

What Do Directors Want in 2022?



Introduction

Part of the remit of the Institute of Directors, under the terms of our Royal Charter, is ‘to represent the interests of IoD members and the business community, to government and all opinion formers.’ and ‘to encourage and foster a climate favourable to entrepreneurial activity and wealth creation’.¹

This short report summarises what our members are telling us – about how they see their businesses and what they want from government – as we go into 2022.



¹ <https://www.iod.com/about/our-royal-charter>

Executive summary

At a high level we find our members are optimistic about their future prospects: their organisations have plans to grow, and expect revenues to rise in 2022.

The number of organisations who are planning to raise levels of investment is higher than those planning to reduce investment. However that is not to say there aren't challenges: costs are also expected to rise particularly fast in the next 12 months.

When asked about the factors that are having a negative impact on their organisation, the UK macroeconomic environment in general, and skills shortages and international trade in particular, are of highest concern to business. General issues relating to tax and regulation come in strongly at second place. The cost of energy, and also the costs of employing people are rising up the risk radar the fastest.

When asked to choose just one thing from a list of alternatives that would improve their business operating environment, similar themes emerge, with 'new trading relationship with the EU' and 'skills shortages' topping the list, closely followed by 'UK economic conditions', and then concerns around tax and regulation.

When invited to give freeform answers to a broad question around what organisations most want to see from government, issues around EU trade, tax, regulation and skills shortages all come to the fore. However two additional issues were also noticeable from a textual analysis of the responses: a general desire for leadership from government and a specific desire for a well-articulated roadmap to achieve net zero, including support for smaller businesses to play their part.

Reflecting these concerns, the IoD will therefore plan its future policy work under the following themes:

- **Rebuilding confidence in trade**
The aim of this workstream is to engage with government to help support British exporters to find new opportunities outside of the UK.
- **Addressing skills shortages**
We will work with our members, government and outside experts in order to make tangible proposals to address labour market gaps in the medium term
- **Overcoming bureaucracy**
This workstream looks to reduce the costs of doing business, covering all regulatory issues with a particular focus on the administration of the tax system and the new system of customs control.
- **National insurance campaign**
The priority of our tax campaigning will be to highlight the difficulties of the proposed rise in National Insurance, which is a particular priority of our members.
- **Help to Green**
This workstream seeks to explore the tangible ways in which SMEs can be supported to help contribute to the UK's climate change commitments.

Methodology

The main data source used in this report is our monthly *Policy Voice* survey of Institute of Directors members.

This is an internal market research tool consisting of a mixture of topical questions, often relating to government policy or current economic debates, as well as a series of tracker questions around the general economic and business environment. We typically obtain between 600-1000 responses to the survey, sufficient for a high-level segmentation by sector or organisation size, but are not weighted to ensure a representative sample by region so are presented as UK-wide results.²

In October 2021, we used the same survey tool to collect qualitative data, through inviting participants to provide a freeform answer to the question “In your own words, please tell us what your organisation wants to see, if anything, from the UK government.”

Findings from this tool are also sense checked on an ongoing basis not only through convening Expert Advisory Groups across particular subject areas but also by seeking feedback from members organised by the IoD’s comprehensive national, regional and branch networks as well as special interest groups for particular subject areas.

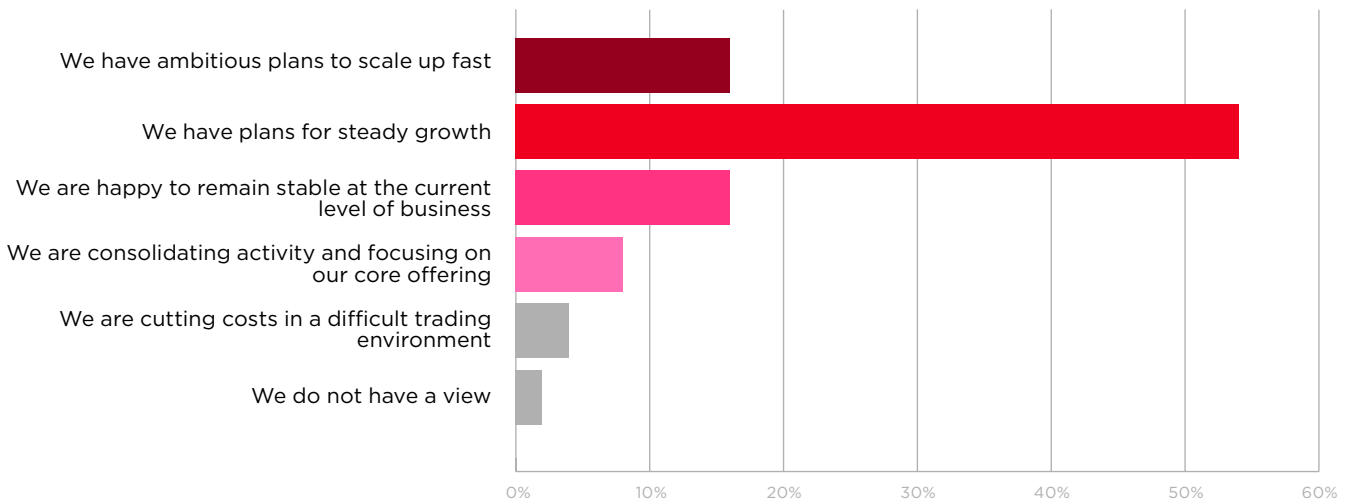


² The IoD currently has around 20,000 members, of which around 85% are based in the UK, with the remainder split roughly equally between those based overseas or in the Channel Islands. Of IoD members based in the UK, there is a broad spread of membership across all regions and nations but compared to the distribution of the UK population as a whole, membership is particularly strong in the South, Northern Ireland, the East of England and London.

1 Directors' attitudes to the future

Generally speaking, Institute of Directors members are planning for growth into 2022. Over half (54%) of members say that they 'have plans for steady growth' with a further 16% agreeing that they 'have ambitious plans to scale up fast'. Only 12% said that they were either 'consolidating activity and focussing on our core offering' or 'cutting costs in a difficult trading environment', as the chart below shows.

How ambitious for growth would you say your organisation is at the moment?
Choose the option that best represents your views.



(IoD Policy Voice. 608 respondents. Data collected 13-29 October 2021.)

This positive mood is reflected in recent answers to our tracker question around expectations of revenue streams for the 12 months ahead. Our latest data, collected over the course of December 2021 showed that a clear majority of our members – 60% – were expecting revenues to rise in the year ahead, with around one in five – 19% – expecting revenues to fall. This is on a par with expectations in the immediate pre-pandemic months and higher than the average over the course of 2019 when uncertainty over the terms of our future relationship with the EU acted as a dampener on expectations.

Even more encouragingly, the proportion of business leaders planning to undertake investment in the coming year has also recovered to pre-pandemic levels. Our latest data, obtained over the course of December 2021, showed 31% expect investment to be higher in the next 12 months, compared to 18% who expect it to be lower. This is a slight fall from November, possibly due to the uncertainties created by the Omicron variant, but still much higher than at the same time a year previously.

Employment intentions have also recovered, and appear to be stabilising at around a third of firms expecting

60%

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employment to increase in the year ahead compared to one in ten who expect employment to fall.

Taken together, when asked the degree to which they are optimistic or pessimistic about their organisations over the year ahead, optimism wins, with responses in the second half of 2021 coming in at similarly high levels to those seen before the pandemic took hold.

This is not to say that there aren't challenges, however. Levels of optimism around the economic prospects for the country as a whole are much weaker than for individual organisations, and fell sharply first in the autumn and then in December 2021.

There are more firms that expect costs to rise in the year ahead than expect revenues to rise, and our tracker question around expectations of wage rises is coming in particularly high by historical standards. This is most likely driven both by the tight labour market in the second half of 2021, rising expectations of inflation as well as the government's intention to raise employer National Insurance Contributions expectations in April 2022.



2 Specific negative factors

For the last few years we have asked directors which specific factors, if any, are having a negative effect on their organisation. Respondents choose from the same list each month.

Going into 2022, macroeconomic issues – ‘UK economic conditions’, ‘coronavirus outbreak’ and ‘skills shortages/employee skills gaps’ – come top of the list of factors having a negative effect on businesses.

Next in importance are issues relating to international trade, with around 35% of members citing our ‘new trading relationship with the EU’ and the ‘global economic environment’ as having a negative impact on their organisation.

In third place are issues relating to tax and compliance with government regulation, with

perceptions of the negative impact of employment taxes showing an increase from around 25% to 40% since the announcement by the government of the increase in National Insurance Contributions in September 2021.

In fourth place are a cluster of issues relating to infrastructure – transport, energy, broadband – which are cited by 25%-30% of respondents as having a negative effect on their organisation. Within this the cost of energy rose from having the lowest negative

effect of the three from January 2019 to July 2021, to being the infrastructure issue of greatest concern from November 2021.

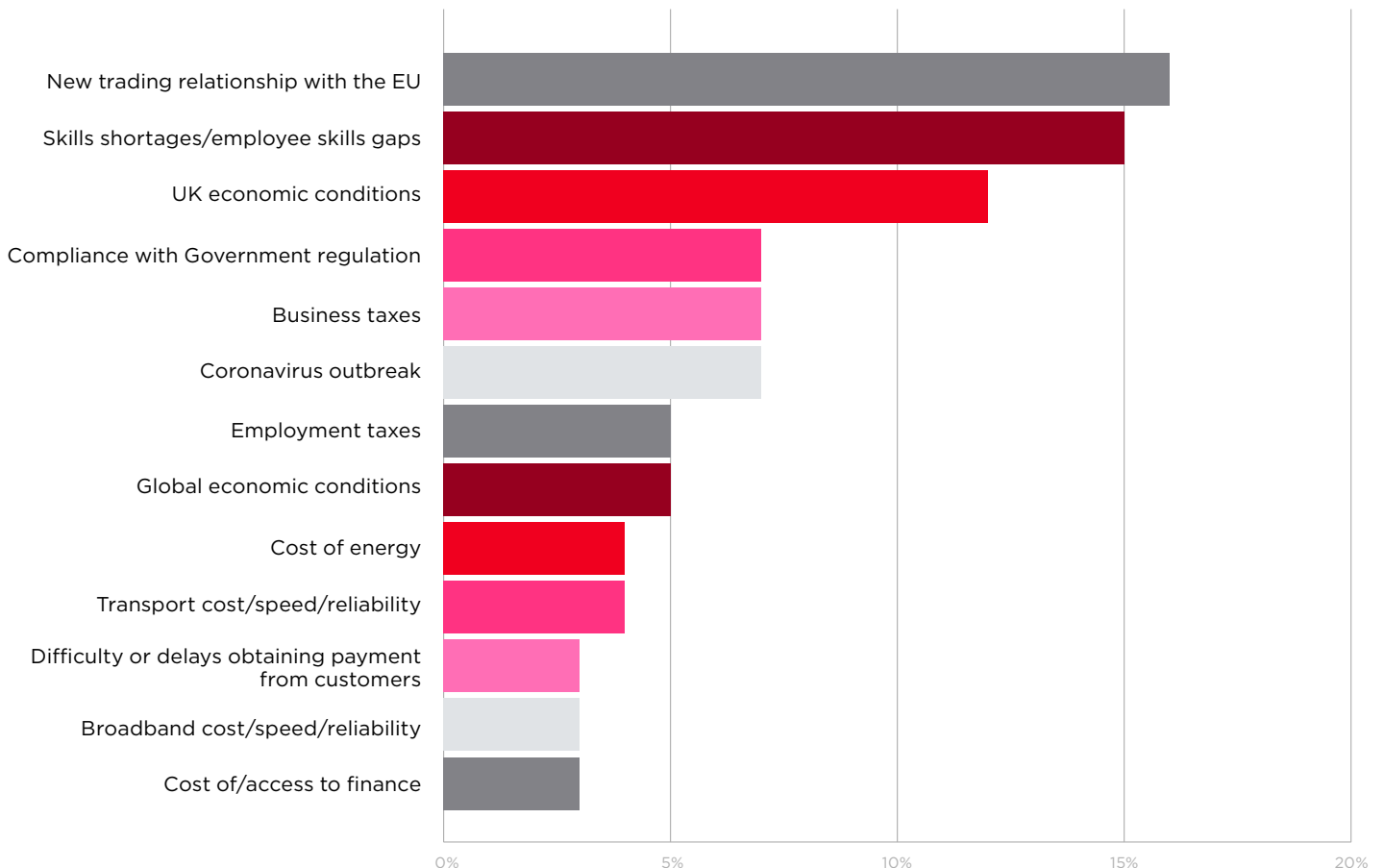
Finally, we ask questions around difficulty in obtaining payments and separately, obtaining finance. We find that both appear to be of relative low importance at the end of 2021 although that may change in 2022 when government business support schemes are phased out and to the extent that interest rates start to rise again.

Which of the following factors, if any, are having a negative impact on your organisation (ordered by priority)?



When asked to choose just one thing from a list of alternatives that would improve their business operating environment, a similar conclusion emerges, with 'new trading relationship with the EU' and 'skills shortages' topping the list, closely followed by 'UK economic conditions', and concerns around tax and regulation following closely behind.

If you had to choose just one thing to improve about your business operating environment, what would it be?



Survey of IoD members conducted between 12-29 November 2021

3 The role of government

Alongside the quantitative survey data reported above we also obtained qualitative data at scale on what our members want from government by asking a freeform as follows:

In your own words, please tell us what your organisation wants to see, if anything, from the UK government. Examples might be a particular policy change, a general approach towards business, or there may be no changes you want to see. Please answer from the perspective of your organisation not you personally. You can write as much or as little as you want.

The aim of this question was to see what was most top of mind among business leaders and explore any patterns.

A textual analysis of the responses broadly confirmed the conclusions of the survey questions, with issues relating to international trade being spontaneously cited by a large proportion of our members. In addition

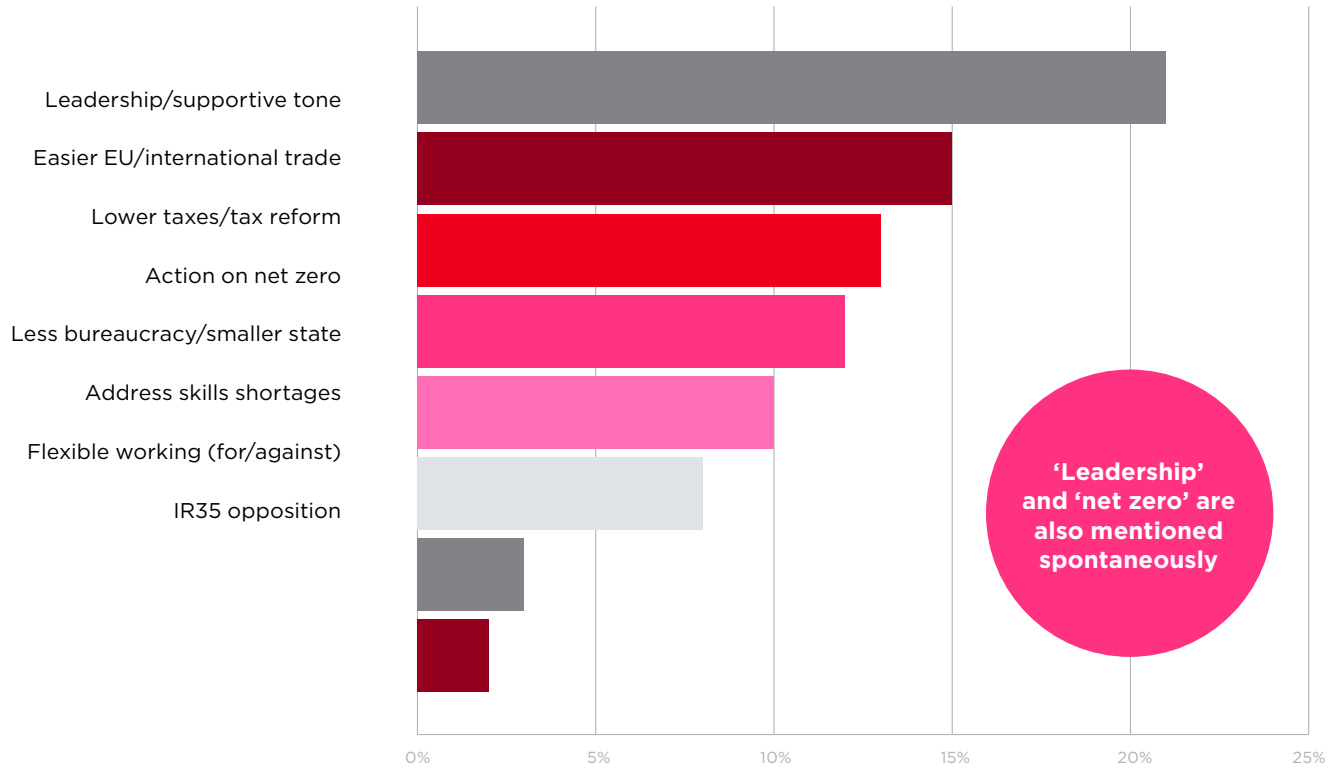
concern over the taxation (where the proposed National Insurance rise was frequently mentioned), regulatory burdens and skills shortages also came through strongly.

However we found that when no restraints were placed on participants' responses that two further themes also emerged: a broad brush desire for greater leadership on the part of

government, both generally and in terms of industrial policy, and in particular a desire for a clearer roadmap from government on how Britain was going to address the challenge of climate change. It should be noted however that this survey was in the field around the time of the COP26 summit in Glasgow which could have meant it was particularly front-of-mind.



In your own words, please tell us what your organisation wants to see, if anything, from the UK government. Examples might be a particular policy change, a general approach towards business, or there may be no changes you want to see. Please answer from the perspective of your organisation not you personally. You can write as much or as little as you want.



Participants were invited to give freeform answers, which were then categorised by theme. Survey of IoD members conducted between 13-29 October 2021

There was a great diversity in the comments and many contradictory answers. Having said that typical responses among those who expressed a desire for greater leadership were:

“Greater vision and a sense of being in control rather than reacting after problems emerge.”

“A visible plan for developing business and the economy.”

“A more business friendly tone – and actions.”

While support for taking action on climate change was not universal, participants who spontaneously wanted to see more action on net zero also wanted greater leadership, but also expressed the desire to obtain government support for doing the right thing.

Typical responses here were:

“Strong lead on climate change including policies for assistance on move to greener economy. It seems like lip service at present.”

“Support to help microbusinesses and consultancies play their part in the #racetozero.”

4 Our policy priorities for 2022

Building on the desire of our members, we therefore propose to prioritise the following themes in our policy development over the course of 2022:

- **Rebuilding confidence in trade**
The aim of this workstream is to engage with government to help support British exporters to find new opportunities outside of the UK.
- **Skills shortages**
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- **Overcoming bureaucracy**
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The Institute of Directors is a non-party political organisation, founded in 1903, with approximately 20,000 members. Membership includes directors from right across the business spectrum – from media to manufacturing, professional services to the public and voluntary sectors. Members include CEOs of large corporations as well as entrepreneurial directors of start-up companies.

The IoD was granted a Royal Charter in 1906, instructing it to “represent the interests of members and of the business community to government and in the public arena, and to encourage and foster a climate favourable to entrepreneurial activity and wealth creation.”

The Charter also tasks the Institute with promoting “for the public benefit high levels of skill, knowledge, professional competence and integrity on the part of directors”, which the IoD seeks to achieve through its training courses and publications on corporate governance.

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About the author

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Chief Economist, IoD

Kitty joined the Institute of Directors as Chief Economist in September 2021. She is a UK macroeconomist and public policy research professional, and was most recently Chief Economic Advisor at the cross-party think-tank Demos.

A former MP for Burnley, her government experience includes serving as Economic Secretary to the Treasury during the early phase of the financial crisis (2007-08) and also as a junior minister at the Department for Work and Pensions (2008-09). Previously she was a special adviser at the Department for Trade and Industry, and a local government councillor in Lambeth.

Since stepping back from active politics in 2010, she has devised and delivered public policy thought leadership research projects both through Demos and her own company Tooley Street Research.

From 2017-19 she undertook a sabbatical teaching maths in inner-city schools on the Now Teach scheme established by the FT journalist Lucy Kellaway.

She holds a degree in Politics and Economics (PPE) from Balliol College Oxford and an MSc in Economics from Birkbeck College London. In her early career she worked as a macroeconomic forecaster at the Economist Intelligence Unit.

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