

Director Sentiment Survey 2021

Not-for-profit insights

The Institute of Directors (IoD) with ASB has released its 2021 Director Sentiment Survey report, which identifies governance issues and challenges that matter to our members. Just under a quarter (23%) of the 935 survey responses were about not-for-profit boards. This is the second year that we are releasing a separate overview of key insights on the not-for-profit sector, including notable variations between not-for-profit and all respondents.¹

The New Zealand not-for-profit (NFP) sector provides vital services that contribute to the wellbeing of communities across New Zealand. NFPs are facing more competition and stakeholder scrutiny, and their long-term sustainability depends on good governance.

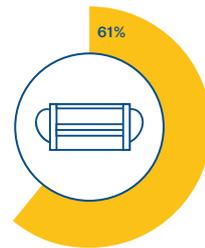
Optimism amidst pandemic challenges

In 2021 COVID-19 continued to cause challenges for communities and organisations across New Zealand. Sixty-one percent of NFP respondents reported that COVID-19 had a negative impact on the performance of their organisation in the last year (similar to 60% for all respondents). In addition 56% of NFP respondents (up from 28% in 2020) said labour quality and capability was one of the biggest impediments to national economic performance and 27% (up from 10% in 2020) said it was the single biggest risk facing their organisation.

Despite this, there was optimism about the future with 55% (up from 48% in 2020) of NFP respondents expecting improved organisational performance in the next year and fewer expecting performance to decline (16% down from 23% in 2020).

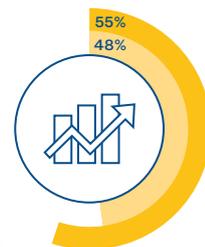
61%

of not-for-profit boards reported that COVID-19 had a negative impact on the performance of their organisation



55%

of not-for-profit boards expect improved organisational performance in the next year (up from 48% in 2020)



■ 2020 ■ 2021

¹ See the *Director Sentiment Survey 2021* for results for all respondents, and insights on notable variations for other sector groups.

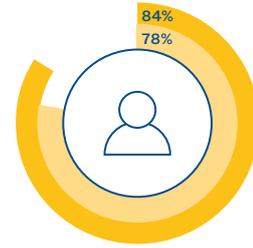
Spotlight on mental health and wellbeing

COVID-19 has created many challenges for organisations, including dealing with workers facing fatigue due to extended periods of uncertainty. For the past two years, we have seen a lift in the proportion of boards regularly discussing workplace mental health and wellbeing. Aligned with the lift for all respondents (85% up from 81% in 2020) there was an even stronger lift for NFP respondents (84% up from 78% in 2020). Although comparatively lower, many NFP boards (66% of compared to 72% of all respondents) approved initiatives to help address workplace mental health issues in the last 12 months.

As part of their leadership role, it is important for boards to consider their own culture around the board table and look out for the wellbeing of their fellow board members. Director wellbeing is critical to well-functioning boards and 64% of NFP boards (slightly up on 62% of all respondents) discussed the wellbeing of their members

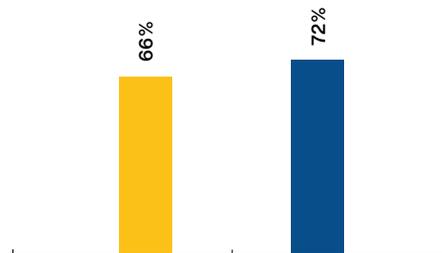
84%

of not-for-profit boards regularly discuss workplace mental health and wellbeing (up from 78% in 2020)



2020 2021

Not-for-profits All respondents



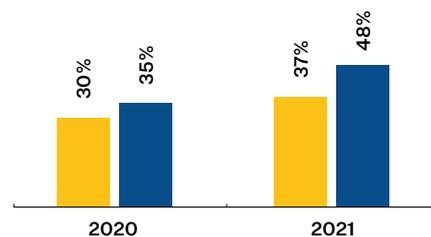
Boards which approved initiatives to help address workplace mental health issues

More boards engaging on climate issues

COP26 saw a surge in the call for urgent action on climate change and for all boards to have a critical leadership role in taking action on climate-related issues. This year 17% (up from 13% in 2020) of NFP respondents selected climate change as one of the biggest impediments to economic performance, compared to 10% (8% in 2020) of all respondents.

Although the trend is positive for the proportion of NFP boards actively engaged on climate change risks and practices in their organisations (37% this year up from 30% in 2020), this is still lower than for all respondents (48% this year and 35% in 2020). While engagement is increasing across all sectors there is still some way to go for many boards as we reach a critical juncture on the road to creating a sustainable future.

Not-for-profits All respondents

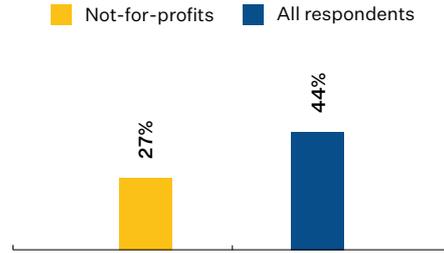


Boards actively engaged on climate change risks and practices in their organisations

Cyber oversight lagging

The pandemic has continued to accelerate digital dependency, including remote ways of working and accessing services. Cyber risks are constant and prevalent, and 7% of NFP respondents (compared to 17% of all respondents) said they had overseen a cyber-attack affecting their organisation in the last 12 months.

However only 27% of NFP respondents, compared to 44% of all respondents, said their board receives comprehensive reporting from management about data breach risks and incidents, and the actions taken to address them. And only 42% compared to 60% of all respondents said their board regularly discusses cyber risk and are confident that their organisation has the capability to respond to a cyber-attack or incident.



Boards receiving comprehensive reporting from management about data breach risks and incidents

42%

of not-for-profit boards regularly discuss cyber risk and are confident their organisation has the capability to respond to a cyber-attack (compared to 60% of all respondents)



Board practices

Responses to the survey show comparatively stronger NFP results in relation to some core board practices with 79% (compared to 70% of all respondents) regularly discussing board composition/renewal and the skills/experience they need now and for the future. In addition 71% of NFP respondents said diversity was a key consideration in making board appointments compared to 56% for all respondents.

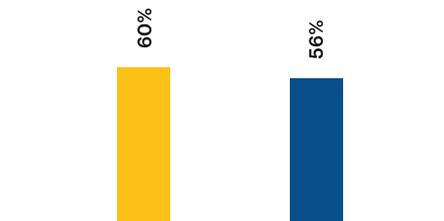
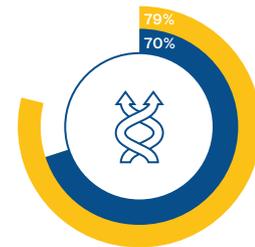
However 46% of NFP respondents undertook regular formal board evaluations, a lower proportion than 51% of all respondents.

But 60% of NFP respondents (compared to 56% of all respondents) said that their boards had discussed and challenged board member conflicts of interest in the last year.

Not-for-profits All respondents

79%

of not-for-profit boards regularly discuss board composition/renewal (compared to 70% of all respondents)

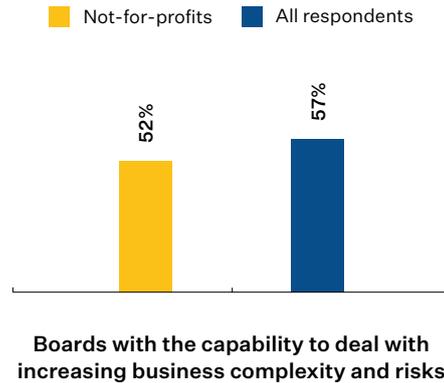


Boards that discussed and challenged board member conflicts of interest

The future board

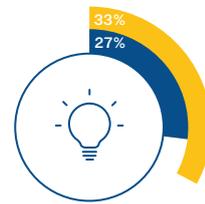
Similar to last year, a majority of NFP respondents (63% this year and 62% in 2020) expect their industry to be affected by major/ disruptive change in the next two years, which is consistent with all respondents (62%). However, fewer NFP respondents (52% compared to 57% of all respondents) felt their board had the right capability to deal with increasing business complexity and risks or had the right capabilities to lead their organisation's digital future (31% of NFP respondents compared to 38% of all respondents).

Interestingly, and perhaps aligned to this, more NFP respondents (33% compared to 27% of all respondents) thought the board approach to strategy and innovation needs a radical re-think. And over two thirds (67% of NFPs compared to 71% of all respondents) expect technology to transform how their board is operating by 2030 (eg using real time, interactive data in the boardroom, artificial intelligence).



33%

of not-for-profit boards thought the board approach to strategy and innovation needs a radical re-think (compared to 27% of all respondents)



For more information see the full report *Director Sentiment Survey 2021* for all results and insights at iod.org.nz

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