Value of organisational culture

Culture's value relative to all organisational priorities

Top 1
Top 3
Top 5
Top 10
Not in the Top 10

0% 10% 20% 30% 40% 50% 60%
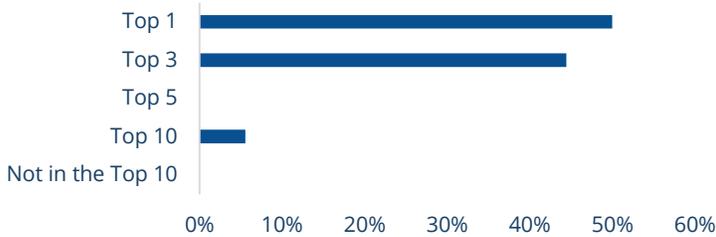
94% of CEOs consider culture to be among the top three factors that determine their organisation's value. This is 90% in the all-company for-profit cohort.

Value of improving culture

Improving culture will increase value to primary beneficiaries

0%

100%

■ Yes ■ No

100% of CEOs believe that improving their culture will increase their organisations value through productivity or service provision.
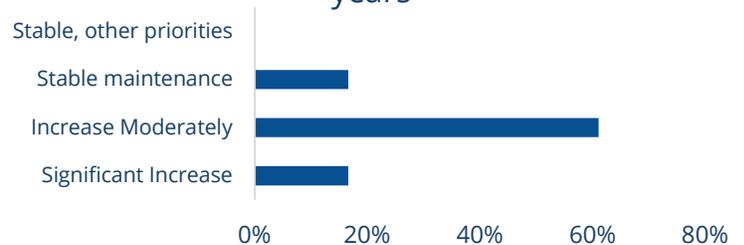
Current state of culture

Strategy and organisational culture are

Exactly aligned
Nearly there
In progress
Evolving significantly

0% 10% 20% 30% 40% 50%
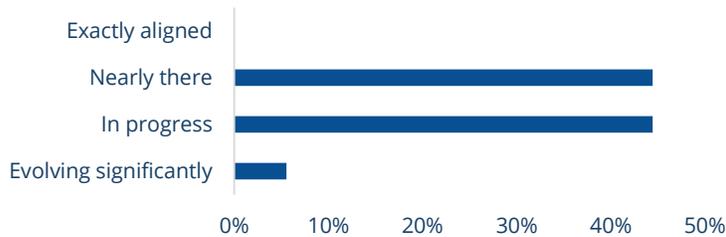
100% of CEOs say they need to do some work to achieve ideal strategic alignment between culture and strategy.

Changes to culture

Expected culture efforts over next three years

Stable, other priorities
Stable maintenance
Increase Moderately
Significant Increase

0% 20% 40% 60% 80%

94% of CEOs rank culture among their top 3 factors, 100% believe enhancing it increases value, and 83% plan to enhance culture.

Culture and strategy alignment: CEOs' perspectives on misalignment

Alignment of culture with strategy: agreement levels on key statements

Culture is continuously evolving in response to internal/external factors
We intentionally align organisational culture with our strategy
Leadership capability needs to be strengthened
Inefficient workplace interactions (time spent building consensus, etc.)
Leadership needs to invest more time to develop the culture
Ineffective change management slowing down cultural adaptation
Culture has not caught up with changes in the operating environment
Communication practices do not effectively support cultural values
Policies work against culture (e.g., compensation, reward, etc.)
Cultural values are not fully aligned with our operating needs
Insufficient allocation of resources to support cultural initiatives
Employees are not fully committed to the culture
Insufficient learning and development opportunities hinder culture

■ Agree ■ Neutral ■ Disagree
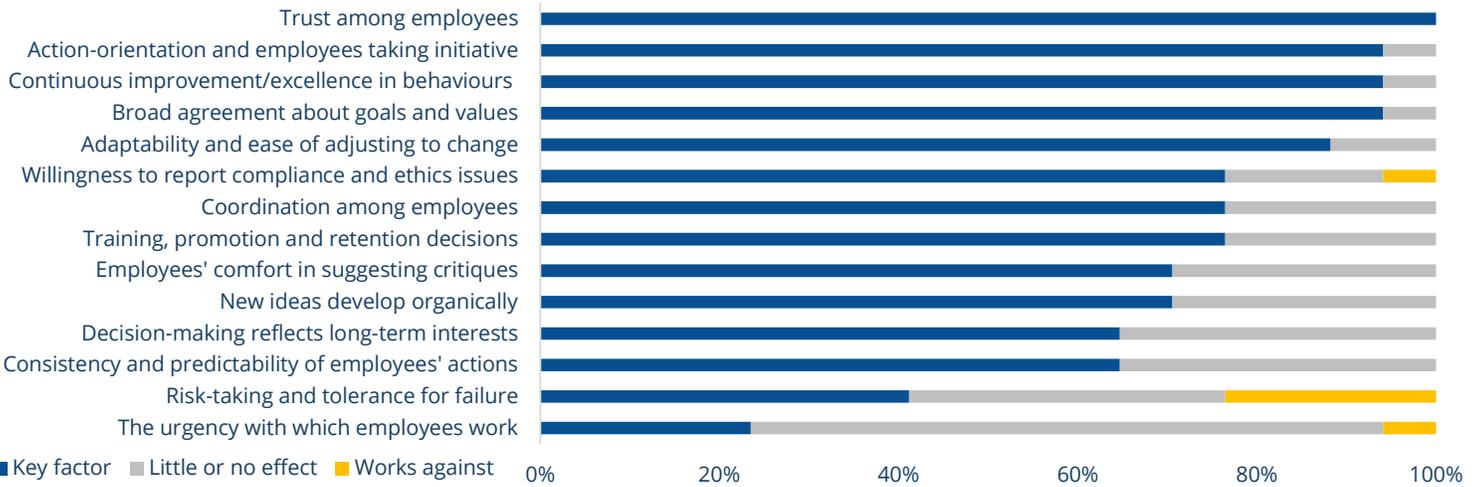
0% 20% 40% 60% 80% 100%

71% of CEOs work to align their culture and strategy. 88% attribute misalignment to evolving external and internal factors, while 71% note their leadership capability needs strengthening, 59% agree leadership needs to invest more time in culture, and a further 59% cite inefficient workplace interactions.

Authors: Susanna Lee (Leadership and Governance Collective), Associate Professor Claire Matthews and Dr Jeffrey Stangl (Massey)

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Local government

Why is organisational culture important

Key factors in determining the effectiveness of organisational culture

Factor	Key factor	Little or no effect	Works against
Trust among employees			
Action-orientation and employees taking initiative			
Continuous improvement/excellence in behaviours			
Broad agreement about goals and values			
Adaptability and ease of adjusting to change			
Willingness to report compliance and ethics issues			
Coordination among employees			
Training, promotion and retention decisions			
Employees' comfort in suggesting critiques			
New ideas develop organically			
Decision-making reflects long-term interests			
Consistency and predictability of employees' actions			
Risk-taking and tolerance for failure			
The urgency with which employees work			

■ Key factor ■ Little or no effect ■ Works against

Trust among employees is the most critical factor in organisational culture effectiveness, closely followed by action orientation, continuous improvement in behaviours, and broad agreement on goals and values. However, 24% note that risk-taking and tolerance for failure hinder cultural effectiveness.
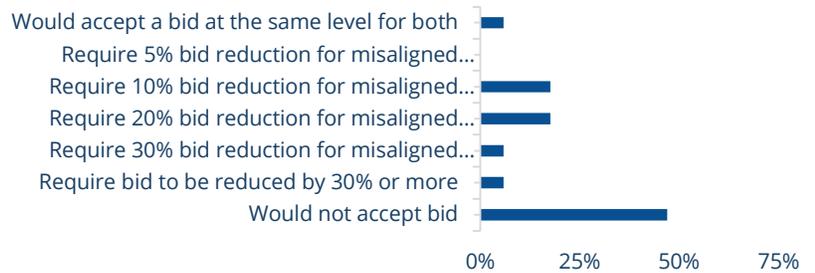
Exhibit and understand culture

The percentage of employees that understand and exhibit their culture

(bar chart with categories 0%-20%, 21%-40%, 41%-60%, 61%-80%, 81%-100%)
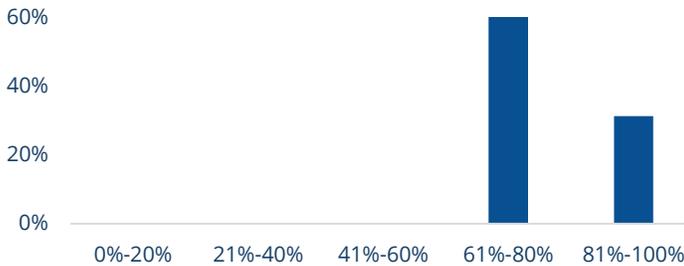
69% of local government CEOs report staff lack understanding or display behaviours contrary to the desired culture.

Identical project partners, except culture

Bid by culturally aligned vs. misaligned partner

- Would accept a bid at the same level for both
- Require 5% bid reduction for misaligned...
- Require 10% bid reduction for misaligned...
- Require 20% bid reduction for misaligned...
- Require 30% bid reduction for misaligned...
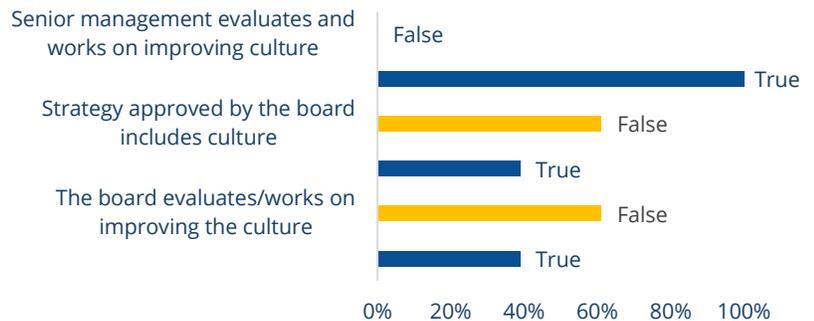- Require bid to be reduced by 30% or more
- Would not accept bid

47% of local government would not accept an offer from the culturally misaligned partner and a further 47% require a reduction between 10% and more than 30%.

Most influential factor setting culture

- Executive Leadership Team
- CEO or equivalent title
- Non-management employees
- Board of Directors
- Internal policies and procedures
- Hard times experienced
- Changing needs of the market
- Entity's Beneficiaries

■ Primary ■ Secondary

Annual assessment of culture

- Senior management evaluates and works on improving culture — False / True
- Strategy approved by the board includes culture — False / True
- The board evaluates/works on improving the culture — False / True

The CEO and leadership team sets and defines culture, while non management employees and the board reinforce the culture.

Authors: Susanna Lee (Leadership and Governance Collective),
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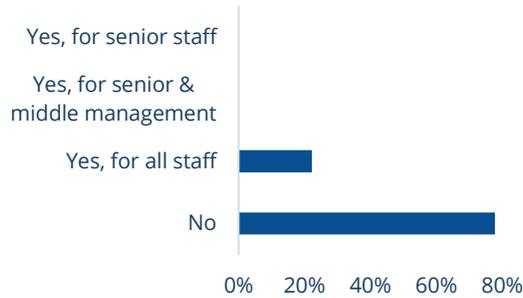TE KUNENGA KI PŪREHUROA MASSEY UNIVERSITY
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Local government

Exemplifying values: performance reviews, discretionary pay, & promotion

Employee behaviours reflect values included in performance reviews

- Yes
- No

Employee behaviour linked to discretionary pay

- Yes, for senior staff
- Yes, for senior & middle management
- Yes, for all staff
- No

0% 20% 40% 60% 80%

Behaviour a key criterion to advance to senior role

- Yes
- Usually & technical expertise
- Sometimes & other factors
- No

0% 20% 40% 60% 80% 100%
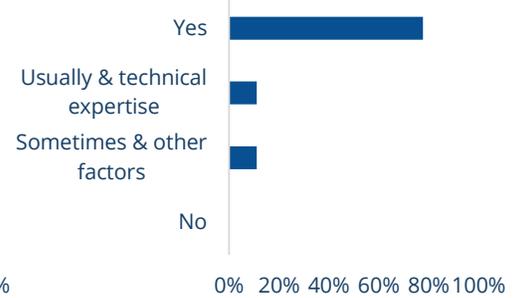
100% of organisations include whether employees exemplify their values in performance reviews, 22% link a culture measure of discretionary pay to performance. 78% require exemplifying values as a criterion for moving into senior management. Local government CEOs send strong signals regarding the priority and importance of values and behaviours in performance reviews and promotion decisions.
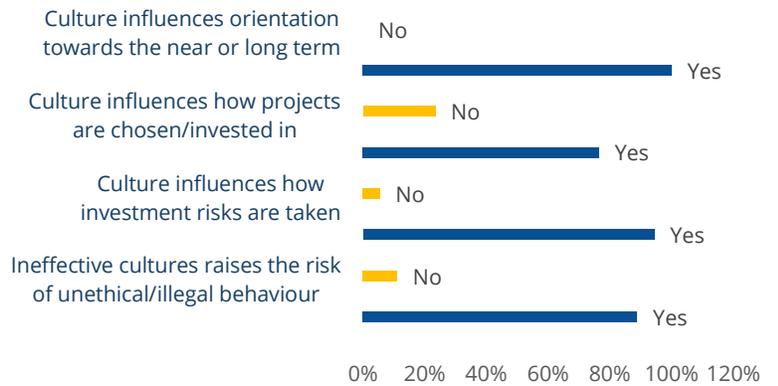
Investment style

Project investment style

- Growth Higher Risk Strategy
- Stewardship Strategy

56% of CEOs prefer a growth or high-risk strategy compared to a stewardship approach. 76% agree that culture drives this decision.

Culture: risk, long-term and ethics

- Culture influences orientation towards the near or long term — No / Yes
- Culture influences how projects are chosen/invested in — No / Yes
- Culture influences how investment risks are taken — No / Yes
- Ineffective cultures raises the risk of unethical/illegal behaviour — No / Yes

0% 20% 40% 60% 80% 100% 120%

85%+ CEOs agree culture impacts long-term orientation, how calculated investment risk is taken, and ethical behaviour.

Short-term CEO incentives

- 80% or more
- 60-79%
- 40-59%
- 20-39%
- 1-19%
- None
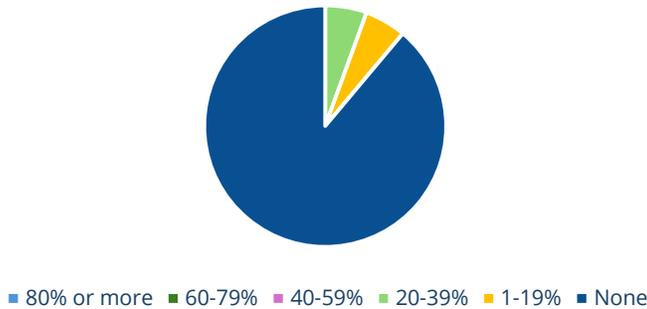
CEOs noted that, while they are not motivated by monetary incentives, they see incentives as signals. 89% of CEOs from local government have no STI, which allows for greater alignment between compensation and organisational goals.

Authors: Susanna Lee (Leadership and Governance Collective), Associate Professor Claire Matthews and Dr Jeffrey Stangl (Massey)

Short-term staff incentives

- Senior staff
- Senior staff & middle management
- All staff
- None
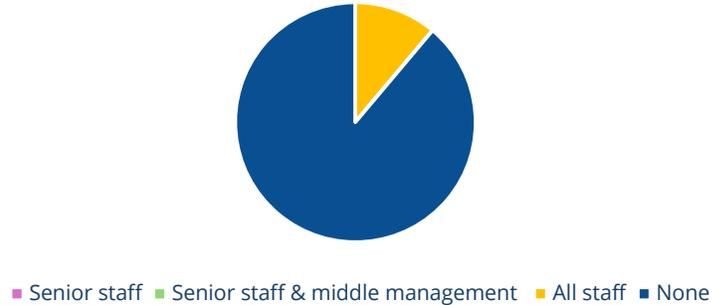
11% offer STIs to all staff. Staff incentives align with those of leaders. While aligning incentives with strategy can signal support for the 56% with a growth approach, it is not always feasible for this sector.

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Impact of various factors on organisational culture effectiveness

Incentive compensation
Governance system (meeting frequency, risk forums etc)
Executive Team behaviour
Middle management behaviour (if applicable)
Employee behaviour

■ Reinforce ■ No impact ■ Works against

0% 10% 20% 30% 40% 50% 60% 70% 80% 90% 100%

Leadership and employee behaviours are the strongest reinforcers of culture. 67% of CEOs say incentive compensation detracts from culture, and only 39% see the governance system as reinforcing it.

Support for flexible work arrangements

Flexible work options provided

Flexible hours (choose start and end times)

Part-time or reduced hours options

Work-from-home options

Shift management (shift swapping and staggered schedules)

0% 20% 40% 60% 80% 100% 120%

Flexible work arrangements

Leaders: Flexible hours
Leaders: Part-time/reduced hours
Leaders: Shift management

Employees: Flexible hours
Employees: Part-time/reduced hours
Employees: Shift management

0% 20% 40% 60% 80% 100%

Local government CEOs broadly support flexible work arrangements. While all CEOs allow some working from home and flexible hours across their organisations, part-time or reduced hours are less common among leaders.

Optimal in-office days to support and nurture organisational culture

Leadership teams

5 days per week in the office, 11%
3 days per week in the office, 22%
4 days per week in the office, 67%

Administrators

5 days per week in the office, 11%
4 days per week in the office, 6%
3 days per week in the office, 83%
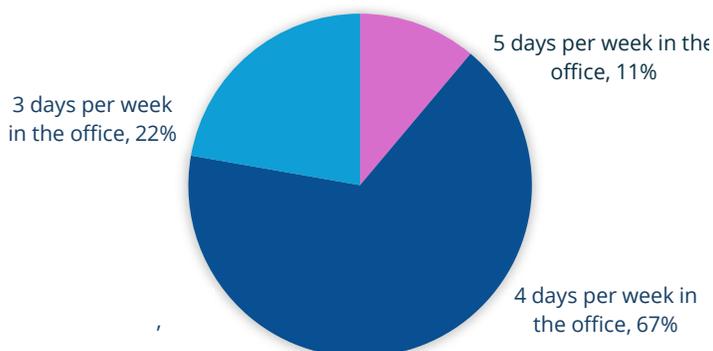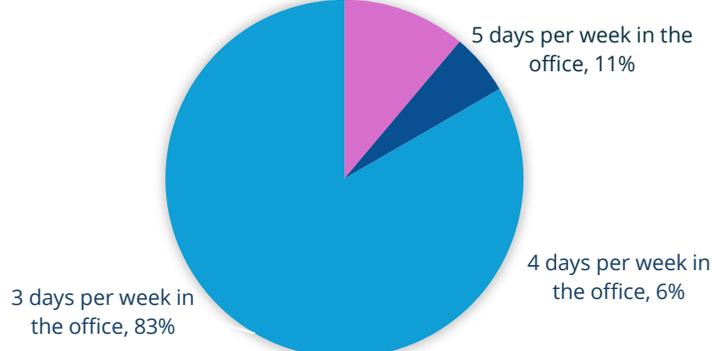
CEOs consider optimal in-office days to support and nurture organisational culture among their leadership teams to be 4 days per week (67%), emphasising the need for greater visibility of leadership, while for administrators, 3 days per week is preferred (83%).

Authors: Susanna Lee (Leadership and Governance Collective),
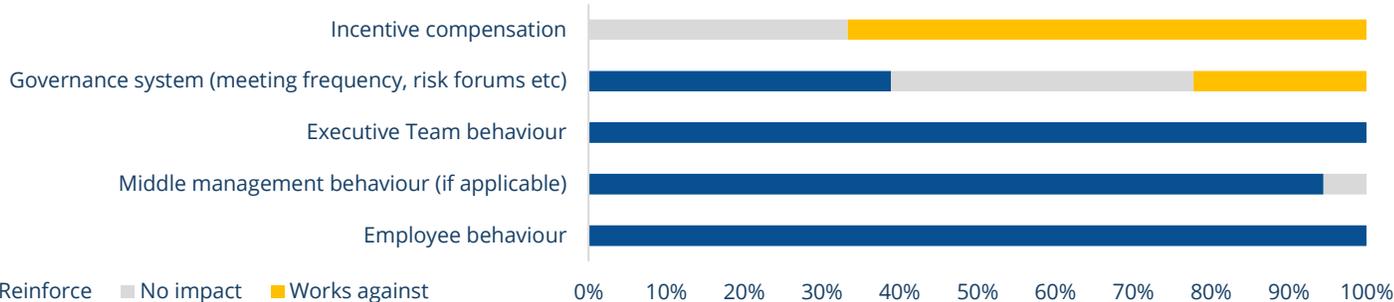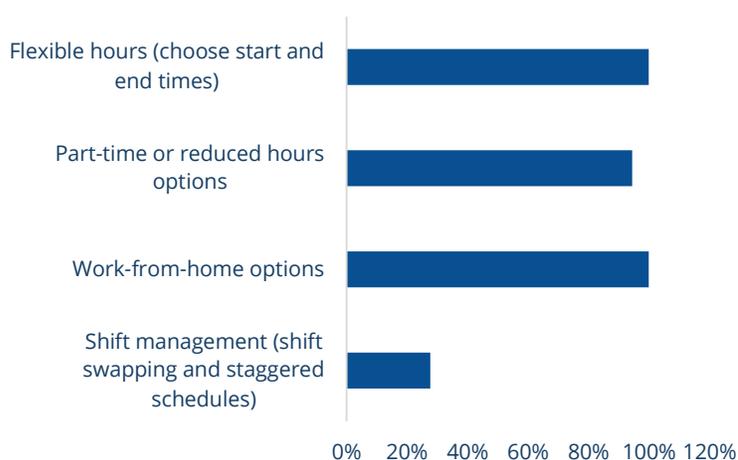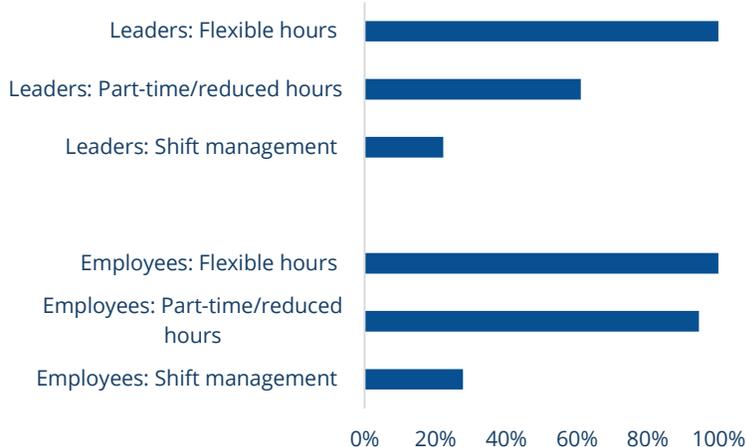Associate Professor Claire Matthews and Dr Jeffrey Stangl (Massey)

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How CEOs spend their time on organisational culture

Modelling desired behaviours
Setting and communicating vision and core values
Employee development and training
Health, mental health and wellness
Leadership development and succession planning
Enhancing communication and collaboration
Monitoring and adapting organisational culture
Recognising/rewarding performance
Promoting ethics, compliance, and safety
Work-life balance/flexible working
Fostering a sense of belonging/community
Aligning culture to strategic objectives
Understanding and addressing worker needs
Diversity, Equity, and Inclusion
Fostering key cultural strengths
Environmental, community and social responsibility

Large NFP
Local Government

0.0% 2.0% 4.0% 6.0% 8.0% 10.0% 12.0% 14.0% 16.0% 18.0%

Local government CEOs dedicate more time to modelling desired behaviours (16.8% vs 11.6%) and setting and communicating vision and core values (9.5% vs 12.4%). They also focus more on employee development and training (8.4% vs 6.1%) and work-life balance (4.9% vs 3.2%). Large NFP CEOs allocate more time to aligning culture and strategy and enhancing communication and collaboration.

How CEOs measure outcomes and value from organisational culture

Health & Safety: incidents, accidents
Employee Surveys: eNPS, pulse checks
Performance: KPIs, revenue growth, customer satisfaction
Customer Engagement: satisfaction, loyalty, social sentiment
Well-being: stress, absenteeism, wellness participation
Talent Management: turnover, time-to-fill, referrals
Environmental Impact: recycling, energy, water use
Benefits Utilisation: enrolment, wellness, flexible work
Financial Efficiency: cost savings, efficiency gains
Leadership Alignment: 360-feedback, culture surveys
Diversity, Equity, inclusion: representation, inclusion scores, pay equity
Development: leadership programmes, promotions, mentorship
Values Alignment: value surveys, recognised behaviours
Change Readiness: change management surveys, adoption rates
Productivity: project completion, income per employee, efficiency
Quality: defect rates, customer satisfaction
Conflict Resolution: conflict frequency, resolution rates
Quality Improvement: projects, defect reduction
Innovation: employee suggestions, patents, new products

Large NFP
Local Government

0% 10% 20% 30% 40% 50% 60% 70% 80% 90% 100%

Local Government CEOs place significant emphasis on employee surveys (100% vs 84%), health & safety (100% vs 90%), and well-being (83% vs 52%). They also focus on talent management (72% vs 58%) and benefits utilisation (44% vs 27%). In contrast, Large NFP CEOs place greater importance on metrics such as quality (56% vs 22%), financial efficiency (53% vs 39%), and values alignment (54% vs 28%).

Authors: Susanna Lee (Leadership and Governance Collective),
Associate Professor Claire Matthews and Dr Jeffrey Stangl (Massey)

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People-centric policies

Flexible Work Policies
Code of conduct/Handbook, including sections such as firm values...
Wellbeing Policy
Support for employees who have experienced harassment or bullying
Equal Employment Opportunity Policy
Anti-bullying and Harassment Training
Anti-Discrimination and Anti-Harassment Policy
Training and Education Policy
Equal Pay Policy: Salary Bands (using pay brackets)
Diversity, Equity and Inclusion Policy
Living wage policy
Equal Pay Policy (like-for-like role comparison)
Family-Friendly Policies
Transparent Incentive Scheme or Reward & Recognition Policy
Promotion and Advancement Policies
Accessibility and Accommodation Policy
Supplier Diversity Policy

- % of large NFP with policy
- % of local government with policy

Local Government organisations generally have more flexible work policies (100% vs 69%) and wellbeing policies (94% vs 76%). They also lead in support for employees who have experienced harassment or bullying (89% vs 89%), anti-bullying and harassment training (83% vs 70%), and equal pay policies for like-for-like roles (61% vs 33%).

Ethics centric policies and processes

Codes of conduct and ethical guidelines
Focus on doing the right thing
Promoting integrity in all actions
Anonymous reporting channels for ethical concerns
Sustainability and environmental responsibility initiatives
Diversity, equity, and inclusion initiatives
Regular communication and reinforcement of ethical values and...
An external whistleblower hotline
Employee engagement in ethical initiatives
Ethical decision-making training and education
Ethical leadership development programs
Ethical audits or assessments of organisation practices
Ethical behaviour evaluation in performance assessments
Monitoring and enforcement mechanisms to ensure compliance with...
Ethical leader selection
Dedicated ethics committees or officers
Incentives for ethical behaviour

- % of large NFP with policy
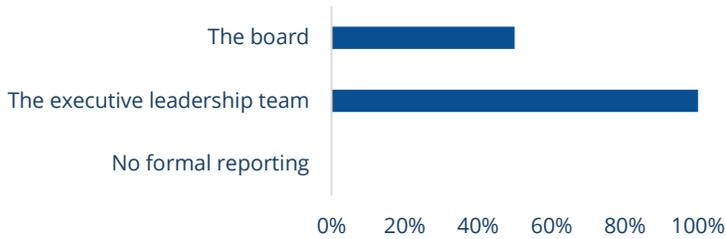- % of local government with policy

Local Governments have strong ethical policies and practices like promoting integrity (94% vs 75%), whistleblower hotlines (44% vs 14%), and sustainability initiatives (72% vs 38%). Large NFPs, however, focus more on diversity, equity, and inclusion (60% vs 56%) and ethical behaviour evaluation in performance assessments (22% vs 17%).

Authors: Susanna Lee (Leadership and Governance Collective), Associate Professor Claire Matthews and Dr Jeffrey Stangl (Massey)

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Local government

Formal channels for reporting culture   Ability to invest in culture
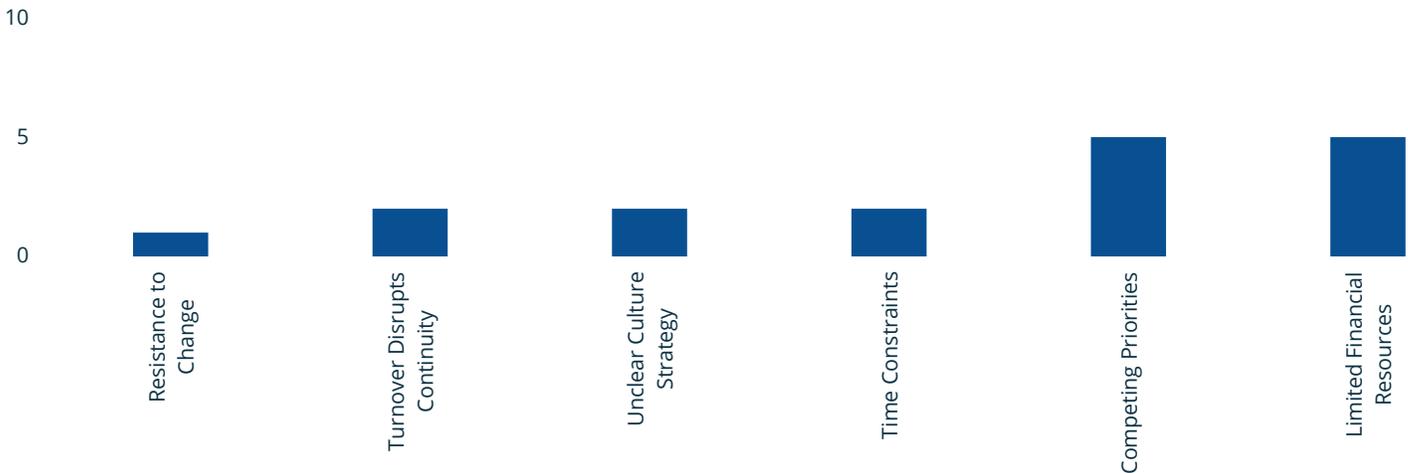
Reporting recipients of culture measurement metrics

- The board
- The executive leadership team
- No formal reporting

0% 20% 40% 60% 80% 100%

Culture metrics are reported to executive leadership and half of local government CEOs report these to the board.

Freedom to invest as much as required in culture to maximise its value

■ No ■ Yes

72% of CEOs feel able to invest in organisational culture as much as needed to realise the value of their culture.

## Barriers to investing in organisational culture to maximise value

10

5

0

- Resistance to Change
- Turnover Disrupts Continuity
- Unclear Culture Strategy
- Time Constraints
- Competing Priorities
- Limited Financial Resources

Based on selection frequency, limited financial resources and competing priorities are top barriers to investing in culture.

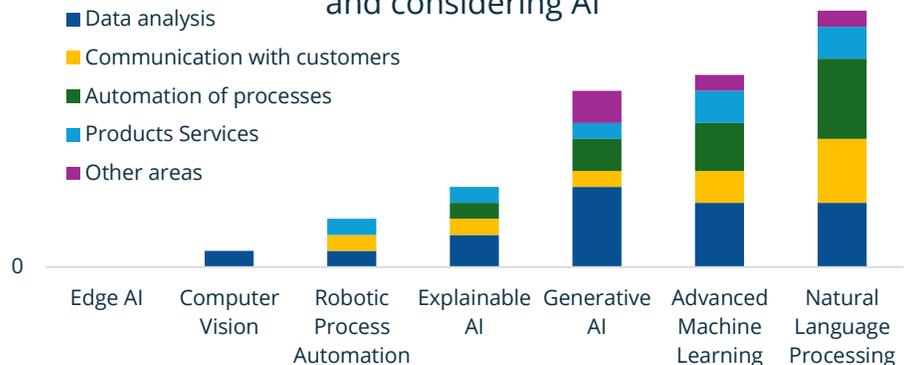## Applications of AI technologies across organisational functions

Organisations using AI

6%

53%

41%
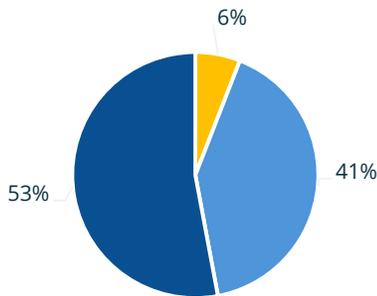
■ No ■ Something we are considering ■ Yes, currently

Investments in AI by function by those using and considering AI

20

■ Data analysis
■ Communication with customers
■ Automation of processes
■ Products Services
■ Other areas

0

- Edge AI
- Computer Vision
- Robotic Process Automation
- Explainable AI
- Generative AI
- Advanced Machine Learning
- Natural Language Processing

53% of local government organisations use AI tools, with 41% considering adoption. The main focus areas are Natural Language Processing and Advanced ML, which differ from for-profit and not-for-profit organisations, where the top focus area is Generative AI.

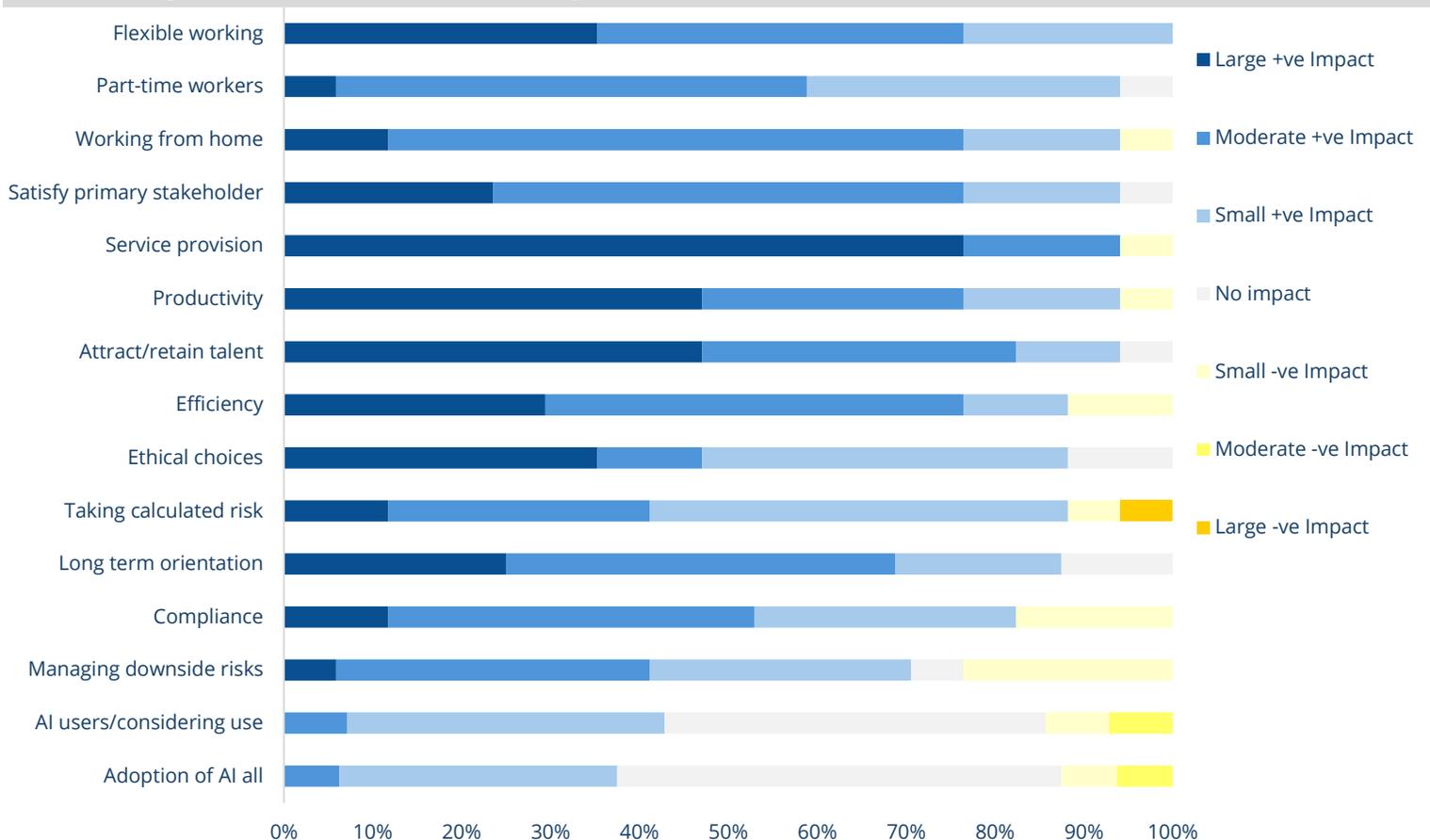Authors: Susanna Lee (Leadership and Governance Collective), Associate Professor Claire Matthews and Dr Jeffrey Stangl (Massey)

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Local government

How AI adoption is expected to influence organisational culture

Enhanced collaboration tools and platforms

Adaptability and resilience through predictive analytics, strategic...

Increase data-driven measurement of organisational culture success...

Empowerment and autonomy

Shift towards more innovation and adaptability across roles

Employee concerns over job security

Reducing human bias in hiring, promotion and incentivisation

Monitoring staff (e.g. communications for wellness)

0   2   4   6   8   10   12   14   16

Based on selection frequency, CEOs adopting or considering AI expect its cultural impact to centre on enhancing collaboration tools and platforms, which could improve communication and teamwork. This is followed by an anticipated increase adaptability and resilience through predictive analytics and strategic scenario planning.

Summary of culture and its impact on various factors

Flexible working

Part-time workers

Working from home

Satisfy primary stakeholder

Service provision

Productivity

Attract/retain talent

Efficiency

Ethical choices

Taking calculated risk

Long term orientation

Compliance

Managing downside risks

AI users/considering use

Adoption of AI all

0% 10% 20% 30% 40% 50% 60% 70% 80% 90% 100%

- Large +ve Impact
- Moderate +ve Impact
- Small +ve Impact
- No impact
- Small -ve Impact
- Moderate -ve Impact
- Large -ve Impact

Blue shades indicate varying degrees of positive impact, grey is neutral, and yellow shades varying degrees of negative impact.

Authors: Susanna Lee (Leadership and Governance Collective),
Associate Professor Claire Matthews and Dr Jeffrey Stangl (Massey)

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