Policy Voice full survey results March 2025

- Business costs
- UK-EU regulatory alignment
- AI adoption
- US ED&I policy

Number of respondents: 687
Survey Dates: 10 – 26 February 2025
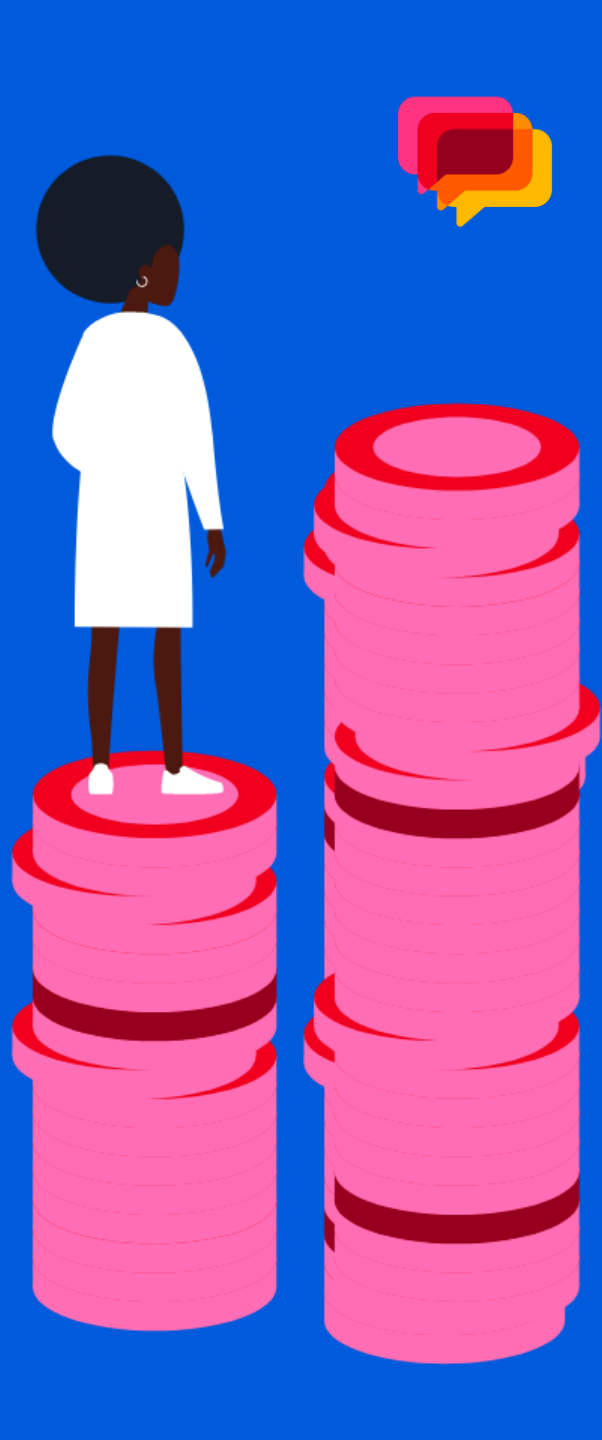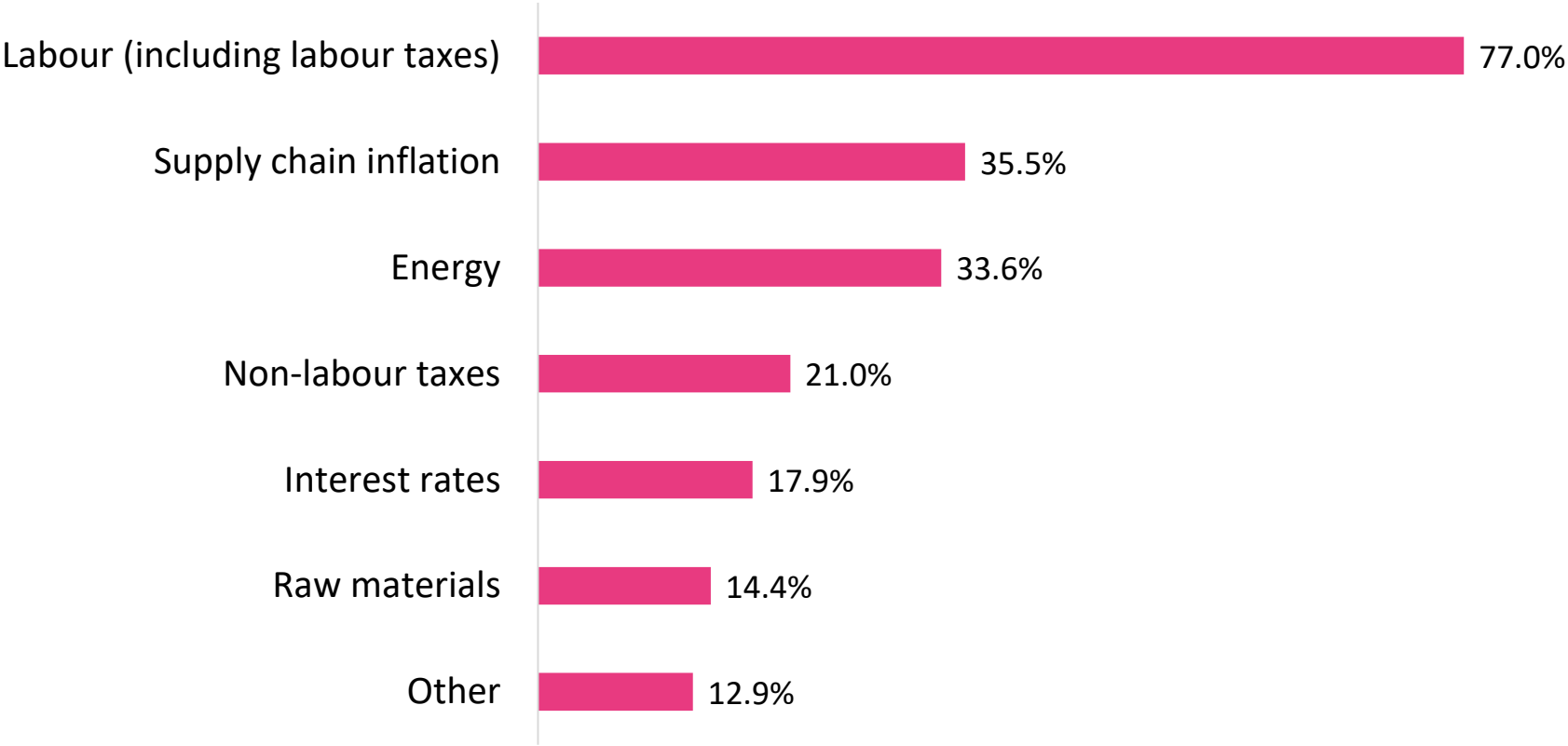
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Business Costs

Our previous Policy Voice data shows cost concerns amongst members are at a record level for the year ahead.

The following data will be used to understand why this is, and will help shape our conversations with government officials.

Most IoD members say labour costs are their biggest cost concern for the year ahead.

What are the biggest factors driving your outlook for costs over the year ahead?

Please select all that apply.

Factor	Percentage
Labour (including labour taxes)	77.0%
Supply chain inflation	35.5%
Energy	33.6%
Non-labour taxes	21.0%
Interest rates	17.9%
Raw materials	14.4%
Other	12.9%

Much like the quantitative data, in the further comments, the majority of respondents were keen to express their concern over the increased cost of labour:

'NIC increases will make my businesses unviable, with closure of some services inevitable' (London, professional, scientific and technical activities, 10-49 employees)

'The National Minimum Wage has increased so much over the past 10 years and now National Insurance costs that we have reduced our staff level to try and remain viable as a business.' (South West England, agriculture, forestry and fishing, 2-9 employees)

'We have over 70 suppliers, every one of them will increase their prices this year to offset additional NI costs. No sense to it at all!' (South West England, transportation and storage, 100-249 employees)

However, of those who did not select labour costs, a large majority were concerned about energy costs and the cost associated with achieving net-zero:

'Energy will become a factor once our fixed price contracts come to an end. The renewables/NetZero drive is increasing electricity costs significantly: it is not sustainable.' (South West England, manufacturing, 250+ employees)

'Most of our employees are based in the UK and we have the highest energy costs in the world; successive Governments have failed to address this.' (South East England, professional, scientific and technical activities, 250+ employees)

'We are trying to be as green as we can, hence wishing to use Rail for long distance travel, but costs and poor service make it impossible at times.' (East Midlands, professional, scientific and technical activities, 2-9 employees)

There were also many comments about the general state of the UK tax environment and the need for government rhetoric to match action, reducing the burden on business:

'Everything the government is doing is loading costs onto business. It's the exact opposite of what you would do if you wanted to drive/enable growth.' (East Midlands, other services, 10-49 employees)

'Our business is now smothered in red tape, eventually we will cease our business and just pass paper around' (South East England, real estate, 10-49 employees)

'The Government needs to switch the growth rhetoric into real action. Their current policies are anti-growth and it is beginning to be reflected in GDP and sentiment.' (South East England, financial services, 10-49 employees)

'The Government's taxation policy targeting the private sector is making the UK an outlier and one that is not attracting investment for home markets and less viable for exports.' (South East England, construction, 250+ employees)

UK-EU regulatory alignment

As both the UK and EU continue to unilaterally update their regulatory frameworks, the regulatory gap between the two will widen.

The following data will be used to help inform our conversations with the Department for Business and Trade regarding their approach to regulatory alignment with the EU. This data will also be used in our consultation response looking at how the UK should reset its relationship with the EU.

Business leaders would like to see mutual regulatory recognition between the UK and the EU

With the UK and EU working towards a reset of relations with the aim of bringing down barriers to business, which approach to UK-EU regulatory alignment do you think would be the most beneficial to your organisation?
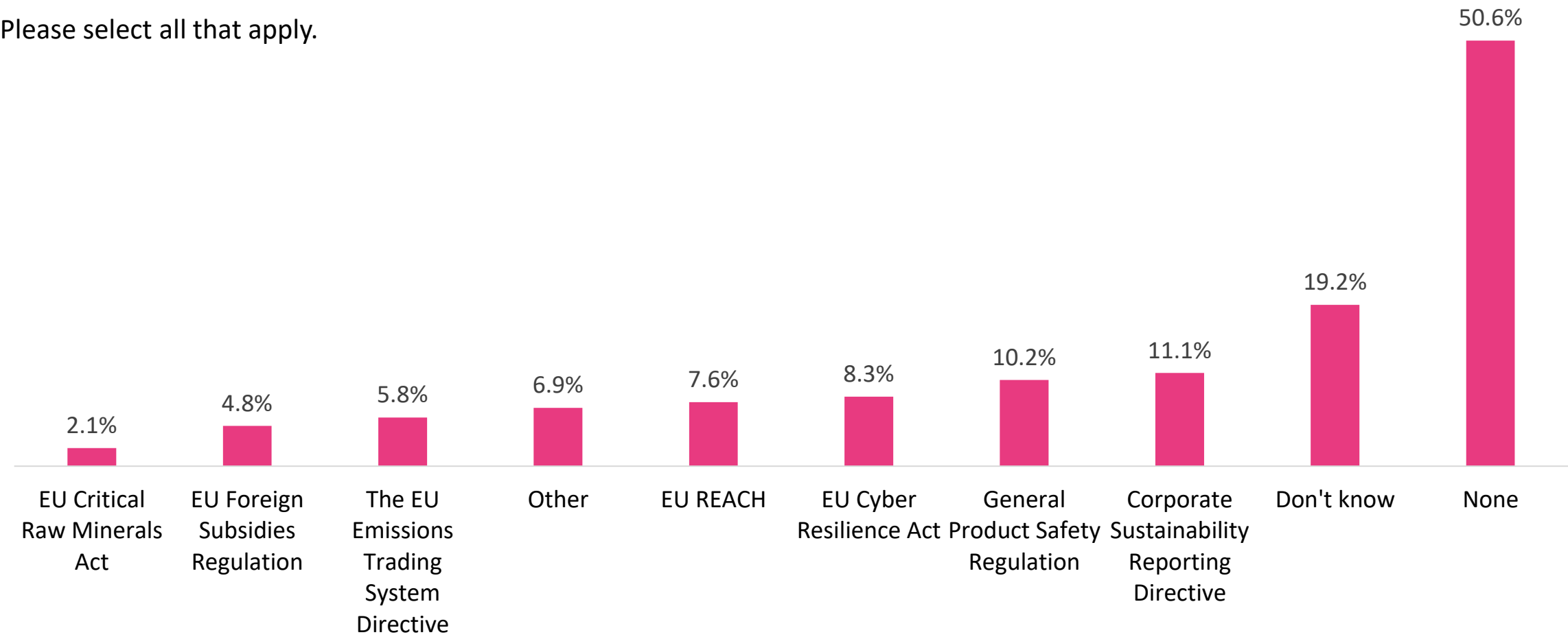
Mutual recognition, where the UK and the EU would recognise each other's regulation and standards as equivalent, even if they are not identical, provided they meet similar objectives — **39.8%**

Complete alignment, where the UK would adopt all EU regulation and standards — **20.5%**

Dynamic alignment, where the UK and EU would cooperate on evolving regulation and standards on an ongoing basis to ensure mutual compatibility — **17.0%**

Partial alignment, where the UK would agree to align with certain EU regulation and standards in specific sectors — **8.6%**

No alignment, where the UK pursues a completely independent regulatory framework — **8.6%**

Other — **3.1%**

Don't know — **2.3%**

Half of IoD members have not been impacted by the listed EU regulatory initiatives

Has your organisation been impacted by any of the following EU regulatory initiatives?

Please select all that apply.

- EU Critical Raw Minerals Act — 2.1%
- EU Foreign Subsidies Regulation — 4.8%
- The EU Emissions Trading System Directive — 5.8%
- Other — 6.9%
- EU REACH — 7.6%
- EU Cyber Resilience Act — 8.3%
- General Product Safety Regulation — 10.2%
- Corporate Sustainability Reporting Directive — 11.1%
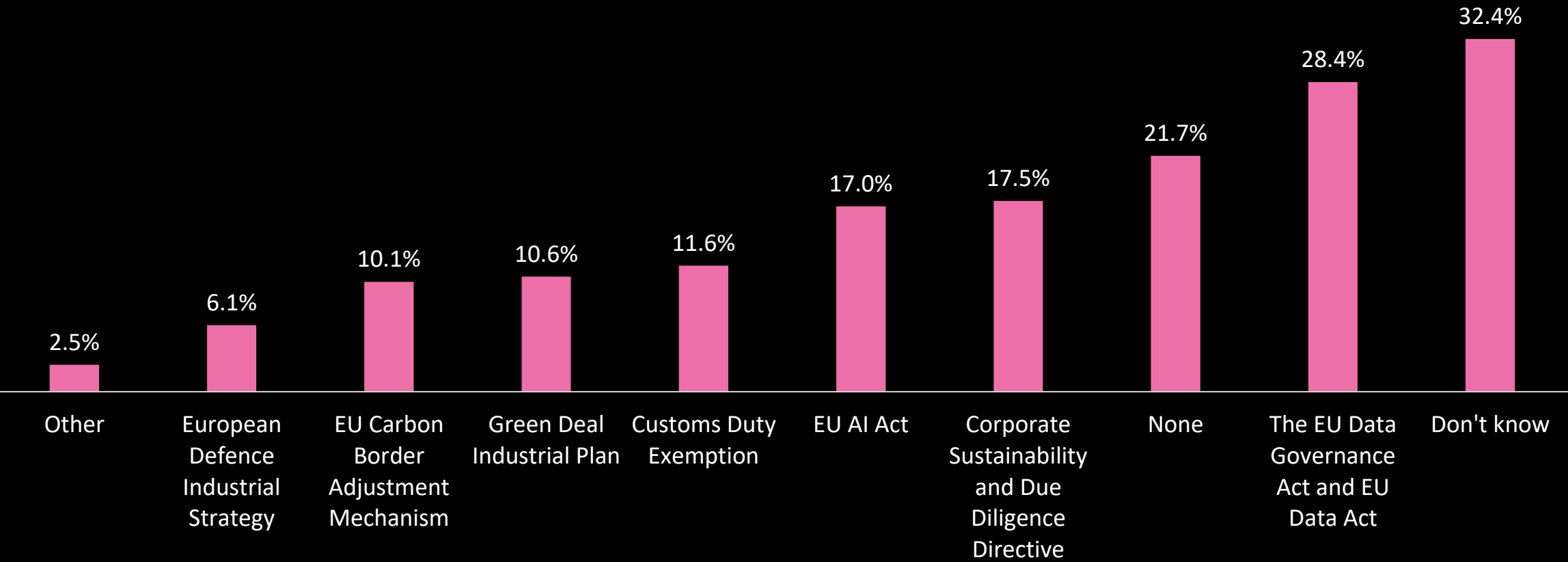- Don't know — 19.2%
- None — 50.6%

Almost one third of IoD members will be impacted by the EU Data Governance and EU Data acts

Will your organisation be impacted by any of the following upcoming EU regulatory initiatives?

Please select all that apply.

Category	Percentage
Other	2.5%
European Defence Industrial Strategy	6.1%
EU Carbon Border Adjustment Mechanism	10.1%
Green Deal Industrial Plan	10.6%
Customs Duty Exemption	11.6%
EU AI Act	17.0%
Corporate Sustainability and Due Diligence Directive	17.5%
None	21.7%
The EU Data Governance Act and EU Data Act	28.4%
Don't know	32.4%

The anecdotal evidence shows concern about the extent of the regulatory burden, and as a result there is a necessity to keep the cost of this down to ensure businesses can stay competitive and productive. At the same time, it is recognised that the UK should take advantage of its ability to selectively adopt regulation and standards where it best suits UK business.

"The UK previously had its own independent regulatory framework. It should be free to set a framework that suits the UK and its needs. When it merged frameworks previously, they tended to go to the lowest standard across Europe, without considering whether this was appropriate. It would be helpful if there was mutual recognition and this could, perhaps, be industry specific." (East Midlands, Financial Services, 10-49 employees)

"Every country has a different operating procedure. We should respect and recognise that. Most businesses are solutions driven or they go out of business. Mutual recognition is the solution - all different - but together in the collective aims and objectives." (South West England, Transportation and Storage, 100-249 employees)

"Crucial to strike a balance between facilitating trade, ensuring consumer protection and encouraging innovation." (South East England, Wholesale and retail trade (including motor repair), 10-49 employees)

For example, in cases such as the Carbon Border Adjustment Mechanism (CBAM), which will apply a carbon tax or import duty on carbon intensive goods based on the embedded greenhouse gas emissions of imported goods, it is the IoD's view that maximising regulatory alignment with the EU CBAM will be critical for facilitating the smooth flow of trade and minimising the administrative impact on business.
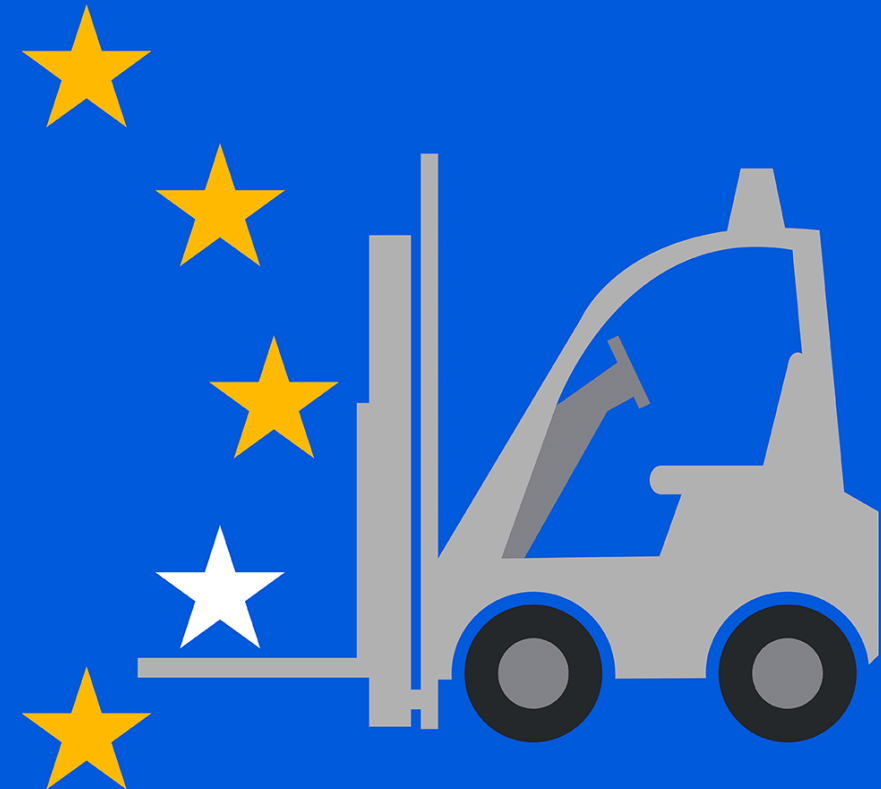
However, elsewhere, some feel there are areas where EU regulation actually stifles competition and innovation, meaning it would be more harmful for business to align. This is particularly felt in relation to AI and tech, that whilst there is a strong imperative for closer alignment on AI research and governance, and AI research is primarily dominated by the US and China, there is concern that the EU AI Act is too restrictive to be beneficial for business.

"The biggest problem of aligning with EU on regulation is that the EU is rules based and the UK is principles based as is our legal system. EU regulations being rules that must be agreed by 27 members are far too slow to react to a fast evolving digital landscape, especially AI." (London, Professional, Scientific and Technical activities, 2-9 employees)

"We do not want alignment with EU regulation as it's harmful to business in many areas and restricts competition and innovation. So, we are missing the potential competitive advantage that freedom from EU regulatory frameworks would give us. If we align with anyone, it would be far better to align with the US - particularly in the fields of AI/technology." (East Midlands, Other services, 10-49 employees)

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AI adoption

The data from the following questions will be used to help shape our new Head of Innovation and Technology Policy's priorities over the coming period.

This will aid her conversations with government officials and relevant stakeholders, and make sure we are effectively communicating IoD member concerns.

Nearly two thirds of business leaders use AI in some capacity to aid their work

**Do you personally use AI to help with your work?**

When answering, please consider AI across capabilities including generative AI (e.g. ChatGPT, Gemini), predictive (e.g. Altair, Datarails) and agentic (e.g. Manus)

0.2%

31.4%

37.4%

31.1%

■ Yes   ■ Sometimes   ■ No   ■ Don't know
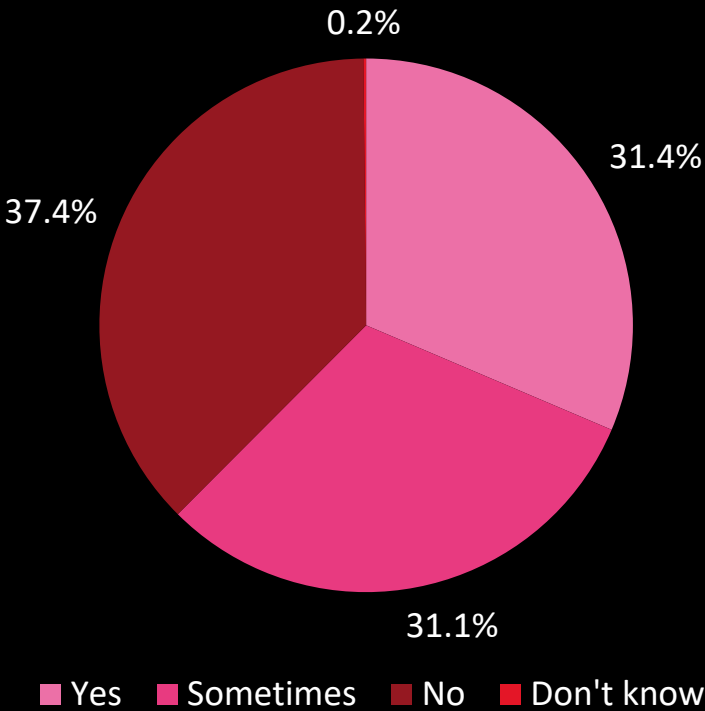
Organisations are largely split in their use of AI

Does your primary organisation use AI across any of its functions or processes?

Again, when answering, please consider AI across capabilities including generative AI (e.g. ChatGPT, Gemini), predictive (e.g. Altair, Datarails) and agentic (e.g. Manus)

3.3%

49.4%
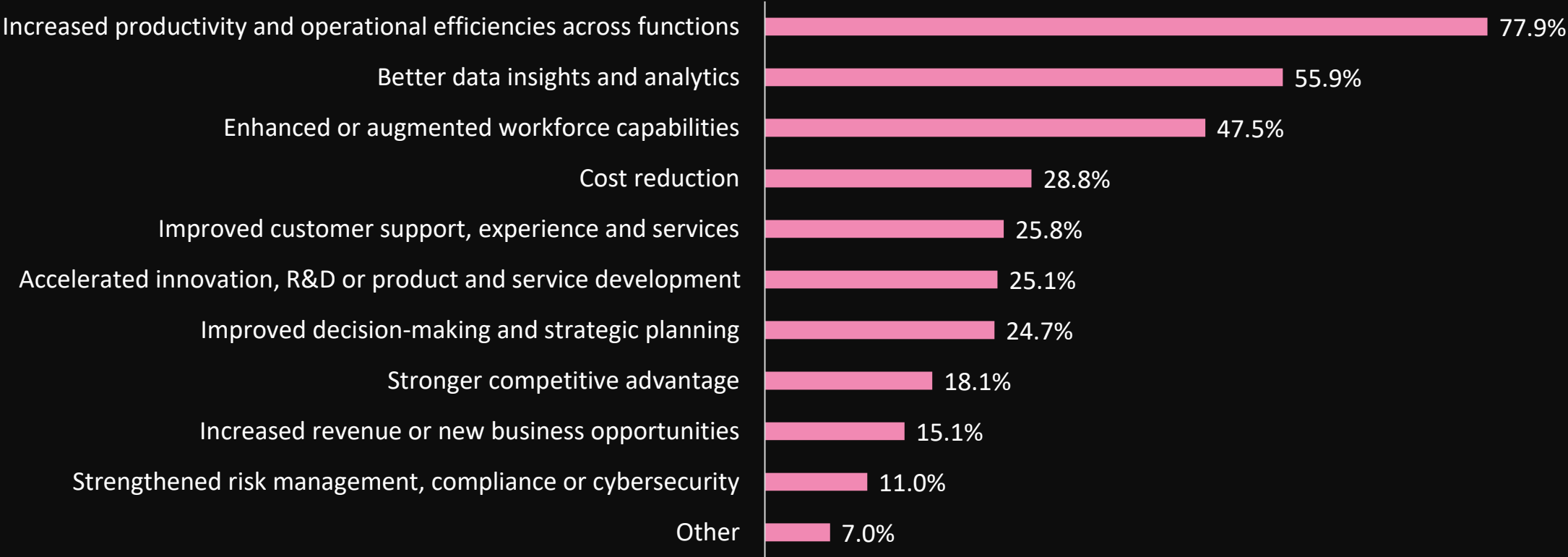
47.3%

■ Yes ■ No ■ Don't know
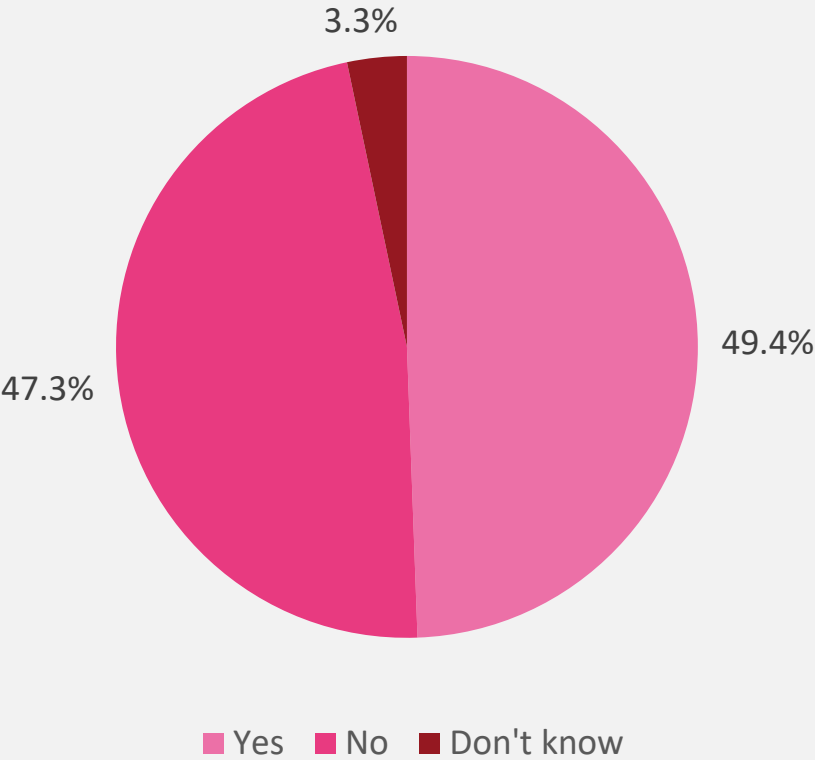
Business leaders see increased productivity and efficiency as the most significant benefit of AI use within their organisations

What are the most significant benefits of AI adoption for your organisation?
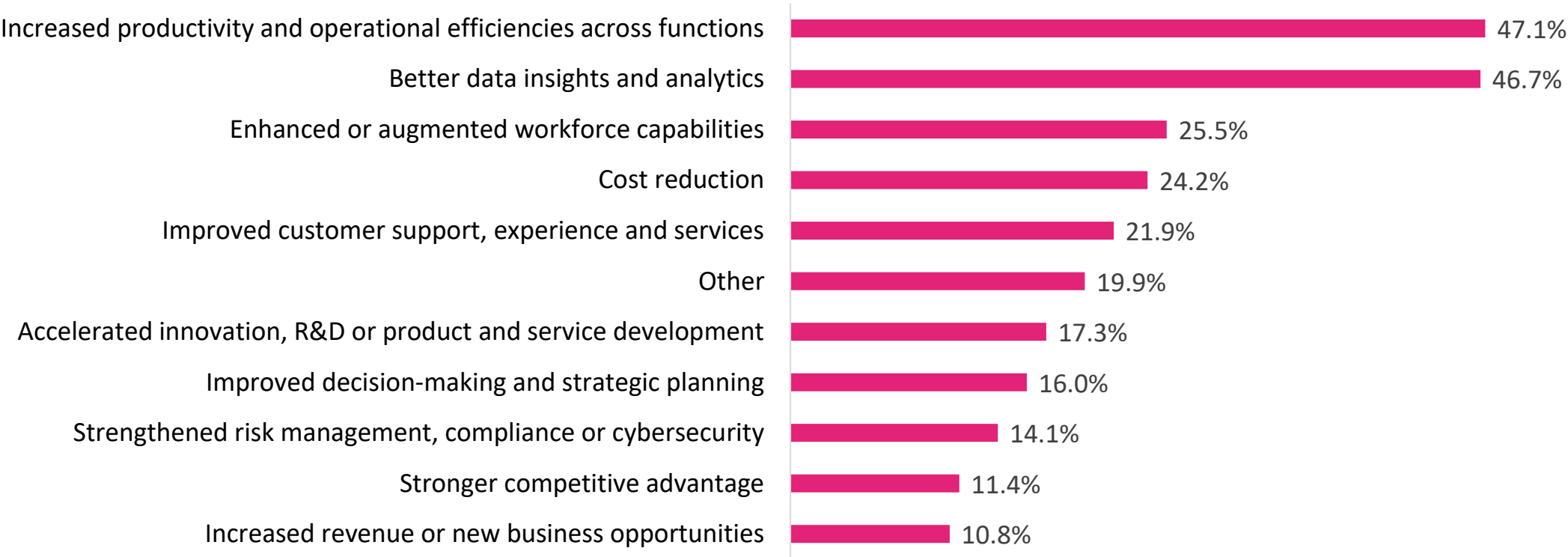
Please select all that apply.

Benefit	Percentage
Increased productivity and operational efficiencies across functions	77.9%
Better data insights and analytics	55.9%
Enhanced or augmented workforce capabilities	47.5%
Cost reduction	28.8%
Improved customer support, experience and services	25.8%
Accelerated innovation, R&D or product and service development	25.1%
Improved decision-making and strategic planning	24.7%
Stronger competitive advantage	18.1%
Increased revenue or new business opportunities	15.1%
Strengthened risk management, compliance or cybersecurity	11.0%
Other	7.0%

This question was only answered by those who said 'Yes' to 'Does your primary organisation use AI across any of its functions or processes?'

IoD members believe AI adoption in their organisations would lead to increased productivity, operational efficiency and better data insights

What do you see as the most significant benefits of AI adoption for your organisation?

Please select all that apply.

Increased productivity and operational efficiencies across functions	47.1%
Better data insights and analytics	46.7%
Enhanced or augmented workforce capabilities	25.5%
Cost reduction	24.2%
Improved customer support, experience and services	21.9%
Other	19.9%
Accelerated innovation, R&D or product and service development	17.3%
Improved decision-making and strategic planning	16.0%
Strengthened risk management, compliance or cybersecurity	14.1%
Stronger competitive advantage	11.4%
Increased revenue or new business opportunities	10.8%

This question was only answered by those who said 'No' and 'Don't know' to 'Does your primary organisation use AI across any of its functions or processes?'

Some respondents explained that their organisations are cautiously in early adoption phases, with a few integrating it into their products, but many conveyed anticipation of and hesitancy towards future benefits and business value:

1. Time savings and administrative efficiencies

"It speeds up a lot of our administrative processes, particularly the composition of emails and documents, as well as updating and refining policies and procedures." (Health and social work, Scotland, 10-49 employees)*

"Saving time in writing meeting reports and précis of Government reports." (Professional, scientific and technical activities, London, 2-9 employees)*

"Not yet embedded into company processes: more of a 'super office support'." (Accommodation and food services, South East England, 2-9 employees)

2. Scepticism regarding any benefits

"Doubt this will be of any benefit to my organisation." (Water supply, sewerage and waste management, West Midlands, 250+ employees)

"There are no benefits." (Real estate, South East England, 10-49 employees)

"Cannot see any benefit." (Manufacturing, East of England, 10-49 employees)

"Highly unlikely to benefit generally." (Professional, scientific and technical activities, London, 50-99 employees)

3. Scepticism around AI hype

"It's been massively overhyped… as usual." (Professional, scientific and technical activities, London, 2-9 employees)

"Much hyped, not yet validated or proven." (Financial services, London, 250+ employees)*

"It's over-hyped and over-rated." (Agriculture, Forestry and Fishing, South East England, 2-9 employees)

"AI is a big con, propounded by those who know no better as a 'must have' buzzword, with no substance." (Financial services, East Midlands, 2-9 employees)

* = organisational AI user

Despite the question only asking about potential benefits, it is notable that, alongside scepticism, members took this as an opportunity to express concerns, including:

1. Skills and knowledge gaps, and training needs

"The biggest challenge is the skills gap - people don't yet know how to deploy AI effectively." (Other services, South East England, 250+ employees)*

"We need access to more expertise…" (Accommodation and food services, London, 2-9 employees)

"It would probably be even more beneficial if we'd get training on more tools. Currently rather ad hoc, some people more experienced than others." (Professional, scientific and technical activities, London, 10-49 employees)*

"We have a need for advice on AI tool adoption." (Agriculture, Forestry and Fishing, Scotland, 10-49 employees)

2.   Accuracy and reliability

"We have trialled it but it is not always correct." (Professional, scientific and technical activities, North West England, 10-49 employees)

"Not used for fact based research - too unreliable…" (Professional, scientific and technical activities, South East England, 2-9 employees)*

"We do not have the time or resources to ensure that the information is accurate, and see the risks of AI being weaponised as too high." (Professional, scientific and technical activities, North West England, 2-9 employees)

There's a notable tension between enthusiasm for efficiency gains and concerns about reliability and implementation, with the latter expressing need for tighter governance before adoption.
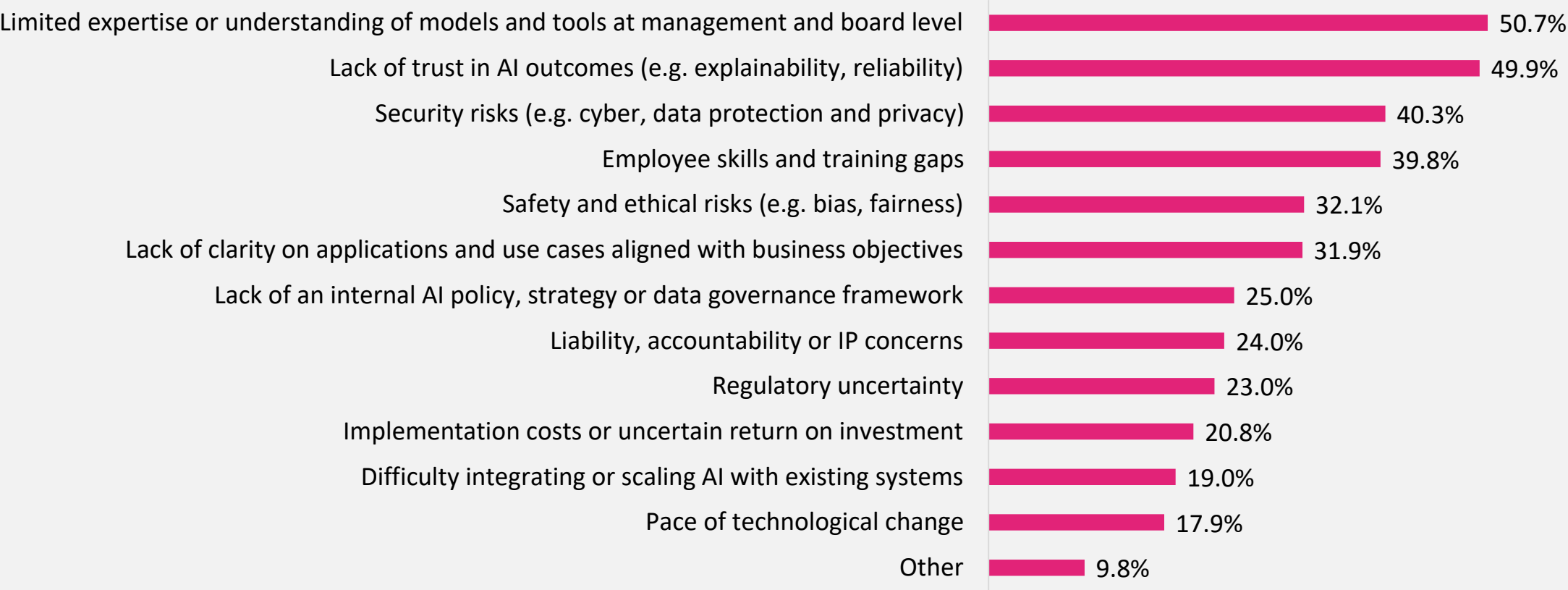
* = organisational AI user

Limited expertise and lack of trust in outcomes are the biggest concerns for IoD members when thinking about AI adoption within their organisations

What are your biggest barriers or concerns regarding AI adoption in your organisation?

Please select all that apply.

Barrier/Concern	%
Limited expertise or understanding of models and tools at management and board level	50.7%
Lack of trust in AI outcomes (e.g. explainability, reliability)	49.9%
Security risks (e.g. cyber, data protection and privacy)	40.3%
Employee skills and training gaps	39.8%
Safety and ethical risks (e.g. bias, fairness)	32.1%
Lack of clarity on applications and use cases aligned with business objectives	31.9%
Lack of an internal AI policy, strategy or data governance framework	25.0%
Liability, accountability or IP concerns	24.0%
Regulatory uncertainty	23.0%
Implementation costs or uncertain return on investment	20.8%
Difficulty integrating or scaling AI with existing systems	19.0%
Pace of technological change	17.9%
Other	9.8%

Many respondents showed a lack of trust in AI technologies, tools and systems. This was based on three key factors:

1. **Accuracy and reliability**

"Reliability of results is a key concern." (Professional, scientific and technical activities, Scotland, 2-9 employees)*

"GenAI/LLMs are helpful for generic operational tasks, but their propensity to incomplete responses and errors/hallucinations means they have limited utility in most of our client-facing work (where absolute accuracy is essential in a highly regulated sector)." (Professional, scientific and technical activities, South East England, 250+ employees)*

"My concern is the lack of oversight and challenge of the information provided, that people will believe what it outputs and not check." (Financial services, London, 0-1 employees/sole trader)

"Emerging technology, black box so no accountability, need to check accuracy of output." (Information and communication, Wales, 10-49 employees)

2. Hype vs. tangible business value

"There is significant overhype across the AI sector." (Professional, scientific and technical activities, South East England, 2-9 employees)*

"AI is a tool embryonic in its use for business. It's not the answer to life, the universe, and everything." (Professional, scientific and technical activities, London, 2-9 employees)

"The hype surrounding AI will be hard to achieve a commercial return." (Financial services, London, 250+ employees)

"The fundamental belief that all businesses are going to be using AI is completely flawed." (Professional, scientific and technical activities, Scotland, 2-9 employees)

* = organisational AI user

3. Ethical and societal impact

"Whilst I think some sort of AI adoption in the mainstream is inevitable over time, I do worry that human skill to understand and troubleshoot those tasks/processes that AI carries out will be lost." (Manufacturing, North West England, 100-249 employees)*

"Loss of jobs/replacement with AI." (Other services, South East England, 0-1 employees/sole trader)*

"Society and businesses need to work out the ethical constraints. This is a role for philosophers and theologians more than IT professionals and business people." (Accommodation and food services, London, 50-99 employees)

Members also emphasised concerns regarding implementation challenges, such as:

1. Skills and knowledge gaps, and training needs

"Lack of knowledge of AI and where to go to find out." (Health and social work, East of England, 100-249 employees)

"A fear of the unknown is common - AI education before implementation is our aim." (Transportation and storage, South West England, 100-249 employees)*

"Most senior management and board members have very little experience of AI. many have vision but too few have any practical experience to call on." (Manufacturing, East Midlands, 100-249 employees)

2. Integration challenges

"A key issue is the fact many important legacy IT systems we use have no AI integration at present." (Real estate, South East England, 10-49 employees)*

"Access to training data which can be legally used is a key requirement." (Professional, scientific and technical activities, London, 250+ employees)*

"Our challenge is getting our clients to adopt it in the processes we run for them. The single biggest barrier we come across here is our client's internal IT functions who are typically over protective and not ready for change." (Other services, South East England, 250+ employees)*

Some respondents also expressed concerns regarding policy and regulatory uncertainty, environmental and sustainability issues, IP, and data security.

* = organisational AI user

US ED&I policy

President Trump has signed a series of executive orders instructing US government agencies to cease ED&I programmes, leading many US companies to scale back their own ED&I programmes.
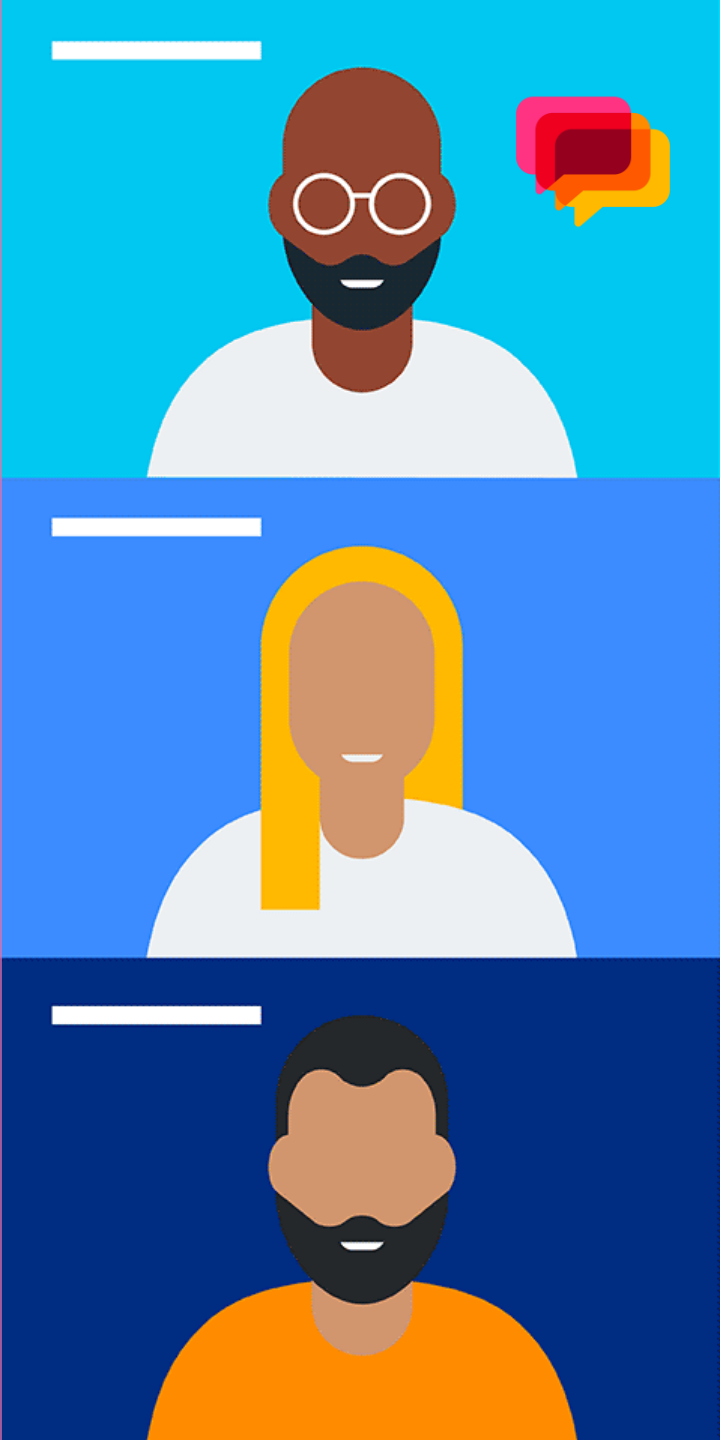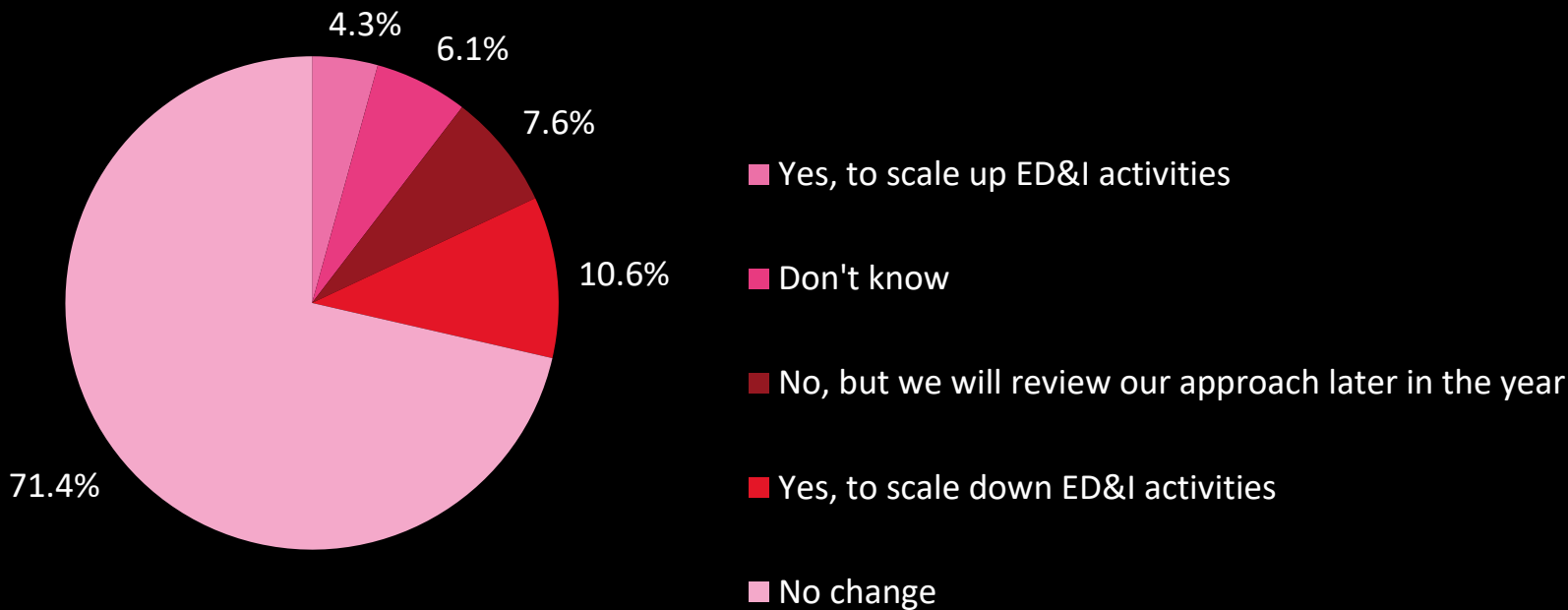
We wanted to know if UK business leaders planned on following suit.
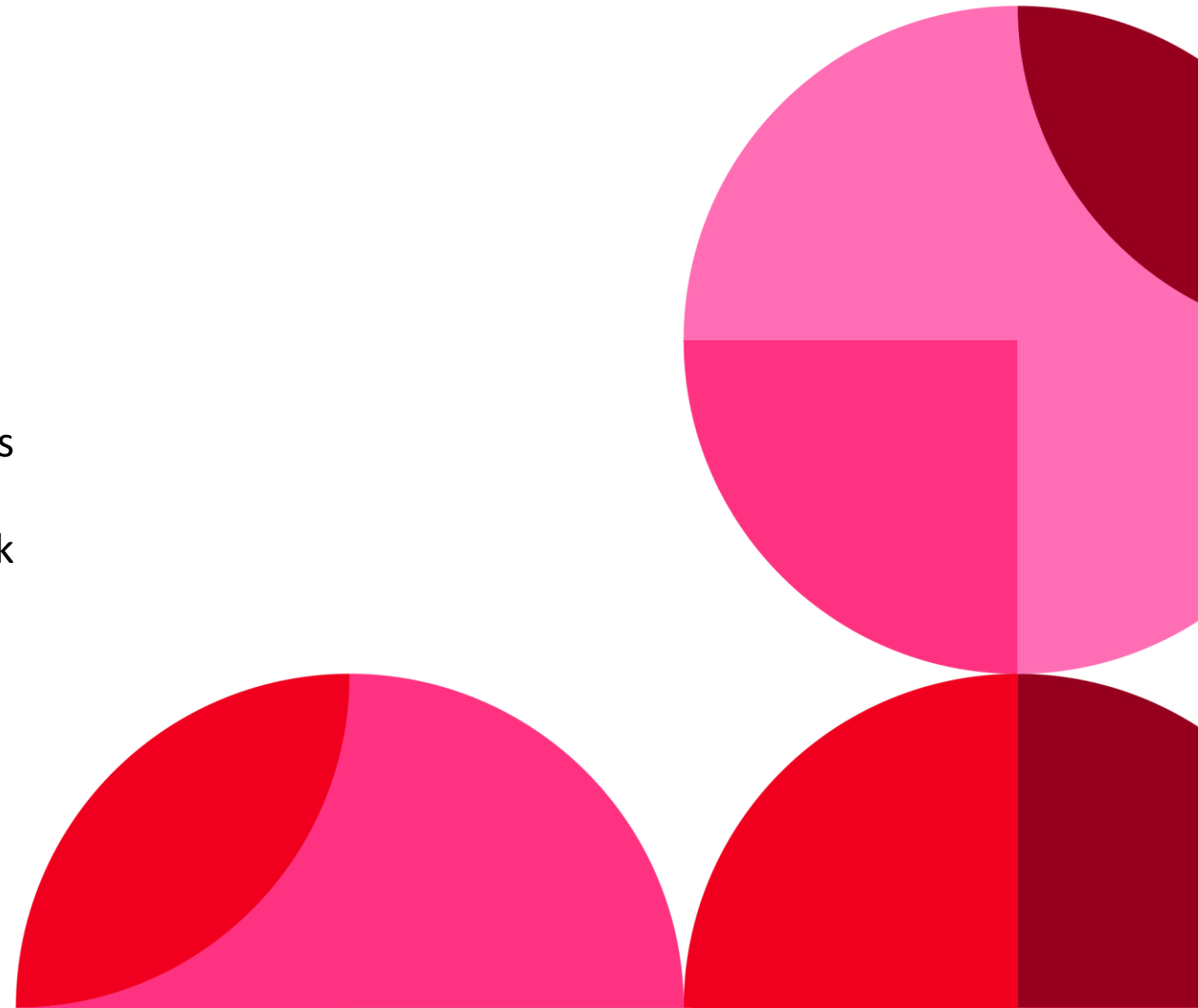
The majority of IoD members do not expect their primary organisation to follow the US government's approach to ED&I

Do you expect your primary organisation to alter its approach to ED&I within the next year in response to these development?

- 4.3%
- 6.1%
- 7.6%
- 10.6%
- 71.4%

- ■ Yes, to scale up ED&I activities
- ■ Don't know
- ■ No, but we will review our approach later in the year
- ■ Yes, to scale down ED&I activities
- ■ No change

The vast majority (71%) of members reported that their organisation's approach to ED&I will not alter in response to President Trump's executive orders relating to ED&I.

There was divergence within the 'no change' group, namely between those who plan to maintain existing investment in ED&I:

"While we work with US partners and US Government we will not adopt any policy which is, is likely to be, or gives the appearance of being, discriminatory or seeks to disadvantage any sector of society." (Professional, scientific and technical activities, 2-9 employees, South East)

"EDI is good for our business and it's expected in our sector globally" (100-249 employees, Mining and quarrying, Wales)

"We would not react to changes in ED&I implemented by a foreign and increasing authoritarian government." (2-9 employees, Professional, scientific and technical activities, South West)

... and those who plan to continue to operate no formal ED&I programmes because they consider them unnecessary:

"We have ignored ED&I as far as possible. We continue to hire on merit and treat each individual as the unique human they are." (Financial services, 10-49 employees, South East)

"Though well-meaning, EDI is often little more than legitimised bias and prejudice in favour of some sub-groups at the expense of others. I have never, and will never, choose colleagues, clients or collaborations based on factors like ethnicity or gender - my decisions are always based on business factors alone." (0-1 employees, Information and communication, North West)

The 11% of members who reported that they will decrease investment in ED&I reported different reasons for doing so, from a need to align with US headquarters to reducing ED&I-related communications in response to a perceived cultural shift:

"We are part of a US defence company, we are removing all reference and evidence of DE&I but carrying on as previous" (100-249 employees, Manufacturing, South East)

"Whilst we have not changed anything material, largely because we do not believe it is as important as the work we do or the people we have, we have stopped shouting about what we are doing." (10-49 employees, Professional, scientific and technical activities, East Midlands)

Interestingly, there was evidence of some businesses actively planning to increase investment in ED&I in response to developments in the US, with those members frequently referring to commercial benefits of ED&I:
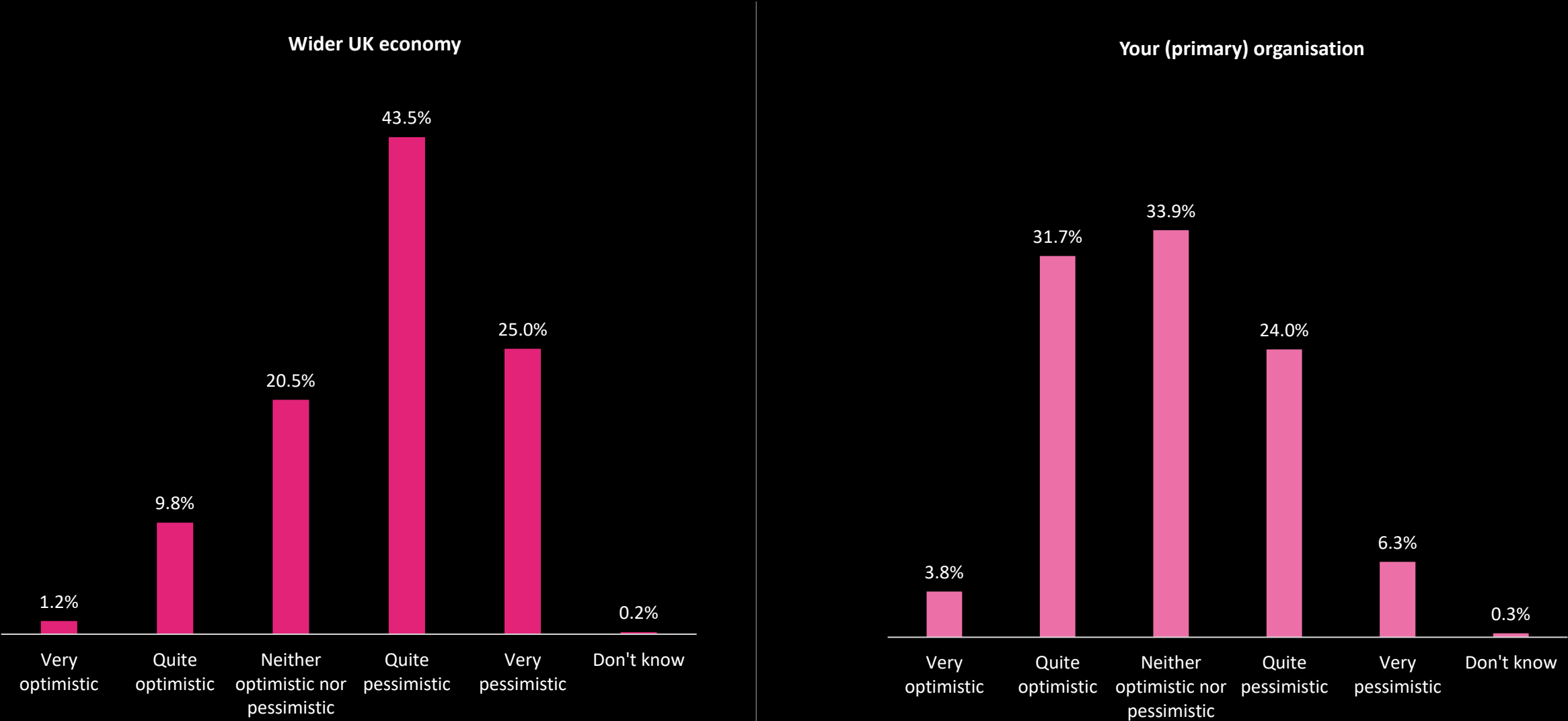
"The US roll back on diversity flies in the face of the evidence that embracing diversity make for stronger, more profitable businesses!" (2-9 employees, Professional, scientific and technical activities, Scotland)

Economic Monitoring: Data

The following data contributed to our Director's Economic Confidence Index, which we send directly into the heart of government each month.

How optimistic are you about both the wider UK economy and also your organisation over the next 12 months?

Wider UK economy

- Very optimistic: 1.2%
- Quite optimistic: 9.8%
- Neither optimistic nor pessimistic: 20.5%
- Quite pessimistic: 43.5%
- Very pessimistic: 25.0%
- Don't know: 0.2%

Your (primary) organisation

- Very optimistic: 3.8%
- Quite optimistic: 31.7%
- Neither optimistic nor pessimistic: 33.9%
- Quite pessimistic: 24.0%
- Very pessimistic: 6.3%
- Don't know: 0.3%

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Comparing the next 12 months with the last 12 months, what do you believe the outlook for your organisation will be in terms of:

	Much higher	Somewhat higher	Don't know	Somewhat lower	Much lower	No change	N/A
Business investment	3.0%	23.1%	37.0%	19.8%	14.4%	0.7%	2.0%
Costs	18.5%	70.9%	6.8%	1.7%	1.0%	0.3%	0.8%
Exports	2.6%	12.2%	35.0%	6.1%	4.0%	0.7%	39.3%
Headcount	2.1%	20.7%	47.4%	20.8%	6.4%	0.3%	2.1%
Revenue	5.8%	39.8%	22.3%	23.0%	7.6%	0.5%	1.0%
Wages	6.4%	51.9%	30.2%	6.8%	2.1%	0.2%	2.3%

The further comments for this question reflected the negative sentiment that was shown in the data. On the whole, businesses are very pessimistic about the continued fall-out of the Budget and rising geopolitical tensions.

*"Following the Autumn Budget, we saw customer confidence drop and that affected many projects. Whilst essential projects are occurring, we are seeing customers as concerned about the Spring Statement as are we. The Government is not only damaging the economy but seriously affecting business confidence in our institutions." (*South East England, information and communication, 100-249 employees)

"The Autumn 2024 Budget was little short of disastrous for me personally and for my business. It is frustrating beyond words that only now is the Labour Government attempting to improve efficiency, having taxed the country into stagnation." (North West England, information and communication, 0-1 employees/sole trader)

"No confidence in the UK economy is impacting all areas of business decisions, including looking to relocate outside of the UK." (South West England, construction, 100-249 employees)

"Sadly the current government is decidedly anti-growth in its policies and smaller companies are the ones suffering." (West Midlands, health and social work, 2-9 employees)

"Concerns remain high in our main areas of operation (China, USA) which affects market confidence and sales." (North West England, information and communication, 2-9 employees)

"Uncertainty is the most difficult factor. US administration actions are extremely unsettling." (South West England, education, 2-9 employees)

"The uncertainty of a US and hence global recession undermines the appetite of organisations in the high cost high value advisory service I offer." (East of England, professional, scientific and technical activities, 0-1 employees/sole trader)

Economic Monitoring: Trends
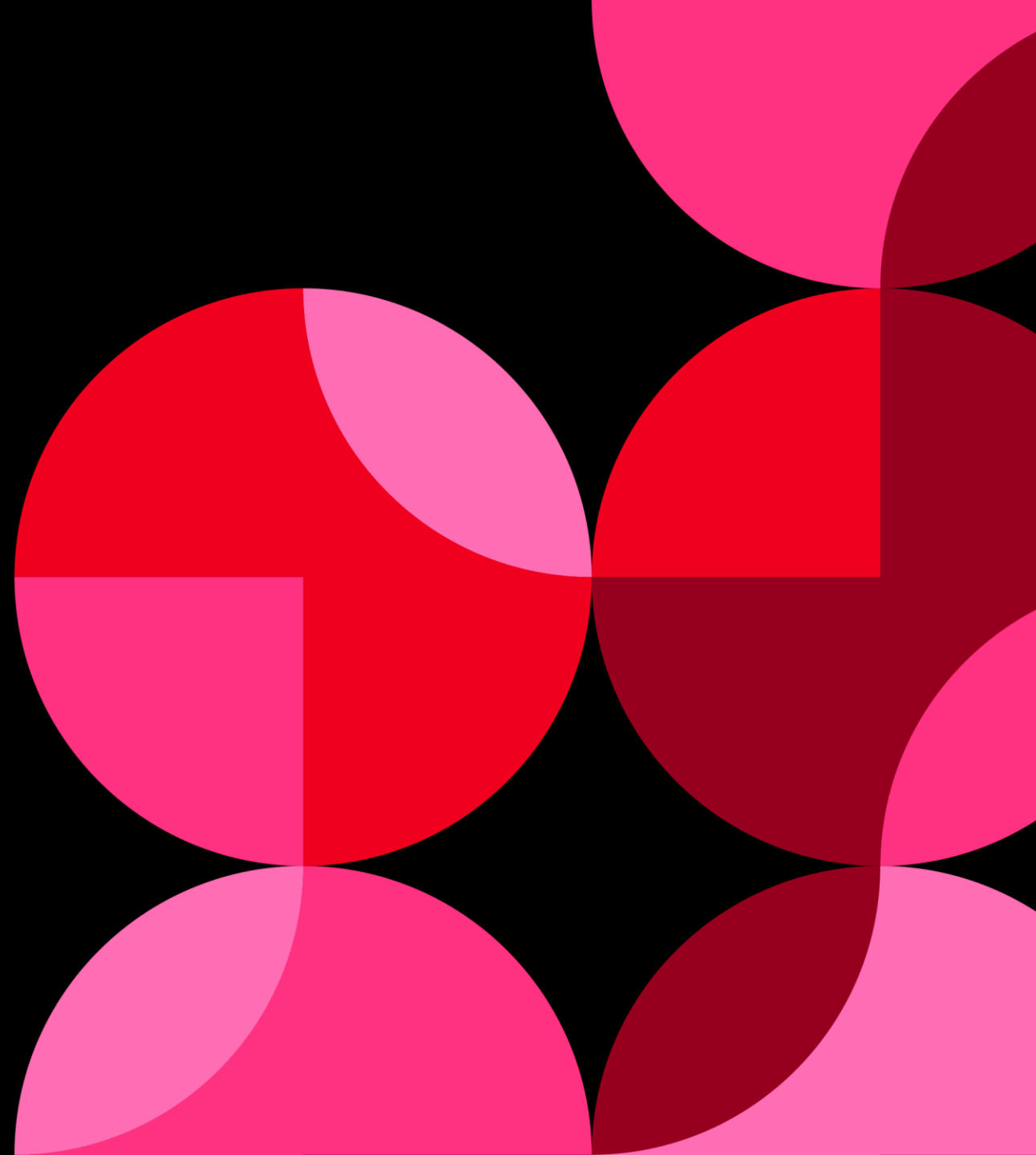
# Business confidence remains at historically depressed levels

How optimistic are you about the wider UK economy over the next 12 months?
(5-point scale from very optimistic to very pessimistic, net positive %. Latest reading: March 2025)

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Business leader confidence in their own organisations rose slightly in March

How optimistic are you about your own organisation over the next 12 months?
5-point scale from very optimistic to very pessimistic, net optimistic % Source: IoD monthly Policy Voice surveys
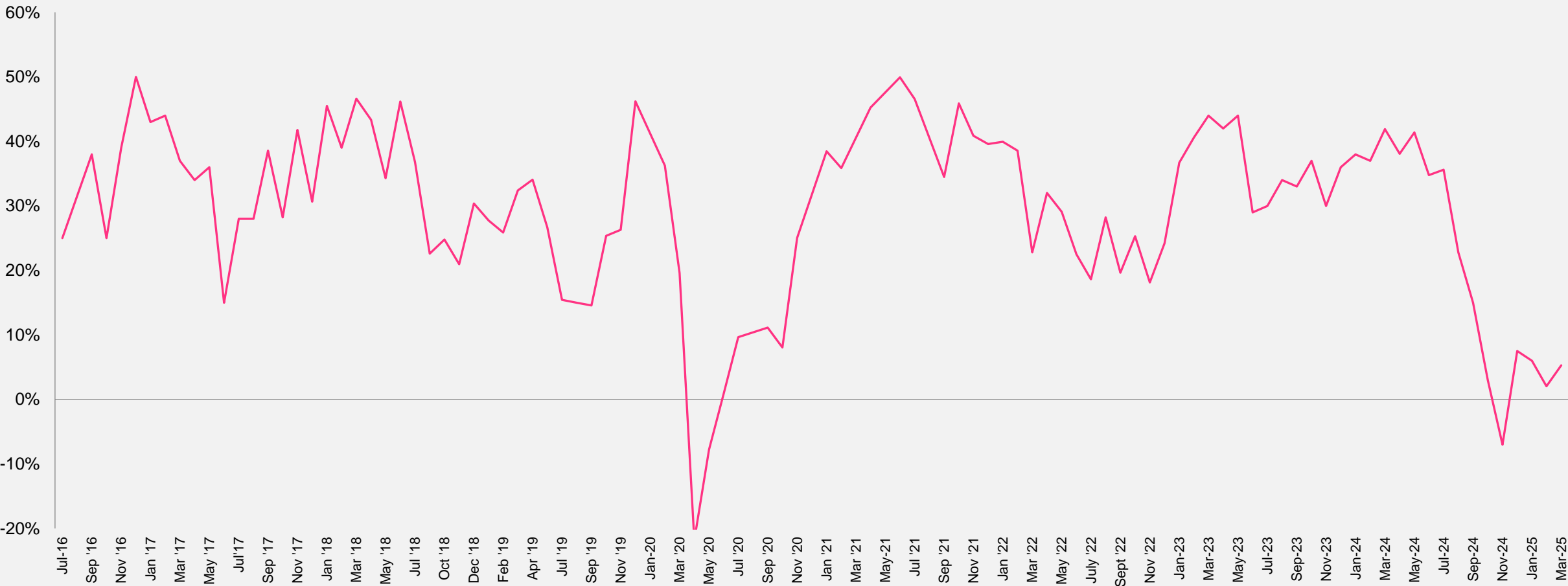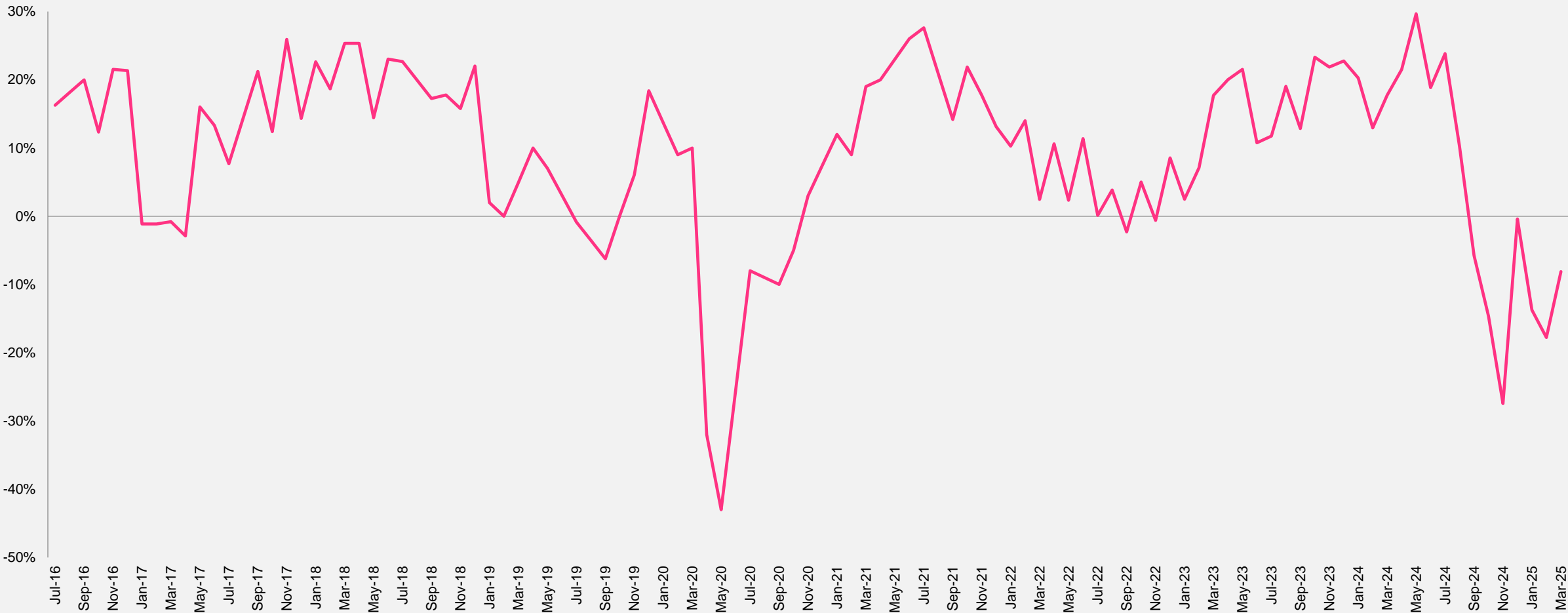
Net revenue expectations remain largely unchanged

Comparing the next 12 months with the last 12 months, what do you believe the outlook for your organisation will be in terms of: REVENUE.
Net positive % (% higher minus % lower) Source: IoD monthly Policy Voice surveys
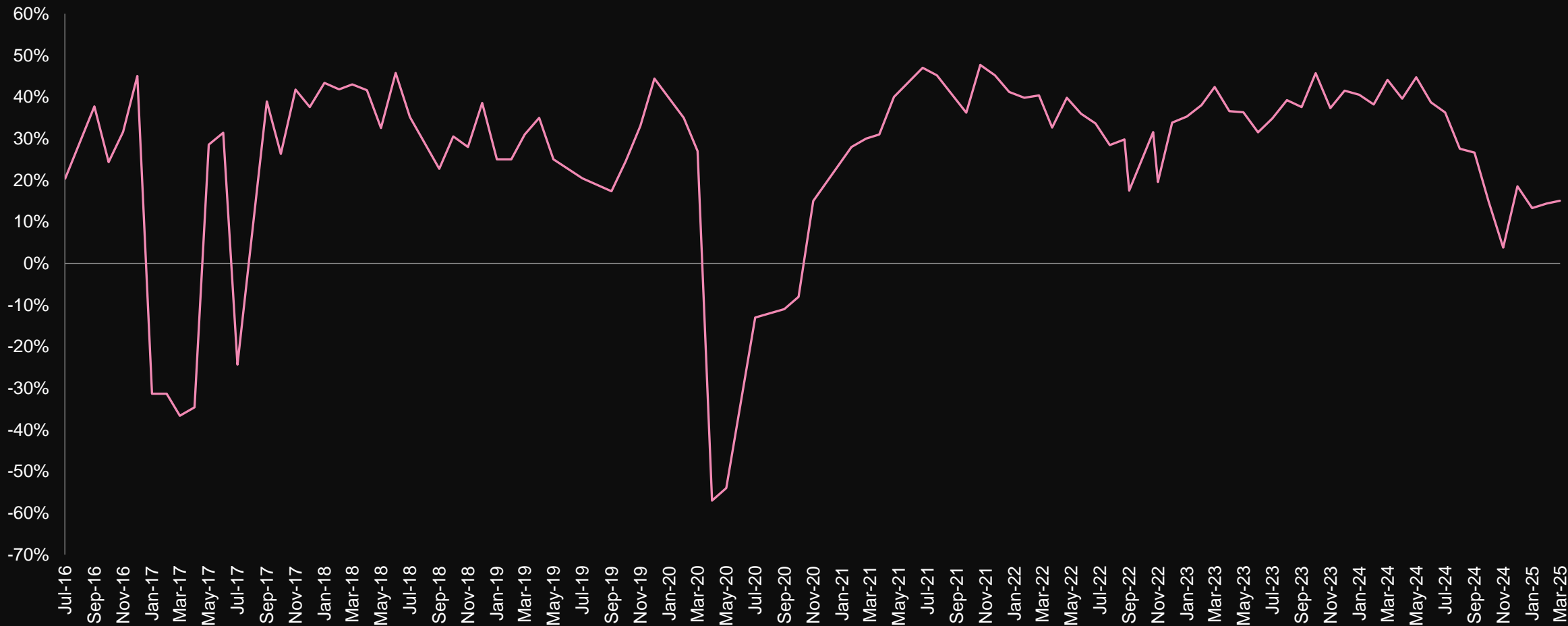
Headcount expectations rose 12 points in March

Comparing the next 12 months with the last 12 months, what do you believe the outlook for your organisation will be in terms of: HEADCOUNT.
Net positive % (% higher minus % lower) Source: IoD monthly Policy Voice surveys
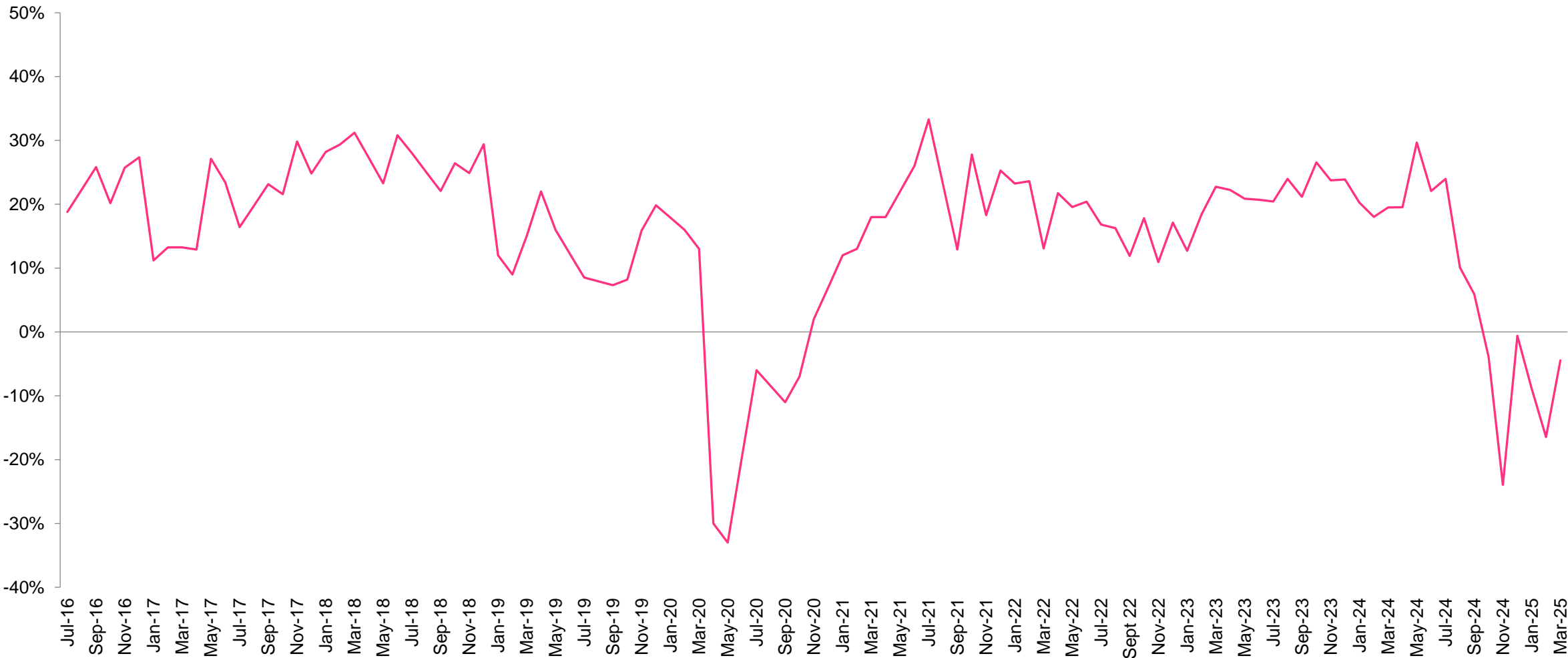
Investment intentions increase to -8 in March, from -18 in February
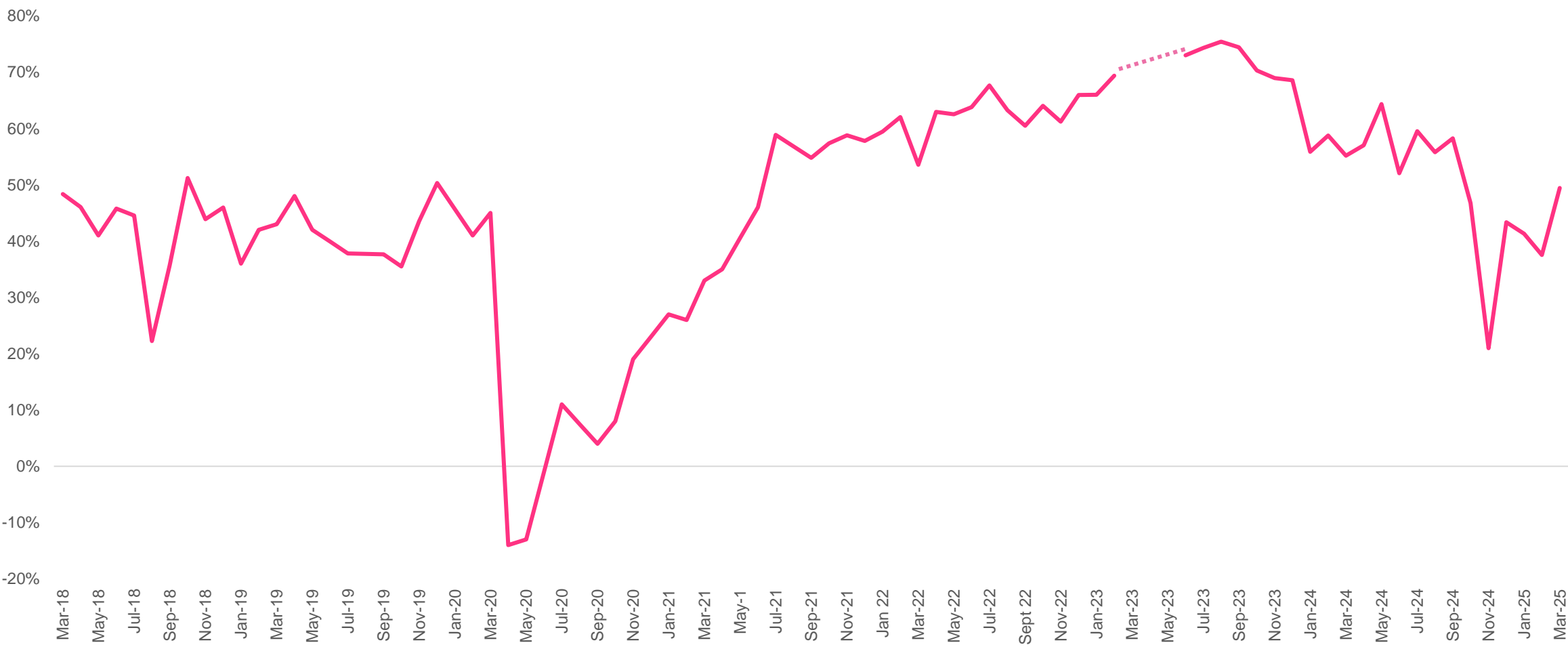
Comparing the next 12 months with the last 12 months, what do you believe the outlook for your organisation will be in terms of: INVESTMENT.
Net positive % (% higher minus % lower) Source: IoD monthly Policy Voice surveys
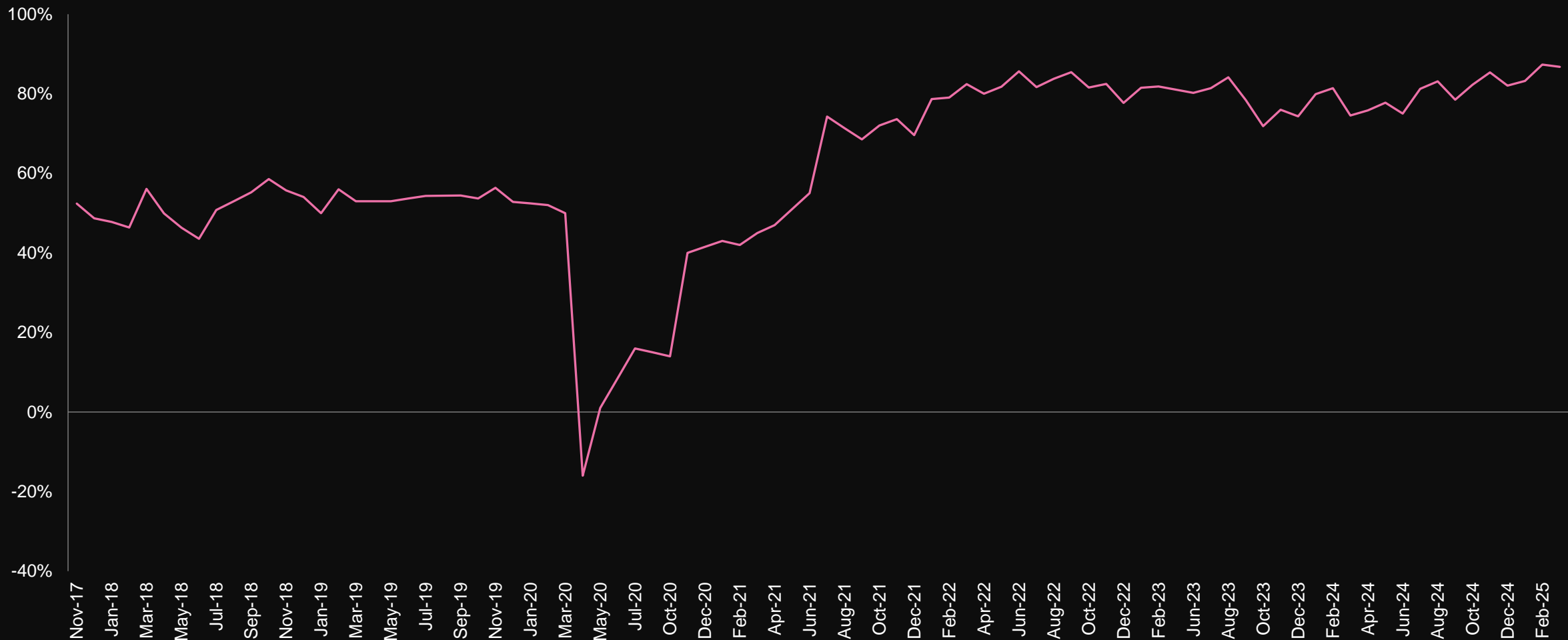
Wage cost pressures rise 11 points in March

Comparing the next 12 months with the last 12 months, what do you believe the outlook for your organisation will be in terms of: WAGES.
Net positive % (% higher minus % lower) Source: IoD monthly Policy Voice surveys

······· = question not asked

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Cost concerns remain at record levels among business leaders

Comparing the next 12 months with the last 12 months, what do you believe the outlook for your organisation will be in terms of: COSTS.
*Net positive % (% higher minus % lower) Source: IoD monthly Policy Voice surveys*

Export expectations decline slightly in March

Comparing the next 12 months with the last 12 months, what do you believe the outlook for your organisation will be in terms of: EXPORTS
Net positive % (% higher minus % lower) Source: IoD monthly Policy Voice surveys. Question first asked in April 2023.
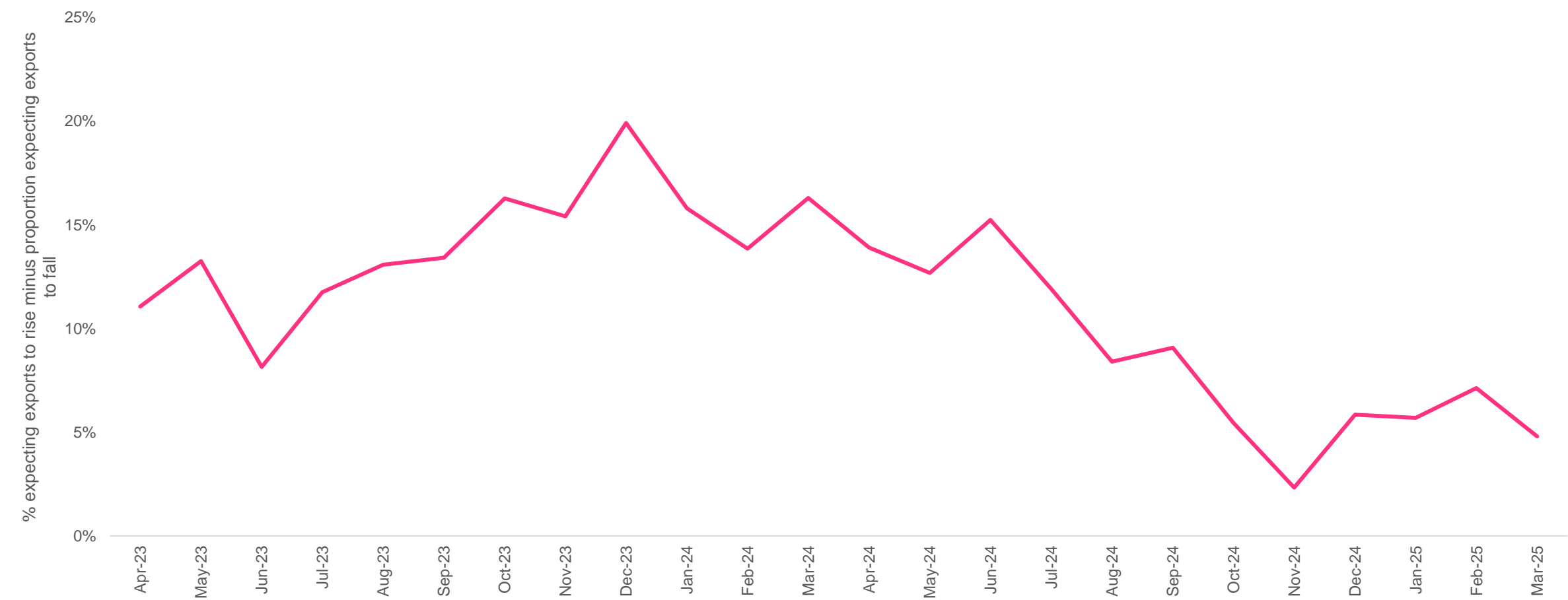
Our purpose

Our Royal Charter sets out a clear purpose

We have a clear vision – The Institute of Directors is the professional institute for responsible directors and leaders.

Our mission is to develop, support and represent skilled, knowledgeable and responsible leaders for the benefit of the economy and society at large.

Integrity and **Enterprise** are our core values.

The objects of the institute are:

To promote for the public benefit high levels of skill, knowledge, professional competence and integrity on the part of directors, and equivalent office holders however described, of companies and other organisations.

To promote the study, research and development of the law and practice of Corporate Governance, and to publish, disseminate or otherwise make available the useful results of such study or research.

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.

To advance the interests of members of the Institute, and to provide facilities, services and benefits for them.