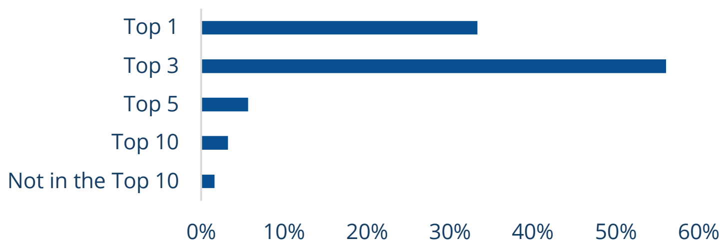
For-Profit Companies: 123 CEOs with 20-49 employees

March 2025

Value of organisational culture

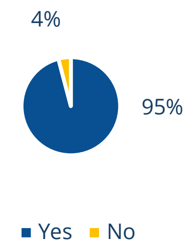
Culture's value relative to all organisational priorities



89% of 20-49 employee CEOs consider culture to be among the top three factors that determine their organisation's value - slightly higher than CEOs across all firms (88%).

Value of improving culture

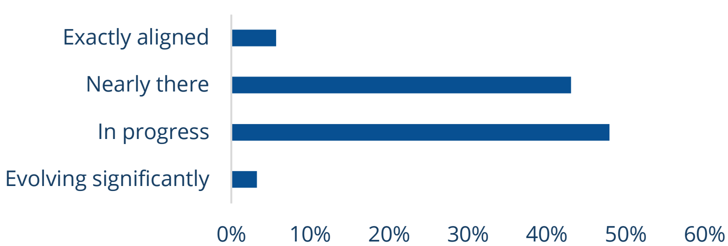
Improving culture will increase value to primary beneficiaries



95% of 20-49 employee CEOs believe that improving their culture will increase their company value through productivity, profitability, or growth - on par with CEOs across all firms (95%).

Current state of culture

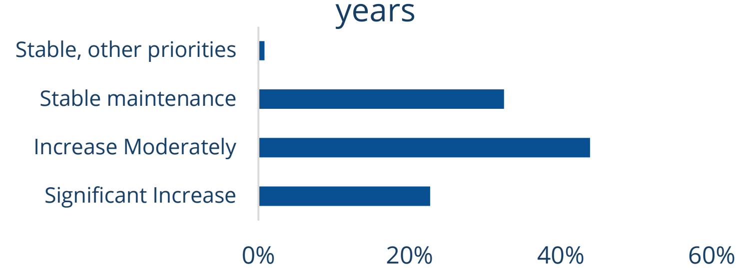
Strategy and organisational culture are



94% of 20-49 employee CEOs say they need to do some work to achieve ideal strategic alignment between culture and strategy - above CEOs across all firms (89%).

Changes to culture

Expected culture efforts over next three years



89% of 20-49 employee CEOs rank culture among their top 3 factors, 95% believe enhancing it increases value, and 67% plan to enhance culture - matching 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, 78% work to align them. 89% attribute misalignment to evolving external and internal factors, while 56% note leadership needs to invest more time in culture or a stronger leadership capability is required (64%).

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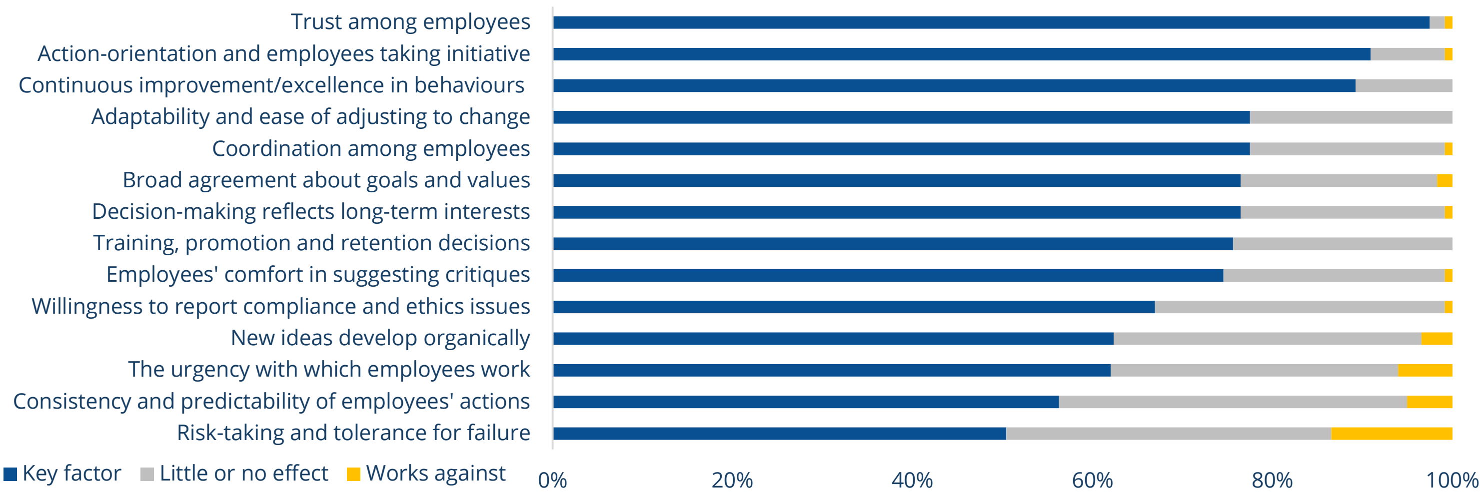
Why is organisational culture important

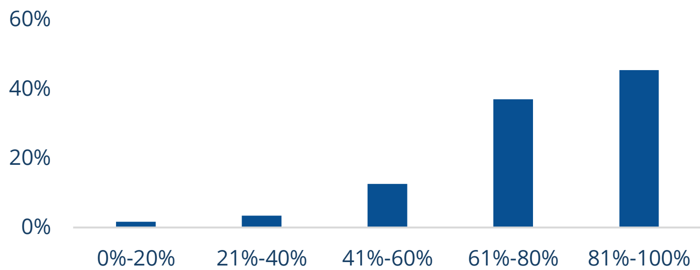
Key factors in determining the effectiveness of organisational culture



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

Exhibit and understand culture

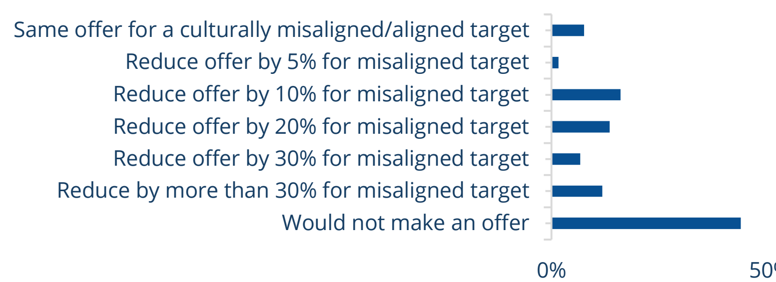
The percentage of employees that understand and exhibit their culture



55% of 20-49 employee CEOs report staff lack some understanding or display behaviours contrary to the desired culture - on par with all firms at 55%.

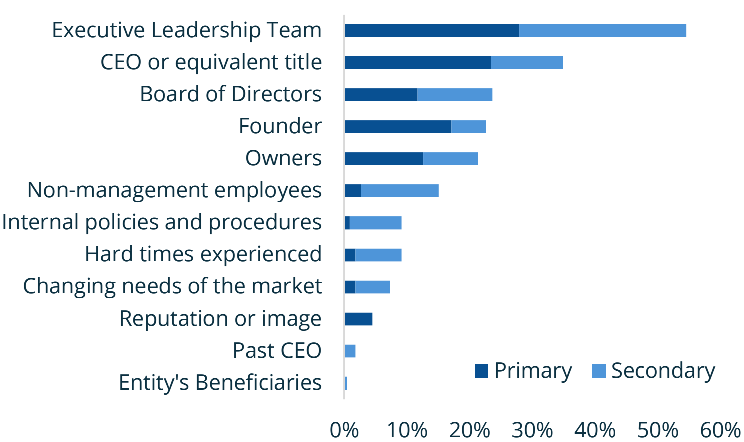
Identical M&A targets, one misaligned

Offers for culturally aligned vs. misaligned target

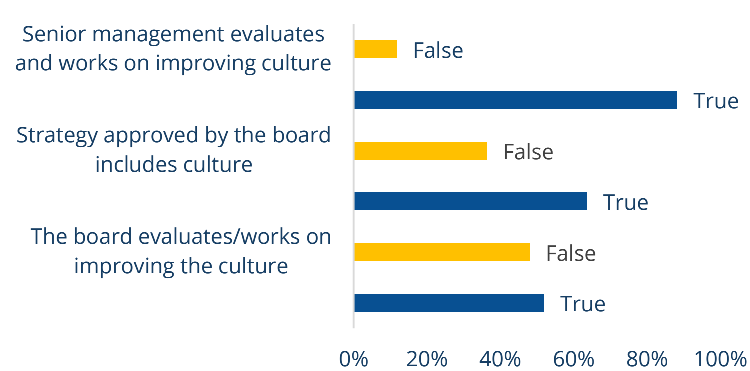


43% of 20-49 employee CEOs would not make an offer on a culturally misaligned target, and another 49% would reduce an offer by 5% to 30% or more - similar to responses from all firms.

Most influential factor setting culture



Annual assessment of culture



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

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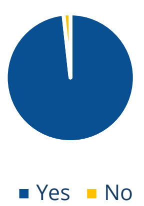
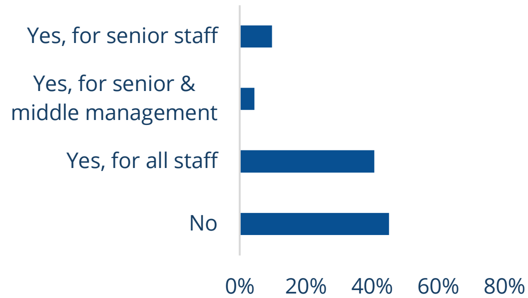
Exemplifying values: performance reviews, discretionary pay, & promotion

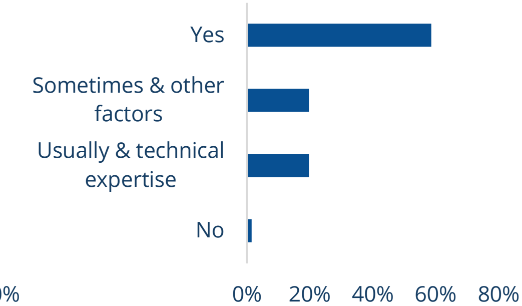
Employee behaviours reflect values included in performance reviews



Employee behaviour linked to discretionary pay



Behaviour a key criterion to advance to senior role



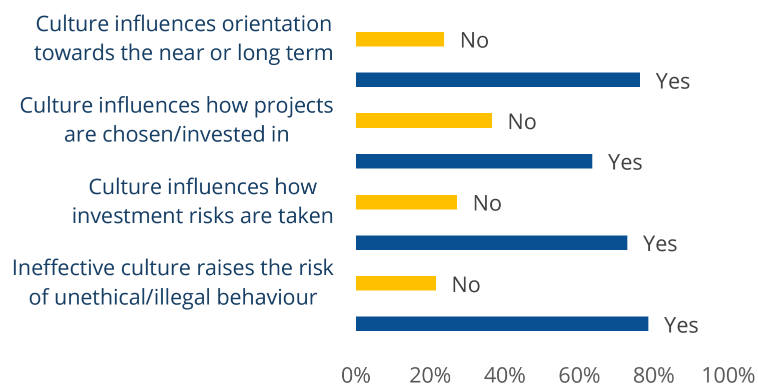
98% of 20-49 employee firms include whether employees exemplify their values in performance reviews, and 55% link discretionary pay to behaviours (compared to 61% of all firms). A further 59% consider exemplifying values a key criterion for senior management progression (compared to 61%). Organisations with 20–49 employees assess employee values and behaviours as often as all firms, but link discretionary pay to behaviours and consider exemplifying values for progression slightly less often.

Investment style

Project investment style

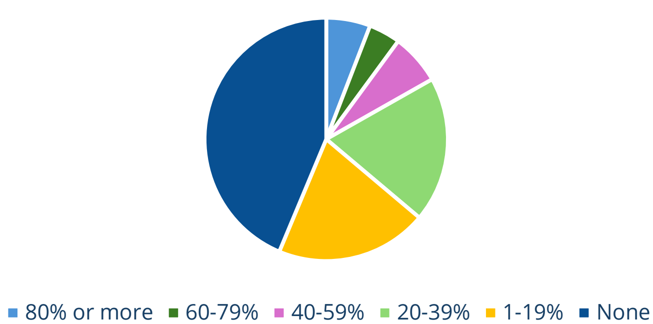
56% of 20-49 employee CEOs prefer a growth or high-risk strategy compared to a stewardship approach. 63% agree that culture drives project selection (compared to 73% of all firms).

Culture: risk, long-term and ethics



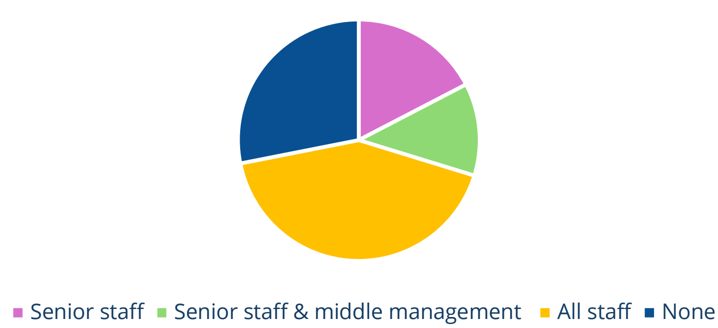
CEOs of companies with 20-49 employees say culture affects long-term focus (76%) and investment risk (73%), but only 79% believe it impacts ethical decision-making - lower than the overall group.

Short-term CEO incentives



CEOs noted that, while they are not motivated by monetary incentives, they see incentives as signals. 44% of CEOs receive no STI, 20% get between 1-19%, and only 6% receive 80% or more.

Short-term staff incentives



72% 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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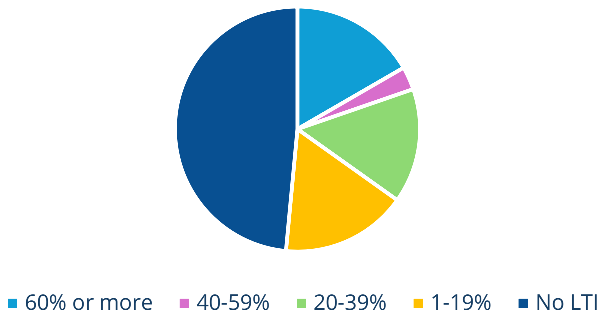
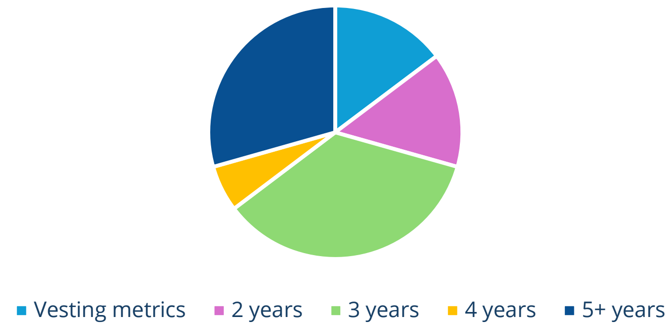
Long-term leader incentives



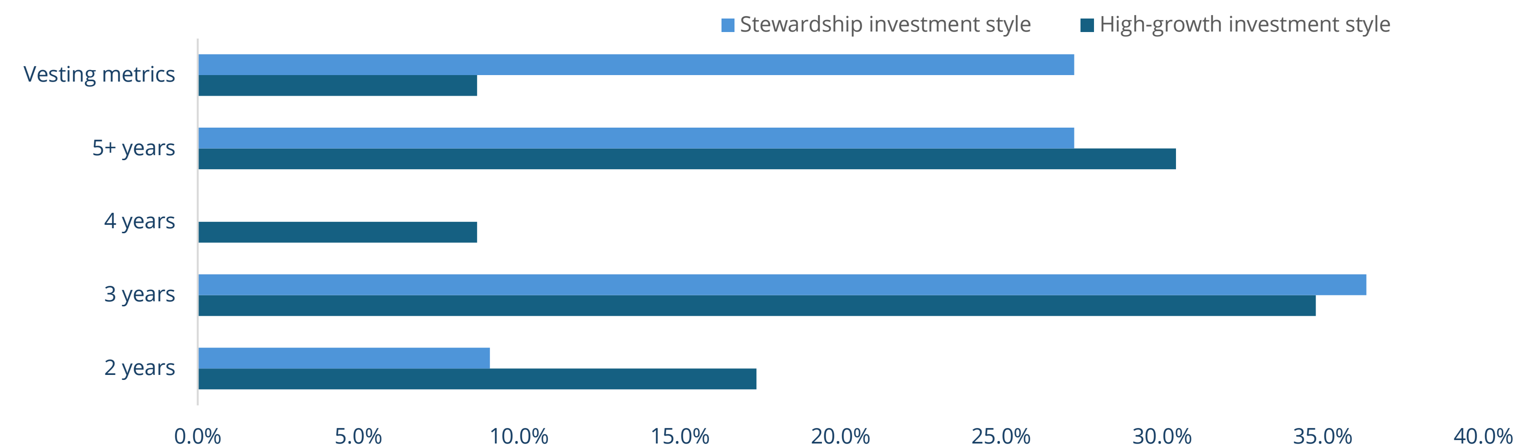
There is a variation in CEO LTIs, with 48% receiving no LTIs, while the majority fall into lower range percentages, indicating an alignment opportunity between incentives and long-term goals.

Long-term incentive vesting period



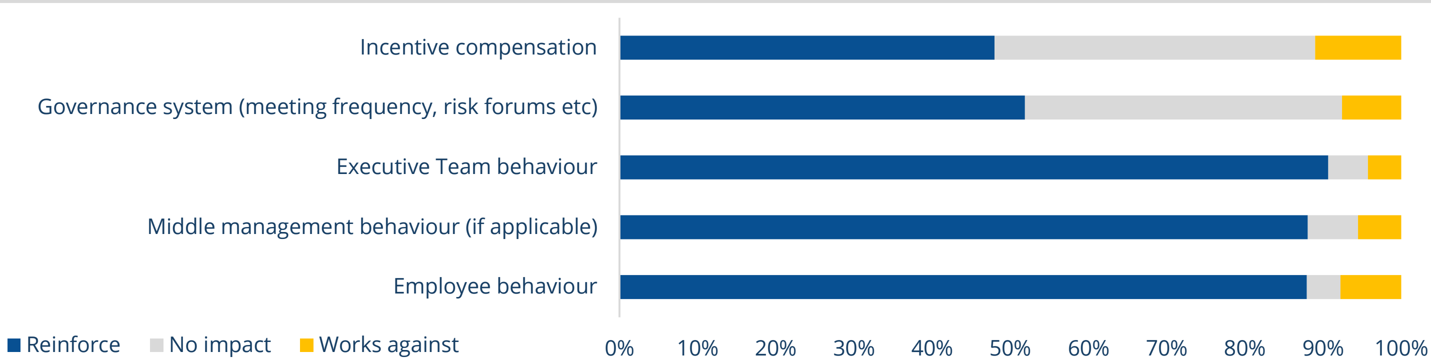
The most popular vesting period is 3 years (35%), 15% is linked to 2 years of performance, and 35% is between 4 and 5+ years. Additionally, 15% have specific vesting tied to performance metrics.

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



Growth firms allocate a larger share of CEO LTIs to longer durations and vesting metrics—39% at 4 and 5+ years, compared to 27% for stewardship firms. This cohort has more vesting metrics for stewardship firms, which is atypical compared to the overall group.

Impact of various factors on organisational culture effectiveness



Leadership team behaviour is the strongest reinforcer of culture. However, incentive compensation and the governance systems impacts are mixed, only 48% and 52% consider it as reinforcing, while 11% and 8% (respectively) believe they work against culture.

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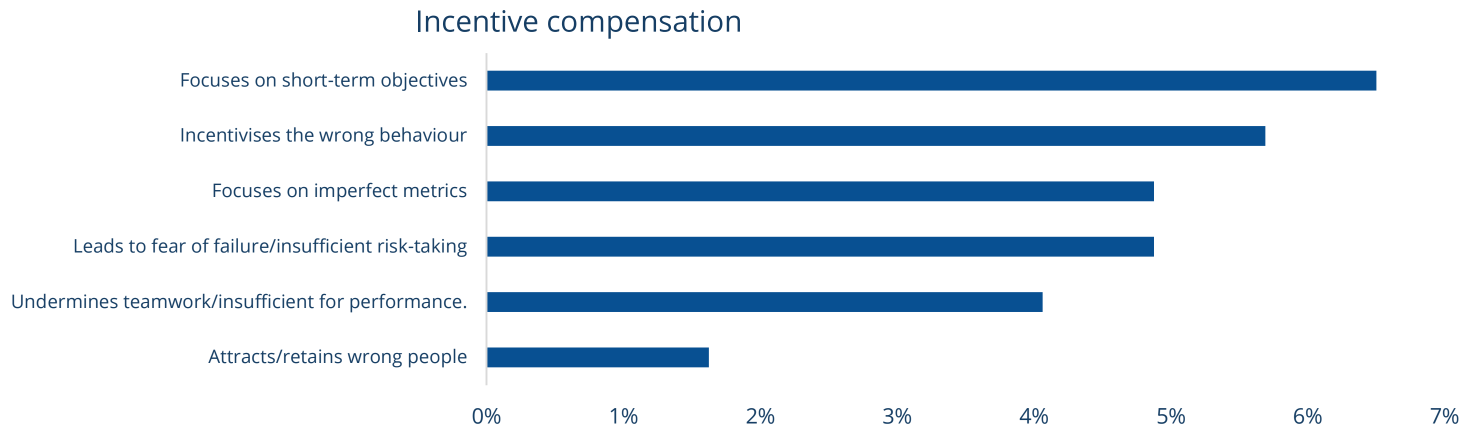
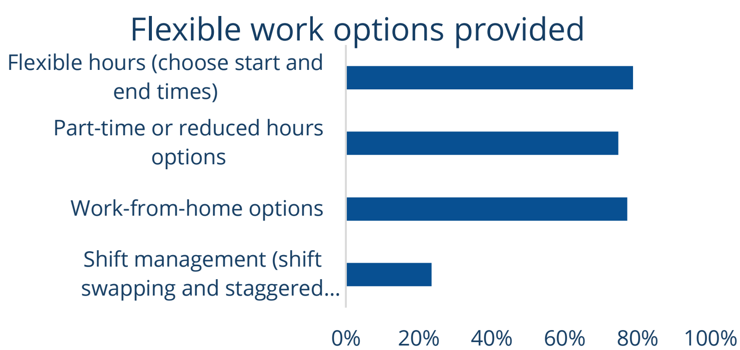
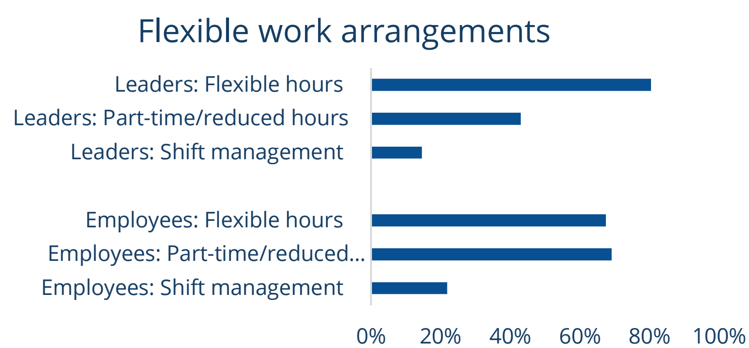
Reasons incentive compensation and leaders work against culture:



According to 20-49 employee CEOs, incentive compensation emphasises short-term objectives (7%), incentivises the wrong behaviour (6%), leads to fear of failure with insufficient risk-taking (5%), focuses on imperfect metrics (5%), undermines teamwork or proves insufficient for performance (4%), and attracts and retains the wrong people (2%).

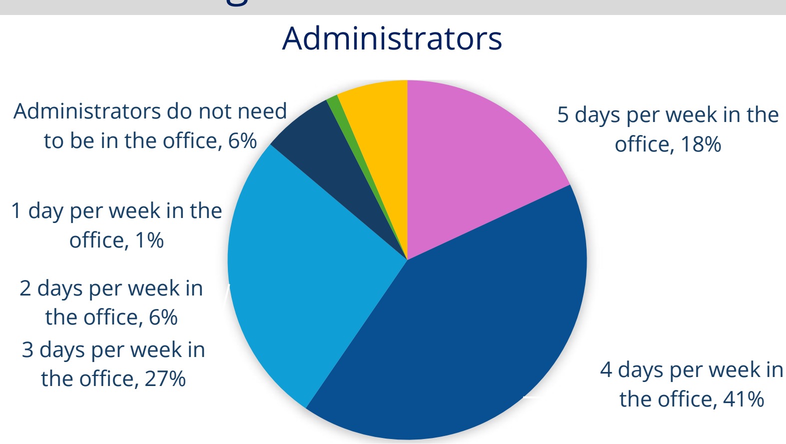
Support for flexible work arrangements





CEOs of companies with 20-49 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 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 20-49 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 (7% vs. 10%). A similar trend is seen for administrators, needing slightly fewer in-office days.

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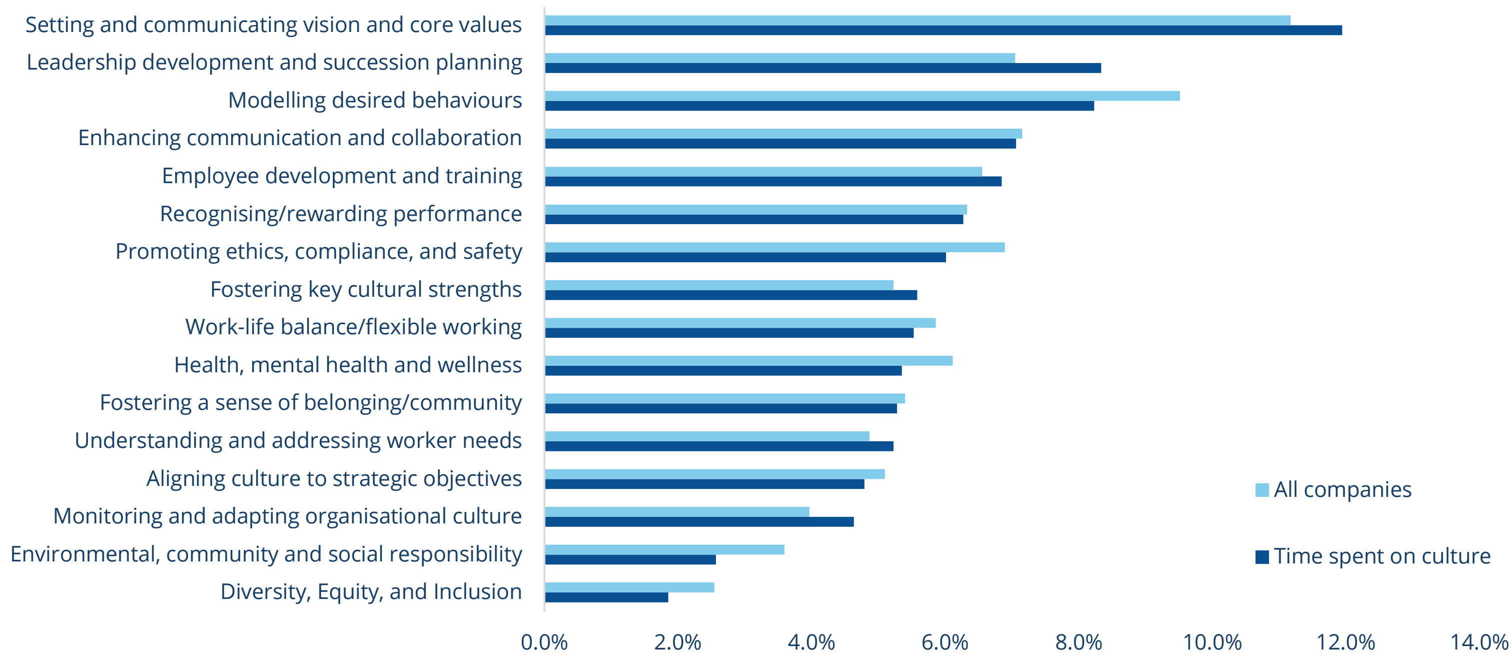
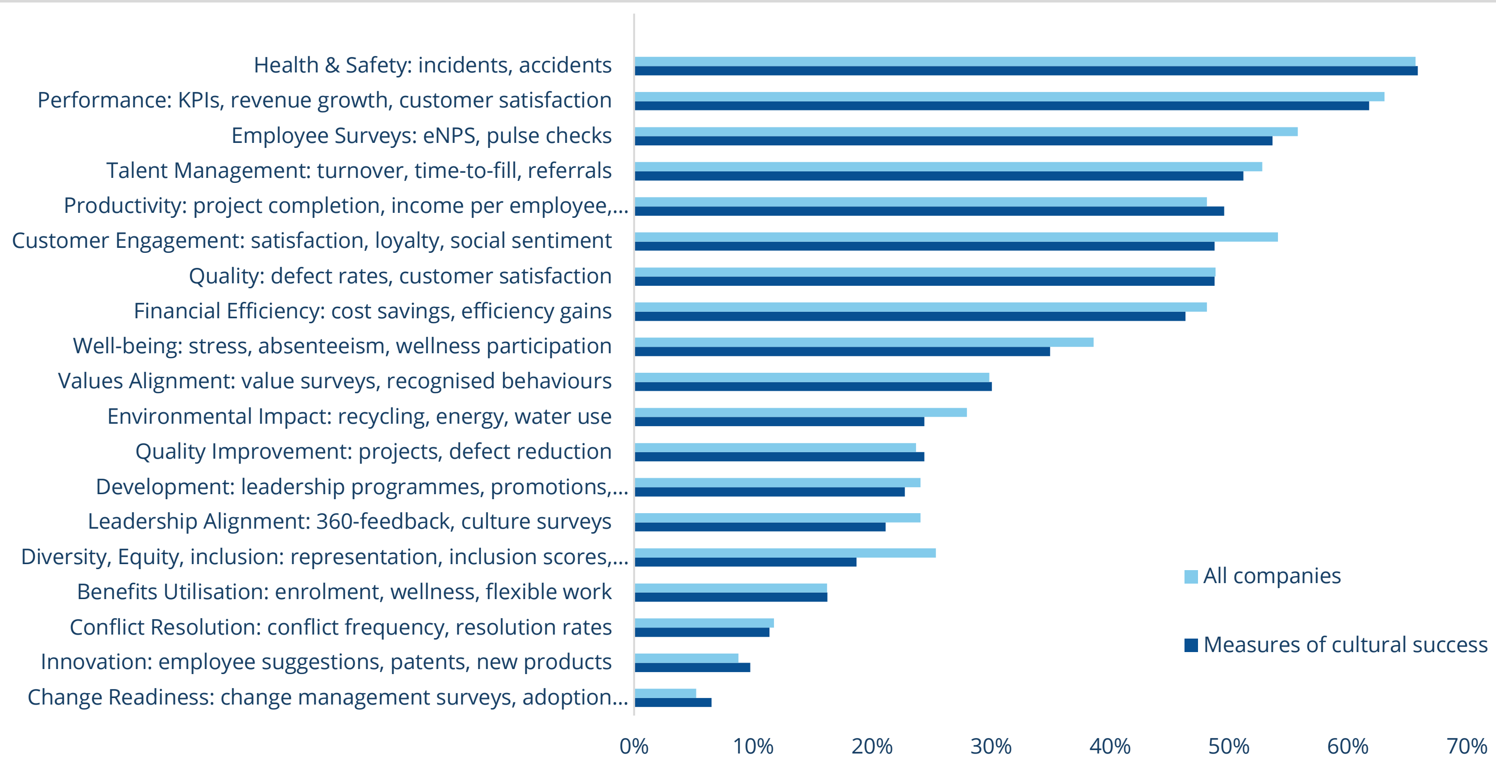
How CEOs spend their time on organisational culture



CEOs in the 20-49 employee group allocate more time to leadership development and succession planning, setting and communicating vision and core values, and monitoring and adapting organisational culture. In contrast, the overall companies group places more emphasis on modelling desired behaviours, promoting ethics, compliance and safety, and health, mental health and wellness.

How CEOs measure outcomes and value from organisational culture



CEOs in the 20–49 employee group prioritise measuring productivity and health and safety slightly more than the overall group, but place notably less emphasis on diversity, equity, and inclusion, followed by customer engagement, and environmental impact.

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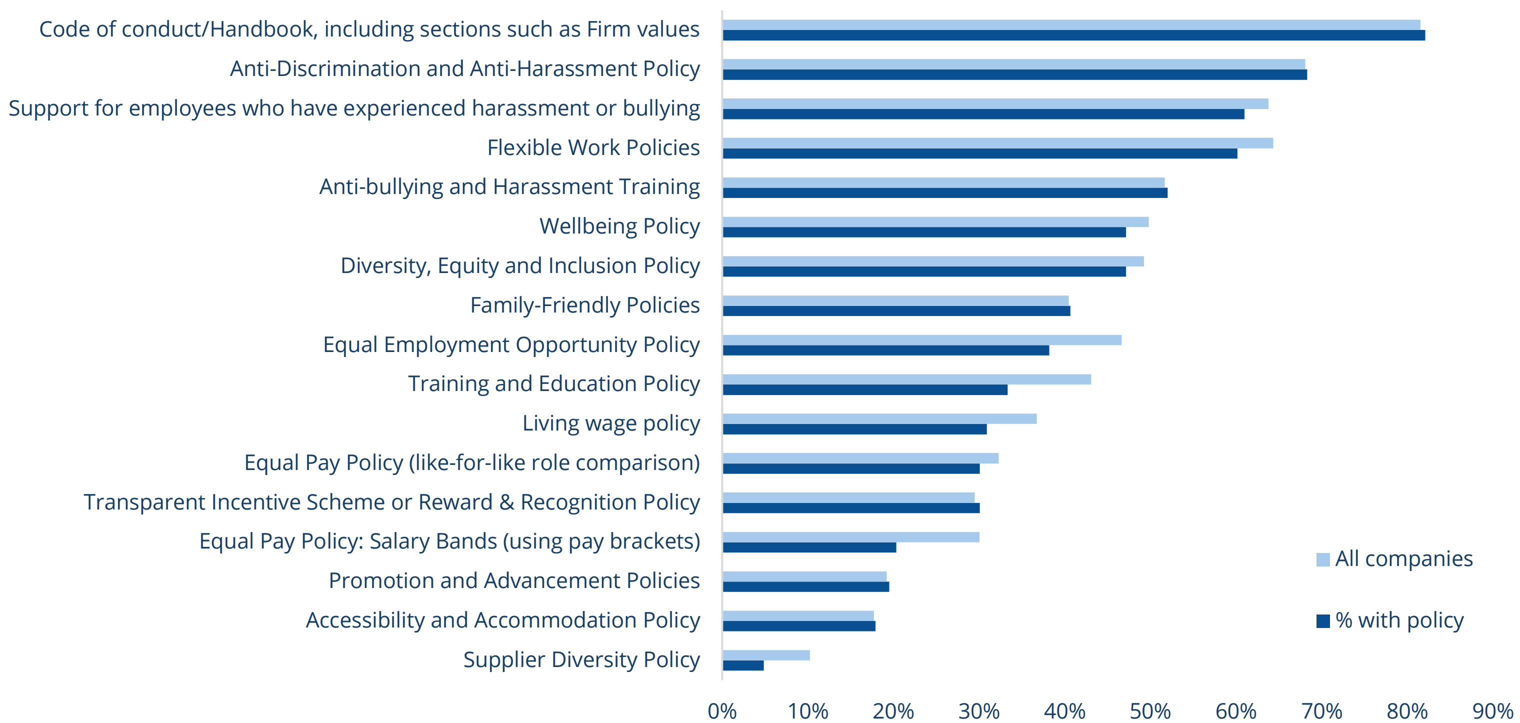
Ethics-centric policies and processes

CEOs in the 20-49 employee group place slightly more emphasis on doing the right thing over formal codes of conduct. These firms focus less on sustainability and diversity initiatives. Whistleblower and anonymous reporting are less relevant for smaller firms.

People-centric policies



CEOs in the 20-49 employee group place slightly more emphasis on the code of conduct and a transparent reward scheme. These firms place less emphasis on training and education policies, equal employment opportunity policy and living wage policy.

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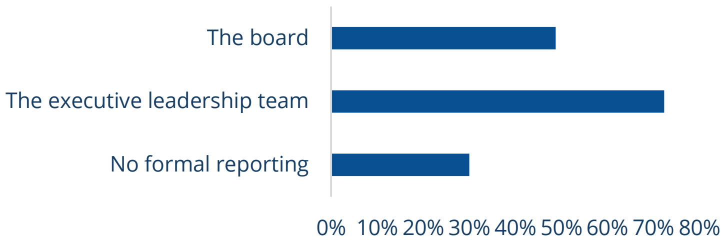
Formal channels for reporting culture

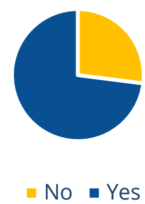
Reporting recipients of culture measurement metrics



Culture metrics are primarily reported to executive leadership and the board. 30% having no formal reporting (compared to 22%).

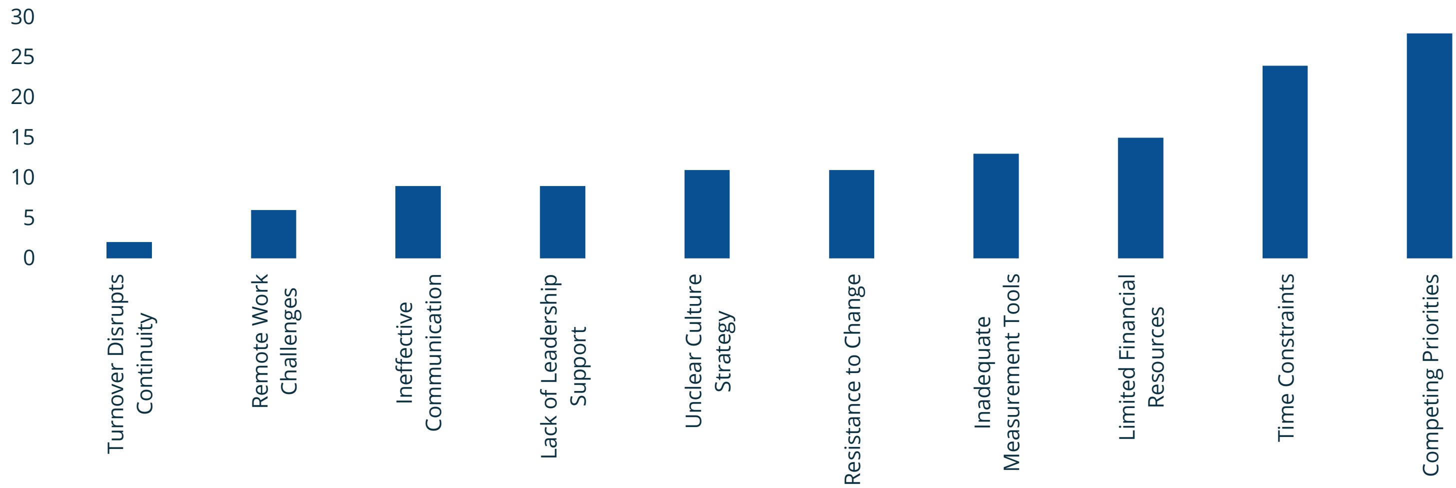
Ability to invest in culture

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



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

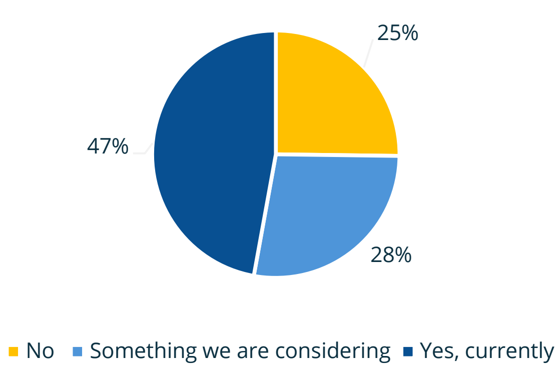
Barriers to investing in organisational culture to maximise value



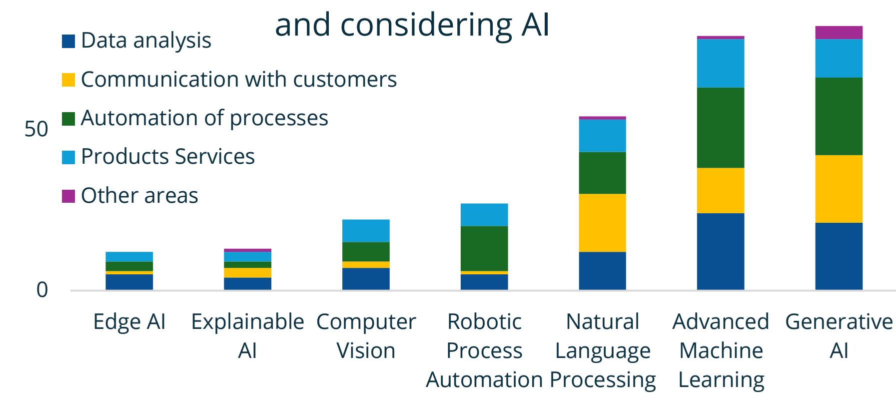
Based on selection frequency, competing priorities, time constraints, and limited resources are top barriers to investing in culture.

Applications of AI technologies across organisational functions

Organisations using AI



Investments in AI by function by those using and considering AI



Currently, 47% of CEOs in companies with 20-49 employees use AI tools (compared to 51%), while 29% are considering their adoption. Generative AI is the most frequently used, particularly in data analysis and automation of processes.

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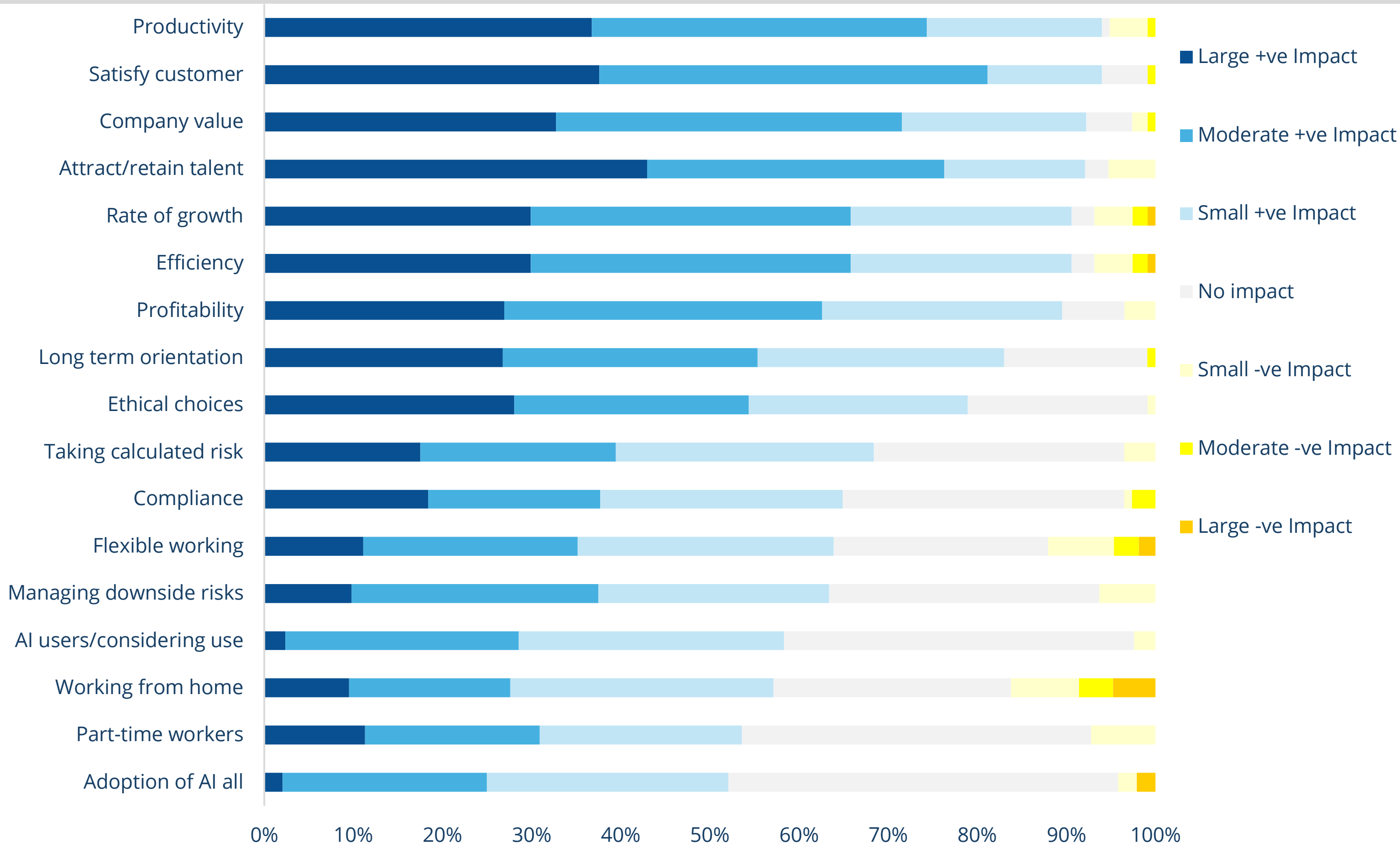
How AI adoption is expected to influence organisational culture

Based on selection frequency, CEOs in the 20-49 employee group adopting or considering AI expect its cultural impact to centre on increased data-driven success measurement, likely leading to more informed decision-making based on productivity and performance, as well as enhanced collaboration tools and platforms to improve communication and teamwork.

Summary of culture and its impact on various factors



Blue shades indicate varying degrees of positive impact, grey is neutral, and yellow shades varying degrees of negative impact.

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