

Aligning Culture with Strategy

Insights from 1188
Aotearoa NZ CEOs

10 September 2025

Executive Summary

This report presents findings from the largest CEO survey conducted in Aotearoa New Zealand, drawing on responses from 1,188 leaders across for-profit, not-for-profit (NFP), and government sectors. It examines the impact of culture, and more importantly, the need for CEOs and leadership teams to deliberately shape the cultural conditions required to execute strategy.

Key Findings

- **Culture as a Value Driver:** Over 87% of CEOs ranked culture among their top three drivers of organisational value. Leaders view culture as a critical governance mechanism, especially in large and complex organisations.
- **Performance Link:** Statistical modelling confirms a strong, consistent link between CEO focus on culture and higher revenue growth
- **Key Cultural Drivers:** Trust, initiative, continuous improvement, and shared values were the most cited cultural strengths. Sectoral differences reflect diverse operating contexts and strategic goals.
- **M&A and Risk:** Cultural misalignment in mergers and partnerships carries a measurable economic cost. Over 91% of CEOs would not proceed with a culturally misaligned target or require a discount to proceed.
- **Strategy Alignment:** Only 10–15% of CEOs report full alignment between culture and strategy. The primary barriers are limited leadership capability and insufficient time investment by leaders.
- **Reinforcement Mechanisms:** Culture is most effectively reinforced through behaviour-based promotions and discretionary pay. For-profit firms lead on incentive integration; others rely on values-driven promotion pathways.
- **Flexible Work:** CEOs favour hybrid leadership models. While three to four days in-office is the preference, support for fully remote leadership is growing, particularly in B Corps, smaller organisations and purpose-led organisations.
- **People Policies:** The presence and impact of cultural policies vary across sectors. Government entities lead in formal policy coverage, while for-profits align policies with performance and risk management.
- **Ethical Culture:** Government organisations report the highest uptake of ethics structures. In contrast, for-profits focus on performance-based measures and ethics reinforcement, reflecting regulatory and reputational considerations.

- **Measurement and Investment:** Culture is most often measured via health, safety, performance, and employee surveys. Yet only around half of organisations report sufficient investment in culture; time, financial constraints, and competing priorities remain key barriers.
- **CEO Time Allocation:** CEOs prioritise modelling behaviours and communicating values. Government and NFP CEOs focus more on inclusion and wellbeing, while for-profit CEOs emphasise performance and ethics.
- **AI and Culture:** Half of for-profit and government organisations use AI tools. AI is expected to enhance cultural measurement, collaboration, and resilience, though uptake remains lower in the NFP sector due to resource constraints.

“Culture isn't just one aspect of the game, it is the game. In the end, an organization is nothing more than the collective capacity of its people to create value”

*Louis V. Gerstner Jr.
former Chairman and CEO of IBM, 2002*

Recommendations

1. **Treat culture as a strategic asset:** Embed cultural oversight into board governance, strategic planning, and performance reviews.
2. **Equip leaders:** Invest in leadership development to align behaviours, reinforce values, and drive cultural execution.
3. **Align systems:** Ensure promotions, incentives, and policies are consistent with desired cultural attributes.
4. **Measure and monitor:** Use both quantitative and qualitative metrics to track culture's impact on performance and risk.
5. **Invest intentionally:** Prioritise low-cost, high-impact cultural initiatives where resources are constrained.
6. **Leverage technology:** Use AI to enhance cultural alignment, communication, and measurement.

Culture is not a side issue; it is central to value creation, ethical governance, and strategic execution. Alignment between culture and strategy is a critical enabler of long-term performance and must be actively managed.

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Introduction

This report presents findings from the largest CEO survey undertaken in Aotearoa New Zealand, capturing insights from 1,188 leaders across the for-profit, NFP, and government sectors. Data were collected between October 2024 and March 2025.

Focusing on organisational culture, this report forms part of a broader research programme led by Susanna Lee, Executive Director and Founder of the Leadership and Governance Collective. With over two decades of experience in organisational research and as a former Director and New Zealand Equity Portfolio Manager at Harbour Asset Management, she draws on extensive expertise in leadership,

governance, long-term company performance and value creation.

The Leadership and Governance Collective is a collaboration of academics, executives, directors, and organisations committed to advancing organisational productivity and best practices across Aotearoa New Zealand. It delivers independent, evidence-based research in accessible formats to provide practical insights that enhance organisational performance, drive productivity, and strengthen community impact. The survey was executed through Massey University as part of a PhD programme, under the supervision of Associate Professor Claire Matthews and Dr Jeff Strangl.

Acknowledgements

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Susanna Lee, Executive Director and Founder of the Leadership and Governance Collective

Culture as a Driver of Organisational Value

Leaders across all sectors consistently identified organisational culture as a critical driver of value. Figure 1 summarises how leaders ranked culture among the various factors contributing to organisational value across sectors:

- Organisational culture was ranked as the top value driver by 31% of for-profit, 34% of NFP, and 47% of public sector leaders.
- 87% to 92% of all respondents placed culture within their top three value drivers.

Fewer than 3% said it did not rank in their top ten.

When viewed by industry:

- Sectors with the highest recognition of culture (Top 1 or Top 3) included Rental, Hiring and Real Estate, Finance and Insurance, Construction, Administration and Support and Professional, Scientific and Technical Services (all above 90%).
- Sectors with relatively lower emphasis (still strong) included Wholesale Trade (79%), Information Media and Telecommunications (81%), and People with Disabilities (81%).

Over 94% of leaders agreed that improving culture would increase organisational value. This was particularly pronounced in larger organisations, where daily interactions across leaders, teams, and departments are less frequent or more distributed, culture serves as a governance mechanism, embedding norms, guiding thinking, decision-making, and behaviour without direct oversight.

“If we win the hearts and minds of employees, we’re going to have better business success”

*Mary Barra, 2013
former Chair and CEO of General Motors*

Figure 1. Percentage of CEOs who ranked culture among their top value drivers, by organisation type



Linking Culture to Performance

To test whether CEOs who prioritise culture lead higher-performing organisations, we ran a series of statistical models linking CEO-rated cultural importance (*Top 1, Top 3, Top 5, Top 10, Not in the top 10*) to self-reported three-year revenue growth. We analysed data from the 536 for-profit CEOs, with 453

providing complete data on both the importance they place on culture and their organisation’s three-year revenue growth. The results, displayed in Table 1, were validated using multiple modelling techniques and robustness checks across firm and leadership characteristics.

Table 1: Evidence Linking CEO Focus on Culture to Revenue Growth

| Test Type | Purpose | Result | What It Means |
|--|---|---|--|
| Main model (linear log regression) | Test if CEOs who rate culture more highly lead faster-growing firms | ✓ Statistically significant positive link | Culture matters: firms have higher revenue growth when CEOs prioritise culture |
| Different model types (e.g. square root, Box-Cox, GLS, robust regression model) | Check if the result holds even with different modelling methods | ✓ Results remain significant | The culture-higher revenue growth link is not a statistical fluke |
| By strategy (growth vs stewardship) | Ensure results aren't just from growth-focused firms | ✓ Stronger for stewardship firms | Culture drives value beyond just chasing growth |
| By firm size (headcount, revenue) | Test small vs large firms | ✓ Stronger effect in smaller firms | Culture is easier to embed in smaller firms where leaders are closer to operations |
| By financial position (ROE) | Low vs high return on equity | ✓ Consistent effect | Works regardless of profitability level |
| By CEO (tenure, gender identity) | Control for leadership characteristics | ✓ Positive across all cases | Culture emphasis pays off regardless of CEO profile |
| By employee turnover | Test in low vs high-churn organisations | ✓ Slightly stronger in low-turnover firms | Culture's impact is clearer where staff retention is high |

The findings consistently show that culture is a significant driver of performance across modelling techniques and robustness checks. This indicates that culture’s value extends beyond rhetoric, as it has a measurable economic impact,

even when accounting for firm size, profitability, strategy, and leadership characteristics. These results highlight the importance for organisations to actively prioritise culture as a strategic asset.

Key Drivers of Cultural Effectiveness

To optimise the effectiveness of culture, leaders must identify which aspects of organisational culture are most value accretive.

Table 2 summarises the top drivers across for-profit, NFP, and public sectors.

Percentages indicate the proportion of CEOs who identified each factor as a prevailing cultural norm that contributes

to organisational value.

Across sectors, trust among employees emerged as the most critical factor, cited by nearly all leaders. This reflects trust's foundational role in enabling collaboration, open exchange of ideas, and effective decision-making, all essential to delivering cultural value that supports organisational performance.

Table 2: Key drivers of value-accretive organisational culture by sector:

| | For-Profit | Not-for Profit | Government |
|--|------------|----------------|------------|
| Trust among employees | 95% | 97% | 100% |
| Action-orientation and employees taking initiative | 91% | 87% | 93% |
| Drive for continuous improvement or excellence | 89% | 85% | 91% |
| Adaptability and ease of adjusting to change | 84% | 86% | 85% |
| Broad agreement about goals and values | 81% | 90% | 91% |
| Coordination among employees | 79% | 83% | 73% |
| Employees' comfort in suggesting critiques | 74% | 77% | 73% |
| Training, promotion and retention decisions | 74% | 69% | 68% |
| Decision-making reflects long-term interests | 73% | 78% | 72% |
| Willingness to report compliance/unethical behaviour | 70% | 74% | 75% |
| New ideas develop organically | 63% | 70% | 56% |
| The urgency with which employees work | 59% | 38% | 46% |
| Consistency and predictability of employees' actions | 57% | 60% | 65% |
| Risk-taking and tolerance for failure | 50% | 51% | 50% |

Distinct Priorities by Organisation Type

In the **Public Sector and Local Government**, 100% of CEOs identified trust among employees as a cultural norm that contributes to value, the highest proportion across sectors. More CEOs in this group also considered action orientation, continuous improvement, and alignment on goals and values to be important drivers of cultural effectiveness.

They more frequently cited ethical and compliance risk reporting and consistent, predictable behaviour, but less frequently identified urgency and idea generation as cultural strengths. This reflects a stable, process-driven culture that supports long-term value.

In the **NFP sector**, a high proportion of CEOs identified trust and alignment with organisational goals and values as cultural

norms that contribute to value. More CEOs in this group than other sectors considered adaptability, coordination among employees, openness to offer critiques, long-term decision-making, and organic idea generation as important drivers of cultural effectiveness. This reflects a purpose-centred, participatory culture.

“It's numbers and culture driving both together. While you're doing this on the numbers, you try for culture, which is to ensure you're creating inclusion, creating psychological safety so that people can speak their minds, feel free to challenge authority.”

*Leena Nair, 2024
Global CEO of Chanel*

In the **For-Profit** sector, a high proportion of CEOs identified trust and action orientation, particularly employees taking initiative, as key cultural norms that contribute to value. More CEOs in this sector than any others considered training, promotion and retention decisions, and a strong sense of urgency as important drivers of cultural effectiveness. Fewer identified consistency of behaviour, reporting of compliance risks, adaptability, and broad agreement on goals and values as strengths. This reflects fast-paced, market-driven cultures

that deliver value through speed and competitiveness.

Listed company CEOs place higher emphasis on action orientation and employees taking initiative. They also report the greatest willingness to report compliance or ethical risks, reflecting the influence of governance standards and investor expectations, reinforcing cultural elements that protect and enhance firm value.

CEOs with an **influential majority shareholder** focus the most on coordination among employees, training, promotion, and retention decisions, and risk tolerance, indicating a culture shaped by strategic priorities and execution.

Founder-led boards place the greatest emphasis on urgency, exhibiting a culture that prioritises rapid execution and entrepreneurial responsiveness.

Family-owned firm CEOs identified consistency and predictability of behaviour as a key cultural norm more than any other ownership type, reflecting an environment shaped by long-standing norms and close-knit leadership.

B Corp CEOs lead across multiple dimensions: trust among employees, continuous improvement, adaptability, shared goals and values, openness to accept critiques, long-term oriented decision-making, and organic idea development. This reflects a purpose-driven, participatory culture that integrates commercial performance with broader stakeholder accountability.

Industry-specific cultural strengths

Certain industries stood out across core cultural dimensions. Rental, hiring and real estate, professional and technical services, administrative support, accommodation and food services, environmental organisations, and social services all rated exceptionally high on *trust among employees*, with scores exceeding 99%.

Administrative and support services and accommodation and food services rated highly for *action-orientation* and *employee initiative*, with scores well above 90%, reflecting execution-focused cultures aligned with service responsiveness and customer value.

The same administrative services sector, alongside finance and insurance, also ranked in the top two for *continuous improvement*, signalling a pronounced commitment to performance excellence.

Adaptability to change was highest in information media and telecommunications and arts, recreation and sport, with both sectors scoring above 82%, consistent with dynamic operating environments.

Goal and value alignment was strongest in environmental and religious organisations, where above 95% reported broad agreement on organisational direction, unsurprising in mission-centric sectors.

Accommodation and food services also stood out for *coordination* and *employee*

openness to critique, highlighting high internal connectivity and psychological safety.

In *talent development*, administrative support, retail, and construction led with scores around 88%, showing value delivery through structured workforce investment.

Long-term decision-making was strongest in community development, environment, and religious sectors, with over 87% recognising it as a cultural strength, indicating cultures oriented towards sustainable impact.

Utilities (electricity, gas, water, and waste services) led in *reporting of ethics and compliance risks*, reflecting mature compliance cultures that preserve reputational and regulatory value.

Organic idea development was most prominent in community development, while manufacturing scored highest on *urgency*. Two cultural modes that enable innovation and operational intensity, respectively.

Predictability and consistency were strongest in construction and organisations serving people with disabilities, suggesting stable cultures that support reliability and safety.

Finally, *risk-taking* was most accepted in media and telecommunications and utilities, with both sectors scoring above 75%, indicating controlled experimentation cultures that drive strategic growth.

Culture's Economic Impact in Mergers, Acquisitions, and Strategic Partnerships

In financial markets, mergers and acquisitions (M&A) often rest on strong financial rationale and anticipated synergies. However, post-merger performance frequently falls short of expectations due to differences in decision-making styles, operating models, and organisational behaviours. These cultural mismatches can lead to mistrust, miscommunication, and poor execution, commonly reflected in share price underperformance.

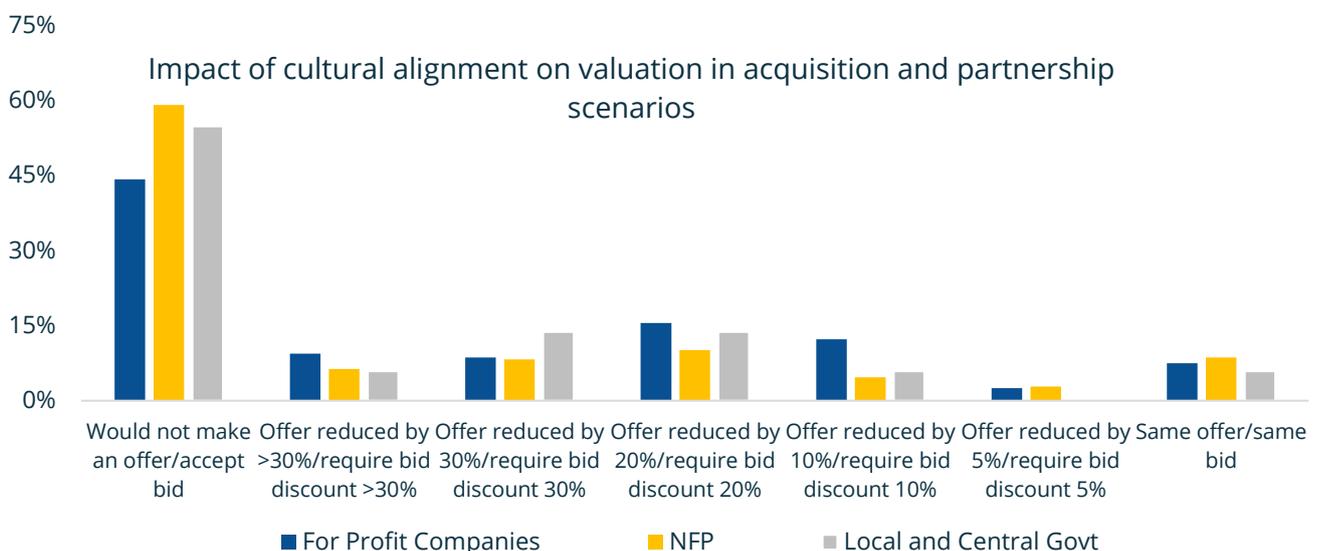
M&A transactions are among the few business activities where culture is implicitly assigned a monetary value. To explore this, CEOs were asked whether they would proceed with acquiring a culturally misaligned firm at the same price or require a discount. For local and central government organisations, where M&A is less common, a parallel question

focused on large-scale partnerships, such as infrastructure collaborations, where cultural alignment is equally important.

Figure 2 shows that responses were consistent across sectors: 44% to 59% of leaders indicated they would not proceed with a culturally misaligned organisation. Among those willing to proceed, most required a price discount ranging from over 30% to as low as 5%. Only 6% to 9% of respondents said they would make no price adjustment.

These findings highlight the tangible economic consequences of cultural misalignment in both M&A and strategic partnerships. Culture is recognised as a material risk factor, often explicitly incorporated into M&A risk assessments, and carries a measurable cost to organisational value.

Figure 2. Percentage of CEOs adjusting valuations due to cultural misalignment by organisation type.



Culture's Role in Risk, Ethics, and Long-Term Decision-Making

Organisational culture fundamentally shapes how people think, behave, make decisions, and collaborate. These are key drivers of performance and strategy execution. Culture can either enable success or create substantial risks.

Figure 3 shows strong consensus across sectors that culture operates as a governance mechanism, influencing ethics, risk management, investment decisions, and strategic horizons.

- Over 82% of CEOs agree that ineffective culture raises the risk of unethical or illegal behaviour.
- More than 80% link culture to investment risk-taking and project selection.
- Over 83% acknowledge its influence on long-term versus short-term orientation.

“When the culture is strong, you can trust everyone to do the right thing”

*Brian Chesky, 2015
co-founder and CEO of Airbnb*

Despite broad CEO recognition, just under 20% CEOs remain unconvinced that culture materially affects ethics, risk appetite, or long-term focus. This divergence raises governance questions:

- Are boards aligned with CEO perspectives on culture's role?
- Do investors and key stakeholders share these views?
- Is the CEO's cultural mindset evaluated by the board in the CEO recruitment process?

Culture should be treated as a core governance tool, not as a 'soft' HR issue, to drive sustainable value.

Figure 3. CEO Views on Culture's Role in Risk, Ethics, and Strategic Decisions



Embedding Culture Across the Organisation

For culture to operate as an effective governance mechanism, it must be understood and enacted across the organisation.

Figure 4 shows the share of organisations where CEOs report that over 80% of employees understand and exhibit the culture, a proxy for high alignment. 42–57% meet this threshold across sectors:

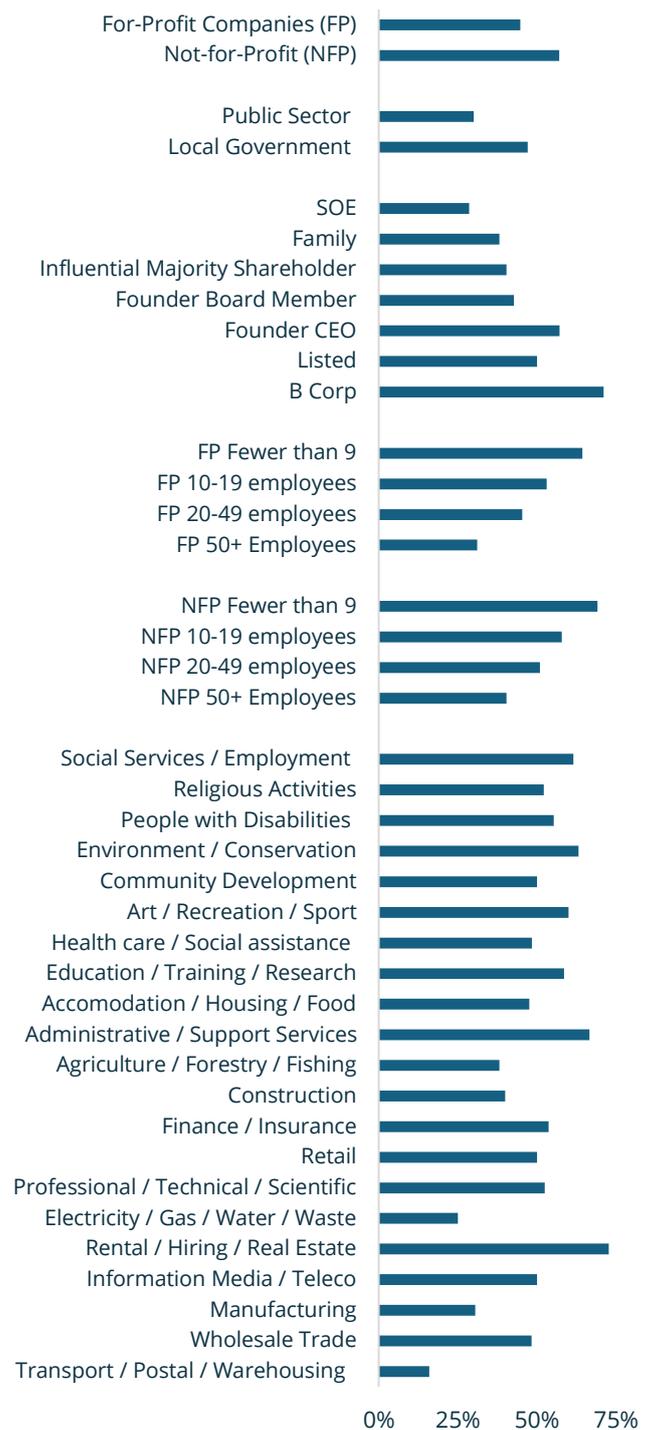
- Certified B Corporations (B Corps) report the highest alignment, with 71% indicating strong employee engagement with culture.
- Public sector entities and large for-profit companies show the lowest alignment, around 30–31%, reflecting challenges in embedding culture in large, complex organisations.
- Cultural alignment is higher in smaller for-profits and NFPs.
- Alignment is also higher in founder-led organisations, followed by listed companies, and lower in family-owned firms and state-owned enterprises.
- NFP organisations typically report 5–10% higher alignment than for-profits of the same size, likely reflecting their stronger mission- or purpose-driven cultures, which can foster greater employee engagement and alignment.

Low employee alignment (80% or below) signals a gap between organisational values and the lived employee experience,

which can increase disengagement, turnover, and reduce performance.

Figure 4. Sectors with high cultural alignment

Sectors where CEOs believe >80% of employees understand and exhibit the culture



Aligning Culture with Strategy

Culture is not separate from execution. It is execution. It shapes how decisions are made, how priorities are understood, and how work gets done day-to-day.

Most organisations recognise culture’s importance, yet only 10–15% of CEOs report full alignment with strategy. This is unsurprising, culture is not a static asset; it evolves as people, policies, and external conditions change. Even in well-aligned organisations, maintaining alignment requires active oversight and consistent reinforcement.

Despite this, 73–82% of organisations with misaligned cultures report active efforts to align culture with strategy. The 20–30% not doing so raises a material governance

concern. Where culture and strategy diverge, execution falters and performance is compromised.

“You're never done working on your culture. As proud as I am of how people feel about the company, it's a continual effort to make sure your culture is relevant and up-to-date.”

*Mike McMullen, 2023
former CEO of Agilent*

Table 3 outlines the primary reasons CEOs cite for this misalignment across sectors.

Table 3: Primary reasons CEOs report for misalignment between culture and strategy:

| | For Profit | Not-for Profit | Government |
|---|------------|----------------|------------|
| Culture is always evolving with internal/external factors | 85% | 86% | 80% |
| Leadership capability needs strengthening | 64% | 59% | 74% |
| Leadership needs to invest more time in culture | 60% | 60% | 72% |
| Culture needs to catch up with operating environment | 37% | 38% | 41% |
| Inefficient workplace interactions (e.g. consensus) | 33% | 32% | 47% |
| Cultural values not fully aligned with operating needs | 32% | 34% | 31% |
| Insufficient learning and development opportunities | 30% | 35% | 33% |
| Change management slowing cultural adaptation | 27% | 22% | 37% |
| Communication does not support cultural values | 26% | 25% | 26% |
| Insufficient resources for cultural initiatives | 23% | 40% | 28% |
| Employees not fully committed to the culture | 21% | 20% | 17% |
| Policies work against culture (e.g. rewards, promotions) | 12% | 15% | 33% |

The most cited reasons for cultural and strategic misalignment reflect common structural and leadership challenges shown in Table 3:

1. Leadership Capability and Prioritisation

59–74% of CEOs report inadequate leadership capability or insufficient time invested in cultural alignment. Many leaders endorse cultural goals but lack the tools or time to engage effectively.

Implication: Culture must be integrated into leadership development. Leaders should be equipped to model cultural behaviours, hold teams accountable, and actively engage in cultural reinforcement; it must be viewed as core to operational delivery.

2. Underinvestment in the NFP Sector

40% of NFPs cite insufficient resourcing for cultural initiatives, the highest among sectors.

Implication: Low-cost, high-impact initiatives should be explored. Peer-led programmes, internal champions, and structured reflection can support alignment with limited budgets. Often, cultural impact depends more on leadership focus than funding.

3. Inefficient Workplace Interactions in Government

47% of public sector respondents cite inefficient workplace interactions, compared to ~32% cross-sector.

Implication: Decision-making processes should be streamlined where feasible. Bottlenecks in approvals addressed, consensus fatigue and decision paralysis reduced, and decision rights clarified to support timely, values-aligned action.

4. Policy Misalignment in the Public Sector

33% of government leaders indicate that existing policies, such as those around promotions and rewards, conflict with cultural goals.

Implication: Internal policies should be reviewed to ensure alignment with desired cultural attributes (e.g. collaboration, accountability, equity). Where policies contradict values, cultural credibility is weakened and strategic alignment is undermined.

“Strategy would be the bricks. But the mortar is the culture”

*James Beshara, 2015
Former founder and CEO of Tilt*

Enduring cultural alignment requires more than intent. It demands visibly aligned leadership, policy coherence, operational discipline, and deliberate focus and investment, treated not as support functions but as strategic levers.

Reinforcing Culture Through Pay and Promotion

Culture is most effectively reinforced through formal mechanisms, particularly performance reviews. While 94–100% of CEOs report assessing behaviour against values, this alone is insufficient. Without clear reinforcement through pay or promotion, such assessments hold limited weight.

As shown in Figure 5, listed and large for-profit firms are most likely to link discretionary pay to values-based behaviour, especially at senior levels, reflecting deliberate use of financial levers to drive cultural alignment.

In contrast, sectors with constrained compensation systems, such as central and local government, and large NFPs, are less likely to link pay to behaviour. Instead, they rely more heavily on promotion as a cultural signal. These organisations emphasise demonstrated values in leadership progression, rather

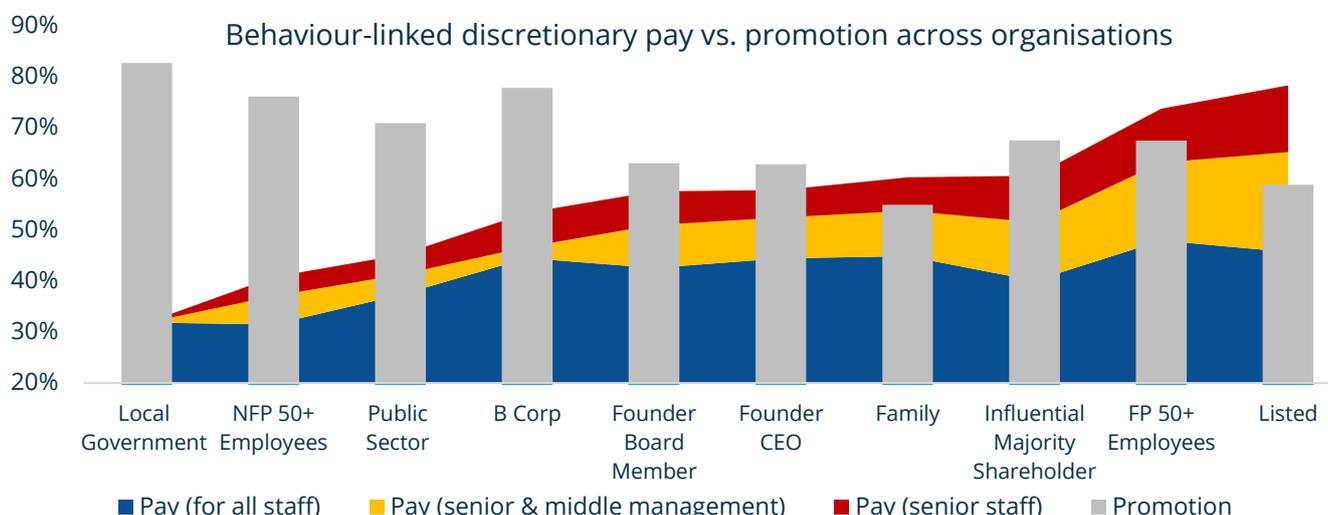
than financial rewards, as a primary mechanism of cultural reinforcement.

This near-inverse relationship between behaviour-linked pay and promotion reflects sector-specific constraints and strategic choices. Still, 55–83% of organisations view values-based behaviour as essential for senior leadership advancement.

B Corps show strong alignment across levers: 78% use values in leadership promotion, with discretionary pay practices similar to for-profits. This reflects the most integrated approach observed, consistent with their purpose-led governance.

The most credible signal is when both pay and promotion reinforce the same values. While it is easier to implement in for-profits, aligning both mechanisms clearly defines what the organisation values and expects in execution.

Figure 5: Percentage of organisations that link values-based behaviour to discretionary pay or promotion



Short-Term Incentives: Limited Uptake Outside the For-Profit Sector

Short-term incentives (STIs) for staff, such as cash bonuses and profit-sharing, are predominantly a feature of for-profit organisations. Figure 6 shows that 71% of for-profit respondents report offering such incentives, with 39% extending them to all staff. This contrasts sharply with the NFP and government sectors, where such incentives are rare. Only 15% of NFPs and 19% of government bodies provide any form of STI. This reflects sector-specific structural constraints, including limited funding flexibility and public sector remuneration frameworks.

Organisation Size

Larger organisations are significantly more likely to offer STIs. Among those with 50+ employees, 83% provide some form of STI, compared to 54% of organisations with fewer than 9 employees. However, while larger organisations offer STIs more broadly, only 34% extend these to all staff, compared to 40–43% among smaller firms

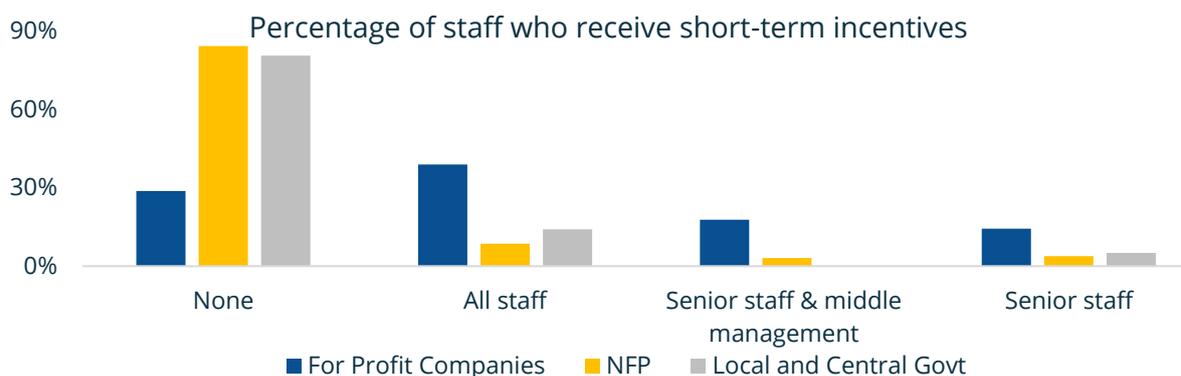
(under 50 employees). Smaller firms may favour a flatter, more inclusive approach when STIs are present, whereas larger firms are more likely to segment access by seniority.

Ownership and Governance

Ownership and governance structures strongly correlate with STI offerings:

- **Listed firms** lead with 86% offering some form of STI, and 39% extending it to all staff.
- **Founder-led or influenced entities** also show high prevalence (70–78%), though their distribution to all staff is mixed (37–43%), suggesting strategic selectivity.
- **B Corps** stand out with the highest proportion (46%) of organisations offering STIs to *all staff*, despite their purpose-led orientation. 74% offer STIs to at least some staff, showing a strong commitment to inclusive incentive design.

Figure 6: Distribution of short-term incentive provision by organisation type



- **Family-owned firms** are the least likely to offer broad-based STIs (64% any STI; 37% all-staff), likely reflecting conservative financial management and centralised control.

While STIs are common in the private sector, especially in commercially-driven industries, access can be limited to senior roles.

Sector-Level Patterns

Staff-wide incentives are most common in sectors where performance is measurable and closely tied to financial or operational outcomes. The strongest users include:

- **Finance & Insurance** (78% any STI; 54% all staff): High overall use and the highest all-staff distribution, reflecting

standardised bonus frameworks in a performance-driven culture.

- **Wholesale Trade** (82% any STI; 48% all staff): Strong incentive culture, particularly in sales environments.
- **Professional, Technical & Scientific Services** (68% any STI; 46% all staff): Incentives aligned to billables, projects, or milestones, though less widespread overall.
- **Transport, Postal & Warehousing** (76% any STI; 40% all staff): Moderately high use and distribution, driven by operational KPIs.

Overall, the distribution of STIs reflects sectoral, organisational, and governance-driven variations, highlighting the role of financial flexibility and results-driven cultures in shaping incentive strategies.

CEO Incentives: Divergence Across Sectors

CEO remuneration patterns mirror broader sectoral trends in incentive use. In the for-profit sector, performance-based pay is a common feature. Only 41% of CEOs receive no incentive-based compensation. This Figure understates alignment, as many CEOs also hold equity, further linking their rewards to organisational outcomes.

In contrast, incentive-based pay is largely absent in the NFP and government sectors. Over 80% of CEOs in both sectors receive no short-term or long-term incentive compensation. This structural divergence reflects the constraints of

public accountability, funding models, and policy frameworks.

Figure 7 highlights incentives differ markedly among for-profit CEOs:

- 7% receive 80% or more of their total compensation through incentives.
 - 29% receive 40% or more of total compensation in this form.
- Such levels of incentive alignment are absent in the NFP and public sectors.

Sectoral Variations in Incentive Use

The prevalence and scale of incentive-based remuneration vary markedly across sectors, reflecting differences in business

models, funding structures, and performance metrics.

Market-facing sectors typically exhibit higher CEO and staff incentive coverage. For example:

- **Wholesale Trade and Information Media & Telecommunications** report 13% and 12% of CEOs respectively receiving 80% or more of their compensation through incentives.
- **Finance & Insurance** shows similarly high prevalence, with 15% of CEOs in the top incentive bracket and 67% of CEOs receiving some STI.
- **Electricity, Gas, Water & Waste Services and Professional, Technical & Scientific Services** demonstrate moderate to strong incentive use, reflecting operational and project-based performance drivers.

Conversely, mission-driven and publicly funded sectors have limited use of incentives:

- Over 85% of CEOs in **Education, Health Care, Social Services, Religious Activities, and Community**

Development sectors receive no incentive-based pay.

- **Environment and Conservation** reports virtually no incentive-based remuneration.

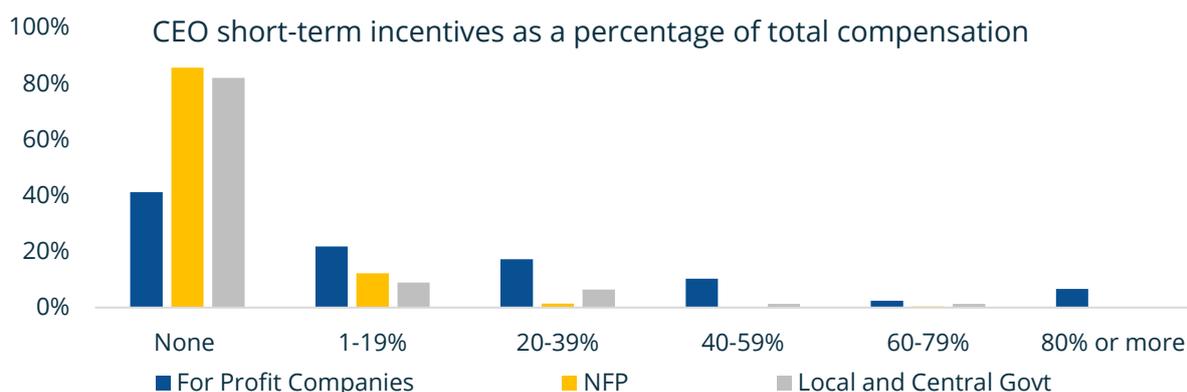
This sectoral divide highlights the dominant role of fixed-pay structures in public and NFP organisations, driven by regulatory frameworks and funding constraints.

Implications for Governance

This divergence highlights the market-aligned nature of for-profit remuneration. For NFP and public boards, a key governance challenge remains: how to visibly reinforce strategic and cultural priorities when operating under a fixed-remuneration model.

Boards may need to rely more on non-financial mechanisms (such as recognition, succession planning, leadership evaluation, and role modelling) to shape executive behaviour. While these are not substitutes for pay-based levers, they remain among the few practical tools available to promote alignment with strategic and cultural priorities.

Figure 7: CEO incentive-based compensation by sector: maximum proportion of total remuneration



CEO Long-Term Incentives and Value Creation

Long-term incentives (LTIs) are a key mechanism to align CEO behaviour with sustained performance and long-term value creation.

This analysis focuses on CEOs in the for-profit sector who receive STIs, as LTIs are generally linked to this group and largely absent in public and NFP sectors.

Figure 8 shows listed companies represent best practice in this area. Listing reporting requirements, active shareholder oversight, and proxy advisory scrutiny drive strong links between executive pay, company strategy, and long-term outcomes. Among listed firms that offer STIs, only 21% report no LTI scheme, meaning LTIs are a core feature for nearly 80% of CEOs in this group.

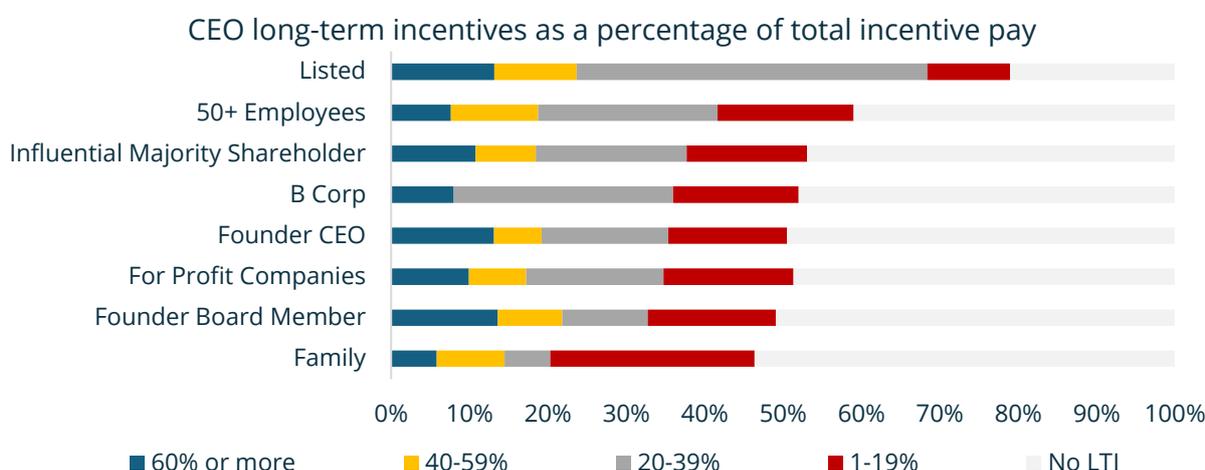
In contrast, LTI use is less common among smaller, founder- or family-led firms. Alignment in these cases is often achieved through ownership stakes, reducing reliance on structured LTI plans.

B Corps typically adopt conventional LTI frameworks, but their purpose-driven missions act as an additional motivational lever. For CEOs, long-term alignment is reinforced not only through financial incentives but also through commitment to social or environmental outcomes.

Vesting Periods and Structure

Three-year vesting remains the dominant model for CEO LTIs, reflecting an industry standard aligned with typical business cycles. However, in sectors with longer planning horizons, such as Wholesale Trade, Professional, Technical and Scientific Services, Finance and Insurance, and Construction, over 25% of LTIs vest over five years. Variable LTIs, contingent on achieving predefined performance metrics, are also more common in Manufacturing, Electricity, Gas, Water and Waste Services, Professional, Technical and Scientific Services, and Construction, with over 15% of organisations using such structures.

Figure 8: Distribution of CEO long-term incentive levels by company and ownership type



CEO Perspectives on In-Office Leadership presence

Much of the public and media discourse around workplace presence focuses on employee preferences or return-to-office mandates. This research takes a different view, examining CEO preferences for how often staff should be physically present to effectively maintain and nurture organisational culture.

CEOs were asked to identify the ideal mix of in-office and remote work for leadership team members to support and nurture their organisational culture. The aim was to understand the CEO attitudes independent of formal policy, which often reflects a compromise between CEO expectations and employee preferences.

Across all sectors, Figure 9 shows that three to four days in the office is the dominant preference. Among for-profit CEOs, 41% favour four days and 23% prefer three. Only 20% believe five days is ideal. NFP responses show a similar pattern, with 40% preferring four days and 25% preferring three, while only 12%

select five days. In the public sector, the preference skews more strongly towards four days (62%), with 17% nominating three and only 13% selecting five.

A meaningful number of CEOs support lower in-office expectations for leadership. Across sectors, 6–7% believe one or two days per week is sufficient to support culture, while 15% of NFP CEOs, 10% of for-profit CEOs, and 3% of public sector CEOs believe fully remote leadership is compatible with maintaining organisational culture.

These patterns indicate a shift in thinking. While physical presence remains important, it is no longer viewed as essential. CEOs increasingly view culture as something reinforced through intentional, values-aligned leadership, not just co-location. Leadership visibility is being redefined: less about routine physical presence, more about purposeful engagement.

Figure 9: CEO views on in-office requirements for leaders to support organisational culture



Governance and Ownership Shape Views on Leadership Presence

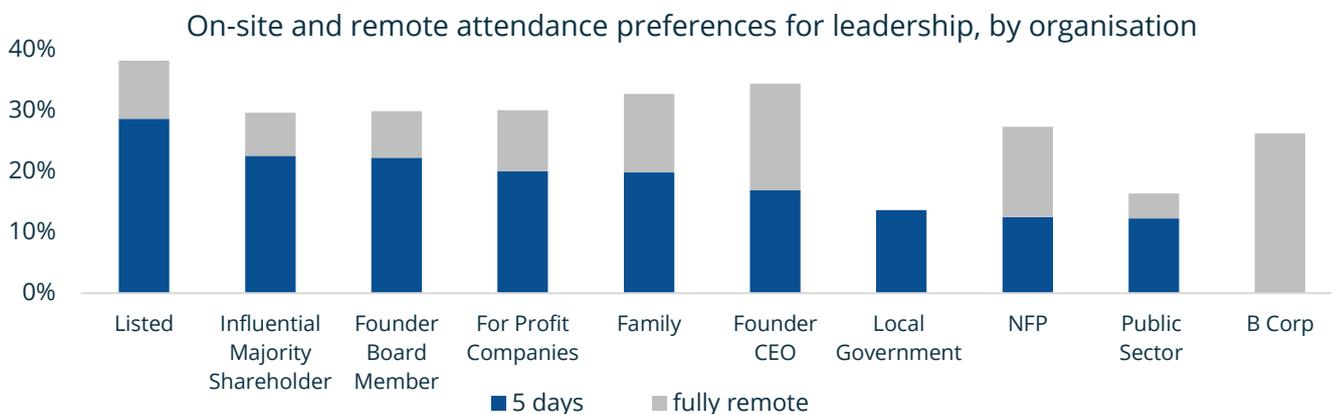
CEO preferences vary substantially by ownership and governance model. Figure 10 highlights that listed companies are the most likely to prefer full-time office attendance, with 29% of CEOs selecting five days, reflecting stronger formal accountability and investor visibility requirements.

In contrast, B Corps stand out for flexibility: none of the 46 B Corp CEOs surveyed prefer five days, and over a quarter (26%) believe leadership can be fully remote. These organisations place less emphasis on physical proximity and more on embedding culture through purpose, shared values, and trust.

Founder and family influence also support flexibility. Organisations with founder CEOs or that are family-owned or operated show above-average support for fully remote leadership (17% and 13% respectively), indicating comfort with non-traditional leadership visibility models.

Similarly, smaller firms report higher support for fully remote leadership, likely reflecting operational flexibility and flatter structures. These patterns suggest that organisational scale, ownership model, and founding influence play a significant role in shaping leadership culture expectations, particularly the perceived importance of physical presence for cultural reinforcement.

Figure 10: Proportion of CEOs preferring five days on-site vs fully remote leadership



Industry Preferences for Leadership Presence: A Spectrum of Flexibility

Leadership presence preferences vary substantially by industry. While most sectors show growing acceptance of hybrid or remote models, some maintain more traditional stances.

Traditional Models

In Figure 11, the finance and insurance industry stands out: 36% of CEOs in the sector prefer leaders to be in the office five days a week to support and nurture culture, the highest of any sector. Only 3% could support fully remote leadership.

This is notable given the sector’s high digital capability and the ease with which performance and outputs can be measured, which theoretically reduce the need for physical oversight.

In contrast, sectors with genuine operational requirements for physical presence, such as safety protocols, managing on-site teams and processes, like manufacturing (27% five days), construction (23%) and healthcare (10%), show greater openness to hybrid or remote leadership. This suggests legacy cultural norms dominate preference for leadership visibility.

Likewise, sectors such as Information Media (24% prefer five days, 12% allow fully remote) and Professional Services (12%, 13% respectively) show greater openness to hybrid leadership.

Finance B Corps such as Sharesies, Pathfinder, and Kiwibank operate with

flexible, trust-based leadership models within a traditionally structured sector, illustrating that varied cultural approaches exist across industries.

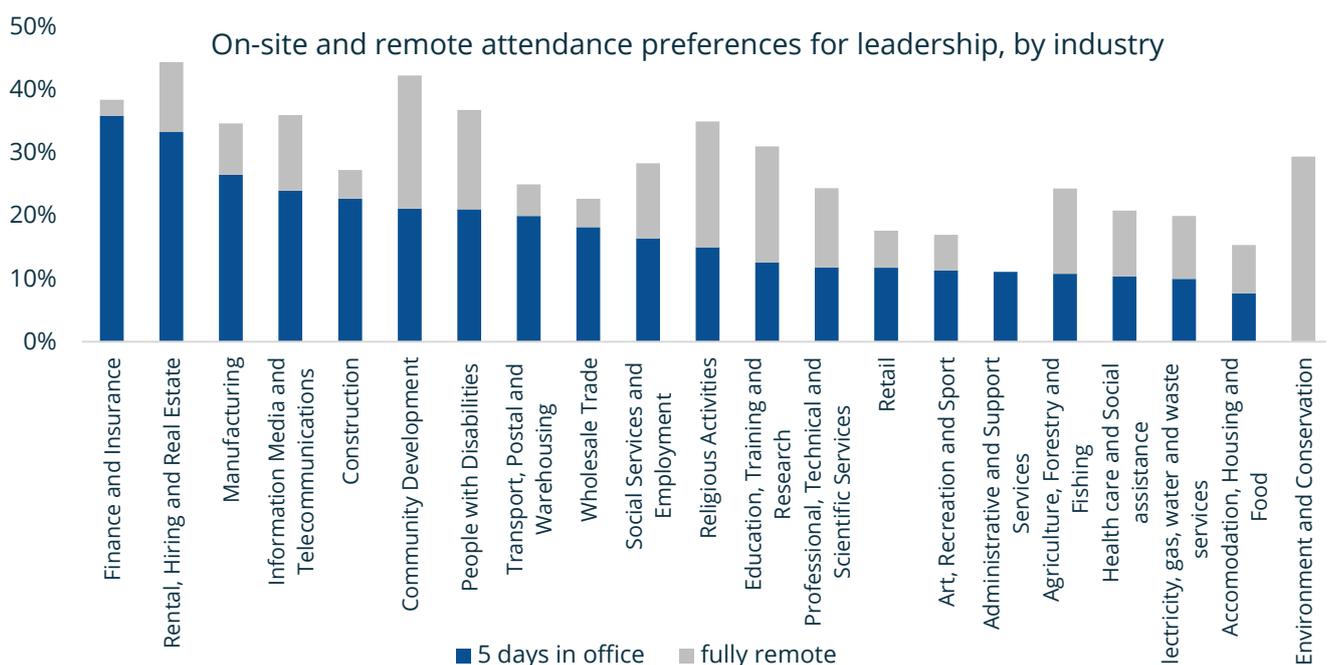
Hybrid Models

Some industries show striking flexibility:

- Environment and Conservation: 29% support fully remote leadership; 0% prefer five days.
- Education and Training: Nearly 18% support fully remote; only 13% prefer five days.
- Community Development and Religious Activities also report above-average support for fully remote leadership.

These sectors indicate a shift, where intentionality, trust, shared values, and focus on outputs increasingly replace co-location as the preferred basis for leadership visibility.

Figure 11: Proportion of CEOs preferring five days on-site vs fully remote leadership



Implications for organisations seeking a hybrid or remote leadership model:

- **Inclusion:** flexibility accommodates diverse needs (such as those of parents, caregivers, and neurodiverse individuals) broadening the leadership talent pool. High in-office expectations can be exclusionary.
- **Diversity:** Despite societal efforts, leadership remains less diverse than the communities and stakeholders it serves. Traditional office environments and hours were structured around a single-income model, creating structural barriers that continue to limit participation for those with caregiving responsibilities. This is particularly important in sectors where leadership diversity is limited.
- **Attraction and retention:** Offering purpose, autonomy, flexibility, and trust enhances employer appeal. Flexibility is a differentiator in a competitive labour market; inflexible models risk losing or failing to attract diverse, high-performing talent.
- **Evolving workforce expectations:** Leaders increasingly expect some degree of flexibility. Enforcing rigid in-office models without a clear operational need may be perceived as a lack of trust and insufficient consideration for wellbeing and diversity, which can contribute to disengagement and cynicism.
- **Cultural mismatch:** As society and stakeholders place more emphasis on

purpose, social and environmental stewardship, and employee wellbeing, traditional expectations around physical presence can lead to cultural misalignment. Such practices may undermine efforts to foster inclusive, values-driven leadership cultures.

“The most creative and innovative teams are those where you have diversity of thought, diversity of people, diversity of background. I realised that in the insurance sector, particularly – perhaps more than other sectors – it hasn’t really embraced the importance of diversity and inclusion in the workplace yet. So, we did a lot of work around that”.

*Dame Inga Beale, DBE, 2023
former CEO of Lloyd’s of London.*

These implications suggest a broader redefinition of leadership presence, shaped by governance, sector norms, and evolving workforce expectations. The B Corp model, in particular, challenges assumptions about the need for co-location to sustain culture. By embedding purpose and trust into organisational design, B Corps demonstrate that culture can be maintained through clear values, aligned leadership, and deliberate engagement.

CEO Perspectives on In-Office Administrator presence

CEO preferences for in-office presence are broadly similar for leaders and administrators, with one clear distinction: four days per week is most commonly preferred for leaders, while three days is the more common preference for administrators, as shown in Figure 12.

Both roles were included in the survey because, during preliminary interviews, many CEOs noted that physical presence expectations vary by role. Leadership and administration are common functions across most organisations and reflect differing contributions to organisational culture.

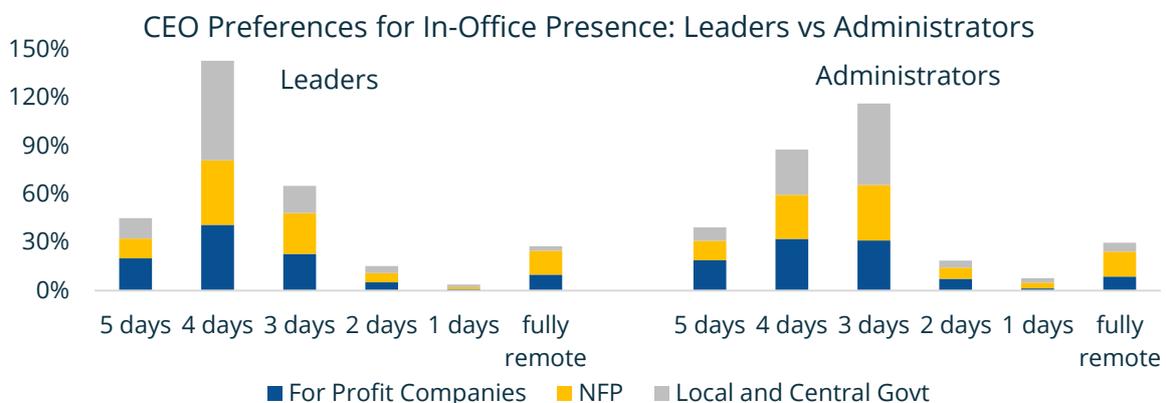
- In for-profit organisations, 64% of CEOs prefer leaders in the office three or four days (41% four days, 23% three days), while 63% prefer the same for administrators (32% four days, 31% three days).

- In NFPs, 65% favour three to four days for leaders (40% four days, 25% three days) and 62% for administrators (27% four days, 35% three days).
- In government organisations, 79% prefer three to four days for leaders (62% four days, 17% three days) and administrators (28% four days, 51% three days).

"I think CEOs need to embrace the fact that in the modern workplace, employees want to have a say in where they work"

*Sundar Pichai, 2021
CEO of Google*

Figure 12: Preferred number of in-office days per week to support culture, by role and sector



Note: The vertical axis shows cumulative percentages of CEO preferences for in-office days across organisational types, which can exceed 100% because the three organisational types are stacked.

Flexible Work Practices: What CEOs Report

CEOs were asked whether their organisations accommodate specific work arrangements: shift management (including shift swapping and staggered schedules), part-time or reduced hours, and flexible hours. This data, in Figure 13, reflects actual work practices rather than attitudes or preferences.

- For employees, part-time or reduced hours are most commonly offered (67%–90%), followed closely by flexible schedules (68%–83%), while shift management roles remain the least common (22%–24%).
- For leaders, flexible schedules are the most common (76%–90%), part-time or reduced hours less so (44%–56%), with shift management roles again lowest (15%–19%).

These Figures show that flexible working arrangements are well established in

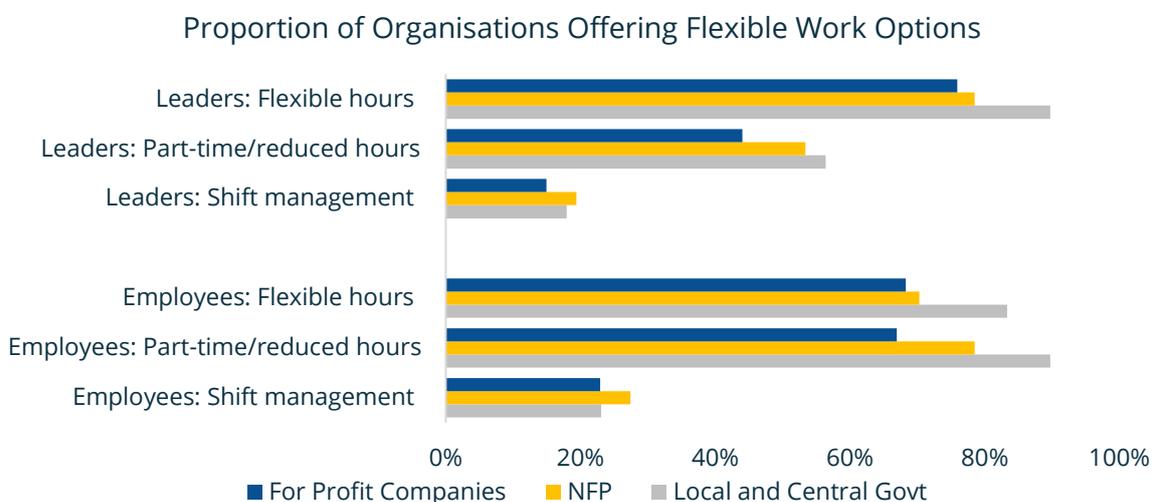
practice, especially in the public and NFP sectors.

However, the disparity between employee and leader access to flexibility indicates organisational challenges that may hinder the retention and progression of diverse talent.

Shift management is the least widely available option, typically linked to operational roles, yet it can also support flexibility for parents, carers, and others needing to adjust their schedules.

Part-time roles for leaders are limited, with only around half of organisations offering them. This creates a structural barrier: talented individuals who need flexibility (often caregivers) face restricted pathways into leadership. As a result, diversity and the overall breadth of the leadership talent pool become constrained, limiting progress toward inclusive, values-driven cultures.

Figure 13: Availability of Flexible Work Arrangements for Employees and Leaders, by Sector



Expanding Access to Strengthen Leadership Capability

The heatmap (Table 2 – Page 10) highlights that 59–74% of CEOs identify leadership capability gaps or insufficient leadership time invested in culture as key reasons for misalignment between culture and strategy. Despite this, only around half of organisations offer part-time or reduced hours for leaders. This disconnect suggests an opportunity: by enabling greater flexibility in leadership roles, organisations could broaden access to leadership talent, reduce structural barriers, and strengthen the leadership pipeline needed to drive cultural alignment.

“Creating equitable, inclusive experiences starts with designing for people not in the room”

*Satya Nadella, 2021
Chairman and CEO at Microsoft*

Industry Variation in Flexible Work Arrangements

There is substantial variation across industries in the provision of flexible work arrangements for employees and leaders.

Part-time or Reduced Hours

Part-time roles are widely available to employees, ranging from 39% in Construction to 85% in Social Services and Employment and People with Disabilities sectors. However, part-time options for

leaders are less common and more uneven. Higher availability is seen in Education, Training and Research, and Environment and Conservation (59%–60%), while sectors such as Wholesale Trade and Retail report lower availability (22%–24%), which may be due to more rigid time requirements or the operational need for continuous on-site leadership.

Flexible Hours

Flexible hours are the most widely offered arrangement across all sectors.

Information Media and Telecommunications (92% employee, 85% leader), Professional, Technical and Scientific Services (89% employee, 88% leader), and Administrative and Support Services (83% employee, 92% leader) show the highest levels of uptake. This is consistent with the feasibility of flexible schedules in knowledge and support-based roles.

Shift Management

Shift management is the least common form of flexible working. It is most prevalent among employees in operational or shift-based sectors such as Accommodation, Housing and Food Services (57%), followed by Administrative and Support Services, Health Care and Social Assistance, Information Media and Telecommunications, Religious Activities, and Social Services and Employment (31%–33%). Among leaders, uptake is highest in sectors such as Accommodation, Religious Activities, Health Care and Social Assistance, and Community Development (25%–38%).

People Policies: Embedding Supportive Practices

People policies support culture when aligned and applied consistently.

Government CEOs report the highest adoption of formalised policies (Table 4).

Public sector leads on *equal employment opportunity* and, **local government** CEOs lead on *flexible work, wellbeing, living wage, and equal pay* (both like-for-like and salary bands), reflecting alignment between public accountability and practice.

Government sectors have more policies, but some industries lead in key areas.

CEOs in **healthcare and social assistance** lead in protective policies, including *anti-discrimination and harassment support, DEI, training, and family-friendly provisions*, reflecting a care focus and regulatory scrutiny.

Utilities sector CEOs report the highest adoption of *anti-bullying training* and *supplier diversity* policies, reflecting mature governance in essential services.

CEOs in **retail** lead in *codes of conduct or handbooks* linked to firm values, likely due to large, dispersed workforces requiring behavioural consistency.

Finance and insurance CEOs lead with *transparent incentive schemes*, aligning with investor expectations and fostering results-oriented cultures.

Disability sector CEOs report the highest uptake of *accessibility and accommodation* policies, aligned with their mission.

While formalised policies are positive, genuine supportive practices can go further and, sometimes, supersede policy.

Table 4: Prevalence of People Policies Supporting Organisational Culture, by Sector

| | For Profit | Not-for Profit | Government | Top sector or industry performer |
|--|------------|----------------|------------|-----------------------------------|
| Code of conduct (with Firm values) | 82% | 86% | 90% | Retail |
| Anti-Discrimination/Harassment Policy | 68% | 67% | 82% | Health care/Social assistance |
| Flexible Work Policies | 64% | 58% | 86% | Local Government |
| Support for harassment/bullying | 64% | 68% | 83% | Health care/Social assistance |
| Anti-bullying and Harassment Training | 52% | 53% | 76% | Electricity, gas, water and waste |
| Wellbeing Policy | 50% | 59% | 81% | Local Government |
| Diversity, Equity and Inclusion Policy | 49% | 56% | 71% | Health care/Social assistance |
| Equal Employment Opportunity Policy | 47% | 53% | 78% | Public Sector |
| Training and Education Policy | 43% | 49% | 63% | Health care/Social assistance |
| Family-Friendly Policies | 40% | 42% | 54% | Health care/Social assistance |
| Living wage policy | 37% | 35% | 45% | Local Government |
| Equal Pay Policy (like-for-like role) | 32% | 24% | 53% | Local Government |
| Equal Pay Policy: Salary Bands | 30% | 32% | 62% | Local Government |
| Transparent Incentive Scheme Policy | 29% | 7% | 29% | Finance and Insurance |
| Promotion and Advancement Policies | 19% | 11% | 29% | Public Sector |
| Accessibility and Accommodation Policy | 18% | 28% | 35% | People with Disabilities |
| Supplier Diversity Policy | 10% | 5% | 17% | Electricity, gas, water and waste |

Ethics Policies: Embedding Supportive Practices

Ethical culture is reinforced through formal structures and informal norms.

The **government sector** shows the highest prevalence of ethical policies, reflecting its public accountability obligations. Policies are often more centralised and standardised across agencies, reflecting statutory mandates and a need for procedural uniformity.

At the organisational level (Table 5), **local governments** lead on *codes of conduct* and *anonymous reporting channels*. The **public sector** also stands out for established mechanisms to *communicate ethical values* and advance *DEI initiatives*.

While for-profits lead on *sustainability*, it is CEOs in **NFP environment and conservation organisations**, who are at the forefront, followed by the

agricultural industry. Religious organisations report higher use of *ethical leadership training*, *ethical leader selection*, and *ethics committees or officers*.

Finance and insurance CEOs lead across *incentives for ethical behaviour*, *ethical audits*, *ethics in performance reviews*, *staff engagement*, and *compliance enforcement*, reflecting regulatory and reputational risk.

CEOs in **Administrative and support services** outperform through embedded ethical norms and a values-led culture centred on *integrity* and *doing the right thing*, rather than formal controls.

Electricity, gas, water and waste services CEOs report the highest adoption of *external whistleblower hotlines*, reflecting the procedural discipline of regulated infrastructure sectors.

Table 5: Prevalence of Ethics Policies Supporting Organisational Culture, by Sector

| | For Profit | Not-for Profit | Government | Top sector or industry performer |
|--|------------|----------------|------------|-----------------------------------|
| Focus on doing the right thing | 77% | 76% | 87% | Administrative/Support Services |
| Codes of conduct | 70% | 79% | 88% | Local Government |
| Promoting integrity in all actions | 68% | 71% | 81% | Administrative/Support Services |
| Sustainability initiatives | 48% | 34% | 46% | Environment and Conservation |
| Communication of ethical values | 41% | 47% | 58% | Public Sector |
| DEI initiatives | 33% | 46% | 56% | Public Sector |
| Anonymous ethics reporting | 31% | 33% | 64% | Local Government |
| Staff engagement in ethics initiatives | 29% | 25% | 33% | Finance and Insurance |
| Ethics in performance reviews | 17% | 16% | 17% | Finance and Insurance |
| An external whistleblower hotline | 16% | 8% | 31% | Electricity, gas, water and waste |
| Ethical decision-making training | 15% | 16% | 13% | Finance and Insurance |
| Ethics enforcement mechanisms | 12% | 16% | 19% | Finance and Insurance |
| Ethical leader selection | 11% | 13% | 12% | Religious Activities |
| Ethics committee or officer | 10% | 6% | 18% | Religious Activities |
| Ethical audits or reviews | 10% | 8% | 14% | Finance and Insurance |
| Ethical leadership training | 7% | 11% | 14% | Religious Activities |
| Incentives for ethical behaviour | 4% | 2% | 3% | Finance and Insurance |

Reinforcement and Barriers to Organisational Culture Effectiveness

Effective organisational culture relies on behaviours and systems that uphold core values. In Figure 14, *Employee behaviour* is widely seen to reinforce culture, with 87% of for-profit, 90% of NFP, and 90% of government CEOs recognising its positive influence. *Executive team behaviour* is similarly strong, with over 90% agreement across sectors. *Middle management behaviour* also plays a substantial role, cited by 86–88% of CEOs.

Formal governance systems receive mixed reviews. Just over half of for-profit and government CEOs (52%) view governance structures, such as meeting frequency and risk forums, as reinforcing culture, compared to 64% in the NFP sector. Given the CEO and board’s roles in shaping these systems, this suggests an opportunity to strengthen governance’s cultural impact.

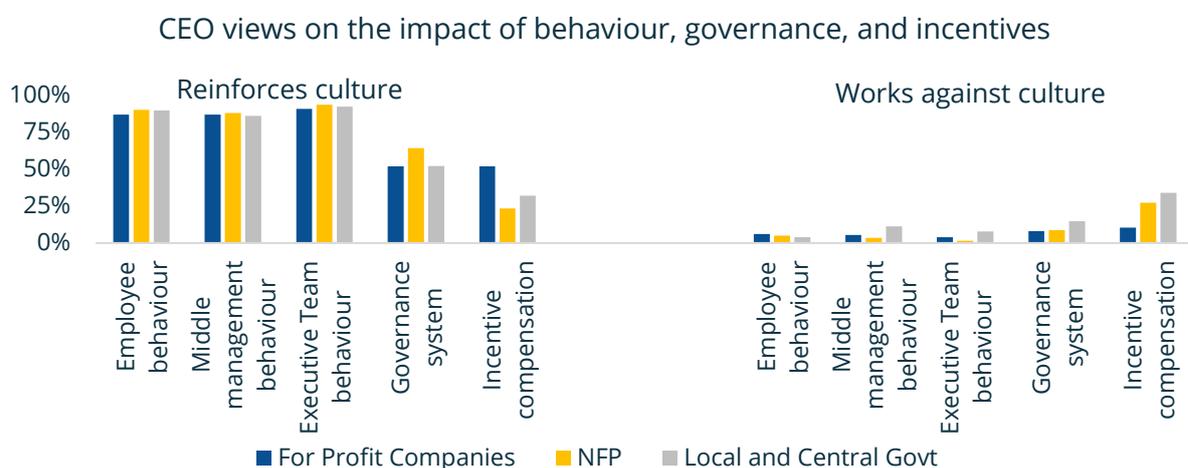
Incentive compensation is the least consistent factor. While 52% of for-profit

CEOs see incentives as reinforcing, this falls to 23% for NFPs and 32% for government. Since incentive schemes are typically designed and overseen by the CEO and board, this highlights an area that warrants reflection to better align incentives with culture.

Where incentive compensation works against culture, the most cited reason in for-profit organisations is that it focuses employees too heavily on short-term objectives. In NFPs, it most often incentivises the wrong type of behaviour. In government, it is primarily seen as failing to promote performance or undermining teamwork.

The challenges around governance systems and incentives may also reflect structural constraints in NFPs and government, where finding constraints is tight, and tax and ratepayer accountability impose limitations on flexibility and design.

Figure 14: Perceived Reinforcers and Barriers to Organisational Culture, by Sector



Measurement of Organisational Culture Outcomes

Organisations use a range of metrics to assess the impact of culture. The most frequently used measures across sectors, as shown in Table 6, relate to health and safety (66–81%), overall performance (59–72%), and employee surveys (49–82%), indicating that culture is most commonly linked to tangible operational and workforce outcomes. Customer engagement (54–69%) and talent management (39–62%) also feature prominently, reflecting the perceived cultural influence on external relationships and employee retention.

The government sector's higher use of cultural metrics likely reflects stronger accountability requirements, formalised HR practices, and the people-centric nature of public services. Notably, NFPs and government place greater emphasis on diversity, equity, and inclusion (35% and 51%, respectively), while for-profits prioritise productivity and quality improvement. This divergence highlights sector-specific cultural priorities, operational efficiency in for-profit versus social impact and workforce engagement in government and NFP sectors.

Table 6: Prevalence of Cultural Outcome Metrics, by Sector and Leading Industry Performer

| | For Profit | Not-for Profit | Government | Top sector or industry performer |
|---|------------|----------------|------------|----------------------------------|
| Health & Safety: incidents, accidents | 66% | 74% | 81% | Electricity, gas, water, waste |
| Performance: KPIs, growth, satisfaction | 63% | 59% | 72% | Rental, Hiring and Real Estate |
| Employee Surveys: eNPS, pulse checks | 56% | 49% | 82% | Local Government |
| Customer Engagement: satisfaction, loyalty | 54% | 58% | 69% | Retail |
| Talent Management: turnover, time-to-fill | 53% | 39% | 62% | Local Government |
| Quality: defect rates, customer satisfaction | 49% | 40% | 37% | Rental, Hiring and Real Estate |
| Productivity: completion, efficiency | 48% | 19% | 21% | Electricity, gas, water, waste |
| Financial Efficiency: savings, gains | 48% | 43% | 49% | Construction |
| Well-being: absenteeism, participation | 39% | 45% | 65% | Local Government |
| Values Alignment: surveys, behaviours | 30% | 38% | 28% | Rental, Hiring and Real Estate |
| Environment: recycling, energy, water use | 28% | 17% | 28% | Environment, Conservation |
| DEI: metrics, inclusion scores, pay equity | 25% | 35% | 51% | Public Sector |
| Quality Improvement: defect reduction | 24% | 20% | 17% | Construction |
| Leadership Alignment: 360-feedback | 24% | 25% | 38% | Religious Activities |
| Development: programmes, promotions | 24% | 25% | 19% | Electricity, gas, water, waste |
| Benefits Utilisation: enrolment | 16% | 14% | 24% | Local Government |
| Conflict Resolution: resolution rates | 12% | 18% | 14% | People with Disabilities |
| Innovation: patents, new products | 9% | 8% | 5% | Accommodation, Food |
| Change Readiness: surveys, adoption | 5% | 12% | 19% | Local Government |

Several sectors and industries emerge as cultural leaders in specific areas, reflecting how operational context, mission, and stakeholder expectations shape the focus of cultural measurement.

Local Government CEOs stand out as leaders in multiple areas, including *employee surveys, well-being, talent management, benefits utilisation, and change readiness*. This suggests a strong focus on workforce engagement, stability, and adaptability, likely driven by public accountability and the need to maintain service continuity in complex stakeholder environments.

CEOs in **Electricity, Gas, Water, and Waste Services** lead in *health and safety, productivity, and employee development*. This reflects an emphasis on operational safety, reliability, and technical capability, important in high-risk, asset-intensive sectors with regulatory oversight.

Rental, Hiring, and Real Estate Services CEOs report the most emphasis on measuring *performance delivery, quality, and values alignment*. This indicates a culture focused on delivering, customer satisfaction, and consistent service standards, likely due to competitive market dynamics and reputational sensitivity.

CEOs in **Retail** lead on *customer engagement* measurement, aligning with their business model's reliance on customer experience, brand perception, and frontline employee behaviour as cultural levers.

Construction sector CEOs have the highest quantitative focus on *financial efficiency and quality improvement*, required in a margin-sensitive and project-driven industry.

“Anything that is measured and watched, improves”

*Bob Parsons, 2006
founder and former CEO of GoDaddy*

Public Sector CEOs stand out for their attention to *diversity, equity, and inclusion* and CEOs in **Religious Activities** lead in *leadership alignment*. These areas reflect mission-driven values and a need for cultural coherence in values-based service delivery.

Accommodation and Food Services ranks highest in the measurement of *innovation metrics*, though overall measurement in this area remains low across sectors.

Environment and Conservation leads in *environmental impact* measures, aligning directly with its core mission and reinforcing a values-driven cultural identity.

People with Disabilities Services ranks highest for *conflict resolution*, potentially reflecting both the complex interpersonal environments in care work and a proactive culture around managing interpersonal dynamics.

Reporting Organisational Culture Metrics

Across sectors, the most likely recipients of culture effectiveness metrics are executive leadership teams, with 77% of for-profit, 73% of NFP, and 94% of government organisations reporting to this group. Reporting to the board varies more widely, 53% in for-profits, 77% in NFPs, and 63% in government. Notably, a minority, 9%–22% indicate no formal reporting on cultural metrics.

Ability to Invest in Organisational Culture

Over half of organisations report being able to invest sufficiently in culture to enhance its value: 63% of for-profits, 55% of NFPs, and 52% of government. However, a substantial proportion, ranging from 37% in for-profits to 48% in government, feel constrained in their ability to invest adequately.

Barriers to Investing in Culture

Among organisations unable to invest sufficiently in culture, Figure 15 shows the leading barriers are competing priorities (69–79%), limited financial resources (60–83%), and time constraints (45–67%). Resistance to change affects around one-quarter of organisations (23–24%), while unclear culture strategy and inadequate measurement tools each impact approximately 15–23%.

Notably, NFPs report the highest constraints related to financial resources (83%) and time (67%), while government organisations show comparatively lower impacts from time constraints (45%).

While executives increasingly monitor cultural outcomes, many boards have yet to treat culture as a strategic asset. Bridging this gap, by elevating culture to board-level governance and resourcing, could strengthen alignment, productivity, and long-term value.

Figure 15: Barriers to Cultural Investment Among Organisations Unable to Invest as Required, by Sector



How CEOs Prioritise Cultural Effort

Across all sectors, leaders allocate the largest share of cultural attention to *modelling desired behaviours* and *setting and communicating core values*, with **public sector** leaders placing the highest emphasis (13% each), shown in Figure 16. These top priorities reflect a recognition of the role leadership plays in shaping culture through example and clarity of purpose.

Public sector organisations generally distribute their cultural focus more evenly, albeit with slightly lower investment in *environmental and social responsibility* (2%) and *fostering cultural strengths* (3%), likely due to pre-existing formal frameworks.

NFPs place more emphasis than others on *health and wellbeing* (8%) and *belonging* (8%), aligning with their values-driven missions. They invest less in *performance recognition* (2%), reflecting limited resourcing.

For-profit firms place slightly greater emphasis on *rewarding performance* (6%), *promoting ethics, compliance and safety* (7%), *fostering key cultural strengths* (5%), and *understanding worker needs* (5%). However, their lower prioritisation of *diversity* (3%) suggests a view of culture primarily as a performance enabler, shaped by a commercial lens.

Industry CEO Prioritisation of Cultural Dimensions

CEO priorities vary by industry, reflecting sector-specific drivers, constraints, and stakeholder expectations.

CEOs in art, recreation and sport prioritise *diversity, equity and inclusion* more than those in other industries, closely followed by those in organisations supporting people with disabilities. CEOs in environment and conservation place the greatest emphasis on *environmental, community and social responsibility*,

Figure 16: CEO Cultural Prioritisation by Sector: Annual Time Allocation by Leaders



with *retail* following closely. Environment and conservation also shows the strongest focus on *enhancing communication and collaboration*.

In wholesale trade, CEOs prioritise *monitoring and adapting organisational culture*, while those in healthcare and social assistance also report elevated focus in this area. CEOs in information media and telecommunications give the highest priority to *understanding and addressing worker needs*.

In electricity, gas, water and waste services, CEOs place the strongest emphasis on multiple areas, including *aligning culture to strategic objectives, promoting ethics, compliance and safety, and modelling desired behaviours*. In aligning strategy and culture, agriculture, forestry and fishing ranks second.

“Leaders have a lot of power and influence. And people follow the example of what leaders do more so than what they say. That’s why it’s important to cast the right shadow of leadership.”

*Indra Nooyi, 2018
former Chairman and CEO of PepsiCo*

Manufacturing CEOs prioritise *fostering key cultural strengths* more than other sectors. In religious organisations, CEOs place the greatest weight on *fostering belonging and*

community, and also on *setting and communicating vision and values*, with finance and insurance closely following in the latter.

CEOs in professional, technical and scientific services prioritise *work-life balance and flexibility*, reflecting knowledge-based workforce needs. In rental, hiring and real estate, CEOs show the highest prioritisation of both *health, mental health and wellness* and *recognising and rewarding performance*.

Social services and employment CEOs place the strongest emphasis on *employee development and training*, followed by local government organisations. Construction CEOs prioritise *leadership development and succession planning*, with retail following as the next highest.

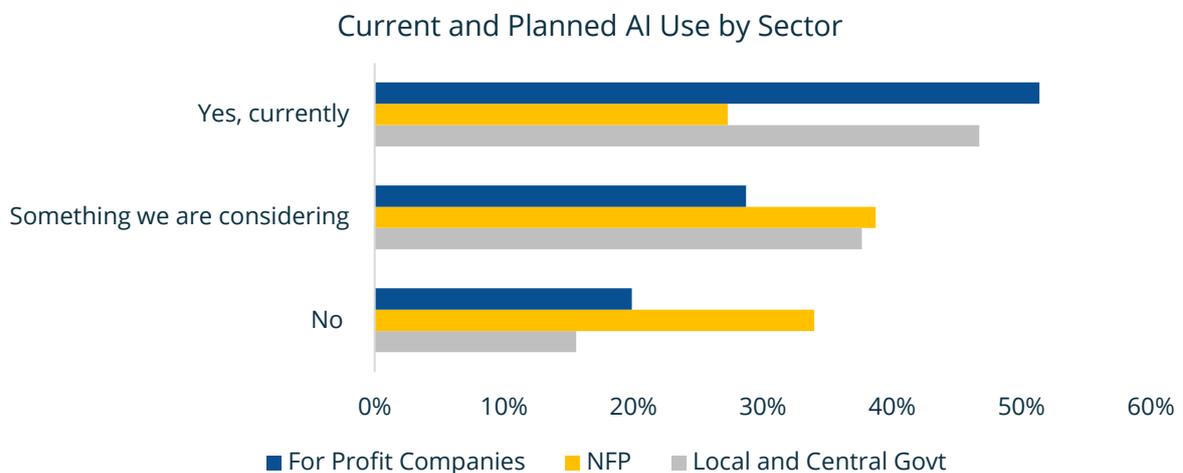
These patterns illustrate how sectoral and industry context shape cultural investment and strategic priorities. Mission-driven organisations prioritise inclusion, core values, and fostering a strong sense of belonging to reinforce their purpose and stakeholder trust. In contrast, regulated and asset-intensive industries emphasise aligning culture with strategic objectives, upholding ethics and compliance, and consistent behaviours for risk management and operational reliability. Commercial sectors, driven by market competition and growth, focus on recognising performance, developing leadership capability, and responding agilely to workforce needs to sustain productivity and innovation.

AI and technology supporting culture management

AI is rapidly reshaping organisational operations, and its influence on workplace culture is increasingly evident. CEOs across sectors report varying degrees of adoption, with differing expectations of its impact on employee experience, organisational structure, and cultural measurement.

Figure 17 summarises CEO responses on current and planned AI adoption across sectors and the perceived cultural impacts. A majority of CEOs in for-profit (51%) and government (47%) organisations report active AI use, while 39% of NFPs are considering adoption but not yet implementing it.

Figure 17: Current and Planned Organisational Use of AI Tools, by Sector



These adoption rates mirror strategic priorities:

- **For-profits** are the fastest adopters, with 76% prioritising generative AI and 49% focusing on robotic process automation. This aligns with a drive for innovation and efficiency in competitive markets.
- **Government** bodies focus on accountability and data-informed decisions, shown by 44% investing in advanced machine learning tools.
- **NFPs** face adoption barriers, likely due to financial constraints. Their

emphasis is on improving communication and service delivery—38% report using natural language processing for stakeholder engagement. There is scope to expand through cost-effective pilots and partnerships aligned with mission outcomes.

Larger for-profit organisations (50+ employees) and B Corporations are the fastest adopters of AI, with over half already using AI tools. In the NFP sector, adoption is highest among mid-sized organisations (20–49 employees), suggesting a size-related threshold for AI

readiness. By industry, AI uptake is led by Administrative and Support Services, followed by Information Media and Telecommunications, and Finance and Insurance, sectors typically characterised by high data intensity and process automation potential.

CEO responses suggest a generally optimistic outlook on the cultural impact of AI, shown in Figure 18. The most cited expectation across all sectors is *enhanced collaboration* via digital tools and platforms (52–55%). The second most common is *increased data-driven measurement of cultural success* (47–53%), with **for-profit** CEOs leading in linking culture to KPIs, profitability, and revenue, reflecting a commercial focus on performance accountability.

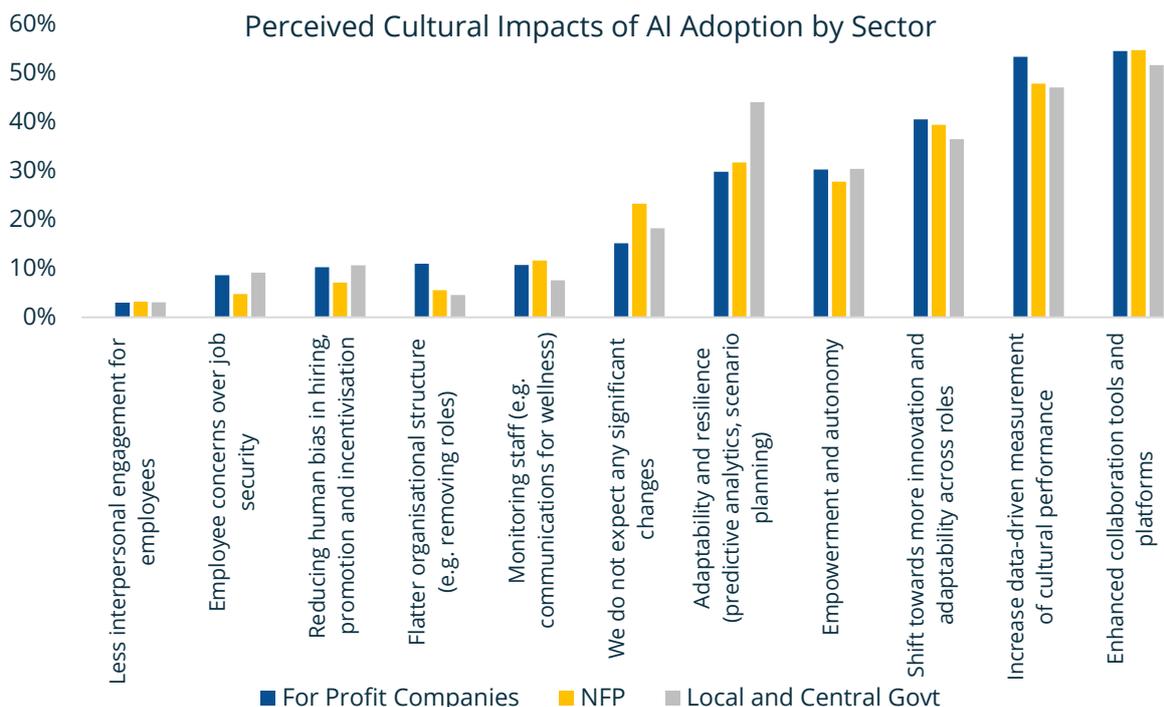
Government CEOs most frequently (44%) identify *adaptability and resilience* as key

outcomes, emphasising the use of predictive analytics and scenario planning. This suggests a strategic, long-term approach to AI adoption in the public sector, aligned with evidence-based governance.

NFPs show the most hesitancy toward AI. They are the least likely to be using or planning to use AI tools, and the most likely to expect *no significant cultural change* (23%, vs. 15% in for-profits and 18% in government). This likely reflects resource constraints and uncertainty about AI’s relevance to mission-led cultures.

Concerns about negative impacts, such as reduced interpersonal engagement or job insecurity, were minimal, each cited by fewer than 10% of respondents.

Figure 18: CEO Views on the Cultural Impact of AI Tools, by Sector



Conclusion

This report provides the most comprehensive evidence to date on the strategic role of organisational culture in Aotearoa New Zealand. Drawing on data from over 1,100 CEOs across sectors, the findings confirm that culture is not a peripheral concern, it is a core driver of organisational value, performance, and resilience. It shapes decision-making, risk appetite, innovation, inclusion, and the long-term alignment of behaviours with strategic priorities.

Despite high CEO recognition of culture's importance, the findings reveal a consistent execution gap. While 87–92% of leaders rank culture among their top three value drivers, only 10–15% report full alignment between culture and strategy. This gap is driven not by lack of intent, but by structural constraints, insufficient leadership capability, misaligned policies, and underinvestment.

Organisations that close this gap, particularly small firms, B Corps, founder-led entities, and those with strong stewardship models, demonstrate that cultural alignment is both achievable and economically beneficial. For larger, more complex organisations, the challenge is greater but not insurmountable. Evidence shows that cultural alignment enhances performance even when controlling for size, profitability, and leadership profile.

Culture also carries measurable economic weight in high-stakes decisions. CEOs

frequently adjust M&A valuations to reflect cultural fit, with many unwilling to proceed if misalignment is significant. Culture is therefore a material risk factor in both transactions and strategic partnerships. Yet many boards still fail to formally integrate cultural considerations into governance, CEO selection, or investment decisions.

Across sectors, culture is most effectively reinforced when embedded in formal mechanisms, such as performance management, promotion, and incentives. In listed and large for-profit firms, values-based behaviour is tied to discretionary pay. In constrained sectors, promotion and leadership selection are the primary levers. However, application is inconsistent. Incentive systems often conflict with cultural goals, particularly where short-term results are prioritised over long-term value.

Flexibility and inclusion also emerge as key themes. CEO preferences show leadership visibility is shifting: effective cultural leadership now relies more on purposeful engagement than physical presence. Hybrid and remote models are widely seen as compatible with strong culture, especially in B Corps, purpose-led, and founder-led firms. Yet part-time leadership roles remain rare, with only half of organisations offering them, highlighting a structural barrier for those needing flexibility.

Cultural measurement is widespread but fragmented. Health, safety, and employee sentiment are commonly tracked, but indicators of alignment and ethics are less prevalent. Reporting to boards is inconsistent, and fewer than two-thirds of organisations believe they can invest sufficiently in culture. Barriers include competing priorities, resource constraints, and limited measurement tools.

Technology, particularly AI, is an emerging enabler. For-profit and government sector organisations report growing use of AI for cultural measurement, collaboration, and workforce insight. NFPs lag in adoption, largely due to financial constraints, but targeted investment and partnerships could unlock its value.

Implications for Leaders and Boards

To close the culture-strategy gap, the following priorities should guide organisational practice:

- **Governance elevation:** Culture must be explicitly governed at board level, with clear alignment to strategy, integration into risk and opportunity assessments, and supported by robust oversight and reporting mechanisms.
- **Leadership accountability:** CEOs and leadership teams must align culture with strategy and embed culture in execution. This requires appointing and developing leaders with the capability and orientation to do so.
- **Leadership development:** Leaders must be equipped not only to model

values, but to operationalise them through teams, systems, and execution discipline.

- **Systems integration:** Pay, promotion, and performance frameworks must reinforce cultural expectations; misalignment weakens credibility and impact.
- **Investment focus:** Cultural alignment doesn't require large budgets but does require prioritisation. High-impact, low-cost initiatives are feasible in resource-constrained settings.
- **Measurement and accountability:** Cultural metrics should be regularly tracked, benchmarked, and reported at executive and board levels.
- **Inclusion through flexibility:** Expanding flexible and part-time leadership roles can unlock underutilised talent and support inclusive, values-driven cultures

Final Reflection

The evidence is clear: culture is a strategic asset, and its alignment with strategy is a leadership responsibility that directly influences performance and value creation. It is both a differentiator and a risk mitigant. Leaders must therefore treat culture not as a soft function or symbolic gesture, but as a core lever of execution and long-term value creation. When aligned with strategy and reinforced through systems, culture becomes a powerful driver of ethical, sustainable, and long-term performance.