



INSTITUTE OF DIRECTORS
IN IRELAND

DIRECTOR SENTIMENT MONITOR

QUARTERLY MEMBERS' SURVEY

2019



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



For most of 2019, our quarterly Director Sentiment Monitor surveys have reflected the challenges faced by business leaders in Ireland. In the final quarter of the year, however, we are seeing a slight rebound in sentiment from the second and third quarters when business confidence was at a low ebb.

While our members have told us consistently that they are well prepared for Brexit, they have also indicated that the air of uncertainty hanging over 2019 has impacted not just their strategic planning, but their feelings on the Government's performance, the economy, consumer confidence and business decision-making, future market opportunities, and Ireland-UK relations. Purely domestic issues, too, have been of concern: talent availability, the impact of high rents and a shortage of housing stock on recruitment, insurance costs, carbon taxes and sustainability.

But where there are challenges, there are also opportunities, and this new survey closes out 2019 on a more optimistic note. There is more positivity about the prospects for the Irish economy, about the financial performance of our members' organisations in the coming year, and about Ireland-EU relations post-Brexit, amongst other indicators. This survey finds conclusive results, too, in relation to what business leaders are saying about the approach to wellness in their organisations and whether sustainability should be a standing item on board agendas. With all of this in mind, business confidence, while no longer dropping, is now remaining constant.

The question is whether the chink of light seen from these findings will progress into 2020.

Thank you to all who participated in our exclusive members' surveys throughout the year.

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

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

DEMOGRAPHICS

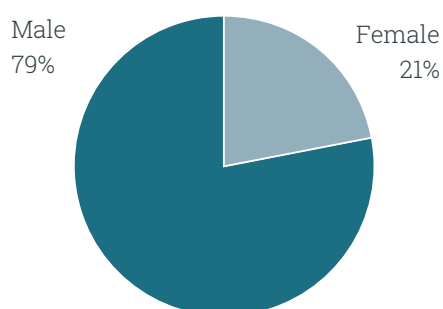
The Q4 2019 Director Sentiment Monitor had 296 respondents. In addition, 66% of the respondents are current board members, with the remainder in senior executive roles. The survey was issued to all IoD members, with a link to the online survey, and was carried out during the time period 26th November - 4th December 2019.

For the purposes of comparison, data from previous IoD Ireland quarterly surveys in 2019 and in Q4 2018 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, Q3 2019. The Q4 2019 survey had 79% of respondents who were male and 21% who were female.

Figure 1: Gender of respondents

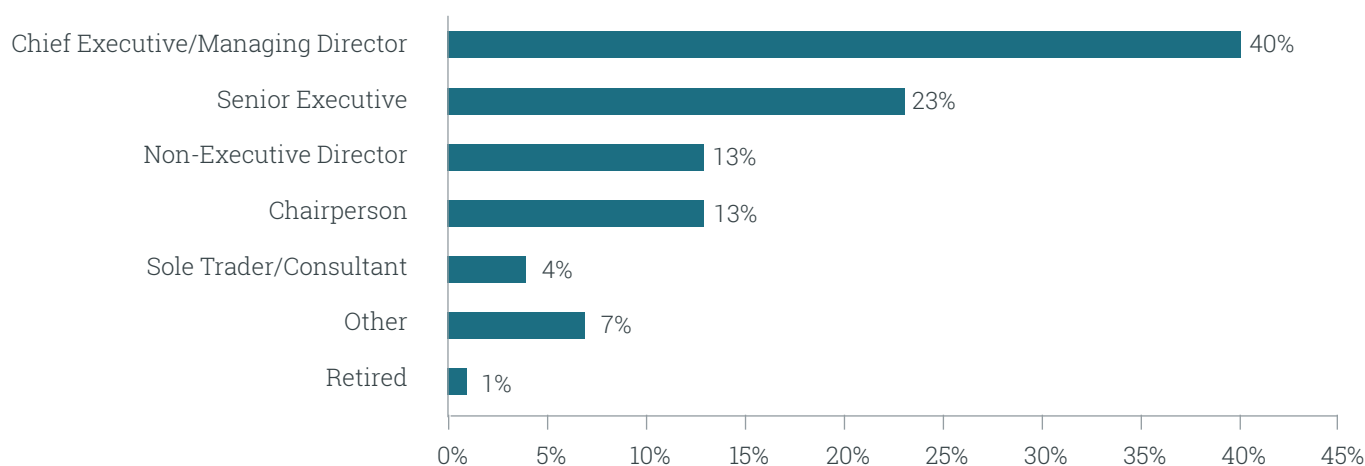


Source: IoD Ireland Director Sentiment Monitor Q4 2019

ROLE/POSITION

The role breakdown is also similar to Q3 2019. The respondents to the Q4 2019 survey hold the following roles/positions:

Figure 2: Breakdown of respondents by role/position



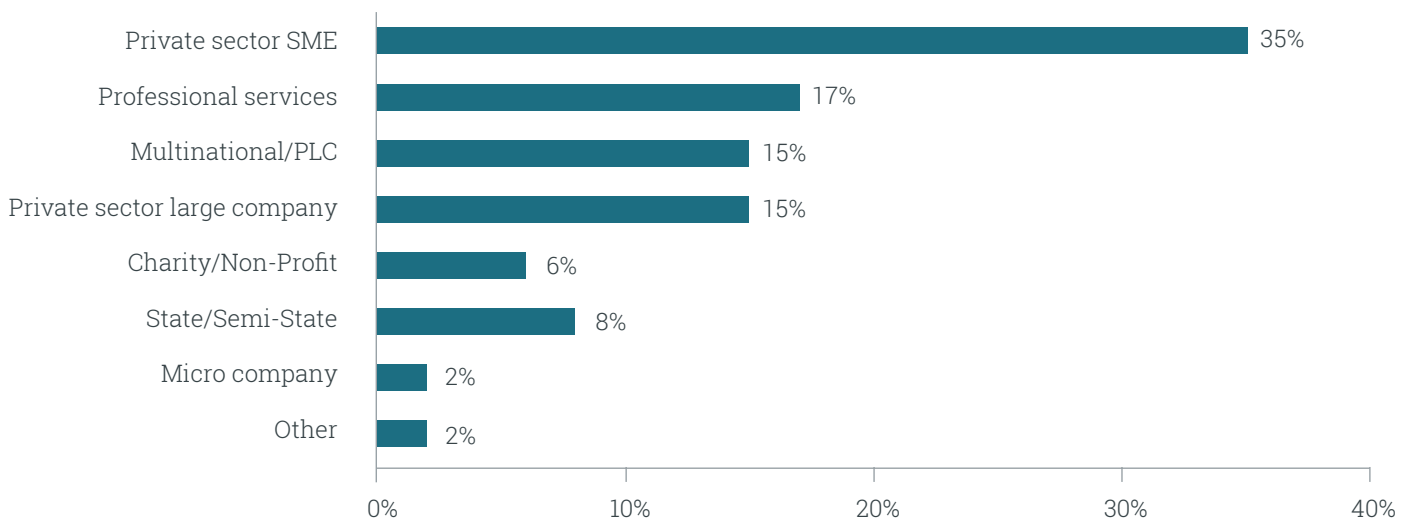
Source: IoD Ireland Director Sentiment Monitor Q4 2019

DEMOGRAPHICS

COMPANY TYPE

The respondents to the Q4 2019 survey represent the following types of companies:

Figure 3: Breakdown of respondents by company type



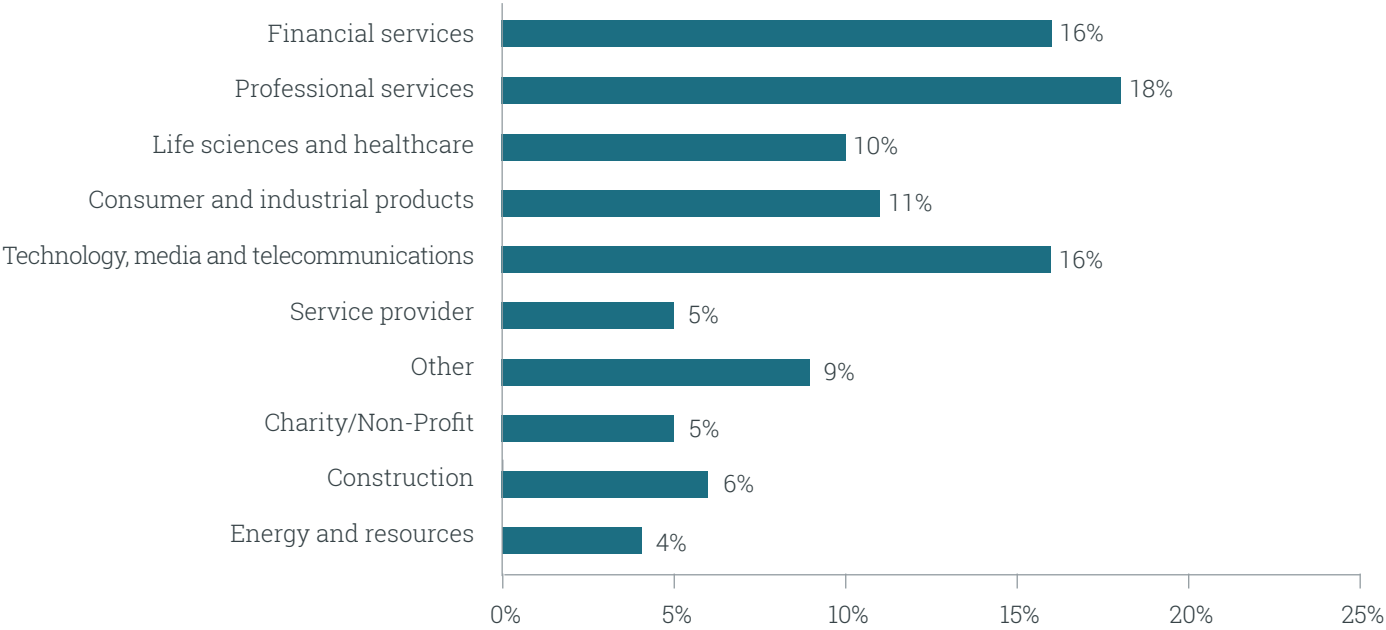
Source: IoD Ireland Director Sentiment Monitor Q4 2019

DEMOGRAPHICS

INDUSTRY SECTOR

The respondents to the Q4 2019 survey operate in the following types of sectors:

Figure 4: Breakdown of respondents by industry sector



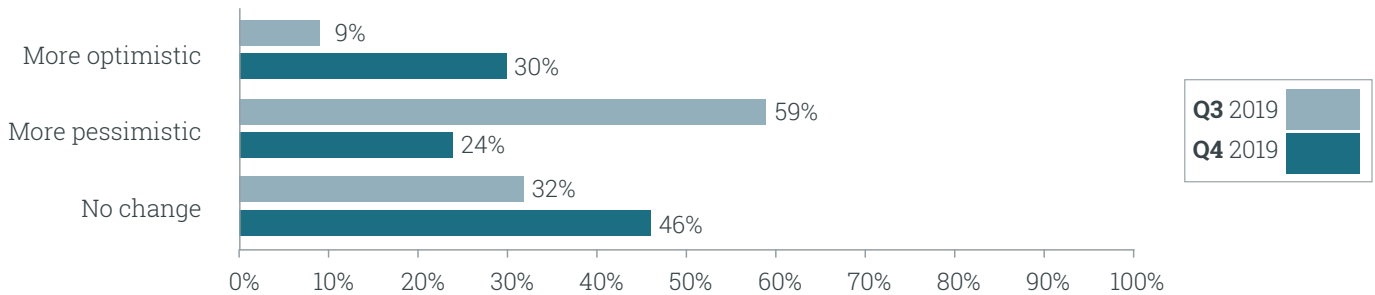
Source: IoD Ireland Director Sentiment Monitor Q4 2019

BUSINESS CONFIDENCE AND PERFORMANCE

Below are some key findings with respect to how confident business leaders felt in the Q4 2019 survey.

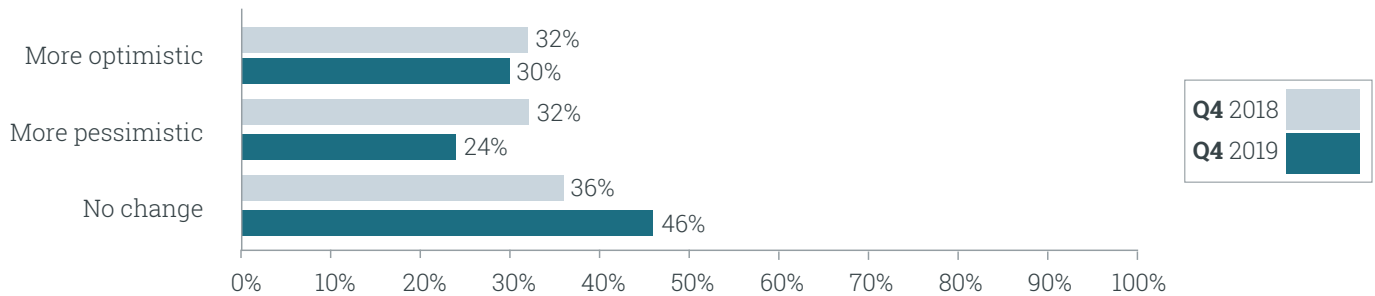
- When asked how they felt about the Irish economy in Q4 2019 versus Q3 2019, 30% said they were 'more optimistic'. This was 9% in Q3 2019, 15% in Q2 2019, and is closer to the 'more optimistic' 32% seen in Q1 2019. For the equivalent period in 2018 (i.e. Q4), this figure was 32%.
- This rebalancing of sentiment is consistent, with 24% (Q4 2019) admitting that they were 'more pessimistic' compared with 32% (Q4 2018), a difference of just 8% year on year, but a substantial 35% drop on Q3 2019, when the figure was 59%. In 2019 alone, as with the 'optimism' sentiment above, the year finished very similar to its beginning, with only a 1% increase in respondents feeling 'more pessimistic' than in Q1 (23%).
- In Q4 2019, 46% say there has been no change in how they feel about the Irish economy, which is a 14% increase on 32% in Q3 2019, and just a 1% increase on Q1 2019 and a 10% increase on Q4 2018. For the equivalent period (Q4) in 2018, this figure was 36%, so there has been a 10% increase year on year.

Figure 5: Business confidence in the Irish economy in Q4 2019 compared to Q3 2019



Source: IoD Ireland Director Sentiment Monitor Q4 2019

Figure 6: Business confidence in the Irish economy in Q4 2019 compared to Q4 2018



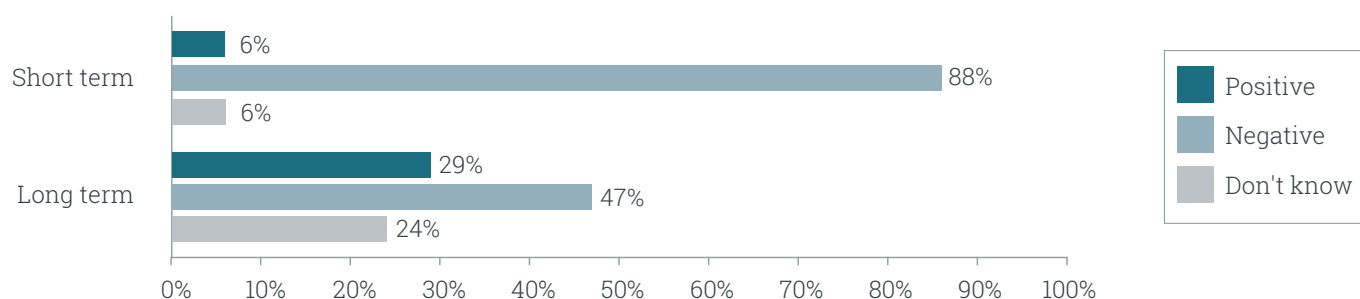
Source: IoD Ireland Director Sentiment Monitor Q4 2019

BREXIT

BREXIT IMPACT

- 88% of business leaders 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 and 96% in Q3 2019), with 47% believing it will be negative in the long term (this figure was 56% in Q1 2019, 58% in Q2 2019 and 55% in Q3 2019). Looking year on year, the most significant adjustments are reflected in the long term view of Brexit's impact, with a fall of 13% in negative sentiment from Q4 2018 (60%) to Q4 2019 (47%) and a slight rise in positive sentiment from Q4 2018 (22%) to Q4 2019 (29%).

Figure 7: Respondents' views in Q4 2019 of the likely impact of Brexit on the Irish economy

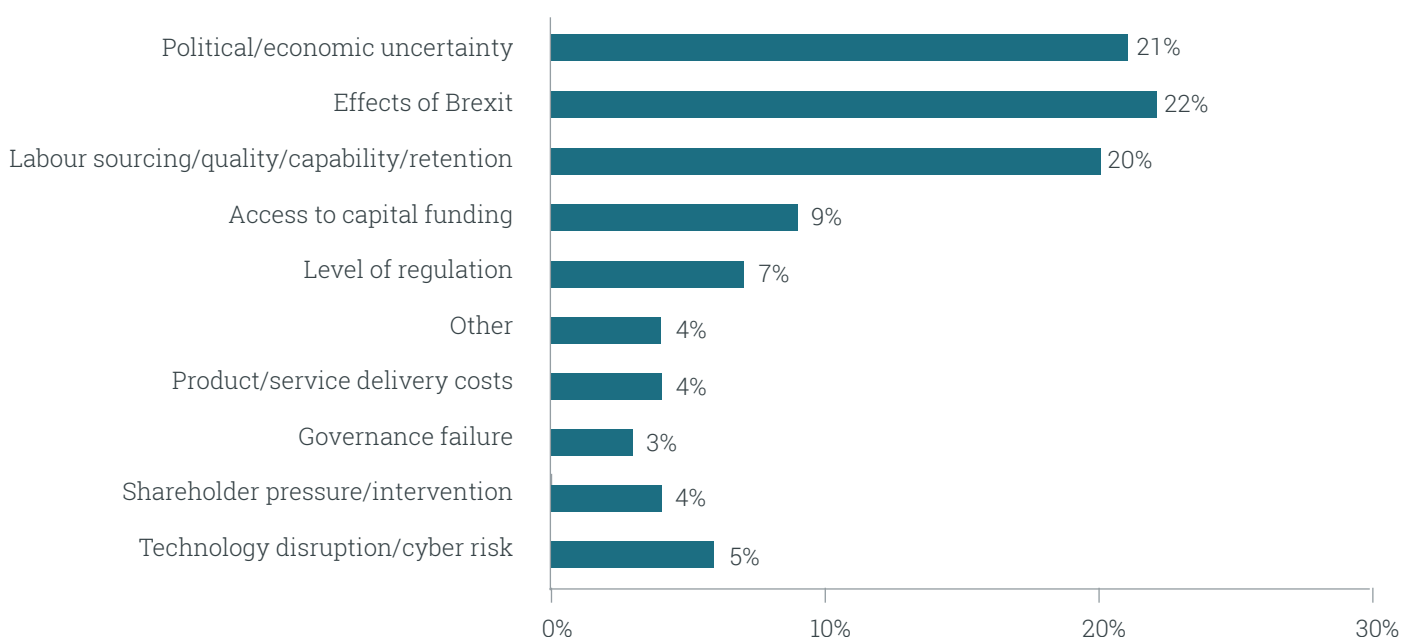


Source: IoD Ireland Director Sentiment Monitor Q4 2019

RISK FACTORS

- The survey respondents cite 'political/economic uncertainty' (21%) and 'the effects of Brexit' (22%) as the two biggest risk factors facing their primary organisation.

Figure 8: The single biggest risk respondents say is facing their organisation at present



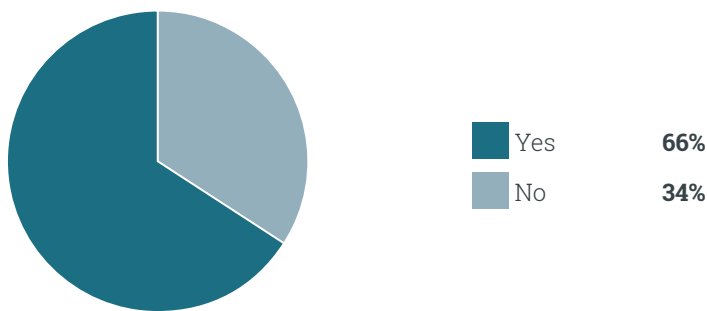
Source: IoD Ireland Director Sentiment Monitor Q4 2019

BREXIT

STRATEGIC PLANNING

- A clear majority (66%) admits that the continued Brexit uncertainty has ‘impacted their organisation’s strategic planning’, an increase of 6% on Q1 2019 and 3% on Q2 2019, but a slight fall of 2% on Q3 2019.

Figure 9: Has continued Brexit uncertainty impacted your organisation’s strategic planning?

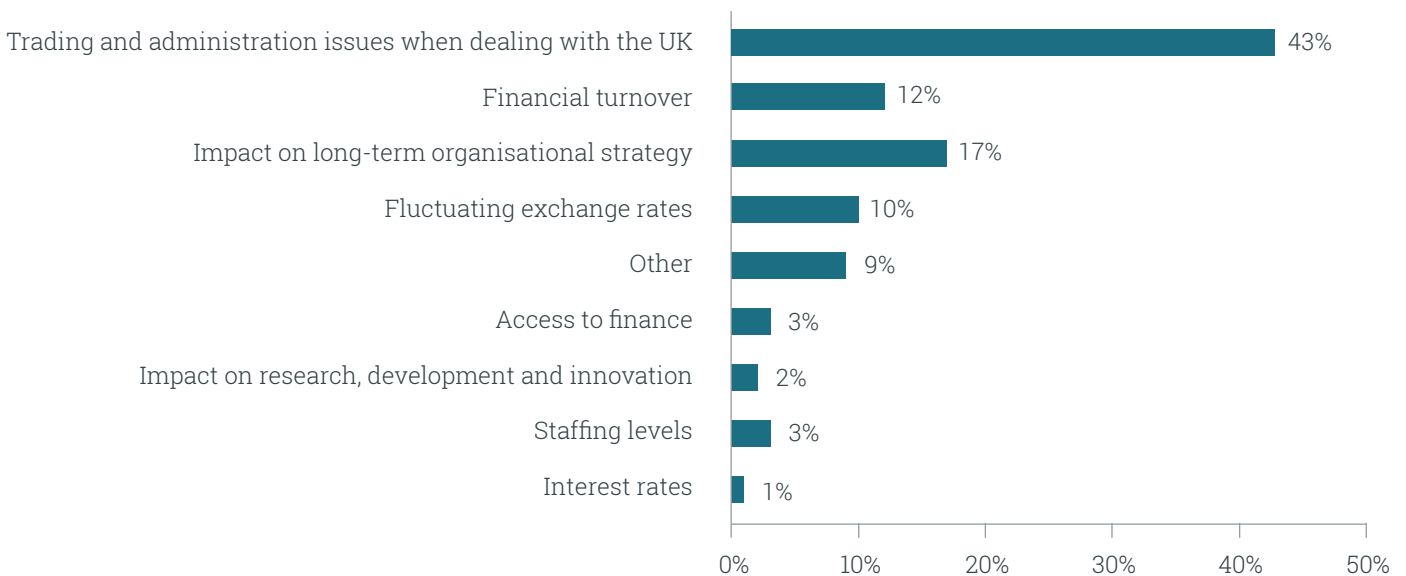


Source: IoD Ireland Director Sentiment Monitor Q4 2019

NO-DEAL BREXIT

- When asked what their organisation was most concerned about in the event of a no-deal Brexit, the dominant issue - at substantially more than the second most voted concern - is ‘trading and administration issues when dealing with the UK’ (43%). It is interesting, too, that many of those who filled in the comment box under ‘Other’ also referenced issues relating to trading with the UK, such as the land bridge, supply chain matters, credit control, and ‘red tape’, as well as a possible business ‘slow down’.

Figure 10: In the event of a no-deal Brexit, what is your organisation most concerned about?



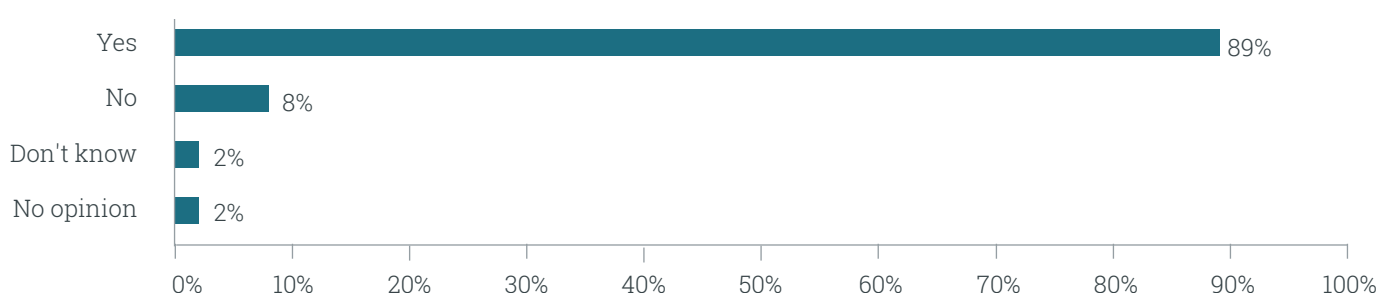
Source: IoD Ireland Director Sentiment Monitor Q4 2019

BREXIT

IRELAND-UK RELATIONS

- An overwhelming majority of business leaders (89%) is in favour of repairing any damage done to Ireland-UK relations in a post-Brexit scenario. This figure is consistent with the Q3 2019 figure.

Figure 11: Do you think Ireland needs to actively address improving relations with the UK in a post-Brexit scenario?

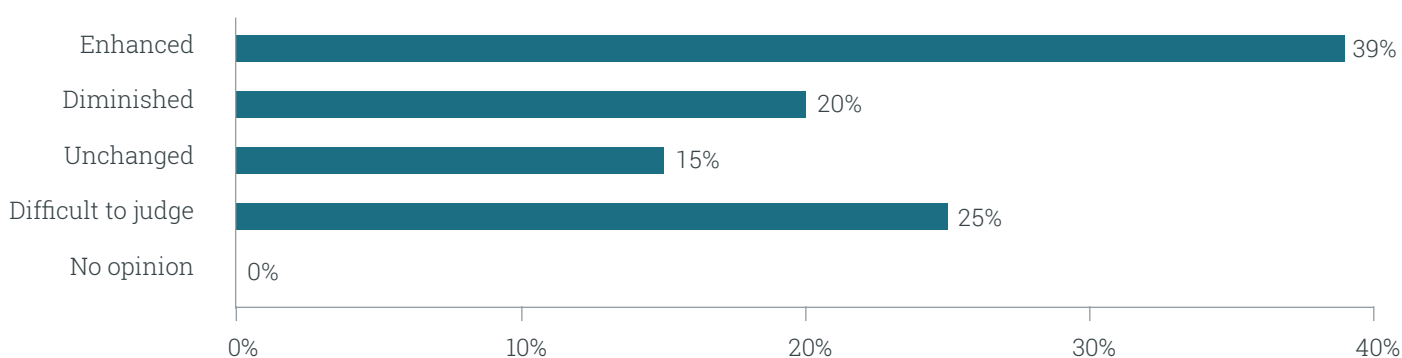


Source: IoD Ireland Director Sentiment Monitor Q4 2019

IRELAND-EU RELATIONS

When the UK finally leaves the EU, Ireland will be the only native English-speaking country in the bloc and, some believe, it may have lost an ally on some key issues. While 25% 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, nearly 20% more respondents (39%) feel it will be enhanced than diminished (20%).

Figure 12: Ireland's status in the EU post-Brexit will be:



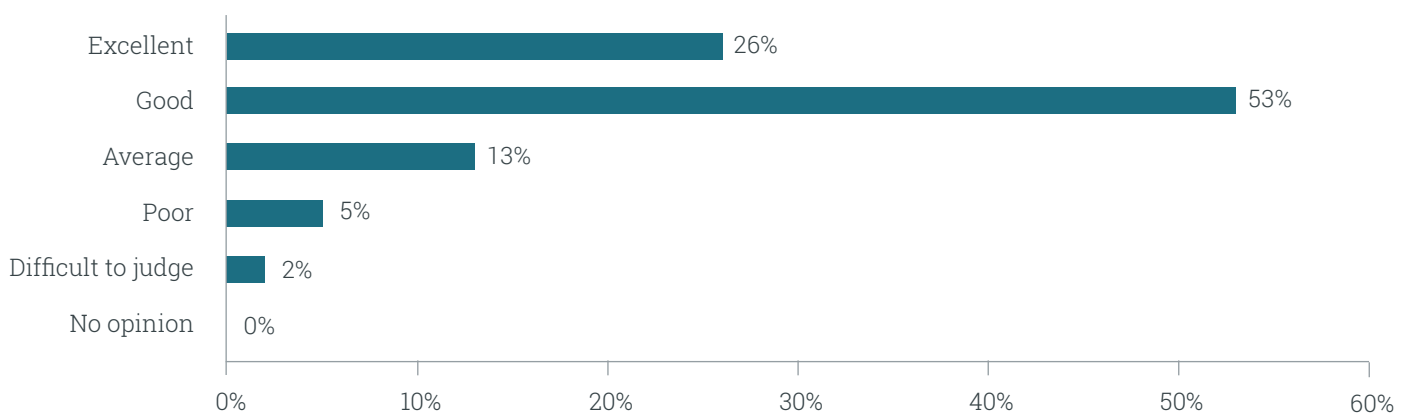
Source: IoD Ireland Director Sentiment Monitor Q4 2019

BREXIT

THE GOVERNMENT AND BREXIT

- While there has been much uncertainty, and sometimes confusion, surrounding the Brexit process to date, a substantial majority (79%) of business leaders believes the Irish Government's handling of the situation has been good to excellent.

Figure 13: How would you rate the Irish Government's handling of the Brexit process to date?



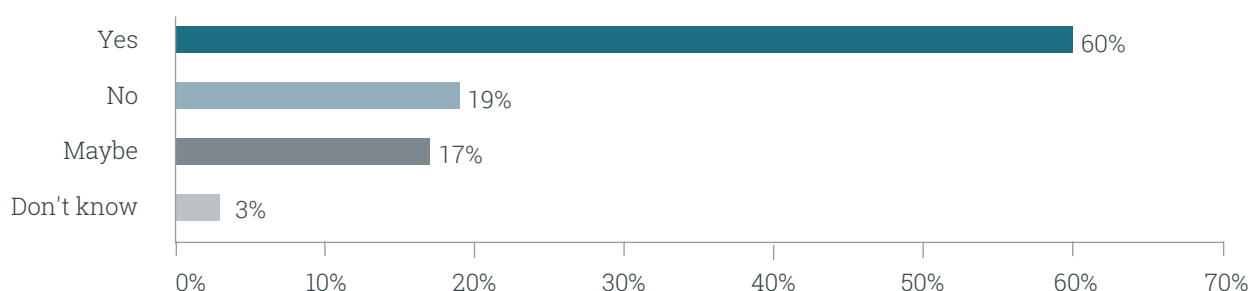
Source: IoD Ireland Director Sentiment Monitor Q4 2019

FINANCIAL PERFORMANCE AND MARKET GROWTH

FINANCIAL PERFORMANCE

- Reflecting the return to slightly more optimistic notes in the previous sections after a mid-year slump, 60% of business leaders in Q4 2019 believe that the financial performance of their primary organisation will improve in 2020. This is exactly the same percentage as Q4 2018 and Q1 2019, and 18% higher than in Q3 2019 (42%).

Figure 14: Do you think that the financial performance of your primary organisation will improve in 2020?

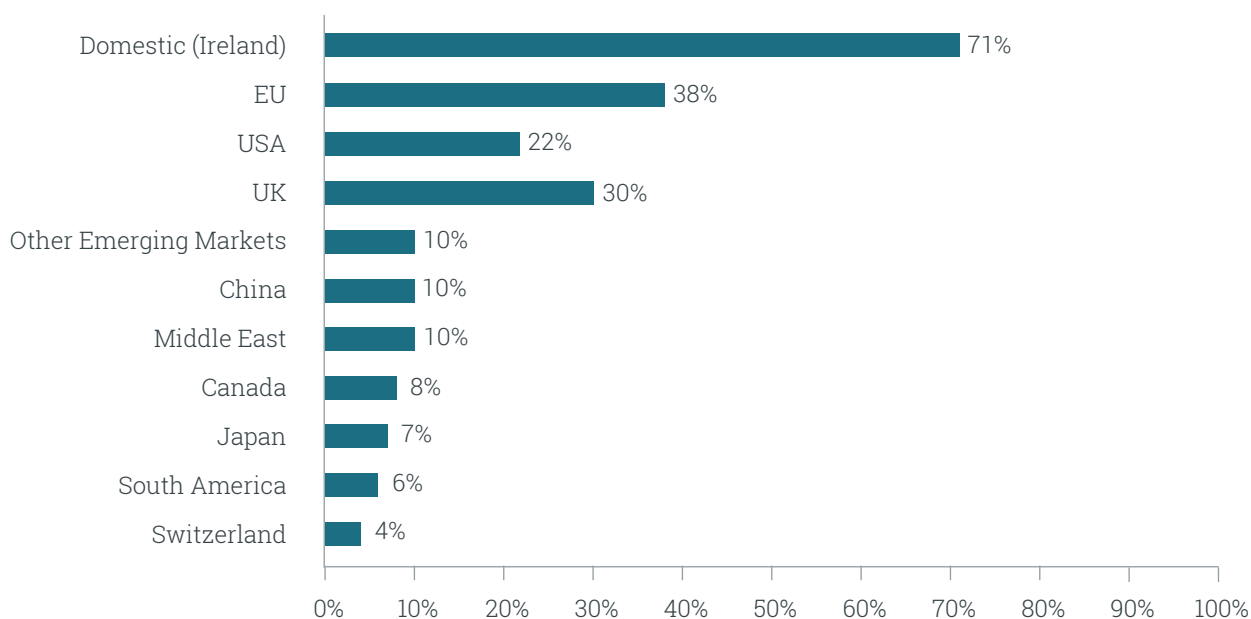


Source: IoD Ireland Director Sentiment Monitor Q4 2019

MARKET GROWTH

While there was a 10% slippage from Q1 (30%) to Q2 (20%) 2019 in the UK being a market where respondents anticipated opportunities for growth in 2019, the Q4 findings return to where they were at the beginning of the year (30%), and are up from 20% in Q3 2019. Other overseas markets remain largely constant with Q3's findings, but there has been a 10% growth from Q3 (61%) to Q4 (71%) in the number that see Ireland as their main market, the same figure seen in the final quarter in 2018. The top six markets where opportunities for growth are anticipated in 2020 are, in order: Ireland, EU, UK, USA, China, Middle East and 'Other Emerging Markets'.

Figure 15: In respect of your primary organisation, in which markets do you anticipate opportunities for growth in 2020?



Source: IoD Ireland Director Sentiment Monitor Q4 2019

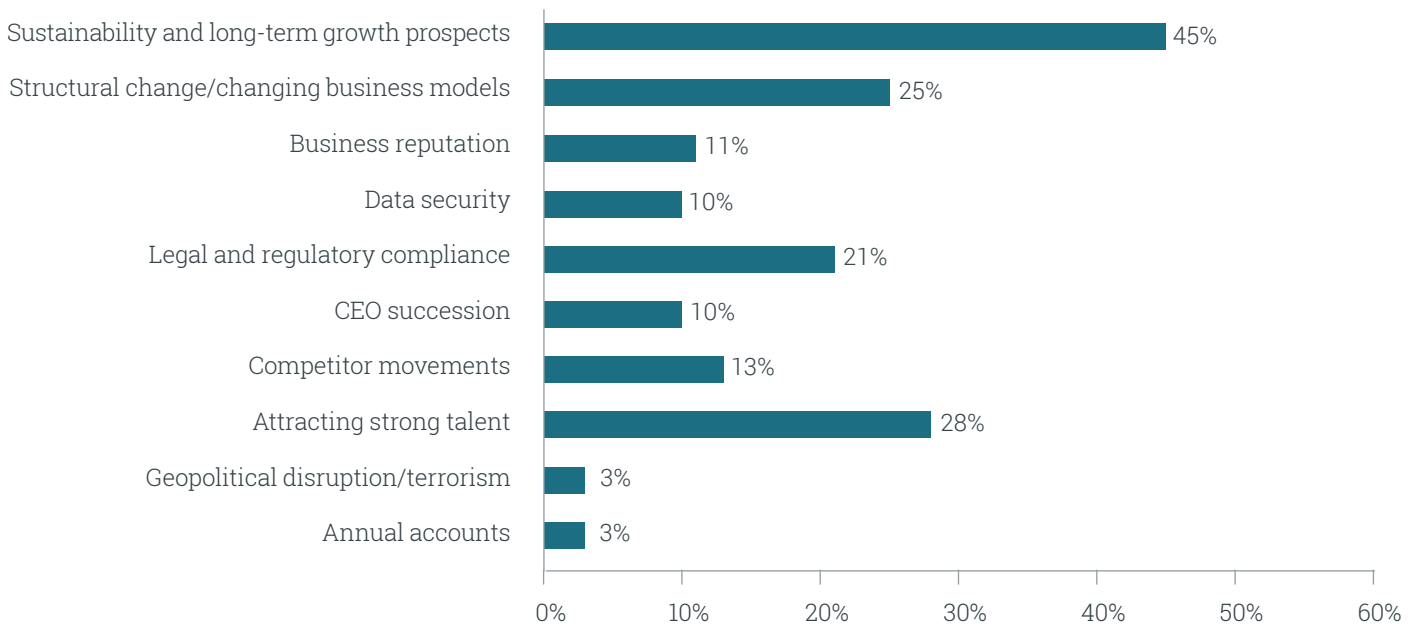
KEY ISSUES

WHAT 'KEEPS YOU AWAKE AT NIGHT'?

Below are some key findings in the Q4 2019 survey regarding the key issues that business leaders say 'keeps them awake at night':

- Just under half of respondents (45%) cited sustainability and long-term growth prospects, an increase of 1% on Q3 2019 and a 4% increase on the same period last year Q4 2018.
- This was followed by attracting strong talent at 28%, which was 26% in Q3 2019 and 33% in Q4 2018.

Figure 16: What are the main issues that 'keep you awake at night'?



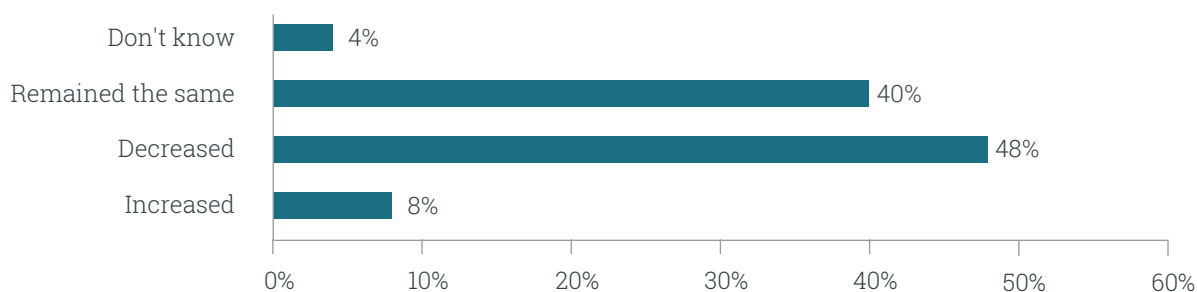
Source: IoD Ireland Director Sentiment Monitor Q4 2019

KEY ISSUES

TALENT

On the issue of the availability of talent for their business in Q4 2019, 48% believe it has decreased, down from 50% in Q3, with 40% saying it has stayed the same as the previous quarter. This means that 88% of respondents believe that the availability of talent has decreased or remained the same in Q4 2019. Just 8% of respondents believe the availability of talent has increased in Q4, a decrease of 3% on Q3 2019.

Figure 17: Do you believe that the availability of talent for your business increased or decreased in Q4 2019?



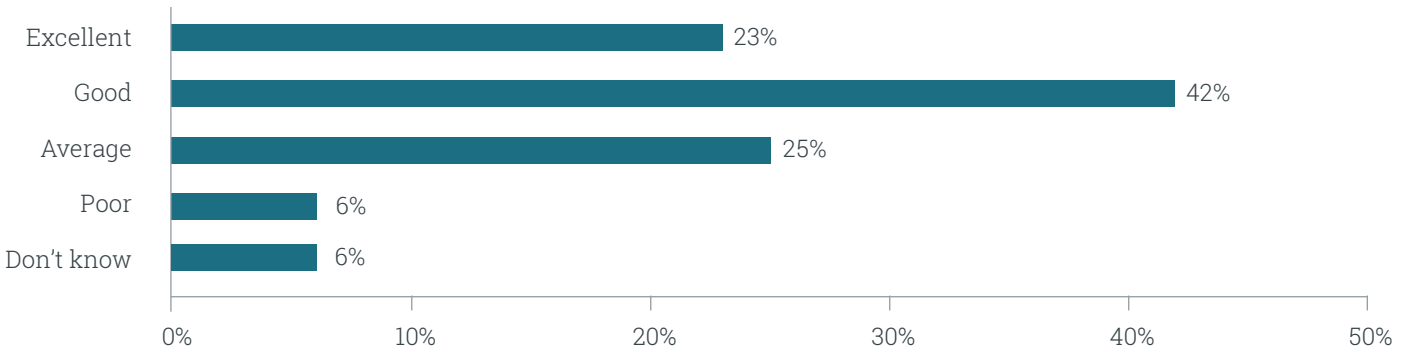
Source: IoD Ireland Director Sentiment Monitor Q4 2019

KEY ISSUES

GENDER PAY GAP REPORTING

The Gender Pay Gap Information Bill, published in April 2019, is expected to become law in 2020. 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 regards their level of preparedness for the impending legislation as good to excellent.

Figure 18: How would you describe the level of preparedness of your primary organisation for the impact of the gender pay gap legislation?

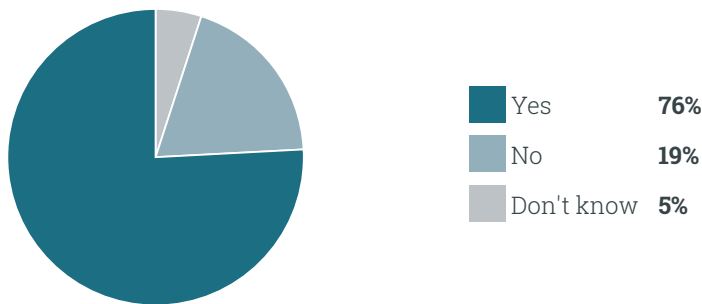


Source: IoD Ireland Director Sentiment Monitor Q4 2019

WELLNESS

There is a greater awareness of the importance of physical and mental health in today's business environment and, indeed, society generally. IoD Ireland members confirm in our survey that this is also very much the case in their organisations.

Figure 19: Does your primary organisation have a holistic approach (i.e. inclusive of mental and physical health) to the health and well-being of staff and directors?



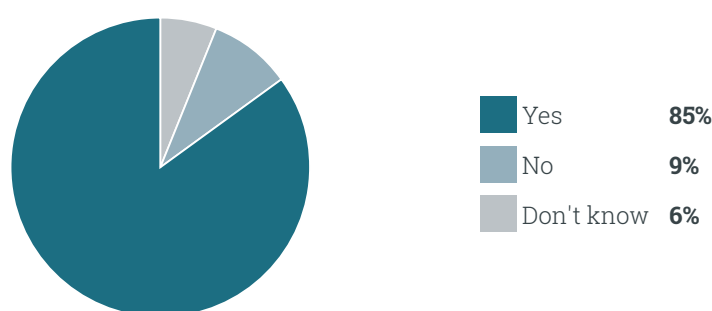
Source: IoD Ireland Director Sentiment Monitor Q4 2019

KEY ISSUES

SUSTAINABILITY ON BOARD AGENDA

Following the findings of our previous Director Sentiment Monitor survey for Q3, 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 in Q4 believes that the issue of sustainability should be a consistent 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?

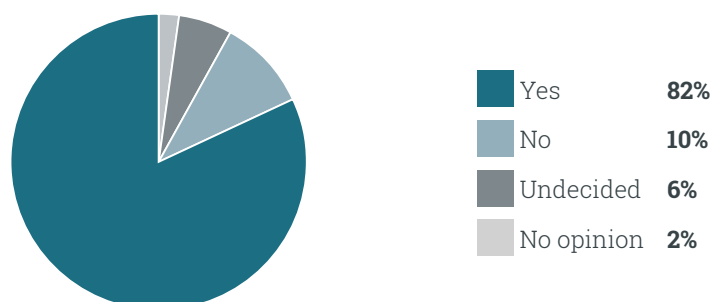


Source: IoD Ireland Director Sentiment Monitor Q4 2019

PUBLIC BROADCASTING

Since the enactment of the Radio and Television Act 1988, Ireland has had a blend of public and independent radio and television. In 2019, various issues arose in public debate regarding the State broadcaster, RTE, notably its funding. Our survey finds that a clear majority of IoD members confirm that they believe there is a role for a State broadcaster.

Figure 21: Do you think there is a role for a public broadcaster in Ireland today?



Source: IoD Ireland Director Sentiment Monitor Q4 2019

GOVERNMENT PERFORMANCE

EFFECT ON CONFIDENCE

Below are some key findings regarding how business leaders feel the Government has performed in Q4 2019 with respect to consumer confidence and business decision-making. The respondents were asked whether the Government’s performance has had a positive or negative impact on these areas.

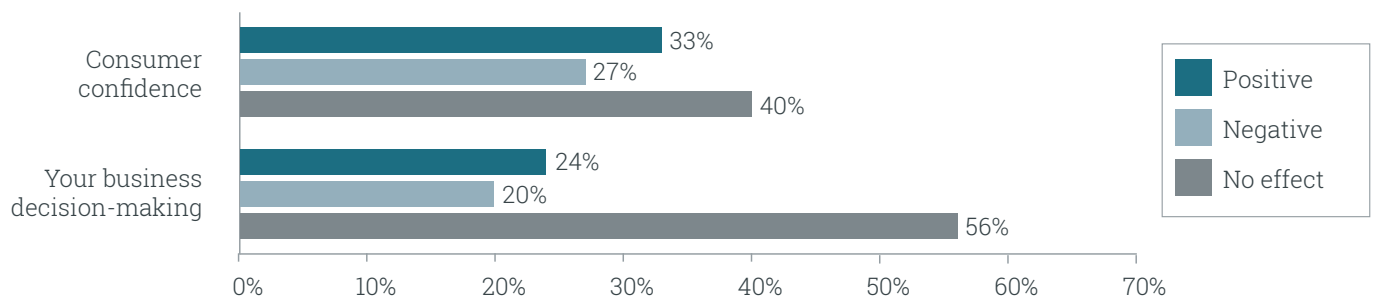
- **Consumer confidence**

- The results found 33% of business leaders believe consumer confidence has been positively impacted by the current Government’s performance to date, which is up from 30% in Q3 but very much down from 48% in Q1 2019 and a significant fall from 70% in Q4 2018.
- The number of business leaders saying that consumer confidence has been negatively impacted by the Government’s performance has risen from 17% in Q1 2019 to 27% in Q2 and then to 32% in Q3. In Q4 2019, this figure has now dropped back to 27% in Q4 2019. For the equivalent period last year, Q4 2018, this figure was just 7%.
- 40% of respondents say the Government’s performance on consumer confidence has had no effect, an increase of 2% from Q3 2019, and a 16% increase on Q4 2018 (24%).

- **Business decision-making**

- Just 24% of business leaders believe that the Government’s performance so far has had a positive effect on their business decision-making in Q4 2019, up from 20% in Q3 2019. This represents a 13% fall from the same quarter (Q4) in 2018, when it was 37% of respondents.
- The number of business leaders citing that their decision-making has been negatively impacted by the Government’s performance has risen from 17% in Q1 2019 to 23% in Q2 2019 and then to 26% in Q3 2019. This figure now stands at 20%. One year ago, in Q4 2018, this figure was just 11%, meaning there has now been a 9% increase year on year.
- In addition, 56% of business leaders in Q4 2019 believe the Government’s performance to date has had no effect. This was 54% in Q3 2019, 60% in Q2 2019 and 52% in Q4 2018.

Figure 22: What do you believe has been the effect of the current Government’s performance to date on consumer confidence and your decision-making?



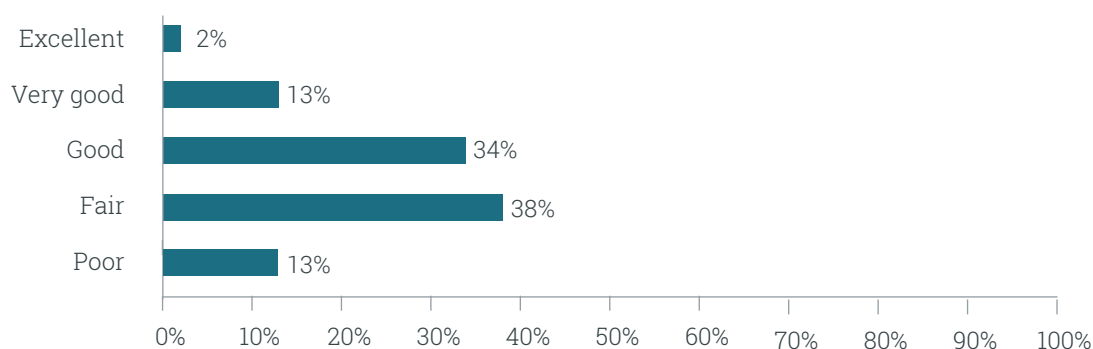
Source: IoD Ireland Director Sentiment Monitor Q4 2019

GOVERNMENT PERFORMANCE

RATING THE GOVERNMENT

When asked to rate the Government's performance in Q4 2019, just 2% of business leaders rated it as excellent, 13% as very good, and 34% as good. While 13% rated it as poor, the biggest group (38%) rated the Government's performance as fair. Therefore, 49% of respondents rated the Government's performance in Q4 as good to excellent, which is a 5% decrease on 54% in Q3. However, there is better news for the Government on the Brexit issue alone (see page 12 of this report), with 79% of respondents believing the Government's handling of the Brexit process to date has been good to excellent.

Figure 23: Please rate the current Government's performance in Q4 2019?



Source: IoD Ireland Director Sentiment Monitor Q4 2019



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