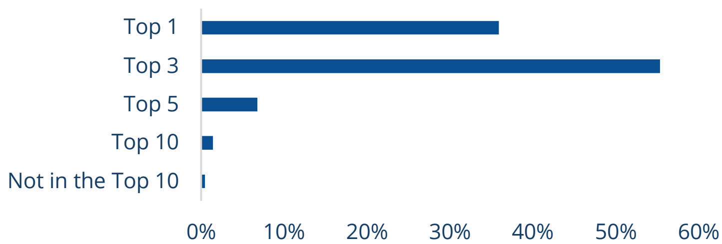
For-Profit Companies: 206 CEOs with 50+ employees

March 2025

Value of organisational culture

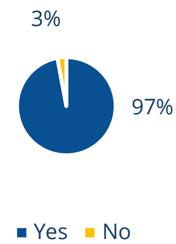
Culture's value relative to all organisational priorities



91% of 50+ employee CEOs consider culture to be among the top three factors that determine their organisation's value - higher than CEOs across all firms (88%).

Value of improving culture

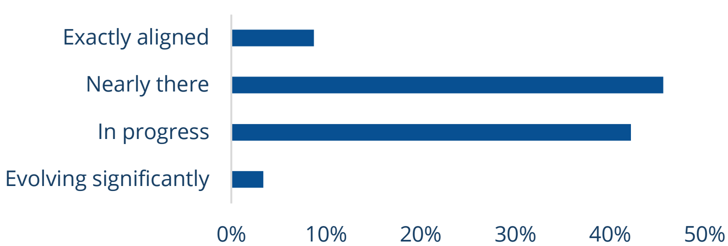
Improving culture will increase value to primary beneficiaries



97% of 50+ employee CEOs believe that improving their culture will increase their company value through productivity, profitability, or growth - marginally higher than CEOs across all firms (95%).

Current state of culture

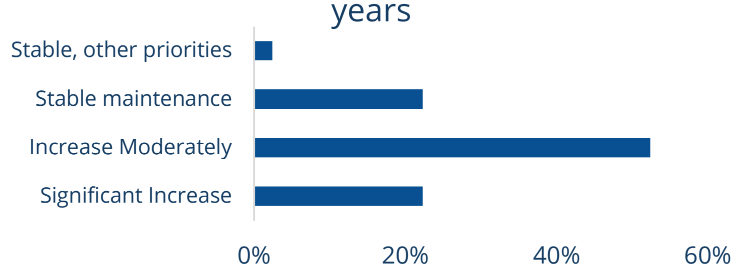
Strategy and organisational culture are



91% of 50+ employee CEOs say they need to do some work to achieve ideal strategic alignment between culture and strategy - slightly above CEOs across all firms (89%).

Changes to culture

Expected culture efforts over next three years



91% of 50+ employee CEOs rank culture among their top 3 factors, 97% believe enhancing it increases value, and 75% plan to enhance culture - higher 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, 84% work to align them. 85% attribute misalignment to evolving external and internal factors, while 68% note leadership needs to invest more time in culture or a stronger leadership capability is required (72%).

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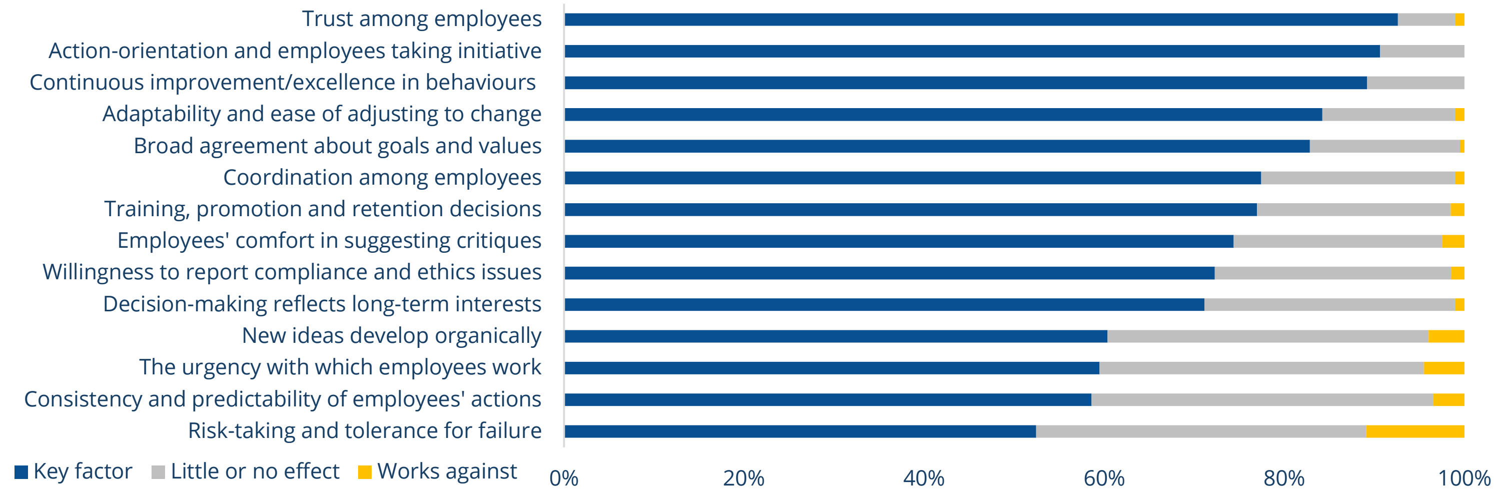
Why is organisational culture important

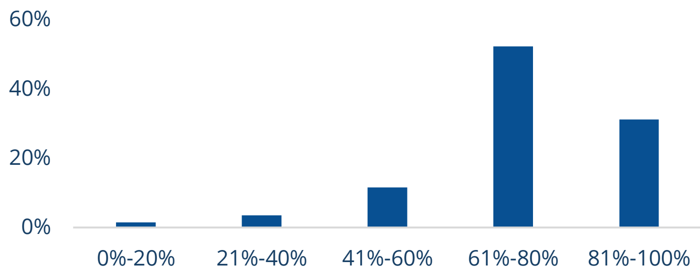
Key factors in determining the effectiveness of organisational culture



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

Exhibit and understand culture

The percentage of employees that understand and exhibit their culture



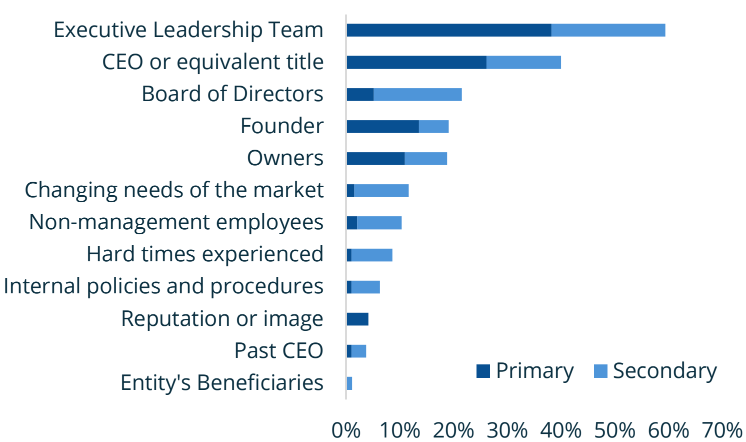
69% of 50+ employee CEOs report staff lack some understanding or display behaviours contrary to the desired culture - higher than all firms at 55%.

Identical M&A targets, one misaligned

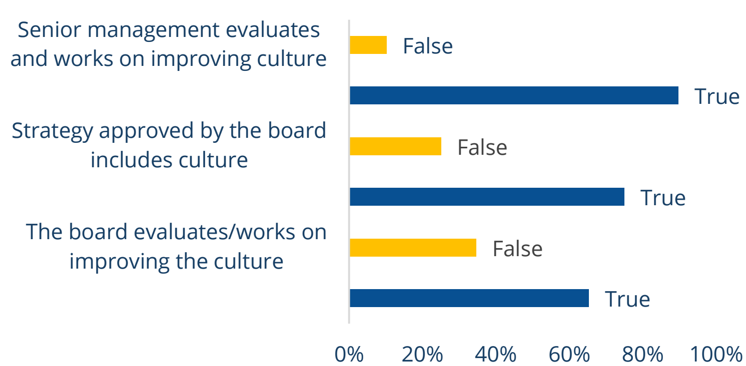
Offers for culturally aligned vs. misaligned target

38% of 50+ employee CEOs would not make an offer on a culturally misaligned target, and another 55% would reduce an offer by 5% to 30% or more - indicating a higher likelihood of discounting the offer.

Most influential factor setting culture



Annual assessment of culture



Leaders, the board, founders and owners set and reinforce culture.

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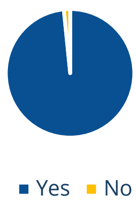
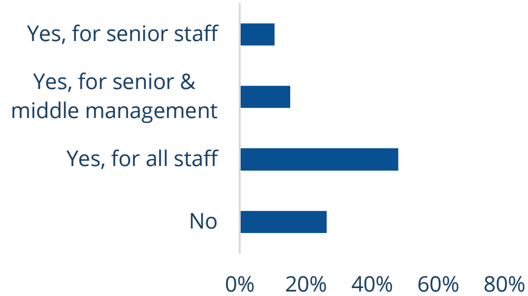
Exemplifying values: performance reviews, discretionary pay, & promotion

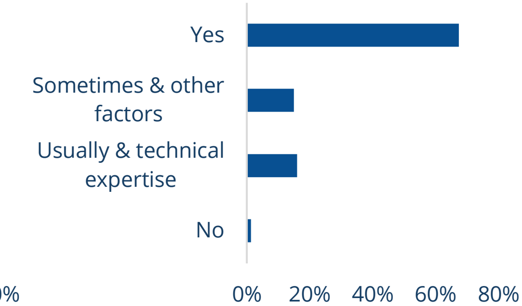
Employee behaviours reflect values included in performance reviews



Employee behaviour linked to discretionary pay



Behaviour a key criterion to advance to senior role



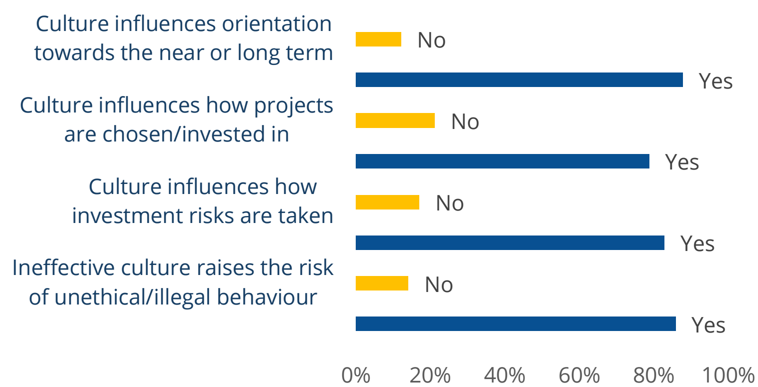
98% of 50+ employee firms include whether employees exemplify their values in performance reviews, and 74% link discretionary pay to behaviours (compared to 61% of all firms). A further 67% consider exemplifying values a key criterion for senior management progression (compared to 61%). 50+ employee organisations assess employee values and behaviours as frequently as all firms, link discretionary pay to behaviours more often and consider exemplifying values a more widely used criterion for job progression.

Investment style

Project investment style

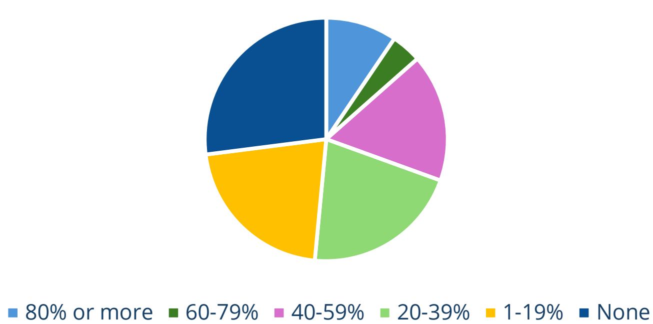
53% of 50+ employee CEOs prefer a growth or high-risk strategy compared to a stewardship approach. 79% agree that culture drives this decision-making in line with their strategy.

Culture: risk, long-term and ethics



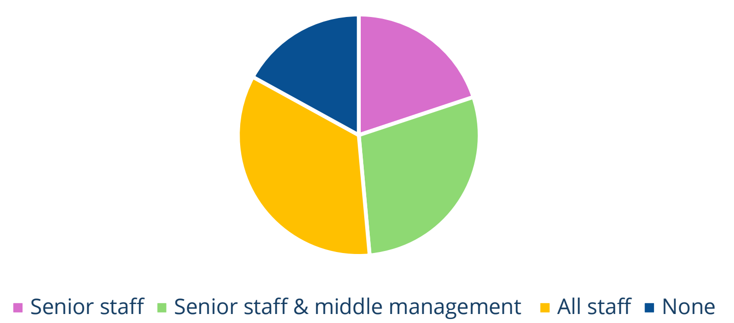
50+ employee CEOs say culture impacts long-term focus (88%) and investment risk (83%), and only 86% believe culture impacts ethical decision-making, with 1-to-2 out of 10 CEOs disagreeing.

Short-term CEO incentives



CEOs noted that, while they are not motivated by monetary incentives, they see incentives as signals. 27% of CEOs receive no STI, 22% get between 1-19%, and only 10% receive 80% or more.

Short-term staff incentives



83% 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.

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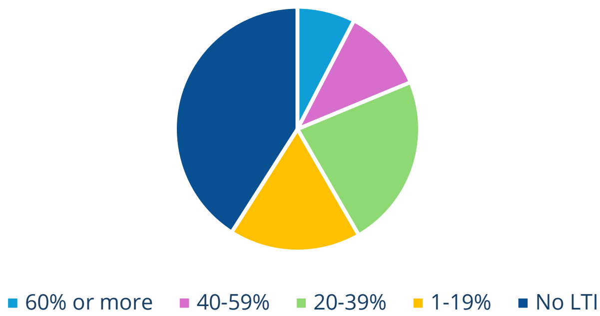
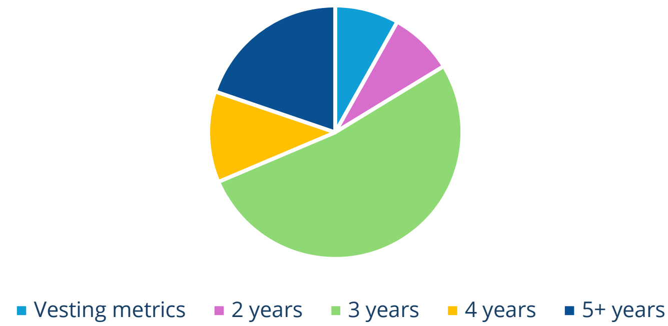
Long-term leader incentives



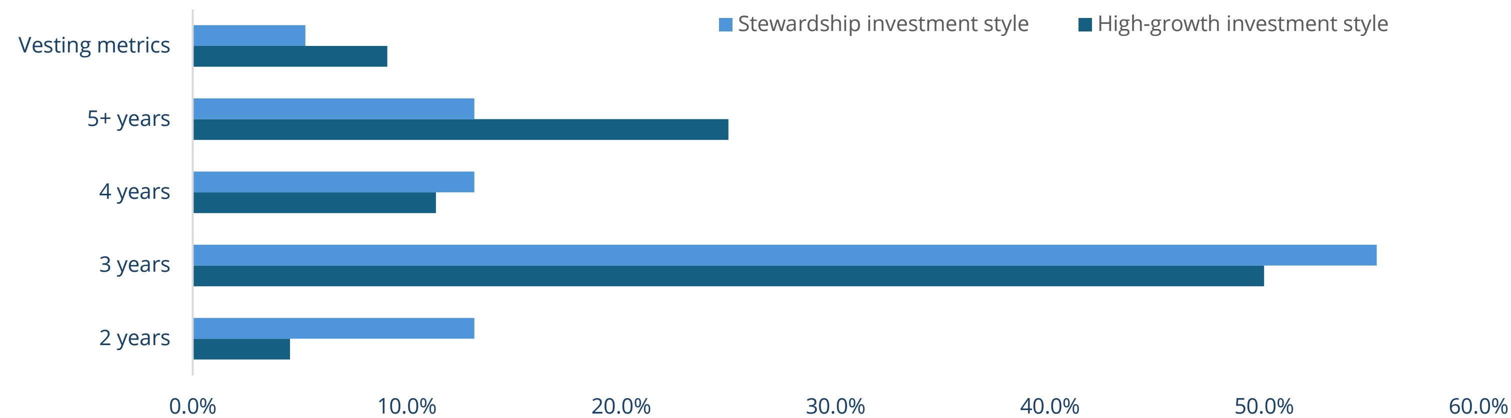
There is a variation in CEO LTIs, with 41% receiving no LTIs, while the majority fall into lower range percentages, indicating an alignment opportunity between incentives and long-term goals.

Long-term incentive vesting period



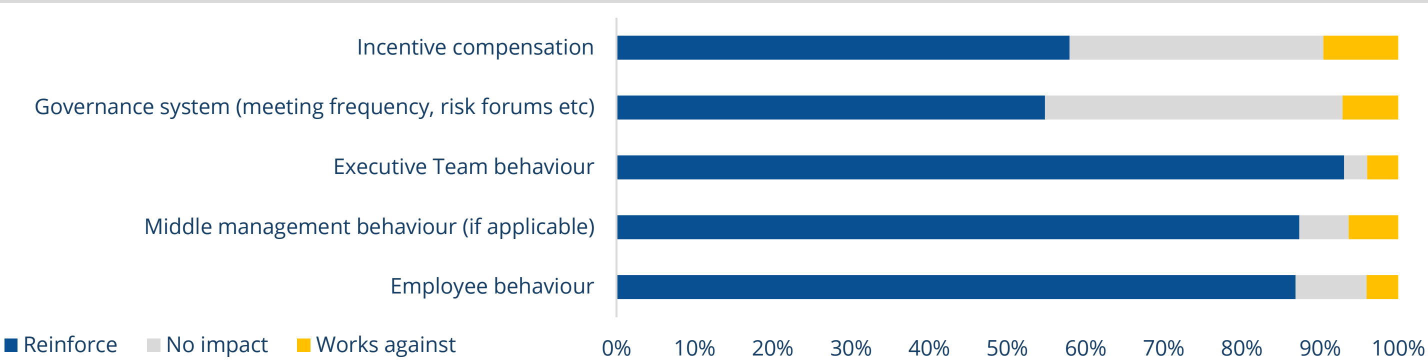
The most popular vesting period is 3 years (52%), 8% is linked to 2 years of performance, and 31% is between 4 and 5 years. Additionally, 8% have specific vesting tied to performance metrics.

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



Growth firms allocate a larger share of LTIs to longer durations and vesting metrics - 25% at 5+ years compared to 13% for stewardship firms - while stewardship firms concentrate more in the 2–3 year range (68% vs. 55%). Percentages are total to 100% within each firm type.

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 58% and 55% consider it as reinforcing, while 10% and 7% (respectively) believe they work against culture.

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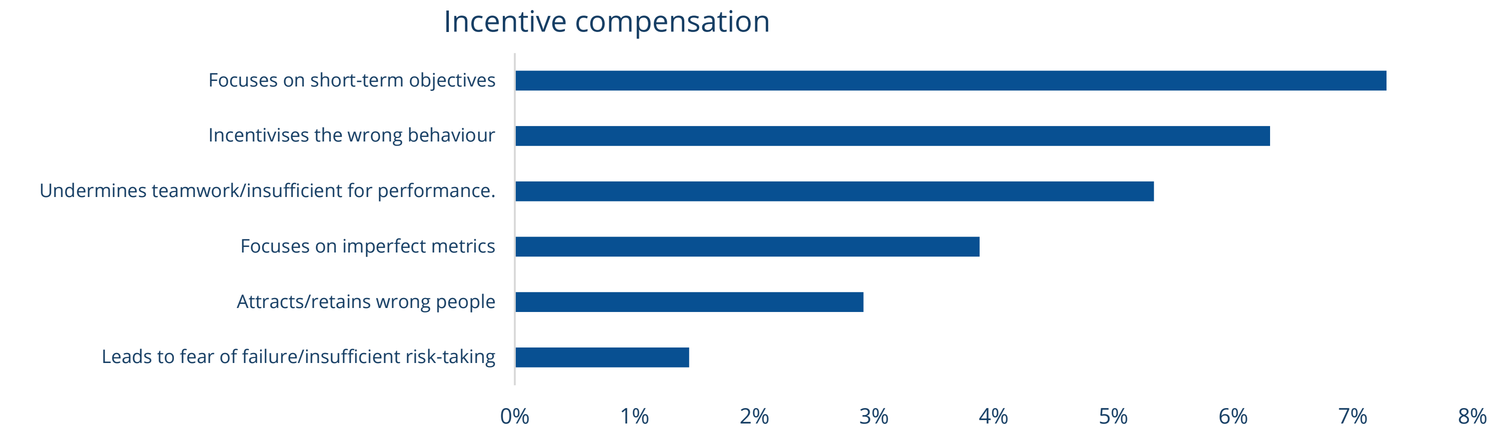
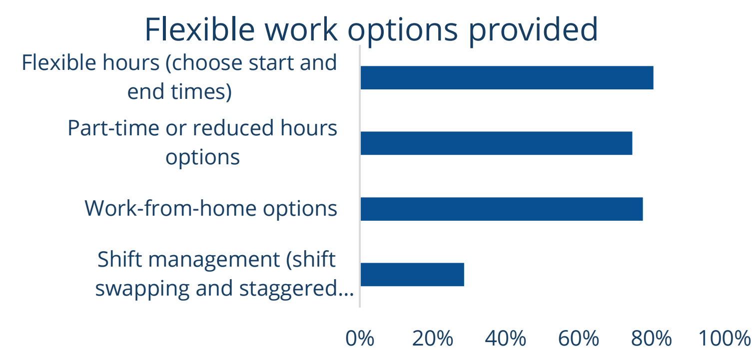
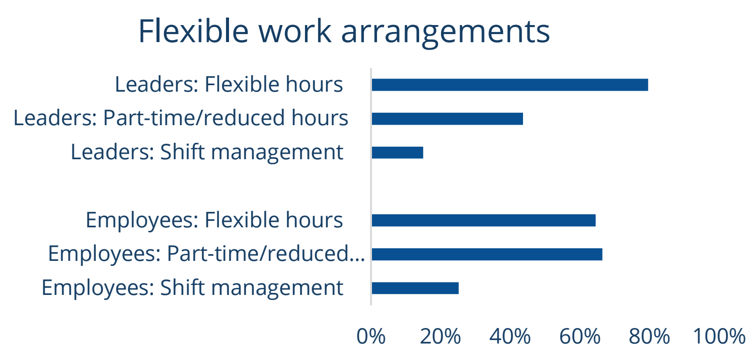
Reasons incentive compensation and leaders work against culture:



According to 50+ employee CEOs, incentive compensation emphasises short-term objectives (7%), and incentivises the wrong behaviour (6%), while also undermining teamwork or proving insufficient for performance (6%). It also focuses on imperfect metrics (4%), attracts and retains the wrong people (3%), and leads to fear of failure with insufficient risk-taking (1%).

Support for flexible work arrangements





CEOs of companies with 50+ employees widely support flexible work arrangements, offering similar flexibility to the overall sample, with comparable access to work-from-home, part-time or reduced hours, and flexible hours, and slightly more shift management options. As in the overall sample, part-time or reduced hours are rarer among leaders, potentially limiting parents seeking leadership roles.

Optimal in-office days to support and nurture organisational culture

CEOs of 50+ employee firms prefer slightly more in-office days for leaders to support and nurture the culture than the all firm sample (46% vs. 41% for 4 days) and are less likely to say leaders don't need to be in the office (8% vs. 10%). A similar trend is seen for administrators, needing slightly fewer in-office days.

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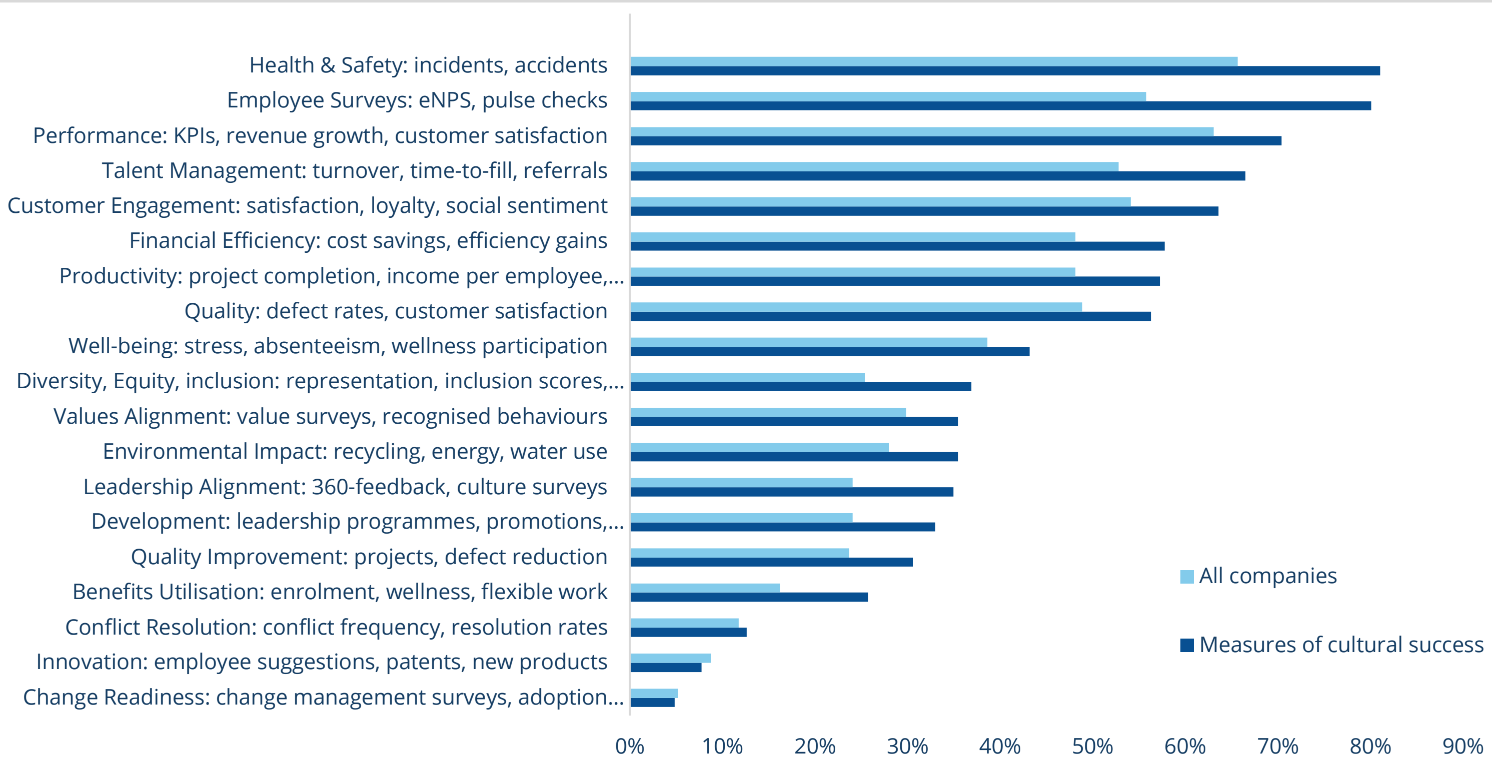
How CEOs spend their time on organisational culture

CEOs in the 50+ employee group allocate more time to setting and communicating vision and core values, leadership development and succession planning, and recognising and rewarding performance, while the overall companies group focuses more on work-life balance/flexible working, understanding and addressing worker needs and fostering key cultural strengths.

How CEOs measure outcomes and value from organisational culture



CEOs in the 50+ employee group place more emphasis on employee surveys, health and safety, talent management, and diversity, equity, and inclusion, while the all-company group focuses slightly more on change readiness and innovation.

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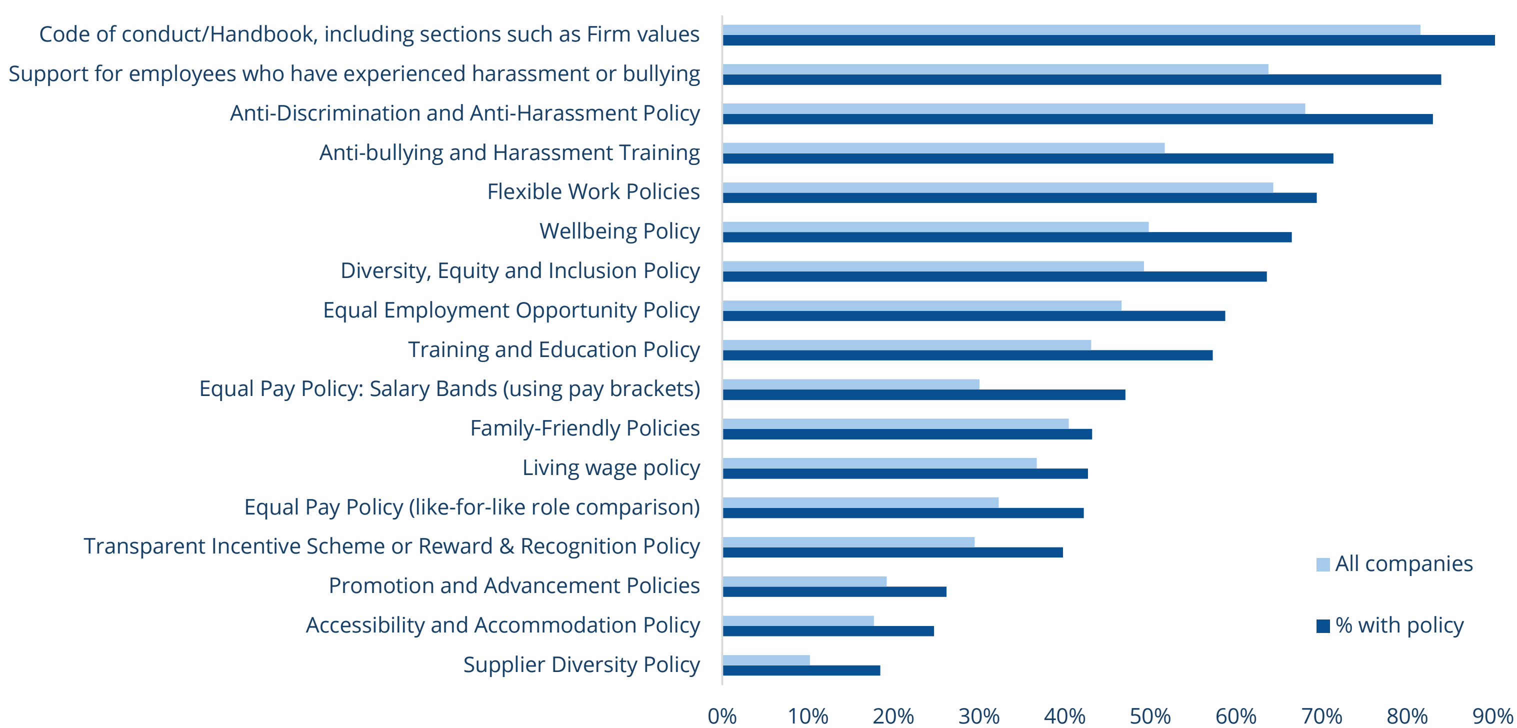
Ethics-centric policies and processes

CEOs in the 50+ employee group place more emphasis on anonymous reporting channels for ethical concerns, external whistleblower hotlines, diversity, equity, and inclusion initiatives, and codes of conduct and ethical guidelines.

People-centric policies



CEOs in the 50+ employee group place more emphasis on harassment or bullying support, anti-bullying and harassment training, wellbeing policies, equal pay policy across salary bands and diversity, equity and inclusion. This group, has more people-centric policies compared to the all-company group.

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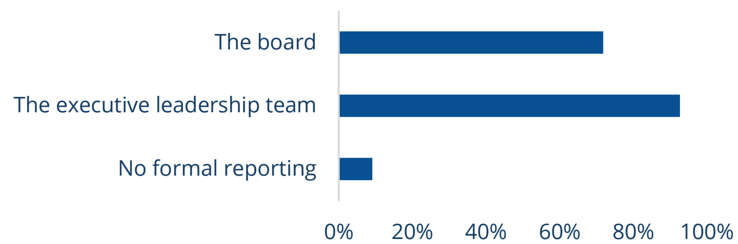
Formal channels for reporting culture

Reporting recipients of culture measurement metrics



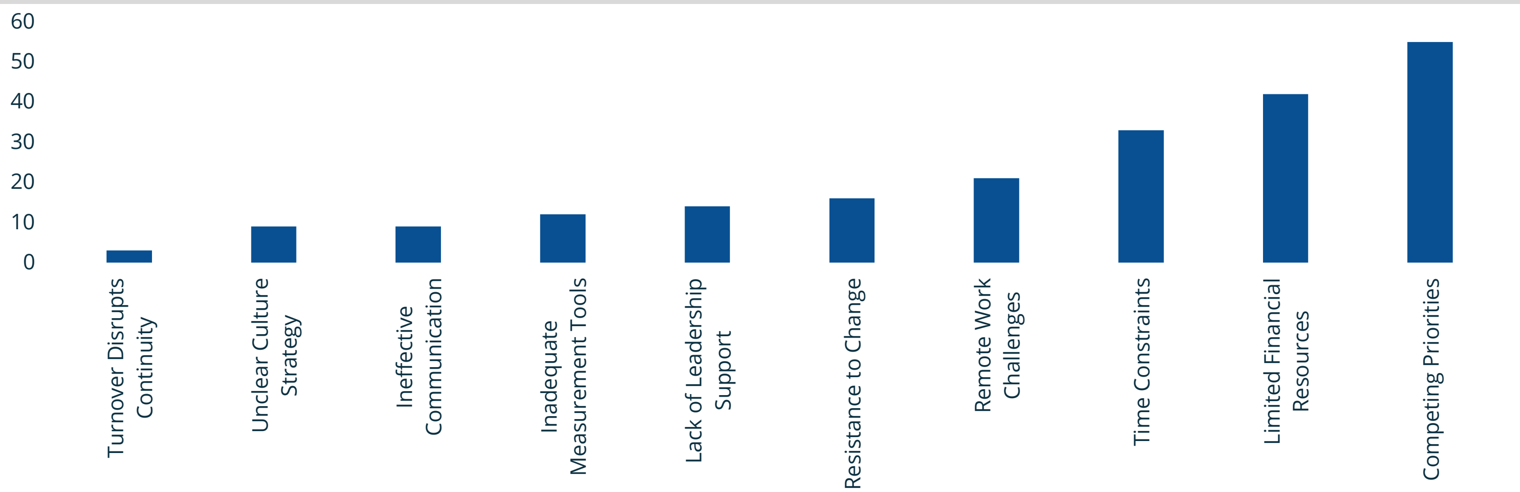
Culture metrics are primarily reported to executive leadership and the board, with 9% having no formal reporting (compared to 22%).

Ability to invest in culture

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

66% of CEOs feel able to invest in organisational culture as much as needed to realise the value of their culture (compared to 63%).

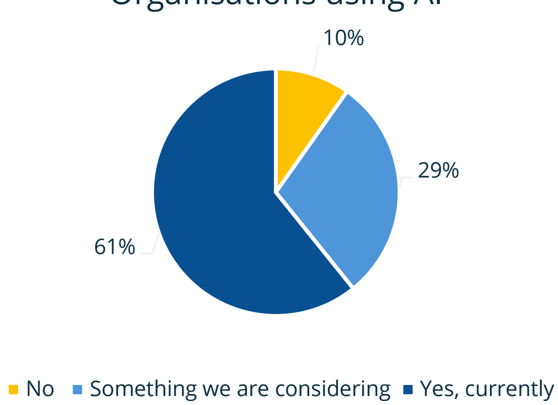
Barriers to investing in organisational culture to maximise value

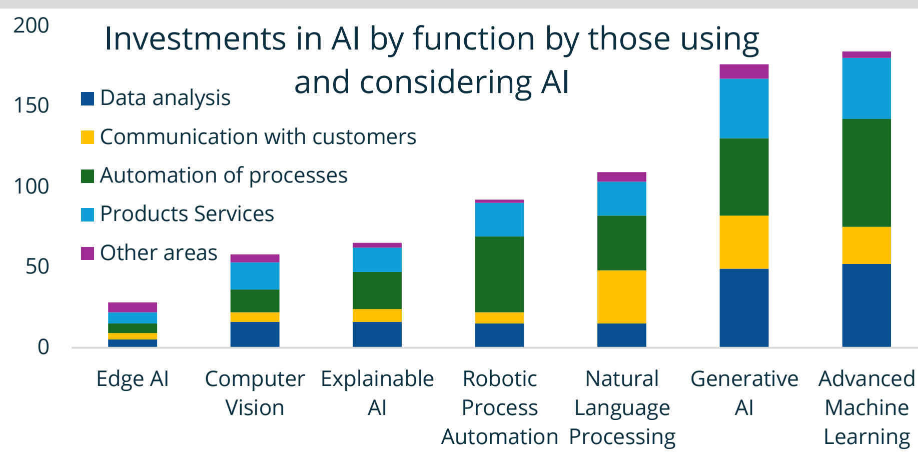


Based on selection frequency, competing priorities, limited resources, and time constraints are top barriers to investing in culture.

Applications of AI technologies across organisational functions

Organisations using AI





Currently, 61% of CEOs in companies with 50+ employees use AI tools (compared to 51%), while 29% are considering their adoption. Advanced machine learning is the most frequently used, followed by generative AI, whereas in most other cohorts, generative AI is the most commonly used.

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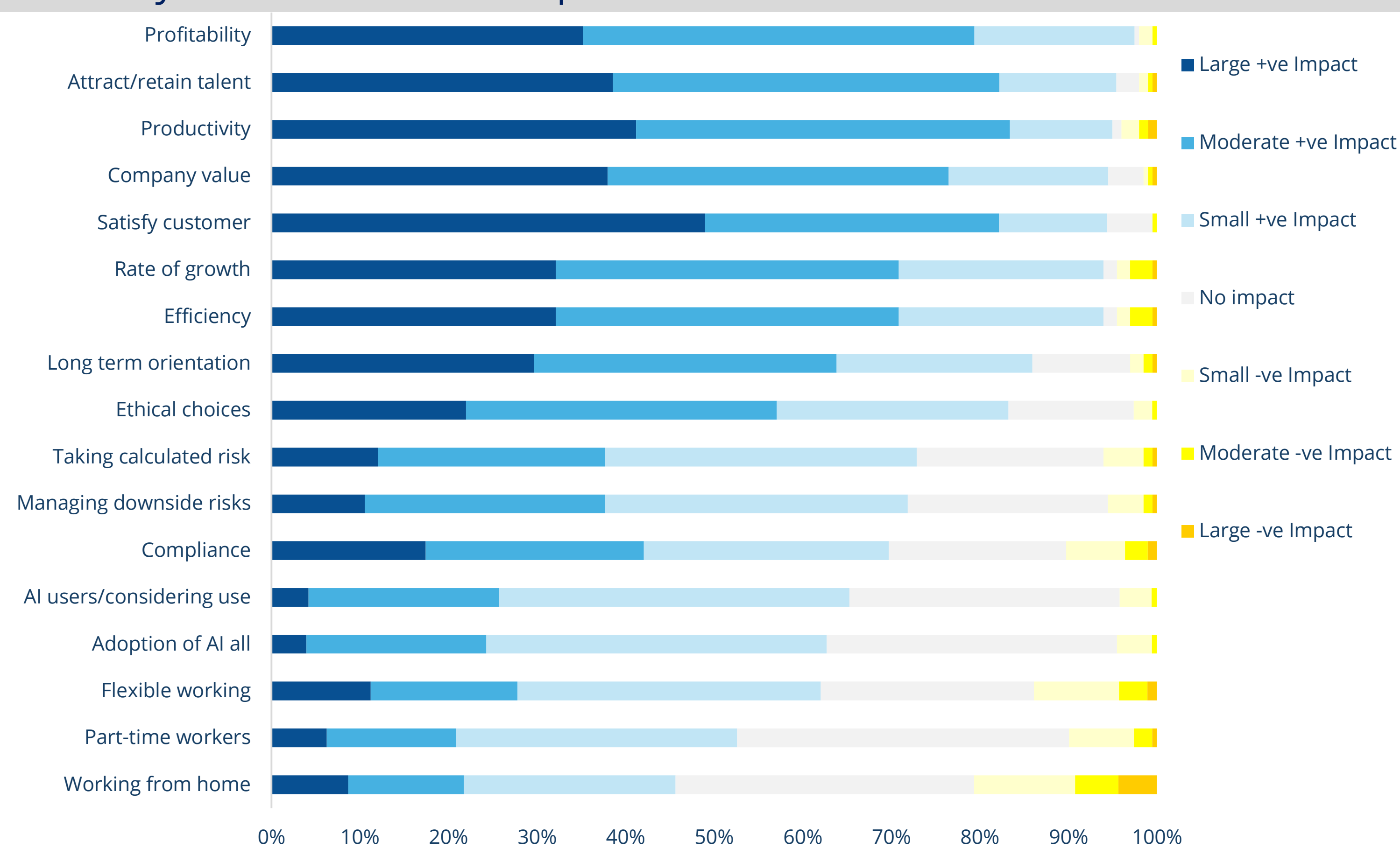
How AI adoption is expected to influence organisational culture

50+ employee CEOs adopting or considering AI expect its biggest cultural impact to be a stronger focus on data-driven culture measurement, potentially leading to more informed decision-making on productivity and performance. This is reversed for the all-company sample. This is followed by enhancing collaboration tools, improving 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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