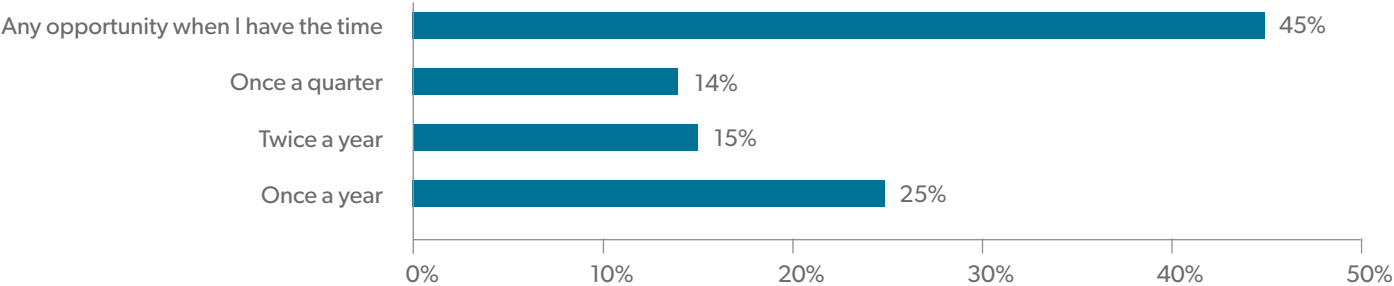
Source: IoD Ireland Director Sentiment Monitor Q4 2021.

Governance

Knowledge and Training

The commitment of being a director is substantial, not least on one's time. So, it is no surprise that 45% of respondents selected the option 'any opportunity when I have the time' when asked, 'How often do you update your governance/regulatory knowledge through training, webinars, factsheets, etc, to ensure you are up to date with the latest requirements of being a board director?'. However, over a quarter of the respondents chose the 'once a year' option.

Figure 24: How often do you update your governance/regulatory knowledge through training, webinars, factsheets, etc, to ensure you are up to date with the latest requirements of being a board director?



Source: IoD Ireland Director Sentiment Monitor Q4 2021.



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