



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



2020 was a year unlike any other. Public health concerns became paramount as the country, and the world, addressed the COVID-19 pandemic. As a consequence, we had a series of lockdowns to try and contain and manage a novel coronavirus which has impacted every aspect of society, often with tragic consequences.

Business leaders, too, have had to deal with a whole host of professional challenges in addition to personal and family concerns. Amongst these challenges was, not least, the swift mobilisation of staff to remote working, which brought with it technological, logistical, and, indeed, personal challenges. For those charged with governance, the rollout of business continuity and emergency strategic plans played a key role in keeping organisations functioning as best they could in circumstances where even existing business models were subject to change. Some of these continuity plans have even seen some businesses thrive.

In addition to dealing with COVID-19, the uncertainty and tension surrounding the EU-UK post-Brexit trade talks, as the end of year deadline approached, was a significant factor for many companies. Relief for them, therefore, that a trade deal was reached on 24th December, albeit not without some implementation issues.

These are just some of the areas addressed in our latest quarterly Director Sentiment Monitor research for Q4 2020, conducted exclusively among IoD Ireland members. Thankfully, by the final quarter of 2020, our research has found that our members see some grounds for optimism.

As 2021 evolves, it is to be hoped that such optimism will be well-founded. Without doubt, this past year has been a steep learning curve for everyone. All the more reason, then, for our members to draw upon the exclusive content and resources we offer as part of their membership – from Director Factsheets on key governance and business issues, to blogs and webinars from leading experts, to our director training programme, as well as our online networking event series.

It is important, now more than ever, to stay in touch with the issues and challenges affecting your peers, fellow directors and senior management through IoD Ireland's exclusive member resources and online services.

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

Demographics

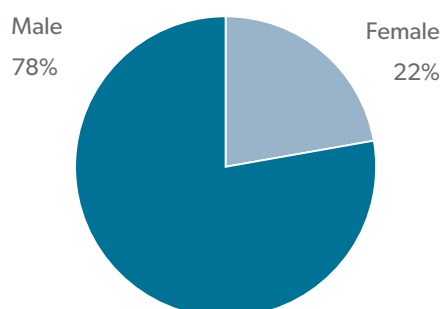
The Q4 2020 Director Sentiment Monitor had 251 respondents. In addition, 69% of the respondents are current board members, with the remainder in senior executive roles. The survey was issued to all IoD members, with a link to the online survey, and was carried out during the time period 18th January - 4th February 2021.

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 Q4 2020 survey had 78% of respondents who were male and 22% who were female.

Figure 1: Gender of respondents

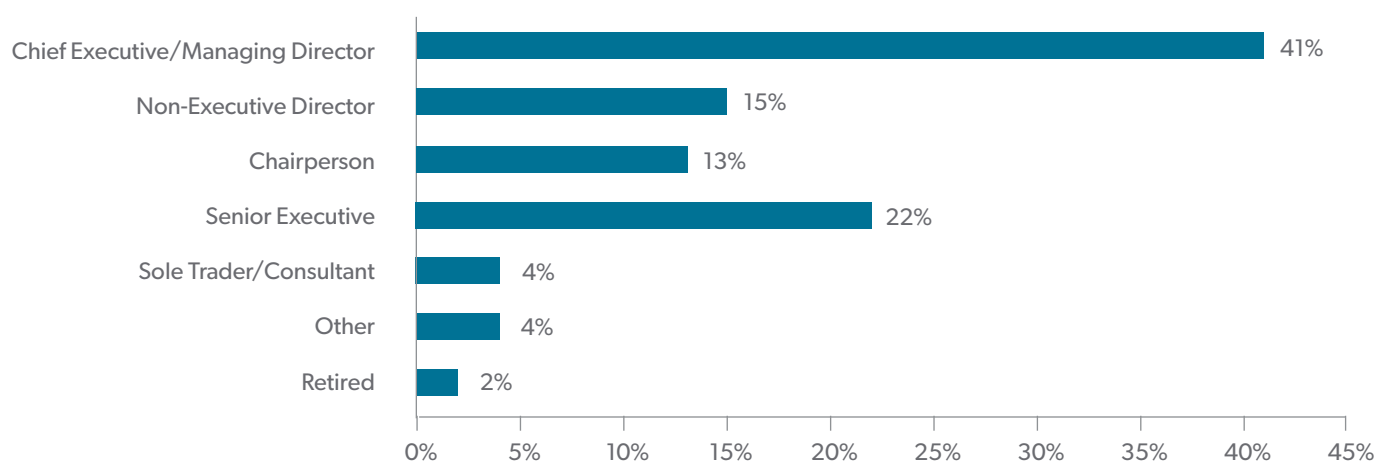


Source: IoD Ireland Director Sentiment Monitor Q4 2020.

Role/Position

The respondents to the Q4 2020 survey hold the following roles/positions:

Figure 2: Breakdown of respondents by role/position



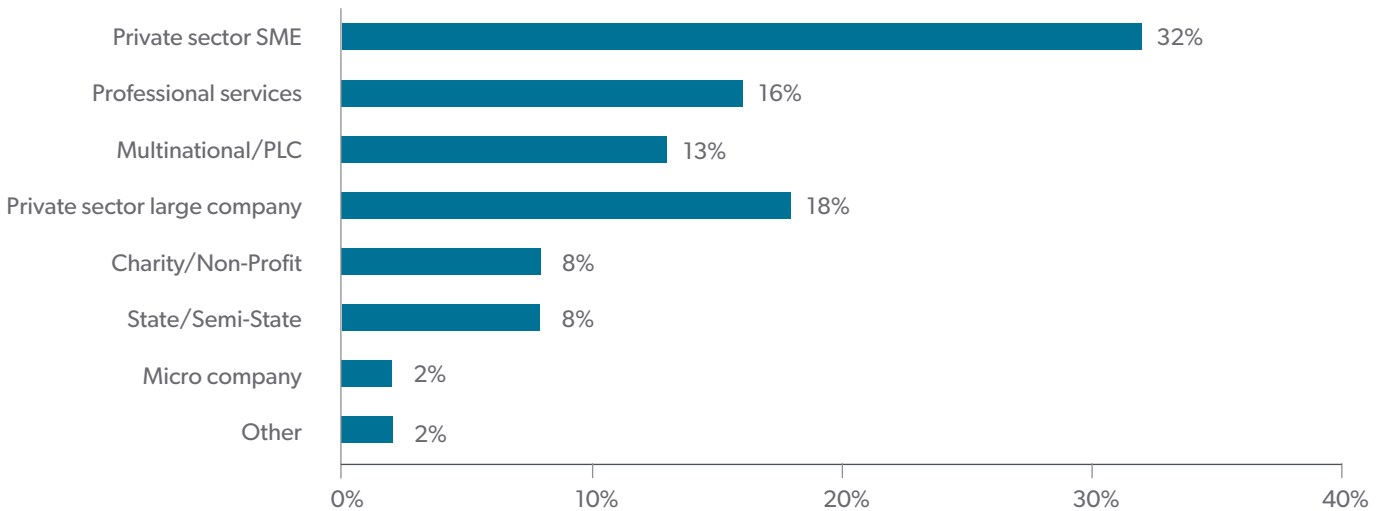
Source: IoD Ireland Director Sentiment Monitor Q4 2020.

Demographics

Company Type

The respondents to the Q4 2020 survey represent the following types of companies:

Figure 3: Breakdown of respondents by company type

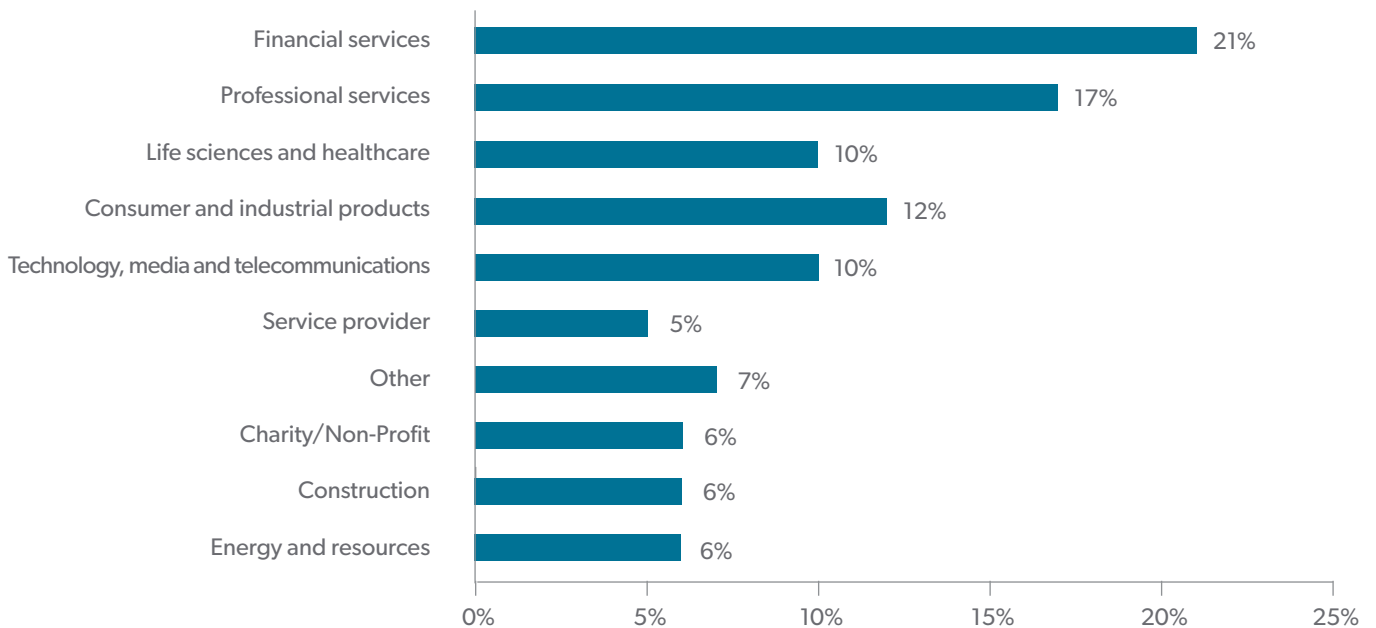


Source: IoD Ireland Director Sentiment Monitor Q4 2020.

Industry Sector

The respondents to the Q4 2020 survey operate in the following types of sectors:

Figure 4: Breakdown of respondents by industry sector



Source: IoD Ireland Director Sentiment Monitor Q4 2020.

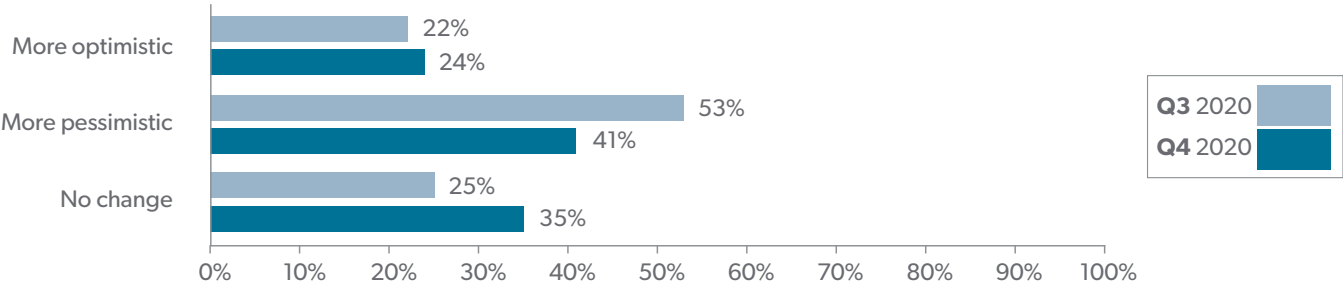
The Economy and Trade

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 Q3 2020 and this has continued into Q4 2020.

- 41% of directors are 'more pessimistic' in respect of the economy in Q4 2020 compared to 53% in Q3 2020, an improvement in positive sentiment of 12%.
- 24% of directors are 'more optimistic' in Q4 2020 compared to 22% in Q3 2020, just a 2% increase quarter-on-quarter.
- In Q4 2020, 35% of business leaders signified 'no change' in how they feel about the economy compared to 25% in Q3 2020, a 10% increase.

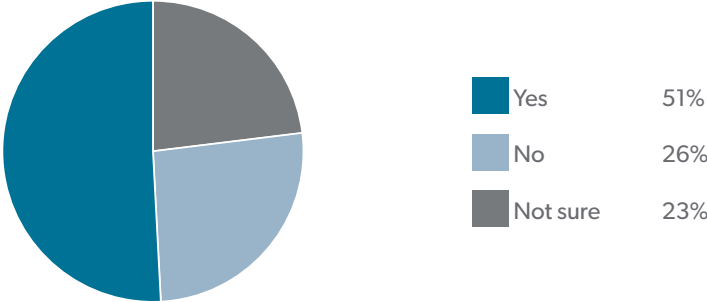
Figure 5: Business confidence in the Irish economy in Q4 2020 compared to Q3 2020



Source: IoD Ireland Director Sentiment Monitor Q4 2020.

Furthermore, 51% of respondents to our survey say their business is feeling optimistic for 2021, almost double the number of those who felt the opposite, and 23% are not sure.

Figure 6: In respect of your primary organisation, would you say your business is feeling optimistic for 2021?



Source: IoD Ireland Director Sentiment Monitor Q4 2020.

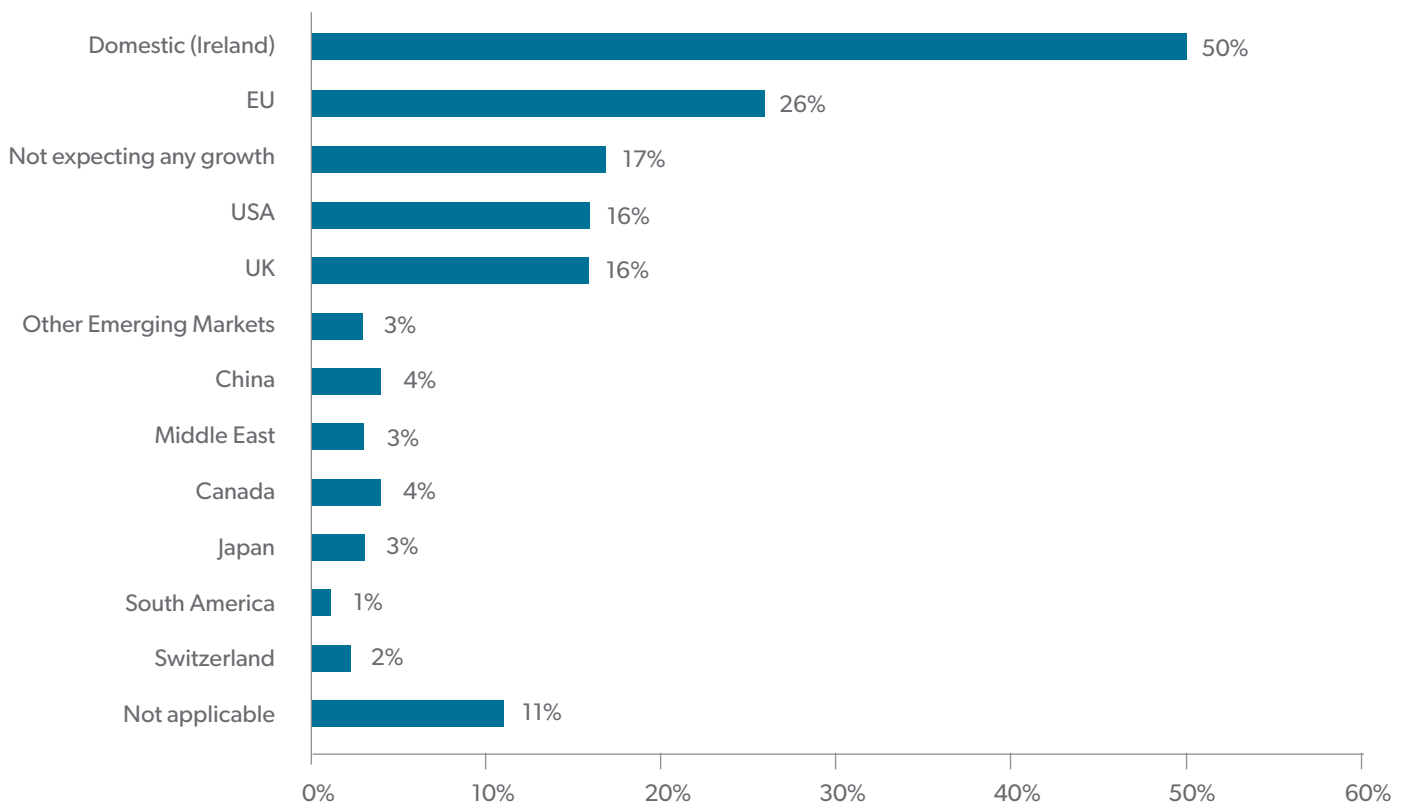
The Economy and Trade

Market Growth

Given the COVID-19 crisis and its impact on domestic and overseas markets, plus the remaining uncertainties regarding the impact of Brexit, year-on-year market growth numbers are down across the board since Q4 2019. Where the domestic market figured highly for 71% of respondents in Q4 2019, it had decreased by Q4 2020 to 50%, which is 21% down on the same quarter in 2019. Where the EU was in second place in terms of anticipated market growth in Q4 2019 with 38% of respondents, year-on-year it has fallen to 26% in Q4 2020. The UK has fallen from 30% in Q4 2019 to 16% in Q4 2020, a drop of 14%. The US has dipped from 22% in Q4 2019 to 16% in Q4 2020. In Q4 2020, 17% of our respondents are not expecting any growth in the first quarter of 2021.

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 26% 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 the first quarter of 2021?



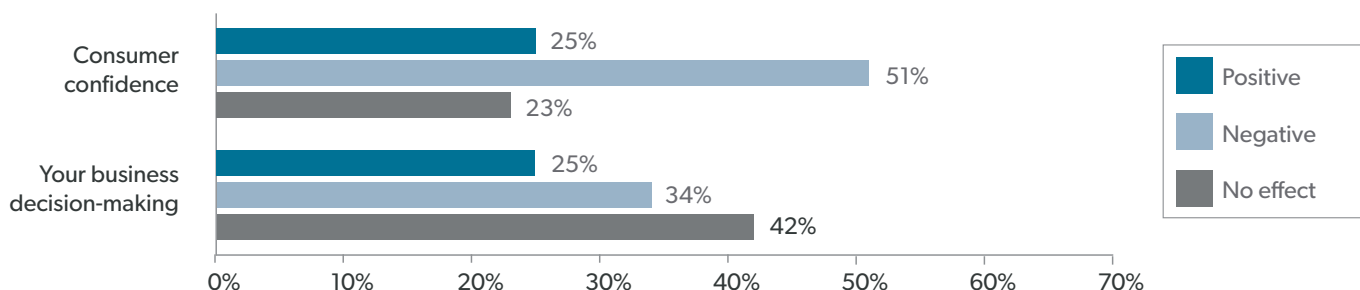
Source: IoD Ireland Director Sentiment Monitor Q4 2020.

The Economy and Trade

Effect of Government's Performance

51% of respondents to our survey believe that the effect of the current Government's performance on consumer confidence has been negative, with less than half (25%) of that believing it has been positive. These compare with 27% and 33%, respectively, in Q4 2019. In addition, 34% believe the Government's effect on their business decision-making has been negative, while 25% say it has been positive. This compares with 20% and 24%, respectively, in Q4 2019. Also of significance are the findings related to those who say the Government's performance has had no effect on consumer confidence (23% in Q4 2020, but 40% in Q4 2019) and on their business decision-making (42% in Q4 2020, but 56% in Q4 2019).

Figure 8: What do you believe has been the effect of the current Government's performance to date on the following?

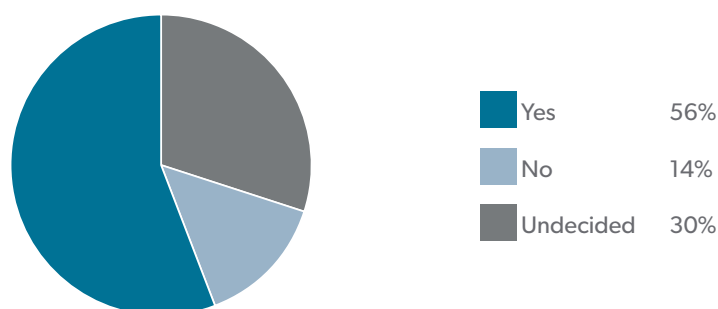


Source: IoD Ireland Director Sentiment Monitor Q4 2020.

Government: Further Supports

While the Government has responded to the COVID-19 pandemic with a range of business supports, a clear majority of 56% of our survey respondents believes further supports are necessary for importers/exporters to address post-Brexit impacts on trade with the UK.

Figure 9: Do you think the Government should provide further supports to those already in place for Irish exporters/importers to be able to trade more effectively post-Brexit with the UK?



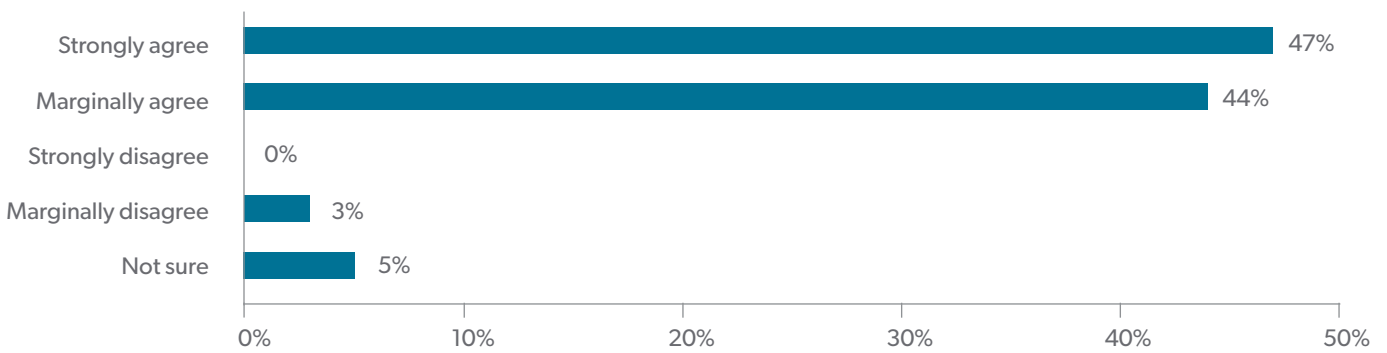
Source: IoD Ireland Director Sentiment Monitor Q4 2020.

The Economy and Trade

US-Ireland Trade

An overwhelming majority (91%) of respondents agrees - strongly or marginally - that the new President of the USA, Joe Biden, will be more beneficial to trading relations between Ireland and the US than the former President, Donald J. Trump.

Figure 10: Do you believe the term of the President of the United States (inaugurated in January 2021), Joe Biden, will be more beneficial for Irish business and trading relations with the US than (the former) President, Donald J. Trump?



Source: IoD Ireland Director Sentiment Monitor Q4 2020.

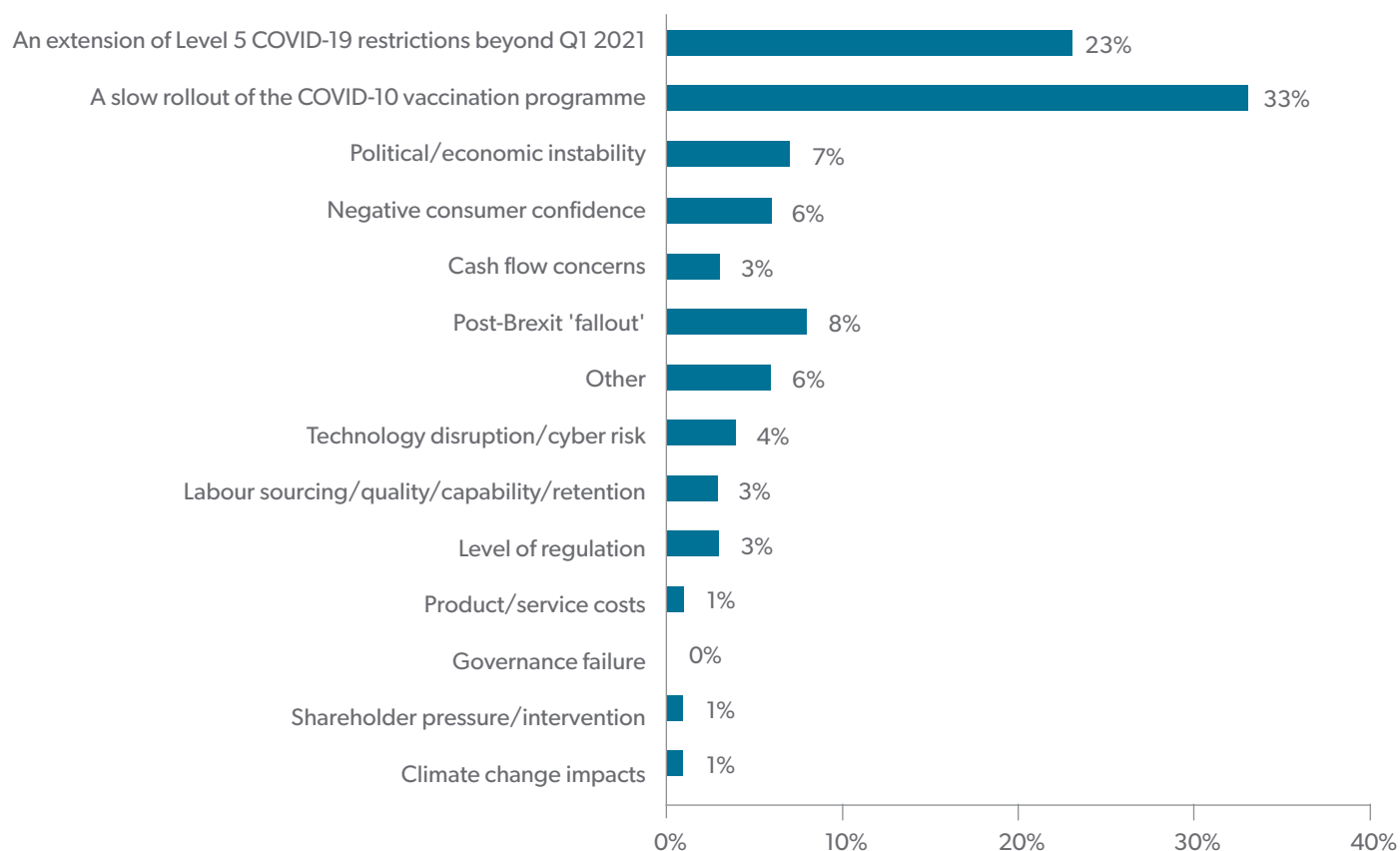
Financial Performance and Risk

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%). In Q4 2020, the two biggest risks for our respondents are also COVID-19 related: a slow rollout of the COVID-19 vaccination programme (33%) is the single biggest risk, followed by an extension of Level 5 restrictions beyond Q1 2021 (23%).

Lower down on the risk scale is post-Brexit 'fallout' (8%). The latter is followed closely by 'political/economic instability' (7%) and 'negative consumer confidence' (6%).

Figure 11: The single biggest risk respondents say is facing their organisation at present



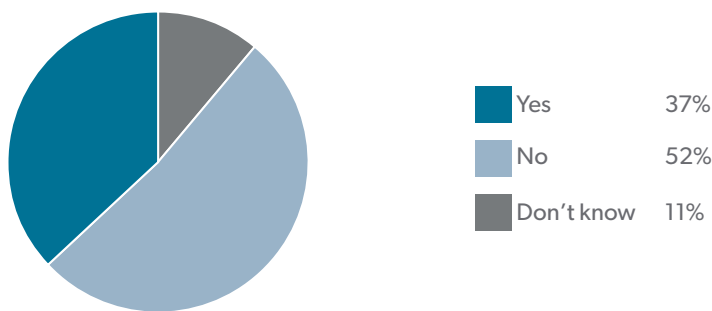
Source: IoD Ireland Director Sentiment Monitor Q4 2020.

Financial Performance and Risk

Financial Performance

Optimistic sentiment in terms of financial performance was more evident as we approached the end of 2020. In Q4 2020, 37% of our respondents believe the financial performance of their primary organisation will improve in Q1 2021. That said, it is not surprising that after such a difficult year 52% of business leaders who answered the survey feel the opposite will be the case, with a further 11% noting that they do not know.

Figure 12: Do you think that the financial performance of your primary organisation will improve in Q1 2021?

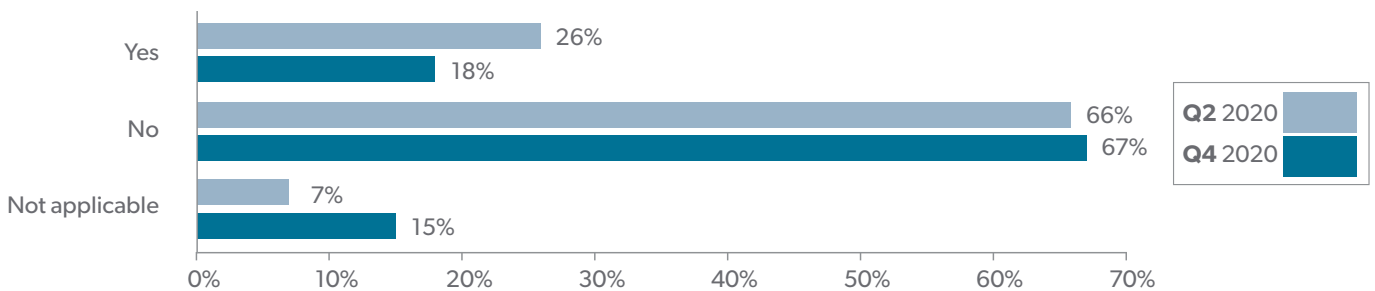


Source: IoD Ireland Director Sentiment Monitor Q4 2020.

Business Debt

Just 18% of respondents said their primary organisation's debt increased in 2020 as a result of COVID-19, while 67% said it had not. This compares with 26% and 66% respectively in Q2 2020, when we last asked this question.

Figure 13: As a result of COVID-19, has your primary organisation's debt increased in 2020?



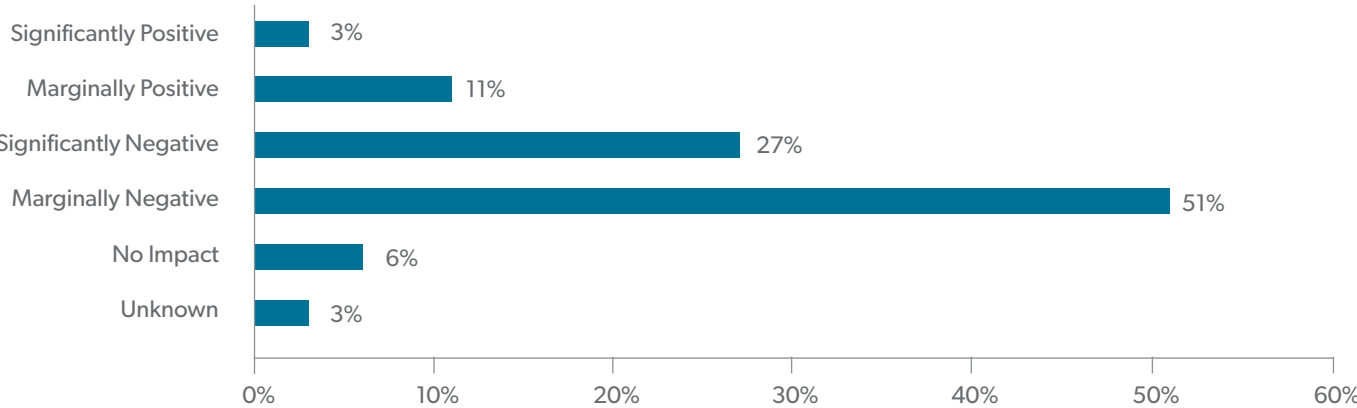
Source: IoD Ireland Director Sentiment Monitor Q4 2020.

Financial Performance and Risk

Bottom Line

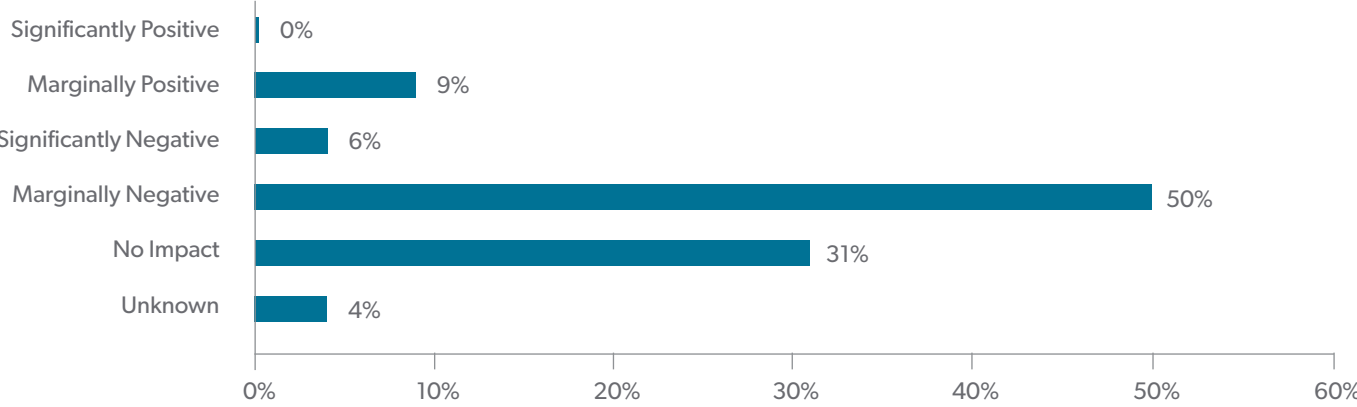
Organisations in many sectors of the economy have had to address the enormous challenges sparked by COVID-19 and Brexit. It is clear from our findings that, in Q4 2020, the likely impact of both issues was viewed negatively by our respondents, whether significantly or marginally. The likely impact of COVID-19 on their organisation's bottom line was seen as significantly or marginally negative by 78% of respondents, while the likely impact of Brexit on their organisation's bottom line for 2021 was seen as significantly or marginally negative by 56% of respondents. Interestingly, 31% of respondents thought Brexit would have no impact on their organisation's bottom line.

Figure 14: How would you rate the likely impact of COVID-19 on your organisation's bottom line for the year 2021?



Source: IoD Ireland Director Sentiment Monitor Q4 2020.

Figure 15: How would you rate the likely impact of Brexit on your organisation's bottom line for the year 2021?



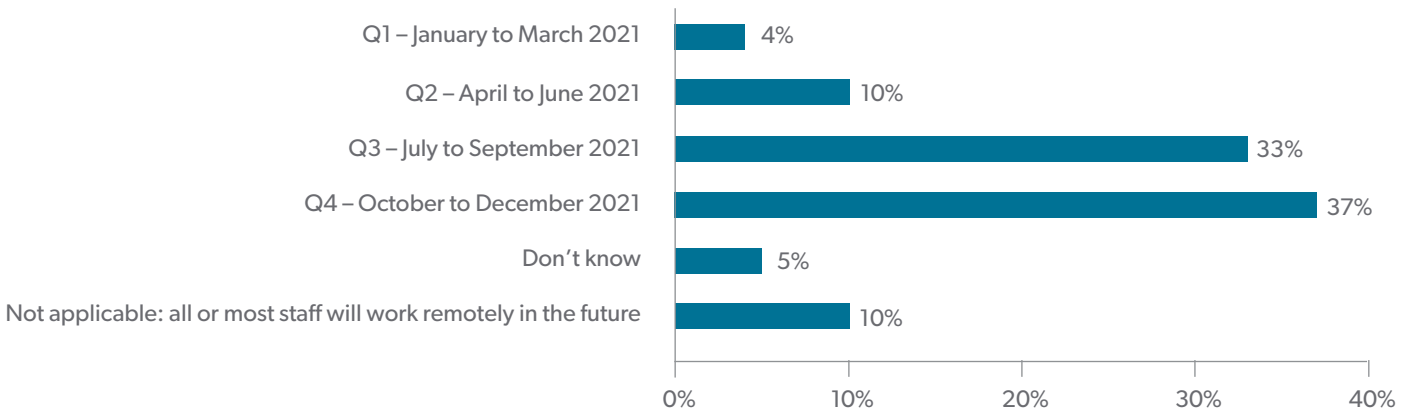
Source: IoD Ireland Director Sentiment Monitor Q4 2020.

Working Life

Return to Company Workplace

The continued uncertainty regarding the ways and means of working during the COVID-19 pandemic was still evident in Q4 2020, but the impending rollout of a national vaccination programme has added a new perspective to the findings for this quarter vis a vis Q3 2020. Where most business leaders in Q3 2020 saw Q2 2021 (26%) and Q3 2021 (23%) as the most likely periods when the majority of their staff would return to the workplace, in Q4 2020 that moved further out in the calendar to Q4 2021 (37%) being the most likely period followed by Q3 2021 (33%). Just 5% of respondents in Q4 2020 say they don't know the likely return date while 10% say all or most staff will work remotely in the future.

Figure 16: In respect of your primary organisation, and in view of the phased nationwide vaccine rollout, do you foresee the majority of staff being in the office/workplace by?

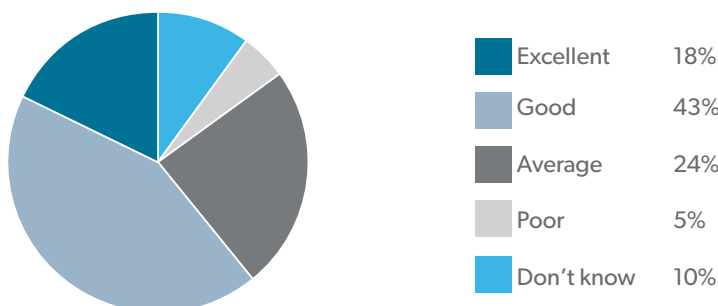


Source: IoD Ireland Director Sentiment Monitor Q4 2020.

Gender Pay Gap Legislation Preparedness

The Gender Pay Gap Information Bill, published in April 2019, is expected to become law in 2021. As it stands, 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 (61%) of business leaders in Q4 2020 who regard their level of preparedness for the impending legislation as good to excellent, which is quite similar to the finding (65%) one year earlier, in Q4 2019.

Figure 17: In respect of your primary organisation, how would you describe the level of preparedness for the impact of the impending gender pay gap legislation?



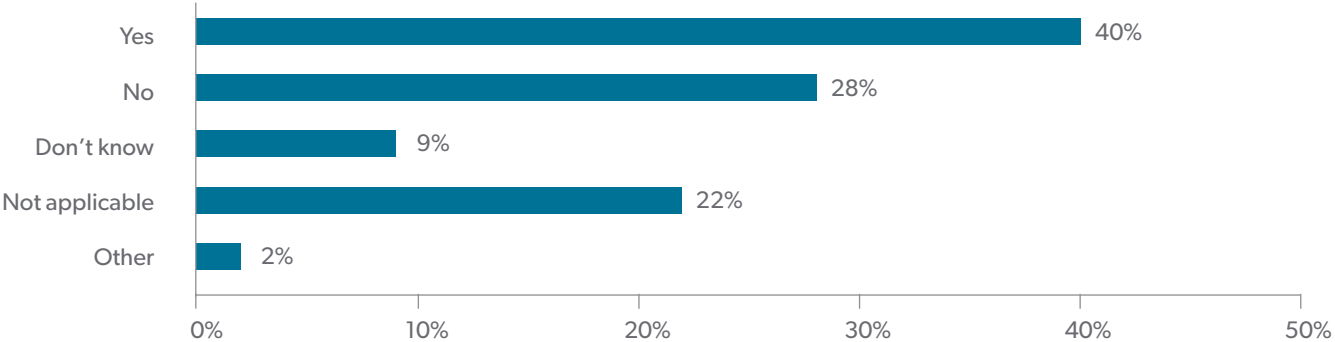
Source: IoD Ireland Director Sentiment Monitor Q4 2020.

Working Life

Gender Pay Bias

A majority (40%) of respondents says their organisation has taken action to discover whether gender bias exists in their pay programme. That said, 28% admit that their organisation has not taken action in this regard.

Figure 18: To date, has your organisation taken action to discover whether gender bias exists in your pay programme?



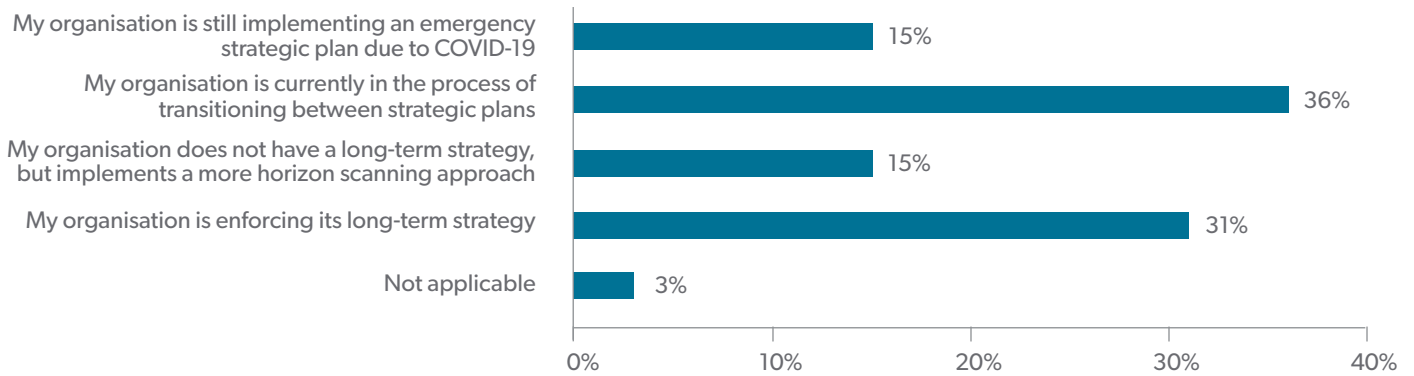
Source: IoD Ireland Director Sentiment Monitor Q4 2020.

Governance

Strategy

Given the time of year the survey was taken, in Q1 2021, it may be no surprise that 36% of respondents said their organisation is currently in the process of transitioning between strategic plans, while a further 31% said their organisation is implementing its long-term strategy. Interestingly, 15% revealed that their organisation does not have a long-term strategy, but implements a more horizon scanning approach. A further 15% said their organisation is still implementing an emergency strategic plan due to COVID-19.

Figure 19: In respect of your primary organisation, which statement would be most accurate with regard to your strategy implementation?



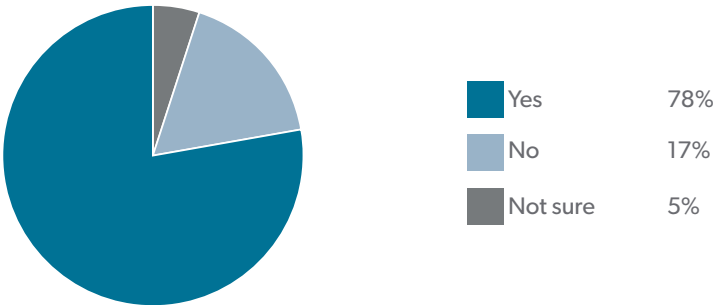
Source: IoD Ireland Director Sentiment Monitor Q4 2020.

Governance

Business Continuity Plan

A clear majority (78%) of business leaders confirm that their primary organisation had a business continuity plan in place in advance of COVID-19, while 17% conceded they did not. Of those that revealed they did not, 44% say their primary organisation now has a business continuity plan in place to deal with a future crisis but, more concerning, 51% do not.

Figure 20: In respect of your primary organisation, did you have a business continuity plan in place in advance of COVID-19?



Source: IoD Ireland Director Sentiment Monitor Q4 2020.

Figure 21: In relation to those who answered 'No' to the previous question, they were then asked if, in respect of their primary organisation, does it now have a business continuity plan in place to deal with a future crisis?



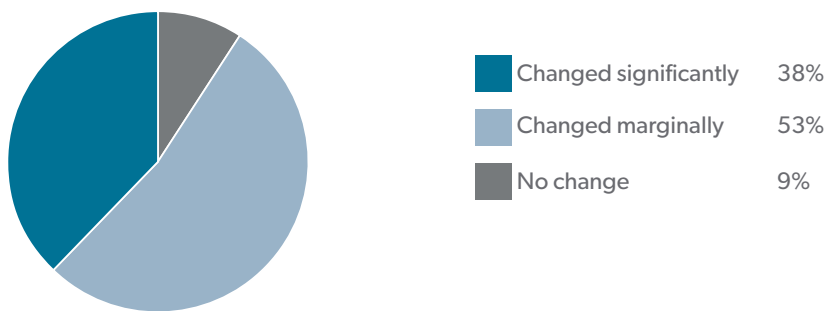
Source: IoD Ireland Director Sentiment Monitor Q4 2020.

Governance

Business Model

COVID-19 has impacted many aspects of business life in Ireland, including business models. A clear majority of 91% of our respondents believe the pandemic has changed their business model to a greater or lesser extent. Just 9% said it had no impact on their business model.

Figure 22: In respect of your primary organisation, to what extent has your business model changed since the arrival of COVID-19?

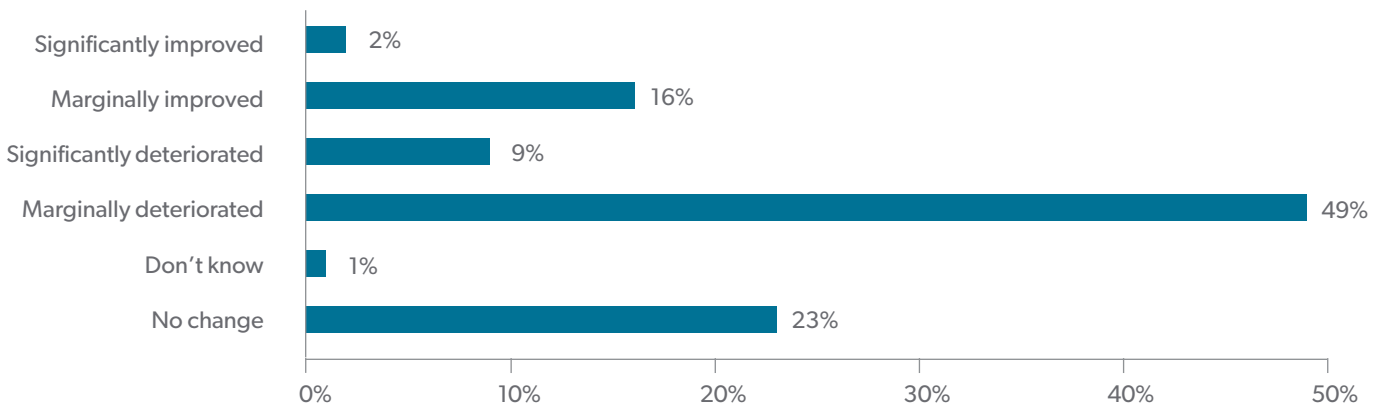


Source: IoD Ireland Director Sentiment Monitor Q4 2020.

Online/Virtual Meetings

It is interesting that 58% of our respondents believe that the quality of their board meetings has deteriorated either marginally or significantly since being held online/virtually in comparison to physical meetings. 23% believe there has been no change in quality, but only 18% say there has been an improvement, either marginally or significantly.

Figure 23: In respect of your primary organisation, how would you rate the quality of your board meetings being held online/virtually in comparison to physical meetings?



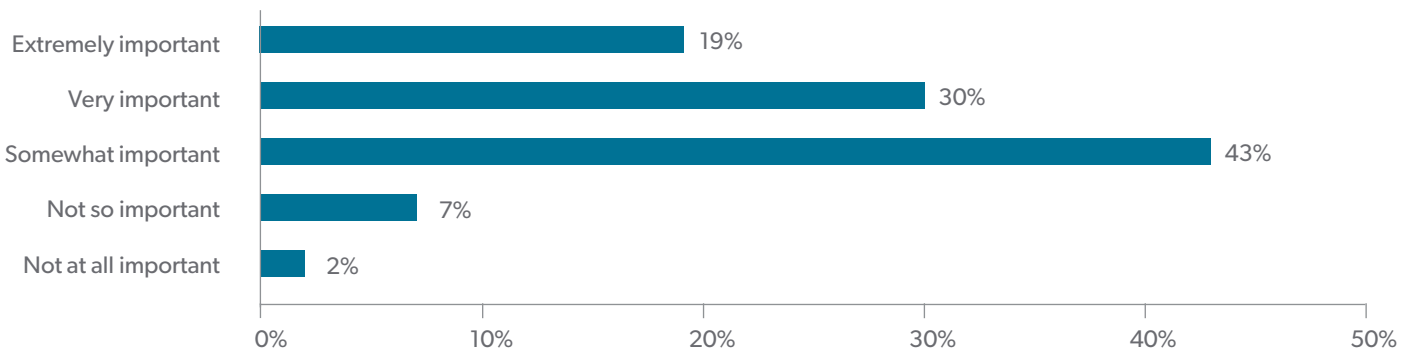
Source: IoD Ireland Director Sentiment Monitor Q4 2020.

Governance

Corporate Social Responsibility (CSR) and Environmental, Social and Corporate Governance (ESG) Issues

Nearly half (49%) of business leaders believe Corporate Social Responsibility (CSR) and Environmental, Social and Corporate Governance (ESG) issues are extremely/very important in shaping their organisation’s strategy. A further 43% find it somewhat important, with only 2% saying those issues are not at all important.

Figure 24: In respect of your primary organisation, how important are Corporate Social Responsibility (CSR) and Environmental, Social and Corporate Governance (ESG) issues in shaping your organisation’s strategy?



Source: IoD Ireland Director Sentiment Monitor Q4 2020.



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