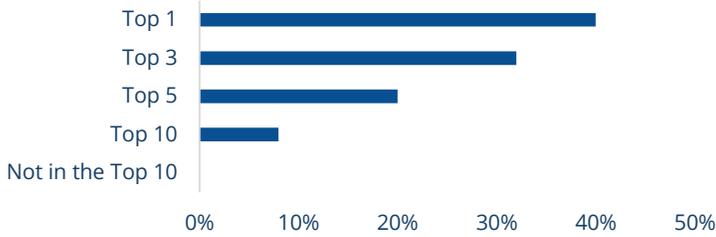


## Value of organisational culture

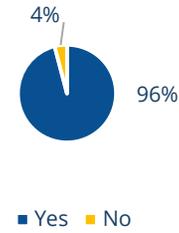
Culture's value relative to all organisational priorities



72% 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

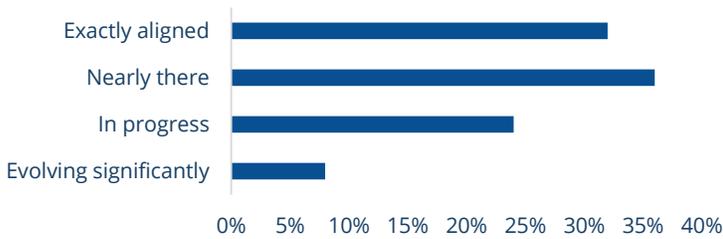
Improving culture will increase value to primary beneficiaries



96% of CEOs believe that improving their culture will increase their company value through productivity, profitability, or growth.

## Current state of culture

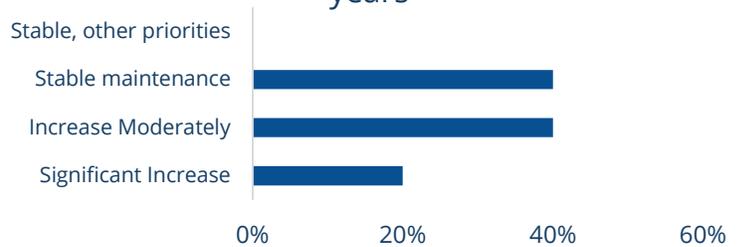
Strategy and organisational culture are



68% of CEOs say they need to do some work to achieve ideal strategic alignment between culture and strategy.

## Changes to culture

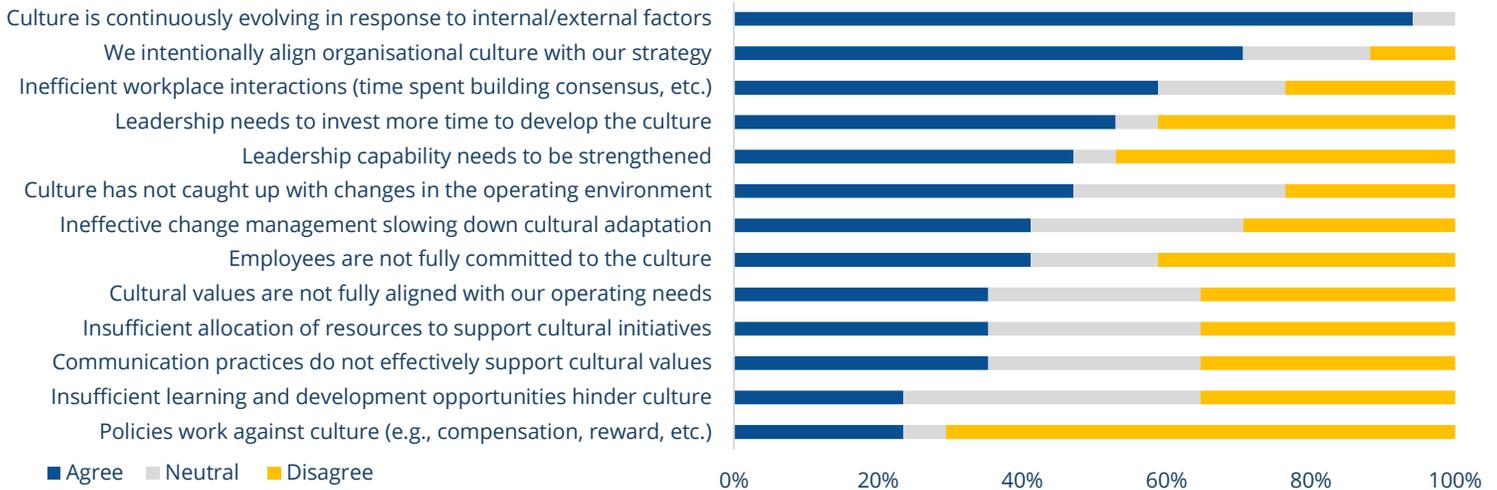
Expected culture efforts over next three years



70% of CEOs rank culture among their top 3 factors, 96% believe enhancing it increases value, and 60% plan to enhance culture.

## Culture and strategy alignment: CEOs' perspectives on misalignment

Alignment of culture with strategy: agreement levels on key statements

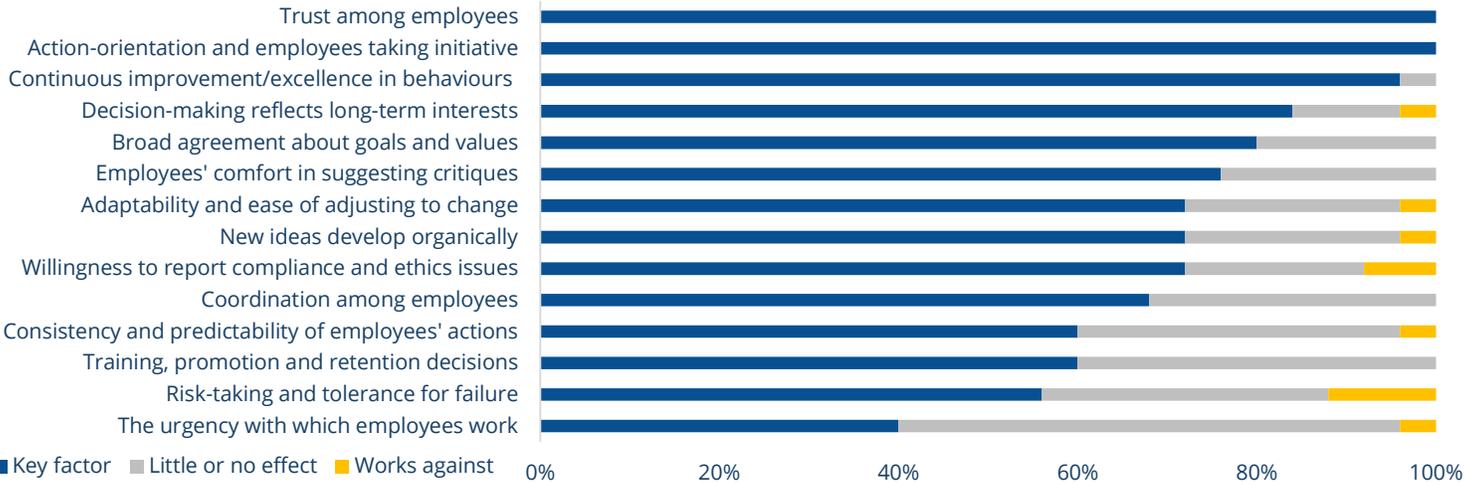


Among CEOs with misaligned culture and strategy, 71% work to align them. 94% attribute misalignment to evolving external and internal factors, while 59% note leadership needs to invest more time in culture and a further 53% cite inefficient workplace interactions.

# Publicly listed company

## Why is organisational culture important

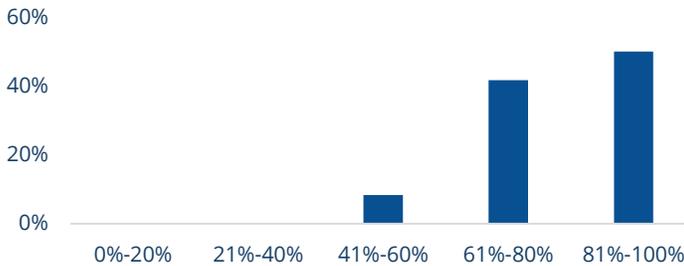
### Key factors in determining the effectiveness of organisational culture



Trust among employees and action orientation are the most critical factors in organisational culture effectiveness, closely followed by continuous improvement in behaviours, decision-making aligns with long-term interests, and broad agreement on goals and values.

## Exhibit and understand culture

### The percentage of employees that understand and exhibit their culture



For listed companies, 50% of CEOs report staff lack understanding or display behaviours contrary to the desired culture, compared to just over half of CEOs in the for-profit cohort.

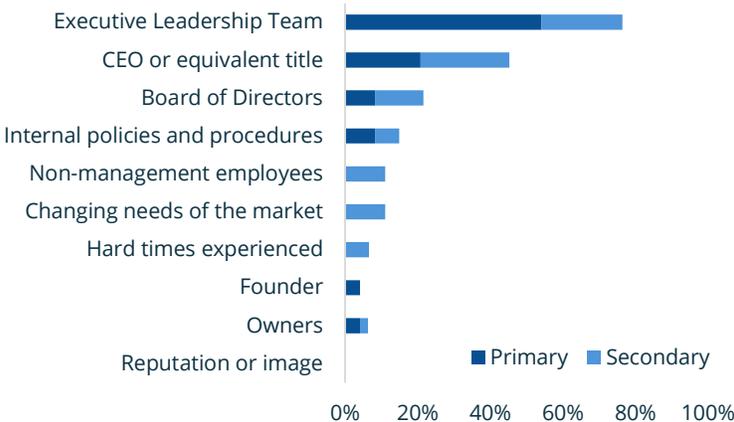
## Identical M&A targets, one misaligned

### Offers for culturally aligned vs. misaligned target

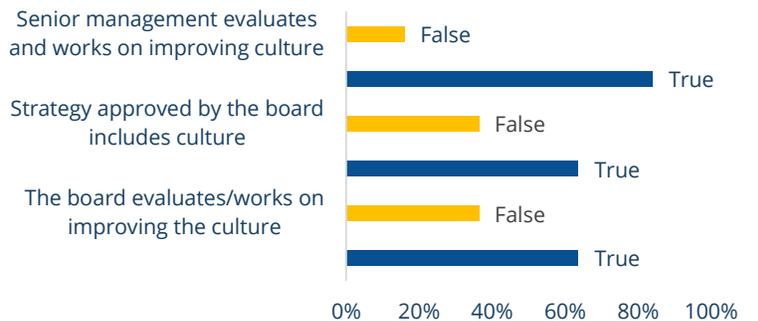


29% of listed companies would not make an offer on a misaligned target versus to 46% of for-profits. A further 58% of listed companies would reduce an offer by 10-30%, and only 4% would offer the same.

## Most influential factor setting culture



## Annual assessment of culture



The CEO and leadership sets and defines culture, while the board can help reinforce the culture.

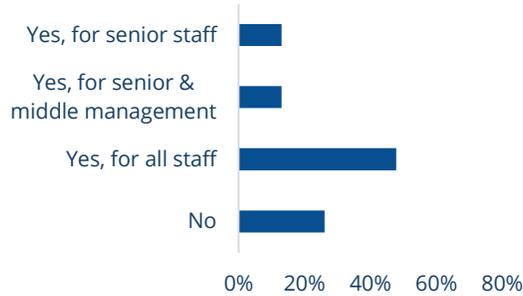
# Publicly listed company

## Exemplifying values: performance reviews, discretionary pay, & promotion

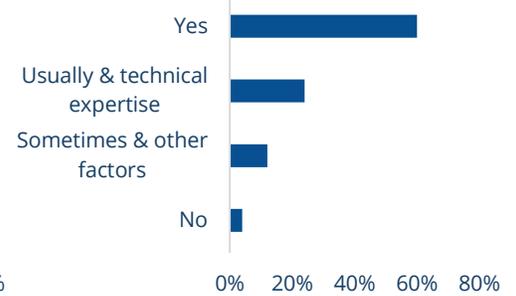
Employee behaviours reflect values included in performance reviews



Employee behaviour linked to discretionary pay



Behaviour a key criterion to advance to senior role



96% of organisations include whether employees exemplify their values in performance reviews, 74% (compared to 62% of for-profits) link a culture measure of discretionary pay to performance. 60% consider exemplifying values a primary criterion for moving into senior management (vs 66%+ for-profits). Listed company CEOs send strong signals regarding the priority and importance of values and behaviour.

## Investment style

Project investment style



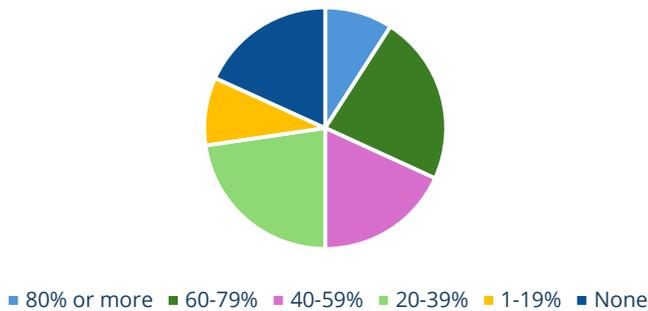
45% of CEOs prefer a growth or high-risk strategy compared to a stewardship approach. 64% agree that culture drives this decision.

## Culture: risk, long-term and ethics



79%+ CEOs agree culture impacts long-term orientation, how calculated investment 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. 18% of CEOs from listed companies have no STI, compared to 39% of for-profits creating greater alignment between compensation and goals.

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

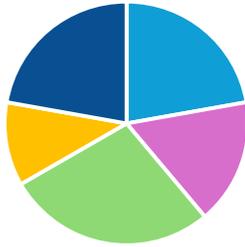
## Short-term staff incentives



32% offer short-term incentives to all staff, 24% to senior staff and middle management, and 28% to senior staff. Listed companies offer more STIs to senior and middle management versus for-profits.

# Publicly listed company

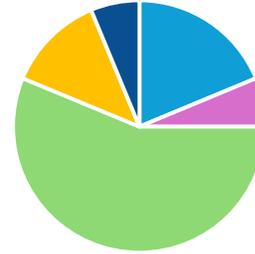
## Long-term leader incentives



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

22% of CEOs receive an LTI that is 60% or more of their compensation package, 17% fall in the 40–59% range, 28% in the 20–39% range, 11% in the 1–19% range, and 22% receive no LTI. Listed company CEOs receive more LTIs than for-profit peers.

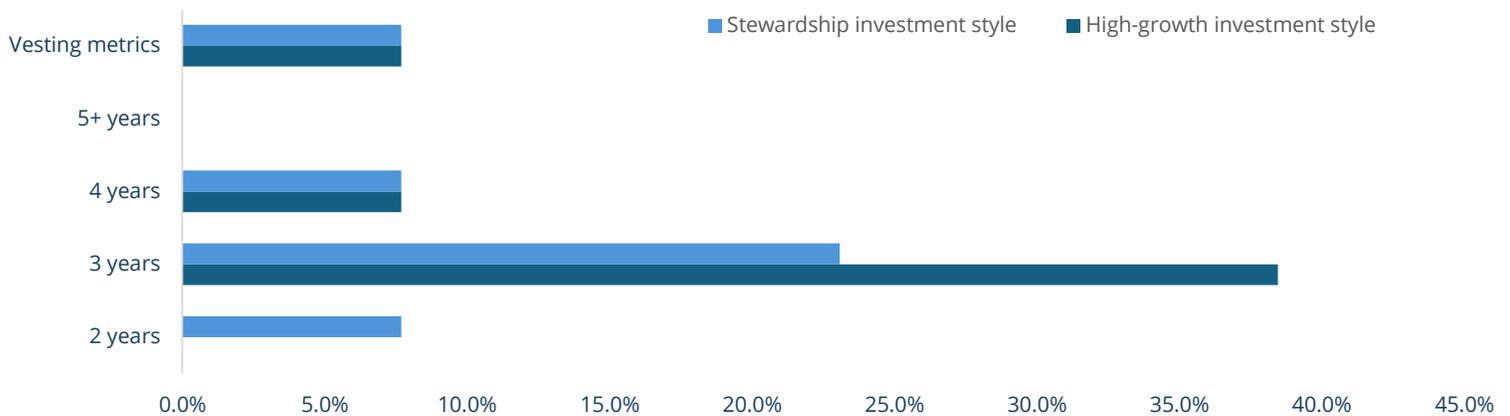
## Long-term incentive vesting period



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

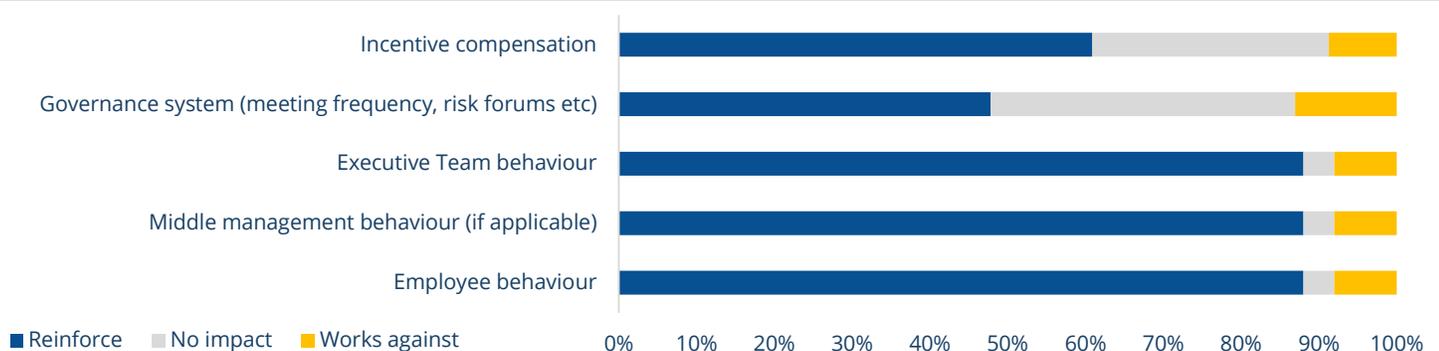
CEO vesting periods are mostly 3 years (69%), with 23% tied to specific performance metrics, 15% lasting 4 years, 8% extending to 5+ years, and another 8% 2 years or less. Listed company CEOs receive LTIs with slightly shorter vesting period than for-profit peers.

## 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 the total firms. This suggests that high-growth firms strategically invest more in LTIs.

## Impact of various factors on organisational culture effectiveness

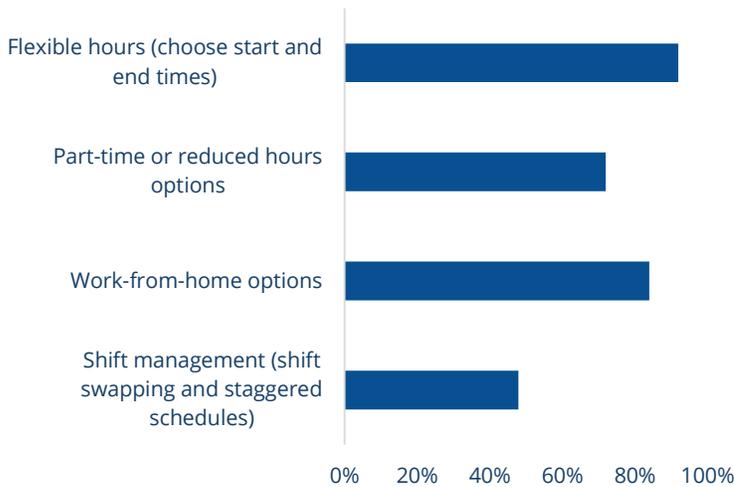


Leadership, middle management, and employee behaviour are the strongest reinforcers of culture. While the governance system impact is mixed, 48% view it as reinforcing, while 13% believe it works against organisational culture.

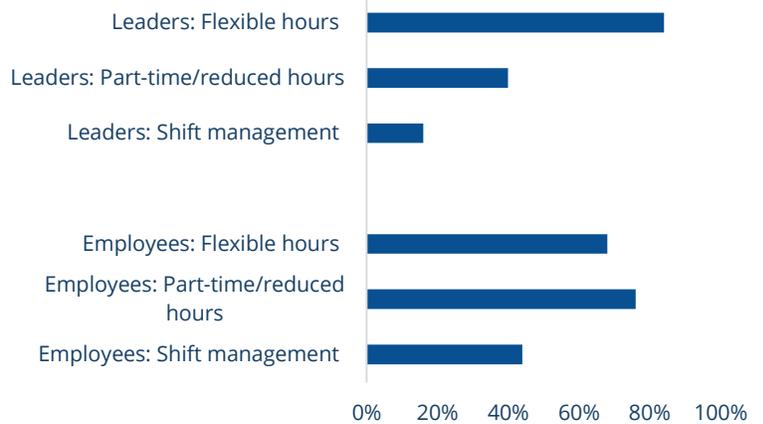
# Publicly listed company

## Support for flexible work arrangements

Flexible work options provided



Flexible work arrangements



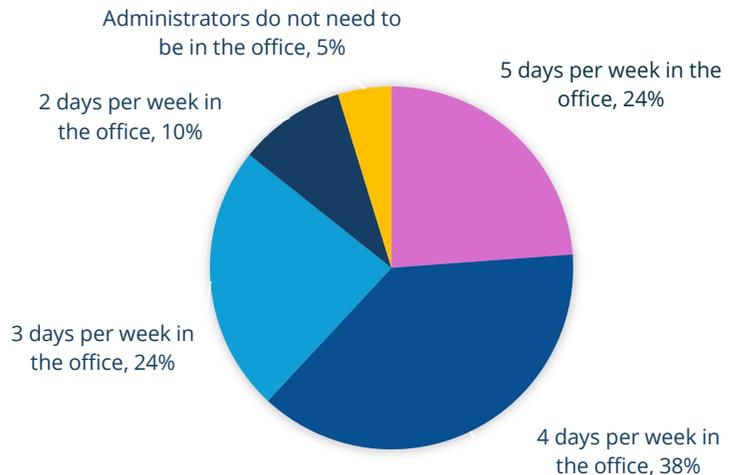
Listed company CEOs widely support flexible work arrangements. For employees, part-time or reduced hours are most popular, followed by flexible hours. Among leaders, flexible hours lead. 92% support flexible hours, and 84% support work-from-home options.

## Optimal in-office days to support and nurture organisational culture

Leadership teams



Administrators



Listed companies demonstrate less flexibility in defining optimal in-office days to support and nurture organisational culture. Around one-quarter prefer a five-day workweek; in contrast, for-profit organisations report less than one-fifth with this preference. 29% of CEOs prefer their leadership team to work a five-day week, more than administrators (24%), likely due to visibility requirements. Conversely, 10% of CEOs feel leaders do not need to be in the office, compared to 5% of administrators, reflecting leaders' greater flexibility and autonomy. Listed companies have less flexible preferences for in-office days, likely to support and nurture organisational culture, than for-profit organisations.

# Publicly listed company

## How CEOs spend their time on organisational culture



CEOs of listed companies spend more time on setting and communication core goals and values, modelling desired behaviours, and recognising and rewarding performance while for-profit CEOs focus more on leadership development and flexible working.

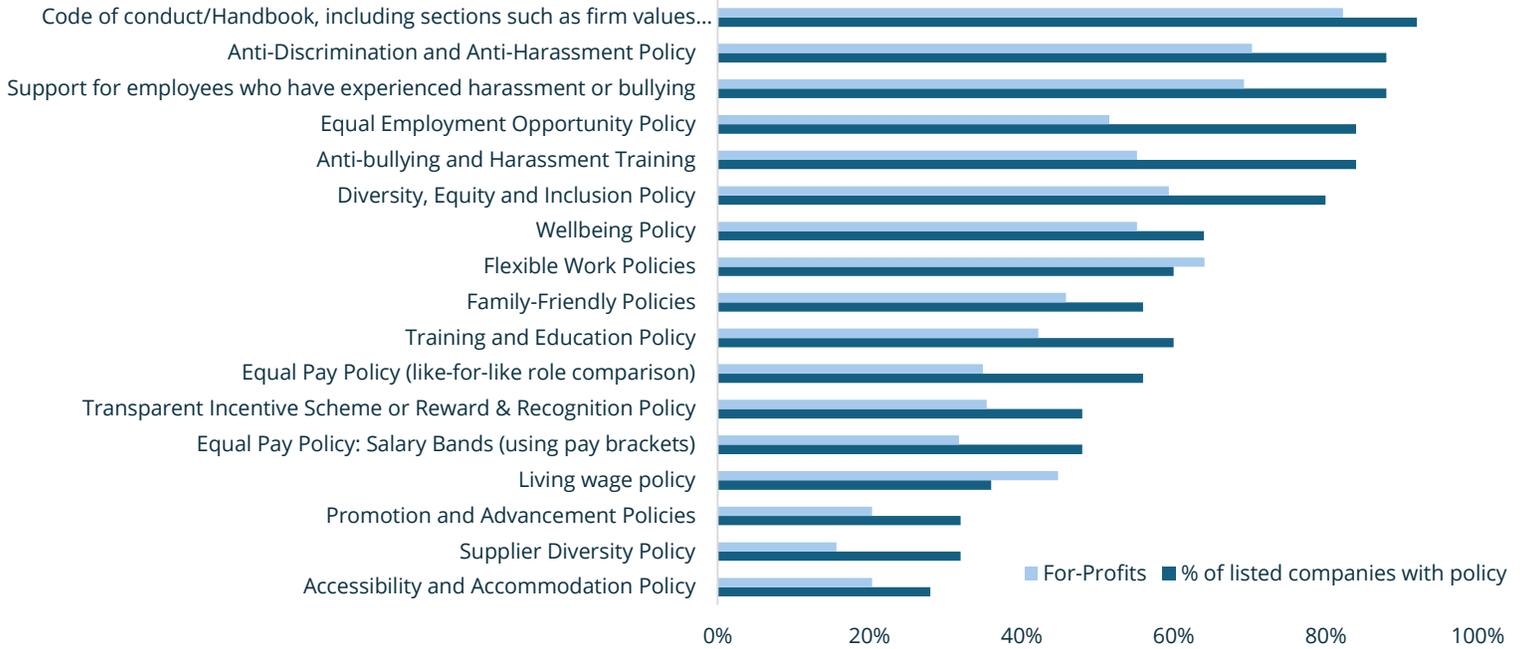
## How CEOs measure outcomes and value from organisational culture



CEOs of listed companies tend to measure outcomes and value from organisational culture with a stronger focus on metrics like financial efficiency, diversity, equity, and inclusion, customer engagement, talent management, and development, while for-profits focus more on immediate business outcomes such as productivity and quality, as well as environmental impact.

# Publicly listed company

## People-centric policies



Listed companies generally have more people-centric policies, including those related to diversity, equity, and inclusion (80% vs 59%), anti-bullying and harassment training (84% vs 55%), and support for employees who have experienced harassment or bullying, compared to for-profits. However, for-profit companies are more likely to have a living wage policy and flexible work policies.

## Ethics centric policies and processes

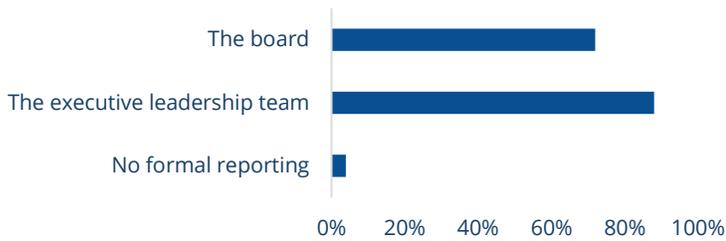


Listed companies have more structured ethics policies than for-profits, with a stronger focus on codes of conduct (92% vs 76%), doing the right thing (84% vs 81%), sustainability (68% vs 57%), and diversity, equity, and inclusion (68% vs 39%). This highlights their emphasis on formal ethical policies and long-term organisational values.

# Publicly listed company

## Formal channels for reporting culture Ability to invest in culture

Reporting recipients of culture measurement metrics



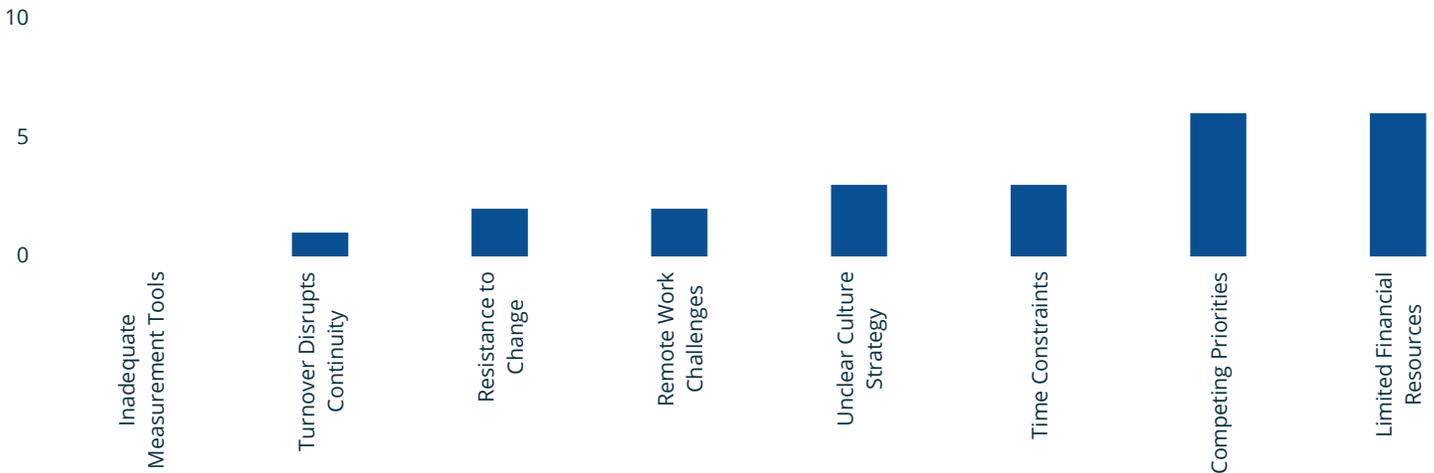
Culture metrics are primarily reported to executive leadership and the board, with 4% measuring it for internal use only.

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



64% of CEOs feel able to invest in organisational culture as much as needed to realise the value of their culture. Slightly higher than for-profits.

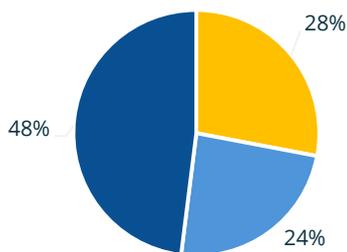
## Barriers to investing in organisational culture to maximise value



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

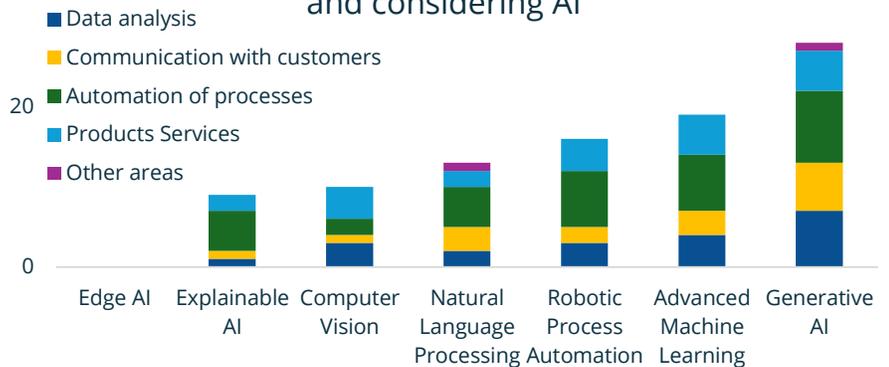
## Applications of AI technologies across organisational functions

Organisations using AI



■ No ■ Something we are considering ■ Yes, currently

Investments in AI by function by those using and considering AI



Currently, 48% of listed companies use AI tools, with 24% considering adoption, reflecting a slightly lower AI investment compared to for-profits. Generative AI is the top focus area, followed by advanced machine learning.

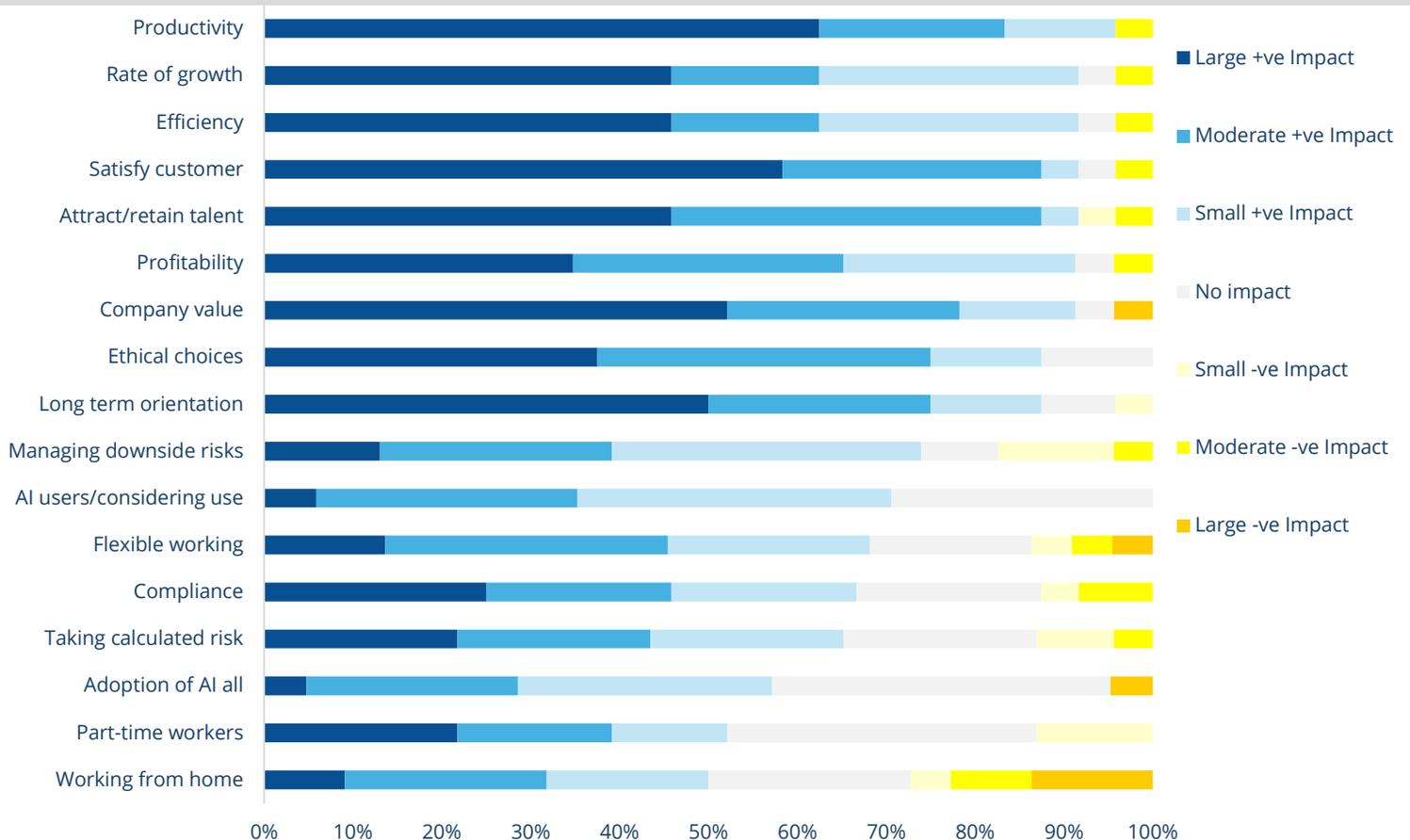
# Publicly listed company

## 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.