

Of the CEOs whose culture is not aligned with strategy, 75% intend to align it. 83% cite continuously evolving external and internal factors, 79% cite that a stronger leadership capability is required and 74% highlight that leadership needs to invest more time in culture.

# Public Sector and Local Government

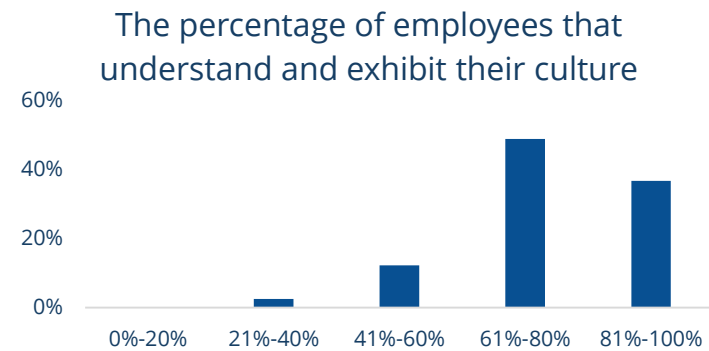
## Why is organisational culture important

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



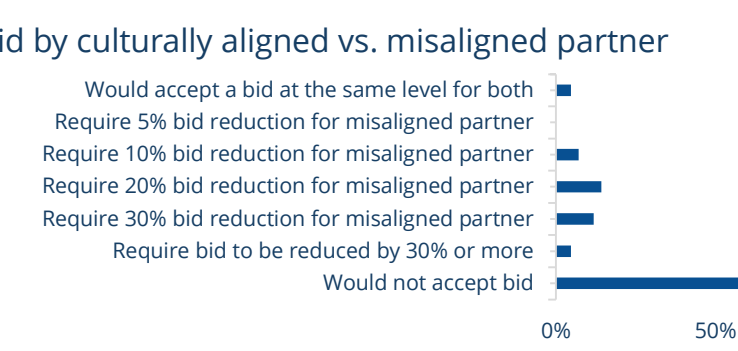
Trust among employees, action orientation and employees taking initiative are key to cultural effectiveness, followed by a drive for continuous improvement. 17% note that risk-taking and tolerance for failure hinder cultural effectiveness.

### Exhibit and understand culture



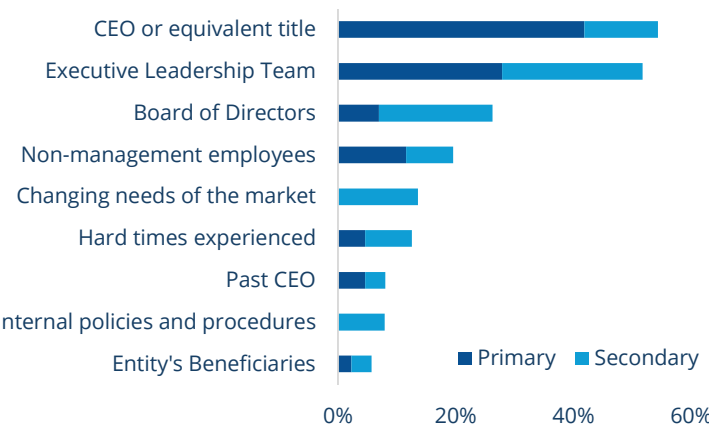
80% report that some staff lack some understanding or display behaviours contrary to the desired culture.

### Identical project partners, except culture

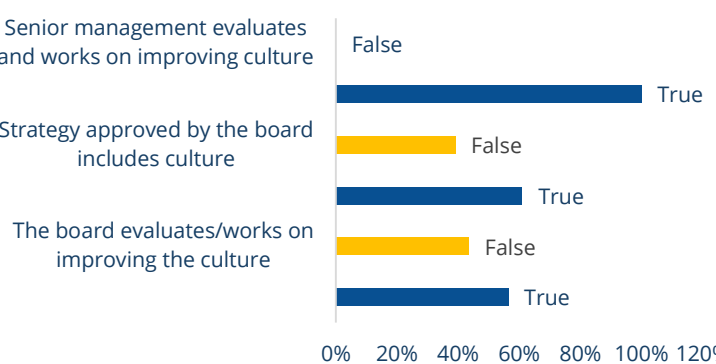


57% would not accept an offer from the culturally misaligned partner and 38% require a reduction between 10% and more than 30%.

### Most influential factor setting culture



### Annual assessment of culture



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

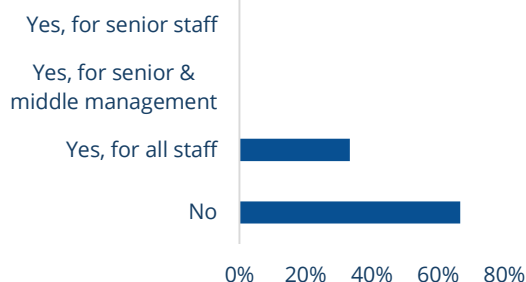
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## Exemplifying values: performance reviews, discretionary pay, & promotion

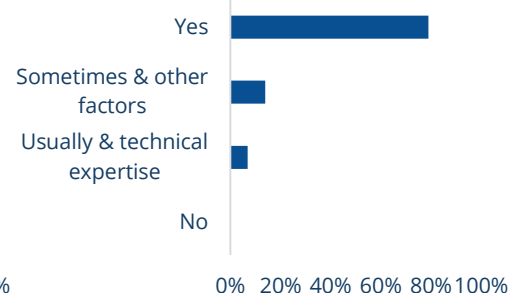
Employee behaviours reflect values included in performance reviews



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 33% link discretionary pay to performance. Just under 80% consider exemplifying values a key criterion for moving into senior management. In pre-research discussions with CEOs, many noted that these are some of the strongest signals to send to staff about the importance of behaviours.

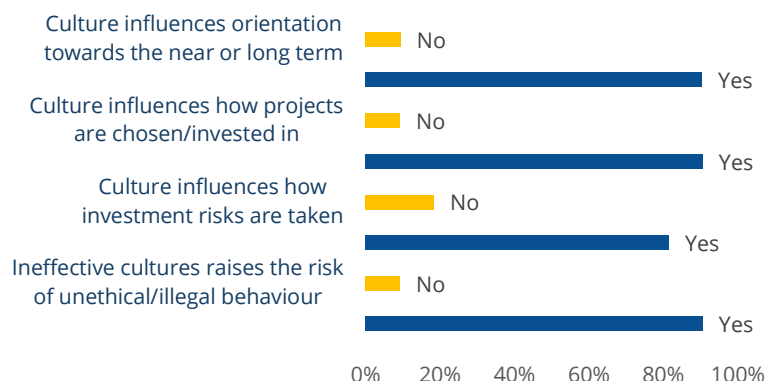
## Investment style

Project investment style



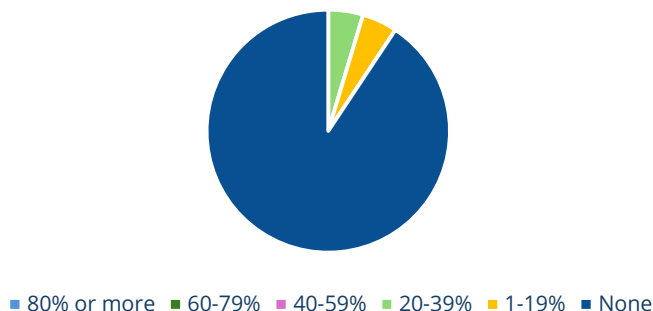
52% of CEOs prefer a growth or higher-risk strategy compared to a stewardship approach. 91% agree culture drives this decision.

## Culture: risk, long-term and ethics



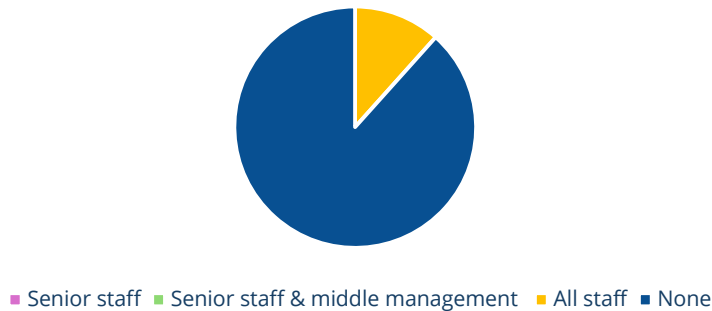
80%+ CEOs agree culture impacts long-term orientation, project investment style, how calculated risk is taken, and ethical behaviour.

## Short-term leader incentives



CEOs noted that, while they are not motivated by monetary incentives, they see incentives as signals. 48% invest according to a growth style, yet fewer than 15% have STIs.

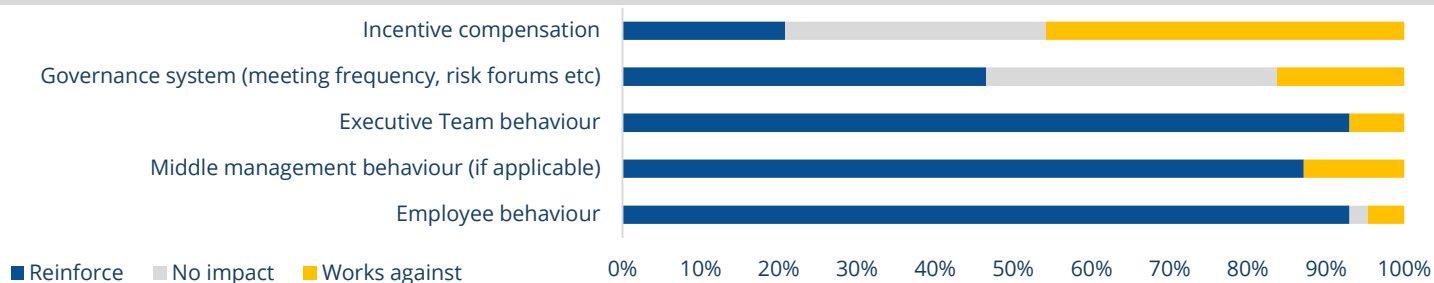
## Short-term staff incentives



Staff incentives align with those of leaders. While aligning incentives with a growth mentality can strongly signal support for the 48% with a growth approach, it is not feasible for this sector.

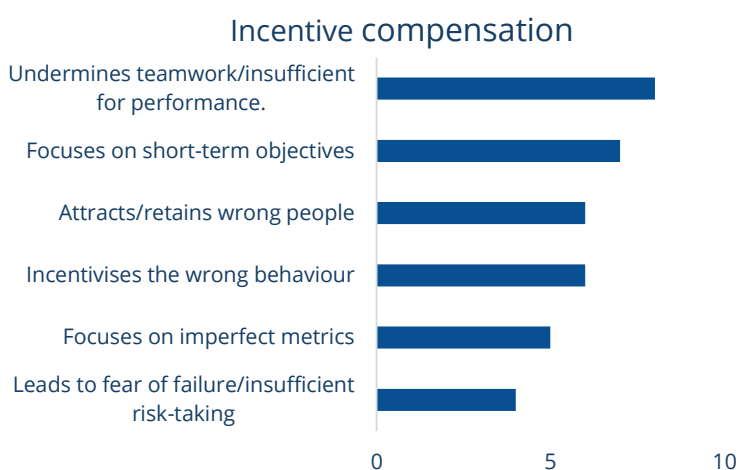
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## Impact of various factors on organisational culture effectiveness

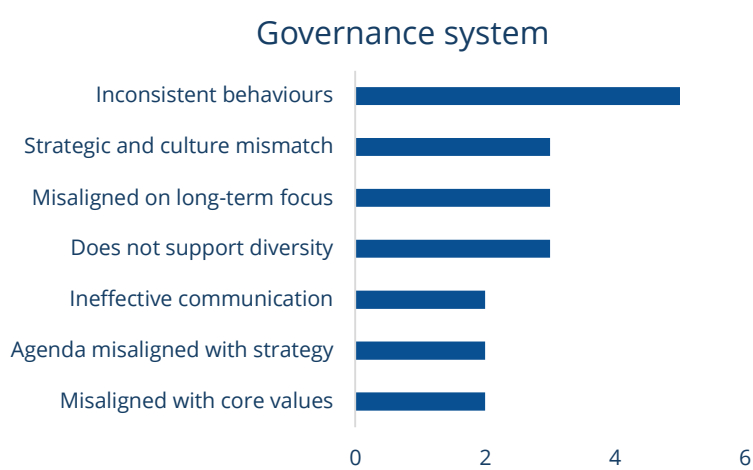


Leadership and employee behaviours are the strongest reinforcers of culture. However, in organisations where incentive compensation is relevant, its impact is mixed, only 21% view it as reinforcing, while 46% believe it works against organisational culture.

## Reasons incentive compensation and governance work against culture:

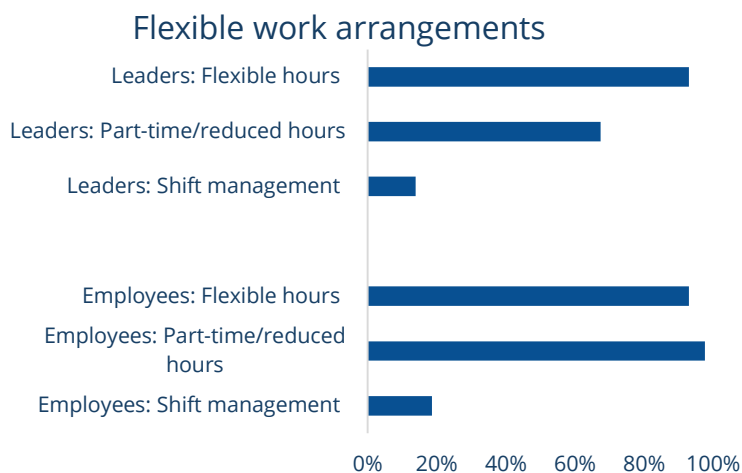
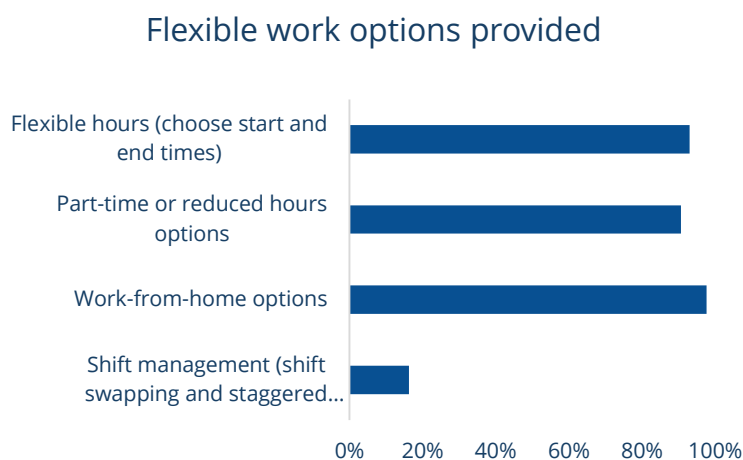


8 leaders say incentive compensation undermines teamwork or is insufficient for performance, 7 cite it focuses on short-term objectives. These are strategic levers available to leaders.



5 leaders say inconsistent behaviours in their governance setup work against culture, 3 cite a mismatch in; strategy/culture, long-term focus, or lack of support for diversity.

## Support for flexible work arrangements

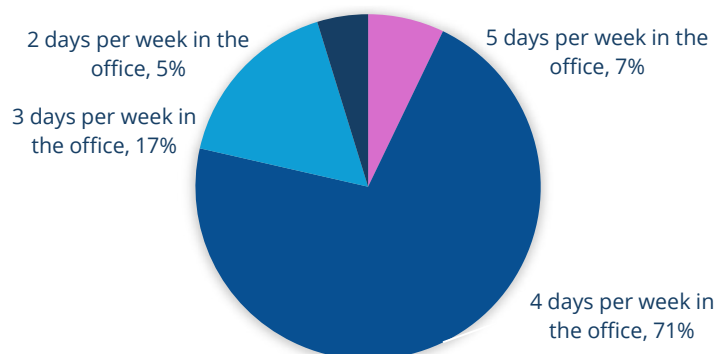


Leaders widely support flexible work arrangements. For employees, part-time or reduced hours are most popular, followed by flexible hours. Among leaders, flexible hours lead followed by part-time options. Working from home options are supported (next page).

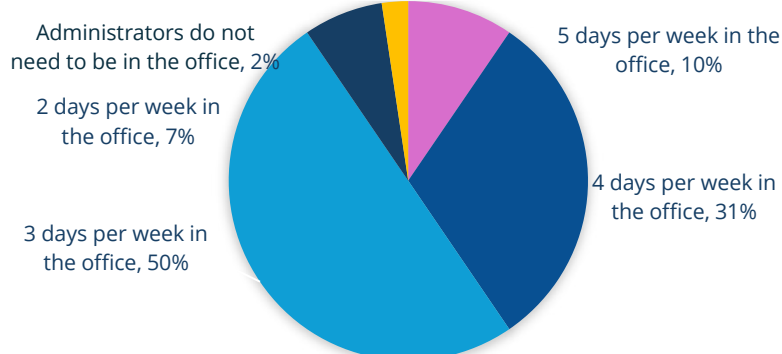
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## Optimal in-office days to support and nurture organisational culture

Leadership teams



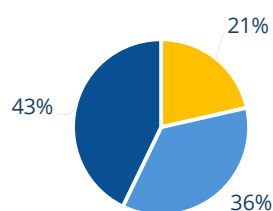
Administrators



Leaders favour senior leaders and administrators working 3 to 4 days in the office each week to nurture organisational culture. There is visibility in leadership with 71% preferring senior leaders present for 4 days, while 50% agree 3 days a week works for administrators.

## Applications of AI technologies across organisational functions

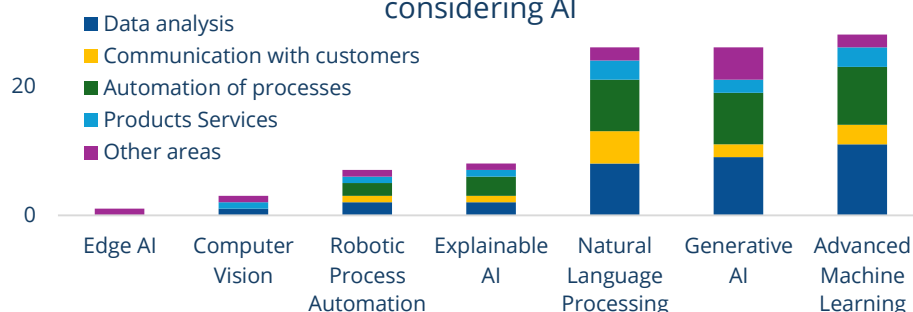
Organisations using AI



■ No ■ Something we are considering ■ Yes, currently

40

Investments in AI by function by those using and considering AI



Currently, 43% of organisations are using AI tools, while 36% are considering their adoption. Among the leaders that responded, Advanced Machine Learning was the most frequently selected focus area, particularly for data analysis, and process automation.

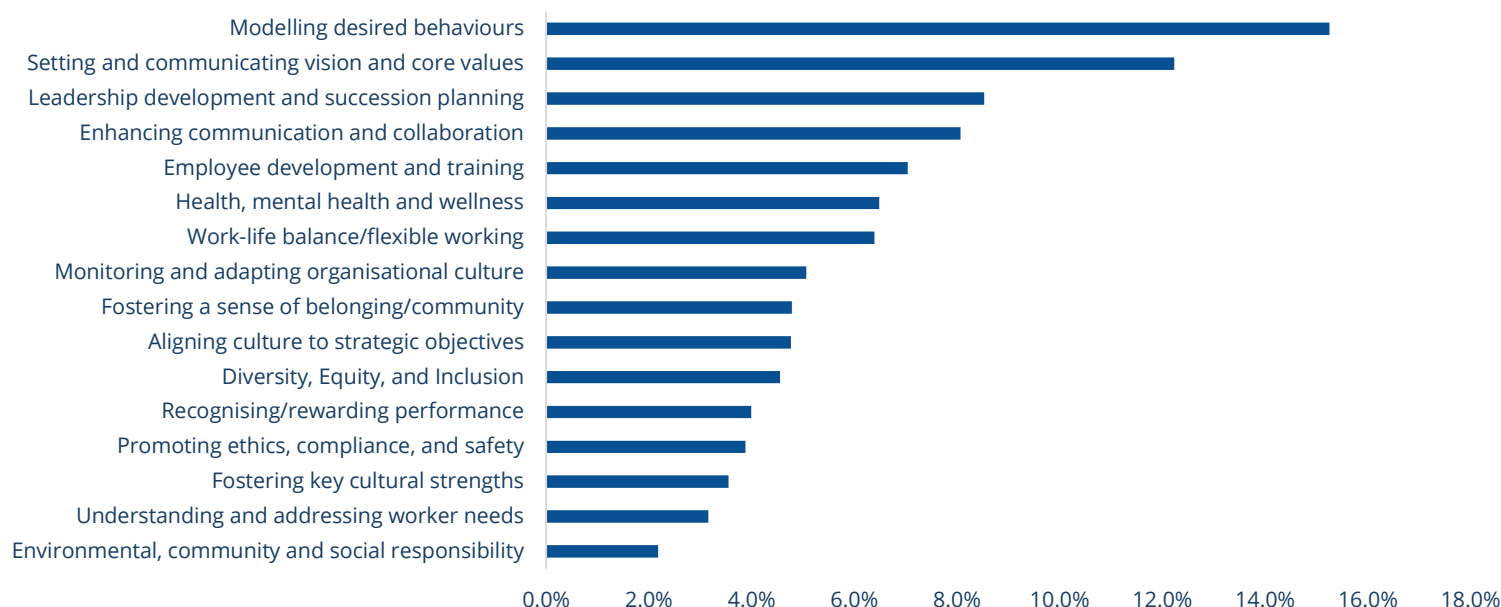
## How AI adoption is expected to influence organisational culture



Based on selection frequency, CEOs adopting or considering AI most commonly expect its cultural impact to enhance collaboration tools and platforms, which could improve communication and teamwork. This is followed by an anticipated increase in data-driven cultural success measurement, likely leading to more informed decision-making based on productivity and performance

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## How leaders spend their time on organisational culture



Top organisational culture priorities are modelling desired behaviours, setting and communicating vision and values, and leadership development and succession planning. Followed by enhancing communication, employee development and promoting wellness.

## How leaders measure outcomes and value from organisational culture

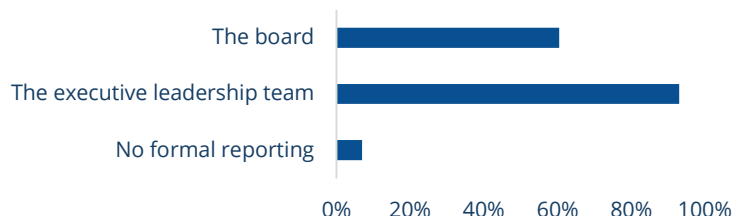


The metrics CEOs frequently use to measure their culture include employee surveys, health & safety, performance, well-being, and customer engagement, while innovation, quality and productivity are least used.

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

Reporting recipients of culture measurement metrics



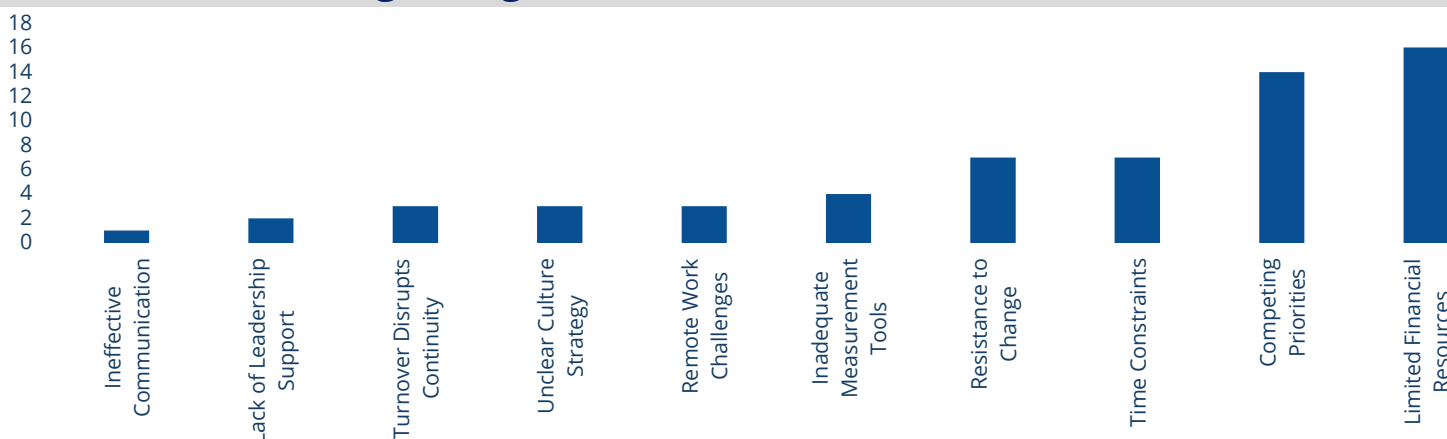
93% report culture metrics to the executive leadership team, 60% to the board, and 7% of leaders have no formal reporting.

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



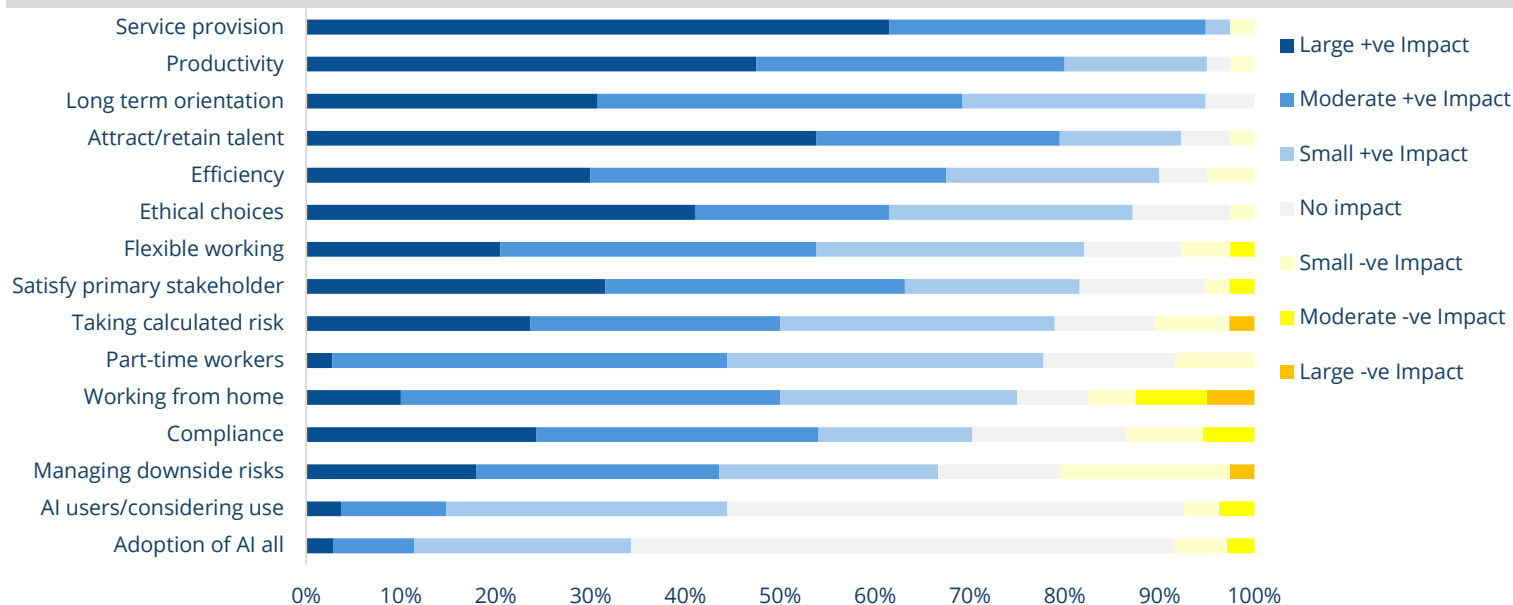
53% of leaders feel able to invest in organisational culture as much as needed to realise the value of their culture.

## Barriers to investing in organisational culture to maximise value



Based on selection frequency, limited resources and competing priorities 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.