



INSTITUTE OF DIRECTORS
IN IRELAND

Director Sentiment Monitor

Quarterly Members' Survey
2020



The Institute of Directors in Ireland

The Institute of Directors (IoD) in Ireland is a dynamic network with over 3,000 members drawn from companies large and small in the private, public and not-for-profit sectors. As the foremost 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 key 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 quarter of 2020 will surely be remembered as one of the most extraordinary periods of our lives. As our society grapples with the multitude of issues relating to the safety of public health, the business community has faced challenges unlike any other. The technological, logistical and, indeed, psychological challenges presented by the mass mobilisation of employers and employees into remote working, and all within a matter of weeks, has been exceptional, efficient and effective in the face of the COVID-19 pandemic. Tough decisions have had to be taken by executive and non-executive directors alike to try and keep their organisations in business and/or mitigate the damage. The external environment beyond our borders has been similarly impacted, with massive ramifications for global trade and the movement of people, goods and services.

The findings of our latest quarterly Director Sentiment Monitor (DSM), for Q1 2020, are all the more startling, then, for the almost seismic decline in business confidence from the previous quarter. After last year closed on a more optimistic note compared to previous quarters, as reflected in our DSM results for Q4 2019, we looked forward to 2020, notwithstanding the looming General Election and the EU-UK 'Brexit' trade talks. Our members were mindful of key issues such as the availability of talent and the impact of high rents and a shortage of housing stock on recruitment, insurance costs, carbon taxes, and more.

Few foresaw the incredibly rapid spread of this novel coronavirus across the globe in a matter of months, the dramatic consequences it would have, and the reprioritisation and reorganisation involved.

Self-preservation, the welfare of family and friends, and the wider community, have leapt to the fore.

The world is 'taking time out' to focus on containing and managing, if not eliminating, COVID-19. As we move from Q1 into Q2 2020, contemplation, learning and appreciation are the order of the day. Whatever shape the 'new normal' will take, as senior business leaders, IoD members will have a key role in restarting the economy, recalibrating the way people work and define 'work', and in imbuing our country with renewed trust and optimism.

The more significant results in this Q1 2020 survey can be seen as a marker, 'a low' for business sentiment, from which we may navigate our way safely and successfully from these uncharted waters.

Stay safe.

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

Demographics

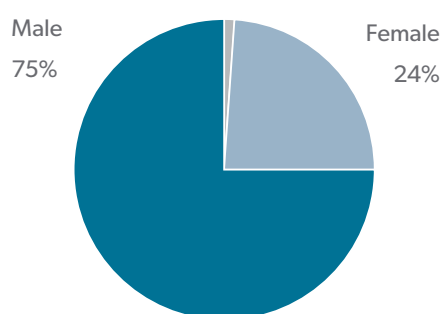
The Q1 2020 Director Sentiment Monitor had 349 respondents. In addition, 65% of the respondents are current board members, with the remainder in senior executive roles. The survey was issued to all IoD members, with a link to the online survey, and was carried out during the time period 18th March - 26th March 2020.

For the purposes of comparison, data from previous IoD Ireland quarterly surveys in 2019 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.

Gender

The gender breakdown of respondents is consistent with that of the last quarter, Q4 2019. The Q1 2020 survey had 75% of respondents who were male and 24% who were female. (1% of respondents replied 'Prefer not to say'.)

Figure 1: Gender of respondents

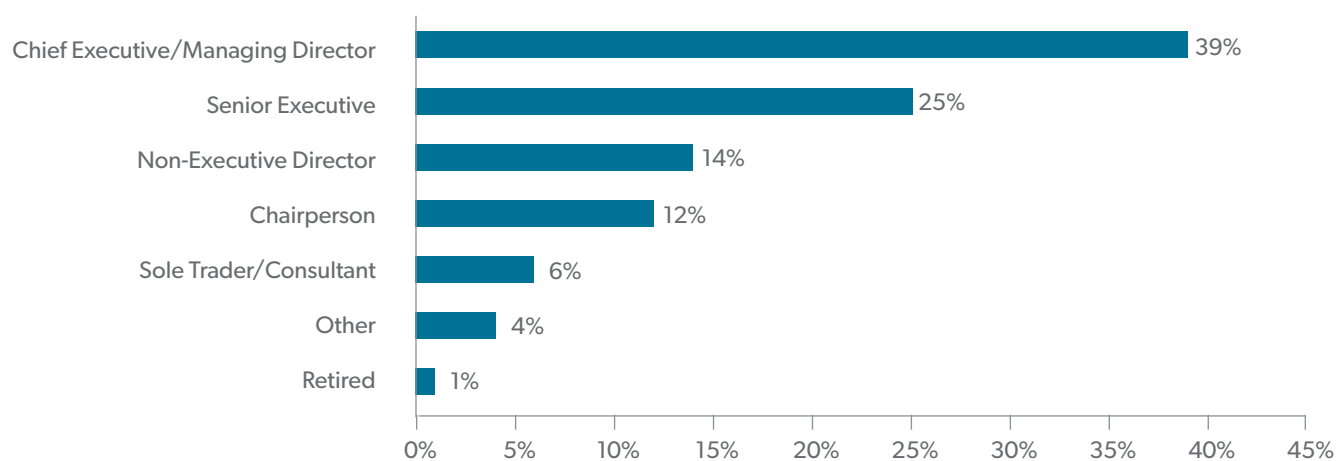


Source: IoD Ireland Director Sentiment Monitor Q1 2020

Role/Position

The role breakdown is also similar to Q4 2019. The respondents to the Q1 2020 survey hold the following roles/positions:

Figure 2: Breakdown of respondents by role/position



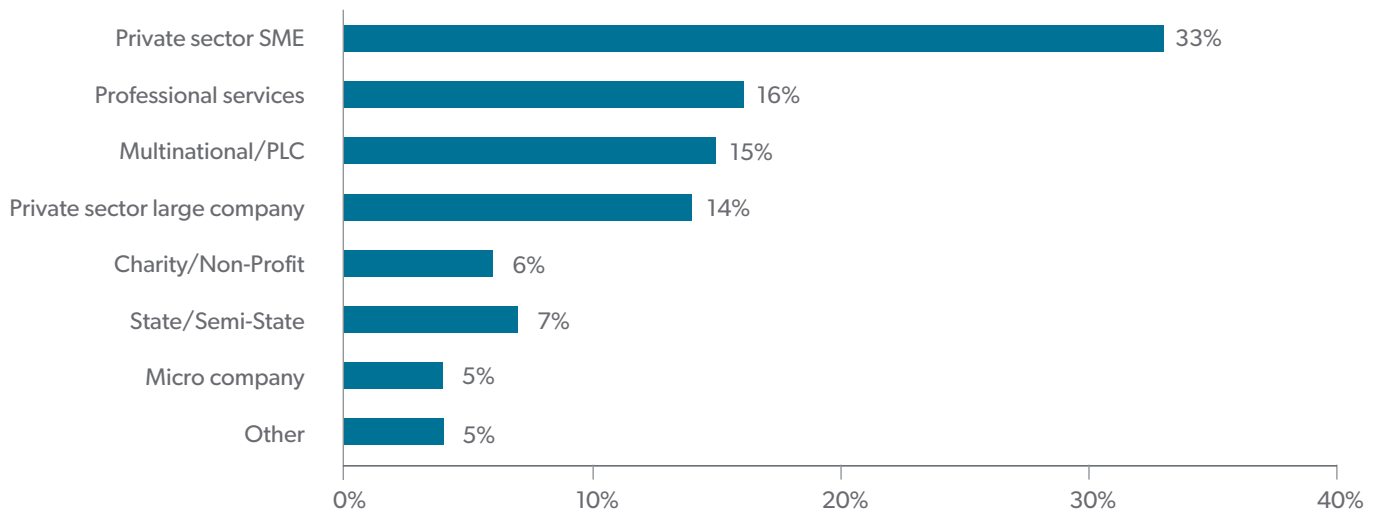
Source: IoD Ireland Director Sentiment Monitor Q1 2020

Demographics

Company Type

The respondents to the Q1 2020 survey represent the following types of companies:

Figure 3: Breakdown of respondents by company type

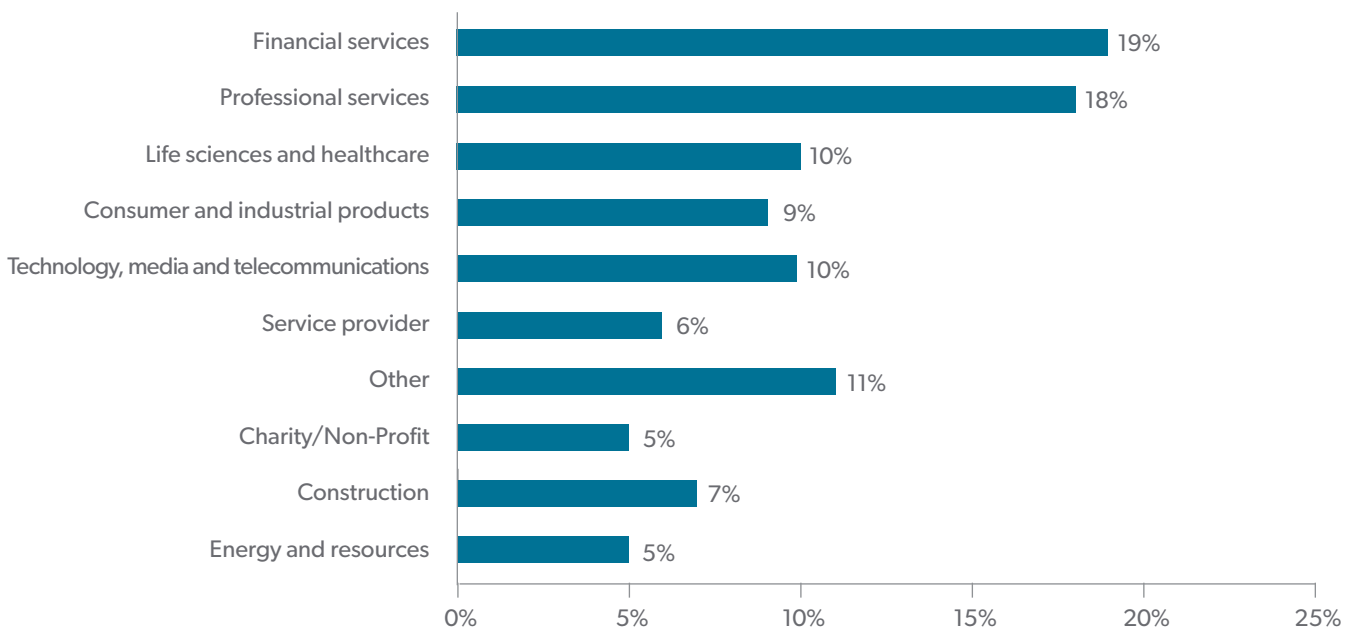


Source: IoD Ireland Director Sentiment Monitor Q1 2020

Industry Sector

The respondents to the Q1 2020 survey operate in the following types of sectors:

Figure 4: Breakdown of respondents by industry sector



Source: IoD Ireland Director Sentiment Monitor Q1 2020

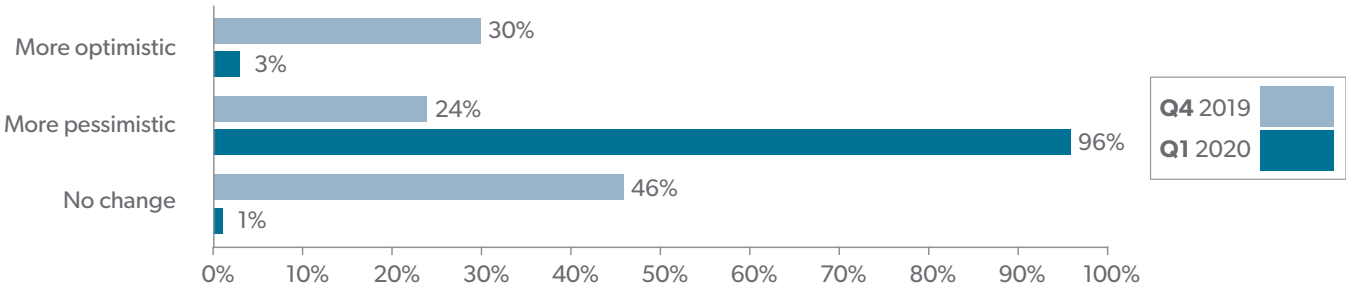
COVID-19: Impact

Business Confidence and the Economy

The seismic change in sentiment in Q1 2020 as a result of the impact of COVID-19 is nowhere more evident than when business leaders are asked how they feel about the prospects for the Irish economy.

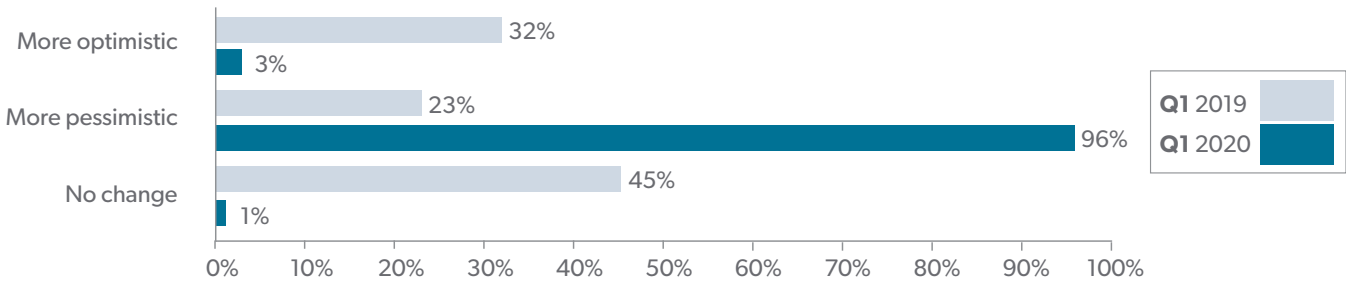
- 96% of directors are 'more pessimistic' in respect of the Irish economy in Q1 2020 compared to just 24% in Q4 2019 and 23% in the same quarter, Q1, in 2019.
- When asked how they felt about the Irish economy in Q1 2020 versus Q4 2019, just 3% said they are 'more optimistic'. This was 30% in Q4 2019 and 32% for the same quarter, Q1, in 2019.
- In Q1 2020, just 1% of business leaders believe there will be 'no change' compared to 46% in Q4 2019.

Figure 5: Business confidence in the Irish economy in Q1 2020 compared to Q4 2019



Source: IoD Ireland Director Sentiment Monitor Q1 2020

Figure 6: Business confidence in the Irish economy in Q1 2020 compared to Q1 2019



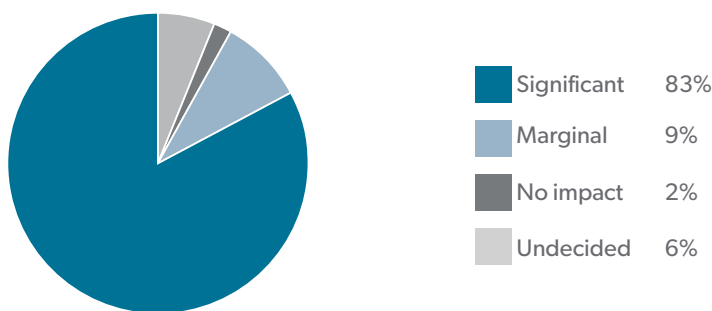
Source: IoD Ireland Director Sentiment Monitor Q1 2020

COVID-19: Impact

Bottom Line

Organisations in all sectors of the economy have had to address the enormous challenges sparked by the arrival of COVID-19. Within just a couple of weeks of its presence on our shores, 83% of business leaders rated as 'significant' the potential impact of COVID-19 on their organisation's bottom line for the year 2020, with just 9% rating its impact as 'marginal'.

Figure 7: How would you rate the potential impact of the coronavirus COVID-19 on your organisation's bottom line for the year 2020?

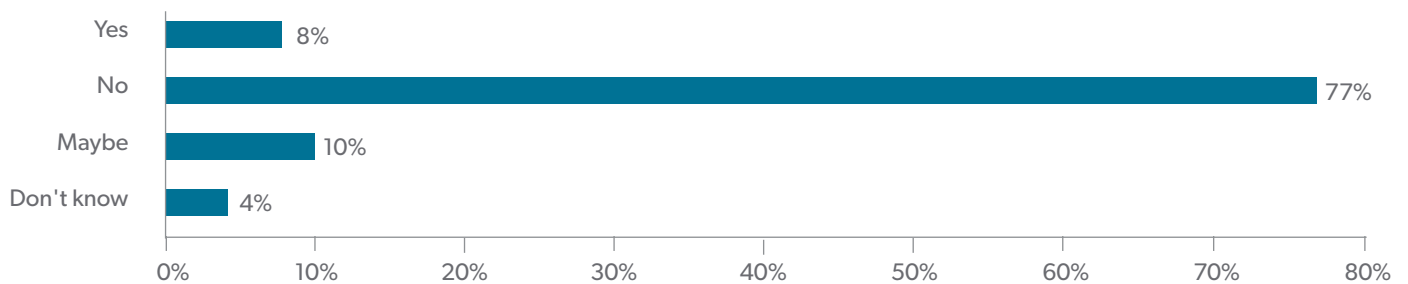


Source: IoD Ireland Director Sentiment Monitor Q1 2020

Financial Performance

Reflecting the return to slightly more optimistic notes after a mid-year slump, 60% of business leaders in Q4 2019 believed that the financial performance of their primary organisation would improve in 2020. In Q1 2020, however, the shutters have well and truly come down on that think of light with 77% of respondents believing that the financial performance of their primary organisation will not improve in 2020. Just 8% believe it will improve.

Figure 8: Do you think that the financial performance of your primary organisation will improve in 2020?



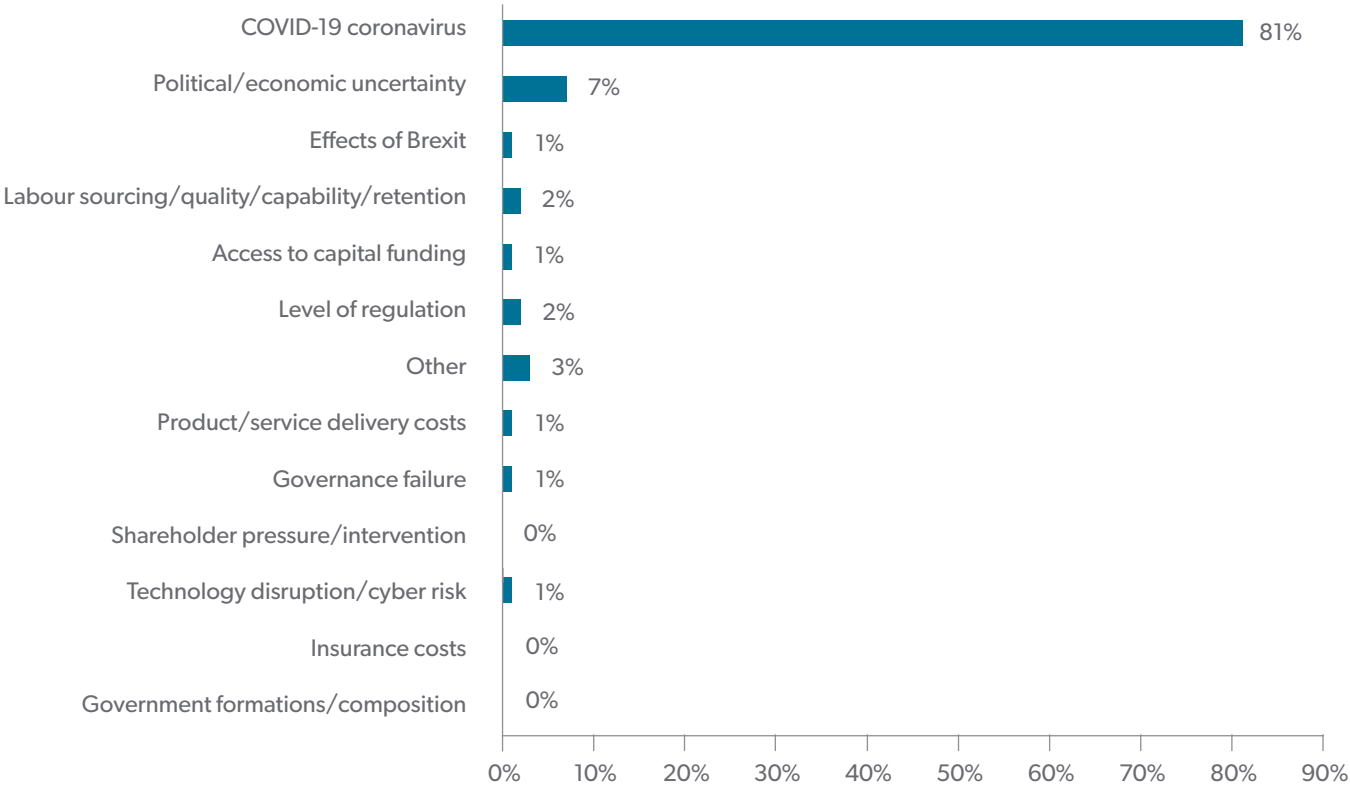
Source: IoD Ireland Director Sentiment Monitor Q1 2020

COVID-19: Impact

Risk Factors

81% of business leaders believe that COVID-19 is now the 'biggest risk' facing their organisation. This compares with the 'effects of Brexit' (22%), 'political/economic uncertainty' (21%), and 'labour sourcing' (20%), which were the key findings in Q4 2019. The fact that many of the other risks listed have almost disappeared off our respondents' agendas illustrates quite clearly the enormous impact of COVID-19.

Figure 9: The single biggest risk respondents say is facing their organisation at present



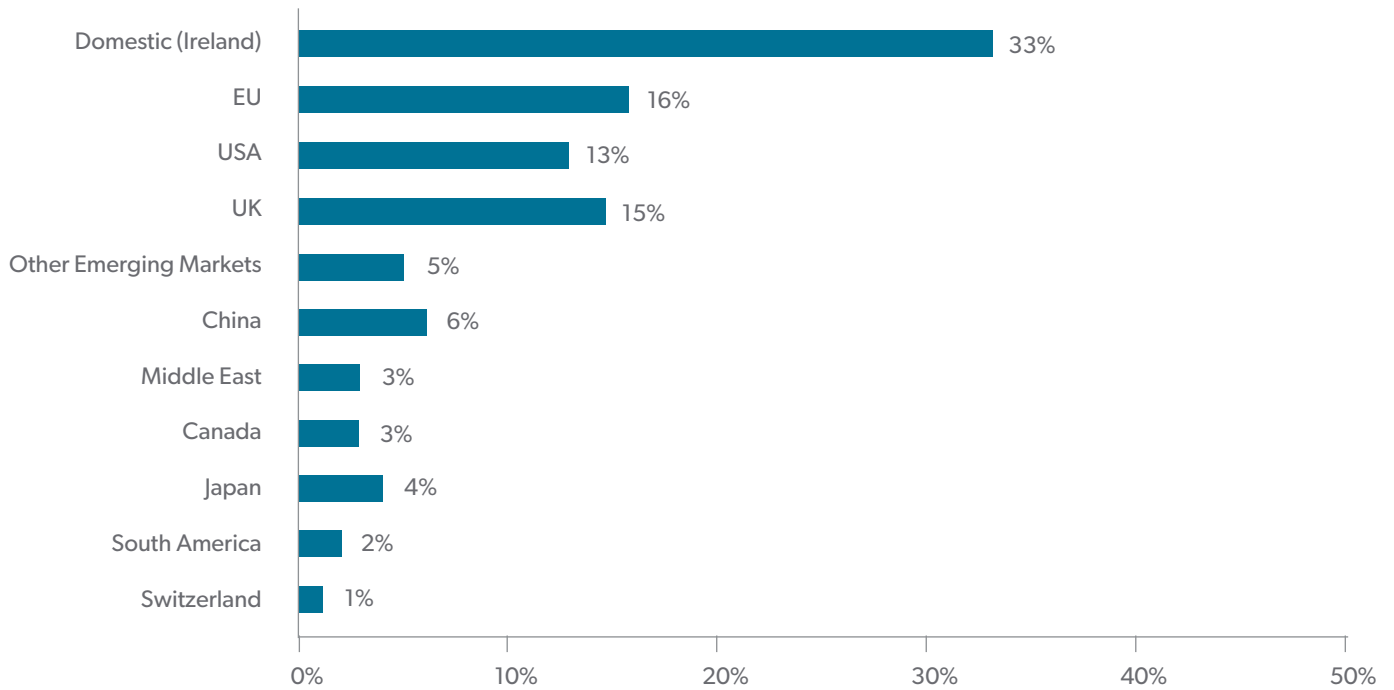
Source: IoD Ireland Director Sentiment Monitor Q1 2020

COVID-19: Impact

Market Growth

Given the COVID-19 crisis and its impact on domestic and overseas markets, anticipated opportunities for growth seem grounded in the new reality, with the numbers down across the board since Q4 2019. Where the domestic market figured highly for 71% of respondents in Q4 2019, that is now down to 33% in Q1 2020. Where the EU was in second place in Q4 2019 for 38% of IoD members, it has now fallen to 16%. Similarly, the UK is down from 30% in Q4 2019 to 15% in Q1 2020, while the USA is down from 22% in Q4 2019 to 13% in Q1 2020. All markets listed are down, on average, by 53% since Q4 2019.

Figure 10: In respect of your primary organisation, in which markets do you anticipate opportunities for growth in 2020?



Source: IoD Ireland Director Sentiment Monitor Q1 2020

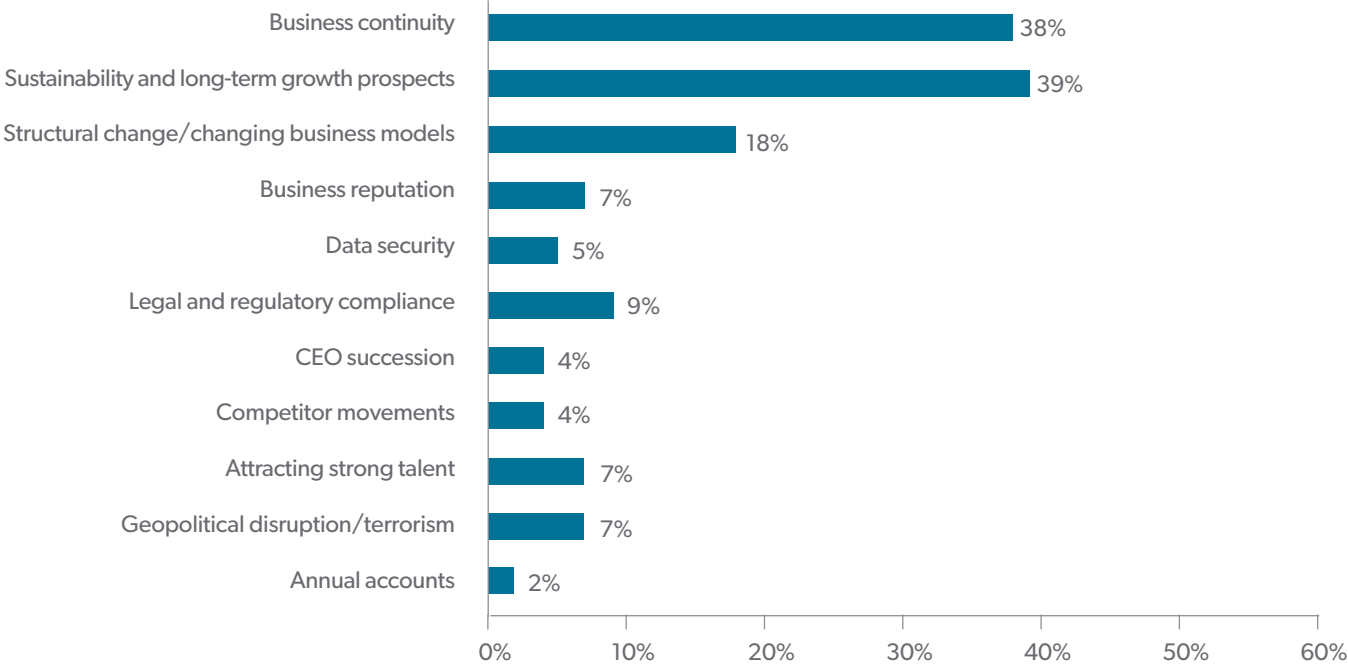
COVID-19: Impact

What 'Keeps You Awake at Night'?

Business continuity has been a significant challenge for many organisations grappling with the impact of COVID-19 and this is reflected in our Q1 2020 survey.

- When asked, 'What keeps you awake at night?', 38% of business leaders said 'business continuity' while, also, 39% said 'sustainability and long-term growth'.
- The prioritisation of 'business continuity', in particular, has seen issues like 'attracting strong talent' fall from 28% in Q4 2019 to just 7% in Q1 2020 and 'legal and regulatory compliance' drop from 21% in Q1 2020 to 9% in Q4 2019. Similarly, many of the other issues listed have decreased several percentage points against the looming threat and essential reprioritisations in the face of COVID-19.

Figure 11: What are the main issues that 'keep you awake at night'?



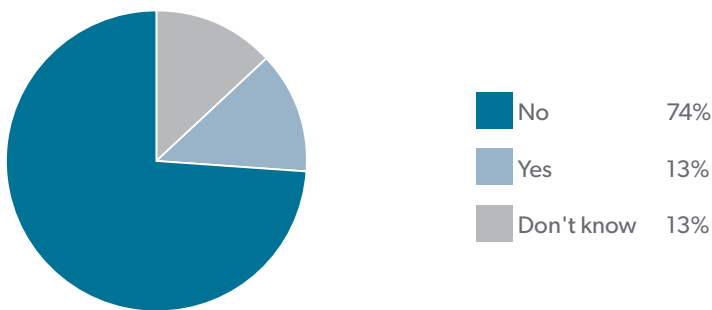
Source: IoD Ireland Director Sentiment Monitor Q1 2020

Brexit

EU-UK Trade Deal

Perhaps also reflecting the impact of COVID-19 on governmental priorities, global trade and diplomatic travel, it should come as no surprise that there is little optimism concerning the EU-UK trade negotiations reaching a successful outcome by year's end - quite apart from all the other important issues involved in the future relationship. In fact, 74% of our respondents believe there is no chance of an agreement in this calendar year.

Figure 12: Do you think the EU and the UK can reach a trade deal before the end of the transition period in December 2020?



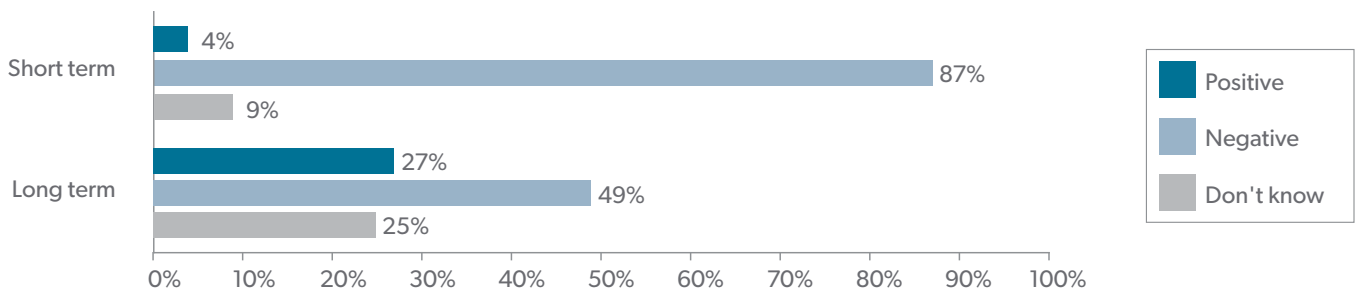
Source: IoD Ireland Director Sentiment Monitor Q1 2020

Brexit and the Irish Economy

87% of business leaders in Q1 2020 believe that Brexit's impact on the Irish economy will be negative in the short-term (this figure was 89% in Q1 2019, 92% in Q2 2019, 96% in Q3 2019 and 88% in Q4 2019). Furthermore, 49% believe it will be negative in the long term (this figure was 56% in Q1 2019, 58% in Q2 2019, 55% in Q3 2019 and 47% in Q4 2019).

Looking year on year, the most significant adjustment is reflected in the long-term view of Brexit's impact. In Q1 2019, 56% of business leaders believed that Brexit's long-term impact on the Irish economy would be negative compared to 49% in Q1 2020.

Figure 13: Respondents' views in Q1 2020 of the likely impact of Brexit on the Irish economy



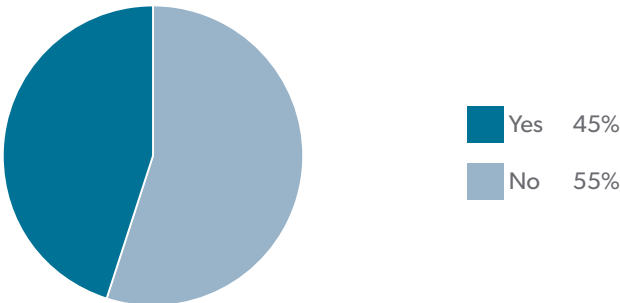
Source: IoD Ireland Director Sentiment Monitor Q1 2020

Brexit

Strategic Planning

There has been a fall of 21% from Q4 2019 (66%) to Q1 2020 (45%) in the number of respondents who say that the continued Brexit uncertainty has impacted their organisation’s strategic planning while, similarly, there has been a 21% rise in the number of IoD members who believe it has not (34% in Q4 2019 to 55% to Q1 2020).

Figure 14: Has continued Brexit uncertainty impacted your organisation’s strategic planning?

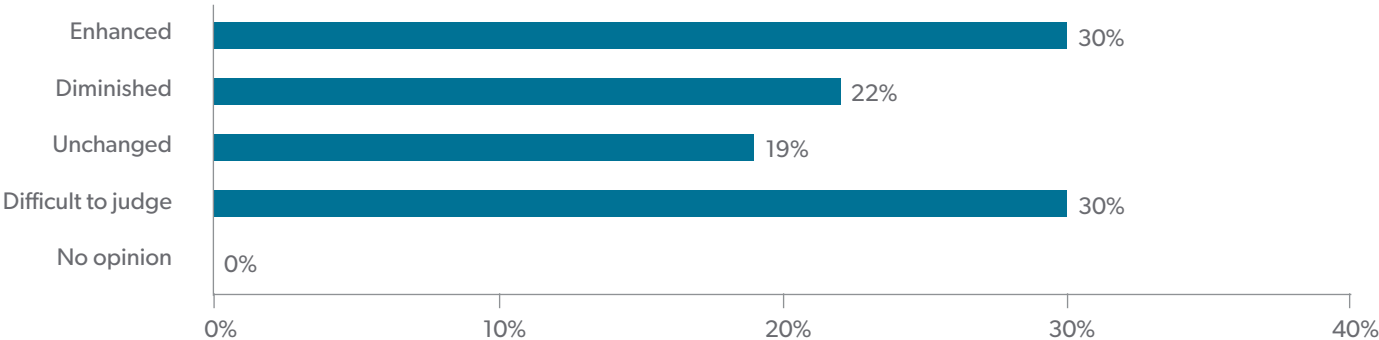


Source: IoD Ireland Director Sentiment Monitor Q1 2020

Ireland-EU Relations

While 30% of business leaders in this survey believe it is difficult to judge how the UK’s departure will impact Ireland’s status in the EU, 8% more respondents (30%) feel it will be enhanced than diminished (22%). This is a notable decrease of 9% from Q4 2019 when 39% felt it would be enhanced rather than diminished (20%).

Figure 15: Ireland’s status in the EU post-Brexit will be:



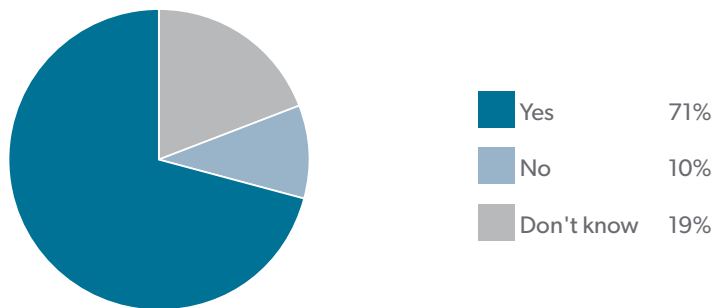
Source: IoD Ireland Director Sentiment Monitor Q1 2020

Key Issues

OECD Tax Reform

Whether or not the Organisation for Economic Co-operation and Development (OECD) tax reform talks proceed as scheduled in June, it is an area with potentially significant ramifications for Ireland. In Q1 2020, 71% of IoD members believe the potential outcome of the talks could present a threat to Ireland's competitiveness, with 10% believing they don't, and 19% saying they don't know if the potential outcome could present a threat.

Figure 16: Do you think the potential outcome of the upcoming taxation reform talks in June could present a threat to Ireland's competitiveness?



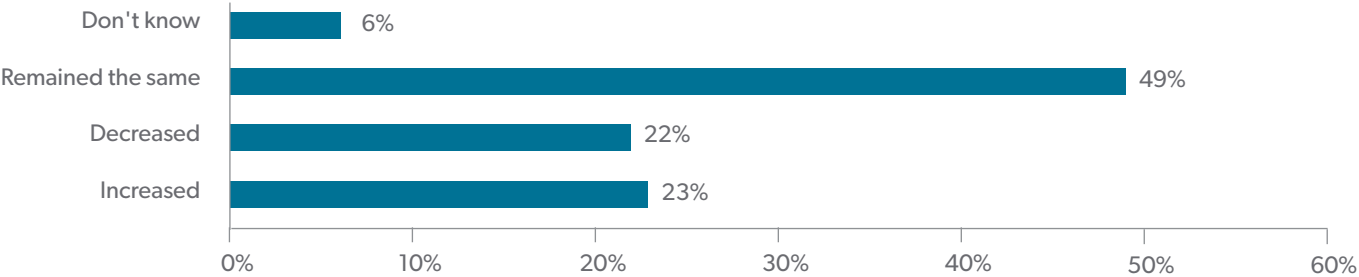
Source: IoD Ireland Director Sentiment Monitor Q1 2020

Key Issues

Talent

On the issue of the availability of talent for their business in Q1 2020, 23% believe it has increased, up from just 8% in Q4 2019, while 22% believe it has decreased, a considerable improvement on 48% in Q4 2019. Notably, 49% say it has stayed the same as the previous quarter. This means that 72% of respondents believe that the availability of talent has increased or remained the same in Q1 2020 compared to 48% in Q4 2019.

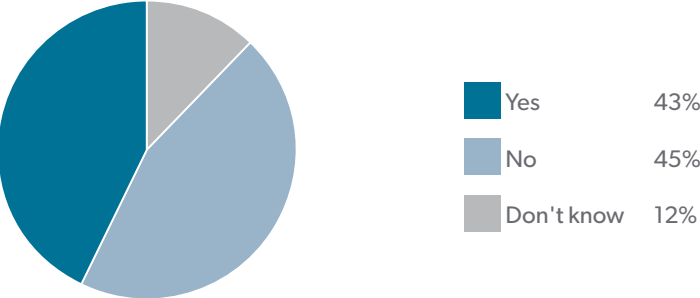
Figure 17: Do you believe that the availability of talent for your business increased or decreased in Q1 2020?



Source: IoD Ireland Director Sentiment Monitor Q1 2020

Furthermore, 43% of respondents in Q1 2020 say the lack of supply of housing and/or affordable rents is impacting their ability to attract talent. This is a decrease of 13% from the last occasion we asked this question, in Q2 2019. On the other hand, 45% of respondents say the lack of supply of housing and/or affordable rents is not impacting their ability to attract talent, an improvement on the 33% that said so in Q2 2019.

Figure 18: Is the lack of supply of housing and/or affordable rents impacting your ability to attract talent?



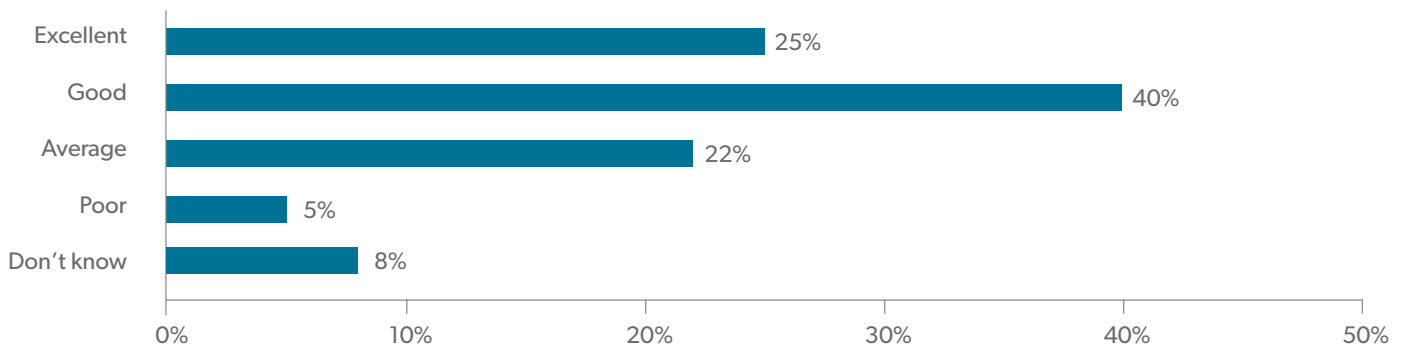
Source: IoD Ireland Director Sentiment Monitor Q1 2020

Key Issues

Gender Pay Gap

The Gender Pay Gap Information Bill, published in April 2019, is expected to become law in 2020 although that, too, may be subject to delay due to the uncertainties surrounding the impact of COVID-19 and government formation. Once enacted, the Bill will amend the Employment Equality Acts 1998 to 2015 to require the Minister for Justice and Equality to make regulations requiring certain employers (initially, those with over 250 employees) to publish information relating to the gender pay gap in their organisations. There will also be an onus on employers to publish measures taken by them to eliminate or reduce the gender pay gap. Our survey finds a clear majority (65%) of business leaders in Q1 2020 who regard their level of preparedness for the impending legislation as good to excellent, which is exactly the same as in Q4 2019.

Figure 19: How would you describe the level of preparedness of your primary organisation for the impact of the gender pay gap legislation?



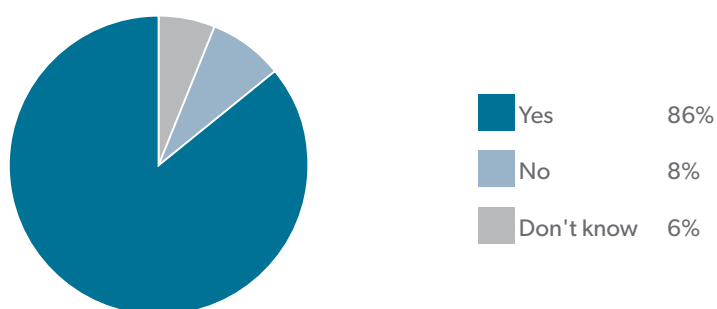
Source: IoD Ireland Director Sentiment Monitor Q1 2020

Governance

Sustainability

Following the findings of our Director Sentiment Monitor survey for Q3 2019, in which a majority, 61%, of business leaders indicated that their primary organisation has a sustainability programme or policy in place, an even larger majority (86%) in Q1 2020 believes that the issue of sustainability should be a standing item on their board's agenda.

Figure 20: Do you agree that the issue of sustainability should be a regular standing item on your board's agenda?

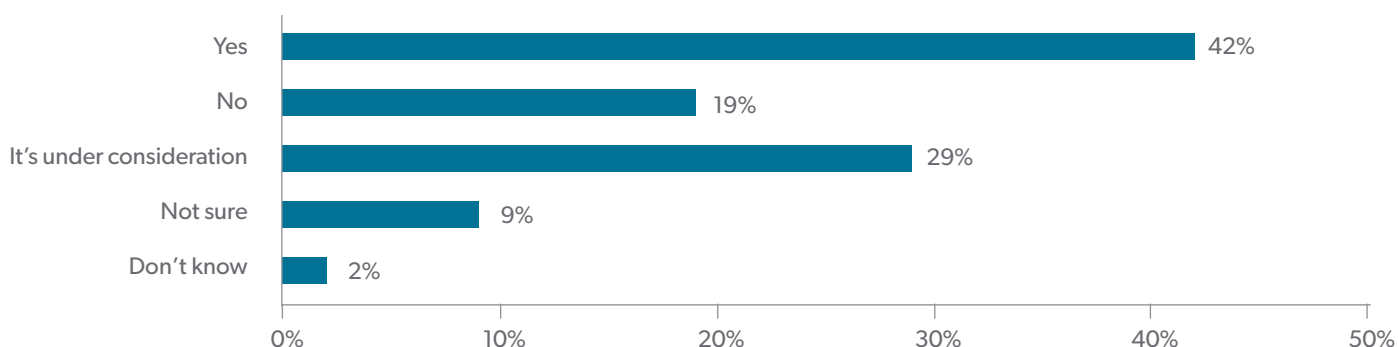


Source: IoD Ireland Director Sentiment Monitor Q1 2020

Responsibilities

This is a question where responses may have been impacted by the arrival of COVID-19, with a possible heightened awareness of the environment and, indeed, the communities in which people live and conduct business.

Figure 21: Do you think that your board needs to prioritise your organisation's social and environmental responsibilities in equal measure to its commercial responsibilities?



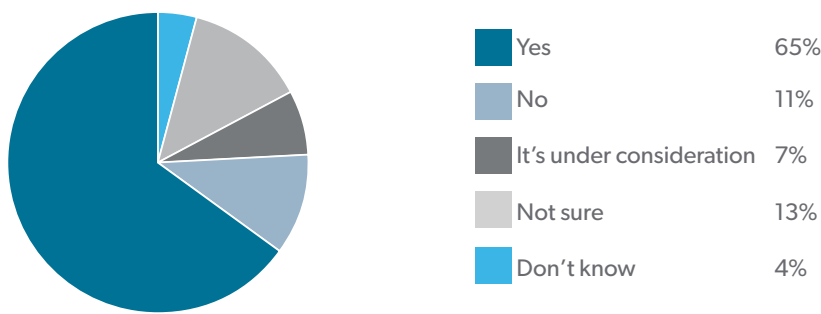
Source: IoD Ireland Director Sentiment Monitor Q1 2020

Governance

Senior Executive Remuneration

When asked if they believe that the increased focus by stakeholders and/or investors on Senior Executive remuneration will continue to be a feature and an increased area of governance oversight and reporting, a clear majority (65%) in Q1 2020 answered in the affirmative.

Figure 22: Do you believe that the increased focus by stakeholders and/or investors on Senior Executive remuneration will continue to be a feature and an increased area of governance oversight and reporting?

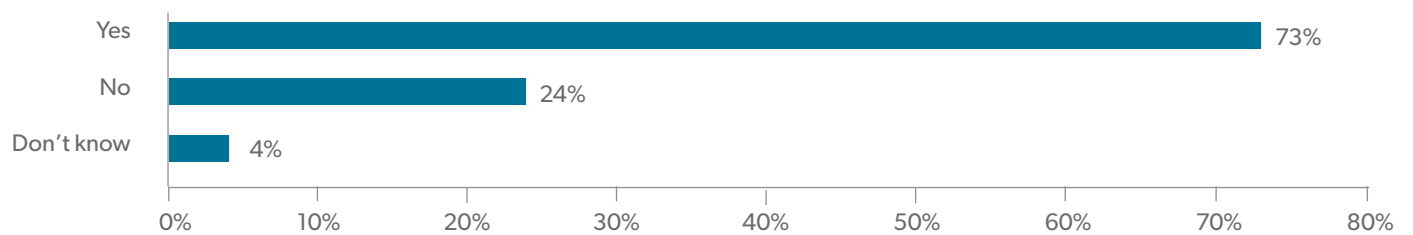


Source: IoD Ireland Director Sentiment Monitor Q1 2020

Oversight and Internal Controls

Key aspects of governance include oversight and internal controls. A substantial majority (73%) of respondents in Q1 2020 feels there has been an enhanced focus on this area in the past twelve months.

Figure 23: Has there been an enhanced focus on internal controls and oversight by your board during the past year?



Source: IoD Ireland Director Sentiment Monitor Q1 2020



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