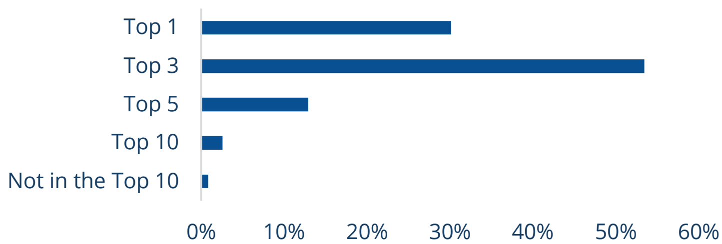
March 2025

For-Profit Companies: 116 CEOs with 10-19 employees

Value of organisational culture

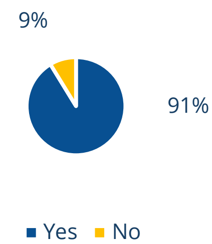
Culture's value relative to all organisational priorities



84% of 10-19 employee CEOs consider culture to be among the top three factors that determine their organisation's value - slightly lower than CEOs across all firms (88%).

Value of improving culture

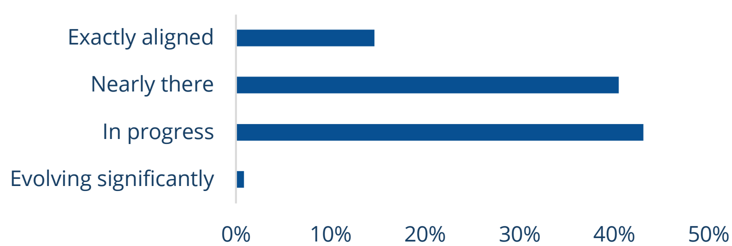
Improving culture will increase value to primary beneficiaries



91% of 10-19 employee CEOs believe that improving their culture will increase their company value through productivity, profitability, or growth - fewer than CEOs across all firms (95%).

Current state of culture

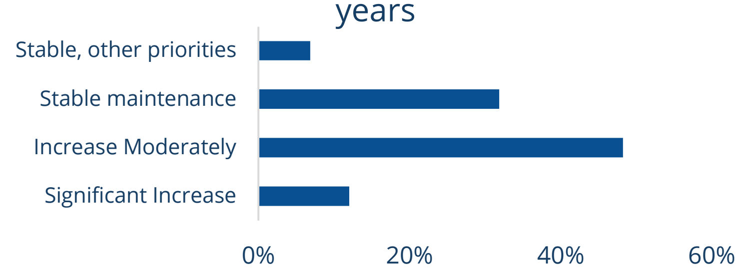
Strategy and organisational culture are



85% of 10-19 employee CEOs say they need to do some work to achieve ideal strategic alignment between culture and strategy - below the average for all firms (89%).

Changes to culture

Expected culture efforts over next three years



84% of 10-19 employee CEOs rank culture among their top 3 factors, 91% believe enhancing it increases value, and 60% plan to enhance culture - lower than CEOs across all firms (67%).

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, 73% work to align them. 79% attribute misalignment to evolving external and internal factors, while 55% note leadership needs to invest more time in culture or a stronger leadership capability is required (55%).

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

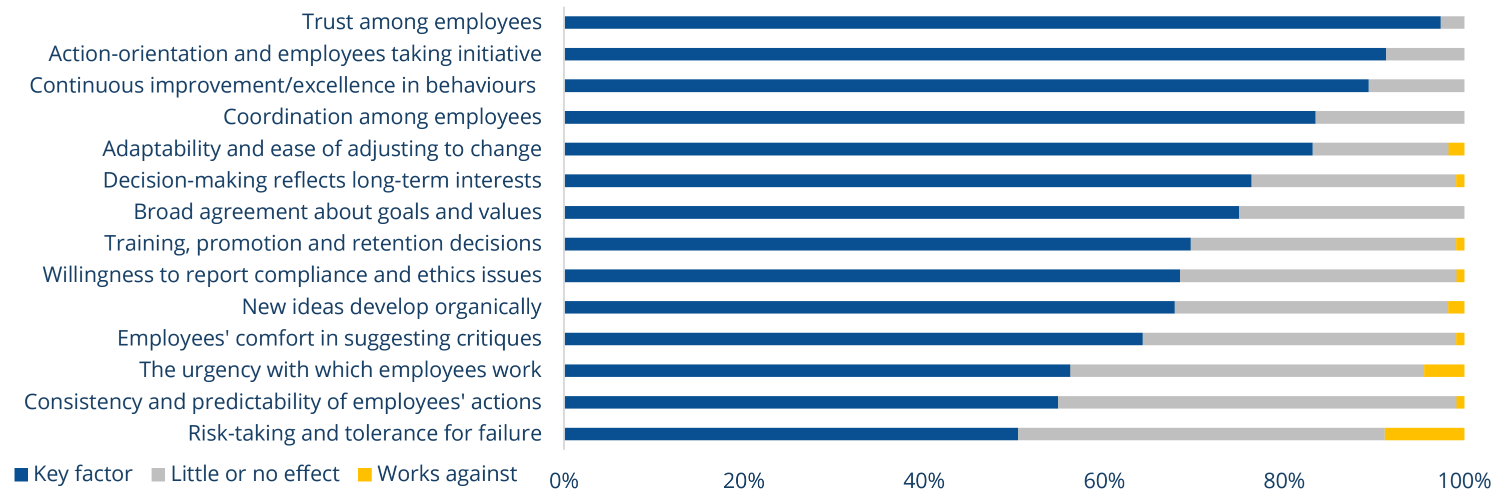
Leadership and Governance Collective

TE KUNENGA KI PŪREHUROA | MASSEY UNIVERSITY
UNIVERSITY OF NEW ZEALAND

For-Profit Companies

Why is organisational culture important

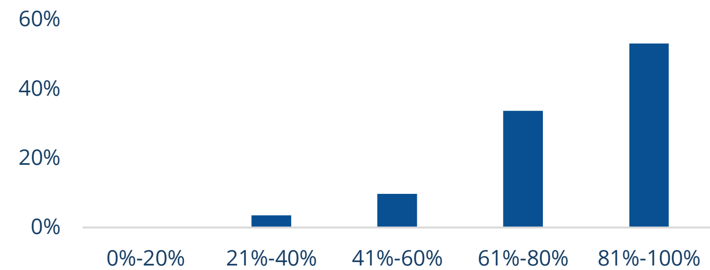
Key factors in determining the effectiveness of organisational culture



Trust among employees is key to cultural effectiveness, followed by action orientation and taking initiative, striving for continuous improvement and excellence, coordination among employees, and adaptability and ease of adjusting to change.

Exhibit and understand culture

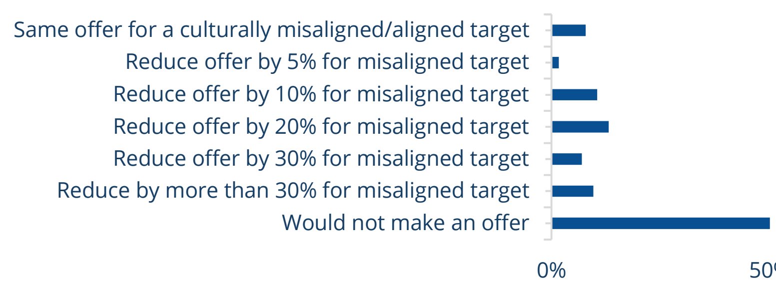
The percentage of employees that understand and exhibit their culture



47% of 10-19 employee CEOs report staff lack some understanding or display behaviours contrary to the desired culture - below the 55% across all firms.

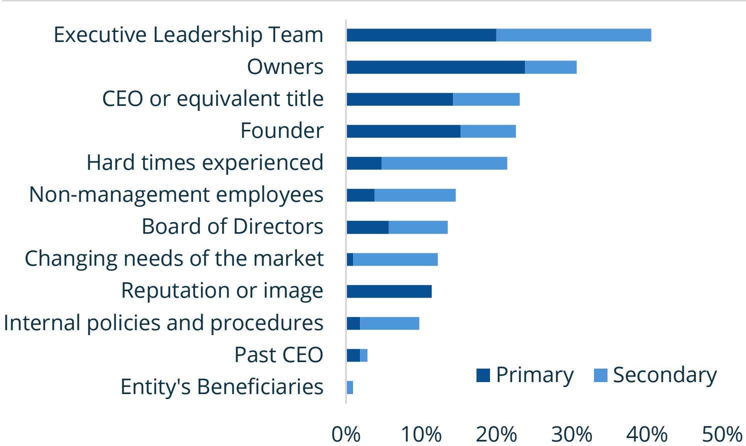
Identical M&A targets, one misaligned

Offers for culturally aligned vs. misaligned target

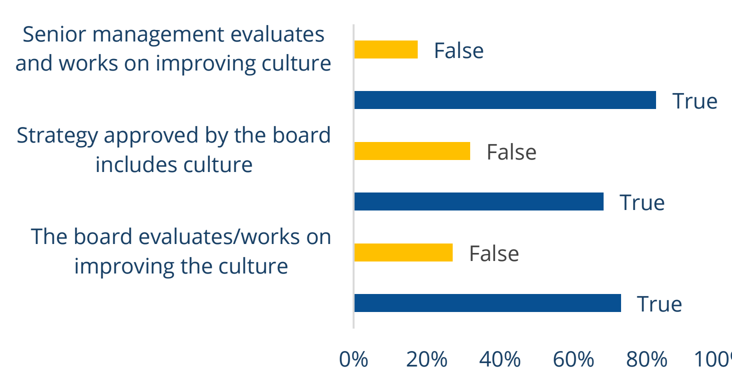


50% of 10-19 employee CEOs would not make an offer on a culturally misaligned target, a higher proportion than the 44% across all firms. Another 42% would reduce an offer by 5% to 30% or more.

Most influential factor setting culture



Annual assessment of culture



Leaders, owners, and founders set and reinforce culture.

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

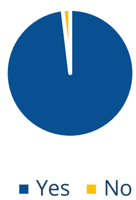
Leadership and Governance Collective

TE KUNENGA KI PŪREHUROA | MASSEY UNIVERSITY
UNIVERSITY OF NEW ZEALAND

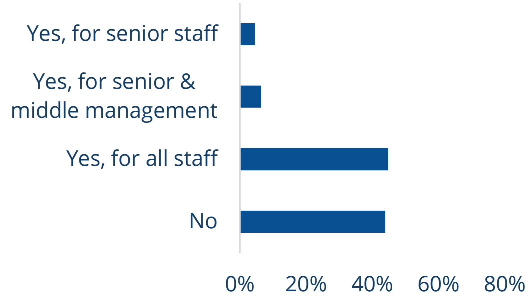
For-Profit Companies

Exemplifying values: performance reviews, discretionary pay, & promotion

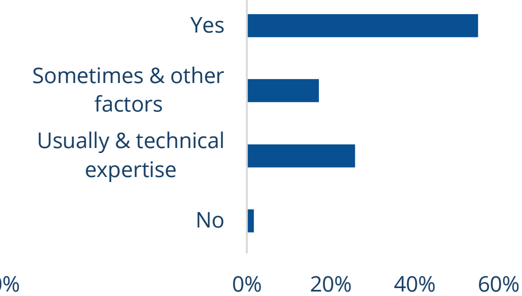
Employee behaviours reflect values included in performance reviews



Employee behaviour linked to discretionary pay



Behaviour a key criterion to advance to senior role



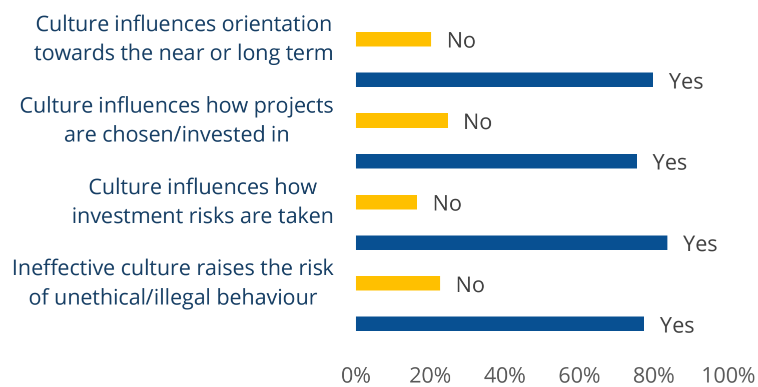
98% of 10-19 employee firms include whether employees exemplify their values in performance reviews, and 56% link discretionary pay to behaviours (compared to 61% of all firms). A further 55% consider exemplifying values a key criterion for senior management progression (compared to 61%). 10-19 employee organisations assess employee values and behaviours as frequently as all firms but link discretionary pay to behaviours less often. They also place less emphasis on exemplifying values for job progression.

Investment style

Project investment style

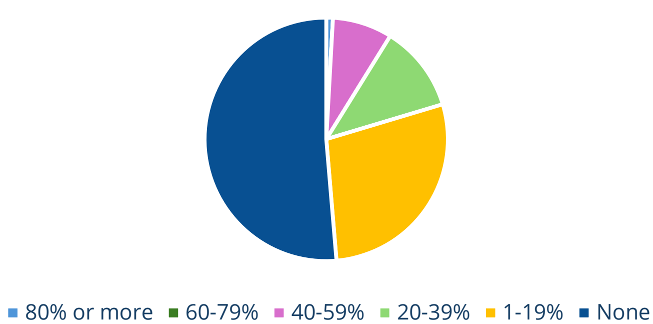
42% of 10-19 employee CEOs prefer a growth or high-risk strategy compared to a stewardship approach. 75% agree that culture drives project selection (compared to 73% of all firms).

Culture: risk, long-term and ethics



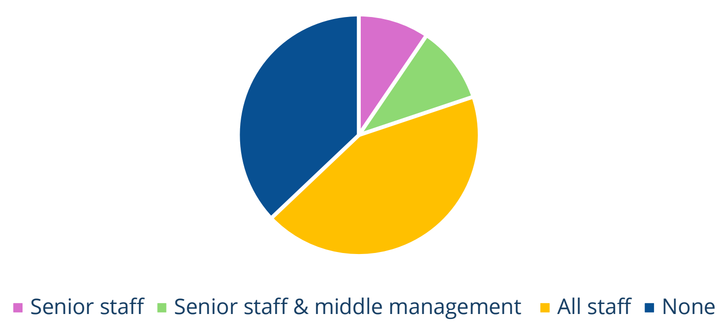
CEOs of companies with 10-19 employees say culture affects long-term focus (80%) and investment risk (84%), but fewer (77%) believe it impacts ethical decision-making - figures that vary versus all firms.

Short-term CEO incentives



CEOs noted that, while they are not motivated by monetary incentives, they see incentives as signals. 51% of CEOs receive no STI, 28% get between 1-19%, and only 1% receive 80% or more.

Short-term staff incentives



63% offer short-term incentives to all staff. While staff appear to receive more STIs than CEOs, this does not reflect the full picture, as CEOs often receive equity-based compensation.

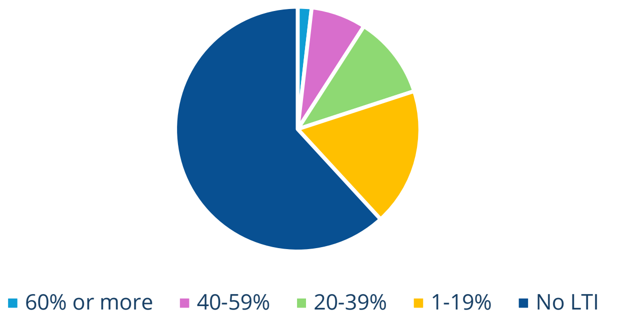
Authors: Susanna Lee (Leadership and Governance Collective), Associate Professor Claire Matthews and Dr Jeffrey Stangl (Massey)

Leadership and Governance Collective

TE KUNENGA KI PŪREHUROA | MASSEY UNIVERSITY
UNIVERSITY OF NEW ZEALAND

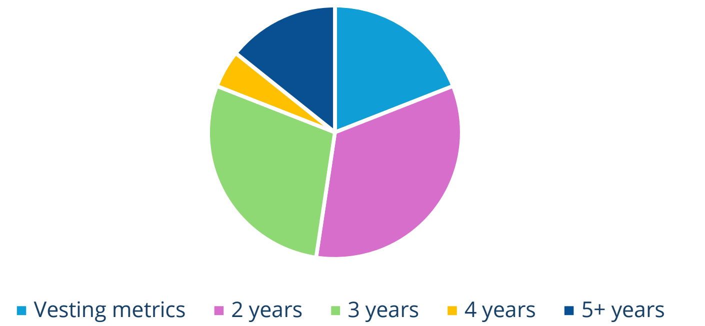
For-Profit Companies

Long-term leader incentives



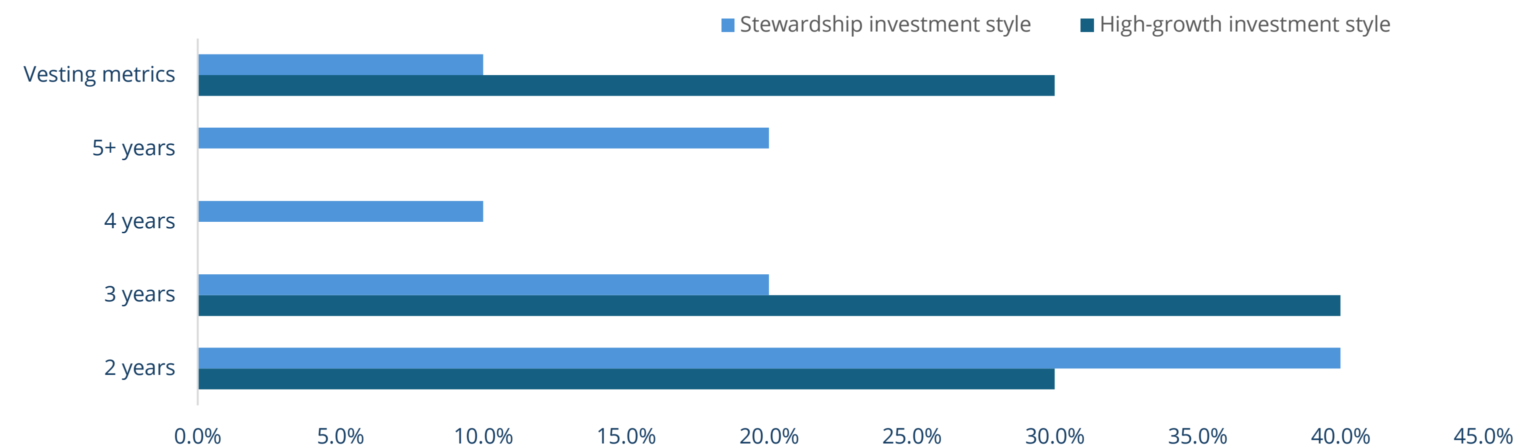
There is a variation in CEO LTIs, with 62% receiving no LTIs, while the majority fall into lower range percentages, indicating an alignment opportunity between incentives and long-term goals.

Long-term incentive vesting period



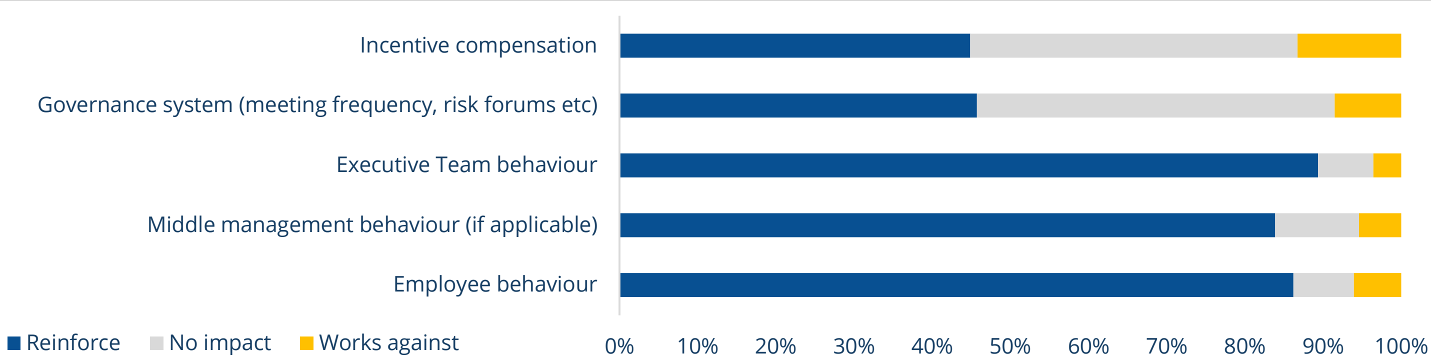
The most popular vesting period is 2 and 3 years (30% each), 30% are linked to between 4 and 5+ years, and 20% have specific vesting tied to performance metrics.

Long-term incentive vesting terms and their link to investment style



Growth firms allocate a larger share of CEO LTIs to vesting metrics - 30% compared to 10% for stewardship firms. However, stewardship firms have more LTIs with longer durations, with 30% vesting over 4 or 5+ years, while growth firms have none - an atypical pattern compared to the overall group.

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 45% and 56% consider it as reinforcing, while 13% and 9% (respectively) believe they work against culture.

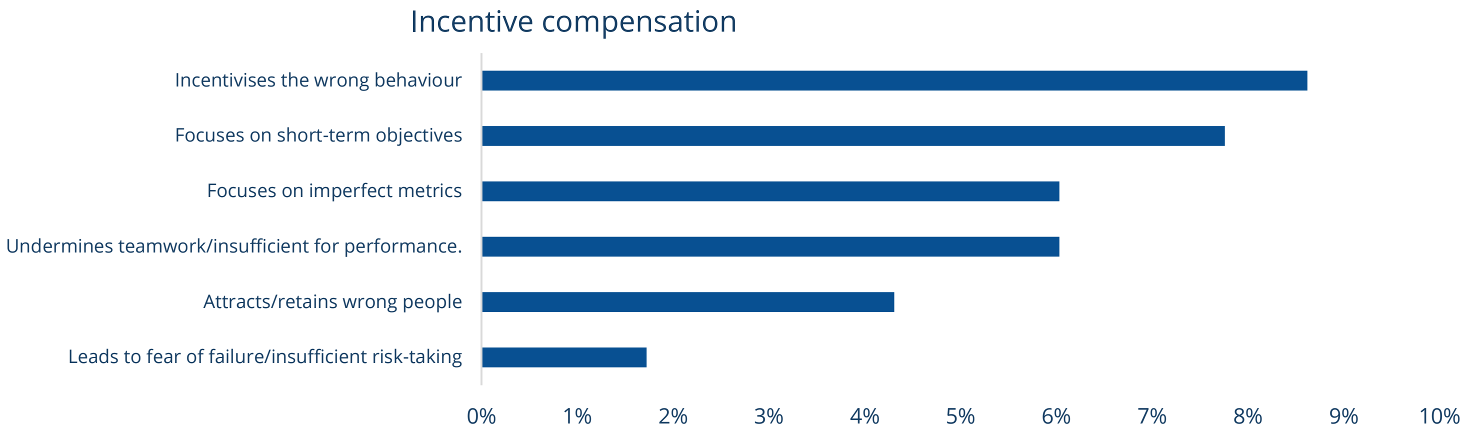
Authors: Susanna Lee (Leadership and Governance Collective), Associate Professor Claire Matthews and Dr Jeffrey Stangl (Massey)

Leadership and Governance Collective

TE KUNENGA KI PŪREHUROA | MASSEY UNIVERSITY
UNIVERSITY OF NEW ZEALAND

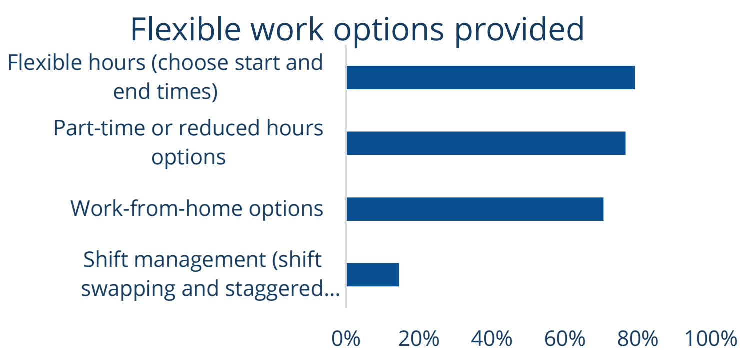
For-Profit Companies

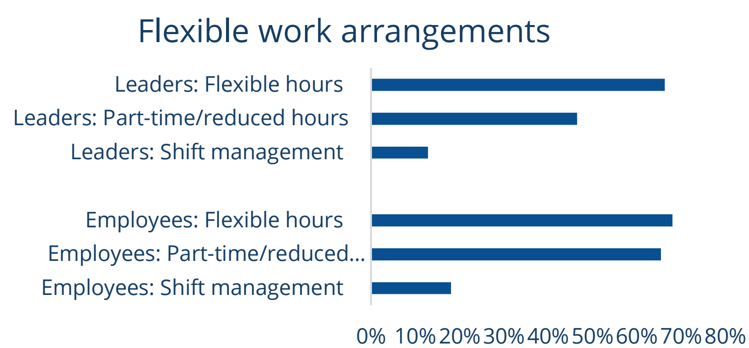
Reasons incentive compensation and leaders work against culture:



According to 10-19 employee CEOs, incentive compensation incentivises the wrong behaviour (9%), focuses on short-term objectives (8%), focuses on imperfect metrics (6%), undermines teamwork or proves insufficient for performance (6%), attracts and retains the wrong people (4%), and leads to fear of failure or insufficient risk-taking (2%).

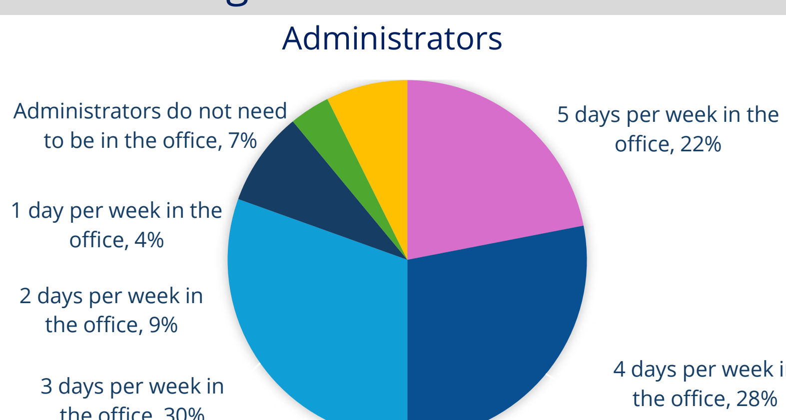
Support for flexible work arrangements





CEOs of 10–19 employee firms support flexible work but offer slightly less flexibility than the overall sample. They provide slightly better access to part-time/reduced hours (77% vs. 75%) but lower access to flexible hours (79% vs. 81%), work-from-home (71% vs. 77%), and shift management (15% vs. 22%). Part-time/reduced hours are rarer among leaders, potentially limiting parents seeking leadership roles.

Optimal in-office days to support and nurture organisational culture



CEOs of 10-19 employee firms prefer more in-office days for leaders to support and nurture culture, with 26% requiring 5 days (vs. 20% overall) and 32% requiring 4 days (vs. 41%). They are equally likely to say leaders don't need to be in the office (10%). A similar trend applies to administrators, with fewer in-office days.

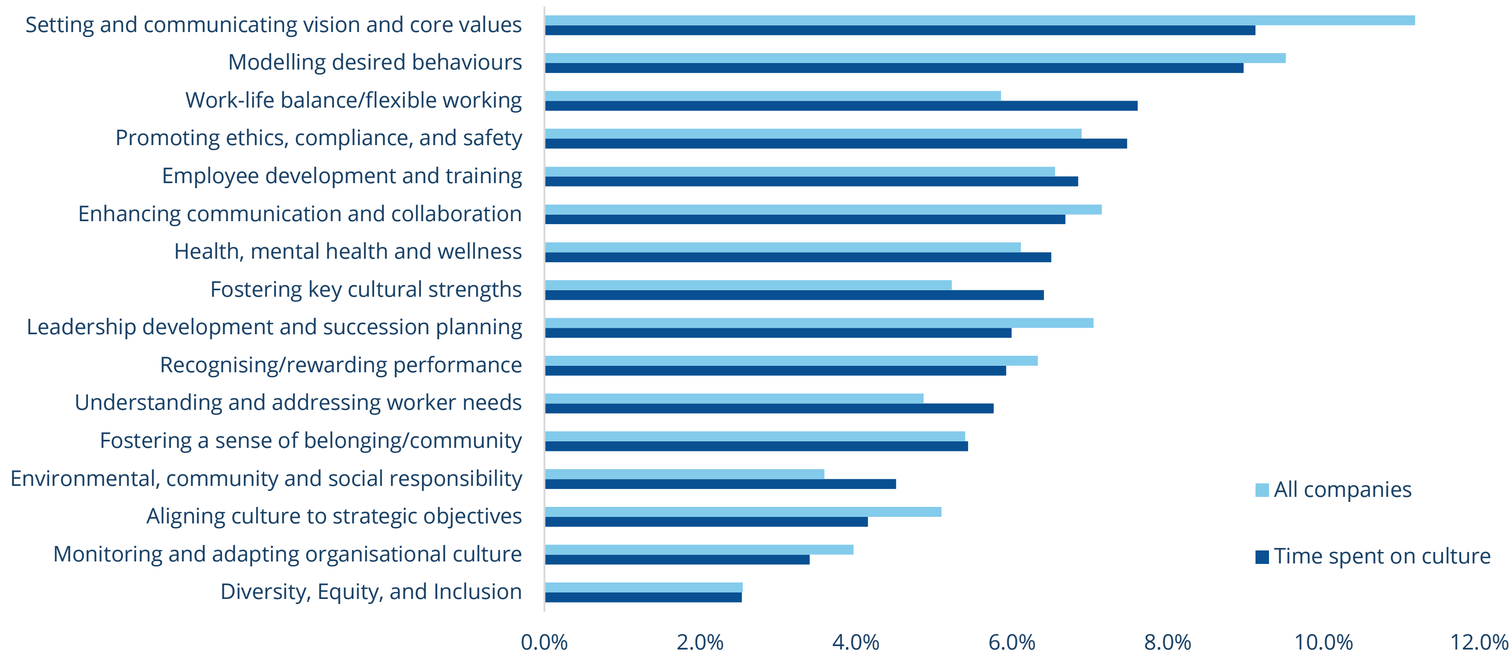
Authors: Susanna Lee (Leadership and Governance Collective), Associate Professor Claire Matthews and Dr Jeffrey Stangl (Massey)

Leadership and Governance Collective

TE KUNENGA KI PŪREHUROA | MASSEY UNIVERSITY
UNIVERSITY OF NEW ZEALAND

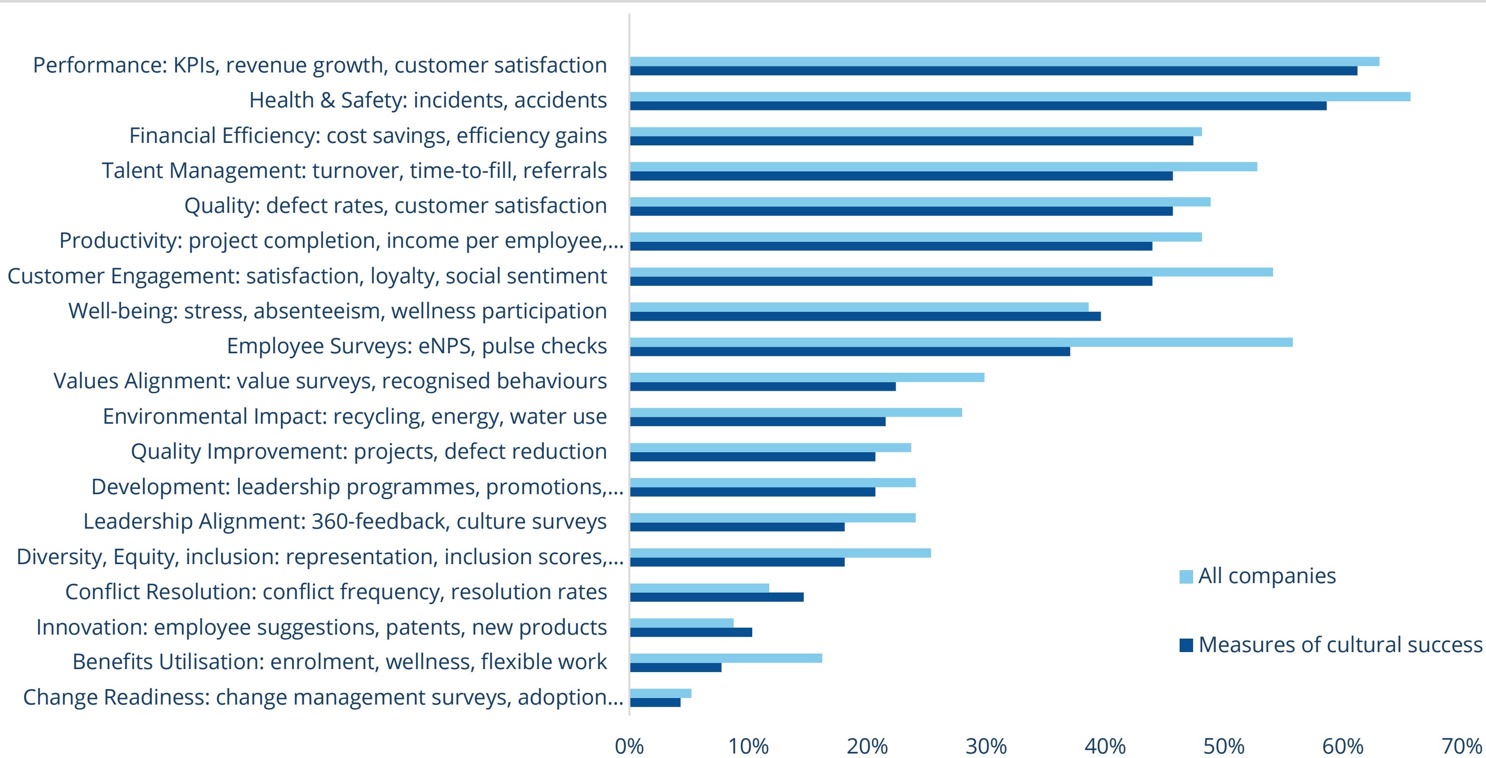
For-Profit Companies

How CEOs spend their time on organisational culture



CEOs in the 10-19 employee group allocate more time to work-life balance/flexible working and fostering key cultural strengths. In contrast, the overall companies group places more emphasis on setting and communicating vision and core values and leadership development and succession planning.

How CEOs measure outcomes and value from organisational culture



CEOs in the 10-19 employee group measure more in relation to well-being, innovation, and conflict resolution compared to the overall group. They measure less on employee surveys, customer engagement, benefits utilisation, and diversity, equity, and inclusion.

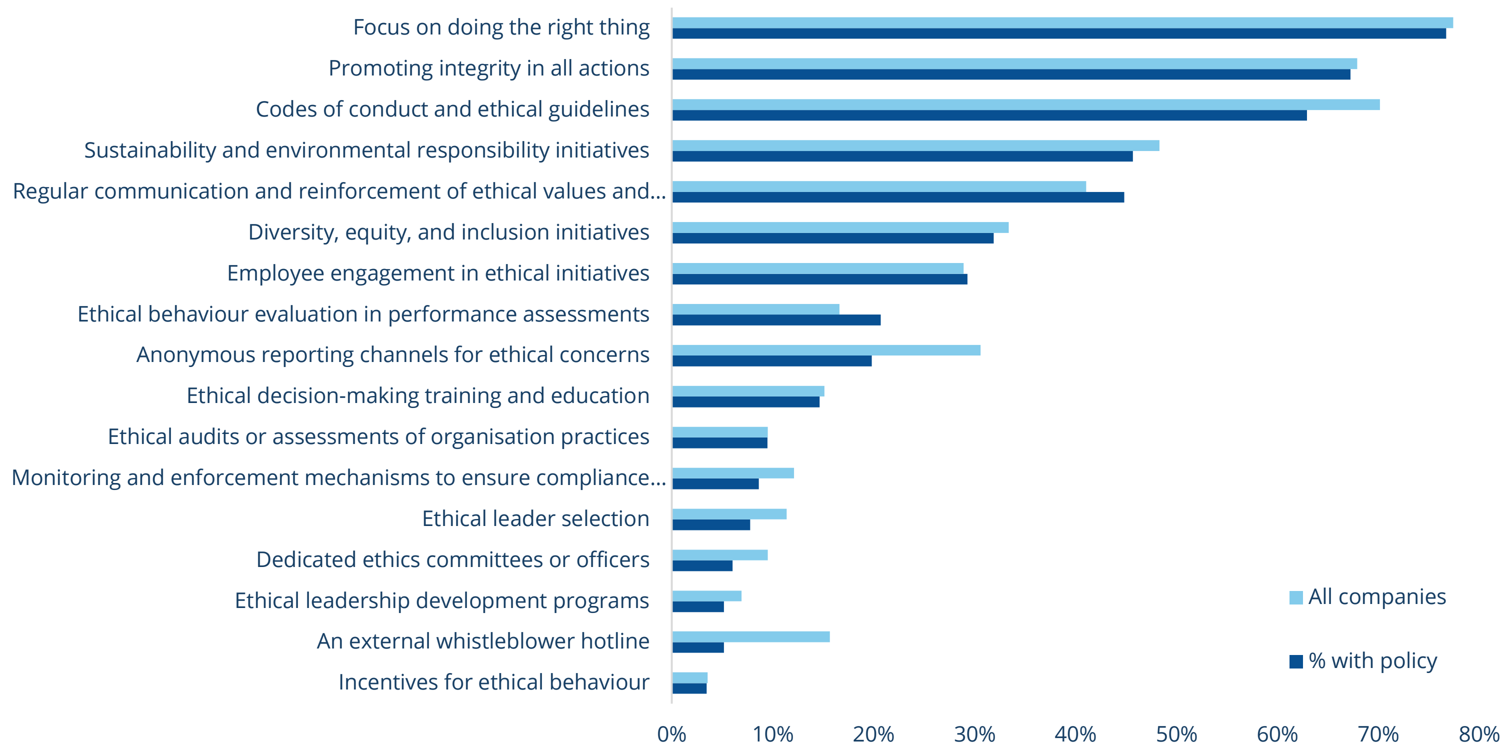
Authors: Susanna Lee (Leadership and Governance Collective), Associate Professor Claire Matthews and Dr Jeffrey Stangl (Massey)

Leadership and Governance Collective

TE KUNENGA KI PŪREHUROA | MASSEY UNIVERSITY
UNIVERSITY OF NEW ZEALAND

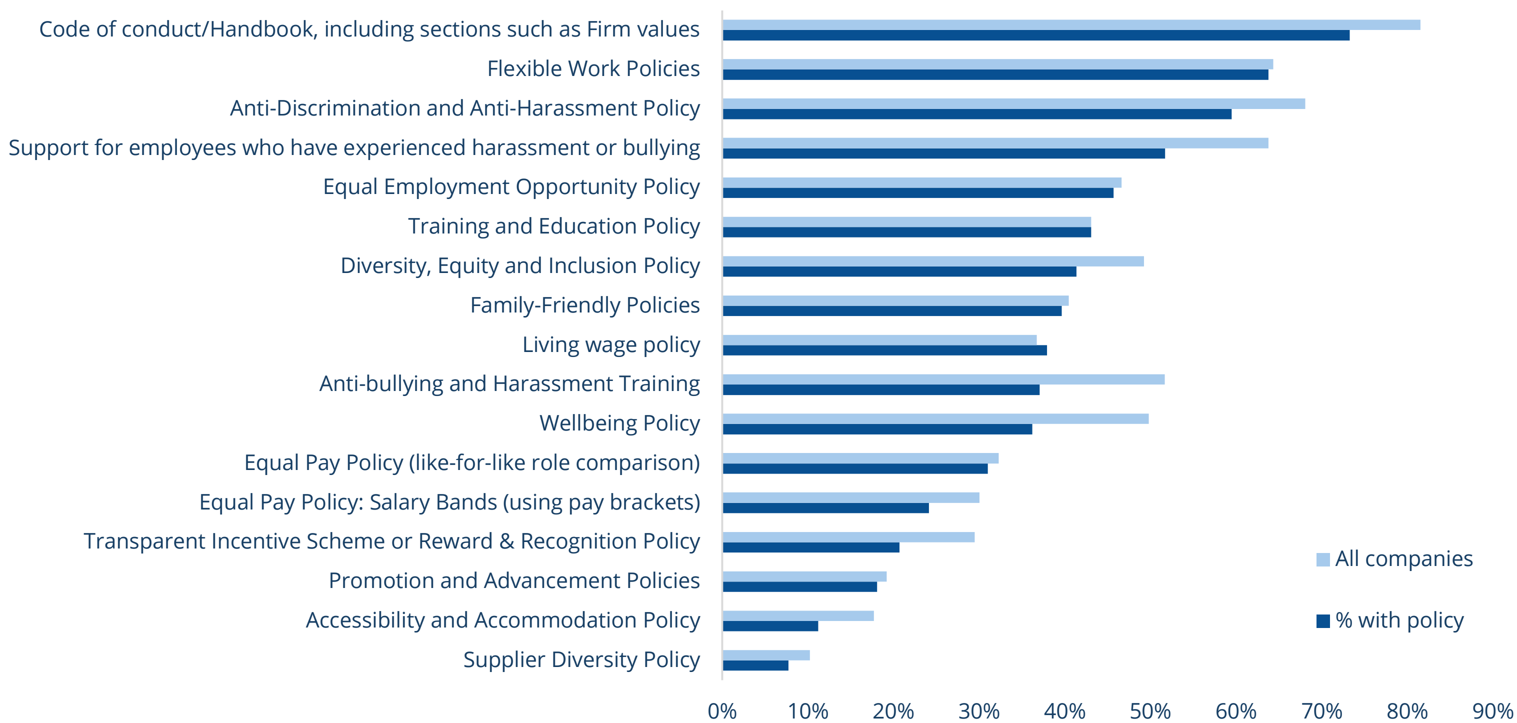
For-Profit Companies

Ethics-centric policies and processes



CEOs in the 10-19 employee group place more emphasis on regularly communicating and reinforcing ethical values and evaluating ethical behaviour in performance assessments. Whistleblower and anonymous reporting are less relevant for smaller firms.

People-centric policies



CEOs in the 10-19 employee group place more emphasis on the living wage policy and have similar people-centric policies, aside from some policies that are more common in larger organisations, such as anti-discrimination and anti-bullying and harassment training.

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

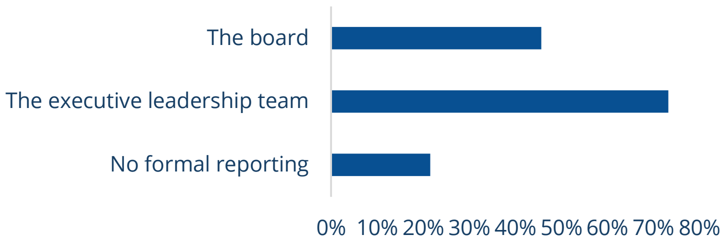
Leadership and Governance Collective

TE KUNENGA KI PŪREHUROA | MASSEY UNIVERSITY
UNIVERSITY OF NEW ZEALAND

For-Profit Companies

Formal channels for reporting culture

Reporting recipients of culture measurement metrics



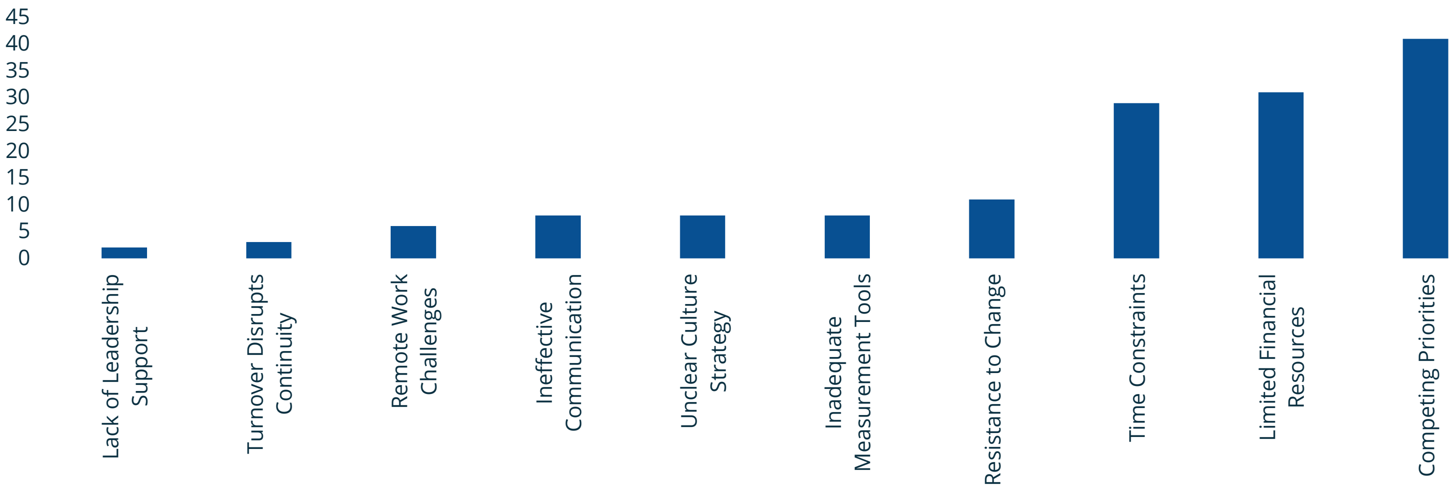
Culture metrics are primarily reported to executive leadership and the board. 22% have no formal reporting (on par with for-profits).

Ability to invest in culture

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

73% of CEOs feel able to invest in organisational culture as much as needed to realise the value of their culture (compared to 63%).

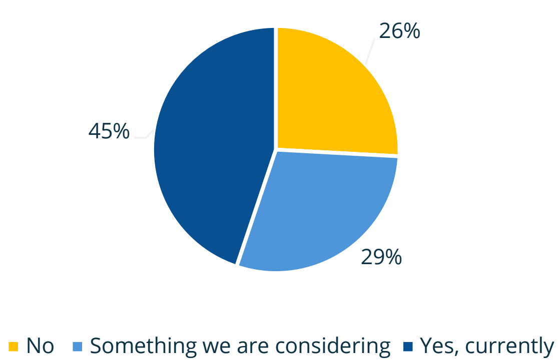
Barriers to investing in organisational culture to maximise value

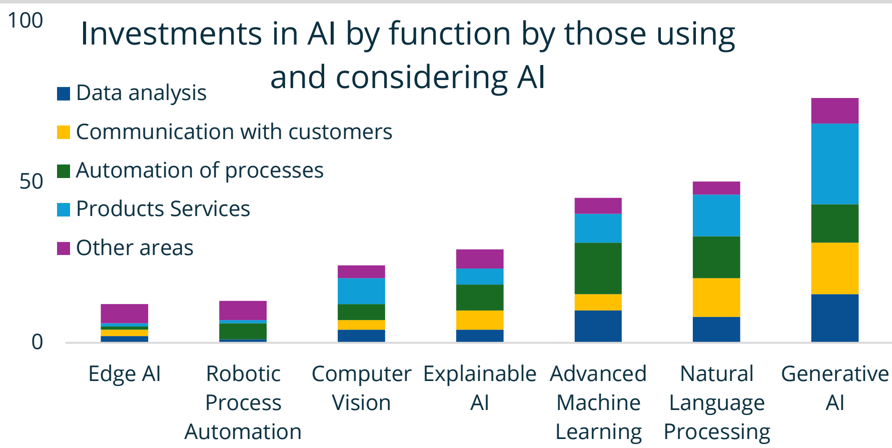


Based on selection frequency, competing priorities, limited resources, and time constraints are top barriers to investing in culture.

Applications of AI technologies across organisational functions

Organisations using AI





Currently, 45% of CEOs in companies with 10-19 employees use AI tools (compared to 51%), while 29% are considering their adoption. Generative AI is the most frequently used, particularly in data analysis and automation of processes.

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

Leadership and Governance Collective

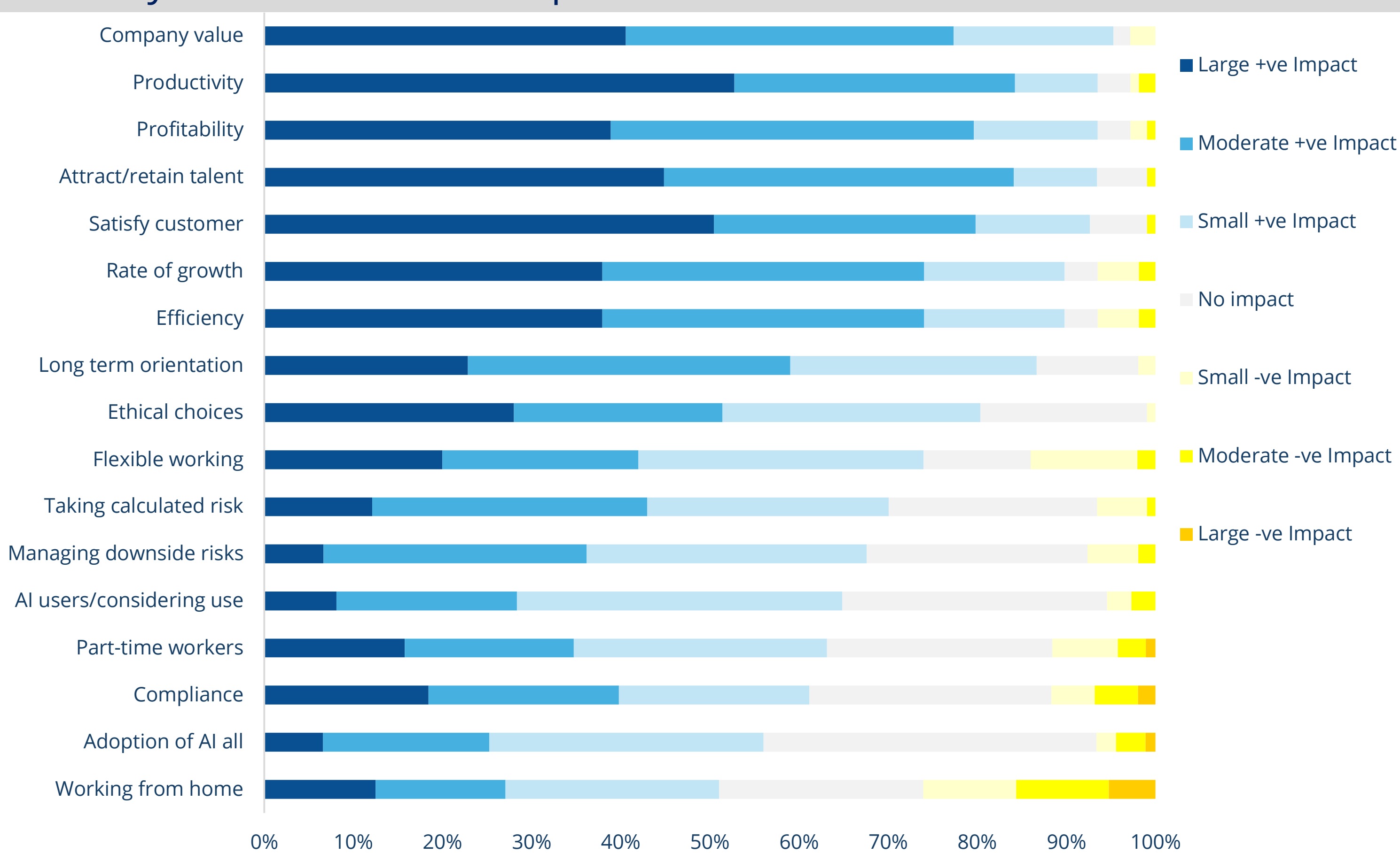
TE KUNENGA KI PŪREHUROA | MASSEY UNIVERSITY
UNIVERSITY OF NEW ZEALAND

For-Profit Companies

How AI adoption is expected to influence organisational culture

CEOs in the 10-19 employee group adopting or considering AI expect its cultural impact to centre on enhanced collaboration tools and platforms to improve communication and teamwork, as well as increased data-driven success measurement, likely leading to more informed decision-making based on productivity and performance.

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.

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

Leadership and Governance Collective

TE KUNENGA KI PŪREHUROA | MASSEY UNIVERSITY
UNIVERSITY OF NEW ZEALAND