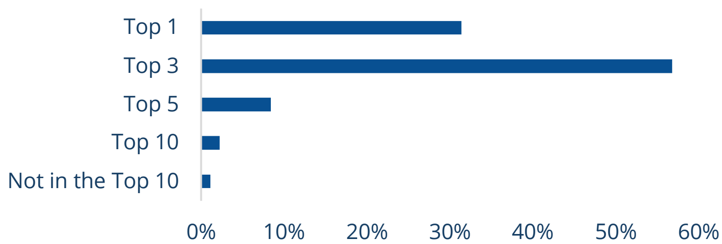
# For-profit: 536 CEOs

March 2025

## Value of organisational culture

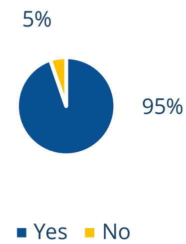
### Culture's value relative to all organisational priorities




88% of CEOs consider culture to be among the top three factors that determine their organisation's value.

## Value of improving culture

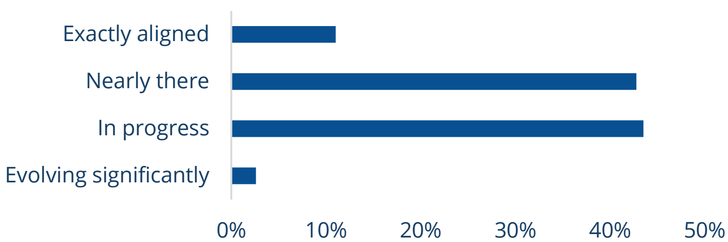
### Improving culture will increase value to primary beneficiaries




95% of CEOs believe that improving their culture will increase their company value through productivity, profitability, or growth.

## Current state of culture

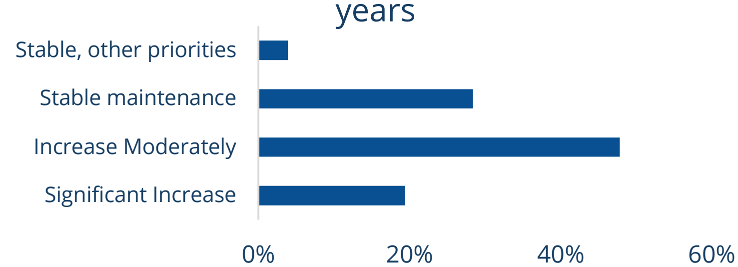
### Strategy and organisational culture are




89% 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




88% of CEOs rank culture among their top 3 factors, 95% believe enhancing it increases value, and 67% 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, 79% work to align them. 85% attribute misalignment to evolving external and internal factors, while 60% note leadership needs to invest more time in culture or a stronger leadership capability is required (64%).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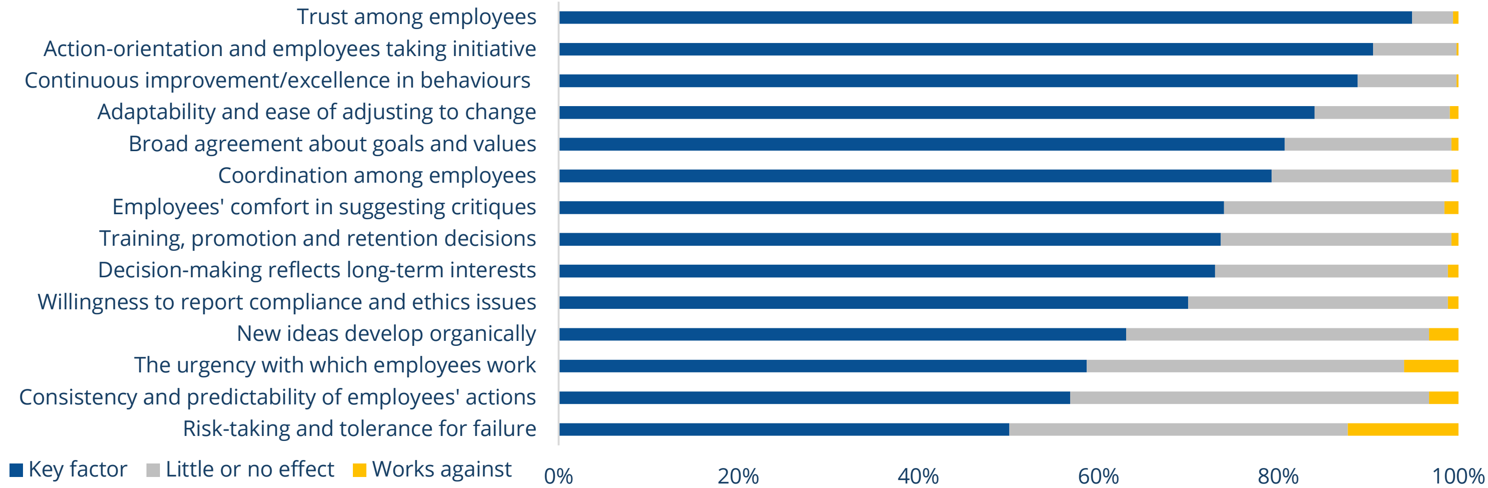
## Why is organisational culture important

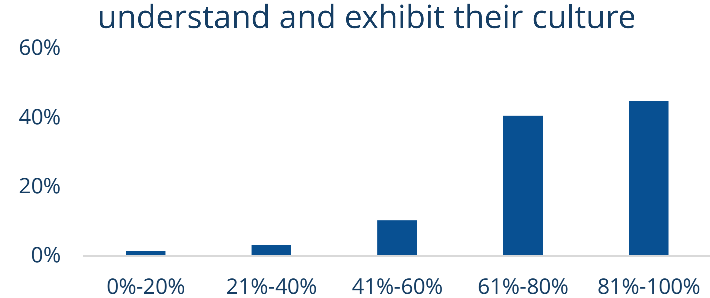
### Key factors in determining the effectiveness of organisational culture




Trust among employees is key to cultural effectiveness, along with action orientation and taking initiative, striving for continuous improvement and excellence, adaptability and adjusting to change, and broad agreement on goals and values.

## Exhibit and understand culture

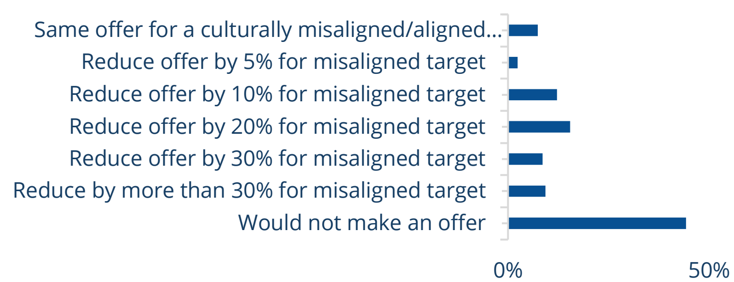
### The percentage of employees that understand and exhibit their culture




Over half of CEOs report staff lack some understanding or display behaviours contrary to the desired culture.

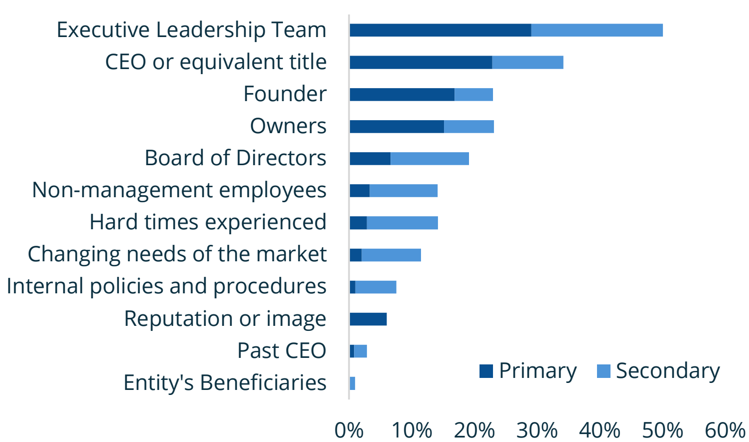
## Identical M&A targets, one misaligned

### Offers for culturally aligned vs. misaligned target

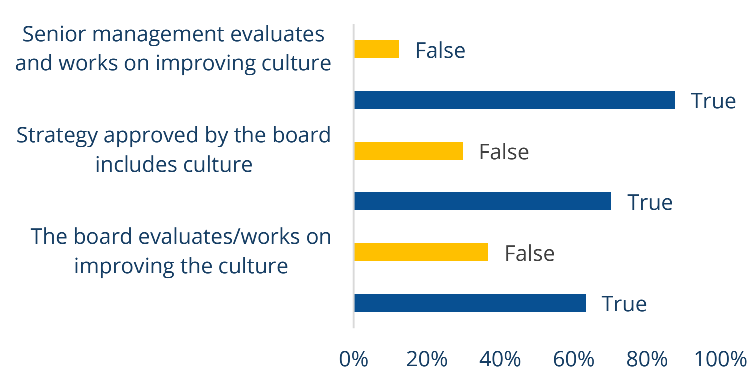



44% would not make an offer on the culturally misaligned target and another 48% would reduce an offer by 5% to 30% or more.

## Most influential factor setting culture




## Annual assessment of culture




Leaders, founders, owners and the board, set and reinforce culture.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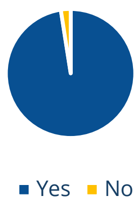
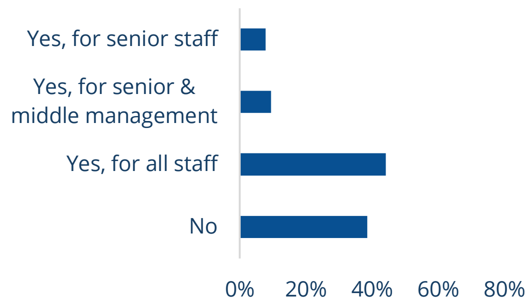
## Exemplifying values: performance reviews, discretionary pay, & promotion

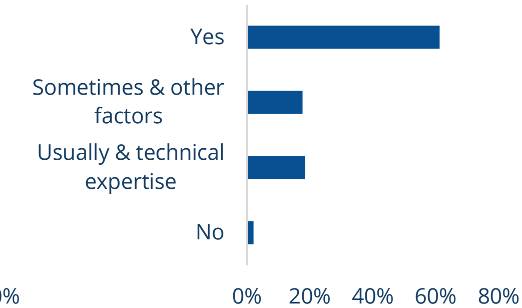
Employee behaviours reflect values included in performance reviews




Employee behaviour linked to discretionary pay




Behaviour a key criterion to advance to senior role



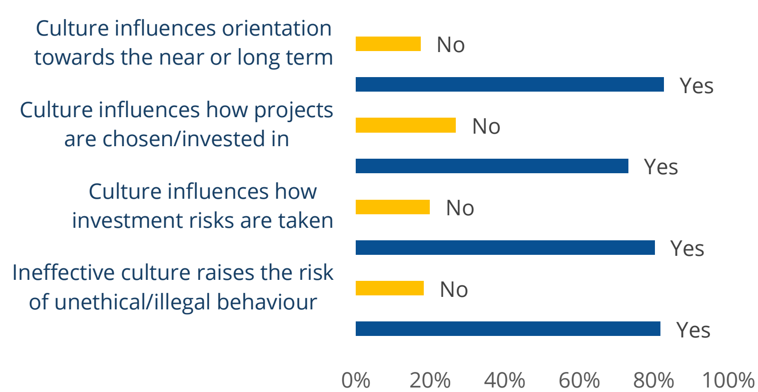

98% of organisations include whether employees exemplify their values in performance reviews, but only 61% link discretionary pay to behaviour. A further 61% consider exemplifying values a key criterion for moving into senior management. In pre-research discussions with CEOs, many noted that these are some of the strongest signals regarding the priority and importance of values driven behaviour.

## Investment style

Project investment style

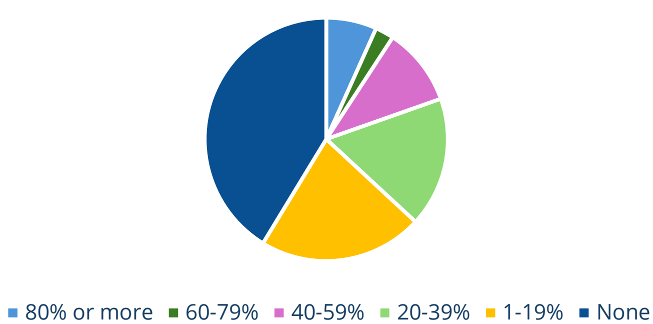

49% of CEOs have a growth/risk strategy compared to a stewardship approach, with 73% agreeing culture drives project selection.

## Culture: risk, long-term and ethics



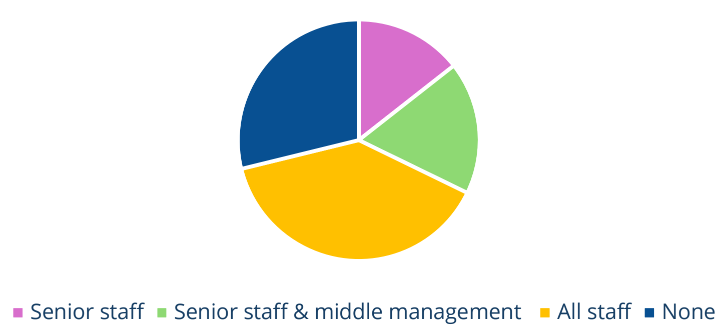

80%+ CEOs agree that culture impacts long-term orientation, how calculated risk is taken, and ethical behaviour.

## Short-term CEO incentives




CEOs noted that, while they are not motivated by monetary incentives, they see incentives as signals. 41% of CEOs receive no STI, 22% get between 1-19%, and only 7% receive 80% or more.

## Short-term staff incentives




39% offer short-term incentives to all staff, 18% to senior staff and middle management, and 14% to all senior staff. Aligning these with strategy and behaviours sends a powerful signal.

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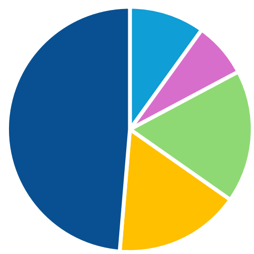
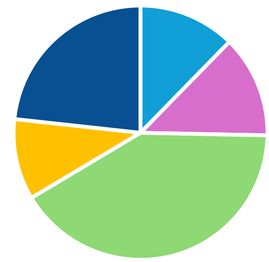
## Long-term leader incentives



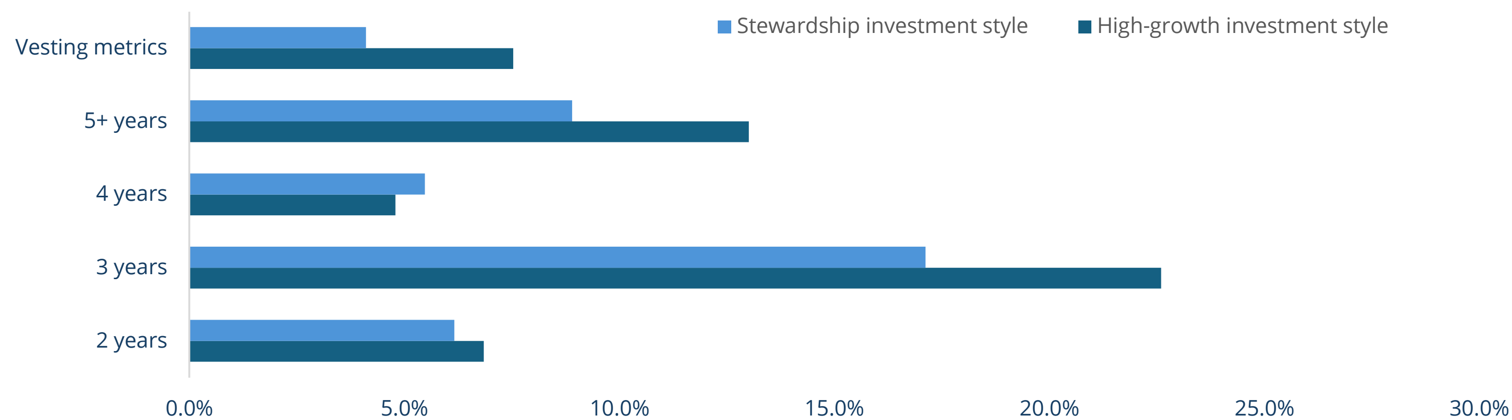

There is a variation in CEO LTIs, with 49% receiving no LTIs, while the majority fall into lower to mid-range percentages, indicating an opportunity for more alignment of incentives with long-term goals.

## Long-term incentive vesting period



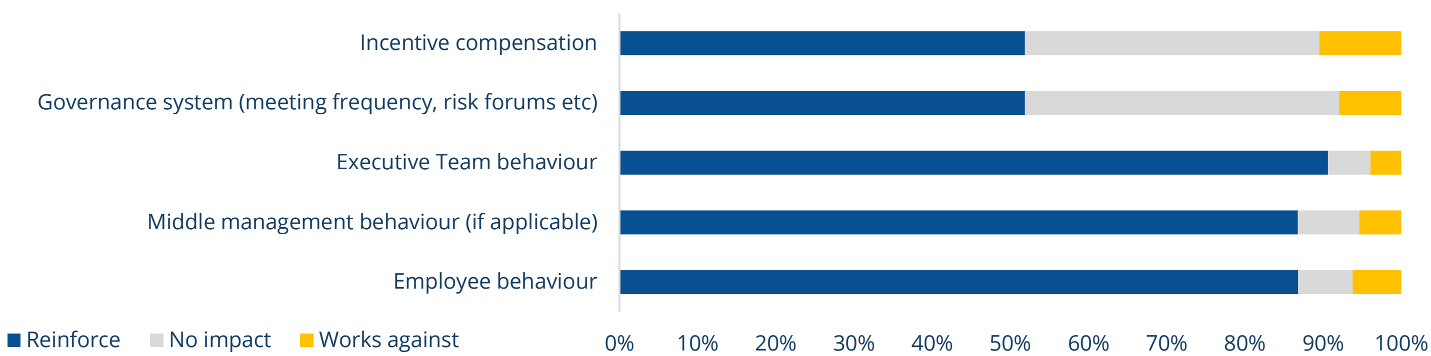

The most popular vesting period is 3 years (41%), while 13% is linked to 2 years of performance, and 34% extend beyond 4 years. Additionally, 12% have specific vesting tied to performance metrics.

## 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 suggests that high-growth firms, in aggregate, invest more heavily in LTIs as part of their cultural and strategic alignment.

## Impact of various factors on organisational culture effectiveness




Leadership team behaviour is the strongest reinforcer of culture. However, incentive compensation and the governance systems impacts are mixed, only 52% consider it as reinforcing, while 10% and 8% (respectively) believe they work against culture.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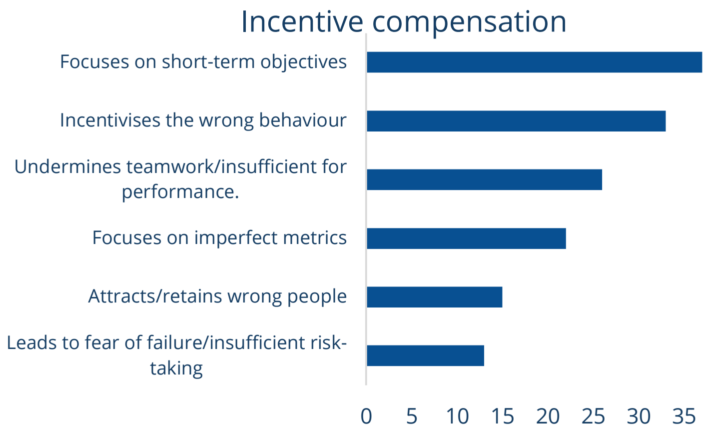
## Reasons incentive compensation and leaders work against culture:

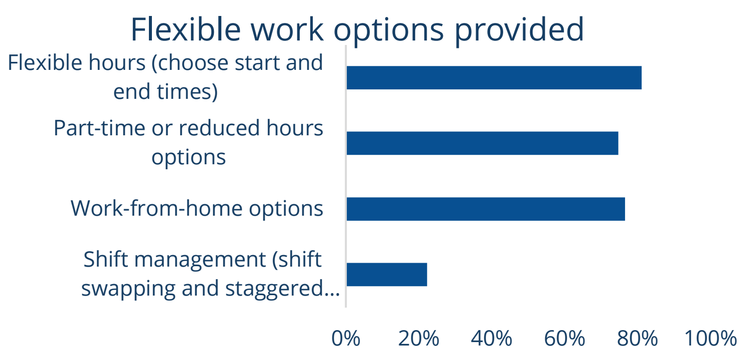


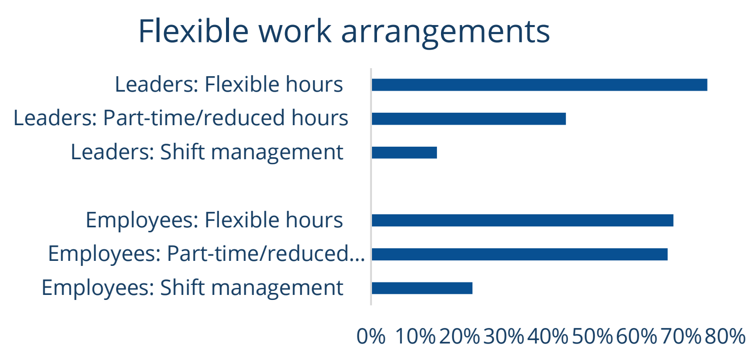


37 CEOs say incentive compensation focuses employees on short-term objectives, 33 say it incentivises the wrong behaviour, and 26 cite that it undermines teamwork/insufficient for performance.

24 CEOs note employees negatively impact colleagues through behaviour contrary to culture; 19 cite avoidance of feedback or dialogue, and 16 highlight disregard for values in actions/decisions.

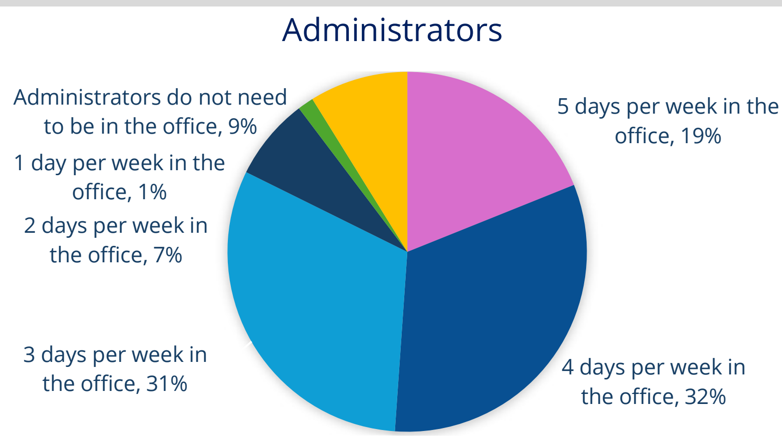
## Support for flexible work arrangements




CEOs widely support flexible work arrangements. Most allow some remote work and flexible hours, but part-time or reduced hours are rarer for leaders, which may limit opportunities for parents seeking leadership roles.

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


CEOs prefer to have 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, 51% agree that administrators can be in the office three days a week or less.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## How CEOs spend their time on organisational culture


Top organisational culture priorities for CEOs include setting and communicating vision and values, modelling desired behaviours, enhancing communication, and leadership development and succession planning.

## How CEOs measure outcomes and value from organisational culture


The majority of CEOs show a strong focus on health and safety, performance outcomes, employee surveys, customer engagement and talent management.

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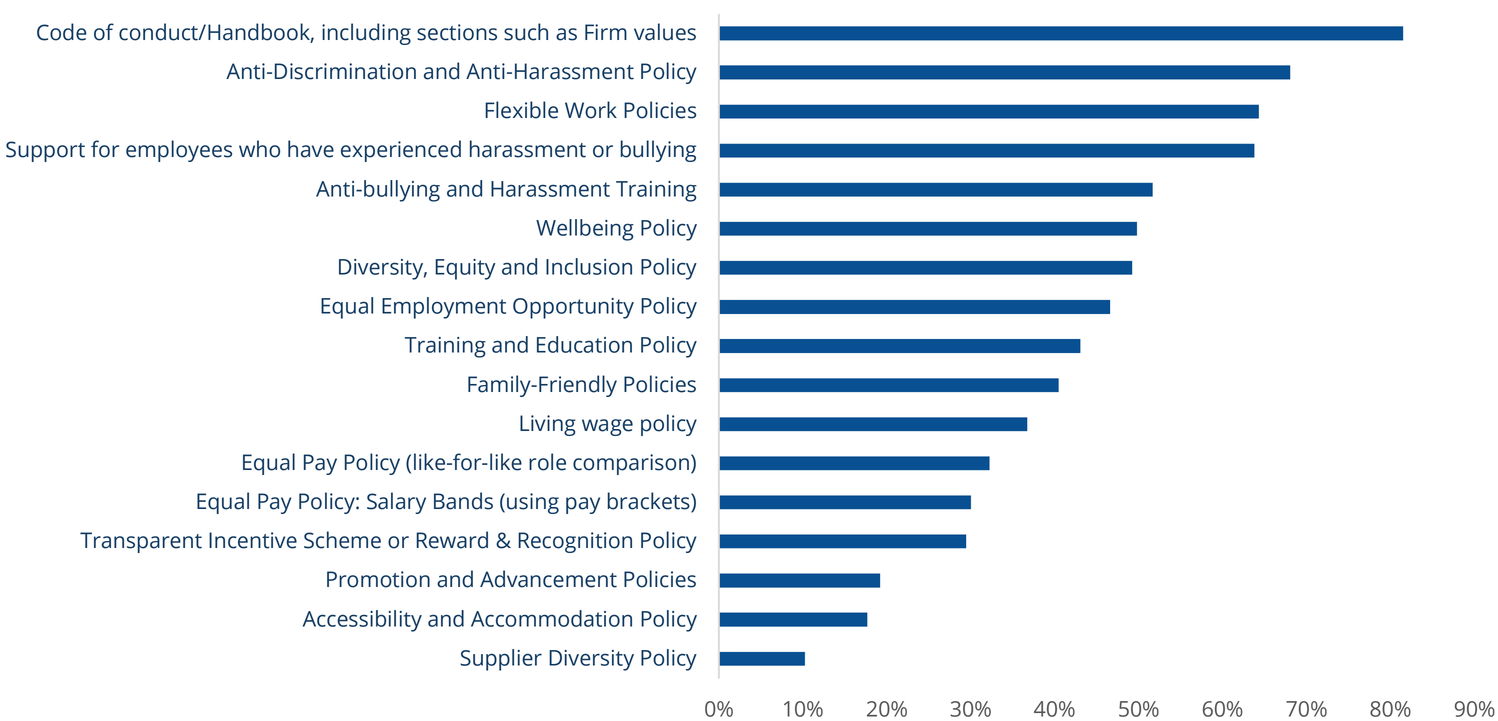
## Ethics-centric policies and processes


Most companies focus on principles such as doing the right thing and have formal policies, like codes of conduct.

## People-centric policies




Companies commonly have codes of conduct, anti-discrimination and harassment, and flexible work policies.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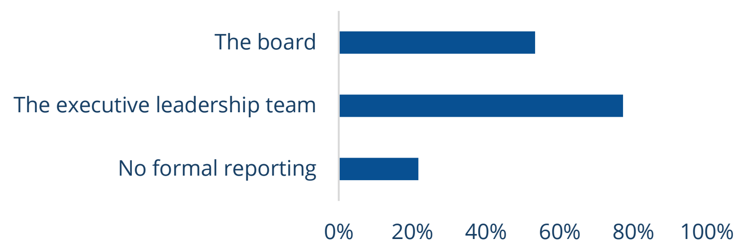
## Formal channels for reporting culture

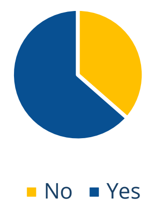
Reporting recipients of culture measurement metrics




Culture metrics are primarily reported to executive leadership and the board. 22% have no formal reporting.

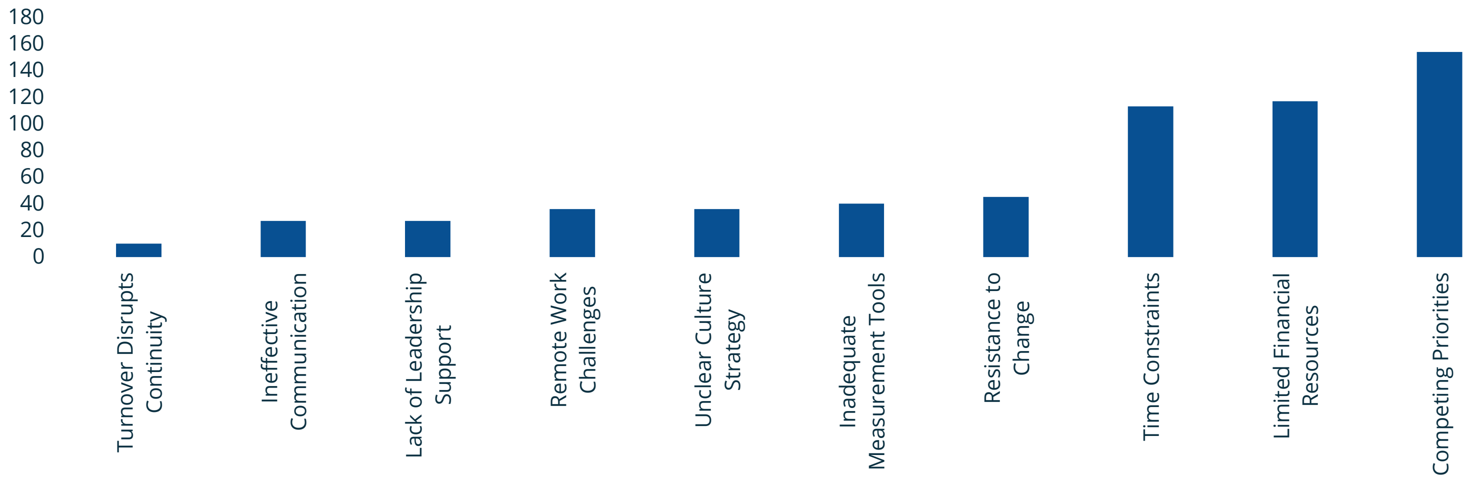
## Ability to invest in culture

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




63% of CEOs feel able to invest in organisational culture as much as needed to realise the value of their culture.

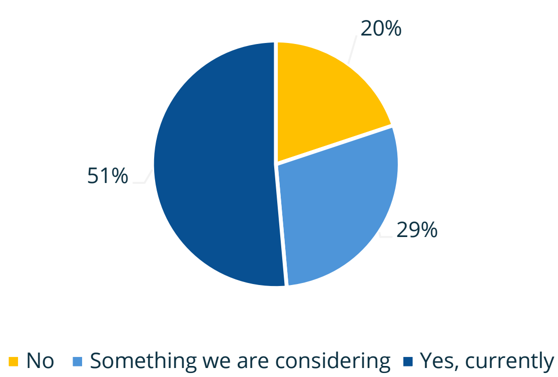
## Barriers to investing in organisational culture to maximise value

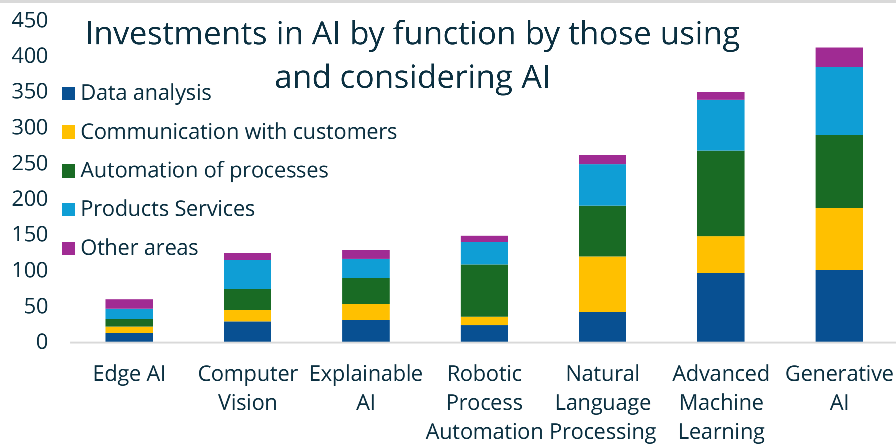



Based on selection frequency, competing priorities, limited resources, and time constraints are top barriers to investing in culture.

## Applications of AI technologies across organisational functions

Organisations using AI




Currently, 51% of organisations are using AI tools, while 29% are considering their adoption. Among the CEOs that responded, generative AI was the most frequently selected particularly for product services, data analysis, communication, and process automation.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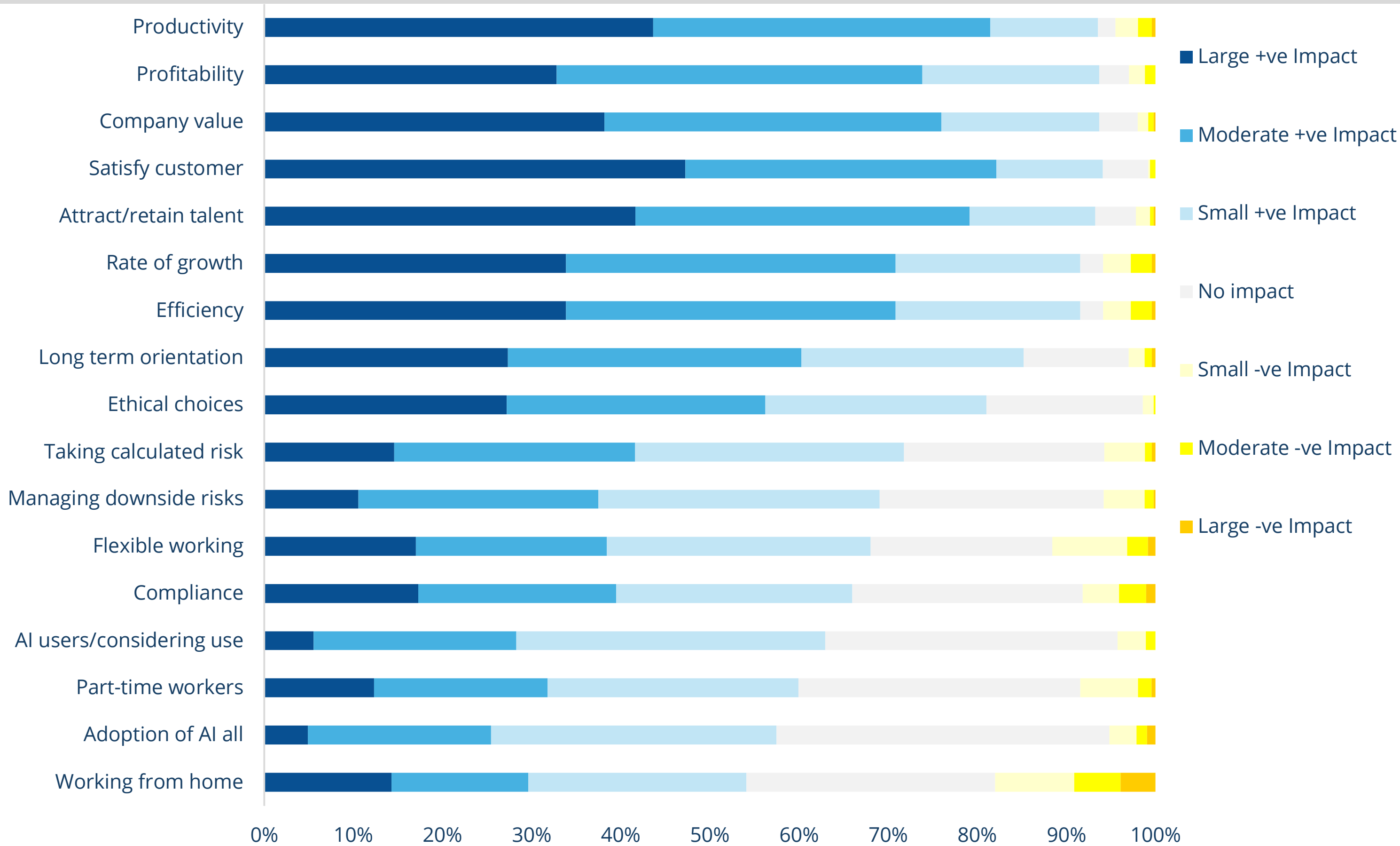
## How AI adoption is expected to influence organisational culture


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

## 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.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