

Director Sentiment Survey 2026

Not-for-profit insights

The Institute of Directors' (IoD) Director Sentiment Survey 2026, produced in association with ASB, takes the pulse of New Zealand's governance community to identify the issues and challenges facing directors and boards. In 2026, 30.3% of respondents who identified an organisation type selected a not-for-profit (NFP) organisation as their primary governance context, up from 29.6% in 2025. This companion report compares the experiences of NFP directors with those of directors in other organisations, highlighting differences in economic confidence, strategic priorities, accountability, governance capability and preparedness for change.

NFP organisations contribute to New Zealand's social, cultural, environmental and economic wellbeing across areas including health, education, sport, housing, community services, arts and conservation. 2026 research from **JBWere and the University of Waikato** estimates that New Zealand's wider for-purpose sector encompasses almost 120,000 organisations, employs 231,000 people and contributes $25.8 billion to the economy annually when the value of volunteering is included.

The sector also draws on the contribution of around 930,000 volunteers, providing approximately 165 million hours annually. Organisations vary considerably in scale, complexity, resources and operating models, but share a focus on delivering their organisational purpose while maintaining financial sustainability and public trust.

Directors play a critical role in providing leadership, oversight and accountability, and maintaining public trust. The IoD/EY ***Directors' Fees 2026 NFP Insights*** highlights the significant time commitment involved. NFP chairs report a median of 194 hours annually, almost identical to the 199 hours for non-executive chairs overall, while NFP governing body members contribute a median of 124 hours. For NFPs with annual revenue below $10 million, 75.6% of chair roles and 83.6% of governing body member roles are unpaid.

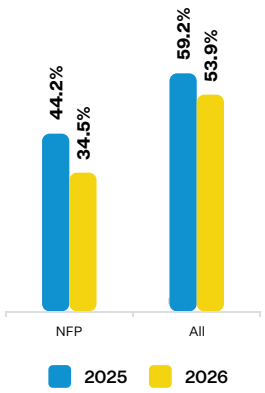
For this report, 'NFP' refers to respondents whose primary governance role is with a not-for-profit organisation, while 'All' refers to all other respondents, excluding NFP directors. This follows the approach used in previous NFP Insights reports and allows the differences between the two groups to be more clearly identified.

Image by: Taha Mazandarani on Unsplash

Business and economic confidence

Figure 1.

Economic performance

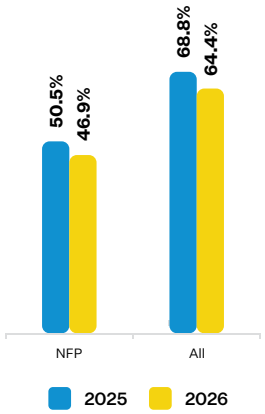


Economic confidence has weakened among NFP directors. Only 34.5% expect the national economy to improve over the next 12 months, down from 44.2% in 2025 and considerably below the 53.9% of directors from other organisations (see Figure 1).

On a net basis (improve minus decline), economic confidence remains positive for both groups, although NFP directors are considerably less optimistic than other directors (16.7% versus 43.4%).

Figure 2.

Organisational performance



Expectations for their own organisations remain more positive, although these have also eased. Almost half (46.9%) anticipate improved organisational performance, compared with 64.4% of other directors. This is down from 50.5% in 2025 (see Figure 2).

The net balance for their own organisations was higher, at 39.9%, although still below the 59.7% recorded for other directors. NFP directors therefore remain more confident about their own organisations' prospects than the wider economy, despite a more cautious outlook overall.

DIRECTOR INSIGHT

> "When funding arrangements put not-for-profit organisations in competition with each other, we risk undermining the collaboration needed to solve some of New Zealand's most difficult social problems."
>
> – Jane Cartwright CFInstD

Global economic growth and geopolitical uncertainty is the leading impediment to national economic performance for both NFP directors (54.7%) and other directors (51.3%). Cost of living and inflation is also prominent among NFP directors (44.9%), considerably higher than among other directors (30.1%). Political and policy uncertainty follows closely at 44.3%.

Against this backdrop, finance, funding and capital is the leading NFP board priority through to 2027 (67.2%), followed closely by strategy and growth (64.6%).

The results suggest boards are considering financial sustainability alongside decisions about future direction. For some, this means finding new funding sources or expanding services. For others, it may involve changing delivery models, strengthening partnerships or making difficult choices about what can be sustained.

However, funding pressures can also create tensions between competition and collaboration, particularly where organisations are responding to interconnected community needs.

For boards, the strategic question is how to preserve financial sustainability while maintaining the organisation's contribution and considering where collaboration could improve outcomes.

Boardroom pressure and preparedness

Accountability extends beyond funders and regulators

NFP boards anticipate external challenge from several directions. Political or policy pressure leads at 46.0%, followed by regulator or funder scrutiny (43.6%) and member or customer challenge (39.7%) (see Figure 3).

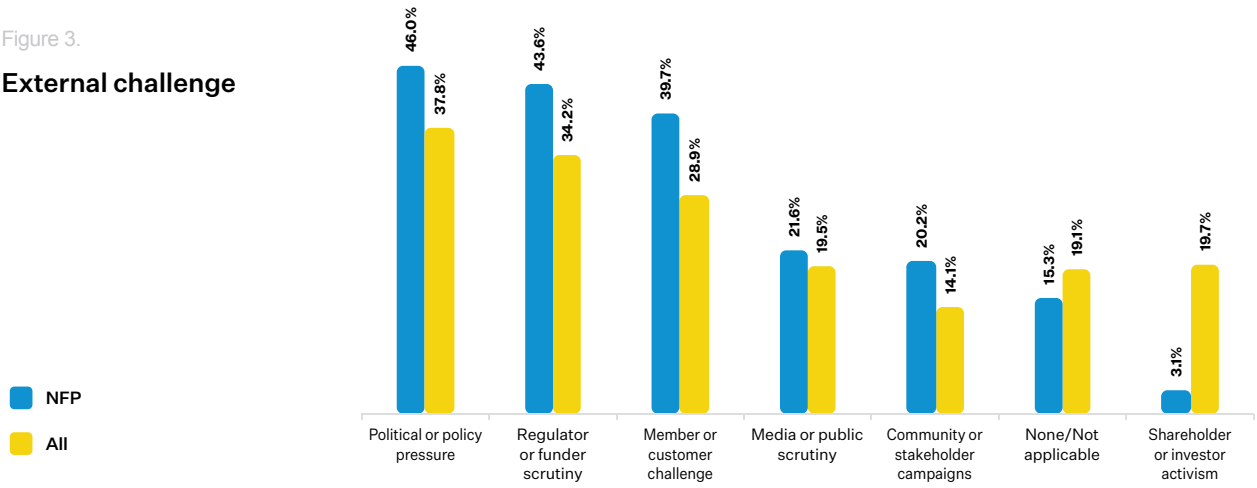
All three are more prominent among NFP directors than other directors. The higher expectation of member or customer challenge highlights the importance of relationships with those who support, use or depend on NFP services.

These challenges can arise through changing funding conditions, public policy, member expectations or questions about whether services are meeting community needs. They also offer opportunities for boards to understand changing expectations and strengthen engagement.

Trust underpins funding, partnerships, volunteer commitment and relationships with the people organisations serve. Boards need reliable information about these relationships, alongside clear communication about priorities, performance and difficult decisions.

Figure 3.

External challenge



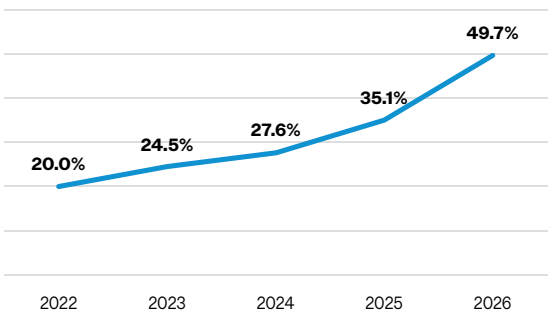
Preparing for change

NFP directors anticipate significant changes to their governance arrangements. Almost half (49.7%) expect their board structure, including committees, to need revision as business models evolve, up from 35.1% in 2025 and 20.0% in 2022 (see Figure 4). A further 25.8% believe their approach to strategy and innovation needs a significant rethink.

However, only 24.7% of NFP boards regularly test strategy against future scenarios or critical assumptions, compared with 39.6% of other directors. Fewer than half (44.4%) believe their board has the right capabilities to meet increasing complexity and risk, compared with 51.6% of other directors.

Figure 4.

Board structure revision



External expertise can help boards address capability gaps, and 61.5% of NFP boards seek external advice to support strategy and risk management, broadly comparable with 64.4% of other boards. While this suggests that accessing expertise is relatively well established, the lower level of strategy testing raises questions about how effectively boards are using that advice to challenge assumptions and prepare for change.

The *IoD Risk Survey 2026* provides further context, with 38.9% of NFP respondents reporting they had not undertaken actions such as scenario analysis, reviewing market or customer concentration, or adjusting investment decisions in response to geopolitical and geoeconomic risks. While this may reflect differences in exposure and operating models, it reinforces the value of testing how changes in funding, service demand, operating costs or key partnerships could affect strategy and prompt different decisions.

Determining purpose

Strong social governance

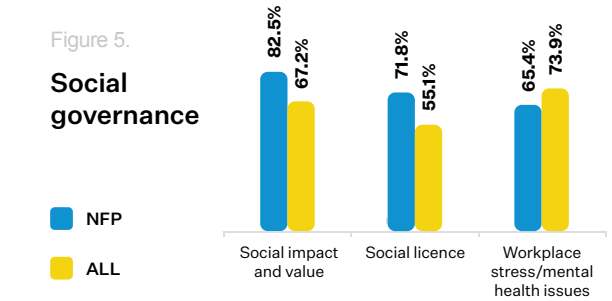
NFP boards demonstrate a strong focus on the people and communities they serve. 82.5% regularly discuss their organisation's social impact and value, compared with 67.2% of other directors (see Figure 5).

Similarly, 71.8% regularly consider how their organisation maintains its social licence to operate, well above the 55.1% of other directors.

Workplace wellbeing presents a different picture, with 65.4% of NFP boards overseeing initiatives relating to workplace stress and mental health, compared with 73.9% of other directors. This is relevant across a sector that relies on both paid staff and volunteers, although the nature of workforce responsibilities and risks varies considerably between organisations.

Figure 5.

Social governance



These results suggest that social value, legitimacy and stakeholder relationships are firmly embedded in NFP governance discussions.

DIRECTOR INSIGHT

> "Our biggest risk isn't necessarily an operational failure. It's losing the trust of our donors and supporters, and the relationships that underpin the organisation's purpose."
>
> – Aaron Hape CMInstD

The next step is ensuring boards receive evidence about whether intended outcomes are being achieved and how changing needs should influence future priorities.

Climate and environmental governance

Environmental and climate-related oversight is comparatively weaker. Around a third of NFP boards (32.8%) regularly discuss environmental and nature-related impacts and dependencies, compared with 47.3% of other directors. Only 22.6% describe their board as engaged and proactive in managing climate-related risks and opportunities (see Figure 6).

Earlier survey results provide additional context. In 2021, 37% of NFP directors reported active board engagement with climate-related risks and practices, compared with 22.6% reporting proactive management of climate-related risks and opportunities in 2026. Although the measures have evolved, the 2026 result suggests that proactive climate governance remains limited among NFP boards, raising questions about whether material

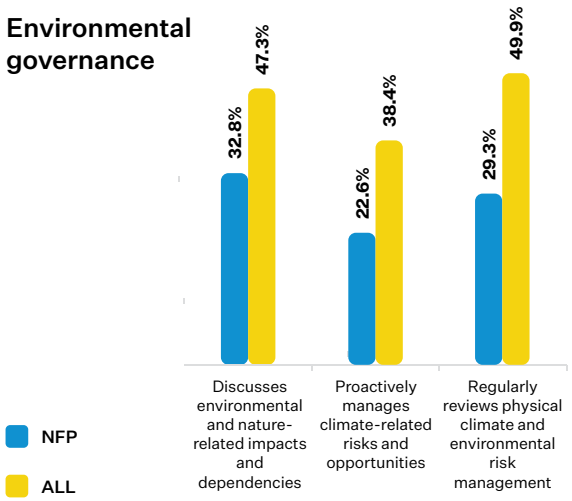
physical risks, resilience and adaptation are receiving sufficient attention.

For NFPs, the relevance of these issues varies considerably. Physical hazards, property exposure, insurance, infrastructure and access to services may be material for some organisations. Others have an explicit environmental or conservation purpose, while organisations providing housing, health, welfare or community services may face increased demand as communities experience the impacts of storms, flooding and other climate-related hazards.

Boards need to understand how climate and nature-related risks and dependencies affect their organisation, the communities they serve and their ability to deliver on their purpose, and ensure material considerations are reflected in strategy, investment and risk oversight.

Figure 6.

Environmental governance



An effective governance culture

Strong foundations for governance renewal

Board culture is a particular strength in the 2026 NFP results.

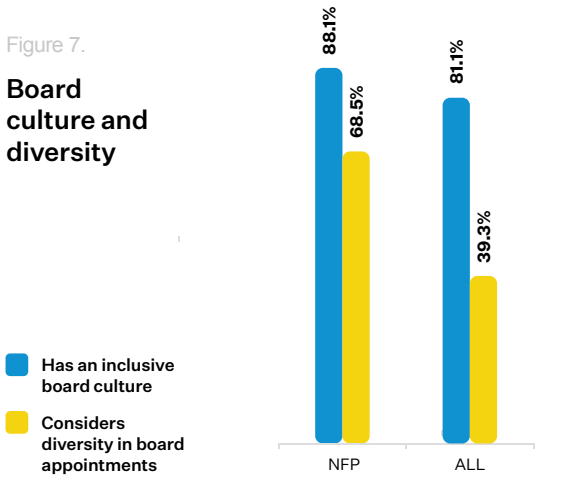
92.0% of NFP directors say their board actively recognises, declares and manages conflicts of interest, compared with 84.6% of other directors. 88.1% describe their board culture as inclusive, compared with 81.1% (see Figure 7).

NFP boards also stand out in their approach to composition and renewal. More than three-quarters (76.9%) regularly discuss board composition and future skills needs, compared with 57.5% of other directors. Diversity is a key consideration in appointments for 68.5%, considerably above the 39.3% recorded for other directors.

NFP boards remain considerably more likely to be developing cultural competency in te ao Māori (36.0% versus 19.1% of other directors), although this is below the approximately 55% reported in 2022. Half (50.2%) also incorporate iwi/Māori perspectives into strategic thinking, compared with 27.0% of other directors. While the measures capture different aspects of governance, they indicate a comparatively strong focus on Māori perspectives among NFP boards.

Figure 7.

Board culture and diversity



These findings indicate deliberate attention to inclusion, capability and board renewal. They provide a strong foundation for responding to evolving governance expectations.

However, fewer than half (47.2%) undertake formal board evaluations at least biennially, and just 25.2% report adequate processes for dealing with problematic or underperforming board members.

The contrast is important. While NFP boards are actively considering who should be around the table, evaluation and performance processes provide opportunities to assess how effectively directors are contributing.

Clear expectations, induction, appropriate constitutional provisions and regular evaluation can support constructive conversations about performance and renewal.

Maintaining oversight of culture and conduct

NFP boards also need effective ways to understand whether organisational values are reflected in practice.

While 71.1% regularly discuss and monitor organisational culture, fewer than half receive comprehensive reporting on ethical and conduct matters (41.6%). Only 30.0% have discussed whistleblowing and the effectiveness of speak-up provisions in the past year.

These measures do not establish whether organisations have effective policies or whether misconduct is occurring. They do, however, raise questions about the information available to boards.

For organisations that rely heavily on trust and relationships, directors need confidence that concerns can be raised, appropriately investigated and escalated when necessary. This includes understanding the experiences of employees, volunteers, members and service users.

Holding to account

Technology offers opportunities, but oversight remains uneven

Technology is creating opportunities to improve productivity, service delivery and organisational capability.

More than half of NFP boards (57.5%) are working with management on how technology and AI can improve productivity and processes, while 50.2% have assessed the impact of digital technology on their organisation and future skills needs.

NFP boards are giving greater attention to technology. In 2022, 29.2% of NFP boards reported assessing the impact of technology, automation and AI, while in 2026 half report assessing digital technology's implications for their organisation and future skills needs. Although these measures differ, they point to a broader shift in the attention given to technology and organisational capability.

However, fewer regularly discuss cyber risk and their ability to respond (48.9%, compared with 65.4% of other directors), or receive comprehensive reporting on data breach risks and incidents (44.8% versus 63.2%).

These differences matter where organisations hold sensitive information about donors, members, beneficiaries or service users.

Technology investment can improve efficiency but also creates new operational dependencies and information risks.

Boards need to consider the intended benefits alongside cybersecurity, privacy, ethical implications and the capability required to manage new systems.

Risk oversight and decision-making

Around two-thirds of NFP directors (65.8%) say their board has appropriate processes to identify, assess, mitigate and monitor risk, compared with 75.9% of other directors. A smaller proportion report having clearly defined their risk appetite and using it to guide risk management (51.1% versus 64.8%).

These differences matter because NFP boards regularly balance financial sustainability, service obligations and decisions about future investment. A clearly articulated risk appetite can help boards assess these trade-offs, establish limits and determine when financial or operational pressures require a change in direction.

Succession planning

NFP boards demonstrate comparatively strong attention to governance succession.

Almost six in 10 (59.8%) discuss succession for board members or committee chairs at

least annually, compared with 41.2% of other directors. Chair succession is also more frequently discussed (48.1% versus 34.2%) (see Figure 8).

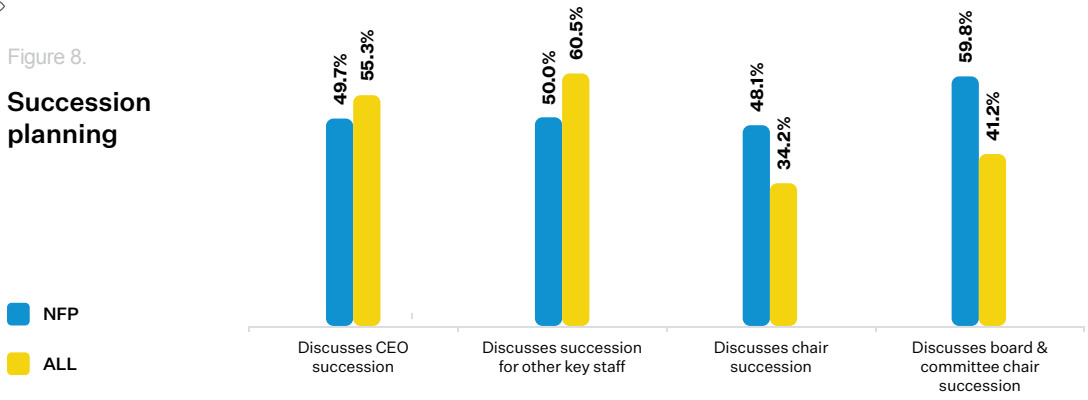
The pattern is different for executive leadership. CEO succession is discussed at least annually by 49.7% of NFP boards, compared with 55.3% elsewhere, while succession for other key staff is discussed by 50.0%, compared with 60.5%.

This difference is significant because continuity of executive leadership and other key roles can be as important to organisational resilience as board succession. NFP boards may need to apply the same deliberate planning to management continuity that they are increasingly applying to governance renewal.

Leadership continuity can be particularly important where individuals hold significant institutional knowledge, relationships or responsibility for essential services. Planning for both expected and unexpected transitions can help protect organisational capability and delivery.

Figure 8.

Succession planning



Effective compliance

Compliance continues to place demands on NFP boards, although the reported impacts differ from those experienced by other directors.

41.5% of NFP directors say their board is spending more time on compliance-related activities, compared with 45.8% of other directors. Increased compliance expenditure is reported by 32.9%, compared with 44.0% elsewhere.

However, 44.9% report that increased personal liability has made them more cautious in board decisions, compared with 42.9% of other directors. Almost a third (30.8%) say directors' responsibilities have deterred them from taking on governance roles.

The results suggest that liability concerns remain significant even where boards report relatively smaller increases in compliance expenditure.

NFP organisations vary widely in their legal obligations, governance complexity and available resources. Requirements under the Incorporated Societies Act 2022 and the Charities Act, including the requirement for registered charities to review their governance procedures at least every three years, reinforce the importance of ensuring arrangements remain fit for purpose.

Effective governance support extends beyond remuneration. Induction, professional development, reimbursement of expenses, administrative support, access to specialist advice and appropriate insurance can all help directors fulfil their responsibilities.

Boards need to consider whether their governance arrangements are adequately supported and whether compliance processes are proportionate and effective, while retaining sufficient time for strategic oversight.

Looking ahead

The 2026 results highlight important strengths across NFP governance. Boards report high levels of inclusion and conflict-of-interest management, strong attention to social value and deliberate consideration of diversity, board composition and succession.

At the same time, economic and funding pressures, changing expectations and increasing governance complexity require continued adaptation.

More regular strategy testing, board evaluation, leadership succession planning and effective oversight of emerging risks would build on those strengths.

These disciplines can help NFP boards sustain the capability, relationships and public trust needed to deliver their organisational purpose over the long term.

Institute of Directors

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