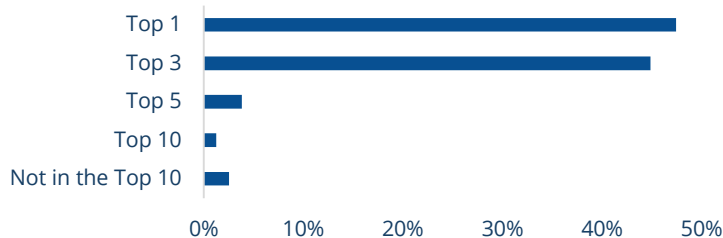


Value of organisational culture

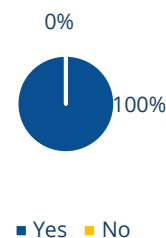
Culture's value relative to all organisational priorities



92% of CEOs consider culture to be among the top three factors that determine their organisation's value.

Value of improving culture

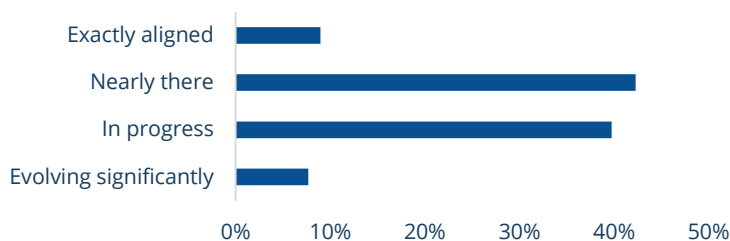
Improving culture will increase value to primary beneficiaries



100% of CEOs believe that improving their culture will increase their organisation's value through productivity or service provision.

Current state of culture

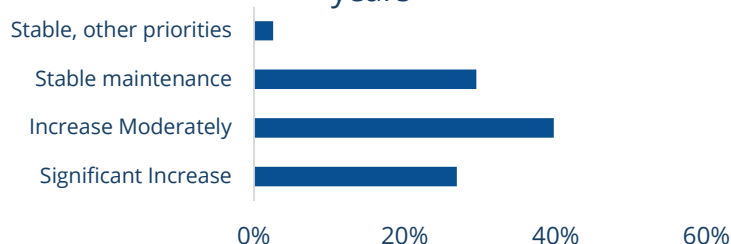
Strategy and organisational culture are



90% of CEOs say they need to do some work to achieve ideal strategic alignment between culture and strategy.

Changes to culture

Expected culture efforts over next three years



92% of CEOs rank culture among their top 3 factors, 100% believe enhancing it increases value, and 67% plan to enhance culture.

Culture and strategy alignment: CEOs' perspectives on misalignment

Alignment of culture with strategy: agreement levels on key statements

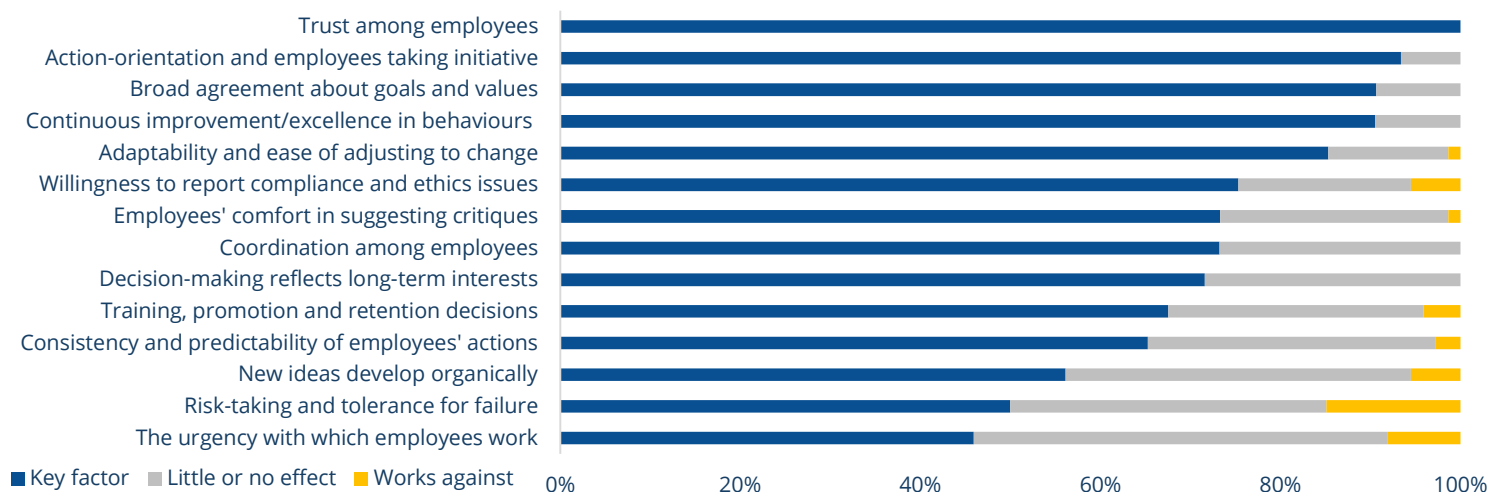


73% of CEOs work to align their culture and strategy. 80% cite evolving internal and external factors as key causes of misalignment. 74% acknowledge the need to strengthen leadership capabilities, and 72% agree that leadership should invest more time in culture.

Local and Central Government

Why is organisational culture important

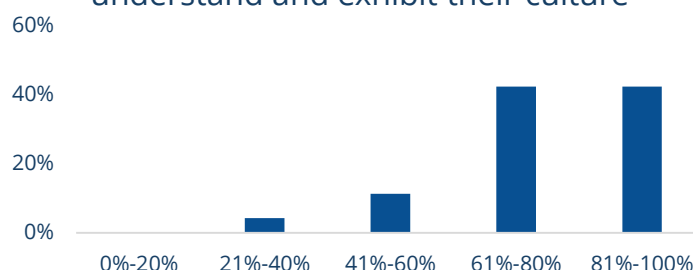
Key factors in determining the effectiveness of organisational culture



Employee trust is the most critical factor in organisational culture effectiveness, followed by action orientation, broad alignment on goals and values, and behaviours that demonstrate a commitment to continuous improvement and excellence.

Exhibit and understand culture

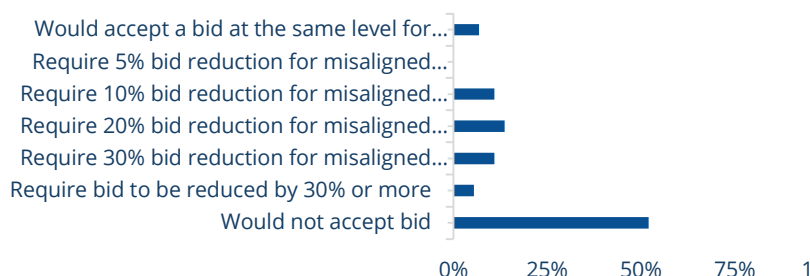
The percentage of employees that understand and exhibit their culture



58% of CEOs report staff lack some understanding or display behaviours contrary to the desired culture.

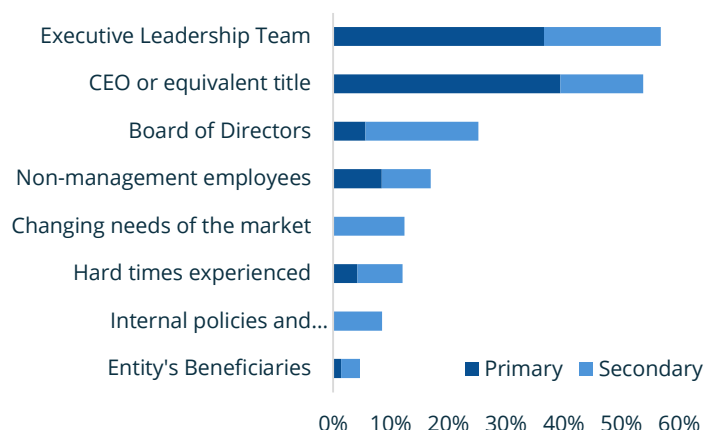
Identical project partners, except culture

Bid by culturally aligned vs. misaligned partner

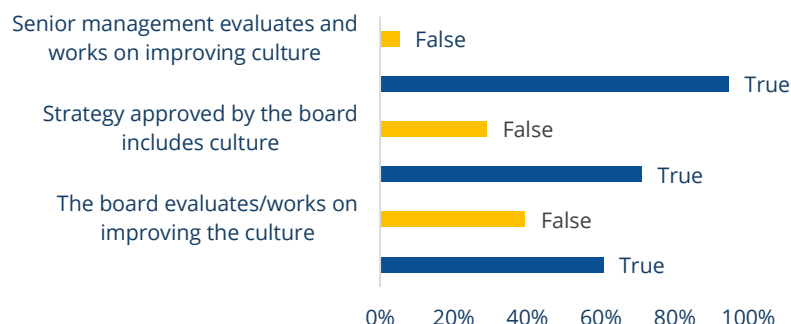


52% of CEOs would not accept a bid from a culturally misaligned partner, while 41% would require a price reduction between 10-30%.

Most influential factor setting culture



Annual assessment of culture



The CEO and leadership team define the culture, while the board and non-management employees reinforce it.

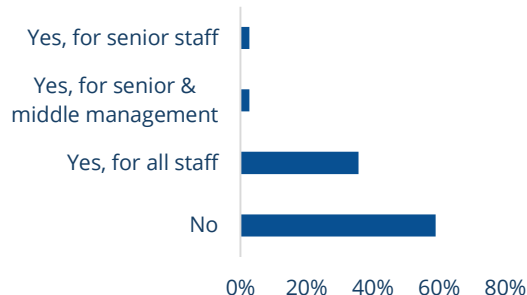
Local and Central Government

Exemplifying values: performance reviews, discretionary pay, & promotion

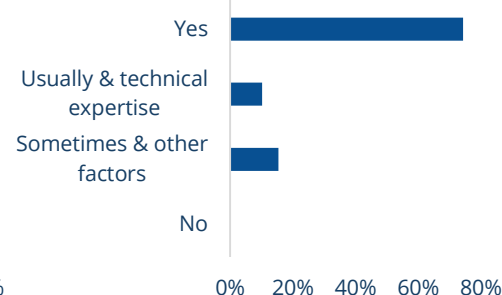
Employee behaviours reflect values included in performance reviews



Employee behaviour linked to discretionary pay



Behaviour a key criterion to advance to senior role



100% of local and central government organisations include whether employees exemplify their values in performance reviews, and 41% link discretionary pay to behaviours (compared to 61% of all firms and 28% of not-for-profits). A further 74% consider exemplifying values a key criterion for senior management progression (compared to 61% of firms and 61% of not for profits).

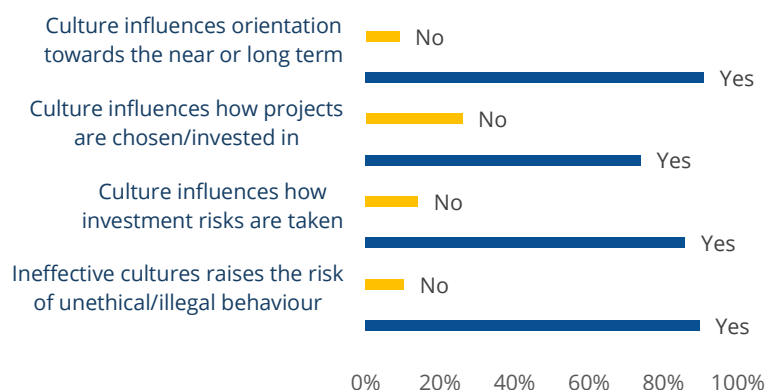
Investment style

Project investment style



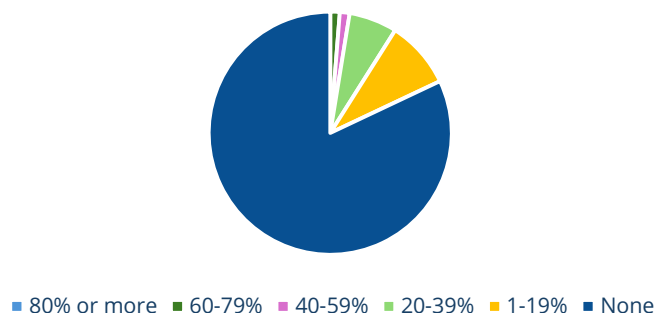
55% of CEOs prefer a growth or high-risk strategy compared to a stewardship one. 74% agree that culture drives project selection.

Culture: risk, long-term and ethics



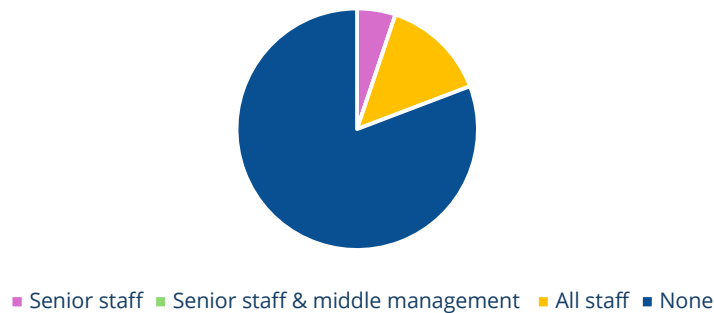
85%+ CEOs agree culture impacts long-term orientation, how calculated investment risk is taken, and ethical behaviour.

Short-term CEO incentives



CEOs noted that, while they are not motivated by monetary incentives, they see incentives as signals. 82% of CEOs receive no STI, providing an opportunity for alignment.

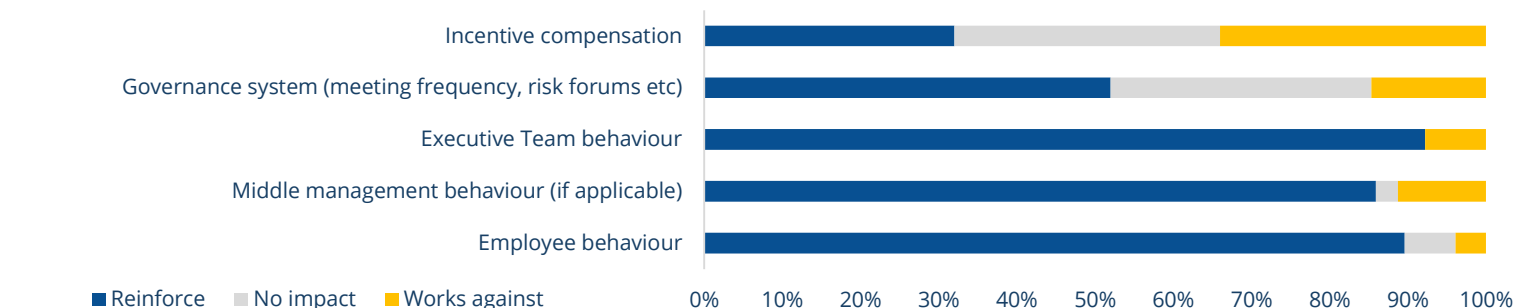
Short-term staff incentives



14% offer STIs to all staff and 5% to senior staff, which aligns incentives with those given to CEOs. While STI alignment with goals can signal strategic priorities, it is not always feasible for this sector.

Local and Central Government

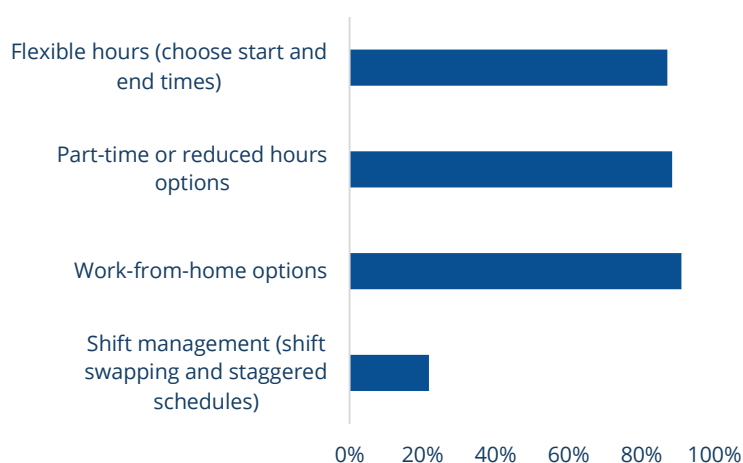
Impact of various factors on organisational culture effectiveness



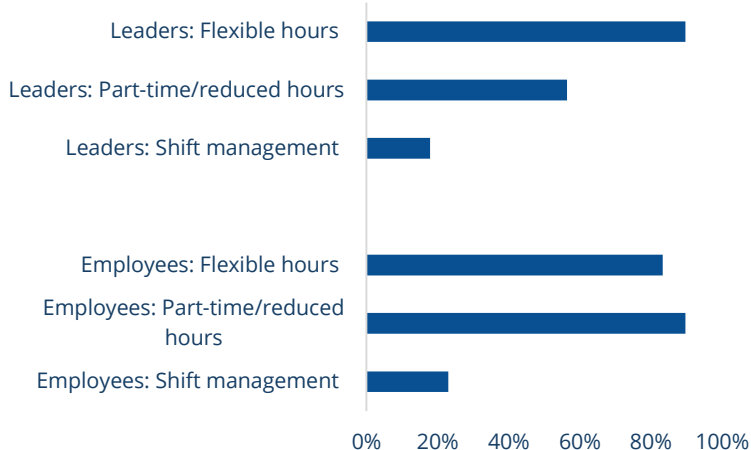
Leadership behaviour is the strongest reinforcer of culture. However, incentive compensation and the governance system impact are mixed, only 32% and 52% consider it as reinforcing, while 34% and 15% (respectively) believe they work against culture.

Support for flexible work arrangements

Flexible work options provided



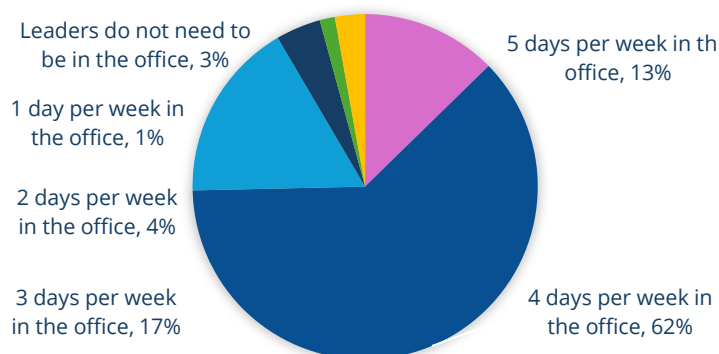
Flexible work arrangements



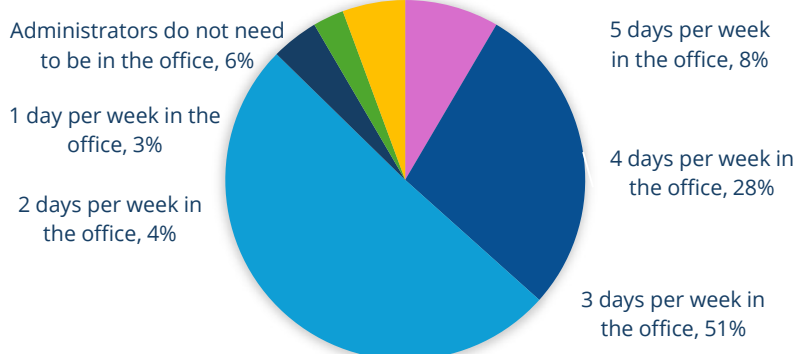
Local and central government CEOs broadly support flexible work. Most allow some remote work and flexible hours, but part-time or reduced hours are rarer for leaders, which may limit opportunities for parents seeking leadership roles.

Optimal in-office days to support and nurture organisational culture

Leadership teams



Administrators



Local and central government CEOs consider 4 in-office days for leaders and 3 for administrators optimal for nurturing culture. In contrast, for-profit and NFP CEOs show more variation, with more requiring 5 days in the office and more allowing 2, 1, or no days.

Local and Central Government

How CEOs spend their time on organisational culture



Local and central government CEOs focus their time on organisational culture by setting and communicating vision, modelling behaviours, and promoting leadership development. They also prioritise communication, well-being, and employee development.

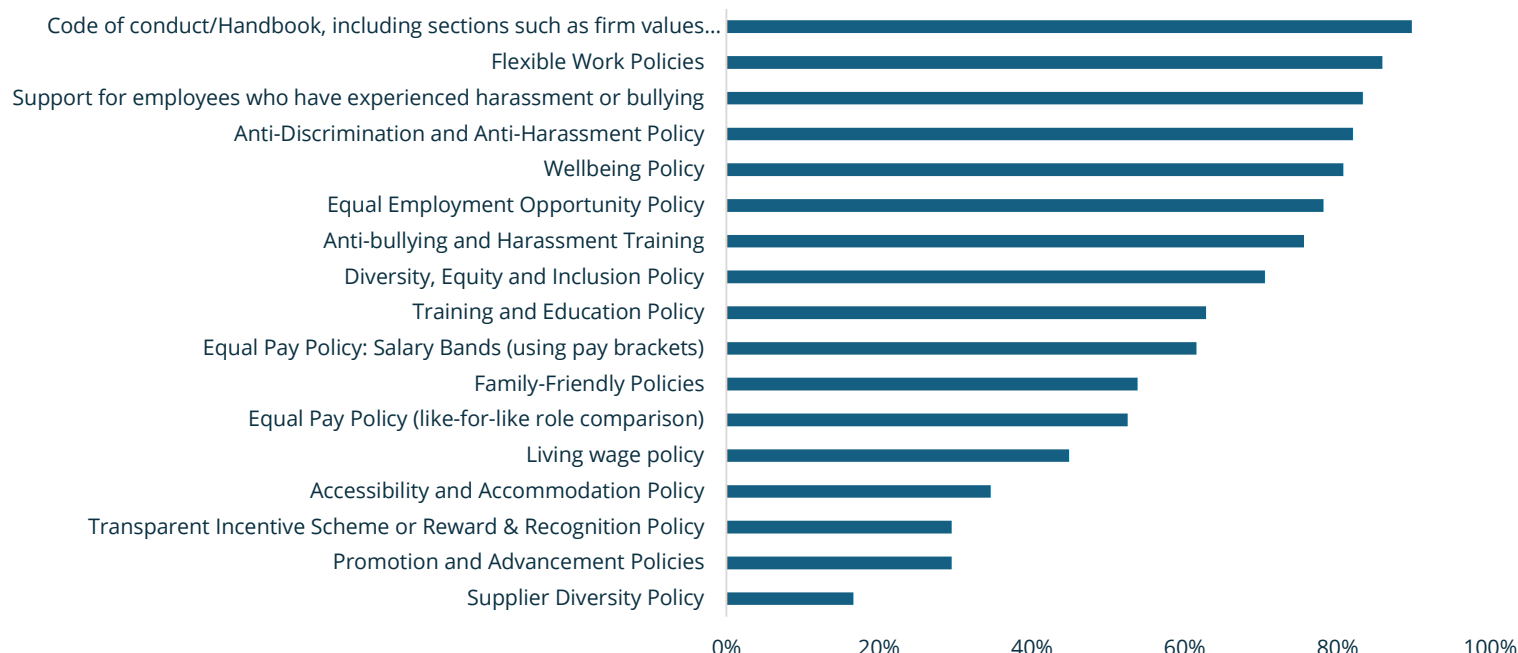
How CEOs measure outcomes and value from organisational culture



Local and central government CEOs measure outcomes and value from their culture through employee surveys, health & safety, and performance. They further emphasise customer engagement, well-being, talent management, financial efficiency and diversity.

Local and Central Government

People-centric policies



Local and central government CEOs prioritise clear conduct guidelines, flexible work, and anti-discrimination policies. They emphasise employee well-being, equal opportunity, and DEI, while also supporting training, family-friendly policies, and pay equity.

Ethics-centric policies and processes

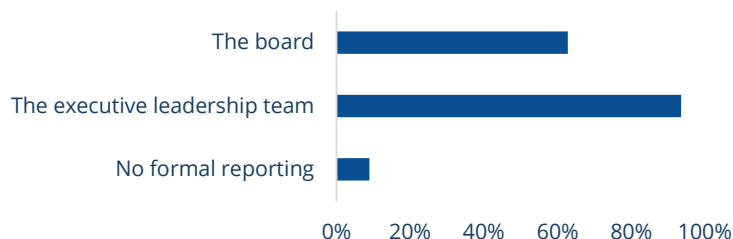


Local and central government CEOs embed ethics in their culture through codes of conduct, focus on doing the right thing, integrity-focused leadership, and regular communication of ethical values. They prioritise anonymous reporting, DEI initiatives, and sustainability.

Local and Central Government

Formal channels for reporting culture Ability to invest in culture

Reporting recipients of culture measurement metrics



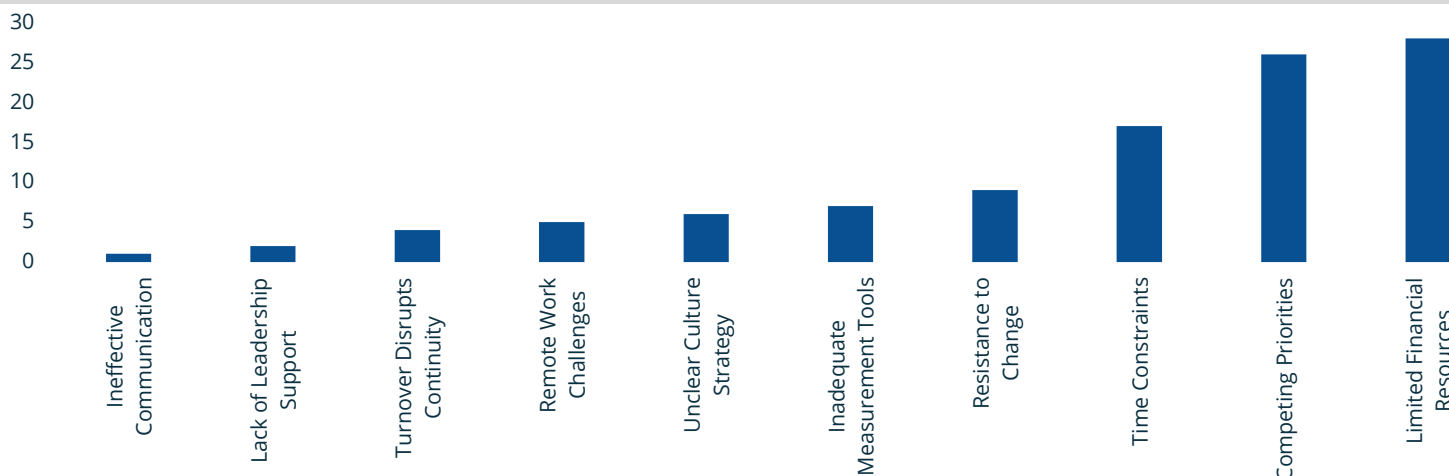
Freedom to invest as much as required in culture to maximise its value



■ No ■ Yes

Culture metrics are primarily reported to executive leadership and the board, with 9% having no formal reporting. 52% of CEOs feel able to invest in organisational culture as much as needed to realise the value of their culture.

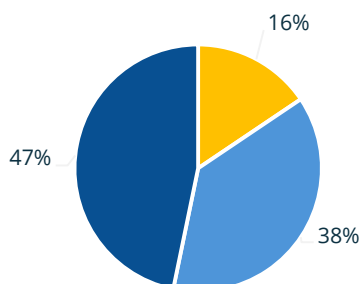
Barriers to investing in organisational culture to maximise value



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

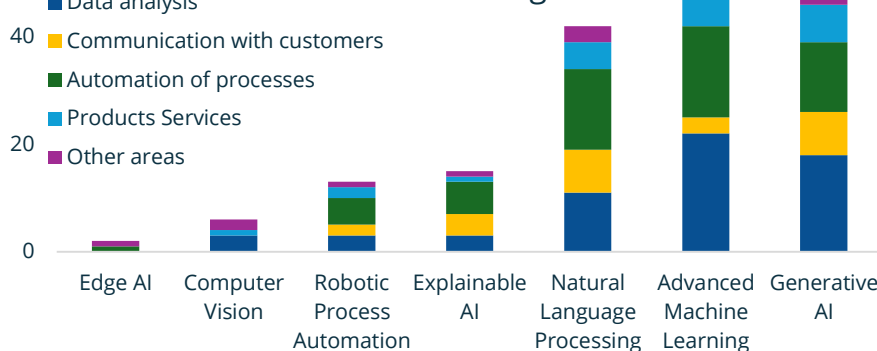
Applications of AI technologies across organisational functions

Organisations using AI



■ No ■ Something we are considering ■ Yes, currently

Investments in AI by function by those using and considering AI



47% of local and central government organisations use AI tools, while 38% are considering adoption. Key focus areas include Generative AI and Advanced Machine Learning, particularly for data analysis and process automation.

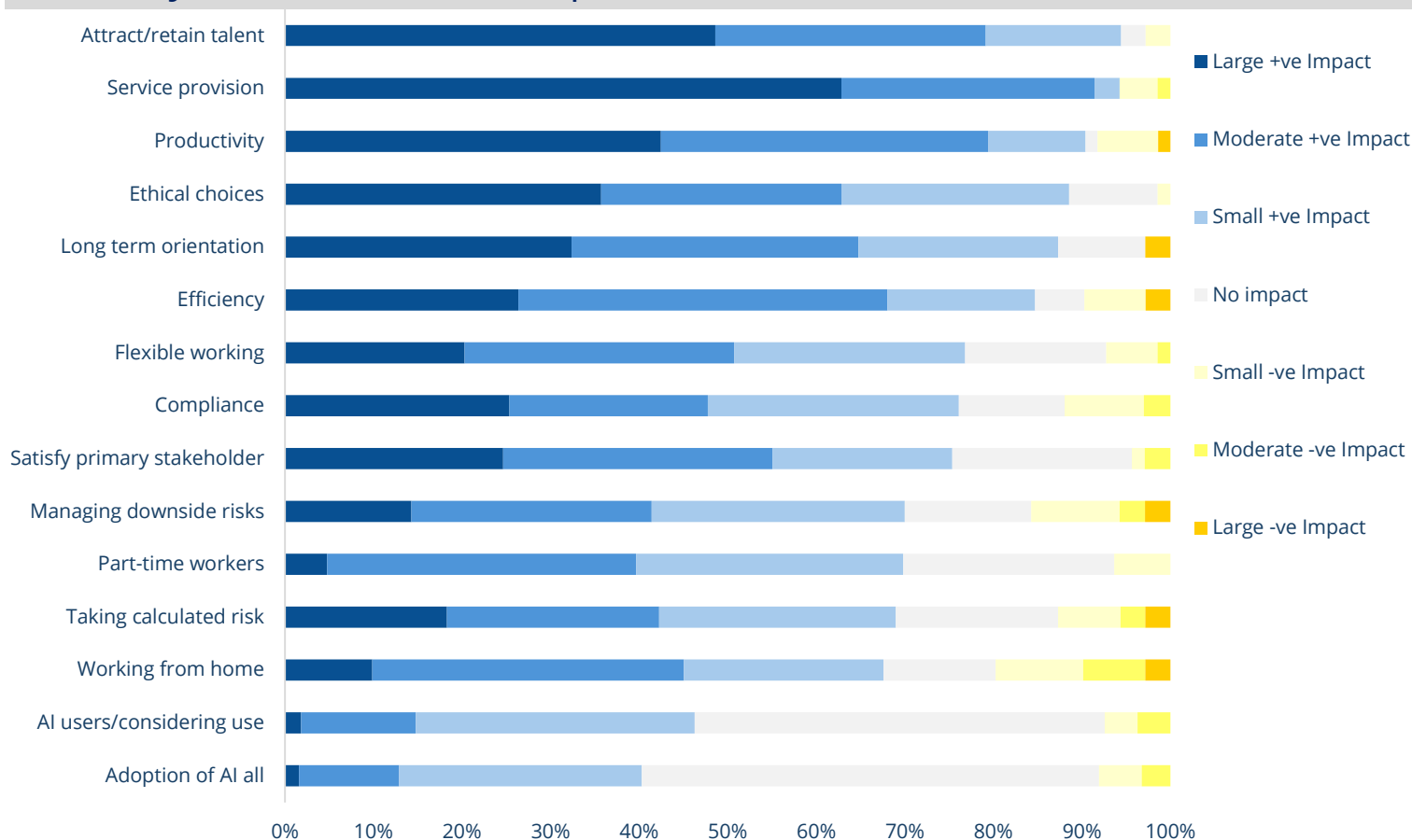
Local and Central Government

How AI adoption is expected to influence organisational culture



Based on selection frequency, CEOs in local and central government expect AI's cultural impact to focus on enhanced collaboration tools and platforms, alongside greater innovation and adaptability across roles. These changes are anticipated to improve teamwork, streamline workflows, increase job role flexibility, and boost organisational performance and productivity.

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.