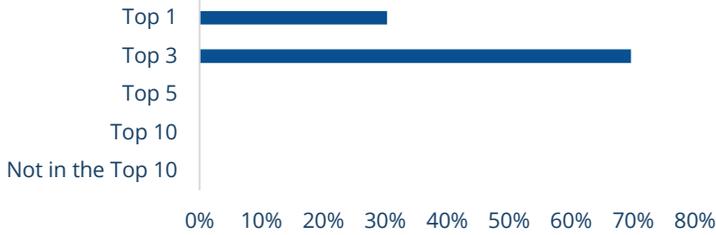


Value of organisational culture

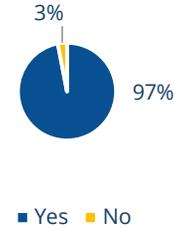
Culture's value relative to all organisational priorities



100% of CEOs consider culture to be among the top three factors that determine their organisation's value. This is 88% in the all company cohort.

Value of improving culture

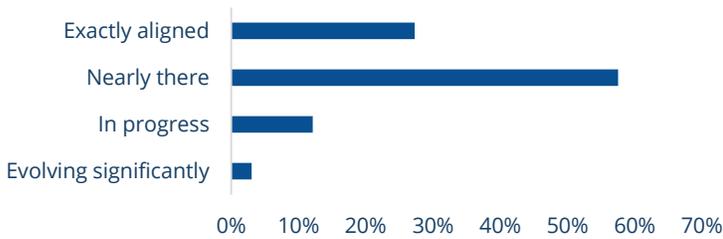
Improving culture will increase value to primary beneficiaries



97% of CEOs believe that improving their culture will increase their company value through productivity, profitability, or growth.

Current state of culture

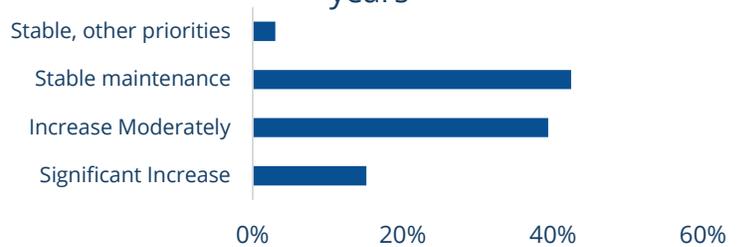
Strategy and organisational culture are



73% of CEOs say they need work on achieving ideal strategic alignment between culture and strategy.

Changes to culture

Expected culture efforts over next three years



100% of CEOs rank culture among their top 3 factors, 97% believe enhancing it increases value, and 54% plan to enhance culture.

Culture and strategy alignment: CEOs' perspectives on misalignment

Alignment of culture with strategy: agreement levels on key statements

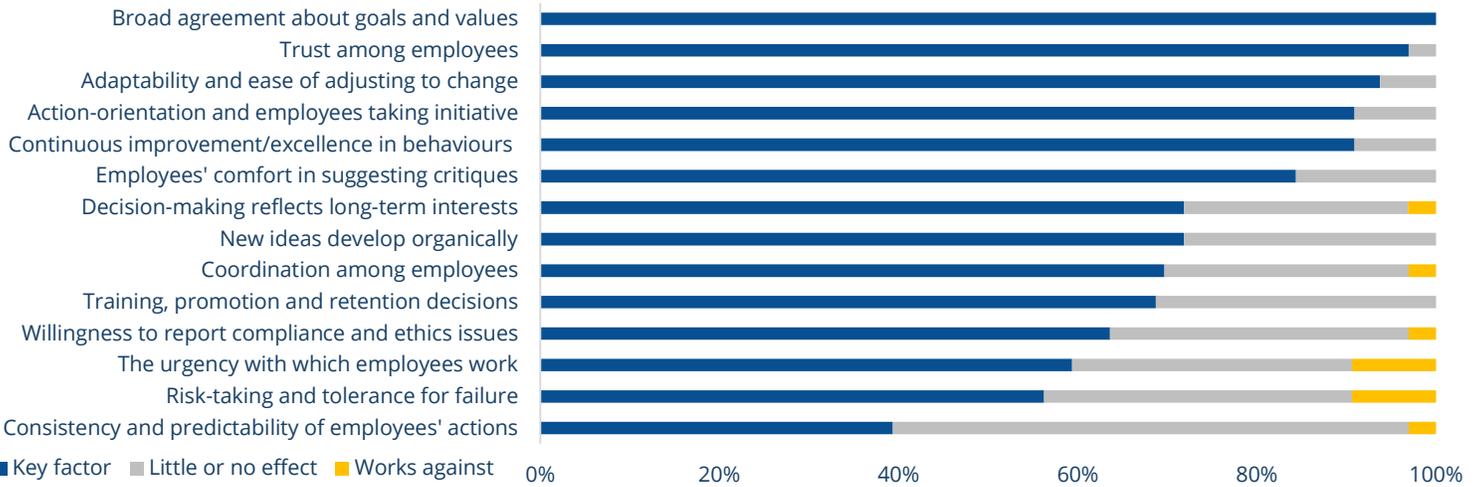


Among CEOs with misaligned culture and strategy, 96% work to align them. 75% attribute misalignment to evolving external and internal factors, while 54% note leadership needs to invest more time in culture or a stronger leadership capability is required (61%).

B corporation

Why is organisational culture important

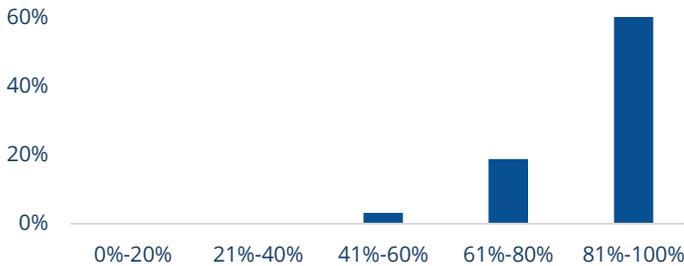
Key factors in determining the effectiveness of organisational culture



Broad agreement on goals and values is key for organisational culture effectiveness, alongside trust among employees, adaptability to change, action orientation, striving for continuous improvement and comfort in suggesting critiques.

Exhibit and understand culture

The percentage of employees that understand and exhibit their culture



For B Corps, only 22% of CEOs report that staff lack understanding or display behaviours contrary to the desired culture, compared to just under half of CEOs in the for-profit cohort.

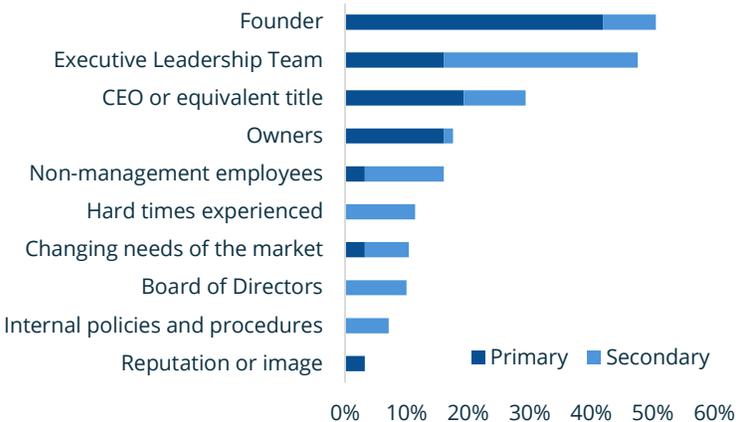
Identical M&A targets, one misaligned

Offers for culturally aligned vs. misaligned target

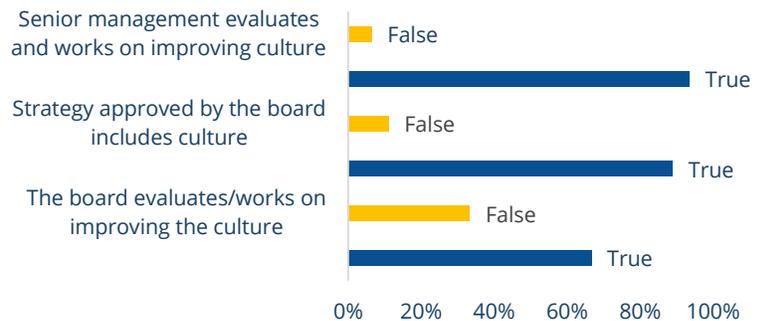


69% of B Corps would not make an offer on a culturally misaligned target compared to 50% of for-profits, the remaining 31% of B Corps would reduce an offer by 5-30%. None would make the same offer.

Most influential factor setting culture



Annual assessment of culture



The CEO, leadership, founders, and owners set and define culture, while the board can help reinforce the culture.

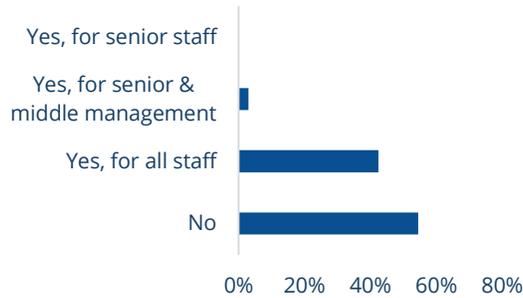
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Exemplifying values: performance reviews, discretionary pay, & promotion

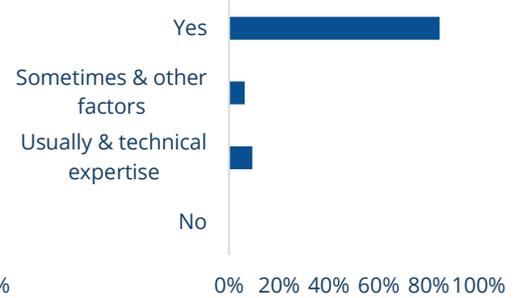
Employee behaviours reflect values included in performance reviews



Employee behaviour linked to discretionary pay



Behaviour a key criterion to advance to senior role



100% of organisations include whether employees exemplify their values in performance reviews, but only 45% link discretionary pay to exemplification of culture. 84% consider exemplifying values a key criterion for moving into senior management (vs 66%+ for-profits). In discussions with CEOs, many noted that these are some of the strongest signals regarding the priority and importance of behaviour.

Investment style

Project investment style



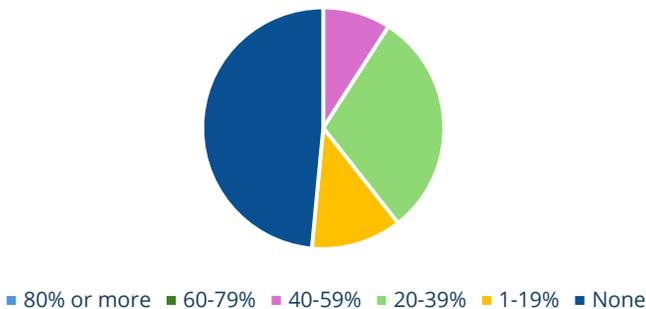
48% of CEOs prefer a growth or high-risk strategy compared to a stewardship approach. 75% agree that culture drives this decision.

Culture: risk, long-term and ethics



75%+ CEOs agree culture impacts long-term orientation, project investment style, how calculated risk is taken, and ethical behaviour.

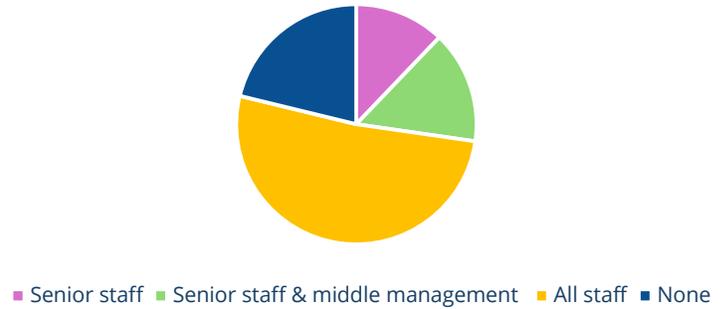
Short-term CEO incentives



CEOs noted that, while they are not motivated by monetary incentives, they see incentives as signals. Of the 48% investing with a growth style, half have STIs. B Corps have a larger portion of owner and founder CEOs who have natural alignment

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

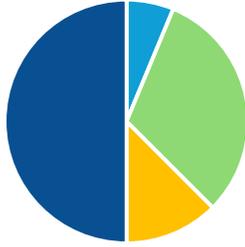
Short-term staff incentives



52% offer short-term incentives to all staff, 15% to senior staff and middle management, and 12% to senior staff. B Corps offer more STIs to staff compared to for-profits.

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Long-term leader incentives



■ 60% or more ■ 40-59% ■ 20-39% ■ 1-19% ■ No LTI

There is a variation in CEO LTIs, with 50% receiving no LTIs, while the most others fall into lower to mid-range percentages. B Corps have more founder leaders so many have ownership stakes in their companies creating natural motivation and alignment.

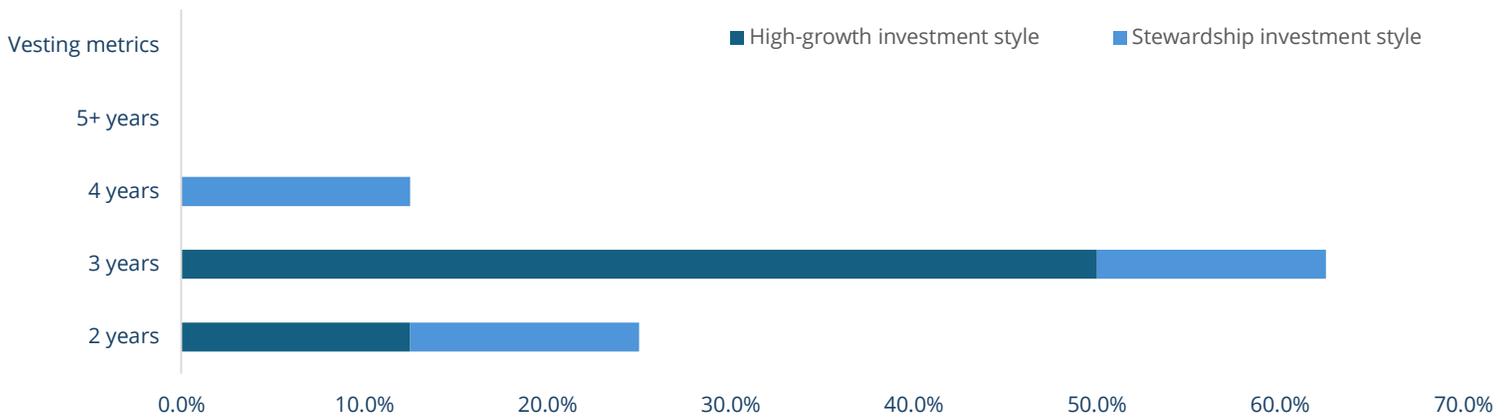
Long-term incentive vesting period



■ Vesting metrics ■ 2 years ■ 3 years ■ 4 years ■ 5+ years

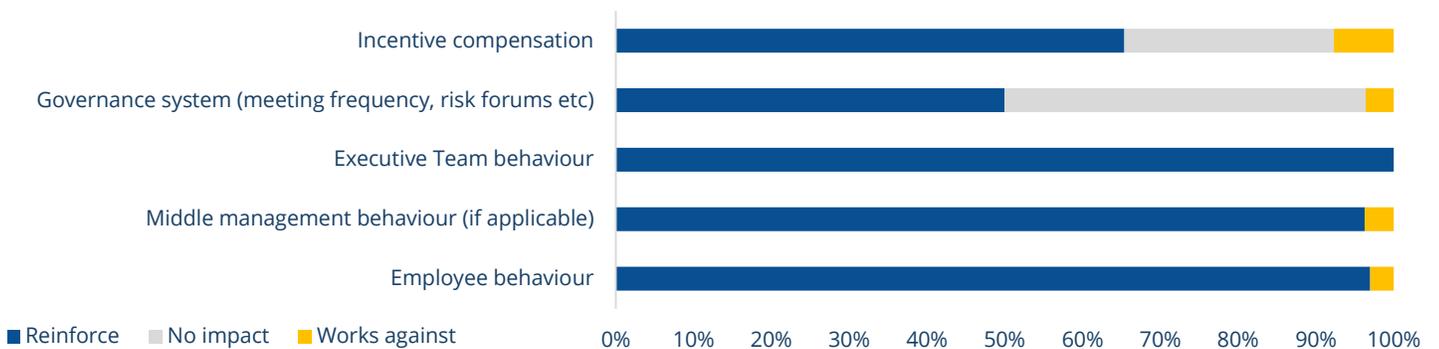
The most popular vesting period is 3 years (63%), 25% is linked to 2 years of performance. This is on the shorter end of long-term incentive options and can be useful for goal alignment and succession planning.

Long-term incentive vesting terms and their link to investment style



High-growth firms allocate a higher percentage of incentives overall to LTIs compared to stewardship-focused firms; this is more pronounced as high-growth firms make up 45% of total firms. This indicates that high-growth firms prioritise higher investment in LTIs.

Impact of various factors on organisational culture effectiveness

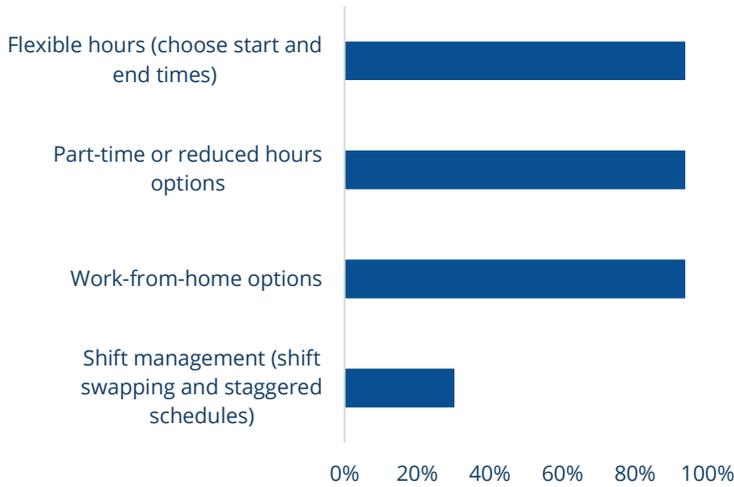


Leadership team behaviour is the strongest reinforcer of culture. However, in organisations where incentive compensation is relevant, its impact is more mixed, 65% view it as reinforcing, while 8% believe it works against organisational culture.

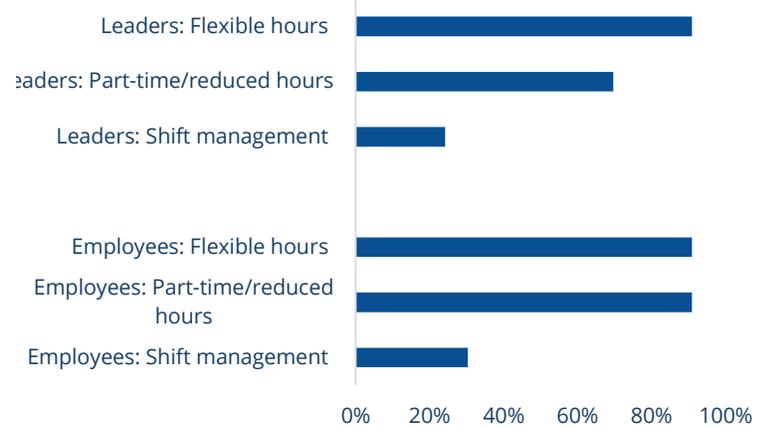
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Support for flexible work arrangements

Flexible work options provided



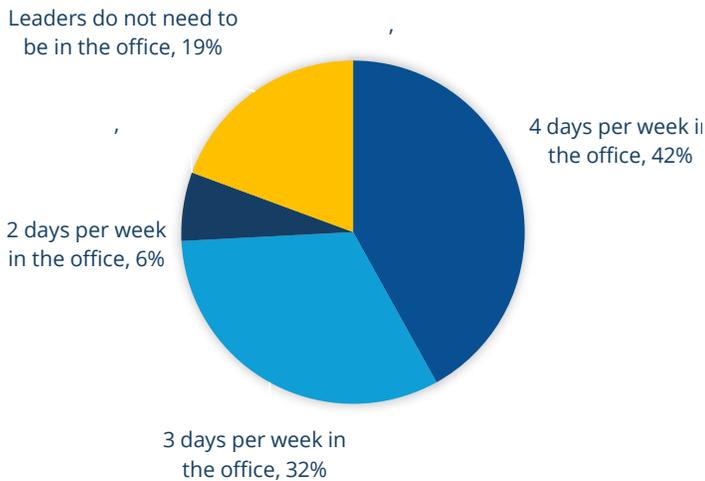
Flexible work arrangements



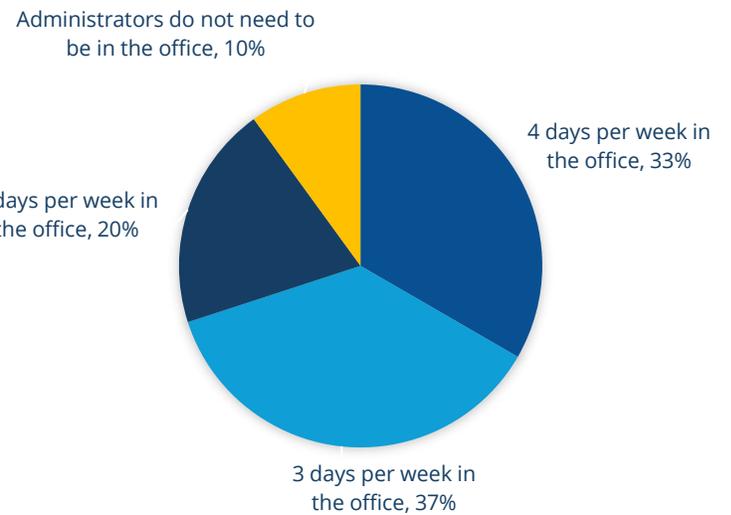
B Corp CEOs widely support flexible work arrangements. For employees, part-time or reduced hours and flexible hours are the most popular. Among leaders, flexible hours lead followed by part-time options. B Corps are more flexible on average than for-profits.

Optimal in-office days to support and nurture organisational culture

Leadership teams



Administrators

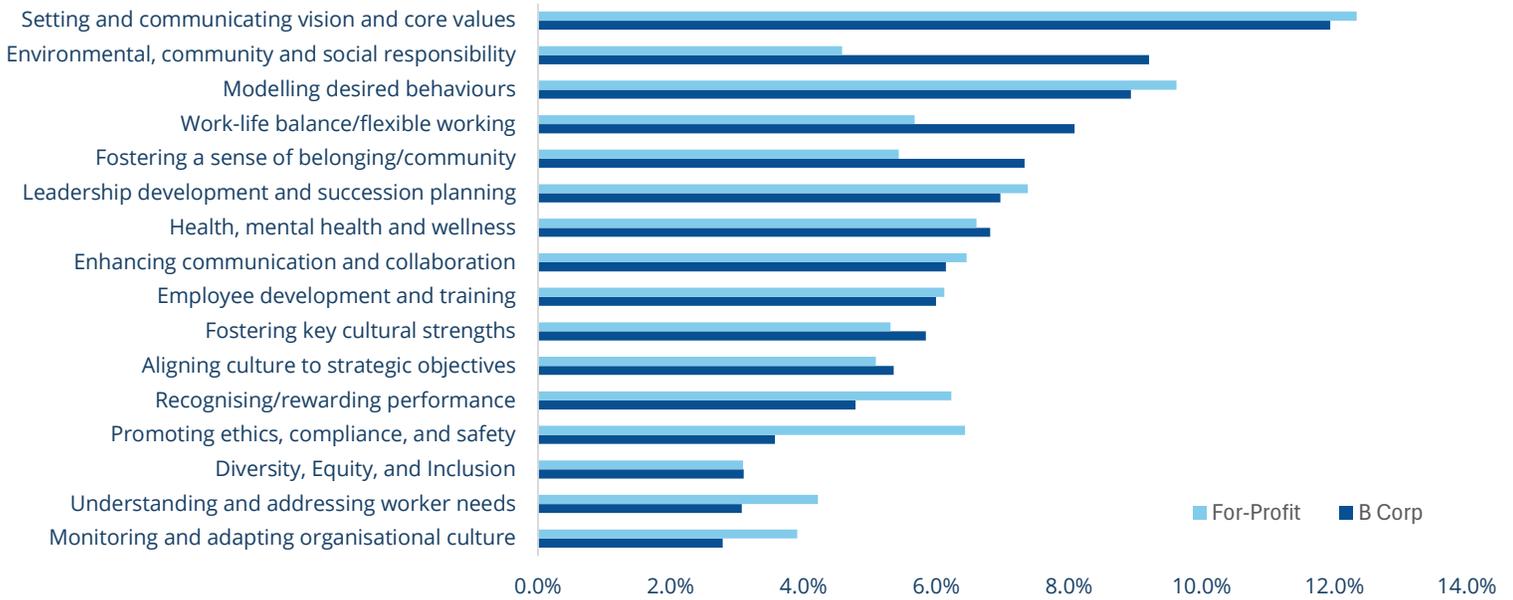


B Corps demonstrate greater flexibility in defining optimal in-office days to support and nurture organisational culture. None require 5 days per week, unlike for-profits, where 19% of CEOs prefer leadership teams and 13% prefer administrators to be in-office full-time. B Corps favour fewer in-office days, reflecting a more adaptable approach.

The preference for 4 in-office days among B Corp leadership teams, reflects an emphasis on leadership visibility that is seen across all research groups, including for-profit, not-for-profit, and local and central government. This contrasts with a preference for administrators of 3 in-office days, highlighting a more flexible approach for non-leadership roles.

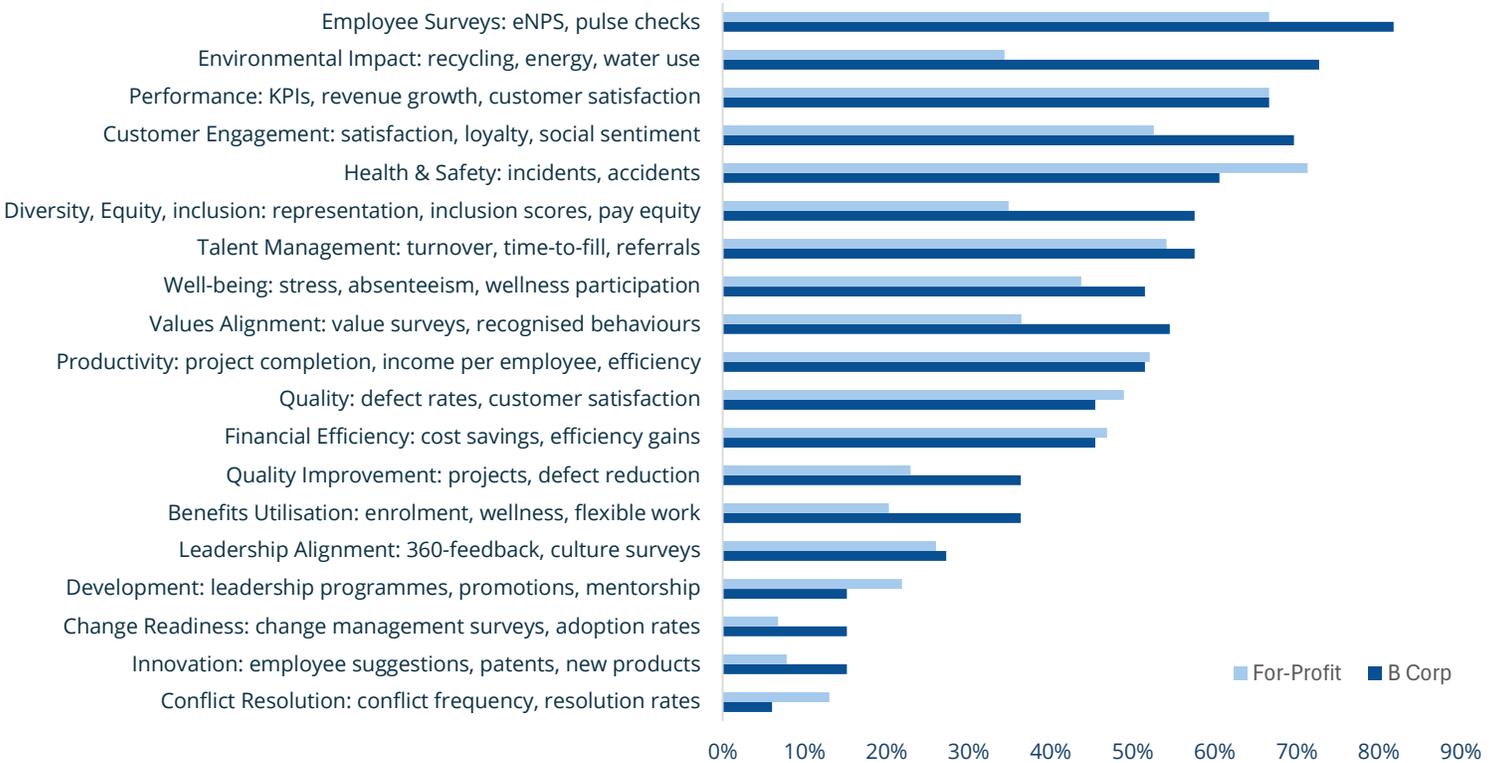
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How CEOs spend their time on organisational culture



B Corp and for-profit CEOs prioritise organisational culture differently. B Corps emphasise environmental, community, and social responsibility (9.2% vs 4.6%) and fostering a sense of belonging (7.3% vs 5.4%), reflecting values-driven approaches. They also focus more on work-life balance and flexible working (8.1% vs 5.7%).

How CEOs measure outcomes and value from organisational culture



B Corps and for-profits prioritise workplace metrics differently, reflecting their distinct organisational focuses. B Corps emphasise environmental stewardship (73% vs 34%) and diversity, equity, and inclusion (58% vs 35%) more strongly. They also lead in well-being metrics (52% vs 44%), employee surveys (82% vs 67%), benefits utilisation (36% vs 20%) and alignment with core values (55% vs 36%), showcasing a people-centric and values-driven approach.

B corporation

People-centric policies



B Corps surpass for-profits in adopting flexible work (88% vs 64%), diversity and inclusion (85% vs 59%), living wage (70% vs 45%), and family-friendly policies (73% vs 46%). They also lead in wellbeing policies (70% vs 55%). Both groups strongly enforce codes of conduct, with slightly higher adoption among B Corps (88% vs 82%).

Ethics centric policies and processes

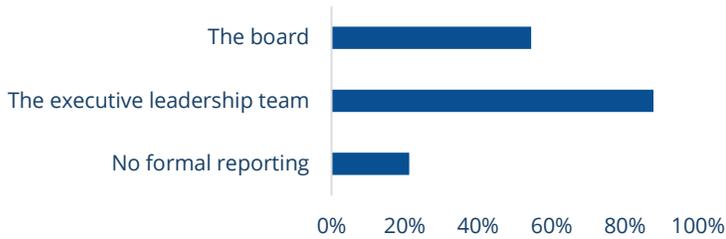


B Corps lead for-profits in promoting integrity (79% vs 69%), sustainability initiatives (85% vs 57%), and reinforcing ethical values (61% vs 47%). They excel in diversity and inclusion efforts (61% vs 39%) and focus more on "doing the right thing" (97% vs 81%). Both strongly implement codes of conduct, with B Corps leading (91% vs 76%).

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Formal channels for reporting culture Ability to invest in culture

Reporting recipients of culture measurement metrics



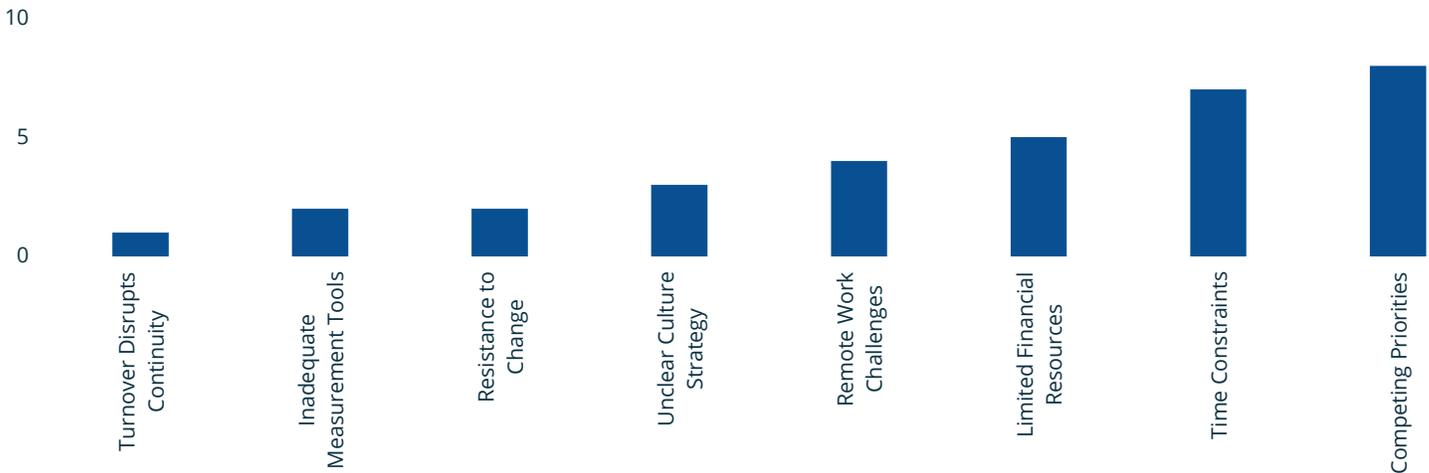
Culture metrics are primarily reported to executive leadership and the board, with 1/5 measuring it for internal use only.

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



73% of CEOs feel able to invest in organisational culture as much as needed to realise the value of their culture. A slightly higher amount than for-profits CEOs.

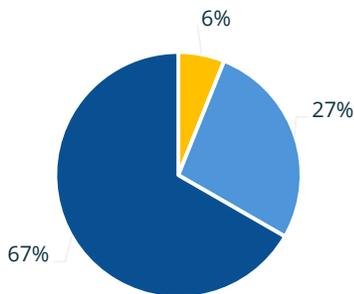
Barriers to investing in organisational culture to maximise value



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

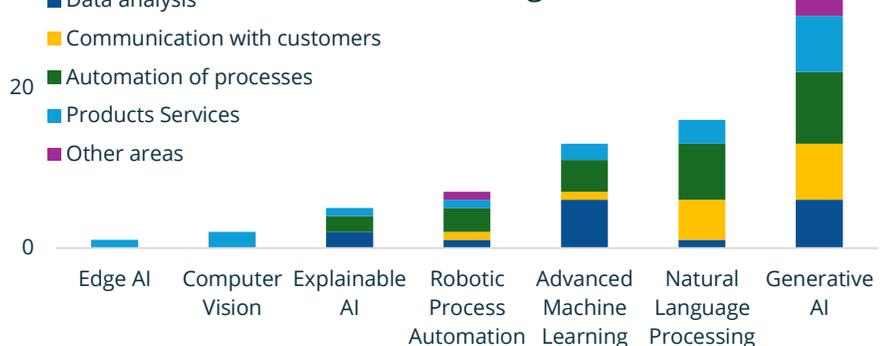
Applications of AI technologies across organisational functions

Organisations using AI



■ No ■ Something we are considering ■ Yes, currently

Investments in AI by function by those using and considering AI



Currently, 67% of B Corps use AI tools, with 27% considering adoption, reflecting higher AI investment compared to for-profits. Generative AI is the top focus area, followed by natural language processing.

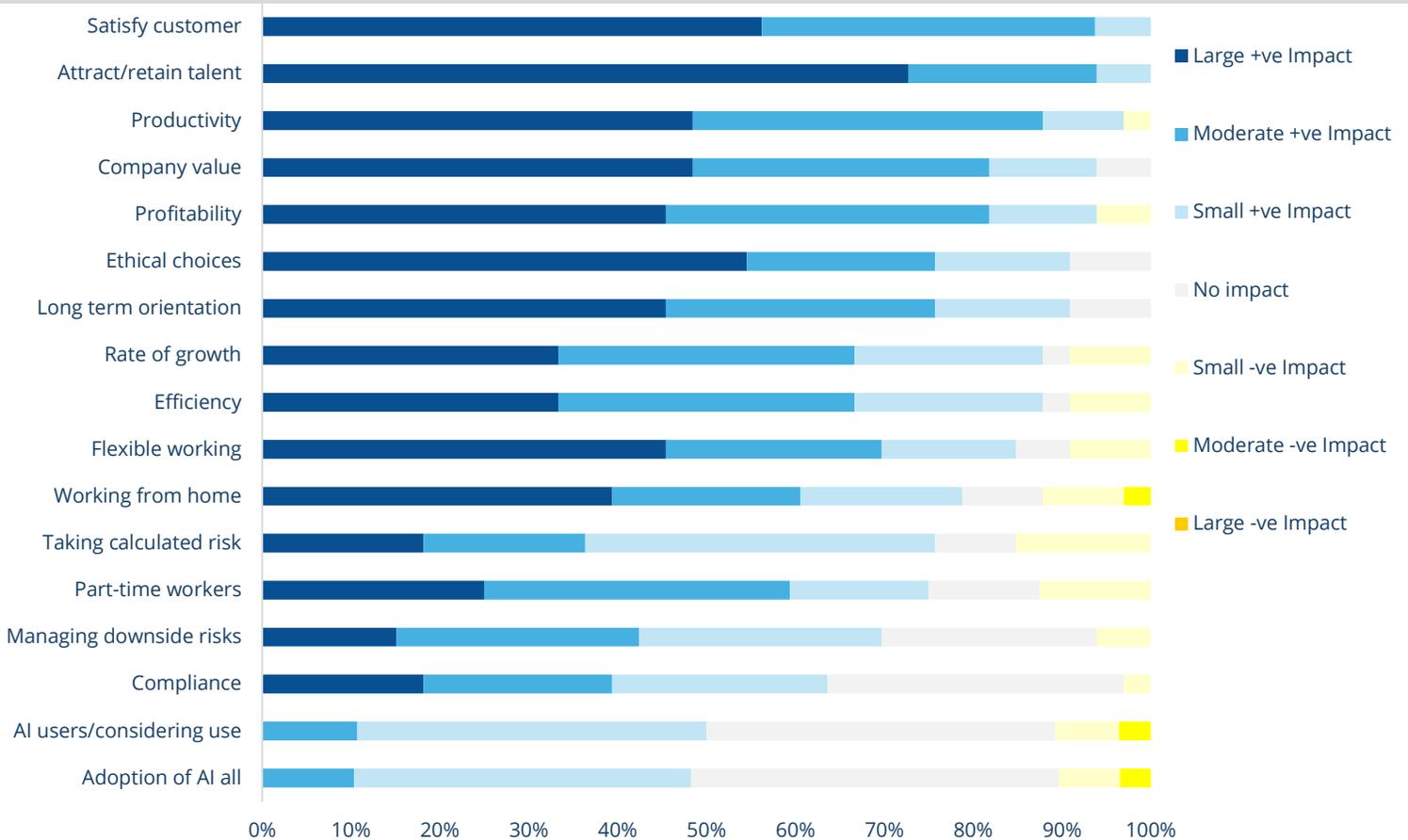
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How AI adoption is expected to influence organisational culture



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 in data-driven culture success measurement, likely leading to more informed decision-making based on productivity and performance.

Summary of culture and its impact on various factors



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