

Director Sentiment Survey 2020

Not-for-profit insights

The Institute of Directors (IoD) annual Director Sentiment Survey developed with ASB identifies the governance issues and challenges that are top of mind for IoD members. Just under a quarter (22%) of this year's 914 survey respondents identified their significant board role as being on a not-for-profit board.

Key insights on the not-for-profit sector, including notable variations between not-for-profit and all respondents are provided in this report. For full results see the Director Sentiment Survey 2020 at iod.org.nz

The New Zealand not-for-profit community provides vital services that contribute to the wellbeing of our communities and country. In the current climate not-for-profits are facing more competition and stakeholder scrutiny. Many are also facing considerable funding challenges often alongside an increased need for their services. Their long-term sustainability depends in a large part on a skilled board and best practice governance.

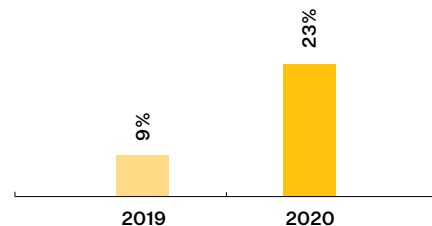
Impact of COVID-19 and outlook

COVID-19 has been the defining event of 2020. The results for not-for-profit organisations were similar to the results for all respondents, 59% said their organisation had been negatively affected, while 20% said they had been positively affected.

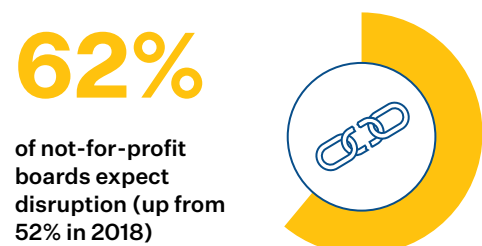
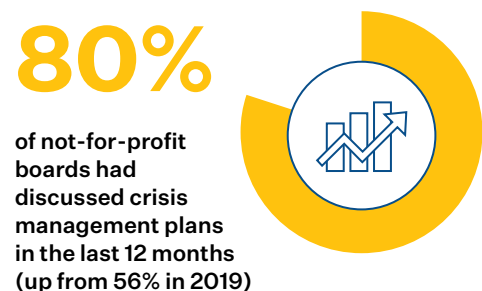
However this year a greater proportion of not-for-profit respondents said that they expect the performance of their organisation to decline in the next 12 months (23% compared to 9% in 2019). And while the majority (75%) were confident their organisation can survive another Level 3 or 4 lockdown period within the next 6 months, nearly a third (31%) have had concerns about the solvency of their organisations since the first national lockdown. Proportionally, more not-for-profit respondents also saw COVID-19 as a key impediment to economic performance – 64% compared to 55% of all respondents.

The board's leadership role is even more critical in times of crisis and for many boards the pandemic will be the biggest crisis they have had to govern through. Preparation is key, and not too surprisingly, we have seen a significant increase in the proportion of not-for-profit boards who had discussed crisis management plans in the last 12 months, 80% up from 56% in 2019.

However fewer not-for-profit respondents said their boards were regularly discussing innovative and strategic opportunities (78% down from 85% in 2019) and considering the long term sustainability of their organisation's business model (75% down from 86% in 2018). These are important areas for boards to focus on, particularly as they look to recover and reset following the effects of the recent pandemic. This is even more critical given 62% of not-for-profit respondents (up from 52% in 2018) expect their industry to be affected by major/disruptive change in the next 2 years.



More not-for-profits expect a decline of organisational performance



Adaptive boards

COVID-19 lockdowns have forced boards in New Zealand and across the globe to quickly adapt how they operate, including embracing online meeting technology. This is set to continue with 82% of not-for-profit respondents saying their boards (and/or committees) will continue to use online meeting technology in the future as a result of their experience this year.

In addition a strong majority, 87% (up from 76% in 2019) of not-for-profit respondents said their board has discussed how it can operate more effectively, and 91% said their board is more flexible/adaptive in how it operates now than it was 12 months ago (compared to 83% for all respondents).

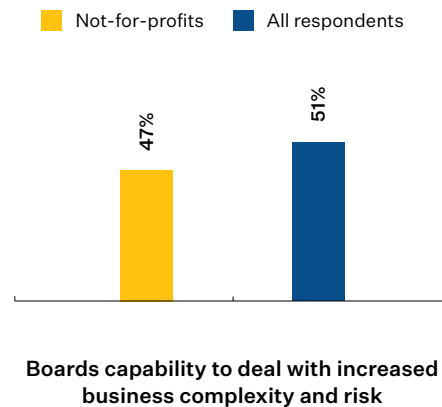
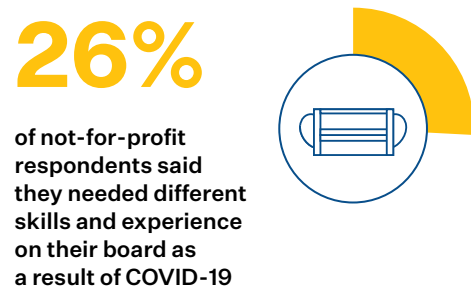
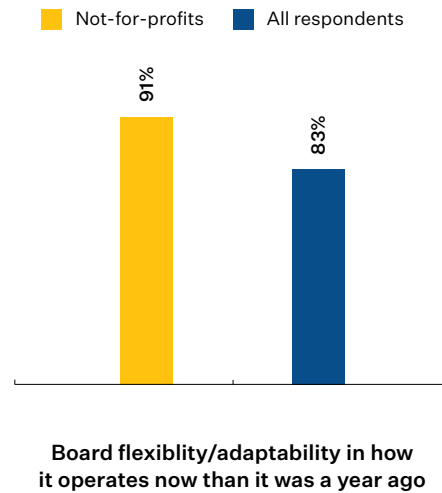
Developing the board team

Boards have tremendous impact on the success and wellbeing of their organisations, which then contribute to building a strong economy, communities and helps create a sustainable New Zealand. A board harnesses the power of the collective, with a range of skills, expertise and diverse perspectives to help make important decisions on direction and strategy.

COVID-19 has forced organisations to change the ways they operate. For many it has meant rethinking the talents and skills they need to compete – and be successful. For many boards it has also necessitated a review of the competencies required around the board table.

A quarter (26%) of not-for-profit respondents reported needing different skills and experience on their board as a result of COVID-19 and changes to their current operating environment. Having the right team around the board table is crucial, yet less than half (47%) of not-for-profit boards were confident that their board has the right capability to deal with increased business complexity and risk (compared to 51% for all respondents). Only a quarter of respondents (25% compared to 27% in 2019) said their board has the right capability to lead their organisation's digital future.

As 2021 approaches, it is important that boards take the time to assess their current composition and consider whether they have the right collective skills and experience to lead the organisation, including appointing new board members or upskilling existing ones.



Cyber vulnerability

Only 35% of not-for-profit respondents, compared to 54% of all respondents, agreed that their boards regularly discuss cyber-risk and are confident that their company has the capability to respond to a cyber-attack or incident. Just 25% of respondents said their board has a clear picture of their organisation’s overall cybersecurity strategy and how it relates to industry best practice. This is up from 21% in 2019 but still proportionally lower when compared to 40% for all respondent in 2020.

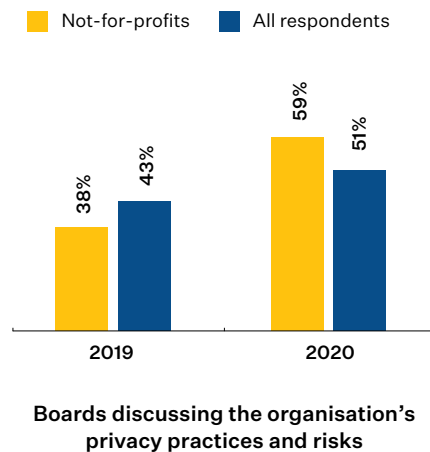
The recent pandemic has accelerated digital dependency, particularly in light of an increase in flexible and remote working. Cyber resilience needs to be a priority and boards need to put cyber on the agenda before it becomes the agenda.



Increased focus on privacy

A greater proportion of not-for-profit responders said that their boards had discussed the organisation’s privacy practices and risks in the last 12 months, 59% compared to 51% for all respondents. The increase on last year is also more pronounced for not-for profits (38% in 2019) compared to all respondents (43% in 2019).

The survey results also showed a lift in the proportion of not-for-profit boards (41% up from 34% in 2019) receiving comprehensive reporting from management about data breach risks and incidents, and the actions taken to address them. The new Privacy Act 2020 comes into force on 1 December 2020, and organisations will have to notify the Privacy Commissioner of any privacy breaches that are likely to cause serious harm. It is vital that all boards understand the implications of the new legislation, including the introduction of mandatory breach notifications.

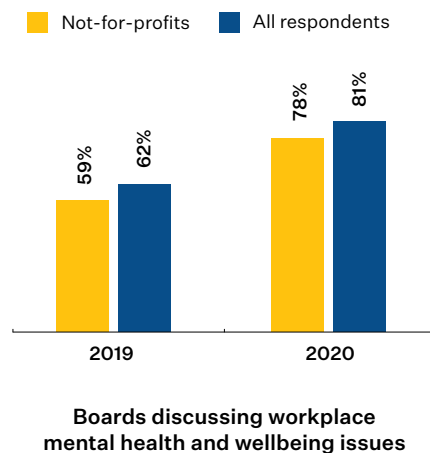


Prioritising people

New Zealand’s response to the global pandemic put the health of its people first. Boards have also prioritised people and we saw this in a significant increase in the proportion of boards discussing workplace mental health and wellbeing issues, 78% (up from 59% in 2019) for not-for-profits, compared to 81% (up from 62% in 2019) for all respondents.

There was also a slight lift in the proportion of not-for-profit boards (57% up from 52% in 2019) that had assessed ethics risk in their organisation in the last 12 months, and the proportion of not-for-profit boards that had discussed whistleblowing and how the organisation makes speak-up provisions effective (29% up from 25% in 2019).

Poor culture and unethical practices can do significant harm to an organisation’s reputation. It’s important that all boards take appropriate steps to ensure that their organisational culture is fostering ethical practices and a healthy working environment.



Environmental and social issues crucial

Consumers, investors and other stakeholders continue to expect and demand transparency about organisational activities and boards are giving greater attention to environmental and social issues, risks and effects. A resounding majority of not-for-profit respondents (91%, compared to 87% for all respondents) said that their board considers stakeholder interests very important to their business. In addition, over three quarters of not-for-profit boards (78%) agreed that environmental and social issues are very important to the business (67% for all respondents).

Responding to the global pandemic has been the paramount focus during 2020 but we cannot take our eyes off the growing climate crisis. This year 13% of not-for-profit respondents selected climate change as one of the biggest impediments to economic performance, compared to 8% of all respondents. The proportion of not-for-profit boards that are actively engaged on climate change is 30%, lower than 35% for all respondents. However the trend is positive for not-for-profit boards, as 30% is up from 27% in 2019 and 19% in 2018.

91%

of not-for-profit respondents said their board considers stakeholder interests very important to their business (compared to 87% for all respondents)

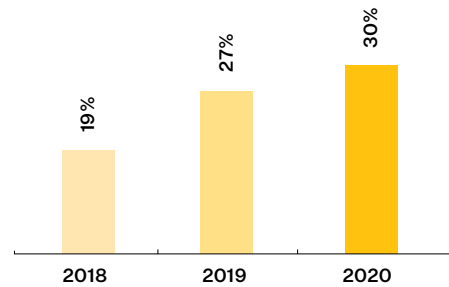


78%

of not-for-profit respondents agreed that environmental and social issues are very important to the business (compared to 67% for all respondents)



For more information see the full report *Director Sentiment Survey 2020* for all results and insights at iod.org.nz



Not-for-profit boards actively engaged in climate change

Key Contact

INSTITUTE OF DIRECTORS

Felicity Caird

General Manager, Governance
Leadership Centre & Membership

Felicity.Caird@iod.org.nz
04 470 2663

ASB
ONE STEP AHEAD

Copyright © – Institute of Directors in New Zealand (Inc)
Disclaimer: This resource should not be used or relied upon as a substitute for proper professional advice.
December 2020

D Institute of
DIRECTORS
NEW ZEALAND