



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.

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Foreword



The 'triple jeopardy' of Brexit, the US Presidential Election and COVID-19 has seen significant movement in recent weeks. The promising signs of vaccines to address the pandemic and the victory of former Vice-President Joe Biden in the US were welcome news for Irish business, with the possibility of a breakthrough in the post-Brexit trade talks still hovering in the balance.

As indicated by our members in this latest Director Sentiment Monitor for Q3 2020, 54% of members who responded to this survey believe that a resolution can be achieved and that a trade deal between the EU and the UK can be reached before the end of the transition period in December, which compares with just 13% who felt the same way in Q1 of this year. This increased optimism in Q3 is also affirmed by the 33% who believe the parties won't reach a trade deal before year's end, which is a significant drop from 74% in Q1 2020.

The continued uncertainty regarding the ways and means of working during the COVID-19 pandemic was still evident in Q3 2020, with the highest percentage, 26%, of our respondents believing the majority of their staff will be back in the company workplace by Q2 2021, and 23% believing it would be in Q3 2021. Interestingly, in a snap poll of our members conducted by IoD Ireland in September 2020, 12% of business leaders believed all staff would be working remotely by the end of 2020. This is consistent with the findings in this Q3 2020 survey, with 10% of our respondents believing that all or most staff will work remotely in future.

This year has been notable for the acceleration of the digital transformation of work. With the significant increase in remote working, data transfer and video conferencing so far this year, it is significant, then, that 43% of our Q3 survey respondents say their primary organisation's cyber security measures have increased and a further 35% say no new measures were required as their cyber security measures in place were already very strong. It is noteworthy, too, that 17% of our respondents say cyber security measures have not been increased, but need to be.

As we move ever closer to the end of the fourth quarter and the possible relaxation of the Government's public health restrictions for the forthcoming festive season, let us hope that the increased optimism in Q3 can be sustained through Q4 and into the new year.

Thank you to all who took part in this latest IoD survey.

Stay safe.

A handwritten signature in blue ink that reads "Maura Quinn".

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

Demographics

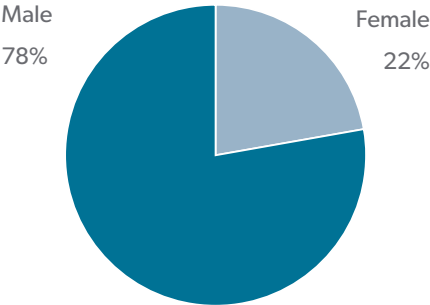
The Q3 2020 Director Sentiment Monitor had 323 respondents. In addition, 71% of the respondents are current board members, with the remainder in senior executive roles. The survey was issued to all IoD members, with a link to the online survey, and was carried out during the time period 16th - 27th October 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 Q3 2020 survey had 78% of respondents who were male and 22% who were female.

Figure 1: Gender of respondents

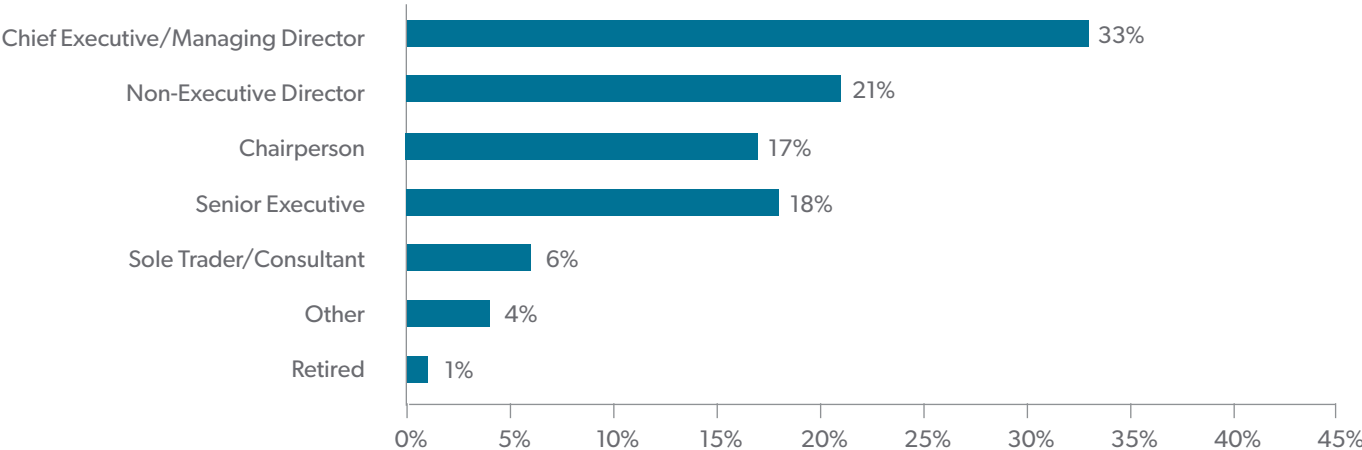


Source: IoD Ireland Director Sentiment Monitor Q3 2020.

Role/Position

The respondents to the Q3 2020 survey hold the following roles/positions:

Figure 2: Breakdown of respondents by role/position



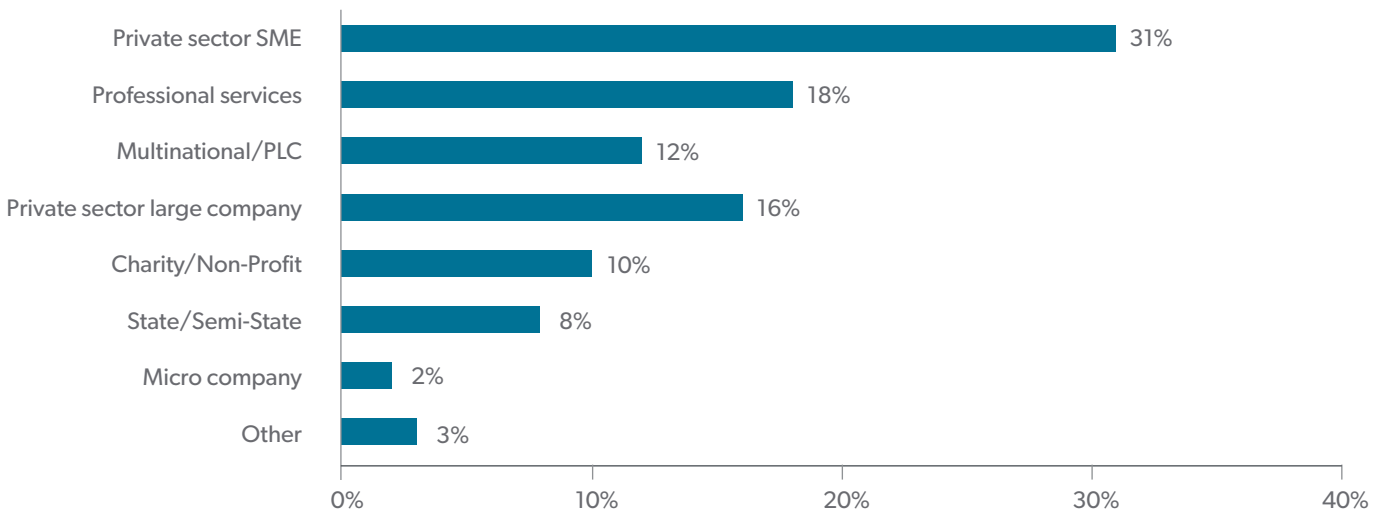
Source: IoD Ireland Director Sentiment Monitor Q3 2020.

Demographics

Company Type

The respondents to the Q3 2020 survey represent the following types of companies:

Figure 3: Breakdown of respondents by company type

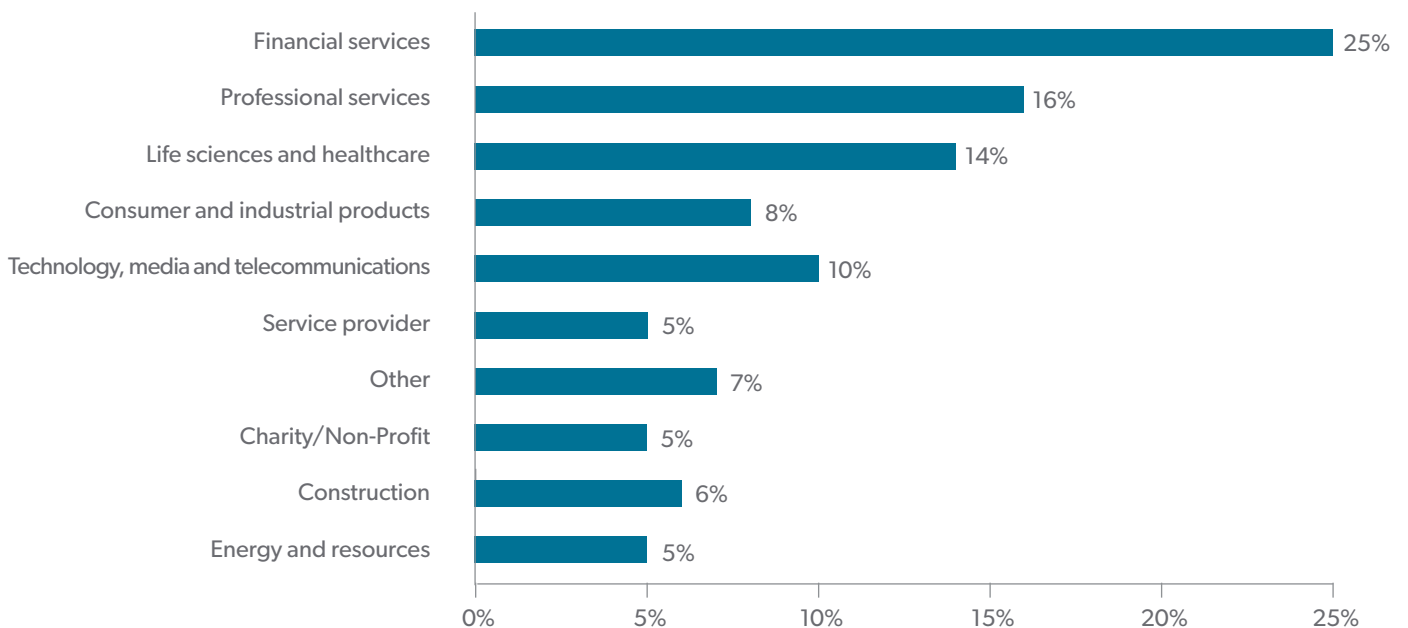


Source: IoD Ireland Director Sentiment Monitor Q3 2020.

Industry Sector

The respondents to the Q3 2020 survey operate in the following types of sectors:

Figure 4: Breakdown of respondents by industry sector



Source: IoD Ireland Director Sentiment Monitor Q3 2020.

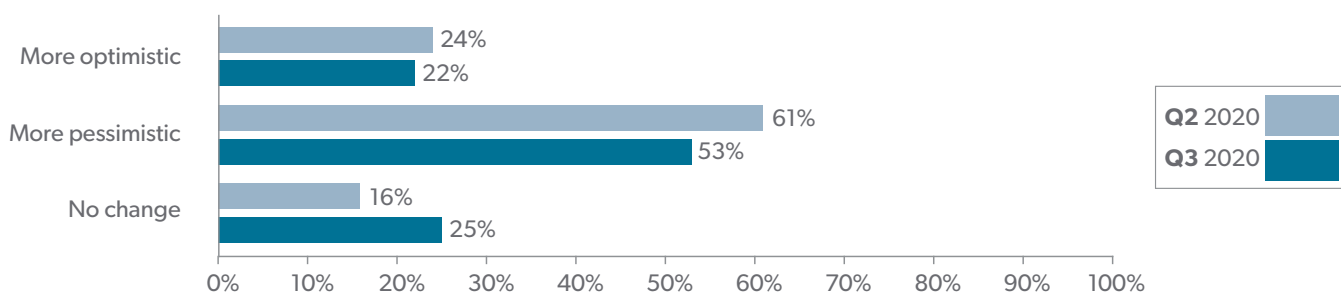
The Economy and Trade

Business Confidence and the Irish Economy

In Q1 2020, we saw a seismic change in sentiment as a result of the initial impact of COVID-19. In Q2 2020, there was a slight return to a more positive outlook and this continued into Q3 2020.

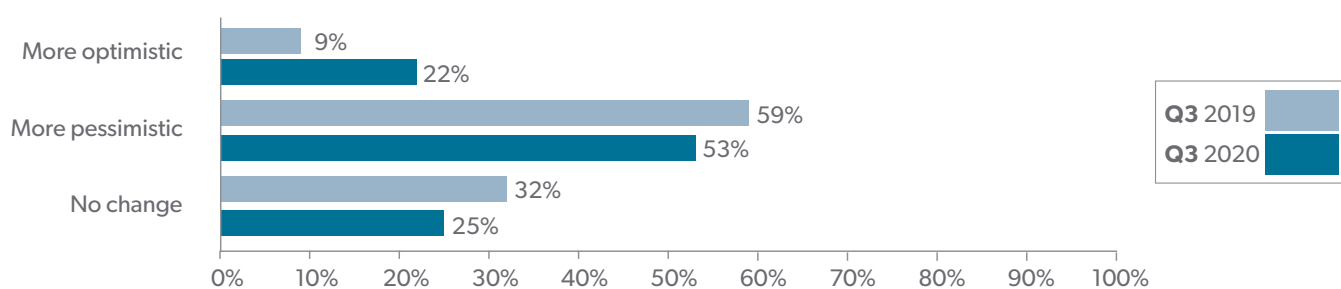
- 53% of directors are 'more pessimistic' in respect of the economy in Q3 2020 compared to 61% in Q2 2020 and 96% in Q1 2020. It is also a 6% decrease on the 59% who were 'more pessimistic' in the same period last year, Q3 2019.
- 22% of directors are 'more optimistic' in Q3 2020 compared to 24% in Q2 2020 and just 3% in Q1 2020. Significantly, this is 13% increase on the 9% who were 'more optimistic' in the same quarter last year, Q3 2019
- In Q3 2020, 25% of business leaders signified 'no change' in how they feel about the economy compared to 16% in Q2 2020 and just 1% in Q1 2020.

Figure 5: Business confidence in the Irish economy in Q3 2020 compared to Q2 2020.



Source: IoD Ireland Director Sentiment Monitor Q3 2020.

Figure 6: Business confidence in the Irish economy in Q3 2020 compared to Q3 2019



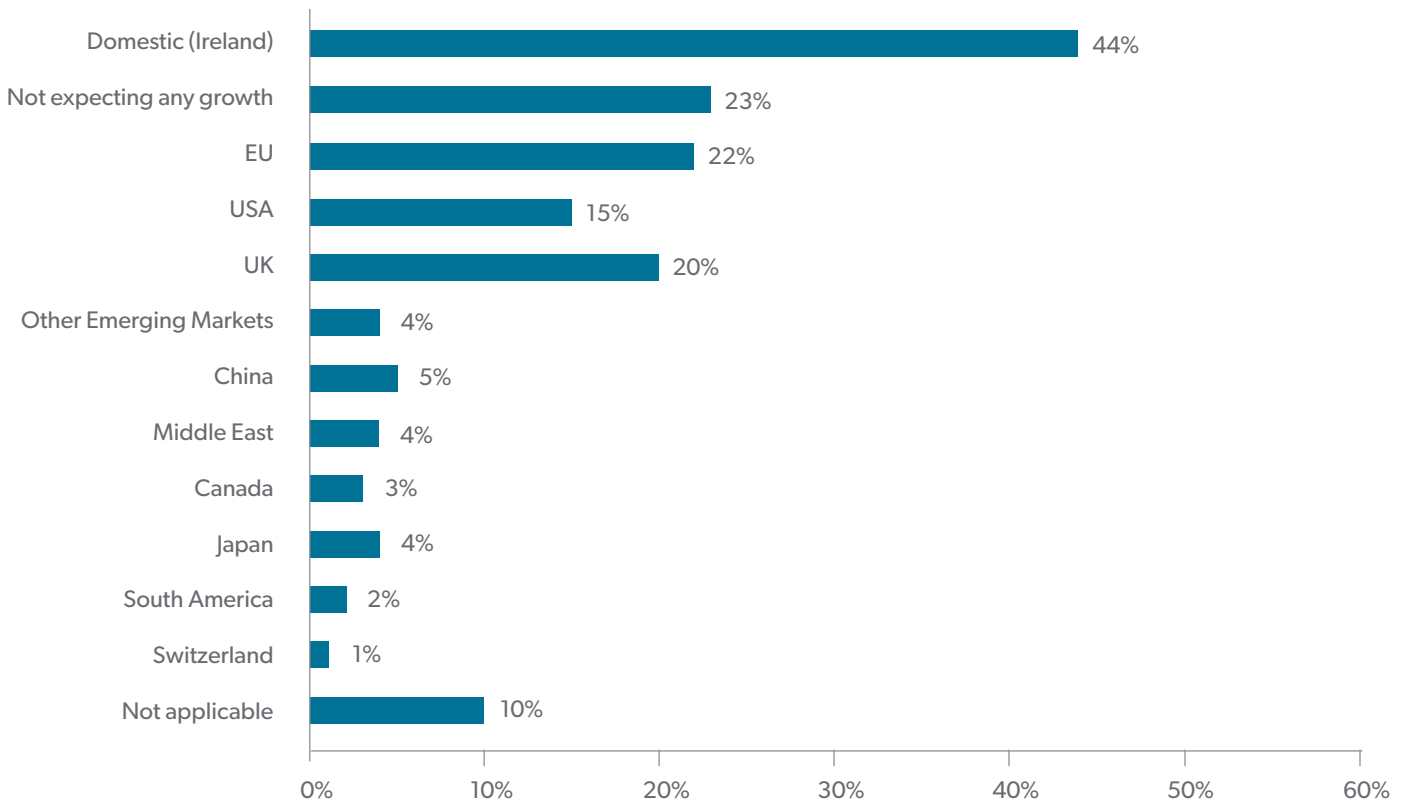
Source: IoD Ireland Director Sentiment Monitor Q3 2020.

The Economy and Trade

Market Growth

Given the COVID-19 crisis and its impact on domestic and overseas markets, market growth numbers are 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, recovered somewhat in Q2 2020 at 52% and has now dipped again in Q3 2020 to 44%. Of particular significance is the fact that, in Q3 2020, 23% of our respondents are not expecting any growth in the final quarter of 2020. Where the EU was in second place in terms of anticipated market growth in Q4 2019 with 38% of IoD members, it fell to 16% in Q1 2020 but increased to 25% in Q2 and is now at 22% in Q3 2020. The UK moved from 30% in Q4 2019 to 15% in Q1 2020, then increased slightly to 19% in Q2 2020 and is now at 20% in Q3 2020. The USA dipped from 22% in Q4 2019 to 13% in Q1 2020 and 12% in Q2 2020 but was at 15% in Q3 2020. This survey was issued to members just weeks prior to the former Vice-President Joe Biden's victory over the incumbent President Donald Trump. Outside of these top four markets, there has been little movement of any significance in the other markets cited in our survey during 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 22% out of 100%. For this reason, the responses will not add up to 100%.)

Figure 7: In respect of your primary organisation, in which markets do you anticipate opportunities for growth in 2020?



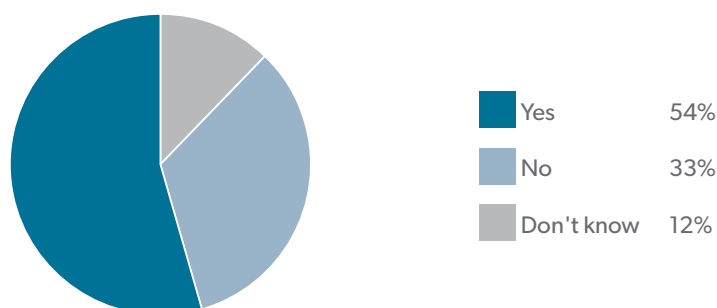
Source: IoD Ireland Director Sentiment Monitor Q3 2020.

The Economy and Trade

Brexit: EU-UK Trade Deal

In Q3 2020, there is increased optimism concerning the EU-UK trade negotiations reaching a successful outcome by year's end, with 54% of our respondents believing a deal can be done in time. This is a significant increase from 21% in Q2 2020 and 13% in Q1 2020. It follows, then, that there has been a decrease in the number of IoD members who believe an agreement is not possible in this calendar year, 33%, which is down from 64% in Q2 2020 and 74% in Q1 2020. Those who say they 'don't know' is similar quarter on quarter, from 13% in Q1 to 15% in Q2 to 12% in Q3 2020.

Figure 8: Do you think the EU and the UK can still reach a trade deal before the end of the transition period in December 2020?

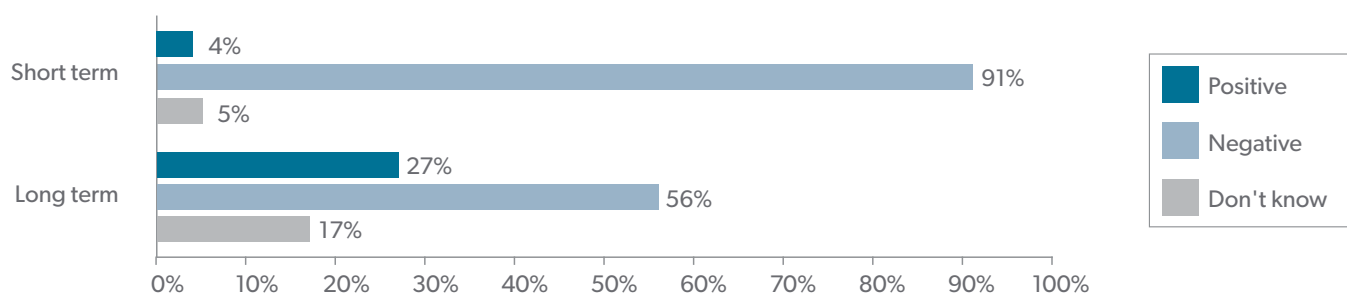


Source: IoD Ireland Director Sentiment Monitor Q3 2020.

Brexit and the Irish Economy

91% of business leaders in Q3 2020 believe that Brexit's impact on the Irish economy will be negative in the short-term (this figure was also 91% in Q2 2020 and was 87% in Q1 2020 and 96% in Q3 2019). Furthermore, in Q3 2020, 56% believe Brexit's likely impact on the Irish economy will be negative in the long-term, a slight decrease on Q2 2020 when it was 59% but an increase from 49% in Q1 2020 - it is, however, closer to the Q3 2019 figure of 55%). Reflecting the continuing uncertainty from our respondents' perspective, 17% in Q3 2020 say they 'don't know' what Brexit's long-term impact on the Irish economy will be, which compares with 17% in Q2 2020, 25% in Q1 2020 and 24% one year ago. In addition, 5% say they 'don't know' what its short-term impact will be, which compares with the same figure, 5%, in Q2 2020, 9% in Q1 2020 and 3% this time last year.

Figure 9: Respondents' views in Q3 2020 of the likely impact of Brexit on the Irish economy



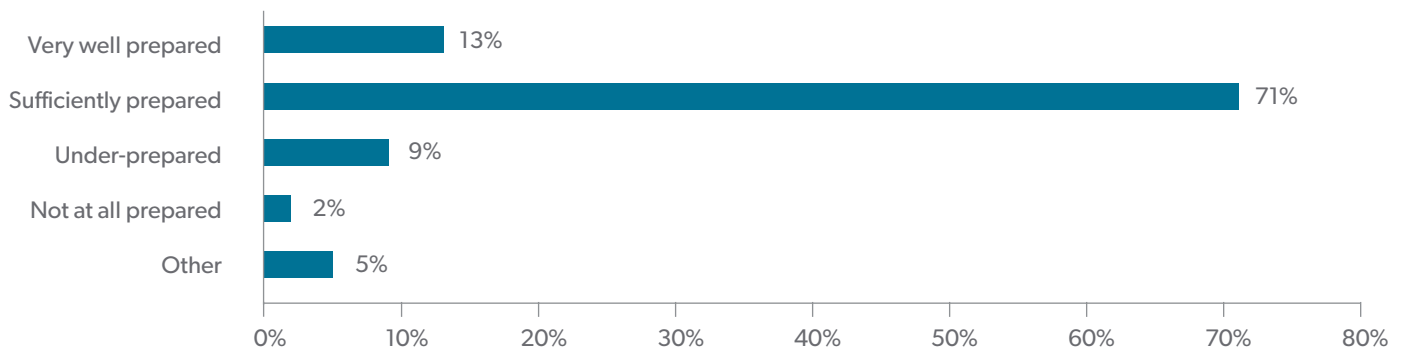
Source: IoD Ireland Director Sentiment Monitor Q3 2020.

The Economy and Trade

Brexit: Preparation for a No-Deal Brexit

In Q3 2020, 84% of business leaders believe they are very well prepared or sufficiently prepared for a no-deal Brexit. When this question was last asked in our Q2 2019 Director Sentiment Monitor survey, this figure was 76%. It is significant that in Q3 2020, 9% of respondents believe they are under-prepared for a no-deal Brexit compared to 17% in Q2 2019. Those who are 'not at all prepared' in Q3 2020 remains the same as Q2 2019 at 2%.

Figure 10: How prepared is your organisation for a no-deal Brexit?

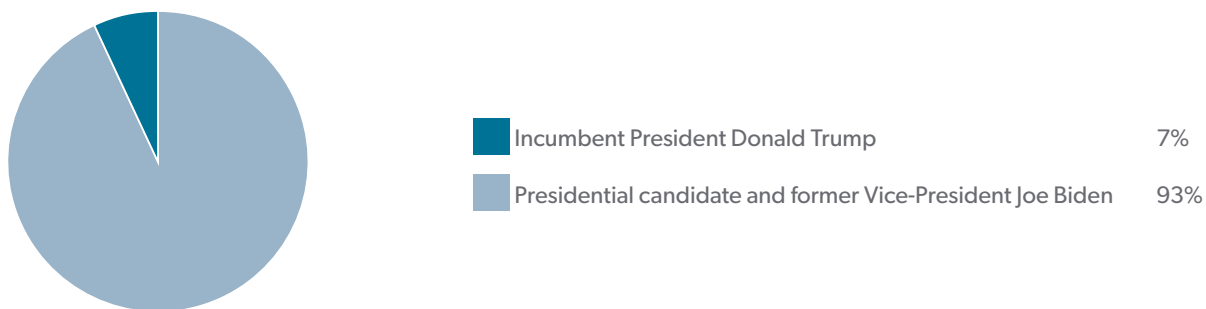


Source: IoD Ireland Director Sentiment Monitor Q3 2020.

US Presidential Election

With our survey conducted in the two weeks prior to the US Presidential Election, there was no doubt who was the favoured candidate amongst IoD members in relation to the potential impact on trade relations with the US, with 93% preferring former Vice-President Joe Biden.

Figure 11: In respect of the upcoming US Presidential Election, who do you believe would be better for future Ireland/EU-US business/trade relations?



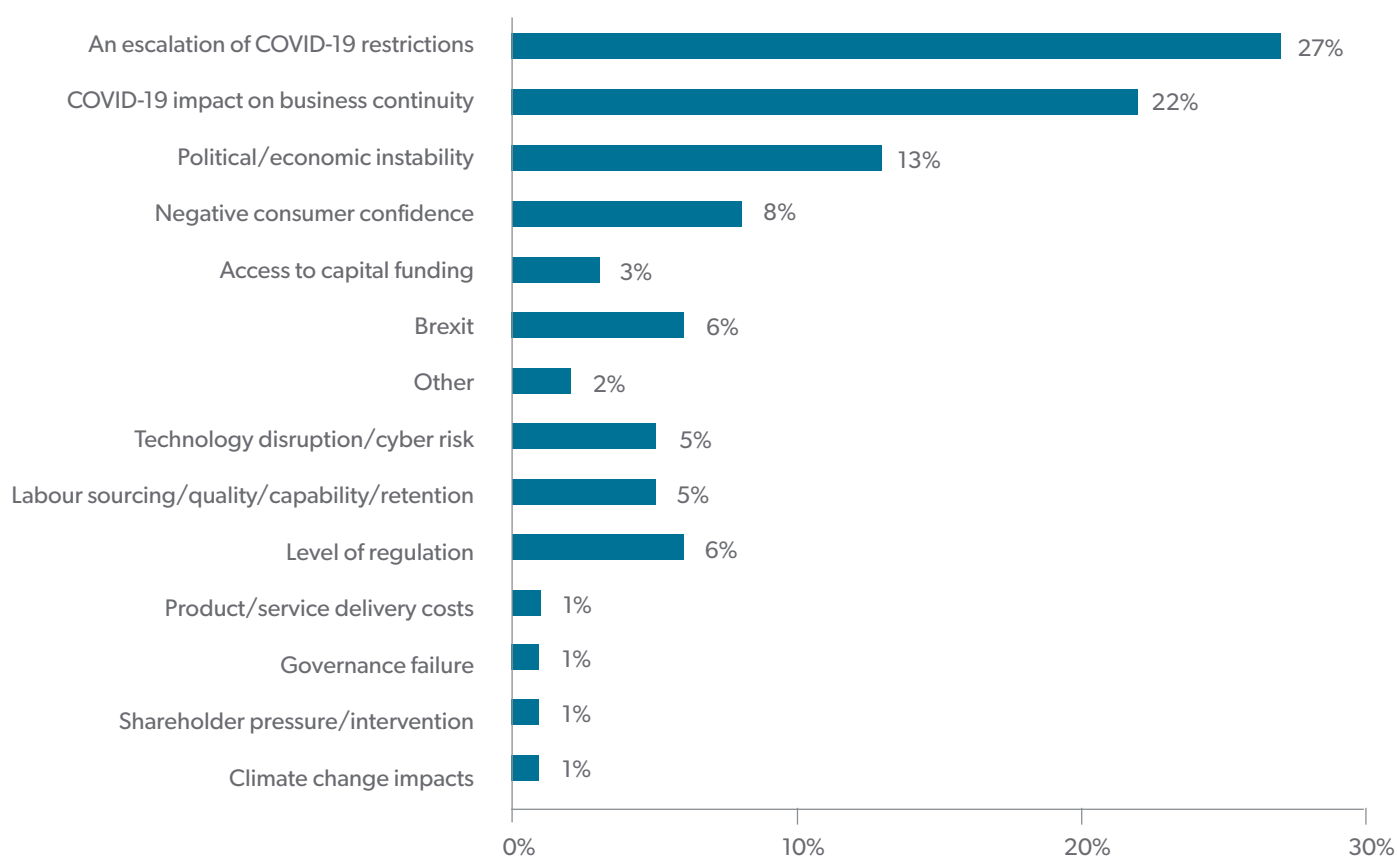
Source: IoD Ireland Director Sentiment Monitor Q3 2020.

Financial Performance and Risk

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 envisaged was a 'second wave' of COVID-19 (34%). By Q3 2020, as COVID-19 cases became more prevalent in the community, the two main risk factors for business leaders were 'an escalation of COVID-19 restrictions' (27%) and the 'COVID-19 impact on business continuity' (22%). This was followed by 'political/economic instability' (13%), 'negative consumer confidence' (8%), and the 'level of regulation' (6%).

Figure 12: The single biggest risk respondents say is facing their organisation at present



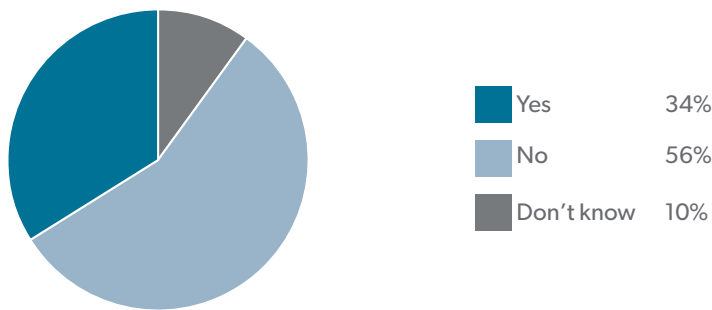
Source: IoD Ireland Director Sentiment Monitor Q3 2020.

Financial Performance and Risk

Financial Performance

Optimistic sentiment in terms of financial performance is more evident as we approach the end of the year, with 35% of our respondents believing that the financial performance of their primary organisation will improve in the final quarter of the year. That said, it is not surprising that after such a difficult year 56% of business leaders who answered the survey feel that opposite will be the case, with a further 10% not sure which way the Q4 numbers will look.

Figure 13: Do you think that the financial performance of your primary organisation will improve in Q4 2020?

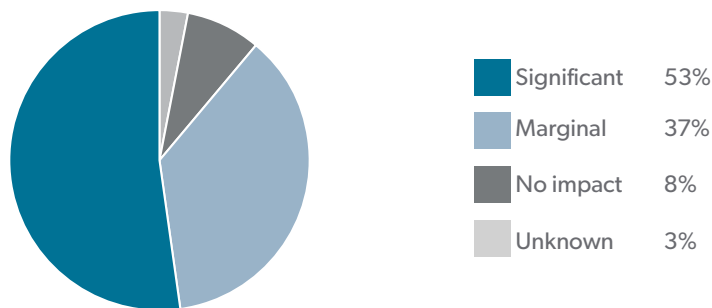


Source: IoD Ireland Director Sentiment Monitor Q3 2020.

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 2020, 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%. By the time this Q3 survey was carried out, it had fallen again, with 53% of business leaders rating the potential impact of COVID-19 on their organisation's bottom line as 'significant'. 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 and to 37% in Q3 2020.

Figure 14: How would you rate the potential impact of the coronavirus COVID-19 on your organisation's bottom line for the year 2020?



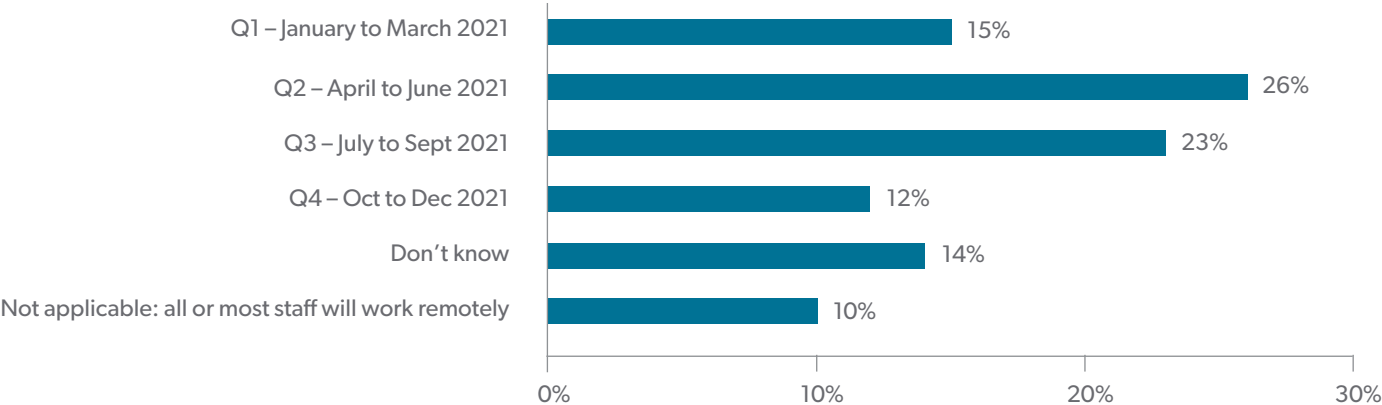
Source: IoD Ireland Director Sentiment Monitor Q3 2020.

The Nature of Work

Return to Company Workplace

The continued uncertainty regarding the ways and means of working during the COVID-19 pandemic was still evident in Q3 2020, with the highest percentage, 26%, of business leaders believing the majority of their staff will be back in the company workplace by Q2 2021, and 23% believing it will be in Q3 2021. Just 15% and 12% believe a majority of staff will be back in the company workplace by Q1 and Q4 2021, respectively. Interestingly, in a snap poll conducted by IoD Ireland in September 2020, 12% of business leaders believed all staff would be working remotely by the end of 2020. This is consistent with the findings in this Q3 2020 survey, with 10% of our respondents believing that all or most staff will work remotely in the future.

Figure 15: In respect of your primary organisation, do you foresee the majority of staff being in the office/workplace by:



Source: IoD Ireland Director Sentiment Monitor Q3 2020.

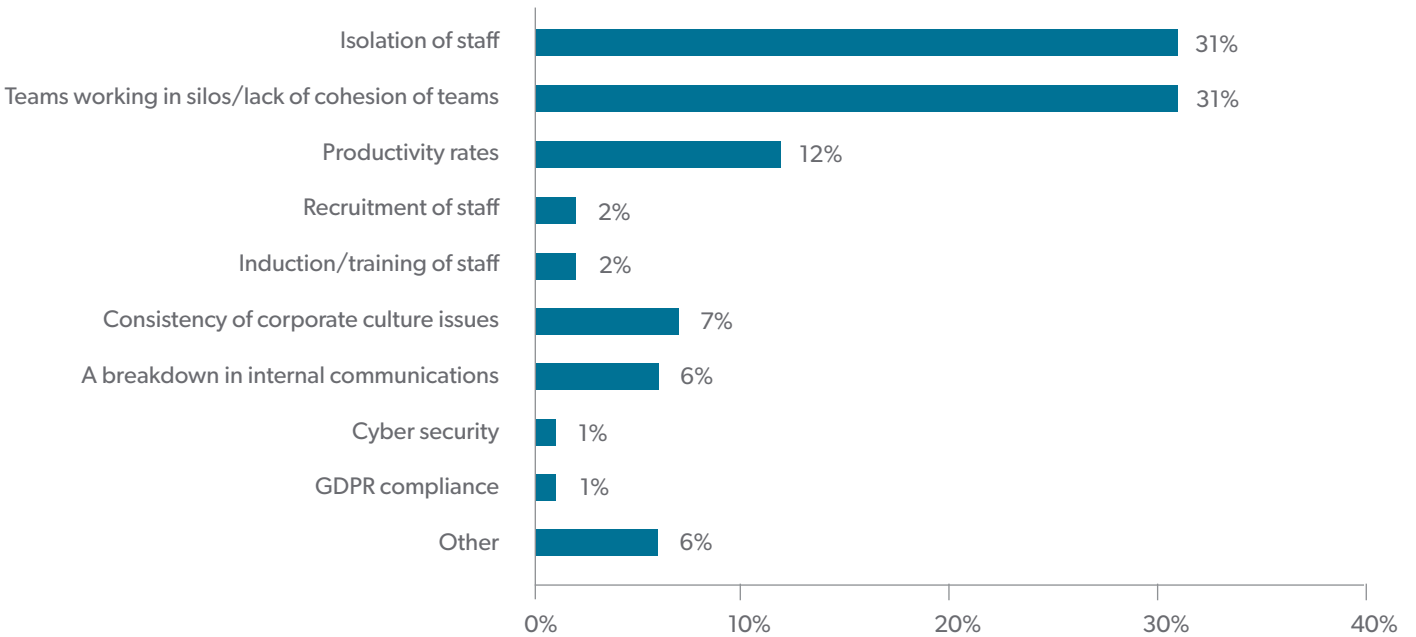
The Nature of Work

Remote Working: Concerns

Isolation of staff (31%), and teams working in silos or a lack of cohesion of teams (31%), are the predominant concerns of business leaders regarding their workforces working from home versus working in the company workplace. Productivity rates (12%) are also a strong issue, albeit some way behind the aforementioned concerns. Consistency of corporate culture issues (7%) and a breakdown in internal communications (6%) figure less significantly.

Amongst the 6% who chose 'other' and added comments, some cited maintenance of morale, fatigue, the complete absence of physical meetings, (lack of) access to client sites, the development of junior talent, and the transactional nature of remote working where a business is quite relationship based.

Figure 16: What is your single predominant concern around your workforce working from home versus working in the company workplace?



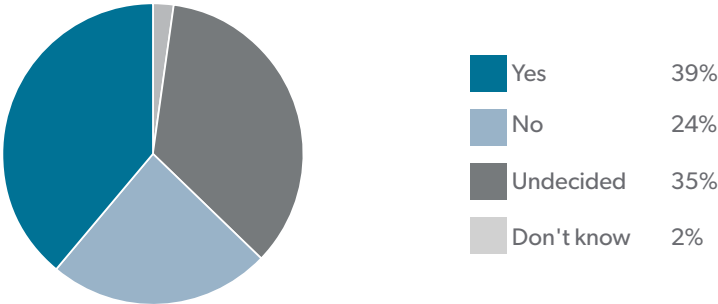
Source: IoD Ireland Director Sentiment Monitor Q3 2020.

The Nature of Work

Remote Working: A Positive Experience?

A small majority (39%) of our respondents believes the increased remote working in their organisation has been a positive and productive experience, followed closely by 35% who are undecided on the issue. However, almost a quarter of business leaders (24%) says remote working has not been a positive and productive experience in their organisation.

Figure 17: Overall, do you think that increased remote working in your organisation has been a positive and productive experience?

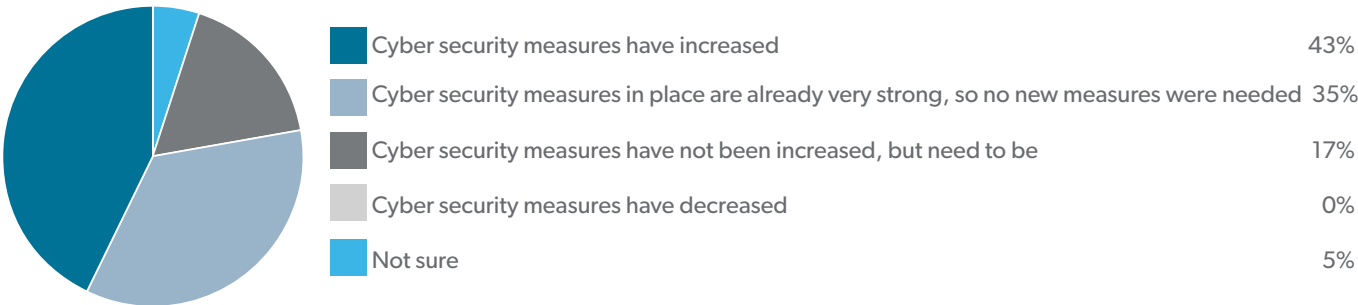


Source: IoD Ireland Director Sentiment Monitor Q3 2020.

Cyber Security

With the significant increase in remote working, data transfer and video conferencing, 43% of business leaders say their primary organisation's cyber security measures have increased and a further 35% say no new measures were required as their cyber security measures in place were already very strong. It is noteworthy, too, that 17% of our respondents say cyber security measures have not been increased, but need to be.

Figure 18: In respect of your primary organisation, have cyber security measures to address the potential impact of remote working, data transfer and videoconferencing been increased?



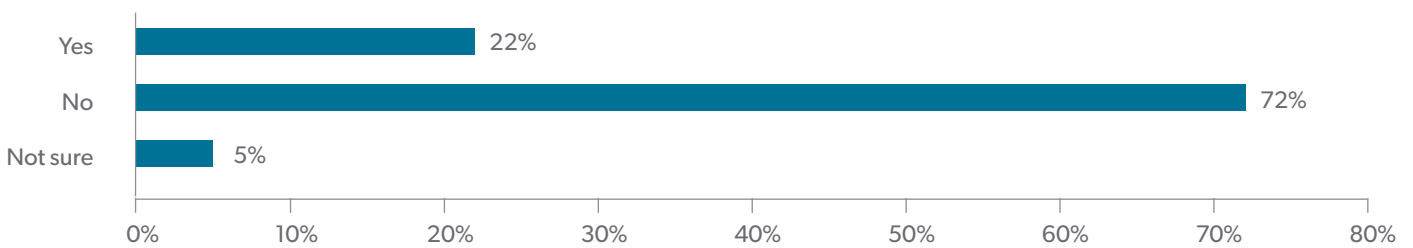
Source: IoD Ireland Director Sentiment Monitor Q3 2020.

Governance

Board Skills

While a clear majority of our respondents say the requisite skills on their board have not changed since the onset of COVID-19, it is interesting that 22% say the requisite skills have changed. We also invited comments to this question and it is clear that IT, digital and cyber skills are the most favoured skills in this regard, along with communications skills.

Figure 19: Since the onset of COVID-19, have the requisite skills on your board changed?



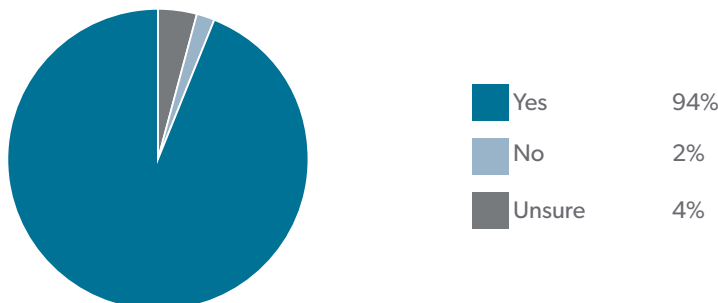
Source: IoD Ireland Director Sentiment Monitor Q3 2020.

Virtual AGMs

In April 2020, IoD Ireland wrote to the Department for Business, Enterprise, and Innovation, and the Office of the Director of Corporate Enforcement (ODCE), calling for a recognition of, and resolution to, the difficulties which many businesses and directors were facing during the COVID-19 crisis when trying to comply with the Company Law requirements regarding the holding of AGMs. In July, IoD Ireland welcomed the passage of the Companies (Miscellaneous Provisions) (Covid-19) Bill 2020 addressing the many issues facing companies trying to comply with, in particular, the Company Law requirement to hold AGMs during the current crisis, as detailed in Section 6 of the Bill. The Bill was subsequently signed into law by President Michael D. Higgins as the Companies (Miscellaneous Provisions) (Covid-19) Act 2020.

As noted below, 94% of our survey respondents believe the Government was correct to introduce this legislation.

Figure 20: Do you think the Government was correct to introduce the Companies (Miscellaneous Provisions) (Covid-19) Act 2020 which, amongst other provisions, temporarily amended the Companies Act 2014 to allow virtual AGMs to be held without the need for a company to amend its Constitution?



Source: IoD Ireland Director Sentiment Monitor Q3 2020.



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