

Director Sentiment Survey 2024

Not-for-profit insights

The Institute of Directors' (IoD) annual Director Sentiment Survey takes the pulse of New Zealand's governance community to identify issues and challenges that matter to our members. It provides a high-level view sourced from IoD members across a broad range of entities on economic, business and governance issues.

In our 2024 *Director Sentiment Survey* produced in conjunction with ASB, 28.1% of the 1,240 responses were from directors of not-for-profit (NFP) organisations, up from 25.4% in 2023.

In this, our fifth *Not-for-profit Insights*, we explore what directors in the NFP sector told us, including notable variations between NFP directors (those whose primary governance role was for a NFP organisation) and all other respondents excluding NFP directors (All).

New Zealand's NFP sector is vast, with over 115,000 organisations and around 28,000 registered charities – the highest per capita ratio in the world and over twice the rate of charities per head of population as Australia and the UK.

As a society, we rely heavily on the vital work of the NFP sector across all facets of our lives – health, housing, education, transport, energy, environment, arts, culture, social services, sport and more. The size and scale of these organisations and the impact of their work is similarly variable, from small service clubs to school boards and multi-million-dollar national

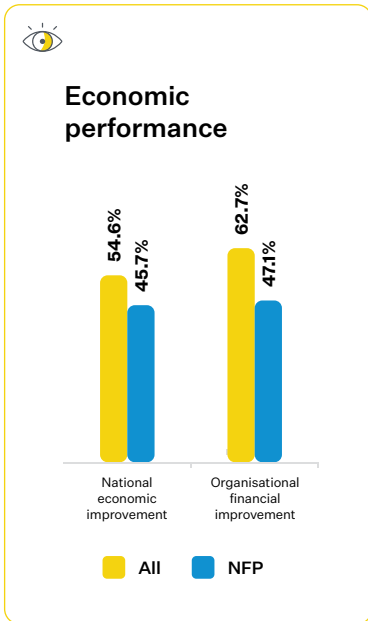
enterprises. In 2020, Stats NZ estimated the value of volunteering hours in New Zealand was \$4 billion a year.

The NFP sector relies on good governance, which is also frequently voluntary, to provide the culture, oversight and accountability to sustain organisations and help them deliver on their purposes.

In the IoD's [2024/25 Directors' Fees Report](#), over a third of directors said they served on one or more Trusts (42.9%) or NFP organisations (39.9%). The median fee for trustees was \$14,912 (versus the median for non-executive directors of \$50,000) and 60.6% of trustee roles were unpaid.

As well as their own unique challenges, such as funding cuts and a shrinking pool of volunteers, NFP organisations face the same challenging operating environment as any other business including ensuring compliance with duties and regulations, meeting health and safety requirements, managing climate change impacts and transition, and dealing with cost-of-living pressures, all under a high level of public scrutiny.

Business and economic confidence



There was a significant shift in sentiment this year, with 45.7% of NFP directors believing that national economic performance would improve (34% in 2023). Despite this, only 47.1% stated their organisational performance would improve up just 1.7% from 2023's (45.4%). Overall, NFP directors were a lot less confident of their organisation's future economic performance than All other directors.

Political/policy uncertainty (21.1%), cost of living/inflation (15.7%) and government reforms (14.3%) were identified as the top three organisational risks facing NFP organisations. For All organisations, the top three were demand (17.9%), political/policy uncertainty (12.4%) and labour capacity and capability (10.1%).

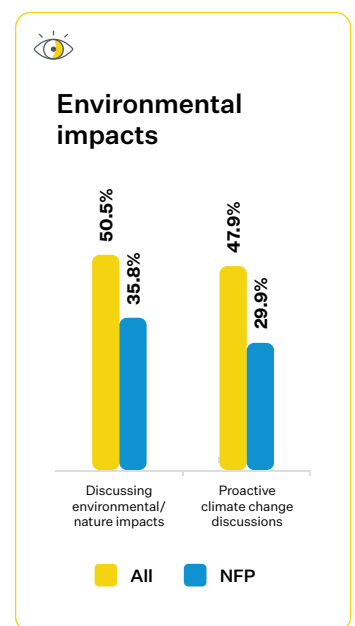
Determining purpose

Environmental impacts

There was a minor increase in focus on environmental impacts with 35.8% of NFP directors stating their boards spent time strategically discussing environmental/nature impacts (31.1% in 2023) compared with 50.5% for All (down from 56.5% in 2023).

The percentage of NFP directors engaged with, and proactively discussing, climate change increased slightly (29.9% up from 28.7% in 2023). While this remains significantly lower than the response for All, there was also a drop among All (47.9% down from 52.5% in 2023). Only 9.3% of NFP respondents stated their latest annual report included disclosures on climate-related risks and/or the impacts of climate change compared to 24.9% of All.

While NFP organisations are frequently referred to as "for-purpose" organisations, these results highlight that NFP organisations continue to have a narrow focus on purpose that aligns with their objectives, rather than taking a broader perspective such as may be seen in local authorities, with their focus on social, economic, environmental and cultural wellbeing, or private companies that consider environmental, social and governance matters.



Focus areas for NFP boards

The five themes below reflect the key organisational risks NFP directors identified.

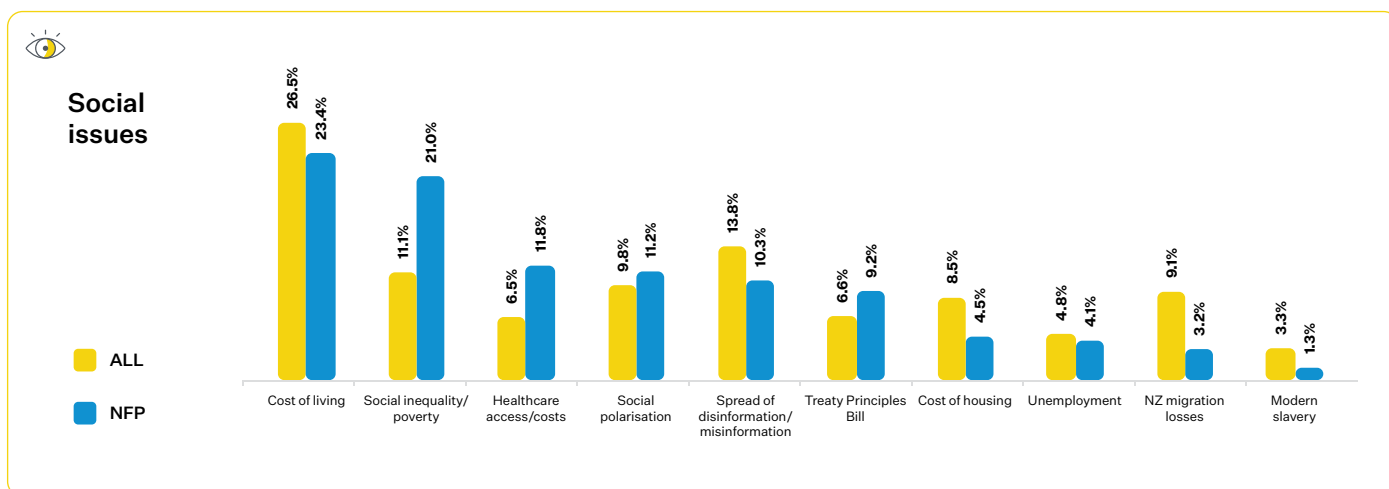
- 1. Financial sustainability and funding** – financial management, sustainable operations and diverse revenue strategies to ensure long-term viability.
- 2. Governance and risk management** – compliance, risk mitigation, effective governance structures and board oversight.
- 3. People and workforce management** – recruitment, skills development, volunteer engagement, staff retention and workforce capacity building.
- 4. Strategy** – highlights the importance of strategic planning and execution to align with long-term objectives.
- 5. Government** – partnerships, public funding, stakeholder expectations, policy alignment, and advocacy with government institutions.

These themes reveal an ecosystem where NFP organisations strive to align resources, strategy and external partnerships to navigate challenges and ensure long-term impact. This aligns with the top strategic issue for directors being balancing short-term viability and long-term issues.

Governance and social issues

The top governance issue facing NFP boards, once again, was social impact and values (76% for NFP directors compared with 63.6% for All other respondents). The top issue for All directors was workplace stress and mental health (79.3% versus 67.7% for NFP).

Social inequality/poverty was the second-highest social issue for NFP directors (21% versus 11.1% for All), just below cost of living (23.4%). NFP directors were also more likely to be paying attention to healthcare access/costs and the Treaty Principles Bill, but less attention to migration losses and the cost of housing, than All respondents.



An effective governance culture

Board practices

Volunteer labour is critically important to the NFP sector. Board members are often the unseen face of volunteering, dealing with escalating funding challenges and an increasingly complex operating environment. Nearly three-quarters of NFP respondents said their boards regularly discussed board composition and the skills/experience needed for the future (74.8% versus 62.9% for All).

Further, 65.7% of NFP directors are actively considering diversity as part of future board appointments (47.6% for All), albeit a 7.3% reduction from 2023. However, a new measure this year, only 20.8% said they had adequate processes and systems in place to deal with underperforming or problematic board members (30.5% for All).

The paucity of board evaluations is an ongoing area of concern for the NFP sector, as well as being a missed opportunity. Board evaluations are a powerful tool for driving board performance, enhancing decision making and supporting greater cohesion. While barely half of All directors said their boards undertook at least biennial

evaluations (50.2%), only 40.4% of NFP directors said their boards did.

Further, less than half of NFP respondents said their boards discussed succession planning in relation to the chair at least annually (48.8%), albeit significantly higher than the percentage of All (38.1%). Similarly, 50.7% of NFP directors said their boards discussed succession planning in relation to board members/committee chairs at least annually, a greater percentage than the 42.9% for All.

Ethics, culture and conduct

A poor workplace culture impacts productivity, absenteeism and the ability to attract and retain volunteers and employees. The board sets the tone from the top, so monitoring and being proactive on board and workplace ethics, culture and conduct is critical.

Only 64.1% of NFP directors said that their boards regularly discuss and monitor the culture of the organisation (80.4% for All). Fewer still said their boards discuss the alignment of the board and organisational culture (49.5% for NFP versus 59.4% for All).

NFP organisations used to enjoy high levels of trust but this is no longer a given. In the 2024 Edelman Trust Barometer, while non-government organisations (NGOs) and business both increased trust levels (globally and locally), businesses were the only institution that respondents considered trustworthy, ethical and competent. For NGOs, they were in neutral territory for trust levels, positive for ethics, but were not considered competent (albeit improved from 2023).

With Government departments freezing or cutting back on funding and an increasing call on philanthropic trusts, donors and corporate sponsors, the NFP sector is under pressure and having to tackle workforce lay-offs, service reductions and wage freezes, on the back of increasing demand for services and rising costs. For NFP directors, cost of living/inflation was the biggest impediment to national economic performance, followed by political/policy uncertainty.

Public scrutiny of NFP organisations is not new, but there has been a recent spate of investigations by the police and government funders looking into financial management improprieties as well as claims of bullying and modern slavery. Only 12.9% of NFP directors said their boards had discussed modern slavery and worker exploitation risks in the past year (20.6% for All).

Only a third of NFP directors said their boards had discussed whistleblowing and speak-up provisions (31.2% versus 45.4% for All). While 37.9% said their boards were discussing workplace bullying, less than a quarter were discussing sexual harassment (24%).

The Abuse in Care Royal Commission of Inquiry’s final report made for sober reading as the failings of State and faith-based care institutions were laid bare. In among the 3,000-plus pages are 138 recommendations and some clear lessons for governing body members relating to their duty of care, culture, appointments, diversity, health and safety, and need for safeguards and monitoring.

Holding to account

Digital divide

Technology and innovation continues to dominate global headlines. While financial sustainability and funding was the primary focus area for NFP respondents, overall the key focus area for survey respondents was technology and innovation.

Directors are looking to technology to support growth targets, reduce costs and gain efficiencies, particularly in relation to enhancing productivity (productivity was ranked the third-highest impediment to national economic performance overall and fifth for NFP directors).

The digital divide generally refers to a gap in access to, and use of, technology. This was highlighted during Covid-19 lockdowns, particularly for low-income households, older people and rural residents. But the digital divide isn’t just about households. Businesses are also facing a digital divide with some businesses able to seize more digital opportunities while others fall further behind.

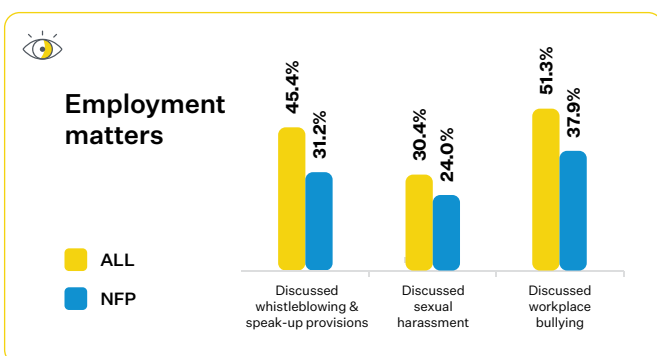
A degree of digital divide can be seen in the responses. While fewer NFP boards had experienced a cyberattack in the past year (13.7% versus 20.3% for All), significantly fewer NFP boards were discussing their cyber risk and ability to respond (42.3% versus 71.3% for All). Further, fewer NFP boards were receiving reports on data breach risks.

While All boards were more likely to be reviewing and discussing the risks associated with technology, they were also more likely to be discussing the opportunities technology presents, such as enhancing productivity and helping address climate change impacts.

Risk management

Risk management is a critical element of good practice governance, from health and safety to cyber risk and climate change. However, systems are still maturing as boards get to grips with their responsibilities and the need to set the tone from the top. A new measure this year, only 58.4% of NFP directors said their boards have appropriate risk management identification, assessment, mitigation and monitoring systems in place as opposed to 72% for All.

Further, only 64.9% of NFP directors stated their boards have the right capabilities to comply with their obligations under the *Health*



and Safety at Work Act 2015, well down on 82.8% for All. The Business Leaders' Health and Safety Forum's 2024 *State of a Thriving Nation* report revealed that New Zealand workers are twice as likely to die from a workplace incident as Australian workers. Further, it noted that the cost of fatalities, serious injury and health effects was \$4.9 billion in 2023.

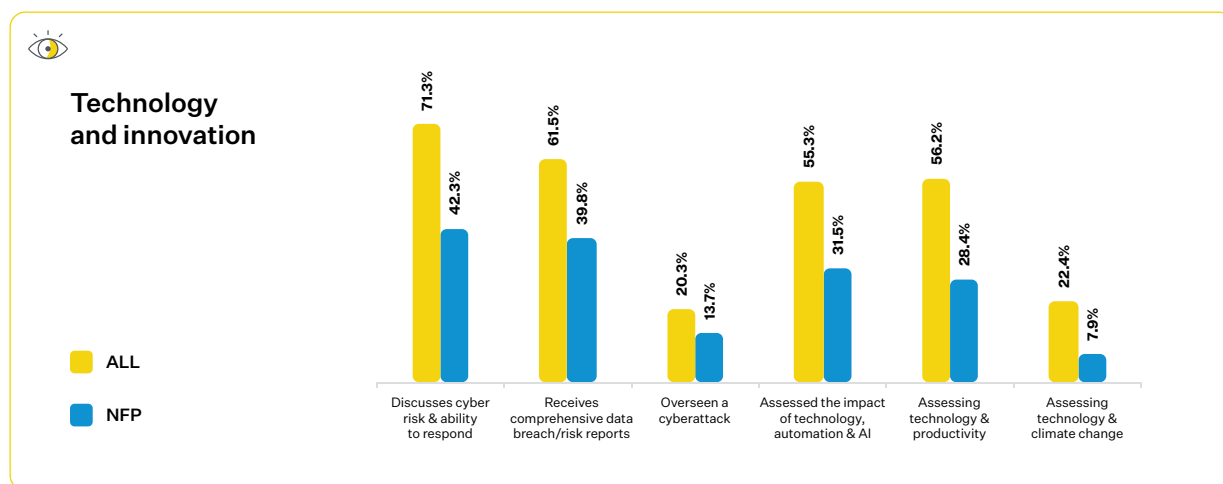
Thirty-eight per cent of NFP directors say they are paying more attention to health and safety liabilities due to recent court judgements and WorkSafe prosecutions (40% for All). And there are proposed changes to the Act underway to improve workers' outcomes, including clarifying directors' responsibilities, increasing collective accountability at the board level, and enabling a more proactive approach to health and safety oversight.

Effective compliance

Compliance

Ongoing legislative and regulatory changes continue to impact governance across the NFP sector. The *Trusts Act 2019* (which replaced the *Trustee Act 1956*), the *Incorporated Societies Act 2022* and changes to the *Charities Amendment Act 2023*, alongside a raft of policy and funding changes, add to directors' workloads. Despite this, only 29.5% of NFP directors said that the scope of responsibilities deterred them from taking on governance roles (34.7% for All).

However, 43% of NFP directors said they spend more time on compliance-related activities than in the past (51.2% for All).



A copy of the full 2024 Director Sentiment Survey report is available on the IoD website resources page

Institute of Directors

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