

# Director Sentiment Survey 2022

## Not-for-profit insights

In our 2022 *Director Sentiment Survey* report, released in association with ASB, 25% of the 964 responses were about not-for-profit (NFP) boards. Here, we explore what the NFP sector told us, including notable variations between NFPs and all respondents.

New Zealand's NFP sector provides vital services that contribute to the wellbeing of communities across the country. NFPs are facing more compliance, competition and community scrutiny than ever before and their long-term sustainability, and ability to deliver on their purpose-driven goals, depends on good governance.

### Great expectations

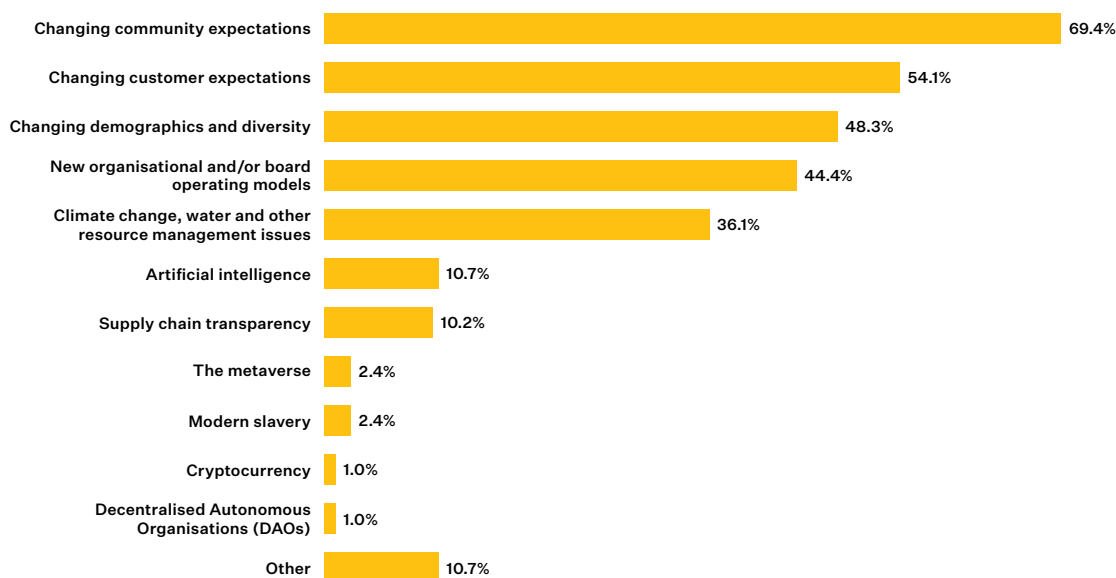
A new question in our 2022 Director Sentiment Survey asked directors to identify the top three future trends that their boards were paying attention to.

Changing community expectations topped the list for NFP directors, being noted by 69% of NFP respondents (compared with 47%, and a third place ranking on the list, for all respondents).

Conversely, changing customer expectations topped the list for all respondents, noted by 60% compared with 54% of for NFP directors.

Community and customer expectations are increasingly important to board thinking as industries move to change their procurement policies, supply chains, employment practices and even investments.

NFP board future trends



When looking to the future, other key divergences between NFP directors and all respondents were on changing demographics and diversity (noted by 48% of NFP directors compared with 38% for all respondents), and climate change, water and other resource management issues (noted by 36% of NFP directors compared with 51% of all respondents).

## Governance issues on the radar

### Social impact and values

Topping the list of governance issues facing NFPs was social impact and value (82% for NFP directors compared with 69% for all respondents).

This new metric aligns with the emphasis on meeting community and customer expectations. As people choose where to work, shop and invest based on their personal beliefs and values, an organisation’s social impact and value are important for talent attraction as well as meeting customer and community expectations. Social impact is at the intersection of cause, community and commerce and, for an increasing number of NFP organisations, social impact platforms and enterprises are a means to reduce the volatility of uncertain funding streams while providing much-needed funds to further their purpose.

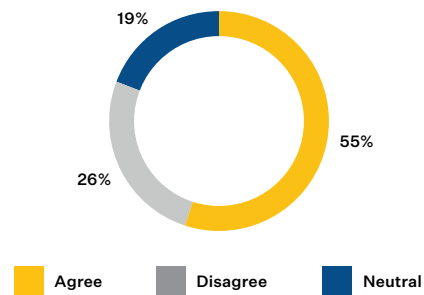
### Te ao Māori

NFP boards were more likely than all respondents to be engaged and proactive in developing their cultural competency in respect of te ao Māori.

Cultural competency, including tikanga and mātauranga Māori, was a focus of 55% of NFP directors compared with 40% for all respondents.

Success stories from te ao Māori organisations have demonstrated how to manage and grow organisations in sustainable ways that benefit the wider community, which aligns with the raison d’être of many NFP organisations.

Engaged and proactive in developing cultural competency

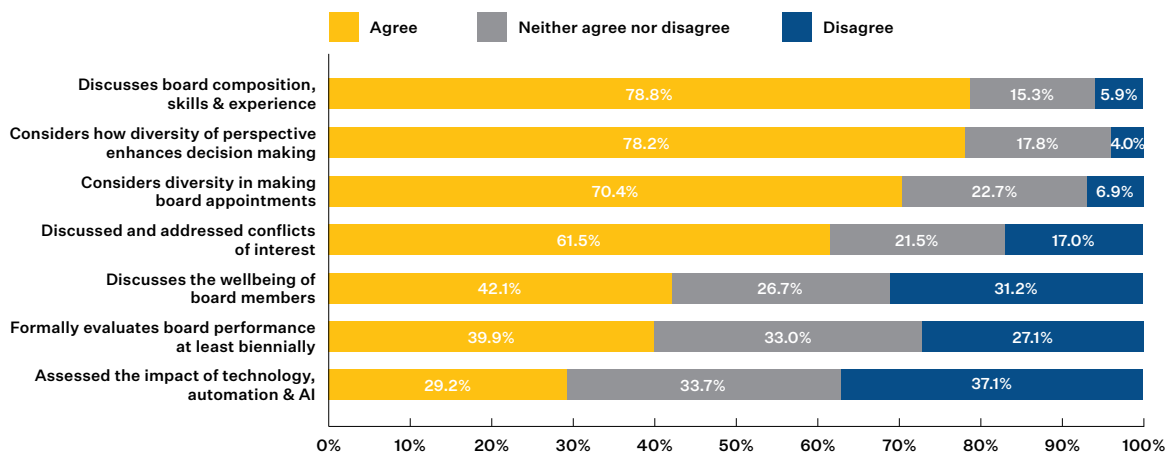


In particular, the te ao Māori principles of broader definitions of success (linked to ideas around environmental, social and governance reporting), taking a longer view (up to 500-year planning horizons) and connections with community, role-model what boards of the future need to address.

## Board practices

Not-for-profit boards reported discussing board composition and the expertise required to drive their organisations forward more often than all respondents (79% compared with 68% respectively). Similarly, NFP boards reported that they are more likely to consider diversity in making board appointments (70%) than all respondents (56%).

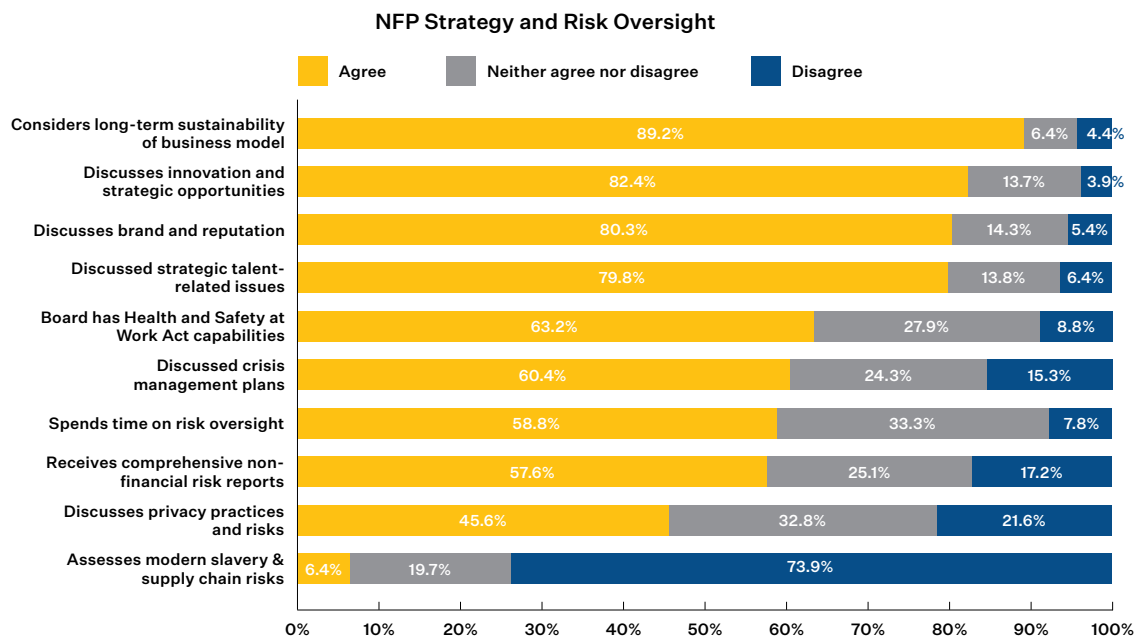
NFP Board Practices



However, this year significantly fewer NFP respondents (40%) undertook regular, formal board evaluations than the overall result (48%). Comparative ratings last year were 46% for NFP boards and 51% for all respondents. While this reveals that all boards have been paying less attention to completing board evaluations than 12 months ago, the decrease has been more pronounced in the NFP sector.

### Strategic direction and oversight of risk

NFP directors are paying a high level of attention to the long-term sustainability of their business models (89%, compared with 87% for all respondents), innovation and strategic opportunities (82%, compared with 87% for all respondents) and talented-related issues (80%, compared with 87% for all respondents).

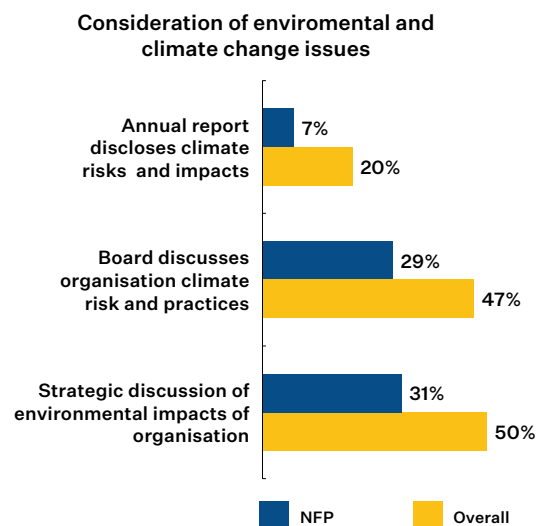


This convergence between NFP directors and all respondents continues in attention to the organisation’s brand and reputation (NFPs 80%, overall 84%), and receiving comprehensive reports on non-financial risks (NFPs 58%, overall 59%).

### Climate change not leading to change

Among NFP directors, only 7% said their boards had included disclosures on climate-related risks and/ or the impact of climate change on their organisation in their annual report (compared to 20% overall). Twenty-nine percent of NFP directors said that their boards discuss climate risk and practices (down from 37% in 2021), notably fewer than the 47% of boards overall. Further, only 31% of NFP boards spend time strategically discussing the environmental impacts of their organisation (in comparison to 50% overall).

This is in stark contrast to NFP directors’ identification of community expectations as a key future trend and their recognition of the importance of social impact and values.



Despite increasing national and global pressure for climate action, there was no change from 2021 in the number of NFP respondents that selected climate change as one of the biggest impediments to national economic performance, which came in at 17% (the overall response rate of 10% was also unchanged from 2021).

### The future is now

Only 29% of NFP boards had assessed the impact of technology, automation and/or AI on their organisation in the past 12 months, compared with 49% for all respondents.

Fifty percent of NFP directors expect technology to transform how their board operates by 2030, significantly lower than the 63% overall.

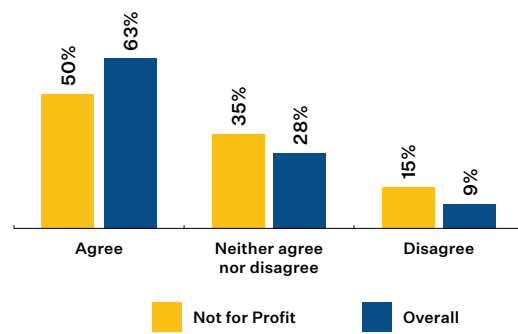
Technological leadership is a critical competency that supports boards and organisations to prepare for a digital future that is already upon us. Organisational preparedness starts at the top, so it is imperative that boards are well versed in how technology will disrupt and transform their operations.

Not-for-profit organisations frequently hold a “gold mine” of personal and financial information that makes them a target for cyberattacks.

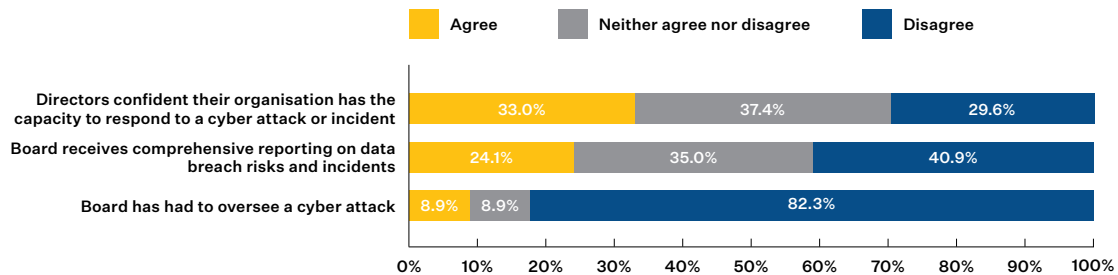
Despite managing the risks associated with cybersecurity and privacy breaches being duties of directors, only 33% of NFP boards (compared to 54% overall) reported discussing cyber risk and having confidence that their organisation has the capacity to respond to a cyberattack or incident.

However, 46% said that their board regularly discusses the organisation’s privacy practices and risks, which is the same as the response for all respondents.

Technology will transform board practices by 2030



NFP digital and cybersecurity preparedness



Thankfully, only 9% of NFP boards reported having a cyberattack affect their organisation over the past year, compared with 14% overall. Twenty-four percent of NFP directors considered that their boards received comprehensive reporting from management about data breach risks and incidents and the actions taken to address them, compared with 39% of all respondents.

### Key Contact

#### INSTITUTE OF DIRECTORS

**Guy Beatson**  
*General Manager, IoD Governance Leadership Centre*

[guy.beatson@iod.org.nz](mailto:guy.beatson@iod.org.nz)  
 027 222 9747

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 2022

