Public Sector & Local Government, 43 CEOs

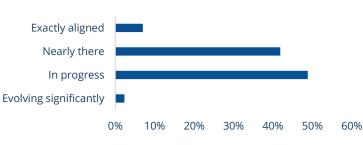
Value of organisational culture

Culture's value relative to all organisational priorities



٥% 10% 20% 30% 40% 50% 60% 70% 95% of CEOs consider culture to be among the top three factors that make their organisation valuable.

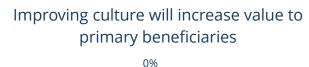
Current state of culture



Strategy and organisational culture are

93% of CEOs say they need to do some work to achieve ideal strategic alignment between culture and strategy.

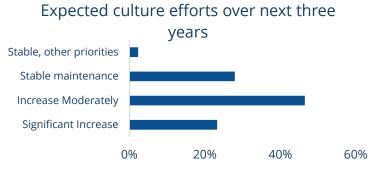
Value of improving culture





100% of CEOs believe that improving their culture will increase value for the primary beneficiaries they serve.

Changes to culture

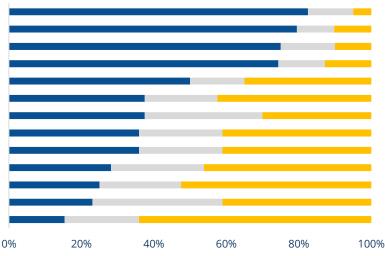


95% of CEOs rank culture among their top 3 factors, 100% believe enhancing it increases value, but only 70% plan to enhance culture.

Culture and strategy alignment: leaders' perspectives on misalignment

Alignment of culture with strategy: agreement levels on key statements

Culture continuously evolving due to changing internal/external factors Leadership capability needs to be strengthened We intentionally align organisational culture with our strategy Leadership needs to invest more time to develop the culture Inefficient workplace interactions (time spent building consensus, etc.) Culture has not caught up with changes in the operating environment Ineffective change management slowing down cultural adaptation Communication practices do not effectively support cultural values Policies work against the intended culture (compensation, reward, etc.) Insufficient learning and development opportunities hinder culture Cultural values are not fully aligned with our operating needs Insufficient allocation of resources to support cultural initiatives Employees are not fully committed to the culture



Agree Neutral Disagree

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.

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





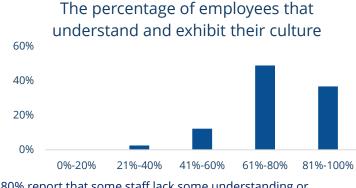
Why is organisational culture important

Key factors in determining the effectiveness of organisational culture



continuous improvement. 17% note that risk-taking and tolerance for failure hinder cultural effectiveness.

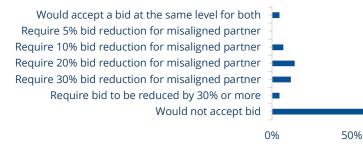
Exhibit and understand culture



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

Identical project partners, except culture

Bid by culturally aligned vs. misaligned partner



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

Annual assessment of culture

Most influential factor setting culture



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Exemplifying values: performance reviews, discretionary pay, & promotion

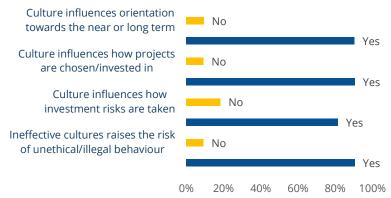


100% of organisations include whether employees exemplify their values in performance reviews, but only 33% link discretionary pay to performance. Just under 80% consider exemplifying values a key criterion for moving into senior management. In pre-research discussions with CEOs, many noted that these are some of the strongest signals to send to staff about the importance of behaviours.

Investment style



Culture: risk, long-term and ethics



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

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

Short-term leader 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. 48% invest according to a growth style, yet fewer than 15% have STIs.

Short-term staff incentives



Senior staff Senior staff middle management All staff None

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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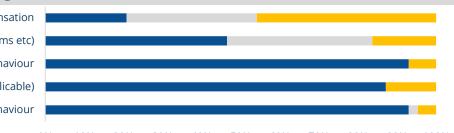


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Impact of various factors on organisational culture effectiveness

Incentive compensation Governance system (meeting frequency, risk forums etc) Executive Team behaviour Middle management behaviour (if applicable) Employee behaviour

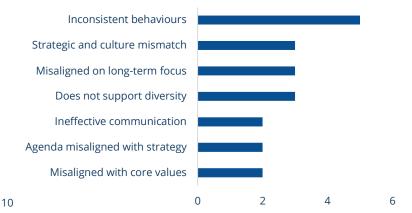


■ Reinforce ■ No impact ■ Works against 0% 10% 20% 30% 40% 50% 60% 70% 80% 90% 100% Leadership and employee behaviours are the strongest reinforcers of culture. However, in organisations where incentive compensation is relevant, its impact is mixed, only 21% view it as reinforcing, while 46% believe it works against organisational culture.

Reasons incentive compensation and governance work against culture:



Governance system



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, longterm 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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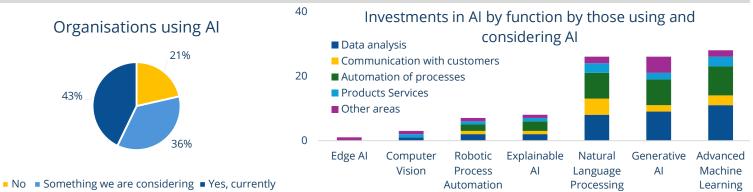
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Optimal in-office days to support and nurture organisational culture



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.

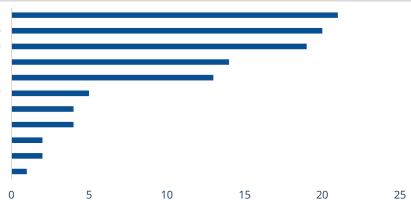
Applications of AI technologies across organisational functions



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

Enhanced collaboration tools and platforms Increase data-driven measurement culture success (KPls, costs etc.) Adaptability/resilience (predictive analytics, scenario planning, etc.) Empowerment and autonomy Shift towards more innovation and adaptability across roles Employee concerns over job security We do not expect any significant changes Reducing human bias in hiring, promotion and incentivisation Monitoring staff (e.g. communications for wellness) Flatter organisational structure (e.g. removing roles) Less interpersonal engagement for employees



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

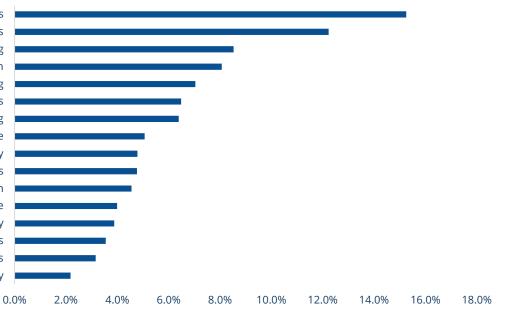
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Public Sector and Local Government How leaders spend their time on organisational culture

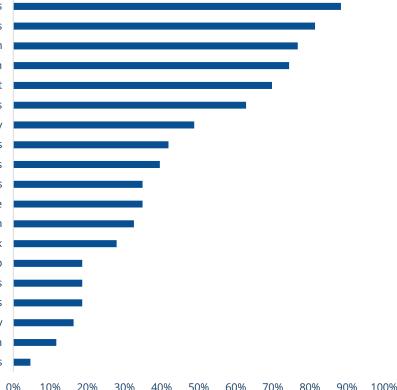
Modelling desired behaviours Setting and communicating vision and core values Leadership development and succession planning Enhancing communication and collaboration Employee development and training Health, mental health and wellness Work-life balance/flexible working Monitoring and adapting organisational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



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

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



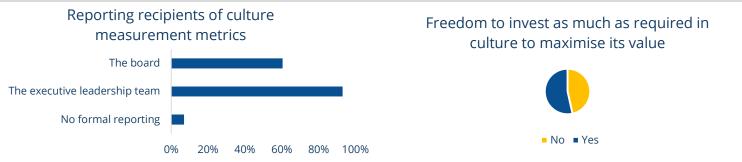
The metrics CEOs frequently use to measure their culture include employee surveys, health & safety, performance, well-being, and customer engagement, while innovation, quality and productivity are least used.

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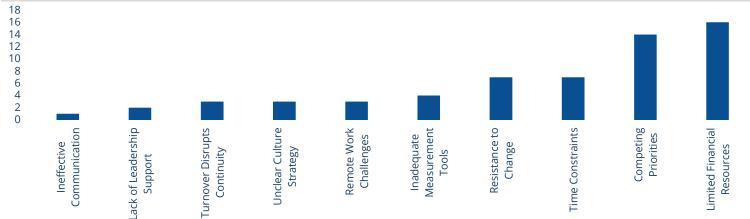
Formal channels for reporting culture Ability to invest in culture



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

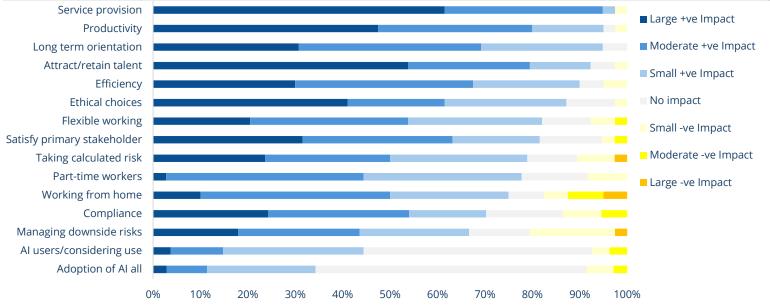
53% of leaders feel able to invest in organisational culture as much as needed to realise the value of their culture.

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.



