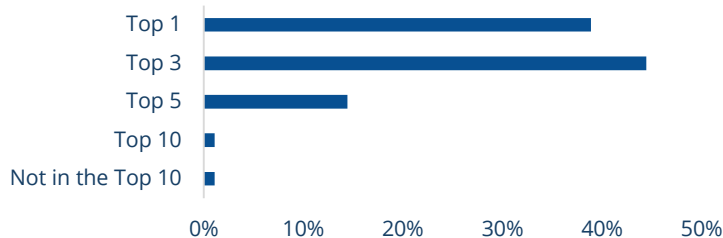


# Not-for-profit 90 CEOs

Preliminary data as at: November 15, 10 to 19 employees

## Value of organisational culture

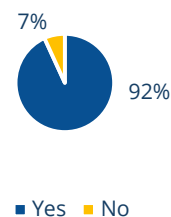
Culture's value relative to all organisational priorities



83% of leaders consider culture to be among the top three factors that make their organisation valuable.

## Value of improving culture

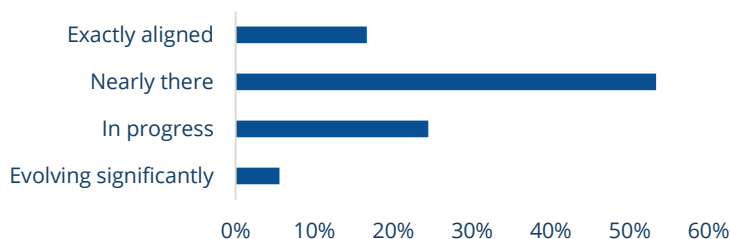
Improving culture will increase value to primary beneficiaries



92% of leaders believe that improving their culture will increase value for the primary beneficiaries they serve.

## Current state of culture

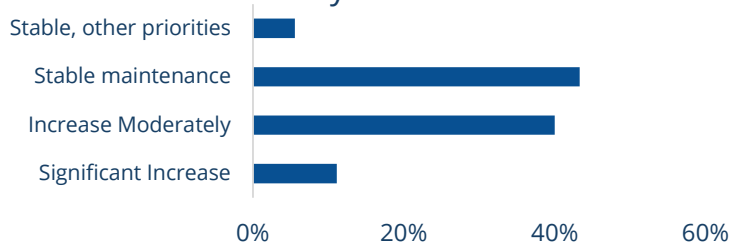
Strategy and organisational culture are



83% of leaders say they need to do some work to achieve ideal alignment between culture and strategy,

## Changes to culture

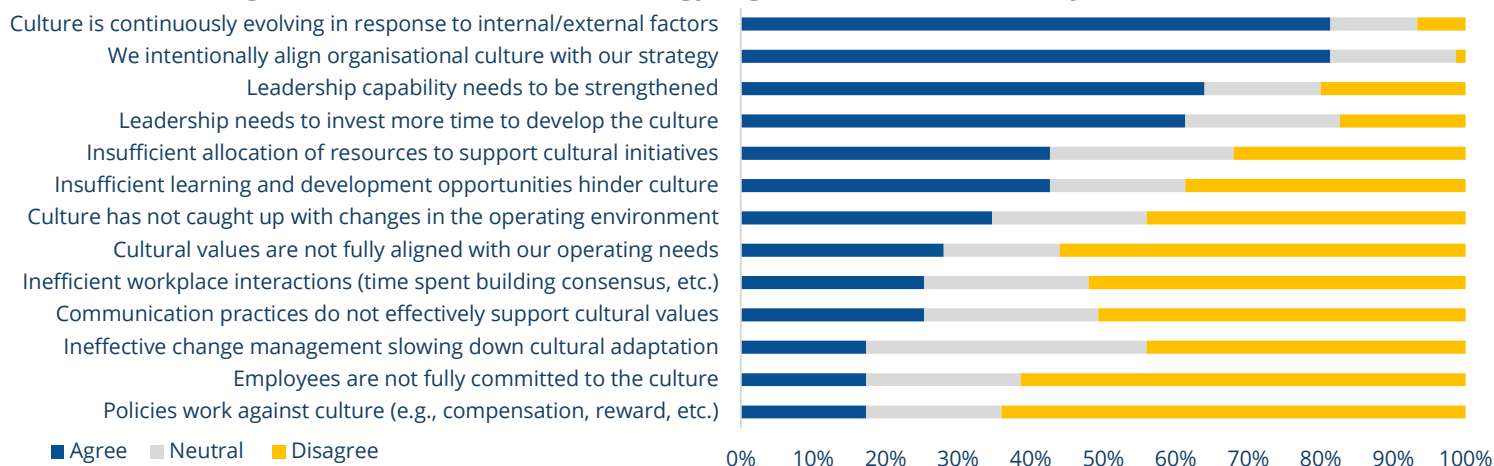
Expected culture efforts over next three years



83% of leaders rank culture among their top 3 factors, 92% believe enhancing it increases value, but only 51% plan to enhance culture.

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

Alignment of culture with strategy: agreement levels on key statements

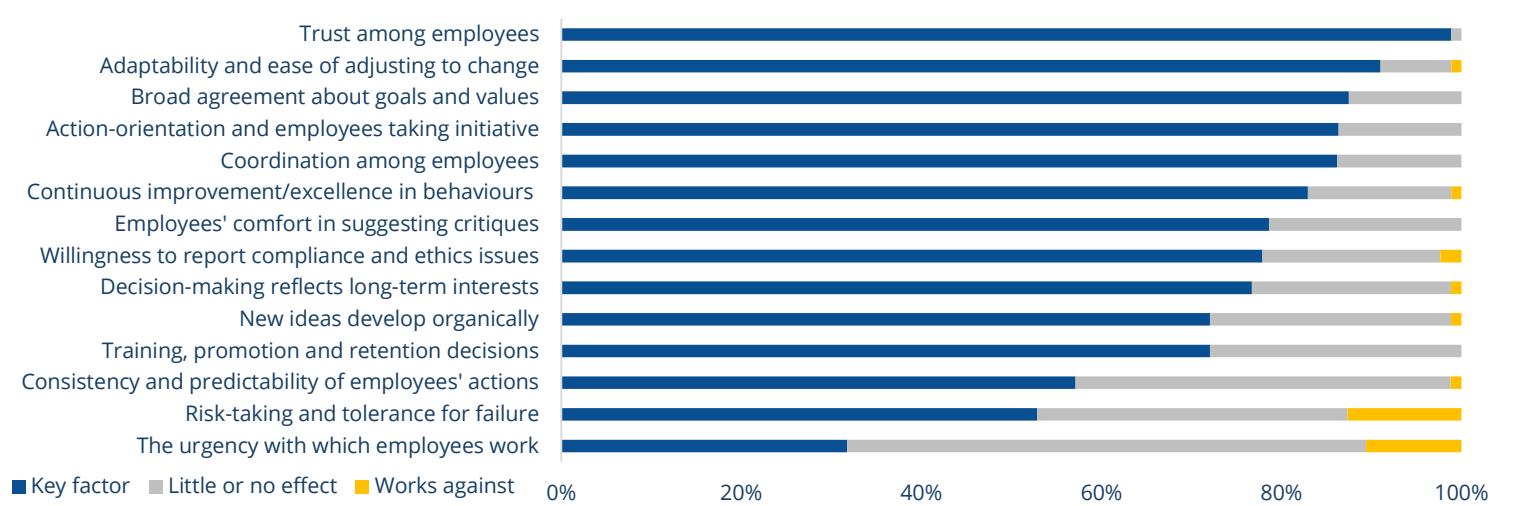


Of the leaders whose culture is not aligned with strategy, 81% intend to align it. 81% cite continuously evolving external and internal factors as a key reason for misalignment. A further, 64% note that leadership needs to invest more time in culture, and 61% cite their leadership capability needs to be strengthened.

# Not-for-profit

## Why is organisational culture important

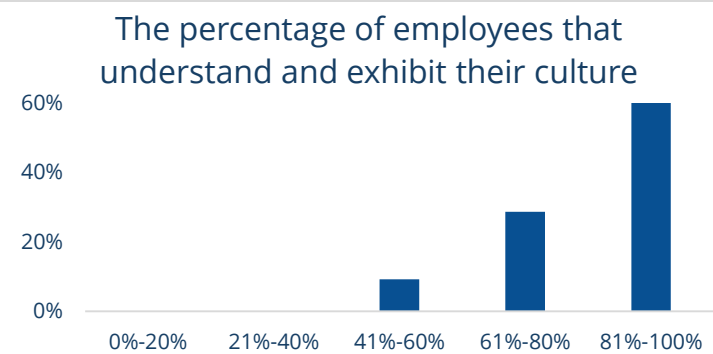
Key factors in determining the effectiveness of organisational culture



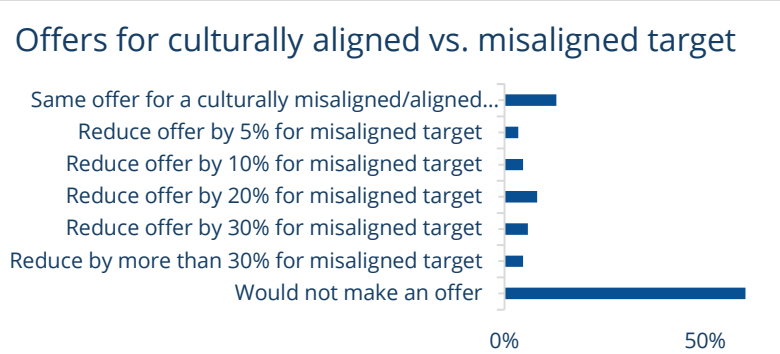
Trust among employees is key to cultural effectiveness. This is followed by adaptability and ease of adjusting to change, which ranks higher in this cohort, followed by shared goals and values. 10%-20% cite risk-taking, tolerance for failure, and work urgency as barriers.

Exhibit and understand culture

Identical M&A targets, one misaligned



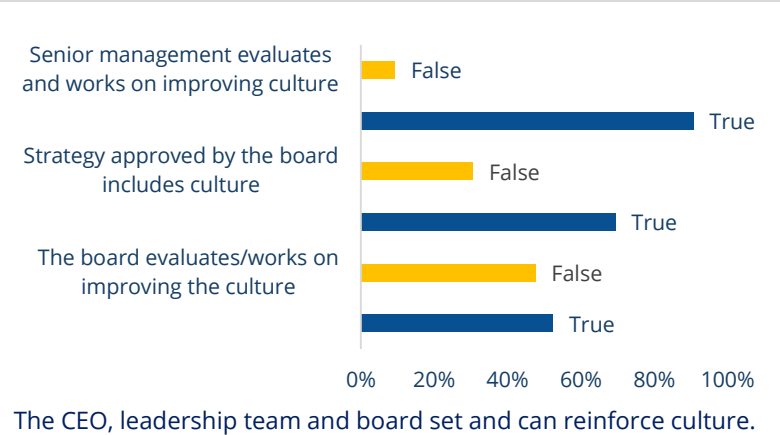
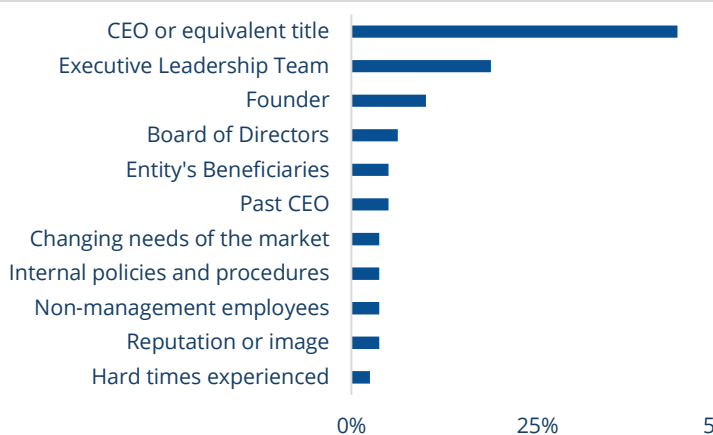
Around 40% of leaders report that staff lack some understanding or display behaviours contrary to the desired culture.



60% would not make an offer on the culturally misaligned target and another 27% would reduce an offer between 5% and more than 30%.

Most influential factor setting culture

Annual assessment of culture



The CEO, leadership team and board set and can reinforce culture.

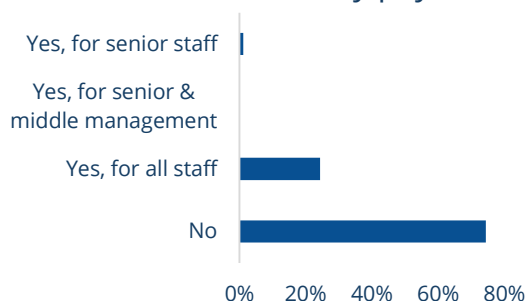
# Not-for-profit

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

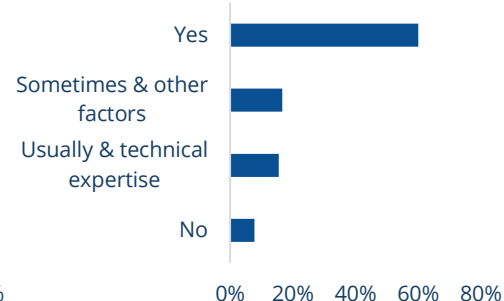
Employee behaviours reflect values included in performance reviews



Employee behaviour linked to discretionary pay



Behaviour a key criterion to advance to senior role



92% of organisations include whether employees exemplify their values in performance reviews, but only 25% link discretionary pay to performance. Under 60% consider exemplifying values a key criterion for moving into senior management. In pre-research discussions with NZ leaders, they noted that these are some of the strongest signals you can send to staff about the importance of your values.

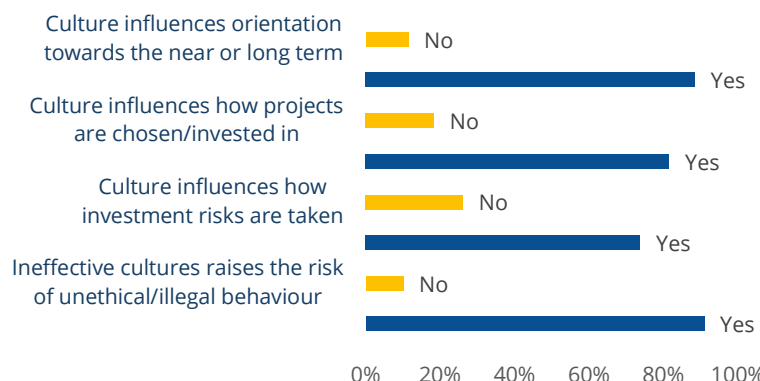
## Investment style

Project investment style



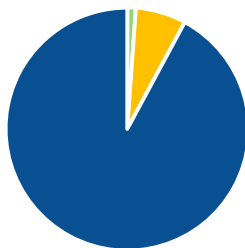
63% of leaders prefer a stewardship style strategy compared to a risk/growth approach. 82% agree that culture drives this decision.

## Culture: risk, long-term and ethics



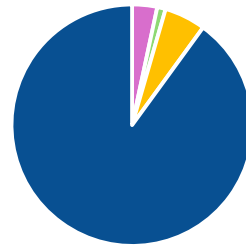
70%+ leaders agree culture impacts long-term orientation, project investment style, how calculated risk is taken, and ethical behaviour.

## Short-term leader incentives



Leaders noted that, while they are not motivated by monetary incentives, they see incentives as signals. Of the 37% investing with a growth style, 14% have STIs. Less than 2% have LTIs.

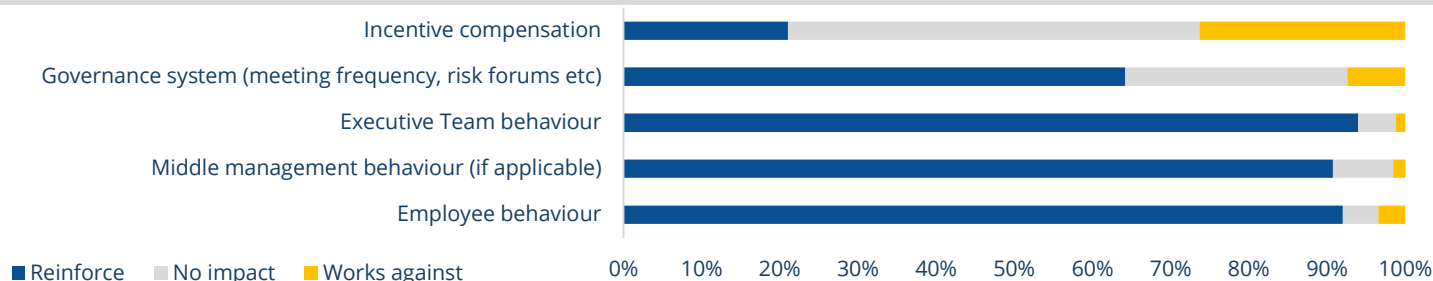
## Short-term staff incentives



Staff incentives align with those of leaders. While aligning incentives with a growth mentality can strongly signal support for the 37% with a growth approach, it is often not feasible for this sector.

# Not-for-profit

## Impact of various factors on organisational culture effectiveness



Leadership and employee behaviours are the strongest reinforcers of culture. However, in organisations where incentive compensation is relevant, its impact is mixed, only 21% view it as reinforcing, while 26% believe it works against organisational culture.

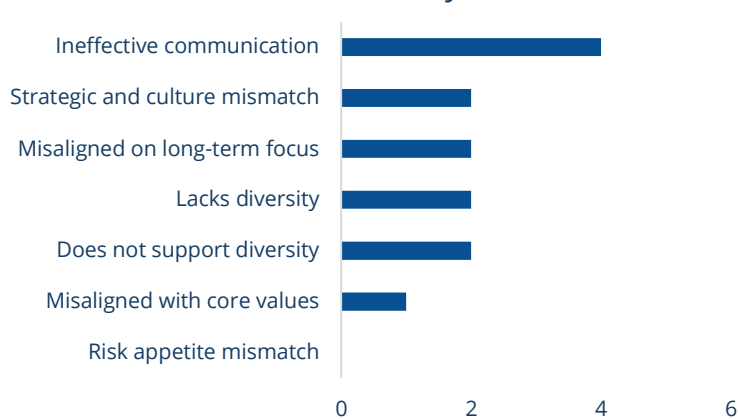
## Reasons incentive compensation and governance work against culture:

### Incentive compensation



6 leaders say incentive compensation attracts/retains the wrong people, encourages the wrong type of behaviour, focuses staff on short-term objectives and undermines teamwork/performance.

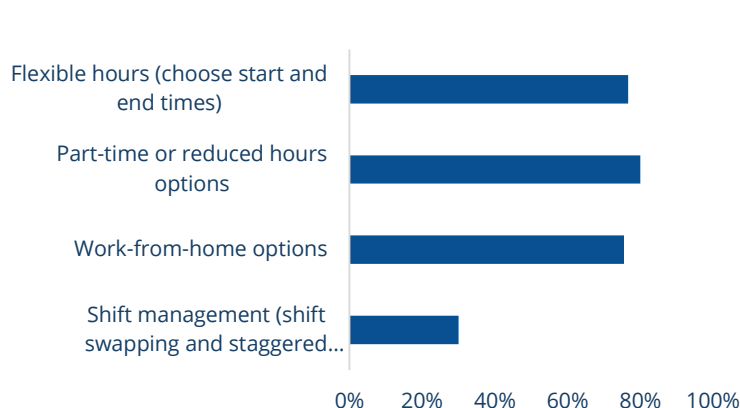
### Governance system



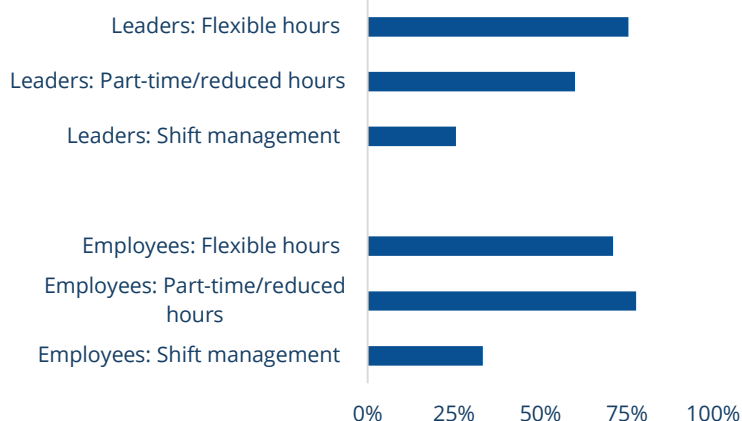
4 leaders say ineffective communication in their governance setup works against culture, while several note a strategy/culture mismatch, misaligned long-term focus and lack of diversity/support.

## Support for flexible work arrangements

### Flexible work options provided



### Flexible work arrangements

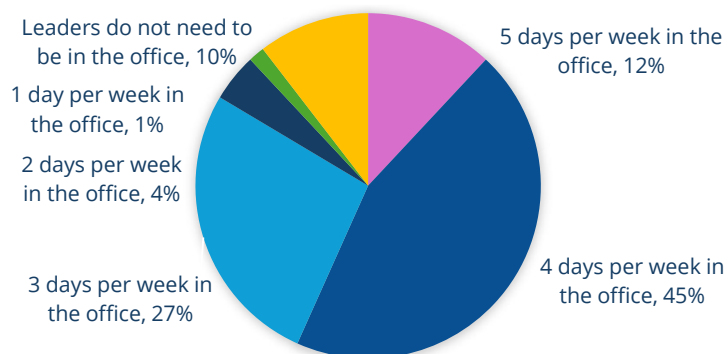


Leaders widely support flexible work arrangements. For employees, part-time or reduced hours are most common, followed by flexible hours. Among leaders, flexible hours lead followed by part-time options. Working from home options are supported (next page).

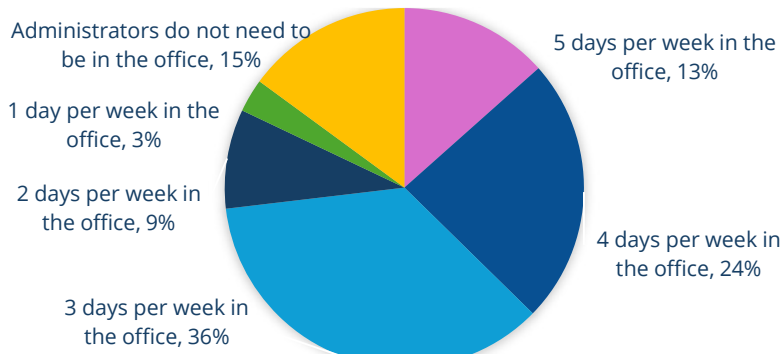
# Not-for-profit

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

Leadership teams



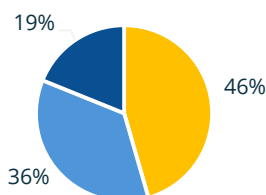
Administrators



Leaders favour senior leaders and administrators working 3 to 4 days in the office each week to nurture organisational culture. While there is a preference for senior leadership visibility, over 1/4 agree that administrators can be in the office two days a week or less.

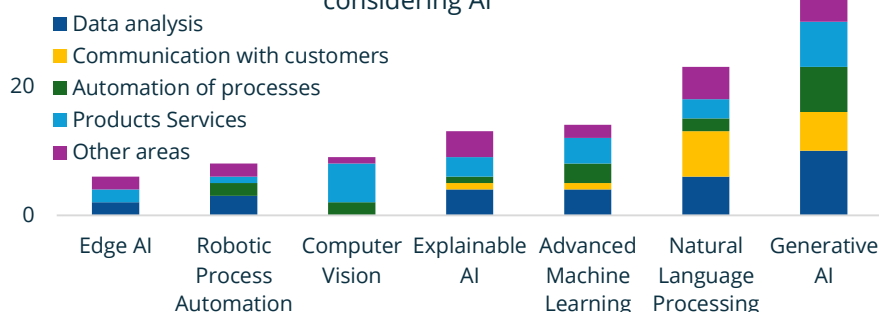
## Applications of AI technologies across organisational functions

Organisations using AI



■ No ■ Something we are considering ■ Yes, currently

Investments in AI by function by those using and considering AI



Currently, 19% are using AI tools and 36% are considering their adoption; this is lower than the total cohort. Generative AI was the most frequently selected focus areas, for data analysis and products and services, followed by communication and process automation.

## How AI adoption is expected to influence organisational culture



Leaders adopting or considering AI primarily anticipate its cultural impact to involve increased data-driven measurement of success, followed by greater innovation and adaptability across roles. In contrast, other cohorts focus more on AI's potential to enhance collaboration tools and communication.

# Not-for-profit

## How leaders spend their time on organisational culture



Top organisational culture priorities - modelling desired behaviours, setting and communicating vision and values, and fostering belonging - remain consistent across the sector, though there is variation in lower-ranking items.

## How leaders measure outcomes and value from organisational culture

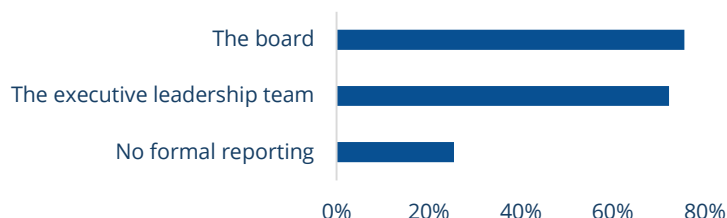


Based on selection frequency, most leaders have a strong focus on health and safety, customer engagement, and performance across the sector. There is more variation in lower-ranking items for organisations of different sizes.

# Not-for-profit

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

Reporting recipients of culture measurement metrics



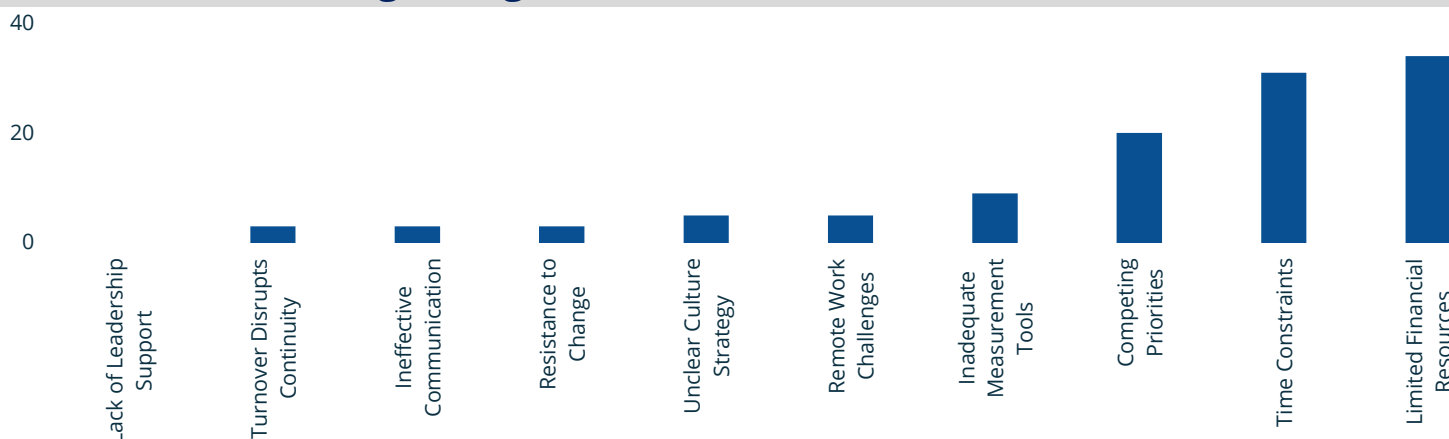
Culture metrics are primarily reported to executive leadership and the board, with under 1/4 measuring it for only internal use.

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



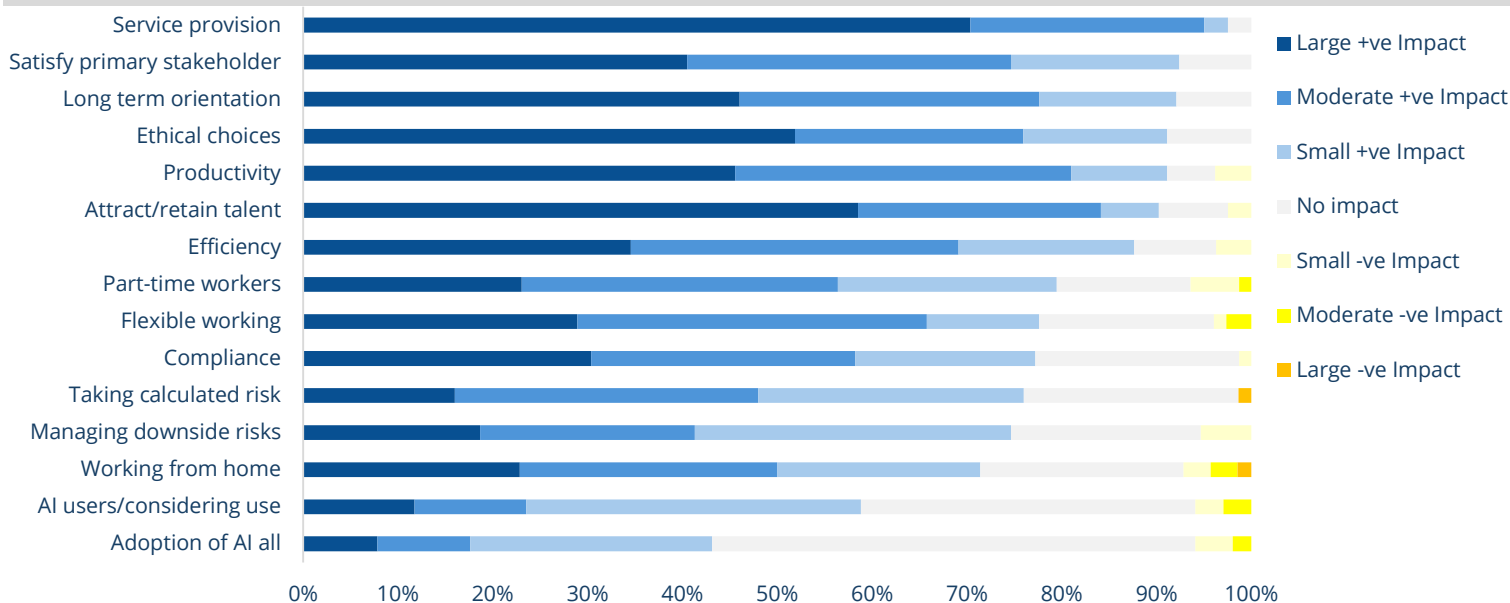
Half of leaders feel able to invest as much as required in organisational culture to realise the value of their culture.

## Barriers to investing in organisational culture to maximise value



Based on selection frequency, limited resources and time constraints are top barriers to investing as much as needed in culture.

## 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.