Executive Expectations 2014

A Report from MERC Partners
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March 2014
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MERC Partners is Ireland’s leading retained executive search firm. It is the Irish member firm of the global executive search group IIC Partners.

Over the past four decades MERC Partners has placed many key decision-makers in positions of significant influence across all types of organisations in Ireland within the private and public sectors, indigenous and multinational companies and in new and established organisations.

Some of Ireland’s most influential and key executives with whom MERC Partners regularly interacts on a daily basis will be key drivers for Ireland’s recovery in the future. On the back of a promising year, with the exit of the Troika, and much of the economic focus on stability and recovery, we again return focus to the senior executives’ expectations for 2014. This report creates a platform upon which we stimulate a realistic debate as to what path we need to follow and how to do so.

MERC Partners is keen to facilitate and contribute to the discussion. With this in mind MERC Partners again commissioned Amárach Research, the independent Irish market research company, to undertake a study among the senior executive community in Ireland. This is the third year of our research programme and, where relevant in this report, the findings from this year’s research are compared with previous years.
THE METHODOLOGY

As was the case last year, Amárach Research in consultation with MERC Partners, designed a survey that focused on Executive Expectations for 2014. The survey was designed to review where respondents saw positive elements in Irish business performance and to highlight the more challenging components. The positive views once again highlight our national strengths, which have often been forgotten, as being key to our handling of the crisis at a personal and professional level while the negatives are highlighted with constructive intent – as a call to action for change.

The survey was completed by respondents during the first two weeks of December 2013 and was conducted using an online survey methodology. Potential respondents were emailed directly by MERC Partners and asked to participate. Within the email was an embedded survey link which brought respondents who agreed to participate directly to the survey. The survey was conducted in line with best practice as laid down by ESOMAR (The European Market Research Organisation) and AIMRO (The Association of Irish Market Research Organisations). All individual responses are confidential and only aggregated responses are reported.

Our research focused on three areas:
1. Executive Expectations for Ireland
2. Executive Expectations for their organisation
3. Executive Expectation for themselves.

THE DEMOGRAPHICS OF THE RESPONDENTS

In the research programme a total of 472 respondents completed the survey. This is the highest level of response to date and provides a large and robust sample on which to base survey findings, especially given the seniority of the target audience. 32% of respondents were aged between 36 and 45, while 48% were aged between 46 and 55, 17% of respondents were aged 56 and older, while 3% of respondents were aged 35 and younger.

Our respondents were also drawn from a variety of different business types and sectors. 81% came from the private sector – 8% from ‘not for profit’ organisations and 11% from a public sector organisation or agency.

Every main area of Irish business activity was represented in the respondent profile. The highest level of representation came from the Professional Services and Financial Services sectors (18% and 15% respectively).

Nearly two thirds (64%) of respondents worked in organisations with a multinational presence. The small majority of these (53%) were headquartered in Ireland and the others were predominantly located in the USA, Europe and UK respectively with Asia and a small number of other countries accounting for 5%.

In terms of their career positioning, the largest proportion of respondents were Managing Directors or CEOs (29%); followed by Company or Divisional Directors (21%); Functional Heads (21%); Senior Managers (13%); Partners or Shareholders (6%); Middle Managers (5%) and Self Employed or Sole traders (4%).

Industry Background of Respondents
THE RESEARCH FINDINGS –
PART 1: EXECUTIVE EXPECTATIONS FOR IRELAND

This section of the survey focused on what could and should be done to get the Irish economy back on track.

Continuing positive views on future economic performance...

Following a relatively positive year summarised by stability and control of Government spending and tight fiscal policies, it’s not surprising that respondents are increasingly optimistic about the overall prospects for the Irish economy in 2014.

In overall terms, prospects for the Irish economy have accelerated since last year. Prospects have increased dramatically with 9 in 10 (90%) respondents expressing a more positive outlook on the economy versus 12 months previously, hinting that ‘prosperity’ could make a return to the Irish economy once again. 1 in 4 have a much more positive view for the next 12 months, up 19% points. 1 in 12 (8%) believe that the economy will remain unchanged and just 2% foresee a negative economic outlook for the year ahead. To build upon these projections, respondents were presented with a series of key challenges that the Government faces to further strengthen the Irish economy in 2014 and were asked to identify the single most urgent challenge.

The key challenges identified were...

The Single Most Urgent Challenge Facing the Government

<table>
<thead>
<tr>
<th>Challenge</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stimulating growth in the economy</td>
<td>2%</td>
<td>4%</td>
<td>6%</td>
</tr>
<tr>
<td>Creating the climate for job creation</td>
<td>12%</td>
<td>18%</td>
<td>21%</td>
</tr>
<tr>
<td>Public sector reform</td>
<td>16%</td>
<td>16%</td>
<td>53%</td>
</tr>
<tr>
<td>Bringing certainty to cost of the banking bailout</td>
<td>8%</td>
<td>6%</td>
<td>6%</td>
</tr>
<tr>
<td>Reform of the Health Service</td>
<td>2%</td>
<td>2%</td>
<td>2%</td>
</tr>
<tr>
<td>Banking Reform</td>
<td>2%</td>
<td>2%</td>
<td>2%</td>
</tr>
<tr>
<td>Bringing the current budget deficit below 3% of GNP</td>
<td>2%</td>
<td>2%</td>
<td>2%</td>
</tr>
<tr>
<td>Greater levels of competition in the economy</td>
<td>2%</td>
<td>2%</td>
<td>2%</td>
</tr>
<tr>
<td>Infrastructure Investment</td>
<td>2%</td>
<td>2%</td>
<td>2%</td>
</tr>
<tr>
<td>Other</td>
<td>2%</td>
<td>2%</td>
<td>2%</td>
</tr>
</tbody>
</table>

Nearly 4 in 10 (37%, up from 22%) of all respondents believe that stimulating growth in the economy is the single most immediate challenge facing the Government. Nearly 1 in 5 (18%, up from 15%) believe that creating a climate for job creation is the most immediate challenge facing the Government, closely followed by public sector reform (16%, down from 21%). Less than 1 in 10 (7%) believe that bringing closure to the banking bailout is the most immediate issue, this figure is down from nearly 1 in 4 (23%) last year when it was seen as the most immediate issue overall.
Stimulation of growth in the economy essential for the medium term…

Having identified the top priority, respondents were asked to rank the most important issues they believe should be addressed by Government with a medium term five year perspective in mind. (Participants were asked to select the three most important issues and as a consequence the percentages in the responses add up to more than 100%). In this medium term timeframe stimulating growth in the economy was identified by 7 in 10 respondents (70%). Creating the climate for job creation is perceived to be critical (58%) as is public sector reform which was mentioned by just over half of all respondents (52%). The Government’s challenge to stimulate growth in the economy thus is regarded as the most important issue in both the short term and the medium term. Much focus on public sector reform has eased since the 2013 report, down 10%, in favour of job creation (up 6% points) and stimulating economic growth (up 10% points). Despite this however reform still remains a top three mention indicating that ongoing change is perceived to be required.

Key Challenges for Government in the Medium Term
(Mentioned by % of Respondents)
Employee numbers expected to show modest increase in 2014…

Number of People Employed in Your Organisation, Relative to Last Year and Next Year

<table>
<thead>
<tr>
<th>Relative to this time last year</th>
<th>Relative to this time next year (Expected)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Significantly more people</td>
<td>9%</td>
</tr>
<tr>
<td>Slightly more people</td>
<td>31%</td>
</tr>
<tr>
<td>Same amount of people</td>
<td>33%</td>
</tr>
<tr>
<td>Slightly fewer people</td>
<td>17%</td>
</tr>
<tr>
<td>Significantly fewer people</td>
<td>10%</td>
</tr>
</tbody>
</table>

Respondents were asked about the numbers employed in their organisations in relation to this time last year and their expectations for 2014. The spread is even between those who employ more or less or the same amount relative to 2012. The anticipated trend for 2014 is again slightly more optimistic than the previous year with 47% (39% in 2013) anticipating they will be employing more, contrasting with the 20% (28% in 2013) who anticipate employing less.

Career Opportunities improving in 2013…

To find out exactly how job prospects developed in 2013 we asked respondents if they thought career opportunities in Ireland improved overall in the past 12 months. Most respondents (76%) saw last year as an improvement on previous years with only 1 in 6 (17%) believing it to be the same as before and less than 1 in 10 (7%) feeling opportunities declined. Some sectors indexed higher on the positivity of job prospects for 2014 with Pharma & Life Sciences and Financial Services showing the strongest performance.
**Irish emigrants are actively seeking work from abroad…**

One measure of a successful recovery to the Irish economy would be the return of many Irish workers who left to find opportunities elsewhere in the past five years. A positive trend for the economy looking toward the future would be the return of Irish workers from overseas with Ireland benefiting from the skills and expertise they gained elsewhere. To follow on from the above charts that addressed the problem of emigration, we asked respondents if they received any interest in job vacancies from Irish living abroad. Of those who have visibility of applicants for job vacancies, nearly 4 in 10 (38%) said that they received interest from Irish applicants living overseas. Job vacancies in Professional Services firms received the highest level of attention from abroad, with almost 1 in 2 (48%) receiving such applications for employment. The importance of job creation has been highlighted by the Executive Expectations Report since 2012 and part of the solution could lie with creating the channels for highly skilled workers to return home to Ireland and take up jobs in Irish based companies once more.

**Impact of Emigration on Organisations**

- Significantly Impacted: 12%
- Slightly Impacted: 39%
- No Impact at All: 49%

**Over Next 3 Years will Emigration Increase or Decrease**

- Increase: 27%
- Decrease: 27%
- Remain the same: 46%

*Excluding “don’t know”*
Economic outlook is positive but more needs to be done to encourage recovery in 2014…

Undoubtedly the creation of sustainable jobs is essential to any economic recovery. However, other variables must be considered as job creation alone will not lead to the recovery of the Irish economy. In previous years we focused on the job creation agenda when asking respondents for recommendations on driving recovery. This year we asked what is the one thing, if you were a cabinet minister, that you would do to aid economic recovery in 2014. This question was asked in an open-ended form and respondents’ suggestions were classified into categories, with public sector reform gaining the most attention in this year’s responses.

A wide range of responses were received – but the key responses were reform of the public sector (17%); job creation (15%) and avoiding new taxes / tax hikes / promote fair taxes (13%). The latter figure appears after a year when property taxes dominated news headlines along with speculation that amendments would be made to the lower tax threshold in the 2014 budget.

Return to confidence and progress in the economy during 2013, with only 8% expressing a negative view…

Thinking back on the expectations that respondents had at the beginning of 2013 we asked them to rate the level of progress achieved over the past 12 months. There is nearly a 50/50 split between those who said progress was ahead of their expectations (50%) and those who felt it was much the same as they had expected (42%). A relatively small cohort of respondents (8%) had expected progress to move at a faster pace than it did last year:

Was rate of progress in the economy in 2013 in line with your expectations at the start of 2013?
Underlying confidence beginning to shine through…

Following a year of economic stability bolstered by moderate levels of growth there is a strong sense of confidence amongst the majority of respondents (81%) who feel the outlook will be furthermore stable in 12 months time. The remaining 1 in 5 respondents are apprehensive in comparison and reluctant at this stage to predict the economy will perform stronger again during 2014.

Over the course of 2014 your level of confidence in Ireland’s economical future will have...

- 17% Disimproved
- 81% Remained unchanged
- 2% Improved

What % of our economic transformation journey has been completed?

Economic journey of transformation half completed, thanks to help from Troika…

The economy has already made significant progress on the road to recovery according to respondents. When asked how far Ireland had travelled along the road to recovery, the general consensus was that we are half way there. This is positive considering the financial stress experienced by many companies over the past 5 years and it is worth noting that 3 in 10 (30%) feel the transformation is between 60-90% completed. These findings suggest that some are feeling little or virtually no setbacks to business in the aftermath of recession, but importantly 1 in 5 (19%) still feel that the level of transformation completed is just 30% or lower to date.

Our economic progress since 2010 is due to the presence of the Troika

To gauge sentiment towards the Troika we asked respondents to agree or disagree with the statement ‘the economic progress that has taken place in Ireland since 2010 has only taken place because of the presence of the Troika’. Nearly 8 in 10 (78%) of respondents agreed with the statement. This majority of respondents includes more than 4 in 10 (43%) who strongly agreed. There was a level of heightened media attention surrounding the exit of Troika officials close to the time of fieldwork which could have increased positivity. Despite this, the data suggests that most senior executives feel progress made to date is attributed largely to the involvement of Troika.
Ireland’s economic landscape still competitive relative to the rest of Europe…

We asked respondents to consider a situation where their company was relocating to Ireland. With this in mind they were asked to rate Ireland’s competitiveness relative to some influential economic factors. The factors that were deemed to be most in favour of the Irish economic landscape are the Tax Environment (70%), Labour (39%) and Property (38%). Areas requiring attention to lift Ireland towards parity with the rest of Europe include Utilities (63%) and Infrastructure (58%), where we are deemed to be lagging behind European standards. The two areas that stood out where Ireland and Europe were deemed to be broadly in line were Professional Advice & Services (41%) and Legal & Regulatory Environment (40%), although Europe was deemed slightly more competitive overall on both categories. Overall it is fair to say that more needs to be done by the Government if Ireland is to continue to attract foreign direct investment. Whereas historically multi-nationals were predominantly enticed by the wholesome tax incentives or grant opportunities on offer; in this technological era, and looking forward to 2014 and beyond, increased infrastructural investment is also needed to maintain competitiveness.

Part I Conclusions – National Expectations 2014

• The results demonstrate an underlying belief in the resilience in the Irish economy. The majority of respondents believe that the Irish economy has improved compared to 12 months ago and 81% believe that this improvement will continue over the next 12 months.

• The key medium-term priorities of job creation and stimulation of economic growth already fall in line with some of the strategies and policies being prioritised by Government. Proposed cuts to social welfare for those physically capable of work and ongoing job-bridge schemes are believed to have the potential to increase the number of sustainable jobs in 2014.
The second section of the survey focused on expectations in relation to organisations over the next 12 months. As with last year our focus was on autonomy, business change, skills and values.

While “the recovery” may have started, there is no doubt that businesses are still subject to the pressures of the economic recession. Last year we asked respondents what were the key issues affecting their company over the previous 12 months and this year again we returned to this question. The purpose of this question is to evaluate the issues internally affecting companies and how these issues have changed as the economy recovers.

This year almost half (49%) of respondents said they were directly affected by staff training related cutbacks, on a par with last year’s survey results. The findings from the previous section of this report underlined the problem of emigration and the shortage of skilled staff. In this section it is curious to see the trend that nearly 1 in 3 organisational needs (31%) need to go abroad to find key staff. Emigration is also impacting on the availability of relevant graduates as many highly educated students are leaving once they exit third level. One consequence of this trend is that nearly 1 in 3 (32%) businesses in Ireland has had difficulty sourcing graduate recruits of the right calibre.

Now that the economy is showing definite signs of recovery and more jobs are becoming available, it is possible that remuneration opportunities overseas are driving emigration as almost 1 in 3 (32%) businesses in Ireland are finding that staff have unrealistic expectations. Little has changed relative to last year in regards to emigration and the impact it is having on organisations internally with 1 in 5 (21%) experiencing a loss of staff for this reason. One possibility is that the expectation of better remuneration packages overseas is driving the loss of key staff internally as Irish businesses are not yet positioned to compete with international companies this early in the country’s recovery.
Strict financial control more important than before…

‘What are organisations doing differently having experienced the recession over the past five years?’ Respondents were asked to reflect on their companies’ experience of the recession since 2008 and comment on how their organisation is behaving differently compared to before. Just over 4 in 10 (43%) reported that they had put in place greater financial control, with others mentioning an increased focus on outsourcing (13%) and more efficient use of human resources (12%). It is clear that the control of finances are now more tightly managed than before. Also worth noting is the increased focus on international markets as mentioned by 1 in 7 (14%) respondents suggesting that businesses are now looking to expand internationally more so than before.

The importance of eCommerce and digital interaction with popular social media tools is identified by 1 in 10 as a focus not previously embraced. Other differences mentioned included increased client focus (4%), implementation of pay freezes / eradication of bonuses (3%).

...Skills gaps critical in key areas

Respondents were asked whether a lack of skills or loss of skills in Ireland was hampering their organisation’s progress. A decrease in the shortage of skills was recorded; an improvement on the three year peak (37%) reported last year, to just under 1 in 4 (24%) in 2013. The highest level of agreement occurring in organisations headquartered in Ireland (28%); in Pharmaceutical or Life Sciences (41%) and among those employing 1,000 – 2,000 people worldwide.

Those who thought that there were skill gaps were then asked to identify the skills that were most lacking. The skill gaps most frequently cited were change management skills and leadership skills (39% apiece), followed by IT skills (32%) and people management skills (32%). Earlier in the report it was identified that Irish workers abroad are actively applying for jobs in Ireland. It is possible that this demand to return and work in Ireland is keeping the lack of skills lower than previous years with 7 in 10 (69%) not suffering from skill shortages at all.
Staff morale gained positive momentum during 2013…

Respondents were asked to rate the overall morale of staff within their organisations compared to twelve months ago. Due to the majority of respondents reporting a relatively positive or stable year for their organisations with generally positive business outlooks, it is not surprising that almost half (47%) feel staff morale has become increasingly positive. Less than 3 in 10 (27%) reported a decrease in staff morale and a further 26% felt that morale remained unchanged.

Relative to this time last year, is overall morale in your organisation…

Part 2 Conclusions - Organisational Expectations 2014

- While recovery has commenced in the Irish economy and respondents remain confident about the future, they still face day-to-day challenges in leading their organisations through these ongoing turbulent times.

- Organisations are still feeling the impact of austerity. The most common challenges they face are driven by cutbacks in expenditure and alterations in pension scheme arrangements.

- While the majority are content with staffing and staffing issues, about one third raise concerns relating to recruiting and retaining key staff. 32% of respondents cited unrealistic remuneration expectations among staff, along with 31% who said that they have to look abroad to find suitable candidates.
MERC Partners - Executive Expectations 2014

The final section of the survey focused on respondents’ personal expectations for the year ahead.

*Majority still reasonably positive about their own prospects*...

Our survey participants were asked about their view of their own career prospects in the current broader economic environment. Over three quarters (85%) believed that their prospects had either stayed the same (32%) or improved (53%), up from the previous two waves of research. Of those 53% who thought that their prospects had improved, 43% thought their prospects had improved slightly, while 10% thought they had improved significantly. In contrast, 15% believed that their prospects had disimproved, 12% thought their prospects had disimproved slightly while 3% thought they had disimproved significantly.

*Career Prospects during 2013*

<table>
<thead>
<tr>
<th>Year</th>
<th>Disimproved</th>
<th>Unchanged</th>
<th>Improved</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>15%</td>
<td>32%</td>
<td>53%</td>
</tr>
<tr>
<td>2013</td>
<td>22%</td>
<td>35%</td>
<td>42%</td>
</tr>
<tr>
<td>2012</td>
<td>29%</td>
<td>27%</td>
<td>44%</td>
</tr>
</tbody>
</table>

...and open to switching roles internally both within their own organisation and externally.

With the recession continuing, we once again questioned if respondents were more willing or less willing to move positions, both internally within their own organisations or to switch externally, to another organisation. The question specifically asked about respondents’ attitudes towards changing roles compared to that of three years ago. In each case the majority were more open to switching roles, 51% in the case of internal roles and an even higher percentage (72%) believed that they are more open to a role change to a different organisation.

*Attitude to Changing Roles, Internally and Externally*

- **Internal Roles - Attitude to Changing**
  - Disimproved: 44%
  - Unchanged: 21%
  - Improved: 30%

- **External Roles - Attitude to Changing**
  - Disimproved: 22%
  - Unchanged: 23%
  - Improved: 49%
... Most executives believe that they will change roles in the next 2 years

Following up on the previous question, respondents were once again asked to indicate when they would most likely change roles. Continuing from last year’s trend, two thirds (67%) expect to change roles in the next 2 years, and over 9 in 10 (91%) expect to change roles in the next 5 years. Upon the presumption that switching roles would be beneficial to the respondent, these statistics support the generally positive career prospects referenced earlier in the report.

Consider moving to the public sector ...

In this year’s survey respondents working in the private sector were questioned about their willingness to work in the public sector. 1 in 4 executives had actively sought employment in the public sector in the previous three years, with a further 15% considering making an application but deciding against it.

For those who had not applied for a role in the public sector (60%), the differing ethos in the public sector versus the private sector was the primary reason cited for not making an application (52%), followed by remuneration concerns (39%) and the unappealing nature of the work (30%). Other negatives included private sector executives’ perception of the public service as an employer (27%), the perception that public sector candidates would be favoured for the position (25%), as well as the public nature of the appointment process (14%).

Why executives from private sector would not apply for senior public sector positions
Although the majority of respondents have not recently applied for public service jobs, 4 in 5 (80%) would express an interest in an appointment to a state board in response to a public request from a Minister / Government department. Of those who would not express an interest in an appointment to a state board, 2 in 5 (43%) stated they would simply not be interested. Some expressed concern regarding the fairness of the appointment, with 1 in 3 (32%) fearing that their lack of political affiliation would hinder their application and 1 in 5 (21%) expressing some concern regarding the transparency of the appointment. Other reasons cited include concern about negative publicity (30%), time demands associated with such a position (25%), remuneration concerns (18%) and regulatory responsibilities (16%).

Why those 20% of executives from private sector would not be prepared to express an interest in an appointment to a state board

Part 3 Conclusions – Personal Expectations for Executives 2014

- If 2012 and 2013 demonstrated resilience, then the results from the survey of personal perspectives in 2014 demonstrate a greater level of confidence – with 53% believing that their career prospects improved during 2013. They are more open to switching roles than before – both internally and externally – with 71% being open to a move to another organisation.
- While some concerns do exist in relation to taking up a senior position within public sector ranks, the overwhelming majority of respondents (80%) declared that they would be willing to express an interest in an appointment to a state board.
The results of this survey are both positive and realistic. They are built on an understanding of the progress that the Irish economy has made over the past few years and particularly over the past year. Respondents understand that while there is much done, there remains much to do. They believe that the key challenge for Government is to drive and stimulate the economy.

From an organisational perspective there are pinch points that remain to be dealt with. The sector with the greatest expression of optimism for growth (pharma and life sciences) is also the area where the greatest skill shortages have been identified. There are issues to be addressed in relation to the recruitment and retention of staff, but the opportunities for returning emigrants look bright and may assist in resolving the skills shortage issue.

Finally after five years of recession, our respondents are more confident about the future than they were in previous years of this survey. They believe that their career prospects have improved and that they are more open, and confident, to switching roles in the next two years. They are committed to participating in the economic recovery that is underway, with 80% of executives interested in playing a role on state boards should the opportunity arise.
ABOUT MERC PARTNERS

MERC Partners is Ireland’s leading executive resourcing firm and has specialised for four decades in the recruitment, assessment and development of senior business leaders. Over the years, MERC Partners has placed many key decision-makers in positions of influence within some of Ireland’s leading public, private, semi-state and not-for-profit organisations. In addition to its executive search / headhunting line of business, MERC Partners’ suite of client services also includes advertised selection, leadership consulting, interim management, executive coaching and the recruitment of non-executive directors.

MERC Partners is the Irish member firm of IIC Partners, which is ranked among the Top 10 executive search groups in the world with offices in 50 cities across 38 countries.

MERC Partners is one of the longest standing members in Europe of AESC (The Association of Executive Search Consultants), the worldwide professional association for the industry. AESC promotes the highest professional standards in retained executive search and leadership consultancy through its industry recognised Code of Ethics and Professional Practice Guidelines.

For further information, please visit www.merc.ie and www.iicpartners.com