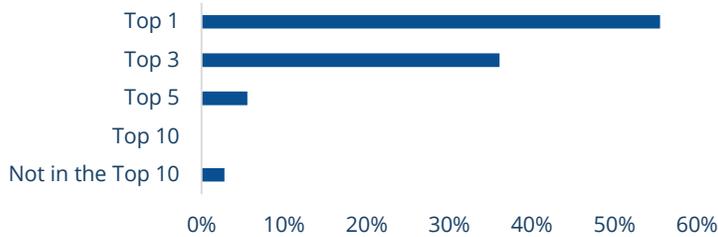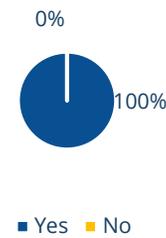## Value of organisational culture

Culture's value relative to all organisational priorities

92% of CEOs consider culture to be among the top three factors that determine their organisation's value.

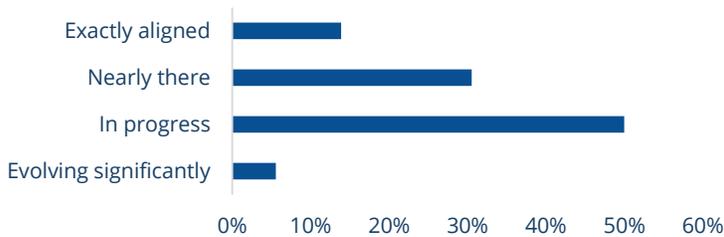## Value of improving culture

Improving culture will increase value to primary beneficiaries

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

86% 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
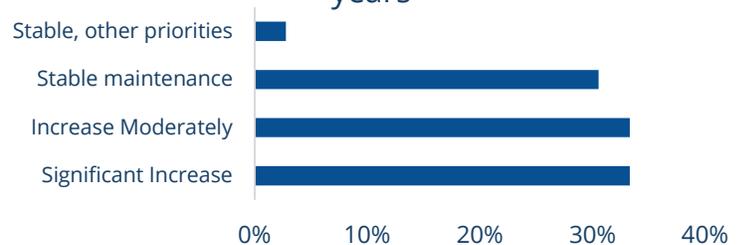
92% of CEOs rank culture among their top 3 factors, 100% believe enhancing it increases value, and 66% plan to enhance culture.

Culture and strategy alignment: CEOs' perspectives on misalignment

Alignment of culture with strategy: agreement levels on key statements
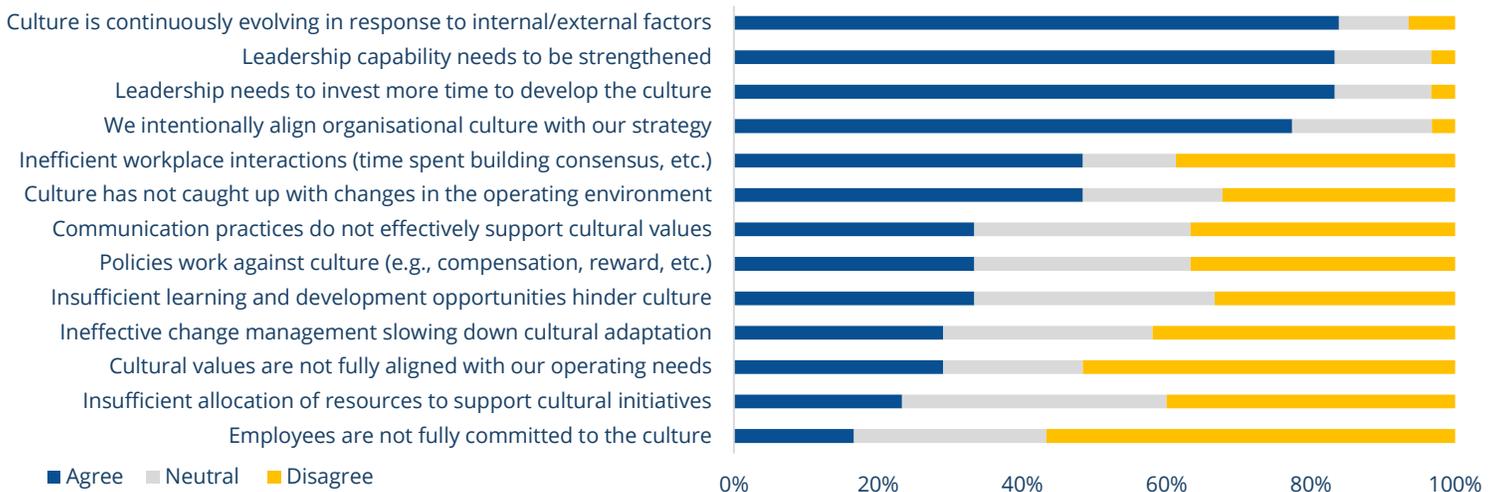
77% of CEOs work to align their culture and strategy. 84% attribute misalignment to evolving external and internal factors, while 83% note their leadership capability needs strengthening, and a further 83% agree leadership needs to invest more time in culture.

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

Public Sector

Why is organisational culture important

Key factors in determining the effectiveness of organisational culture

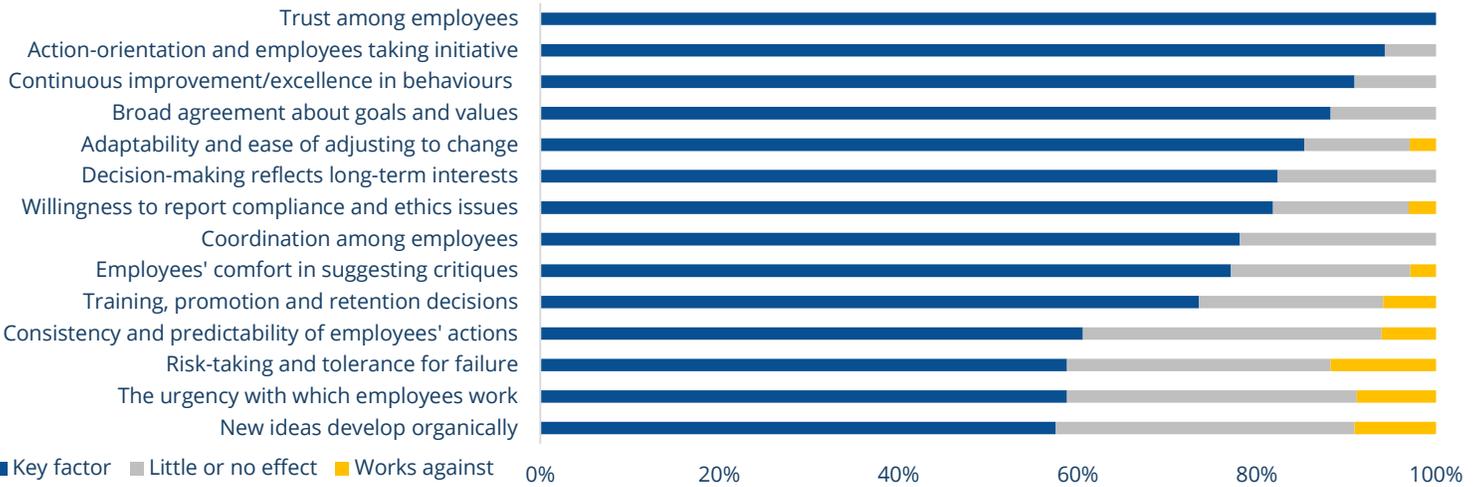|	Key factor	Little or no effect	Works against
Trust among employees			
Action-orientation and employees taking initiative			
Continuous improvement/excellence in behaviours			
Broad agreement about goals and values			
Adaptability and ease of adjusting to change			
Decision-making reflects long-term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

■ 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, 12% note that risk-taking and tolerance for failure hinder cultural effectiveness.
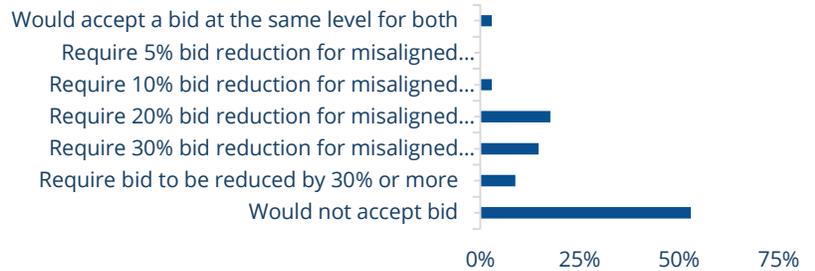
Exhibit and understand culture

The percentage of employees that understand and exhibit their culture

Categories: 0%-20%, 21%-40%, 41%-60%, 61%-80%, 81%-100%
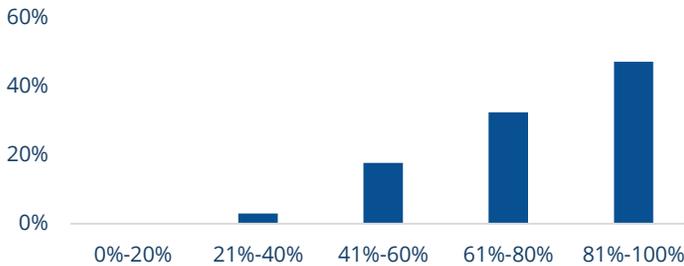
53% of public sector CEOs report staff lack understanding or display behaviours contrary to the desired culture.

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

53% of public sector would not accept an offer from the culturally misaligned partner and a further 44% require a reduction between 10% and more than 30%.

Most influential factor setting culture

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

■ Primary ■ Secondary
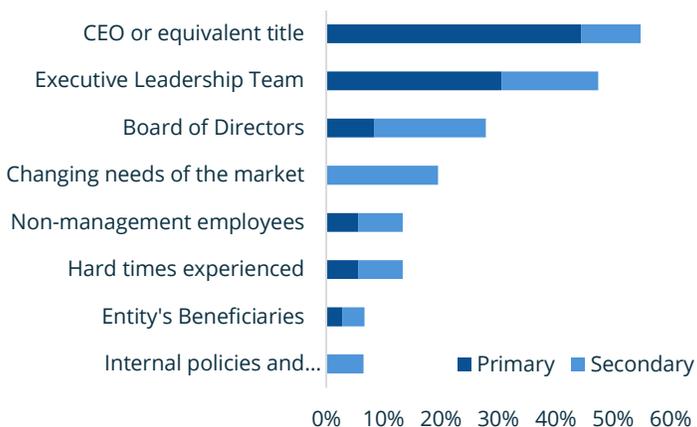
Annual assessment of culture

- 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
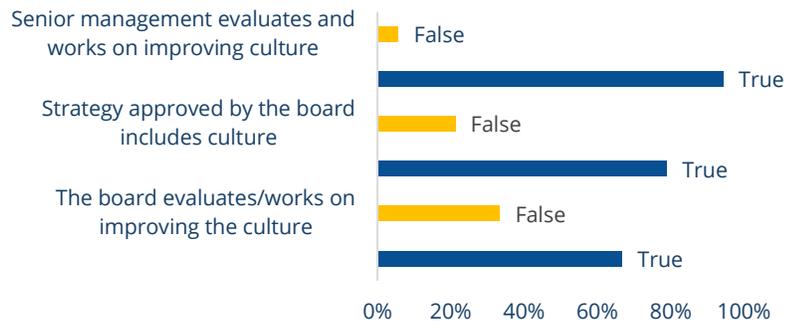
The CEO and leadership team sets and defines culture, while the board helps reinforce the culture.

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

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Public Sector

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%
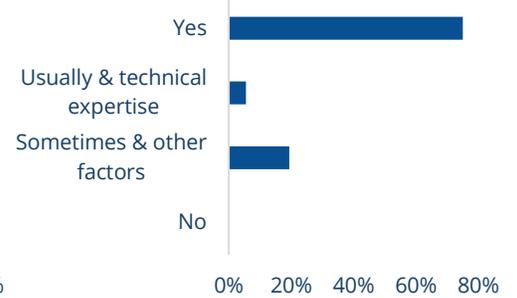
100% of organisations include whether employees exemplify their values in performance reviews, 33% link a culture measure of discretionary pay to performance. 75% require exemplifying values as a criterion for moving into senior management. Central government CEOs send strong signals regarding the priority and importance of values and behaviours in performance reviews and promotion decisions.

Investment style

Project investment style

- Growth Higher Risk Strategy
- Stewardship Strategy

58% of CEOs prefer a growth or high-risk strategy compared to a stewardship approach. 81% 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%
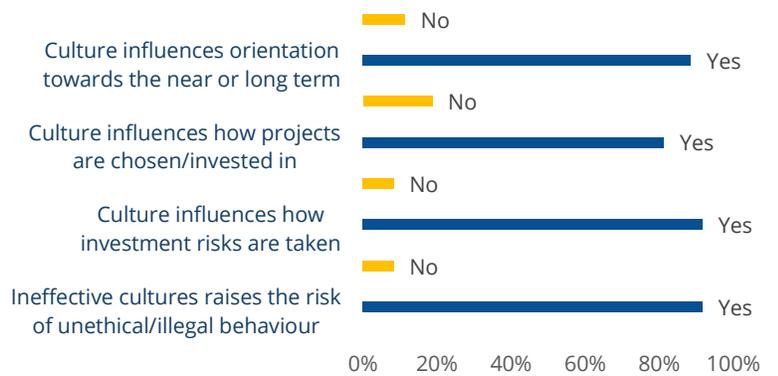
85%+ CEOs agree culture impacts long-term orientation, how calculated investment risk is taken, and ethical behaviour.

Short-term CEO incentives

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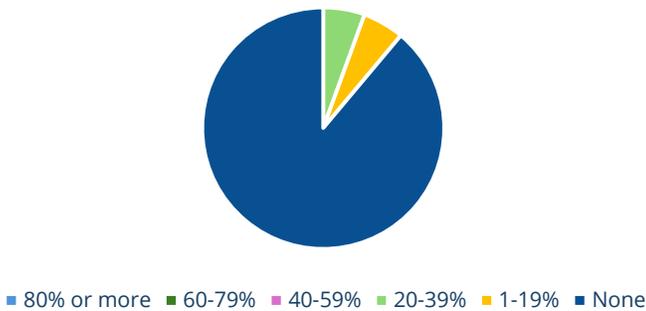
CEOs noted that, while they are not motivated by monetary incentives, they see incentives as signals. 89% of CEOs from public sector have no STI, which allows for greater alignment between compensation and organisational goals.

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
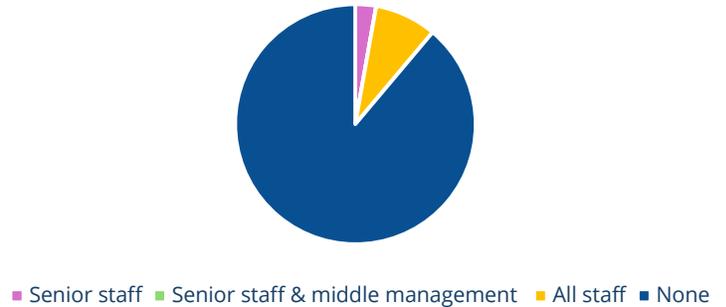
11% offer STIs to all staff. Staff incentives align with those of leaders. While aligning incentives with strategy can signal support for the 58% with a growth approach, it is not always feasible for this sector.

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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. 36% of CEOs say incentive compensation detracts from culture, and only 54% say the governance system reinforces culture.

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%

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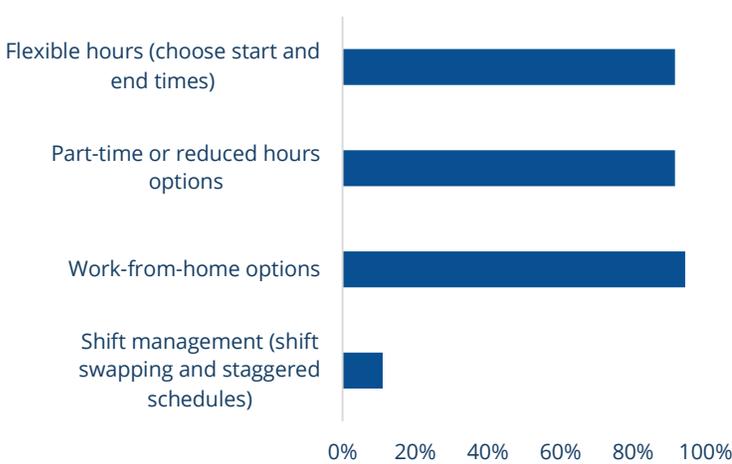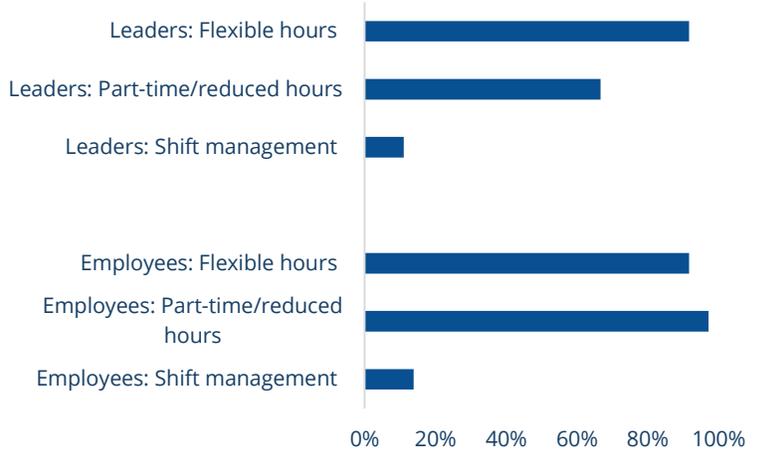
Public sector CEOs broadly support flexible work arrangements. While all CEOs allow some working from home and flexible hours across their organisations, part-time or reduced hours are less common among leaders.

Optimal in-office days to support and nurture organisational culture

Leadership teams

Leaders do not need to be in the office, 3%
2 days per week in the office 9%
3 days per week in the office, 9%
5 days per week in the office, 6%
4 days per week in the office, 74%

Administrators

Administrators do not need to be in the office 9%
2 days per week in the office, 9%
5 days per week in the office, 9%
3 days per week in the office, 32%
4 days per week in the office, 41%
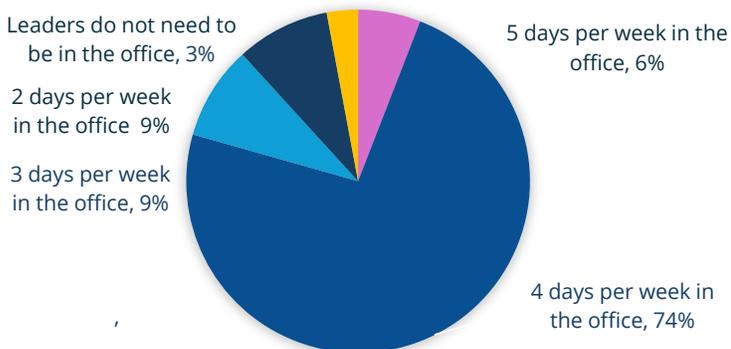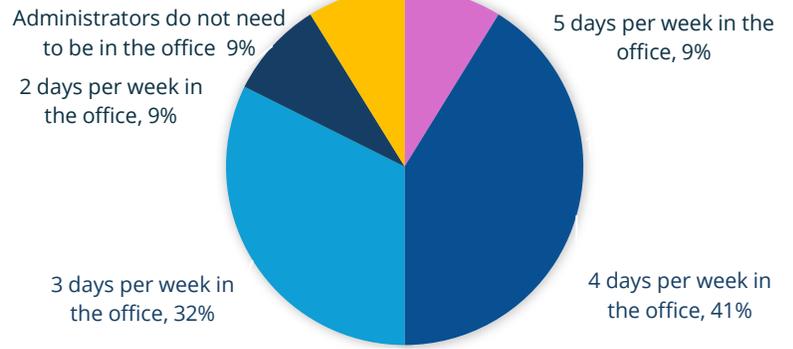
CEOs consider optimal in-office days to support and nurture organisational culture among their leadership teams to be 4 days per week (64%), emphasising the need for greater visibility of leadership, while for administrators, 3-4 days per week is preferred.

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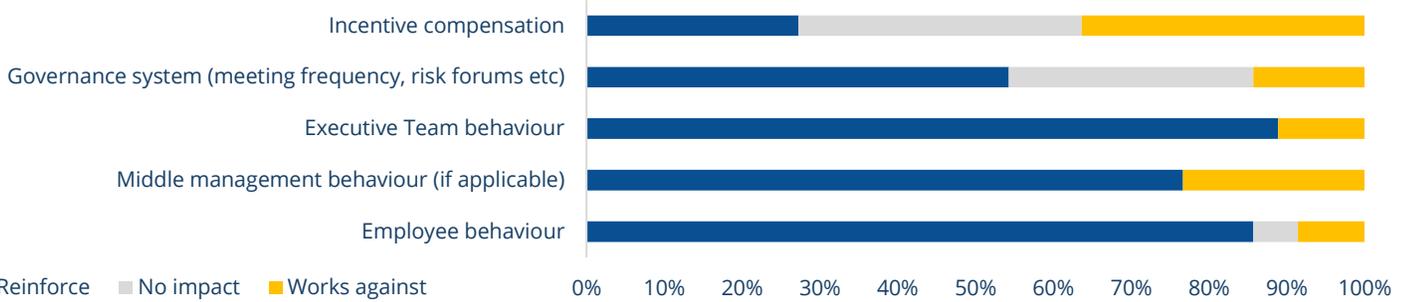Associate Professor Claire Matthews and Dr Jeffrey Stangl (Massey)

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How CEOs spend their time on organisational culture

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

Legend: Large NFP, Public Sector

In the public sector, CEOs prioritise modelling desired behaviours (14.7%, compared to 11.6% in large NFPs) and setting and communicating vision and core values (14.1% vs 12.4%) as key drivers of organisational culture. Significant attention is also given to work-life balance (6.8% vs 3.2%), reflecting a much stronger emphasis than in NFPs, while aligning culture to strategy is less prioritised.

How CEOs measure outcomes and value from organisational culture

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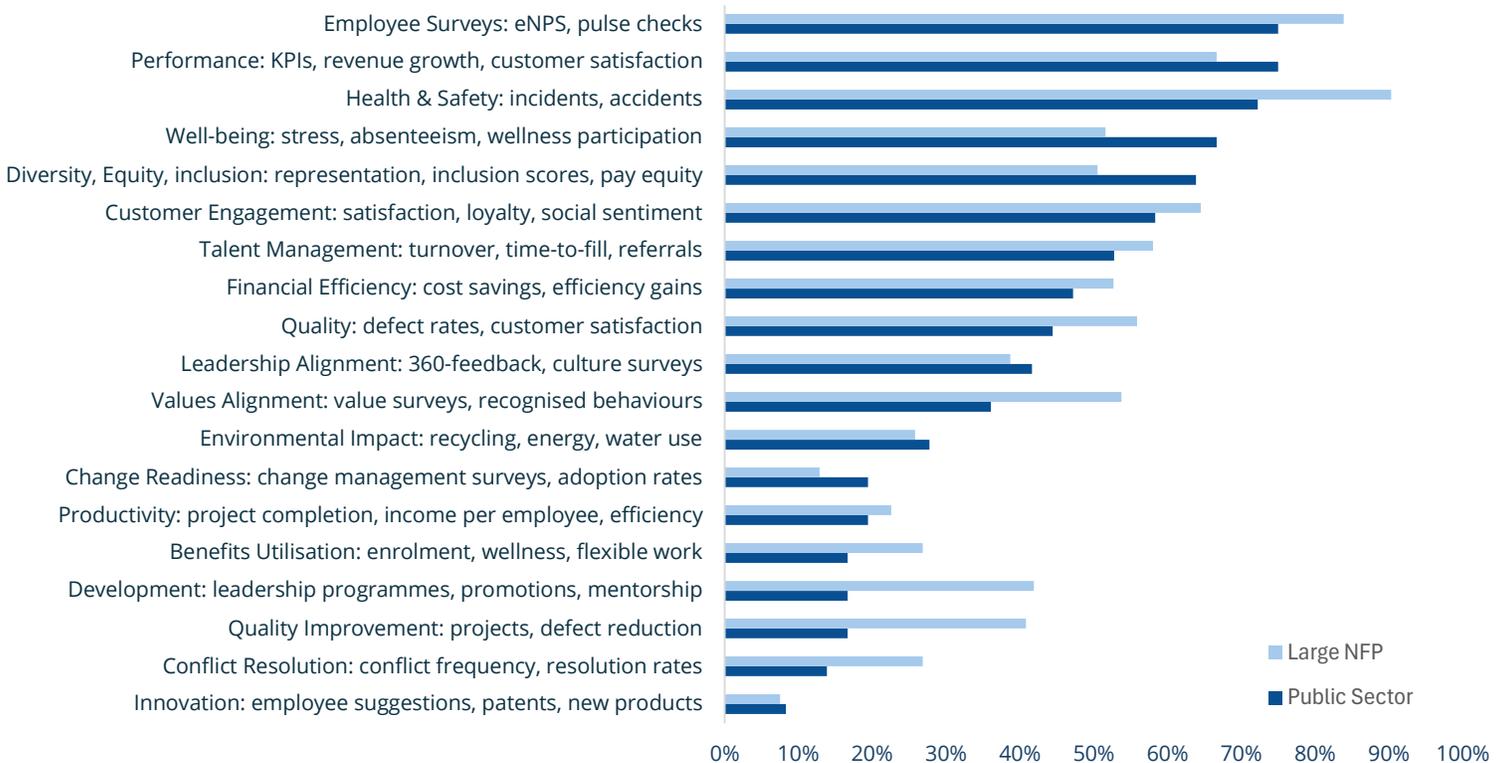- Financial Efficiency: cost savings, efficiency gains
- Quality: defect rates, customer satisfaction
- Leadership Alignment: 360-feedback, culture surveys
- Values Alignment: value surveys, recognised behaviours
- Environmental Impact: recycling, energy, water use
- Change Readiness: change management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

Legend: Large NFP, Public Sector

In the public sector, CEOs measure success with a stronger focus on diversity, equity, and inclusion (64%, compared to 51% in large NFPs) and well-being (67% vs 52%). However, gaps emerge in areas like values alignment (36% vs 54%), leadership development (17% vs 42%), quality improvement (17% vs 41%), and conflict resolution (14% vs 27%).

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People-centric policies

% of Large NFP with policy
% of public sector with policy

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

The public sector excels in people-centric policies. Notable areas of strength include flexible work policies (89% vs 69%), anti-discrimination policies (89% vs 86%), and equal employment opportunity policies (81% vs 68%). Public sector organisations also lead in equal pay (like-for-like roles at 53% vs 33% and salary bands 64% vs 57%), family-friendly, and accessibility policies).

Ethics centric policies and processes

% of Large NFP with policy
% of public sector with policy

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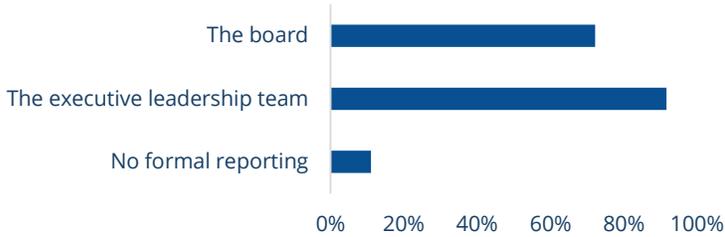Incentives for ethical behaviour

The public sector performs well in ethics-centric policies. Notable strengths include codes of conduct and ethical guidelines (83% vs 96%) a strong focus on doing the right thing (83% vs 78%) and promoting integrity (78% vs 75%). The sector also leads in regular communication of ethical values (64% vs 48%), anonymous reporting channels (58% vs 45%), and enforcement mechanisms (28% vs 18%).

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UNIVERSITY OF NEW ZEALAND**

Public Sector

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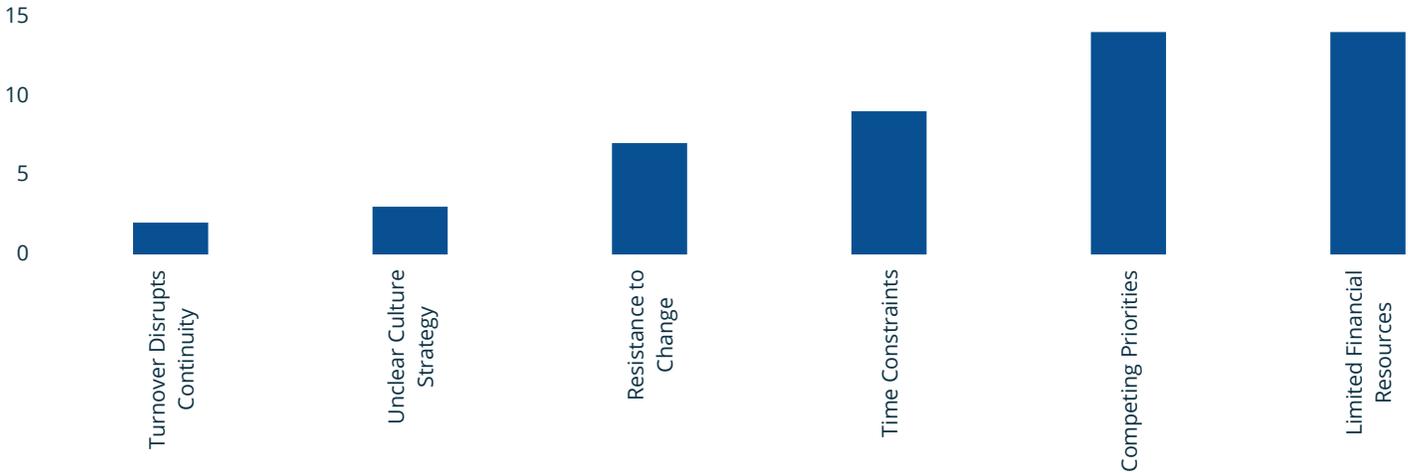
Reporting recipients of culture measurement metrics

The board	(≈72%)
The executive leadership team	(≈90%)
No formal reporting	(≈10%)

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

Culture metrics are reported to executive leadership and 72% of public sector CEOs report these to the board.

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

■ No ■ Yes

43% 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

15

10

5

0

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

Based on selection frequency, limited financial resources and competing priorities are top barriers to investing in culture.
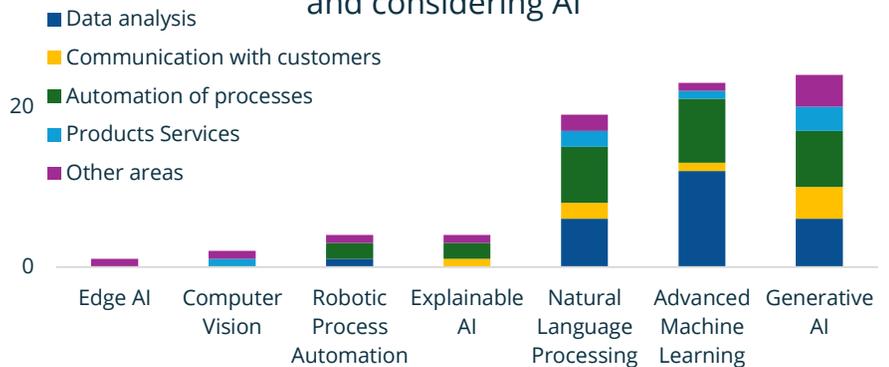
Applications of AI technologies across organisational functions

Organisations using AI

22%
44%
33%
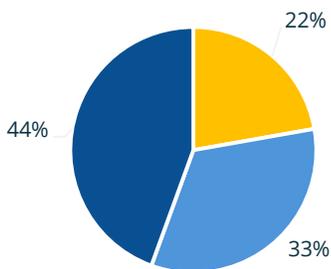
■ No ■ Something we are considering ■ Yes, currently

Investments in AI by function by those using and considering AI

40

20

0

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

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

44% of public sector organisations use AI tools, with 33% considering adoption. The main focus areas are Generative AI, Natural Language Processing and Advanced ML.
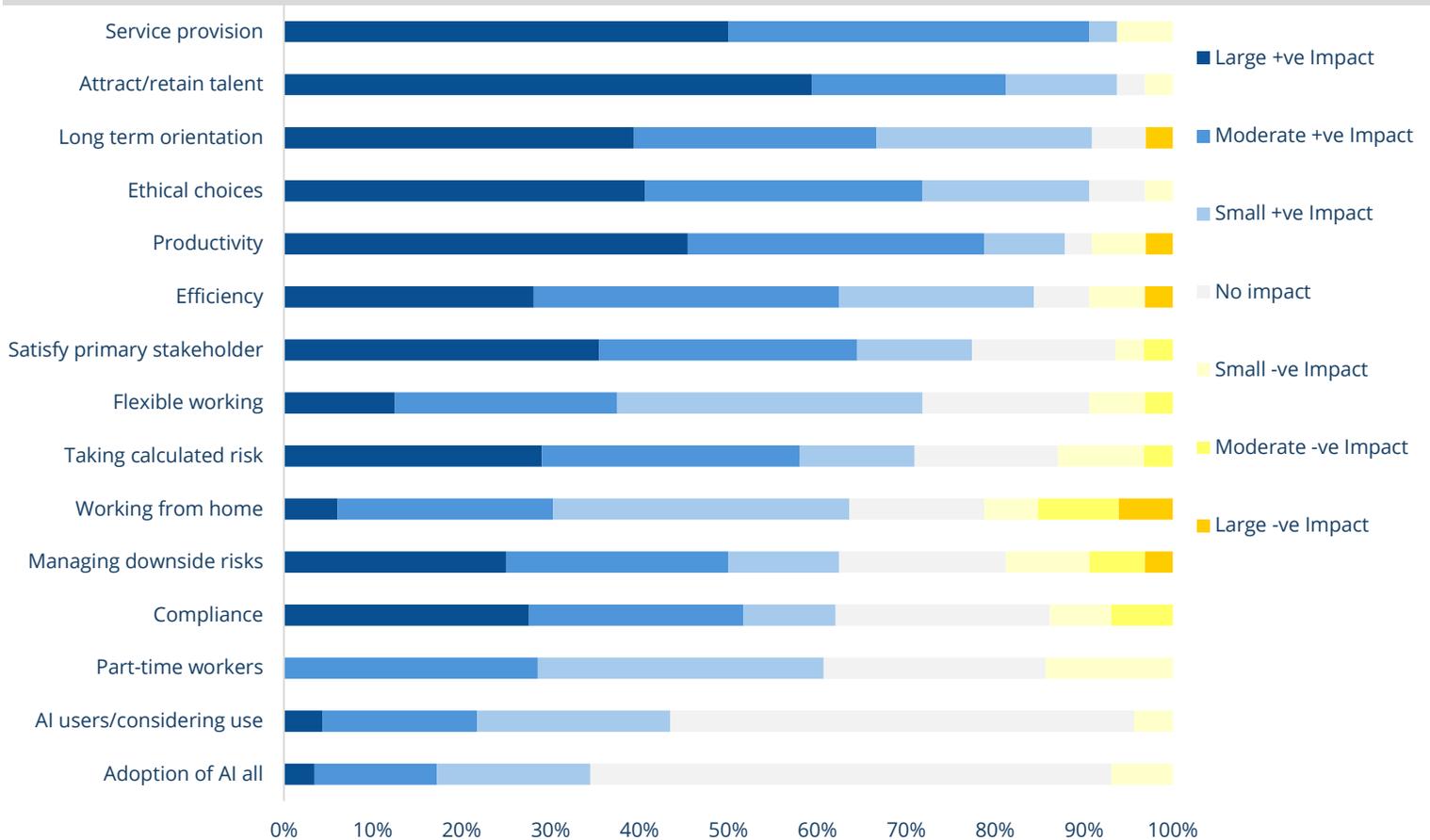
Authors: Susanna Lee (Leadership and Governance Collective),
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How AI adoption is expected to influence organisational culture

Shift towards more innovation and adaptability across roles

Enhanced collaboration tools and platforms

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

Adaptability and resilience through predictive analytics, strategic...

Empowerment and autonomy

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 anticipate its cultural impact to focus on fostering innovation and adaptability across roles, followed by increased data-driven measurement of culture success through KPIs and profitability. Enhanced collaboration tools are expected to improve teamwork, while predictive analytics should boost adaptability and resilience.

Summary of culture and its impact on various factors

Service provision
Attract/retain talent
Long term orientation
Ethical choices
Productivity
Efficiency
Satisfy primary stakeholder
Flexible working
Taking calculated risk
Working from home
Managing downside risks
Compliance
Part-time workers
AI users/considering use
Adoption of AI all

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

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

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

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