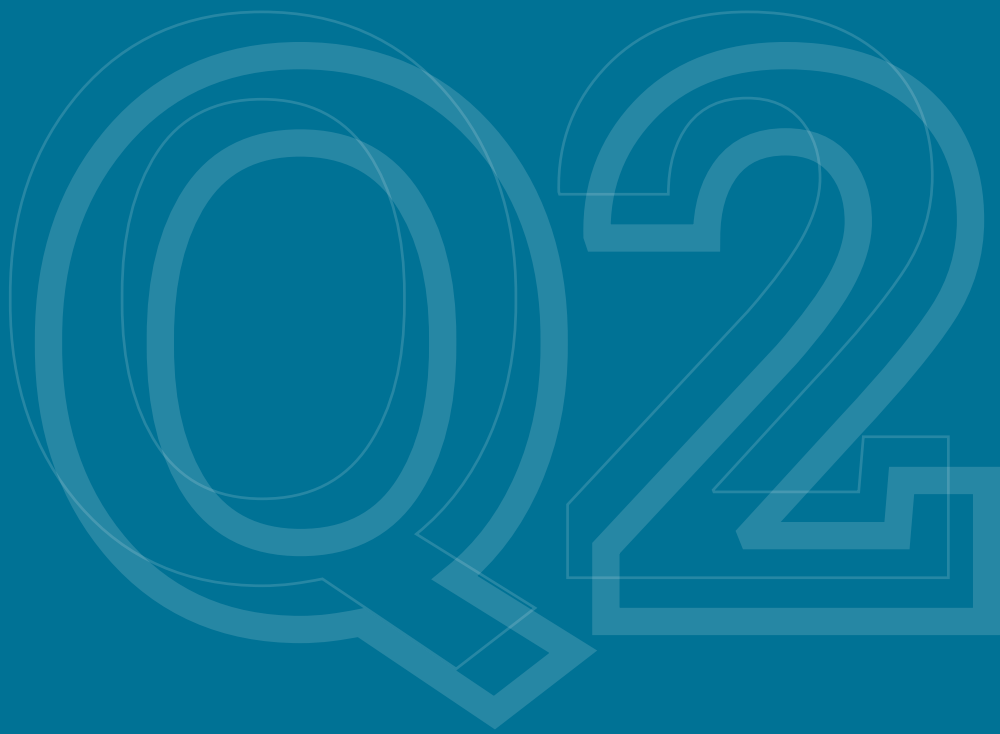




INSTITUTE OF DIRECTORS
IN IRELAND

Director Sentiment Monitor

Quarterly Members' Survey
2022



The Institute of Directors in Ireland

Our vision is to be the leading authority on, and influencer of, good corporate governance standards in Ireland for directors and boards and a dynamic and relevant membership body for directors and senior business leaders, supporting them through the lifecycle of their business lives.

Contents

Foreword	4
Methodology	5
Demographics	5
Gender	5
Role/Position	6
Company Type	6
Industry Sector	7
The Economy	8
Business Confidence and the Irish Economy	8
Effect of Government's Performance	9
Financial Performance and Risk	10
Risk Factors	10
Financial Performance	11
Business Challenges	12
Inflation	12
Cost of Living	12
Ireland-UK Relationship	13
Governance	14
Succession Planning	14
Board Recruitment	14
Current Expertise/Experience Matrix	16
Future Expertise/Experience Matrix	17
Training Frequency	18
Types of Training	19

Foreword



The commitment of being a director and business leader is substantial. Time for skills training is at a premium. However, there is a responsibility to keep abreast of new legislative requirements and the many developments in the governance area. It is no surprise, then, that when asked how often they updated their governance/regulatory knowledge through training and continuous professional development, 55% of IoD members who responded to our exclusive Director Sentiment Monitor survey for Q2 2022, selected 'Any opportunity when I have the time'.

Continuous professional development remains essential as the scope of governance and the key issues that directors and business leaders need to be both aware and understand in detail grows and intensifies. This new research finds that respondents currently see strategy, corporate governance and risk management as the top three areas of expertise/experience they bring to their current primary board. Interestingly, when queried in relation to what future expertise/experience will be needed in the next two years, strategy and risk management remain, but ESG is now also included in the top three. It is interesting to note that risk management was not included in the top three answers to both of the aforementioned questions in the research during the same period in 2021. This is, perhaps, due to the complex geopolitical situation that has occurred over the first two quarters of 2022. Nevertheless, members are now looking at risk management as a more crucial area for their boards than heretofore.

It is important that all directors are cognisant of this evolution in the governance area and, indeed, that they keep abreast of what boards are looking for in order to meet the highest standards of good governance.

Our Director Sentiment Monitor survey for Q2 2022 has also found a decrease in business confidence. In Q3 2021, 72% of respondents were 'more optimistic' about the economy, this has fallen to 9% in Q2 2022.

These, and other findings relating to inflation and other risk factors, financial performance, and the effect of the Government's performance, are contained in this Q2 2022 report. Thank you to all those members who were able to take the time to respond to our latest survey.

A handwritten signature in black ink that reads "Caroline Spillane".

Caroline Spillane CDir
Chief Executive Officer
Institute of Directors (IoD) in Ireland

Methodology

The Q2 2022 Director Sentiment Monitor had 344 respondents. In addition, 74% 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 23rd June 2022 and 12th July 2022.

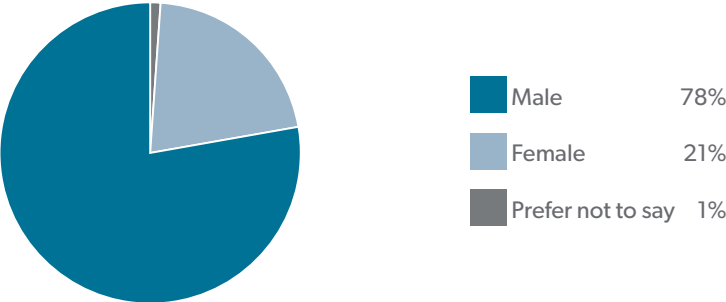
For the purposes of comparison, data from previous IoD Ireland quarterly surveys are also included in this publication in certain instances. The findings in this research have been rounded up or down to the nearest decimal point. For the majority of questions, respondents were given the option of one response. In certain cases, these figures will not add up to 100% due to rounding up or down of percentages. The exceptions are for Fig 17, Fig 18, and Fig 20, 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%.

Demographics

Gender

The Q2 2022 survey had 78% of respondents who were male and 21% who were female.

Figure 1: Gender of respondents



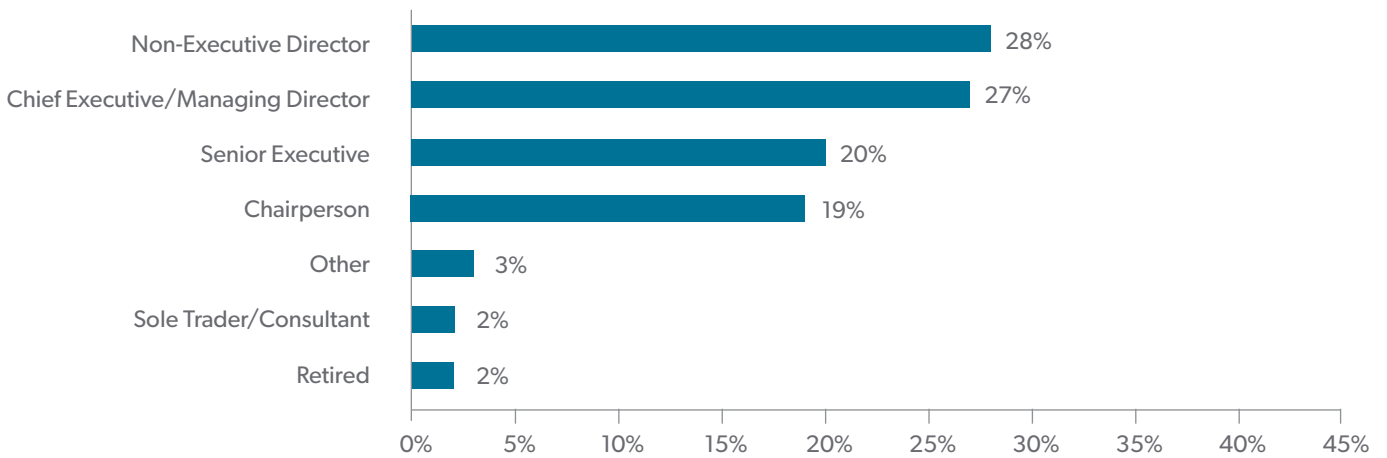
Source: IoD Ireland Director Sentiment Monitor Q2 2022.

Demographics

Role/Position

The respondents to the Q2 2022 survey hold the following roles/positions:

Figure 2: Breakdown of respondents by role/position

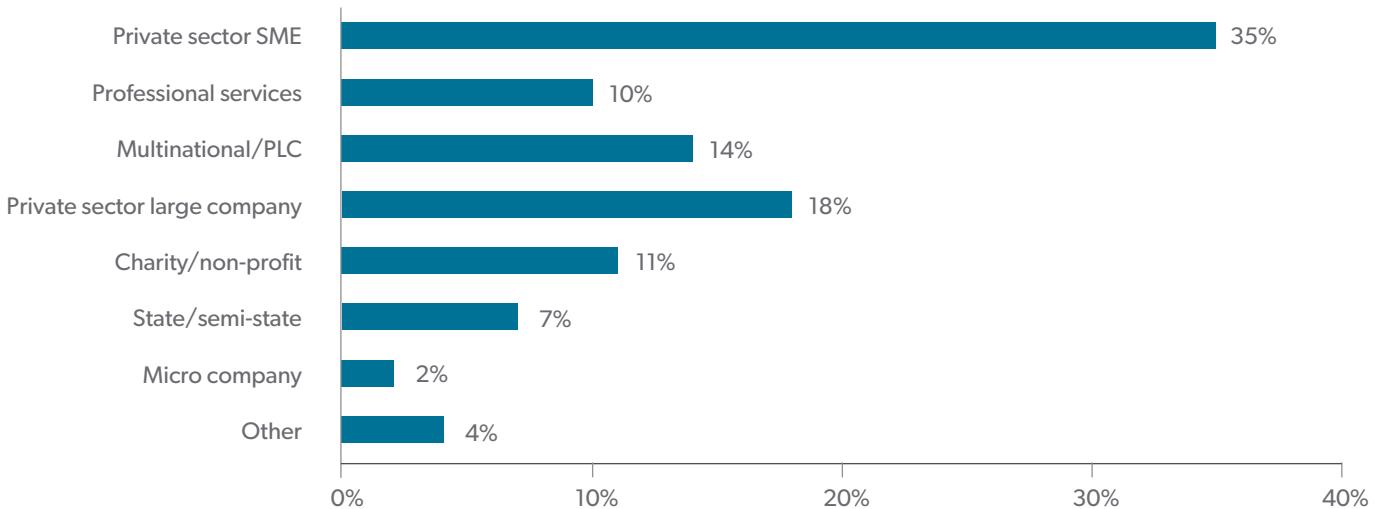


Source: IoD Ireland Director Sentiment Monitor Q2 2022.

Company Type

The respondents to the Q2 2022 survey represent the following types of companies:

Figure 3: Breakdown of respondents by company type



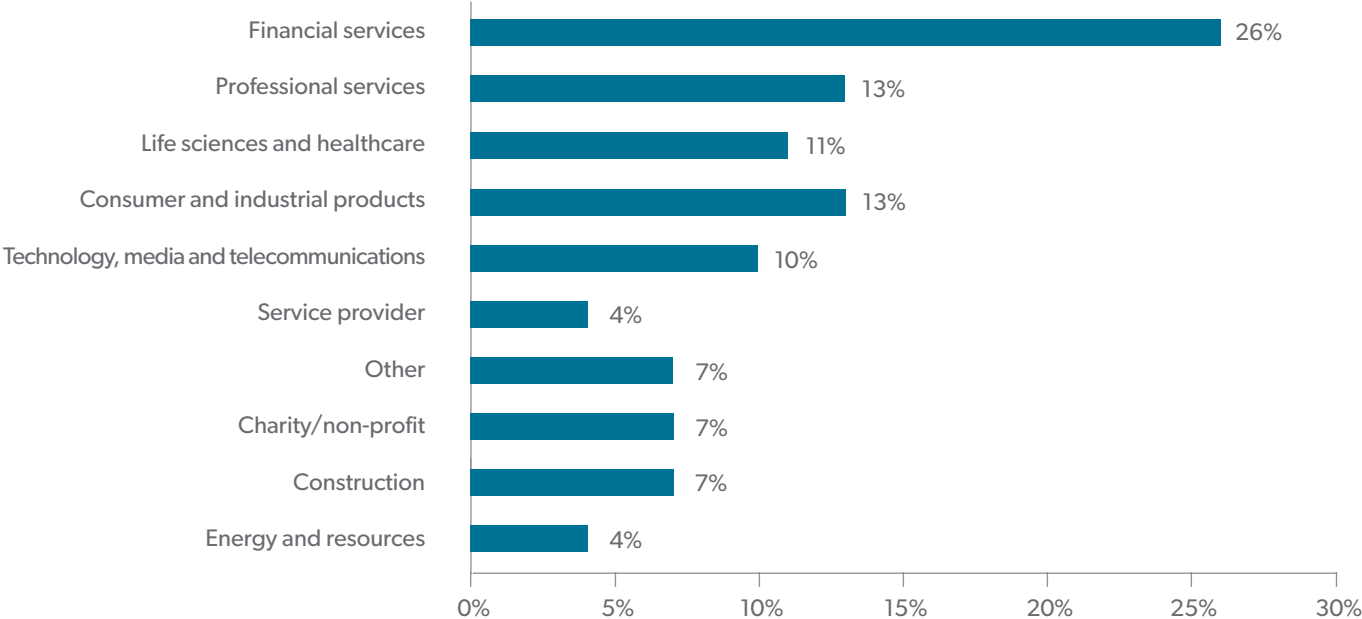
Source: IoD Ireland Director Sentiment Monitor Q2 2022.

Demographics

Industry Sector

The respondents to the Q2 2022 survey operate in the following types of sectors:

Figure 4: Breakdown of respondents by industry sector



Source: IoD Ireland Director Sentiment Monitor Q2 2022.

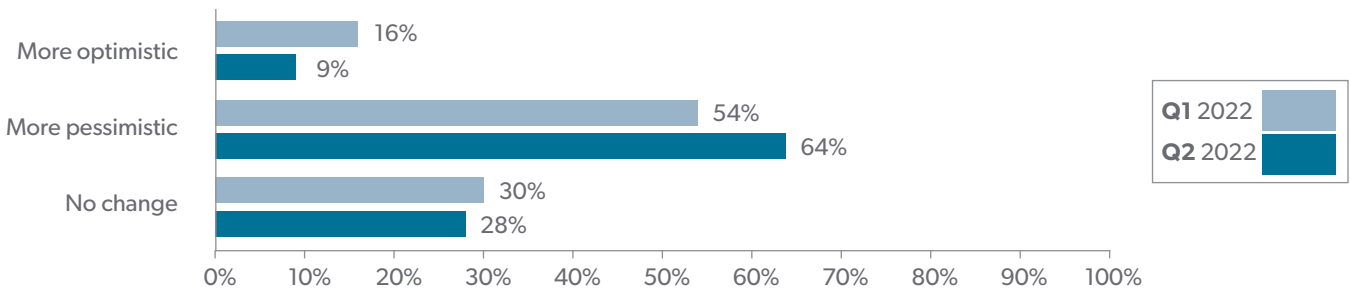
The Economy

Business Confidence and the Irish Economy

In our Q2 2022 research, we have seen a decrease in business confidence for the third successive Director Sentiment Monitor. In our latest Q2 2022 research, just 9% of business leaders are more optimistic when compared to Q1 2022. In respect of previous research, this finding was 16% in Q1 2022, 31% in Q4 2021, 72% in Q3 2021, and 61% in Q2 2021.

It is no surprise, then, that 64% of business leaders are 'more pessimistic' about the economy in Q2 2022. In comparison to previous quarters, this was 54% in Q1 2022, 28% in Q4 2021, 7% in Q3 2021 and 11% in Q2 2021. Those who had 'no change' in their view of the economy since the previous survey stands at 28% in Q2 2022.

Figure 5: Business confidence in the Irish economy in Q2 2022 compared to Q1 2022.



Source: IoD Ireland Director Sentiment Monitor Q2 2022.

The Economy

Effect of Government's Performance

With regard to the effect of the Government's performance to date on consumer confidence, on the one hand, and business decision-making, on the other hand, we are seeing negative trends emerging in Q2 2022.

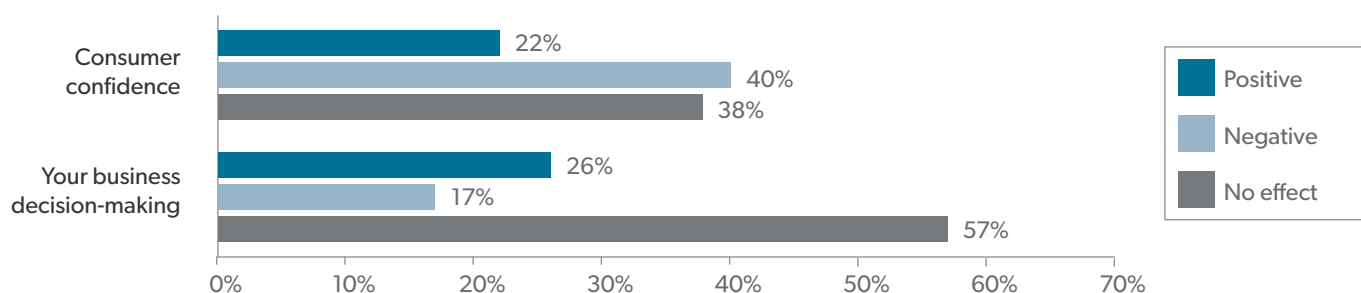
Consumer Confidence

- In Q2 2022, 22% of business leaders believed the effect of the current Government's performance on consumer confidence to be positive. This has dropped from 41% in Q1 2022.
- In Q2 2022, 40% of business leaders believed the effect of the current Government's performance on consumer confidence to be negative. This has increased from 21% in Q1 2022.
- In Q2 2022, 38% of respondents say the Government's performance has had no effect on consumer confidence. This was also 38% in Q1 2022.

Business Decision-Making

- In Q2 2022, 26% of business leaders believed the effect of the current Government's performance to be positive. This has decreased from 38% in Q1 2022.
- In Q2 2022, 17% of business leaders believed the effect of the current Government's performance to be negative. This has increased from 13% in Q1 2021.
- In Q2 2022, 57% of business leaders believed the Government's performance has had no effect on their business decision-making. This has increased from 50% in Q1 2022.

Figure 6: What do you believe has been the effect of the current Government's performance to date on the following?



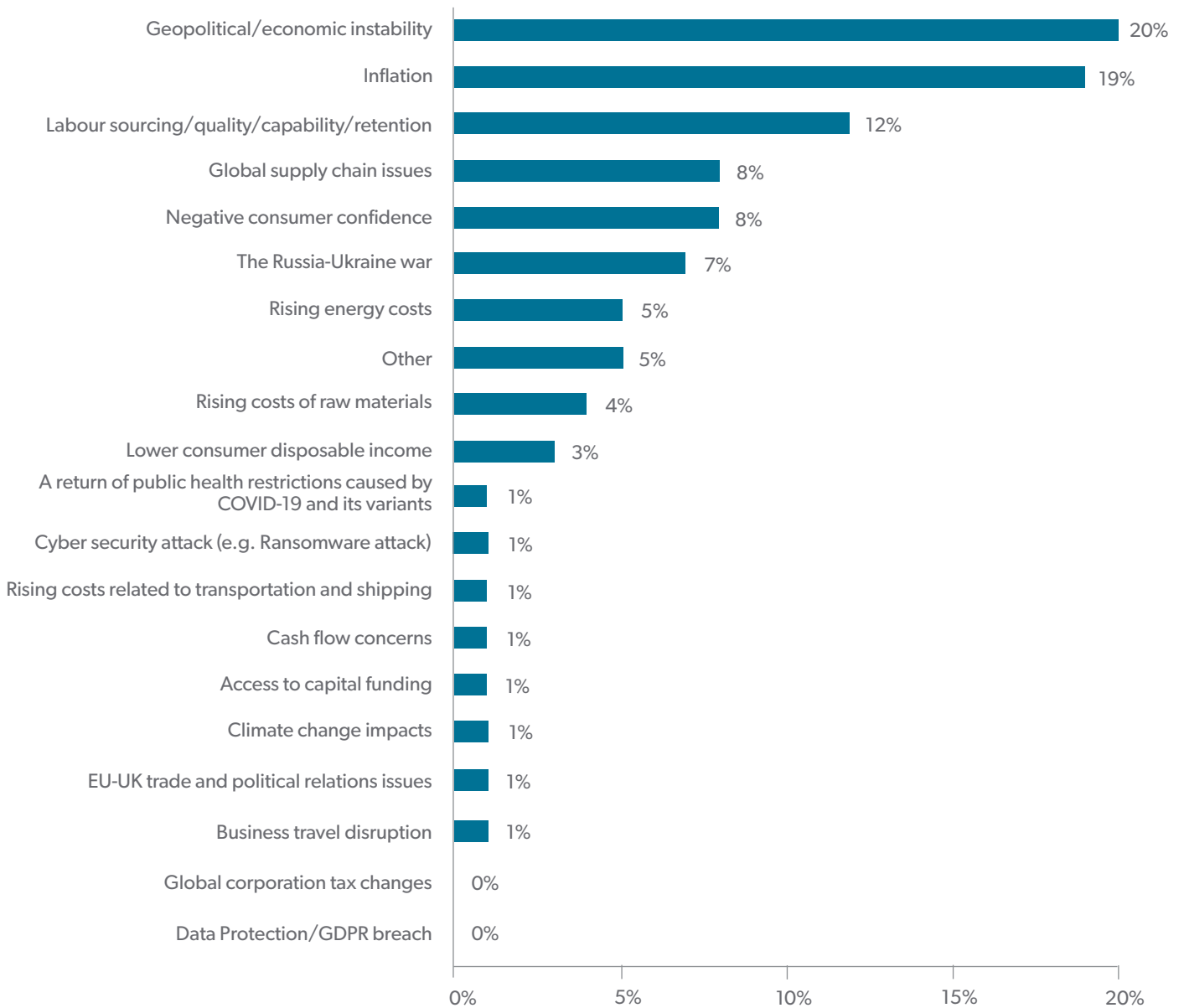
Source: IoD Ireland Director Sentiment Monitor Q2 2022.

Financial Performance and Risk

Risk Factors

In Q1 2022, Russia’s invasion of Ukraine and its many consequences influenced the key risk factors chosen by our respondents. In Q2 2022, ‘geopolitical/economic instability’ (20%) and ‘inflation’ (19%) again dominate the list, with ‘labour sourcing/quality/capability/retention’ (12%) another significant risk factor. ‘Global supply chain issues’ (8%), ‘negative consumer confidence’ (8%) and ‘rising energy costs’ (5%) also figure highly amongst the prominent risk factors for the business leaders in our research. It is also interesting to note how COVID-19 restrictions, cyber security attack, and EU-UK relations, amongst other factors, have fallen down our latest risk list (on just 1%, respectively).

Figure 7: The single biggest risk respondents say is facing their organisation at present



Source: IoD Ireland Director Sentiment Monitor Q2 2022.

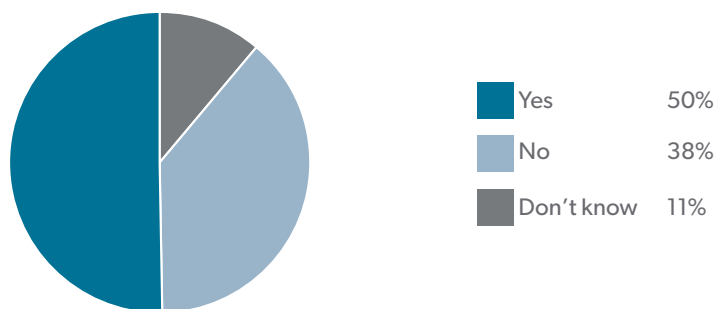
Financial Performance and Risk

Financial Performance

For the third successive quarterly Director Sentiment Monitor survey, there is a decrease in positive sentiment with regard to financial performance in the following quarter.

- In our Q2 2022 research, 50% of our respondents believed the financial performance of their primary organisation would improve in Q3 2022. In turn, 38% of respondents believed it would not improve and 11% did not know.
- In comparison to past quarters, in Q1 2022, 55% of respondents believed the financial performance of their primary organisation would improve in Q2 2022, with 33% believing it would not. In Q4 2021, 64% of respondents believed the financial performance of their primary organisation would improve in Q1 2022, with 23% believing it would not improve.

Figure 8: Do you think that the financial performance of your primary organisation will improve in Q3 2022?

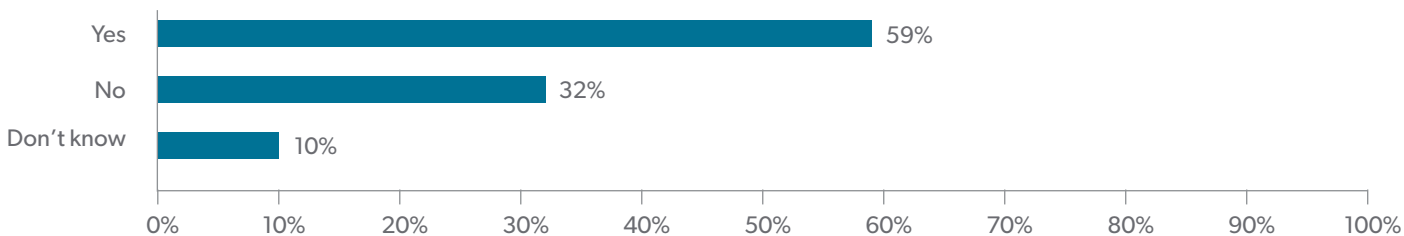


Source: IoD Ireland Director Sentiment Monitor Q2 2022.

In our Q2 2022 research, 59% of respondents believe that the financial performance of their primary organisation will improve for the year 2022. In comparison to the previous quarter, this was also 59% in Q1 2022.

However, 32% of respondents believe the financial performance of their primary organisation will not improve for the year 2022. This was 27% in Q1 2022.

Figure 9: Do you think that the financial performance of your primary organisation will improve for the year 2022?



Source: IoD Ireland Director Sentiment Monitor Q2 2022.

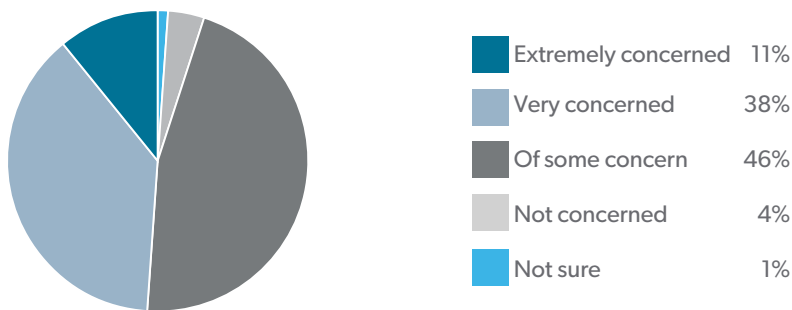
Business Challenges

Inflation

Nearly half of respondents (49%) say they are 'very or extremely' concerned about how general inflation will negatively impact the financial performance of their primary organisation for the year 2022. This figure was 52% in Q1 2022.

Furthermore, 46% of respondents in Q2 2022 say inflation is 'of some concern'. This was 43% in Q1 2022.

Figure 10: How concerned are you that general inflation will negatively impact the financial performance of your primary organisation for the year 2022?

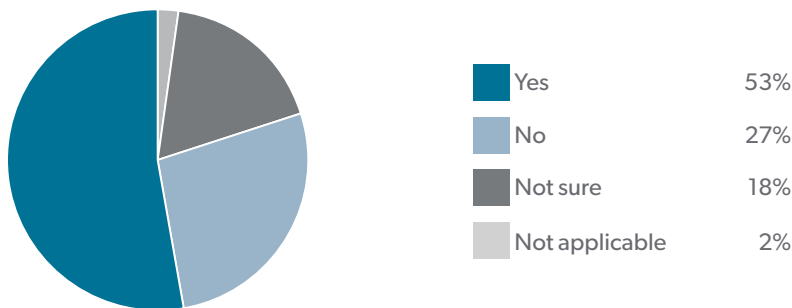


Source: IoD Ireland Director Sentiment Monitor Q2 2022.

Cost of Living

A majority (53%) of respondents in our Q2 2022 research believes that the current cost of living is having a negative impact on the business of their primary organisation, while 27% say it is not and 18% are 'not sure'.

Figure 11: Is the current cost of living having a negative impact on the business of your primary organisation?



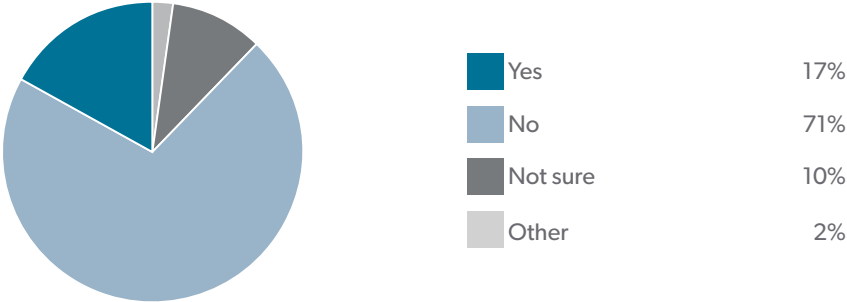
Source: IoD Ireland Director Sentiment Monitor Q2 2022.

Business Challenges

Ireland-UK Relationship

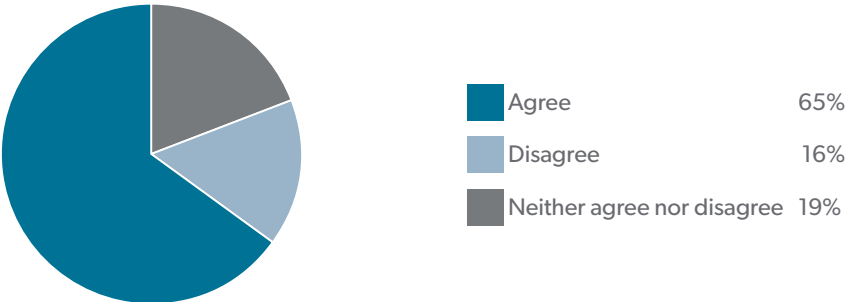
In terms of the Ireland-UK relationship in the post-Brexit period to date, a significant majority (71%) of respondents don't believe that the current relationship between the Irish and UK Governments is having a negative impact on the running of the business of their primary organisation. However, in a more general sense, a clear majority (65%) of our business leaders agree that the Irish Government needs to actively improve business and trade relations with the UK Government in view of recent Northern Ireland Protocol developments and the ongoing Brexit negotiations.

Figure 12: Do you believe that the current relationship between the Irish and UK Governments is having a negative impact on the running of the business of your primary organisation?



Source: IoD Ireland Director Sentiment Monitor Q2 2022.

Figure 13: What is your view with regard to the following statement, 'The Irish Government needs to actively improve business and trade relations with the UK Government in view of recent Northern Ireland Protocol developments and the ongoing Brexit negotiations.'



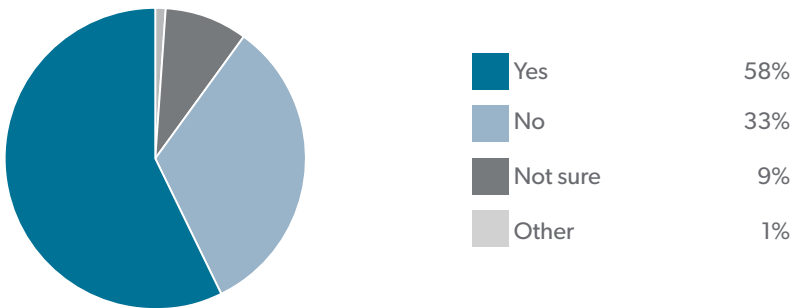
Source: IoD Ireland Director Sentiment Monitor Q2 2022.

Governance

Succession Planning

Best practice in board succession planning is one of the fundamentals of good governance and encourages diversity in the composition of the board. When asked if the board of their primary organisation has a succession plan in place with regard to the composition of the board, 58% of the respondents in our Q2 2022 survey say it has such a plan. Furthermore, 33% of respondents say their primary board does not have a succession plan in place.

Figure 14: Does the board of your primary organisation have a succession plan in place with regard to the composition of its board?

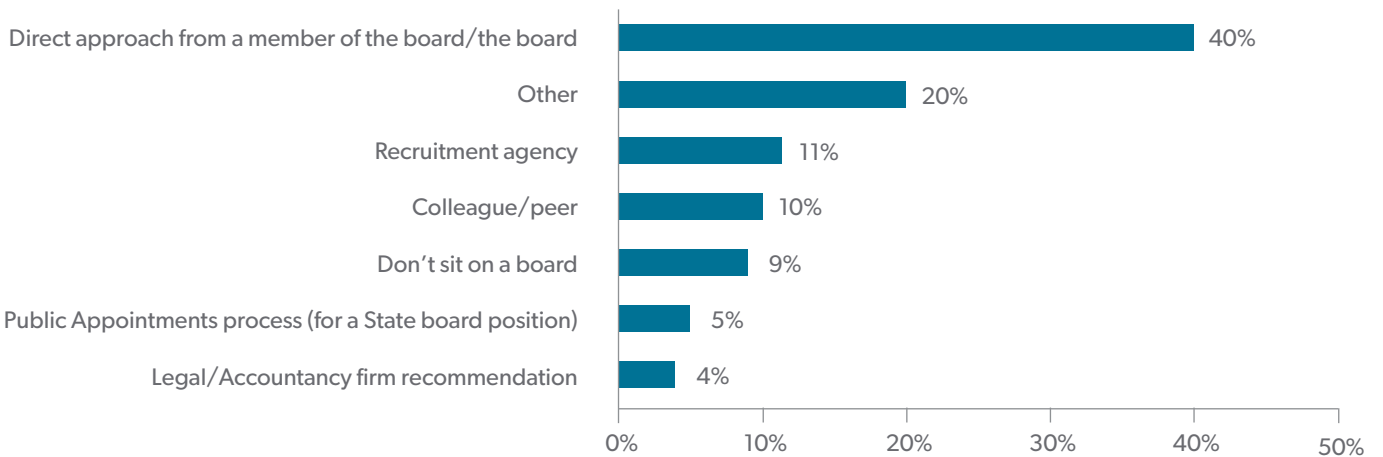


Source: IoD Ireland Director Sentiment Monitor Q2 2022.

Board Recruitment

In our Q2 2022 research, we have found that the largest percentage (40%) of respondents were recruited to the board of their primary organisation by a direct approach from a member of the board/the board. The second largest percentage (20% of respondents) were categorised as 'Other' in which we also sought comments from respondents. The most common reason for being on their primary board was 'founder', 'co-founder', 'own business', 'CEO', 'internal appointment', 'executive director' and 'shareholder' or 'shareholder request'. Recruitment agencies were involved in 11% of respondents' addition to their primary board, while the same percentage were recruited through colleagues or peers.

Figure 15: How were you recruited to join the primary board on which you currently serve?



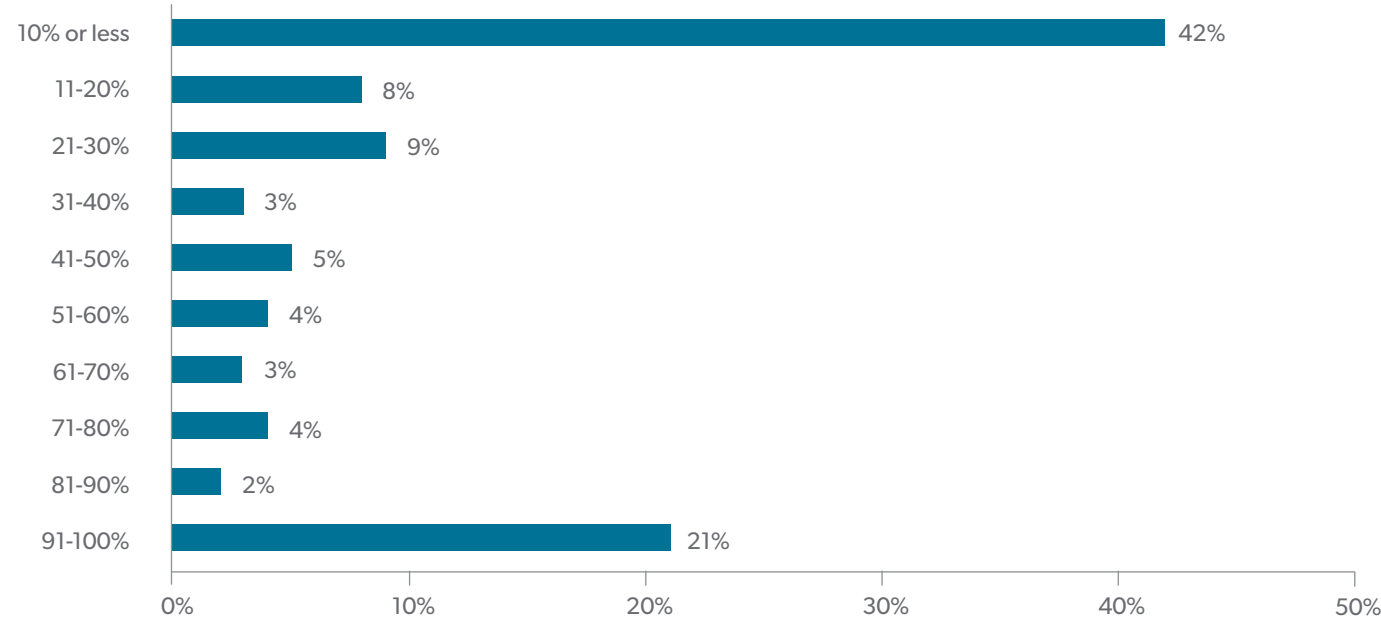
Source: IoD Ireland Director Sentiment Monitor Q2 2022.

Governance

Board Recruitment

Interestingly, while 40% of respondents were recruited to the board of their primary organisation by a direct approach from a member of the board/the board (see Figure 15, previous page), when our survey asked what approximate percentage of members of their primary board did our respondents know before they joined, 21% replied that they knew almost all of the board (91-100%) while, at the other end of the scale, 42% of respondents knew just '10% or less' of the board they joined. These results remain largely unchanged from when we last asked this question in Q3 2021.

Figure 16: What approximate percentage of members of your primary board did you know before you joined?



Source: IoD Ireland Director Sentiment Monitor Q2 2022.

Governance

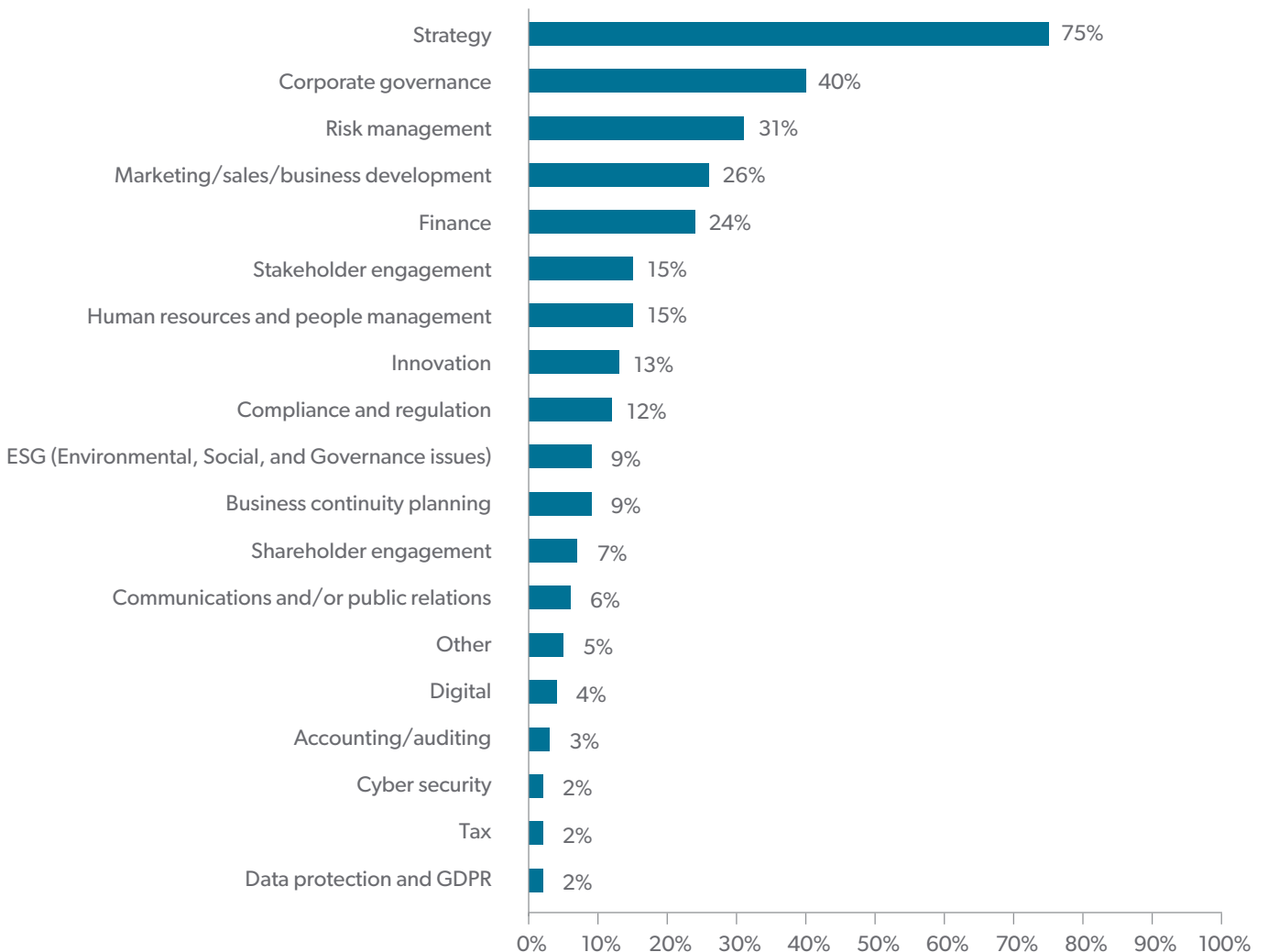
Current Expertise/Experience Matrix

When we asked our business leaders what they believe is the main experience/expertise that they bring to their primary board, so-called 'traditional' strengths are to the fore, including strategy (75% of respondents), corporate governance (40%), risk management (31%), marketing/sales/business development (26%), finance (24%). Interestingly, Environmental, Social and Governance (ESG) skills and knowledge figure less prominently (9% of respondents), as did innovation (13%) and human resources and people management (15%).

In this context, there have been a few notable movements between this Q2 2022 survey and that of exactly one year ago. In particular, strategy has increased by 20% from 55% in Q2 2021 to 75% in Q2 2022, risk management has increased by 9% from 22% in Q2 2021 to its current 31%; innovation has increased by 4%, from 9% in Q2 2021 to its current 13%. Notable decreases include those relating to business continuity planning, which has decreased from 18% in Q2 2021 to 9% in Q2 2022, while compliance and regulation has decreased from 19% in Q2 2021 to 12% in Q2 2022.

(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, 'finance' is 24% out of 100%. For this reason, the responses will not add up to 100%.)

Figure 17: What do you believe is the main experience/expertise that you bring to your primary board? (Members were asked to select their top three choices only.)



Source: IoD Ireland Director Sentiment Monitor Q2 2022.

Governance

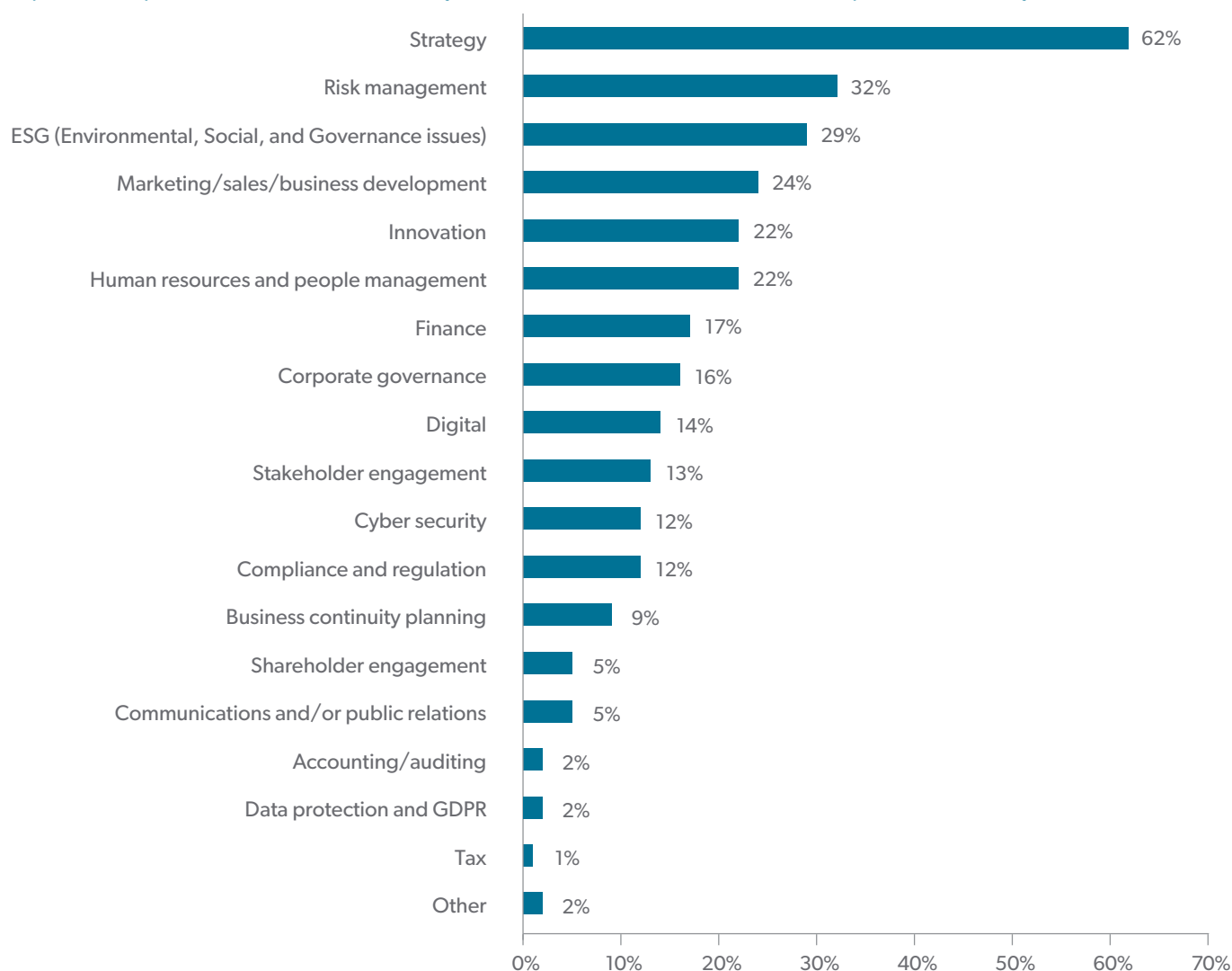
Future Expertise/Experience Matrix

When we asked our respondents what they believe will be the most desired experience/expertise needed by their primary board over the next two years, their top three are: strategy (62% of respondents), risk management (32%), and ESG (29%). Other key areas include: innovation (22%), and human resources and people management, (22%).

In this context, there have been a few notable movements between this Q2 2022 survey and that of exactly one year ago. In particular, strategy has increased by 27% from 35% in Q2 2021 to 62% in Q2 2022; risk management has increased by 11% from 21% in Q2 2021 to 32% in Q2 2022; and human resources and people management has increased by 4% from 18% in Q2 2021 to 22% in Q2 2022. Notable decreases over the past year include cyber security, which decreased by 10% from 22% in Q2 2021 to 12% in Q2 2022; business continuity planning, which fell by 8% from 17% in Q2 2021 to 9% in Q2 2022; and digital, which decreased by 7% from 21% in Q2 2021 to 14% in Q2 2022.

(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, 'risk management' is 32% out of 100%. For this reason, the responses will not add up to 100%.)

Figure 18: In respect of your primary organisation's board and its future success, what do you believe will be the most desired experience/expertise needed over the next two years? (Members were asked to select their top three choices only.)



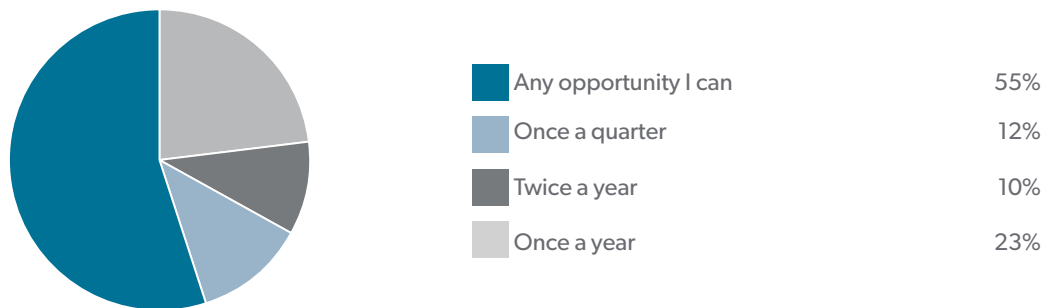
Source: IoD Ireland Director Sentiment Monitor Q2 2022.

Governance

Training Frequency

Time for skills training is at a premium for many busy directors and business leaders. A majority (55%) of respondents to our Q2 2022 survey reveal that they take any opportunity they can to update their governance/regulatory knowledge through training, webinars, factsheets, etc, to ensure that they are up to date with the latest requirements of being a board director. Nearly a quarter (23%) of the business leaders do so once a year, while 10% do so twice a year and 12% do so once a quarter.

Figure 19: How often do you update your governance/regulatory knowledge through training, webinars, factsheets, etc, to ensure that you are up to date with the latest requirements of being a board director?



Source: IoD Ireland Director Sentiment Monitor Q2 2022.

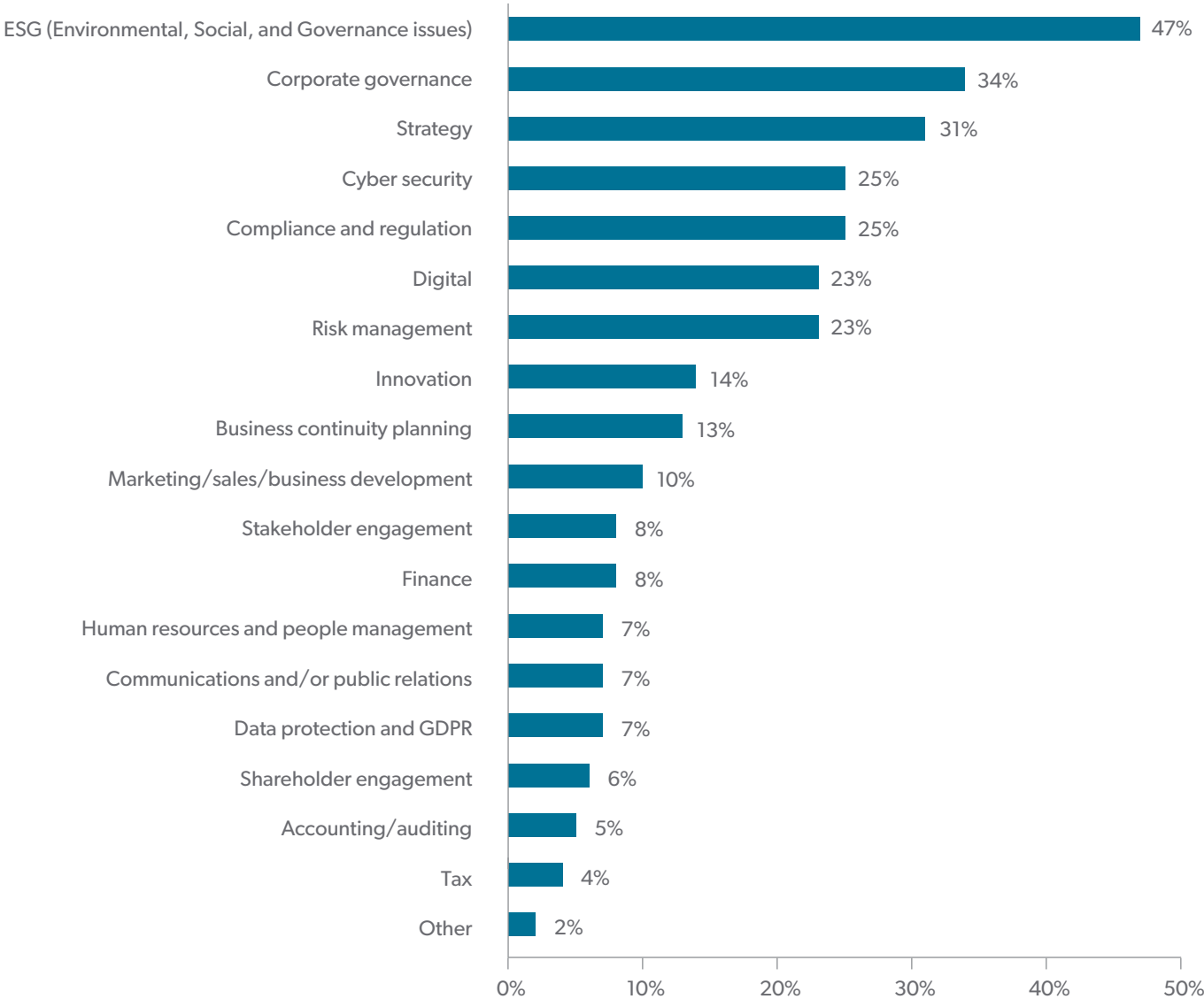
Governance

Types of Training

Reflecting some of the key findings in Figure 18 (Future Expertise/Experience Matrix), it is no surprise to see ESG (47%), cyber security (25%), digital (23%), and innovation (14%) are ranking so highly amongst the range of skills for which our respondents will consider undergoing some type of training over the next two years.

(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, 'digital' is 23% out of 100%. For this reason, the responses will not add up to 100%.)

Figure 20: From the list of prominent skills below, which are the top three areas that you will consider undergoing some type of training, over the next two years? (Members were asked to select their top three choices only.)



Source: IoD Ireland Director Sentiment Monitor Q2 2022.



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