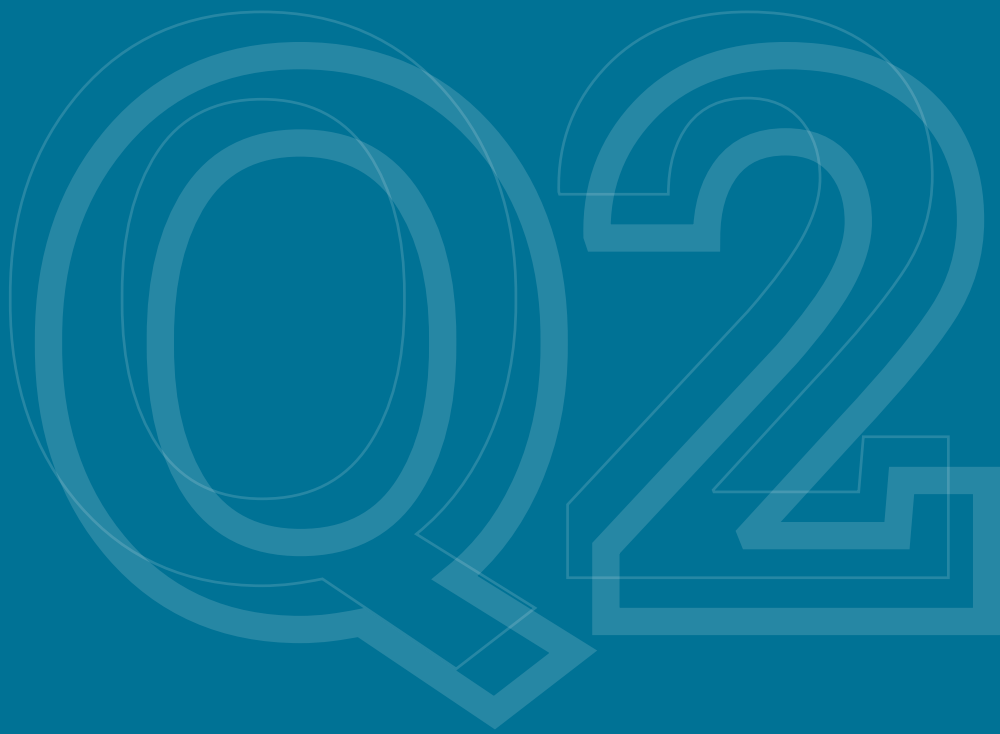




INSTITUTE OF DIRECTORS
IN IRELAND

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 3,000 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.

Contents

| | |
|---------------------------------------|-----------|
| Foreword | 4 |
| Demographics | 5 |
| Gender | 5 |
| Role/Position | 5 |
| Company Type | 6 |
| Industry Sector | 6 |
| COVID-19: Impact | 7 |
| Business Confidence and the Economy | 7 |
| Pandemic Legacy: Irish Business | 8 |
| Pandemic Legacy: Primary Organisation | 9 |
| Risk Factors | 10 |
| Surviving a 'Second Wave' | 11 |
| Market Growth | 12 |
| Return to Company Workplace: Barriers | 13 |
| Recruitment: Skills | 13 |
| Cash Flow | 14 |
| Debt | 15 |
| Bottom Line | 16 |
| Brexit | 17 |
| EU-UK Trade Deal | 17 |
| Brexit and the Irish Economy | 17 |

Foreword



The results from our Director Sentiment Monitor for Q2 2020 were never going to paint a pretty picture. It was the quarter where much of the economy either ground to a halt and/or adjusted to the new realities and ongoing uncertainties brought about by COVID-19.

Thankfully, the business of government continued in firefighting mode to help many businesses and employees cope with the national and international emergency, even as prolonged negotiations continued in the background to form a new Government. Now that there is a historic coalition - including Fine Gael, Fianna Fail and the Green Party - there is some certainty against which further stimulus packages can be implemented, monitored and adjusted for the benefit of those businesses and sectors they are intended to help. This is good news even as the threat of a 'second wave' of the coronavirus hangs over the economy and society. Vigilance and swift remedial actions will be the order of the day as we move forward.

In this, the second quarterly survey of a challenging year, IoD members have addressed issues such as financial performance, cash flow, debt, risk factors including the threat of a 'second wave' of COVID-19, the legacy of the pandemic, and the potential imminent return of some, or all, staff to the company workplace. I think you will find the results interesting and thought-provoking.

Thank you to all who took part in this latest IoD survey. We value your participation.

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

Demographics

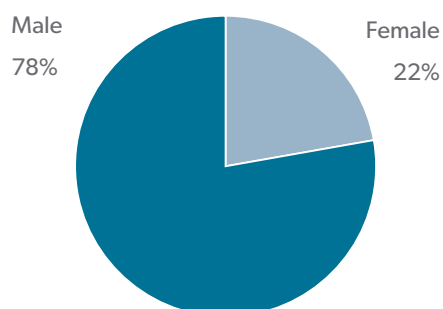
The Q2 2020 Director Sentiment Monitor had 306 respondents. In addition, 68% of the respondents are current board members, with the remainder in senior executive roles. The survey was issued to all IoD members, with a link to the online survey, and was carried out during the time period 1st July - 7th July 2020.

For the purposes of comparison, data from previous IoD Ireland quarterly surveys in 2020 and 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. 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 exception is for Figure 11, 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 Q2 2020 survey had 78% of respondents who were male and 22% who were female.

Figure 1: Gender of respondents

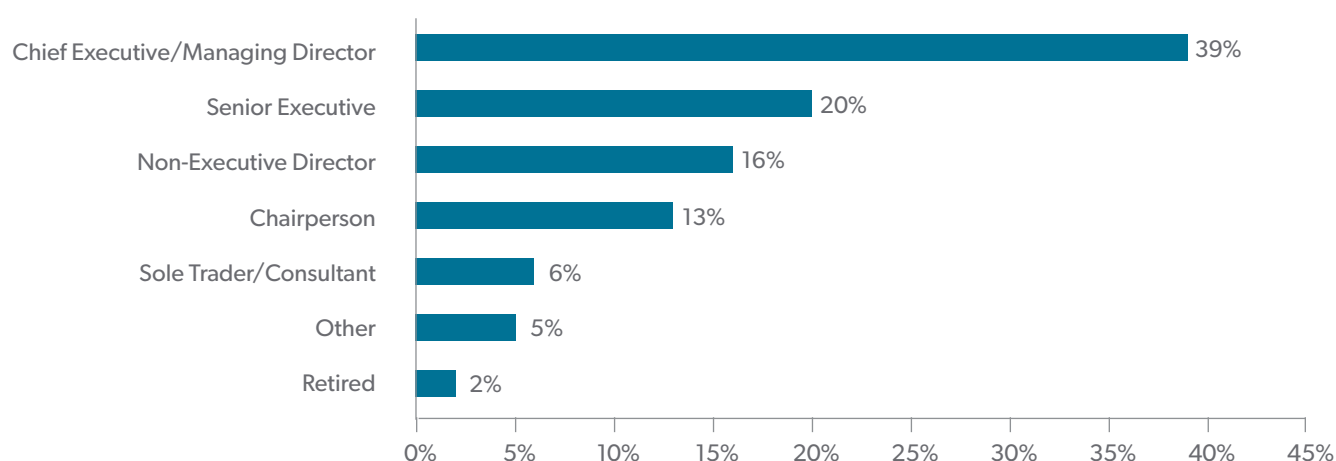


Source: IoD Ireland Director Sentiment Monitor Q2 2020

Role/Position

The role breakdown is also similar to Q2 2019. The respondents to the Q2 2020 survey hold the following roles/positions:

Figure 2: Breakdown of respondents by role/position



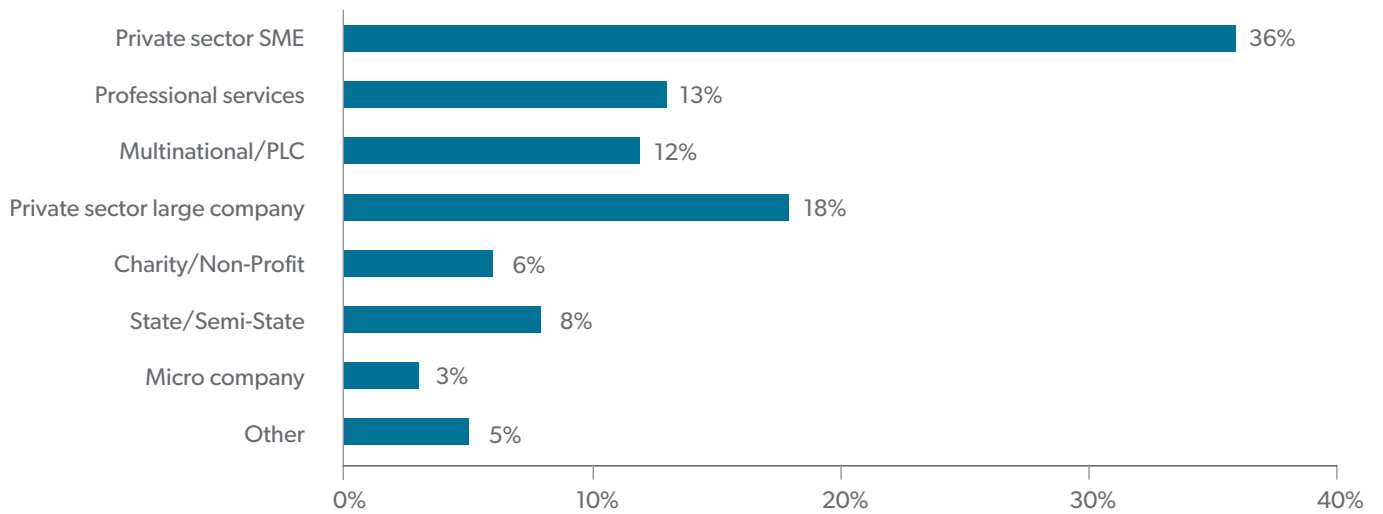
Source: IoD Ireland Director Sentiment Monitor Q2 2020

Demographics

Company Type

The respondents to the Q2 2020 survey represent the following types of companies:

Figure 3: Breakdown of respondents by company type

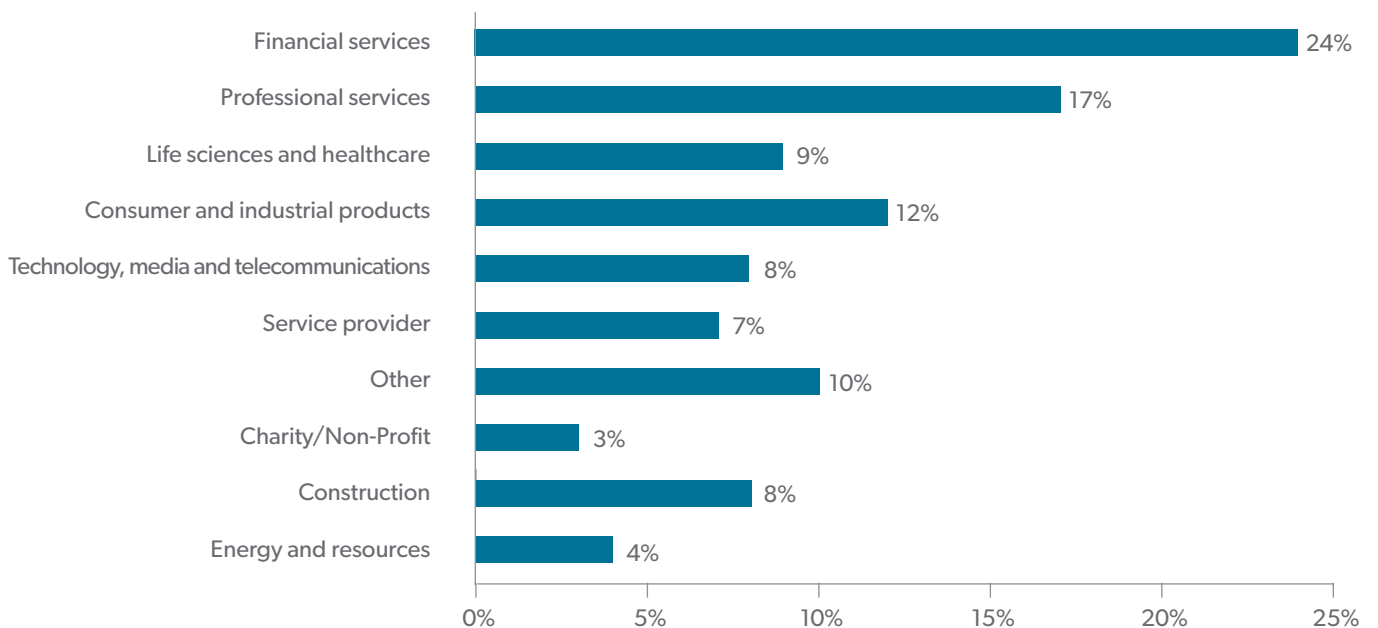


Source: IoD Ireland Director Sentiment Monitor Q2 2020

Industry Sector

The respondents to the Q2 2020 survey operate in the following types of sectors:

Figure 4: Breakdown of respondents by industry sector



Source: IoD Ireland Director Sentiment Monitor Q2 2020

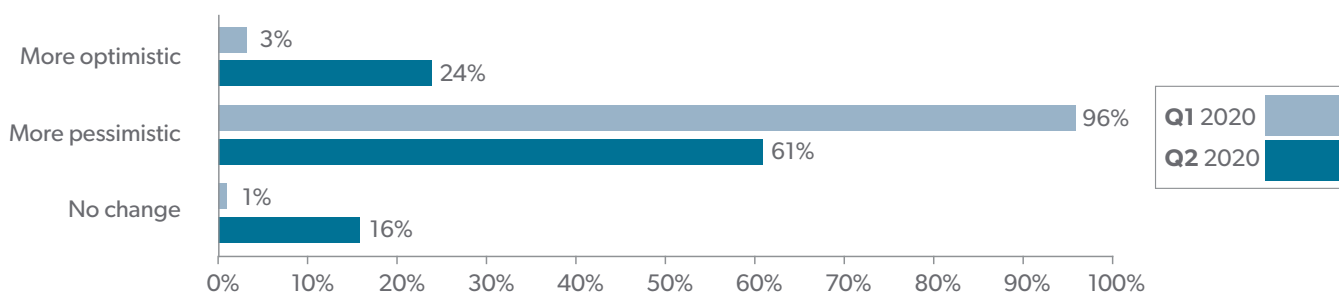
COVID-19: Impact

Business Confidence and the Economy

In Q1 2020, we saw a seismic change in sentiment as a result of the initial impact of COVID-19. At the end of this quarter, Q2, there is a slight return to a more positive outlook:

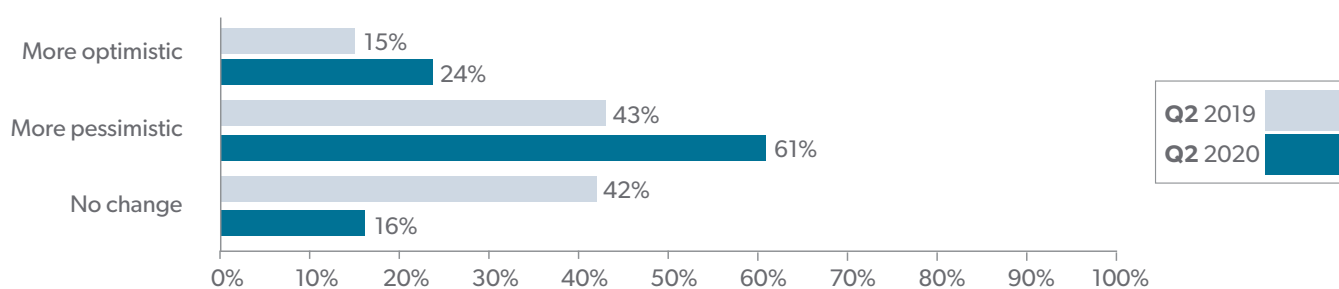
- 61% of directors are 'more pessimistic' in respect of the Irish economy in Q2 2020 compared to 96% in Q1 2020 and 43% in the same quarter, Q2, in 2019.
- When asked how they felt about the Irish economy in Q2 2020 versus Q1 2020, just 24% said they are 'more optimistic'. This was just 3% in Q1 2020 and 15% for the same quarter, Q2, in 2019.
- In Q2 2020, 16% of business leaders signified 'no change' in how they feel about the Irish economy in Q2 compared to just 1% in Q1 2020 and 42% in Q2 2019.

Figure 5: Business confidence in the Irish economy in Q2 2020 compared to Q1 2020



Source: IoD Ireland Director Sentiment Monitor Q2 2020

Figure 6: Business confidence in the Irish economy in Q2 2020 compared to Q2 2019



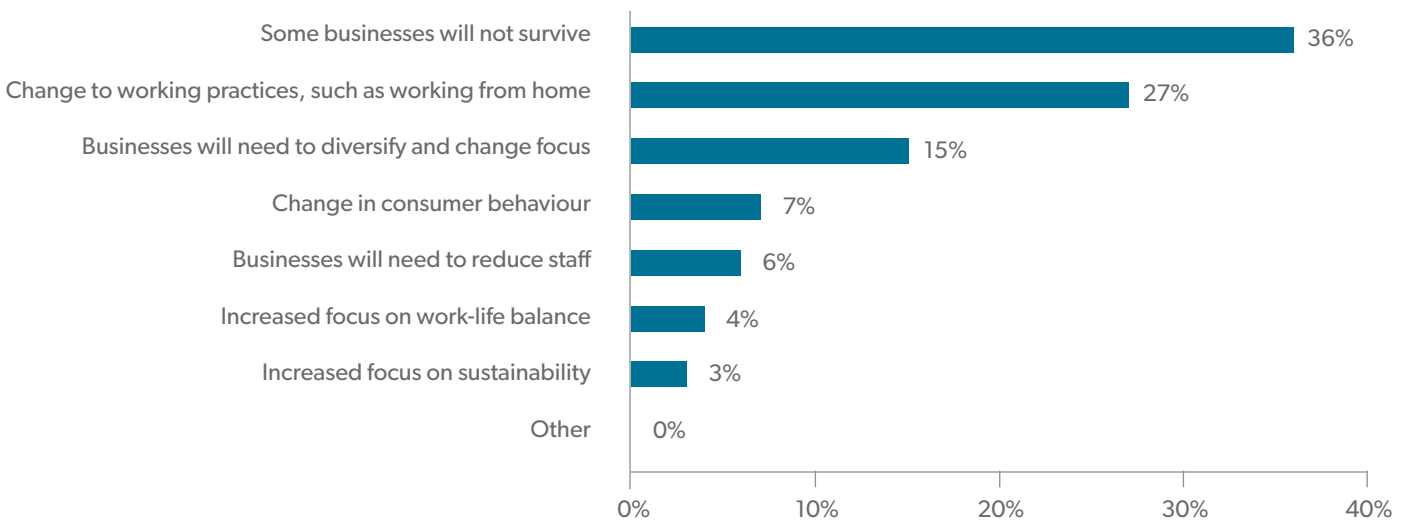
Source: IoD Ireland Director Sentiment Monitor Q2 2020

COVID-19: Impact

Pandemic Legacy: Irish Business

Few would dispute the reality that the impact of COVID-19 on Irish business has been considerable. It should be no surprise, then, that 36% of business leaders believe the primary legacy of the pandemic on Irish business will be the fact that some enterprises, sadly, will not survive. In addition, 27% believe changes to working practices, such as working from home, will also be a main legacy.

Figure 7: In respect of Irish business, in general, what do you think is the primary legacy of COVID-19?



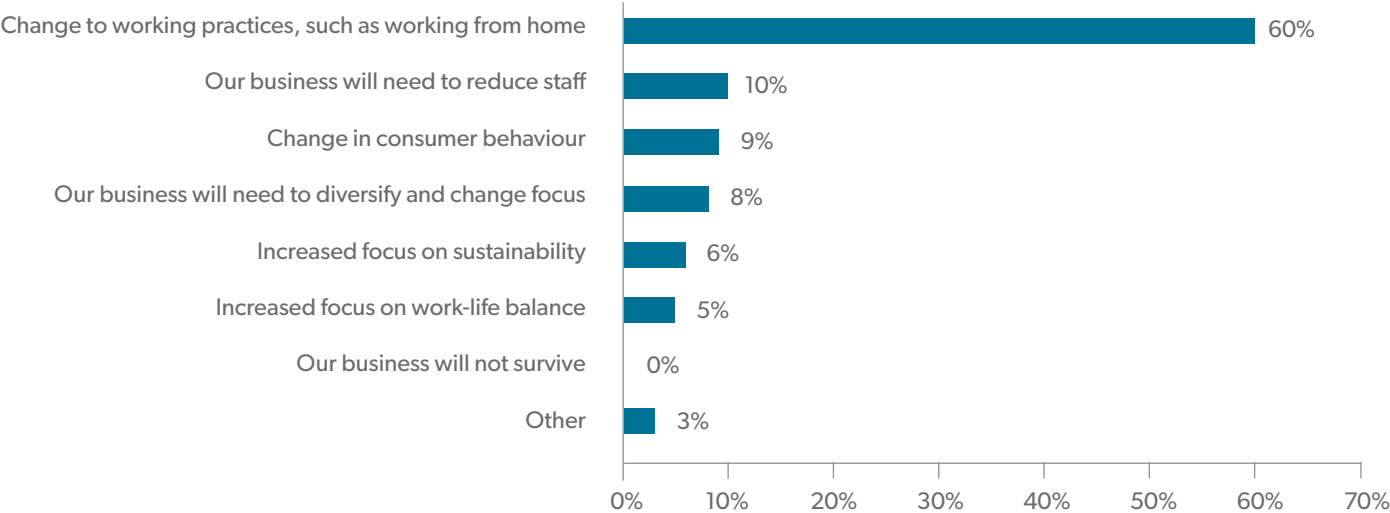
Source: IoD Ireland Director Sentiment Monitor Q2 2020

COVID-19: Impact

Pandemic Legacy: Primary Organisation

A majority of business leaders believe the primary legacy of COVID-19 on their primary organisation will be a change to working practices, such as working from home. Although it is still relatively early in terms of experiencing and visioning the overall impact of pandemic, the passing of time may yet increase the numbers of respondents who see the main legacy of the coronavirus as being the need to reduce staff (currently 10%), diversify and change focus (8%) and/or address change in consumer behaviour (9%), amongst other factors.

Figure 8: In respect of your primary organisation, and from the list below, what do you think is the primary legacy to date of COVID-19?



Source: IoD Ireland Director Sentiment Monitor Q2 2020

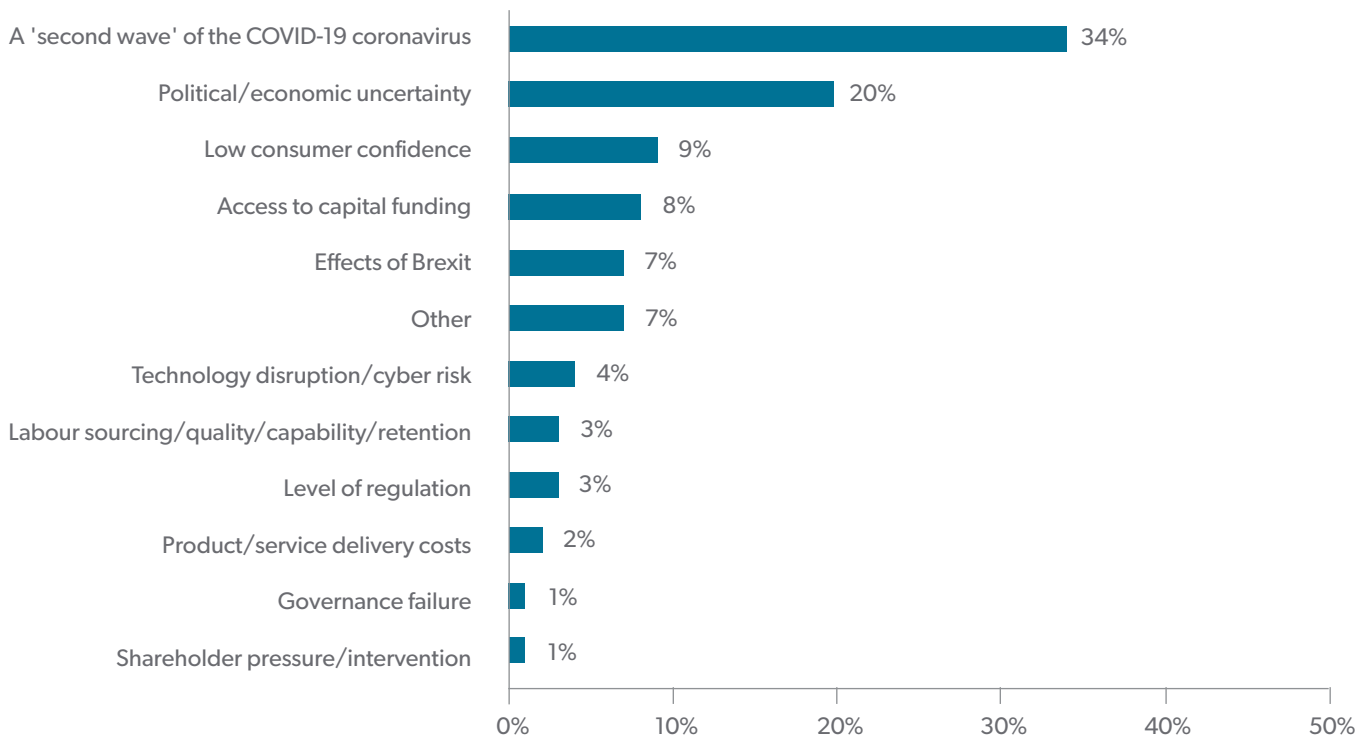
COVID-19: Impact

Risk Factors

At the end of Q1 2020, 81% of business leaders believed that COVID-19 was the 'biggest risk' facing their organisation. However, by the end of Q2 and the easing of the Government's restrictions, the 'biggest risk' they foresee is a 'second wave' of COVID-19 (34%). This is followed by 'Political/economic uncertainty' on 20%, a factor that has increased from 7% in Q1, and 'Access to capital/funding' on 8%, an increase from 1% in Q2. Interestingly, given the concerns over a recession, 'Low consumer confidence' is felt by 9% of our respondents to be a significant risk factor for their organisations.

The fact that many of the other risks listed have almost disappeared off our respondents' agendas again illustrates the enormous impact of COVID-19.

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



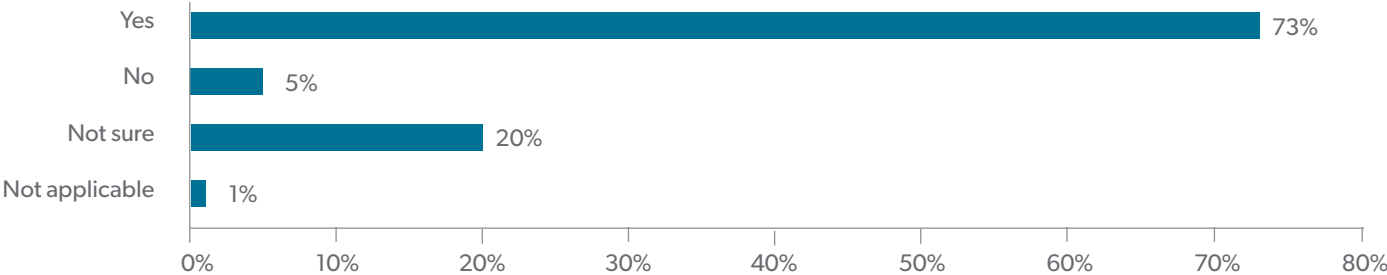
Source: IoD Ireland Director Sentiment Monitor Q2 2020

COVID-19: Impact

Surviving a 'Second Wave'

Amid all the uncertainty created as a result of COVID-19, it is reassuring that the business leaders who responded to our survey feel confident that their own business would survive a so-called 'second wave' of the pandemic and another partial or full lockdown (73%).

Figure 10: In respect of your primary organisation, would your business survive a 'second wave' of COVID-19 and another partial or full lockdown?



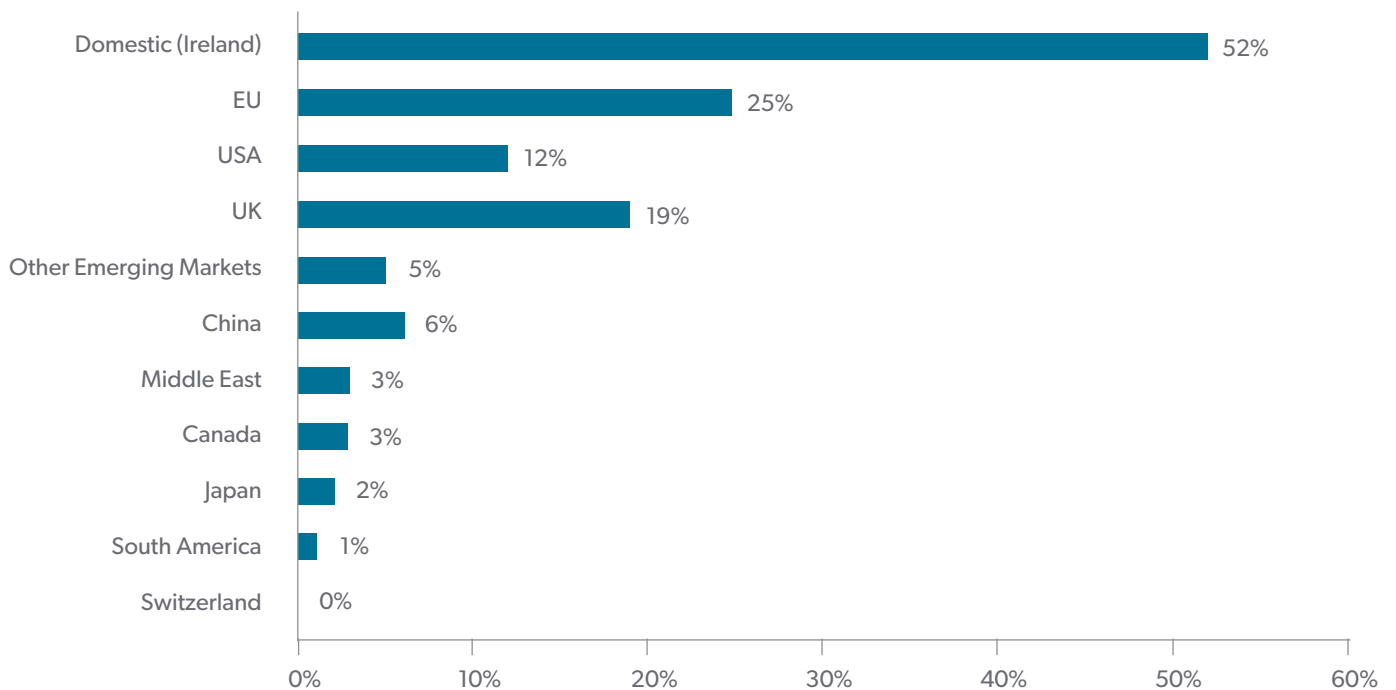
Source: IoD Ireland Director Sentiment Monitor Q2 2020

COVID-19: Impact

Market Growth

Given the COVID-19 crisis and its impact on domestic and overseas markets, market growth numbers down across the board since Q4 2019. Where the domestic market figured highly for 71% of respondents in Q4 2019, that was down to 33% in Q1 2020 but has recovered somewhat in Q2 2020 at 52%. Where the EU was in second place in Q4 2019 for 38% of IoD members, it fell to 16% in Q1 2020 but has increased to 25% in Q2 2020. Similarly, the UK is down from 30% in Q4 2019 to 15% in Q1 2020 but has also increased slightly to 19% in Q2 2020, while the USA is down from 22% in Q4 2019 to 13% in Q1 2020 and 12% in Q2 2020. (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 16% out of 100%. For this reason, the responses will not add up to 100%)

Figure 11: In respect of your primary organisation, in which markets do you anticipate opportunities for growth in 2020?



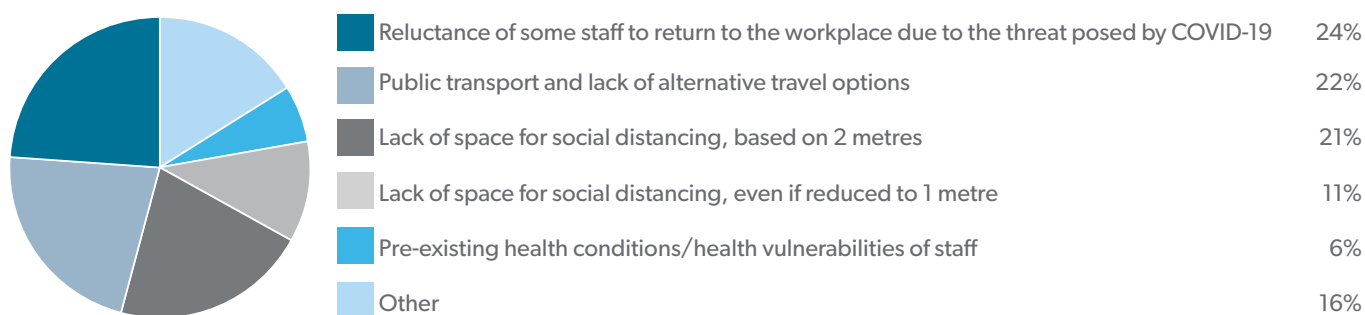
Source: IoD Ireland Director Sentiment Monitor Q2 2020

COVID-19: Impact

Return to Company Workplace: Barriers

At the end of Q2, many business leaders remained concerned about potential barriers to their workforces' return to the company workplace. Chief among these is a 'Reluctance of some staff to return to the workplace due to the threat posed by COVID-19', cited by almost a quarter of our respondents, followed closely by 'Public transport and lack of alternative travel options' (22%) and 'Lack of space for social distancing, based on 2 metres' (21%). It is interesting, too, that when the social distance was reduced by one metre in our question, there was a 10% drop compared to the two metre option.

Figure 12: In respect of your primary organisation, which is the biggest barrier that you anticipate for your workforce returning to the office/workplace?

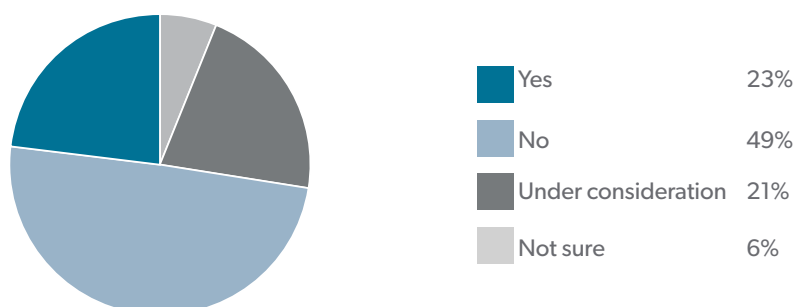


Source: IoD Ireland Director Sentiment Monitor Q2 2020

Recruitment: Skills

One of the key findings of our Q1 Director Sentiment Monitor survey was that 72% of respondents believed that the availability of talent had increased or remained the same in Q1 2020 compared to 48% in Q4 2019. Following this more positive early year finding, the harsh reality of the challenges brought by COVID-19 in Q2 saw many businesses having to adapt, and having to do so quite suddenly. In some cases, this has meant looking at their recruitment needs through a new lens. Indeed, 23% of business leaders say this has altered the type of skills they will be looking for in future candidates for key positions, with another 21% having it under consideration.

Figure 13: In respect of your primary organisation and its future recruitment, has Q2 2020 altered the type of skills you will be looking for in future candidates for key positions?



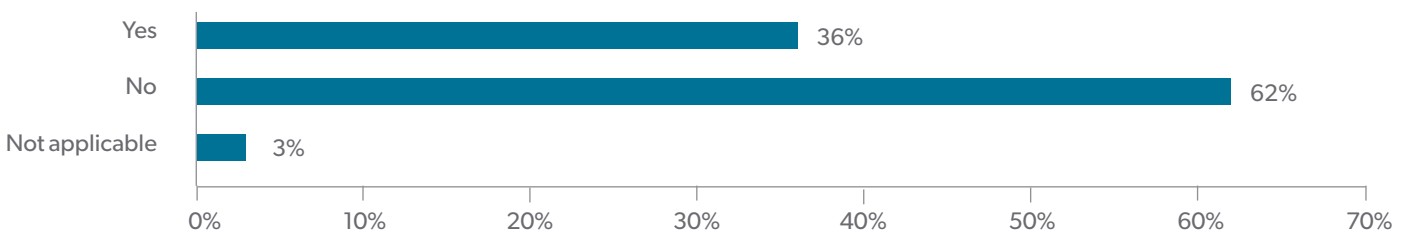
Source: IoD Ireland Director Sentiment Monitor Q2 2020

COVID-19: Impact

Cash Flow

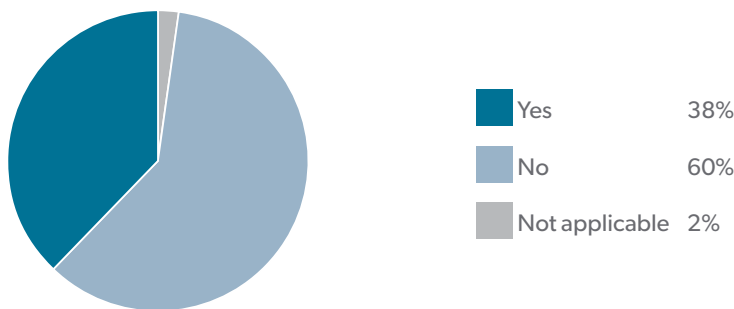
While a majority (62%) of business leaders say their primary organisation did not experience cash flow issues during the height of the pandemic in Q2, it is still significant that 36% say that they did. Furthermore, it is of no little consequence that 38% of our respondents foresee their primary organisation having cash flow issues for the rest of 2020.

Figure 14: Did your primary organisation experience cash flow issues in Q2?



Source: IoD Ireland Director Sentiment Monitor Q2 2020

Figure 15: Do you foresee your primary organisation having cash flow issues for the rest of 2020?



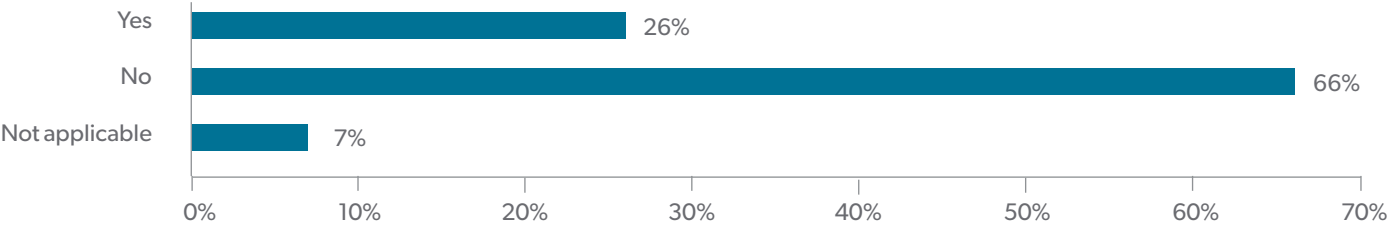
Source: IoD Ireland Director Sentiment Monitor Q2 2020

COVID-19: Impact

Debt

Perhaps unsurprisingly, over a quarter of business leaders say their primary organisation’s debt increased as a result of the pandemic.

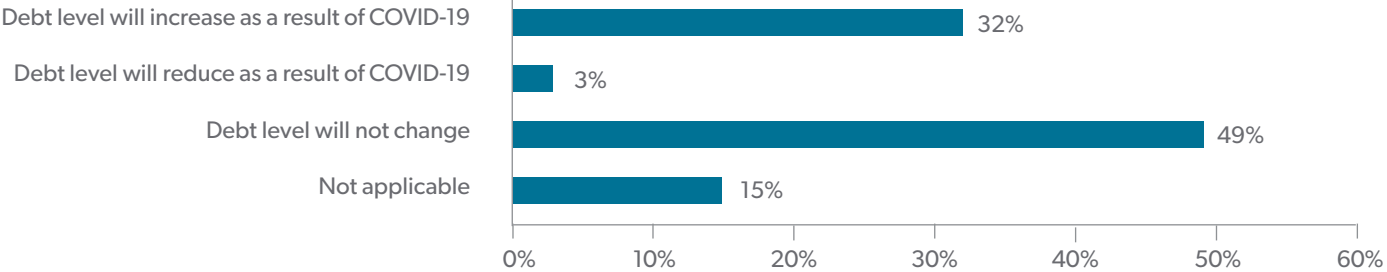
Figure 16: As a result of Covid-19, has your primary organisation’s debt increased?



Source: IoD Ireland Director Sentiment Monitor Q2 2020

Furthermore, of the 26% of business leaders that answered ‘yes’ to the previous question, 49% say their debt level will not change for the rest of 2020, while 32% believe it will increase. Just 3% think their organisation’s debt level will reduce.

Figure 17: For the rest of 2020, what statement is most likely for your primary organisation?



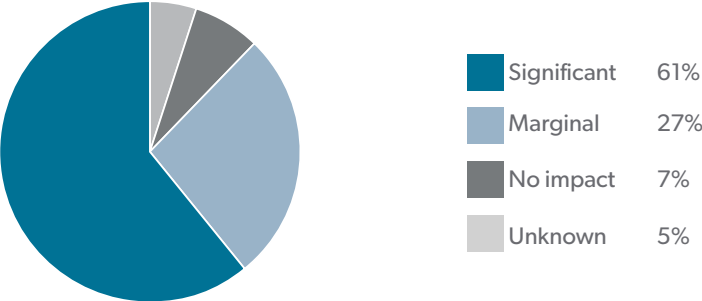
Source: IoD Ireland Director Sentiment Monitor Q2 2020

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 confirmed presence on our shores in the second month of Q1, 83% of business leaders rated as 'significant' the potential impact of COVID-19 on their organisation's bottom line for the year 2020. However, by the close of Q2 2020 when the country was in the process of a phased exit from the national lockdown, this had dropped to 61%, a decrease of 22%. In terms of those who felt the potential impact of COVID-19 would be 'marginal', this increased from 9% in Q1 2020 to 27% in Q2 2020.

Figure 18: How would you rate the potential impact of the coronavirus COVID-19 on your organisation's bottom line for the year 2020?



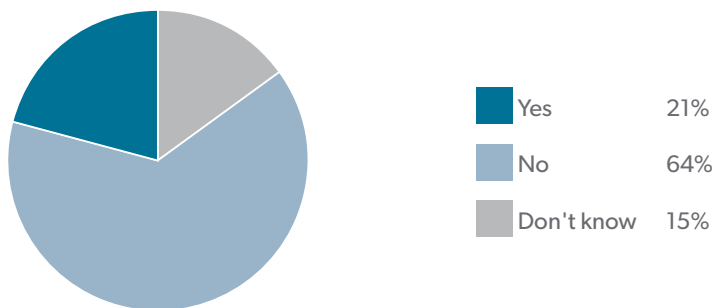
Source: IoD Ireland Director Sentiment Monitor Q2 2020

Brexit

EU-UK Trade Deal

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. That said, while 64% of our respondents believe an agreement is not possible in this calendar year, that is in fact a 10% decrease from Q1 2020 when the figure was 74%. Furthermore, there is an 8% increase in the number of respondents who believe there will be a trade deal by year's end, from 13% in Q1 2020 to 21% in Q2 2020. Those who say they 'Don't know' is similar quarter on quarter, from 13% in Q1 to 15% in Q2.

Figure 19: Do you think the EU and the UK can reach a trade deal before the end of the transition period in December 2020?

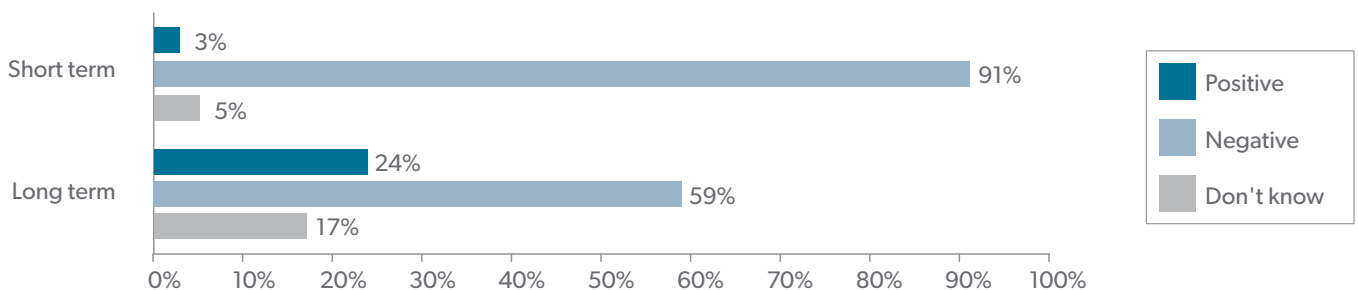


Source: IoD Ireland Director Sentiment Monitor Q2 2020

Brexit and the Irish Economy

91% of business leaders in Q2 2020 believe that Brexit's impact on the Irish economy will be negative in the short-term (this figure was 87% in Q1 2020 and 92% in Q2 2019). Furthermore, in Q2 2020, 59% believe it will be negative in the long term (an increase of 10% from 49% in Q1 2020 and close to the Q2 2019 figure at 58%). Looking year-on-year, the most significant adjustment is reflected in the long-term view of Brexit's impact. Reflecting the continuing uncertainty from our respondents' point of view, 17% in Q2 2020 say they 'Don't know' what Brexit's long-term impact on the Irish economy will be, which compares with 25% in Q1 2020 and 22% in Q2 2020. In addition, 5% say they 'Don't know' what its short-term impact will be, which compares with 9% in Q1 2020 and the same figure, 5%, in Q2 2020.

Figure 20: Respondents' views in Q2 2020 of the likely impact of Brexit on the Irish economy



Source: IoD Ireland Director Sentiment Monitor Q2 2020



INSTITUTE OF DIRECTORS
IN IRELAND

Institute of Directors in Ireland

Tel: +353 1 411 0010

Email: comms@iodireland.ie

www.iodireland.ie