



INSTITUTE OF DIRECTORS
IN IRELAND

State Boards in Ireland 2015

Views from the Boardroom Table



The Institute of Directors in Ireland (IoD) is the representative body for 2,500 directors and senior executives within the private, public and not-for-profit sectors. As the leading voice in the debate on improving corporate governance standards, the Institute of Directors is dedicated to developing and improving the effectiveness and performance of directors and boards throughout Ireland.

For this research report on State boards in Ireland, the Institute of Directors in Ireland (IoD), surveyed 77 of its members who sit on a range of State boards in Ireland. The report coincides with the first anniversary of the publication of new guidelines on the appointment process to State boards announced by Minister Brendan Howlin TD in November 2014, and follows on from similar research carried out by the IoD in 2012*.

With 65% of respondents having experience of the State board sector for over three years, there was a considerable knowledge base from which to draw our responses. The respondents represented all of the State board director categories – primarily non-executive directors as well as chairpersons and executive directors – and represented both male and female directors. The respondents also included a number of chief executives of State bodies.

75% of respondents sit on one State board, 24% sit on two State boards, and 1% of those surveyed sit on three State boards. No respondent sits on more than three State boards. The directors were surveyed under four categories and the research survey afforded an opportunity to provide substantial commentary in relation to the areas under examination.

This summary document captures the key findings within each of these categories.

Research was conducted online between 10th – 18th November 2015 with a sample of 77 IoD members in director / executive management positions in State bodies.

Base Numbers:

58% male, 42% female,
87% non-executive directors, 4% chief executives,
19% chairpersons, 4% executive directors
(with some respondents holding multiple roles).

***The findings are analysed, where relevant, against the results of a previous survey conducted with IoD members holding State board positions between 20th February and 9th March 2012 and published in the report, “State Boards in Ireland 2012 – Challenges for the future”.**

Contents

Executive Summary	2
.....	
Section One: Appointment and Selection Process – Is the new regime working?	3
.....	
Section Two: Skills and Diversity on State Boards	7
.....	
Section Three: Training and Development Needs	9
.....	
Section Four: Board Performance, Political Involvement and Remuneration	11
.....	

Executive Summary

This research was undertaken by the Institute of Directors in Ireland (IoD) to assess the views of IoD members sitting on a range of State boards in Ireland on key areas such as the appointments process to State boards, skills and diversity around the boardroom table, induction and access to training, as well as board performance, political influence and levels of remuneration. I would like to offer my sincere thanks to all those who took part for taking the time to do so.

This report follows on from similar research carried out with IoD members holding State board positions in 2012 and published in the report, “State Boards in Ireland 2012 – Challenges for the future”. The findings contained in this report are analysed, where relevant, against the results of this previous report.

The IoD very much welcomed the announcement of new guidelines on appointments to State boards by Minister Brendan Howlin, TD, on 25th November 2014, and the commitment for all available board positions to be advertised publically through stateboards.ie, and for shortlisting of candidates to be undertaken by the Public Appointments Service. One year on from the publication of those guidelines, it is encouraging to see that there has been a significant shift in attitudes around transparency in the appointments process and on whether State board vacancies are advertised widely enough.

As well as considerable improvements in terms of attitudes around fairness and transparency, the findings also show considerable improvements in areas of general board performance and diversity. There has also been a positive reaction from respondents to the role of the Public Appointments Service in the new regime, with a majority agreeing that its role has increased transparency and improved confidence in the appointments process to State boards in Ireland. A majority of respondents who have been through the new appointments system operated by the Public Appointments Service also consider the process to be either ‘excellent’, ‘very good’ or ‘good’.

The report also identifies areas for improvement, particularly around the number of State board positions that are vacant and perceived time delays in the new process between a shortlist of candidates being provided to Ministers and their ultimate selection and appointment. Over half of respondents consider there to be areas where their board requires further training and development

and it would be our strong recommendation that formal training opportunities are provided to all board members to enhance the overall performance of Ireland’s State boards.

At the time of announcement of the new guidelines, the Government committed to undertaking a review of the new regime eighteen months after its commencement, and the IoD very much hopes that the issues raised in this report are given due consideration during this review.

Overall, it appears that substantial progress has been made and that the effects of the new guidelines on State board appointments are filtering through and resulting in real change in the composition of State boards in Ireland and their overall performance. It is hoped that this will continue to be an upward trend in the coming years as the new regime becomes more established and legacy issues that may remain on some boards are addressed.



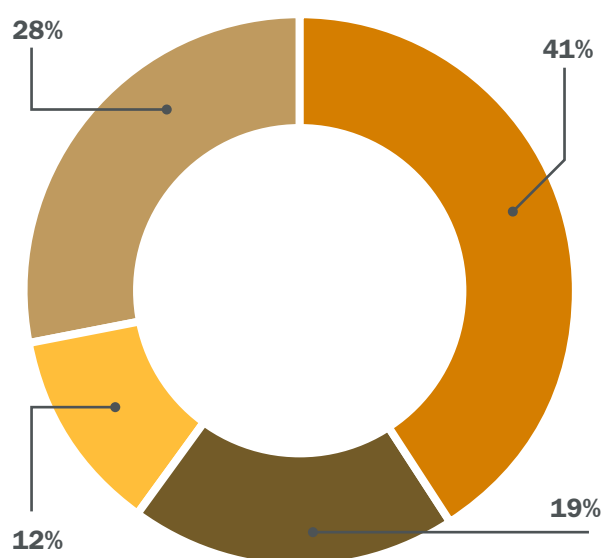
Maura Quinn
Chief Executive
Institute of Directors in Ireland

Section One: Appointment and Selection Process

Is the new regime working?

In this section, the directors surveyed were asked about the process by which they had been appointed to their position(s) on State boards, their views on the level of fairness and transparency in the appointments process and whether State board vacancies are advertised widely enough. We also asked a selection of questions regarding the new appointments process under the aegis of the Public Appointments Service over the last twelve months in advertising and shortlisting candidates for State boards positions through stateboards.ie.

Q How were you appointed to your State board position?



41%

Direct approach by Minister / Minister's representative

19%

Applied via Public Appointments Service (pre new stateboards.ie regime)

12%

Applied via stateboards.ie (introduced in November 2014)

28%

Other

Appointments to all boards, including State boards, should always be made on the basis of merit and candidates having the skills required by the board. Such an approach creates a clear and consistent rationale behind the appointment of every board member and puts the specific requirements of the board above all else.

While a majority (41%) of survey respondents indicate that they were appointed to their State board position by a direct approach from the Minister / Minister's representative, this has decreased from 65% of respondents in the report published in 2012. It is likely, given that 77% of respondents appointed through a direct approach have been in their position for three years or more, that many such appointments pre-dated the new appointments process.

It is encouraging to see that many respondents were appointed to their State board positions through the Public Appointments Service, and it is hoped that this will continue to be an upward trend in the coming years, as the new process of appointments to State boards gains momentum and becomes the exclusive channel through which appointments are made.

In the further commentary provided by respondents who selected 'Other', the majority indicate that they were either nominated by a representative body, had made a direct approach to the department themselves, are ex-officio, or were approached by the Chairperson of the State board on which they sit.

Q Do you think that the process of appointments to State boards is fair and transparent?



There has been a seismic shift in attitudes since 2012 in terms of the perceived fairness and transparency in the process of appointments to State boards among those surveyed, with 70% now considering the process to be fair and transparent, compared with just 26% of State board members in 2012. The number of those who express dissatisfaction with how widely State board positions are advertised has also decreased considerably in recent years.

While these changes are positive and to be welcomed, in the further commentary provided, a number of respondents indicated concerns around the level of fairness and transparency in the final stages of the process, specifically at the point when the shortlist of candidates is provided by the Public Appointments Service to the relevant Minister for consideration.

Some respondents also note that available State board positions should be advertised more widely than stateboards.ie, such as through national newspapers, so as to ensure that key experience is not missed, especially in terms of private sector, entrepreneurial and industry sector specific experience.

Q Do you think that State board vacancies are advertised widely enough?



“For those who are keen to serve, the current system is very transparent and user friendly”

“Only element currently lacking full transparency is ultimate selection by Minister”

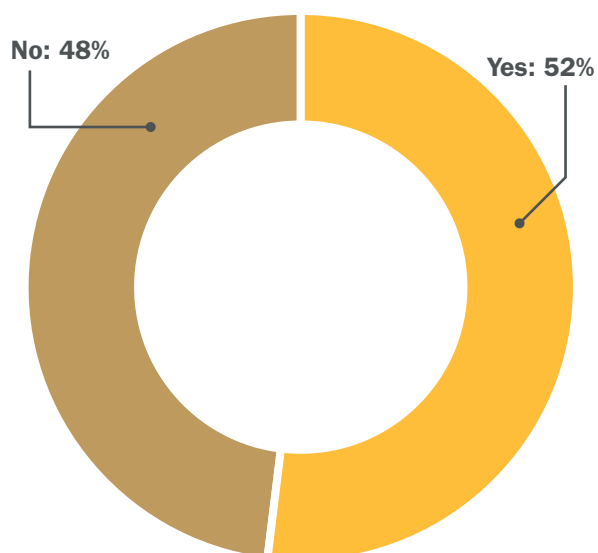
“It is unclear what happens when names go to the Minister”

Q How have you become aware of available State board positions in the past year?

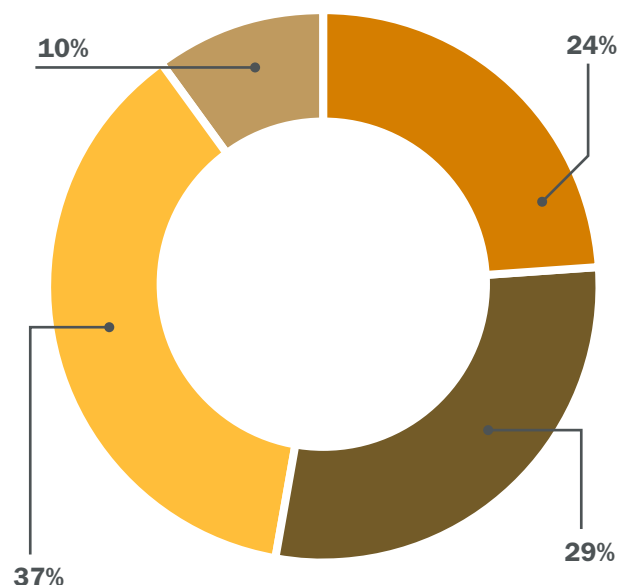


79% Public Appointments Service / stateboards.ie

Q Have you applied for a State board position using stateboards.ie?



Q If you have applied for a State board position using stateboards.ie, how would you rate the process?



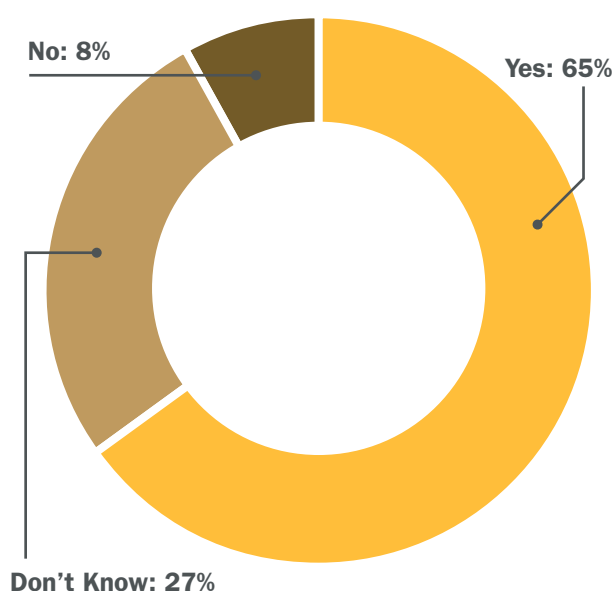
24% EXCELLENT / VERY GOOD

29% GOOD

37% FAIR

10% POOR / VERY POOR

Q Has the Public Appointments Service's role in advertising and shortlisting candidates for State board positions, through stateboards.ie, increased transparency and improved confidence in the appointments process?



"I think the process is fair for those who have applied however I'm not sure it has improved the public perception of how appointments are made"

Respondents were asked a series of questions specifically on the new process of appointments to State boards announced by Minister Brendan Howlin TD in November 2014, whereby all appointments to State boards are made through an open and transparent process managed by the Public Appointments Service via the website, stateboards.ie

The results show that a majority of respondents who have applied for a State board position through stateboards.ie have had a positive experience of the process. In the further commentary provided, some respondents noted, however, that the process is slow, with delays experienced in the period between shortlisting candidates and ultimate selection and appointment by the relevant Minister. Respondents suggest that time limits should be set around this area of the process, so that State boards are not left with vacant positions for long periods of time, including the time taken to identify such vacancies.

Some respondents also noted that communication following applications through stateboards.ie could be improved and feedback should be provided to applicants who are unsuccessful.

"A proactive approach is required whereby vacancies are identified early and filled without creating gaps on boards"

Section Two: Skills and Diversity on State Boards

In this section, respondents were asked about diversity on their boards, including, but not limited to, gender diversity. Questions covered the mix of skills, knowledge and experience on the boards on which they sit, whether the board on which they sit had achieved the 40% gender target for State boards within the lifetime of the current Programme for Government, and whether they consider their board, as a whole, to be sufficiently diverse.

Q Does your board have the right mix of skills, knowledge and experience to deliver the agreed strategy over the next three to five years?

2015	YES		NO
2012	YES	NO	
2015		2012	
83%	Yes	51%	Yes
11%	No	49%	No

Q Do you consider your board to be sufficiently diverse?

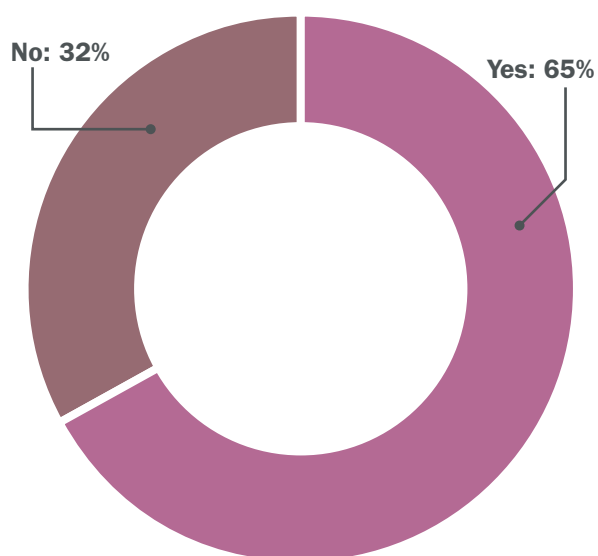
2015	YES		NO
2012	YES	NO	
2015		2012	
77%	Yes	49%	Yes
22%	No	47%	No

A significant majority of respondents are of the opinion that the board on which they sit has the right mix of skills, knowledge and experience to deliver the agreed strategy over the next three to five years, representing a 32% increase on the findings in the 2012 report.

There has also been a significant increase in those considering their boards to be sufficiently diverse, with 77% of respondents of this view, compared with 49% of respondents in 2012. Looking specifically at gender diversity, almost two-thirds of respondents indicate that their board has achieved the 40% gender target for State boards within the lifetime of the current Programme for Government.

In the further commentary provided, however, many respondents noted that vacancies on their boards have resulted in significant skills gaps in certain areas. Board vacancies can have a considerable negative impact on overall board performance and such vacancies should be identified and addressed through proper succession planning to limit the effects of such gaps in skills and experience. Others note that it takes time to build an effective and diverse board and that it is still a work in progress for some boards.

Q Has your board achieved the 40% gender target for State boards?



"There are three vacancies on my board currently resulting in both capacity and skills gaps"

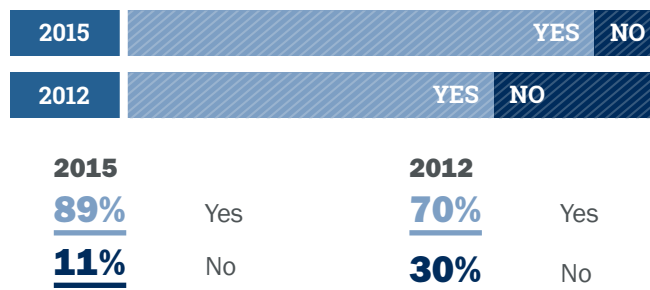
"We have not been able to bring in new members to beef up the board or replace anyone who left"

"It took three years to build an effective, diverse board with the correct mix of experience and qualifications to ensure appropriate corporate governance and executive guidance"

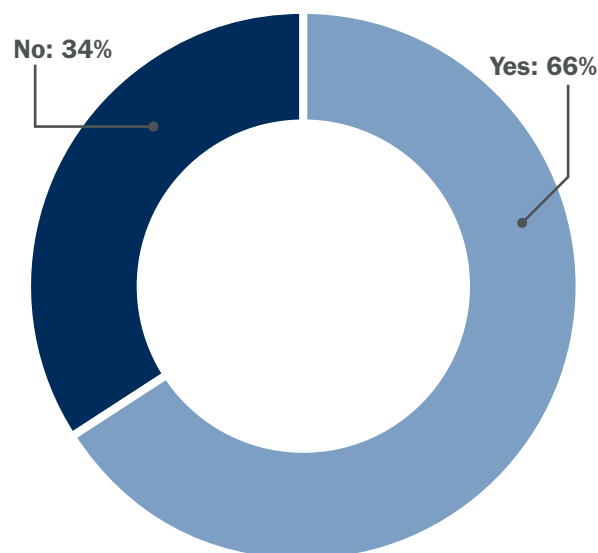
Section Three: Training and Development Needs

This section examines induction training received by respondents on their appointment to the board, the level of formal director training undertaken by those serving on State boards, whether comprehensive training is made available to board members to refresh their knowledge and skills, and also whether they believe their board would benefit from additional training / professional development.

Q Did you receive an adequate induction on your appointment to the board?

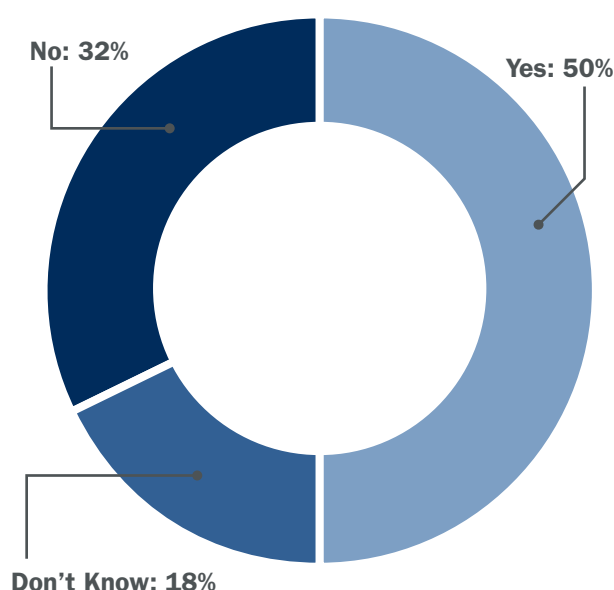


Q Have you undergone any formal director training, excluding your induction training?



The vast majority of directors surveyed indicated that they had received adequate induction on their appointment to a State board, and it is encouraging to see an additional one fifth of respondents now reporting that induction training is provided, compared to 2012. Good governance dictates a high level of induction training and it is essential that new board members are provided with all relevant information upon their appointment to a State board to ensure that they can contribute effectively.

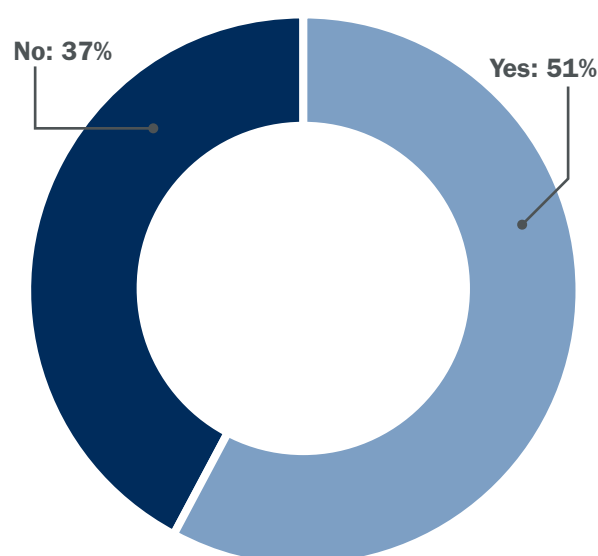
Q Are there comprehensive training programmes available to all board members to refresh their knowledge and skills?



While it is encouraging that two thirds of respondents have undertaken formal director training, it is disappointing to see that only 50% of respondents say that there are comprehensive training programmes available to all board members to refresh their knowledge and skills. Given that best practice in corporate governance continues to evolve, it is vital that board members are afforded every opportunity to undertake training to further develop their skills and ultimately improve their contribution to the board. This is especially important given the codification of directors' duties for the first time in law through the Companies Act 2014.

When asked if there were any areas where the board requires additional training or professional development, 51% say that there are such areas of specific need for their board. In the further commentary provided, a majority says that this training need was around general corporate governance updates, and also training on best practice in board roles and responsibilities and the legal and governance responsibilities of directors.

Q Are there any areas where your board requires additional training / professional development?



"There should be an annual training requirement on legal and governance responsibilities, and then additional training requirements on aspects of the particular sector"

"Many people on the board have little or no experience"

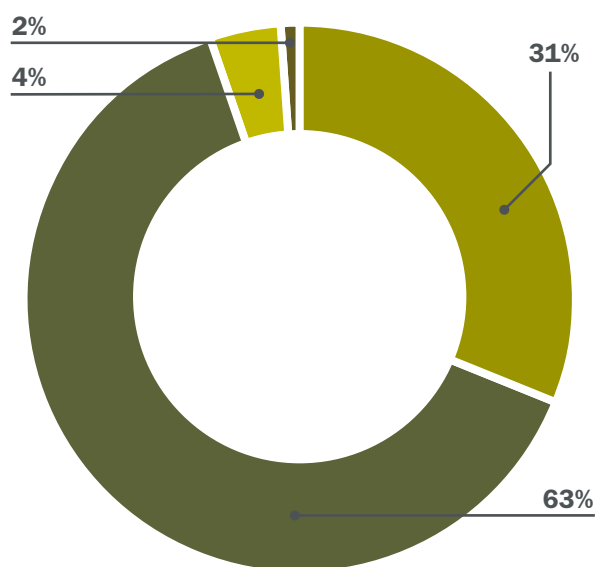
"Governance. The board mainly spends its time on operational issues"

"Ongoing training in governance and duties is part of the agenda of the board"

Section Four: Board Performance, Political Involvement and Remuneration

This final section focuses on the performance of State boards in Ireland. We examined a number of areas of importance to the operation of any board, namely the performance of the board over the past 12 months, the level of internal / external evaluation that is carried out, communications with the Minister, procedures around conflicts of interest and independence. Respondents were also asked questions regarding remuneration for State board positions and the level of political involvement with the board and whether they feel that it is appropriate.

Q Overall, how would you rate your board's performance in the last 12 months?



31%	VERY EFFECTIVE
63%	EFFECTIVE
4%	INEFFECTIVE
2%	VERY INEFFECTIVE

While in Section Three the results show that many respondents consider that there are areas where they think their board requires additional training / professional development, 94% of respondents consider the overall performance of their board to have been either 'very effective' or 'effective' over the past 12 months.

Q Are there procedures in place to monitor and manage potential conflicts of interest?



Q Does the board communicate effectively with the relevant Minister / department?



Q The level of political influence on your board is:

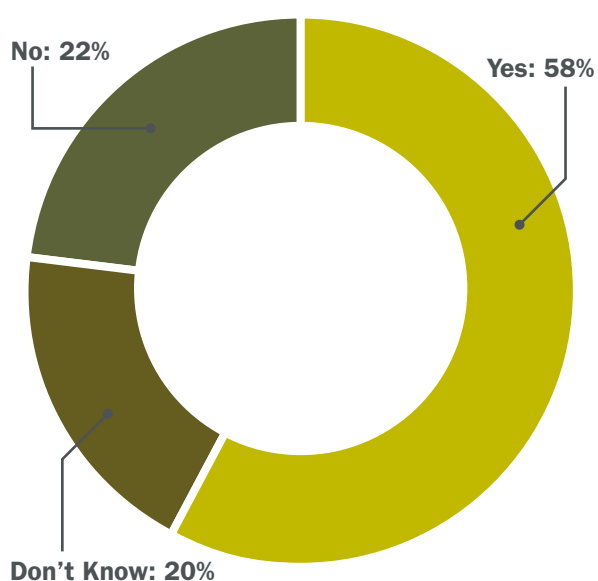


2015
93% Appropriate

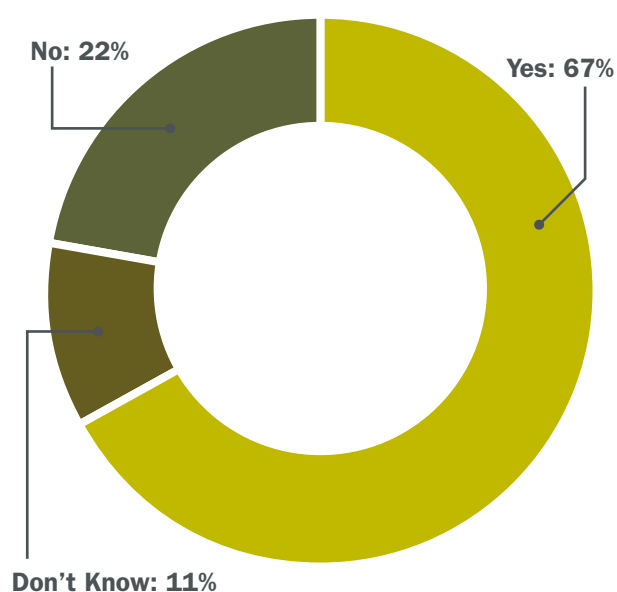
2012
82% Appropriate

It is also encouraging to see that 90% of respondents are of the opinion that adequate procedures are in place to monitor and manage potential conflicts of interest and that the board on which they sit communicates effectively with the relevant Minister / department. Equally, there has been an increase since 2012 in those who believe that the level of political influence on their board is appropriate, with 93% of respondents of the view, compared to 82% in 2012.

Q Do you consider the Code of Practice for the Governance of State Bodies 2009 to be fit for purpose, in terms of providing guidance on best practice?



Q Does the board evaluate its own performance either internally / externally on a regular basis?

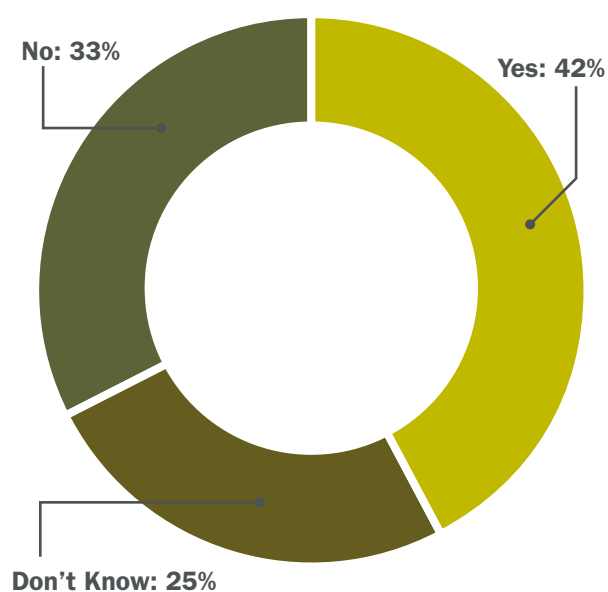


This section also identified areas for improvement, with diverging views on the effectiveness of the Code of Practice for the Governance of State Bodies 2009, in terms of providing guidance on best practice. While a slight majority considers the Code fit for purpose, the number of State board members who are either unsure or consider the Code to be unfit for purpose signals there is room for improvement.

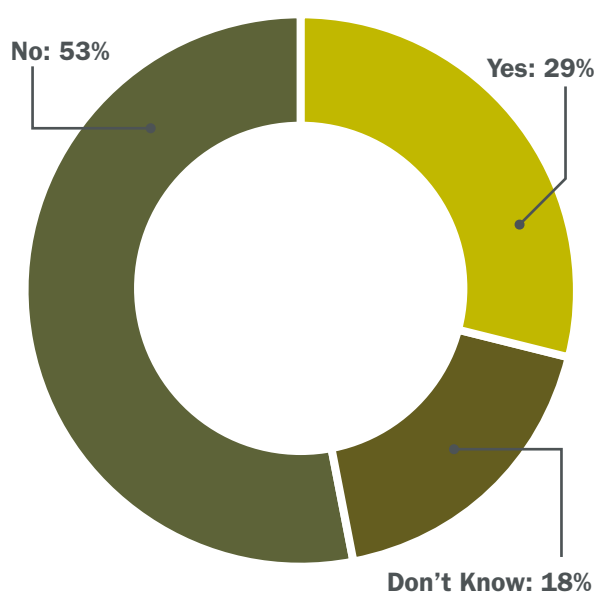
As best practice in areas of governance continues to evolve, it is important that directors of State boards can refer to a code of practice that is a 'living document' and one which is regularly updated. The IoD very much welcomes the Government's commitment to review the Code of Practice for the Governance of State Bodies in the near future, ensuring that State boards have a solid road-map to use as guidance on best practices.

Equally the area of board evaluation, both internal and external, shows room for improvement. Almost one third of State board members indicated that such evaluations either did not take place, or they were not aware of them. Best governance practice would dictate that board evaluations be undertaken at regular intervals to ensure that the board is performing effectively and any areas of weakness, such as a key skills gap, can be identified and addressed.

Q Do you think there is sufficient defined independence from the political system for boards of State organisations?



Q Do you think there has been sufficient rationalisation of State agencies during the Government's term in office?



When asked about independence from the political system, respondents' views are also mixed. In the further commentary provided, some note that an organisation's dependence on department funding and expenditure decisions reduces the board's independence and can also inhibit the organisation from acting quickly. Others note that it is a sensitive area for many State boards to achieve the balance between good communications with the Minister / department and inappropriate influence.

"I don't believe there is outright interference but some influencing takes place"

"Many boards are notionally independent but are dependent on State funding / support to carry out their functions"

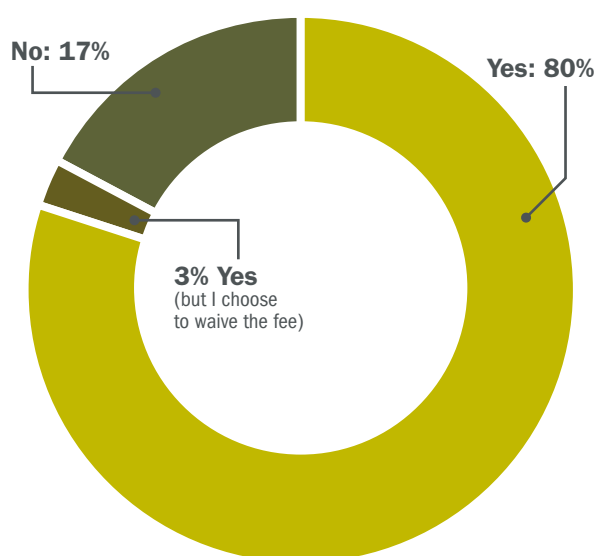
"More recently, appointments are less so of a political nature"

Looking at the issue of rationalisation of State agencies during the Government's term in office, views are slightly more defined with 53% of the opinion that there has not been sufficient rationalisation of State agencies. The further commentary points out that some progress has been made, but that it has been too slow. Some respondents also suggest that State bodies should have a defined lifespan from the outset, and only continue to function beyond that lifespan following a review and the identification of valid reasons for the body to continue.

"Too many agencies still exist"

"There has been progress but it appears to be haphazard"

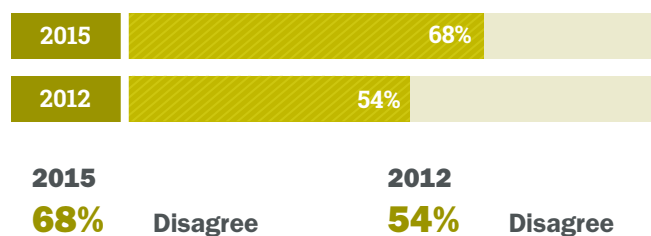
Q Is your State board position remunerated?



The majority of respondents are remunerated for their State board position, however, State boards members feel that the level of remuneration is not reflective of the level of work involved. This represents a 14% increase since 2012. Virtually all of the further commentary provided regarding remuneration say that fees paid are not reflective of the time commitment, reputational risk and work involved in serving on a State board. Many respondents also noted that this is particularly the case where they also serve on committees / sub-committees of the board.

While those who serve on State boards rarely do so solely for financial reward, it is concerning to see an increase in those who consider the fees paid as being unreflective of the level of work involved in serving on a State board. Such a viewpoint is likely influenced by the extent of public scrutiny of State boards in recent years, particularly surrounding the appointments process, and may also arise due to the number of vacancies on State boards, contributing to increasing the workload of other board members.

Q The remuneration for non-executive directors on State boards, notwithstanding the public service element, is reflective of the level of work involved:





INSTITUTE OF DIRECTORS
IN IRELAND

Institute of Directors in Ireland
Europa House
Harcourt Street
Dublin 2

Tel: +353 1 411 0010

Fax: +353 1 411 0090

www.iodireland.ie