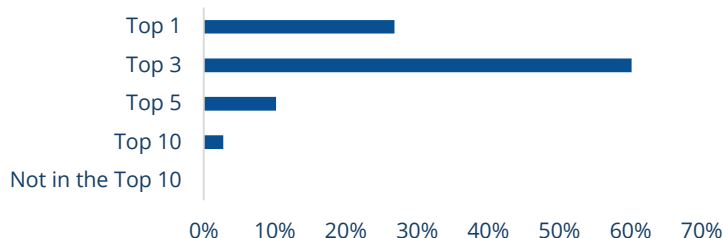


Not-for-profit: 108 CEOs with 20-49 employees

March 2025

Value of organisational culture

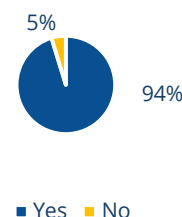
Culture's value relative to all organisational priorities



87% of leaders in organisations with 20-49 employees rank culture among the top three value drivers, similar to all NFPs. More 20-49 employee NFPs rank culture in the top 3 factors (60% vs. 53%).

Value of improving culture

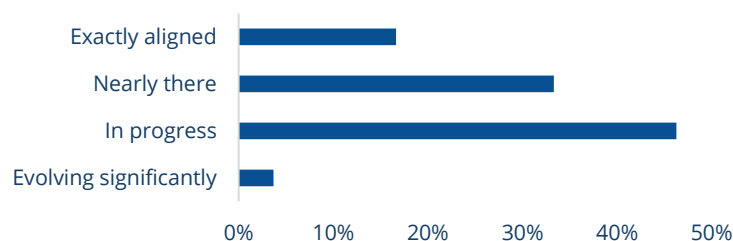
Improving culture will increase value to primary beneficiaries



94% of leaders believe improving culture will increase value for the primary beneficiaries they serve, matching the overall NFP cohort.

Current state of culture

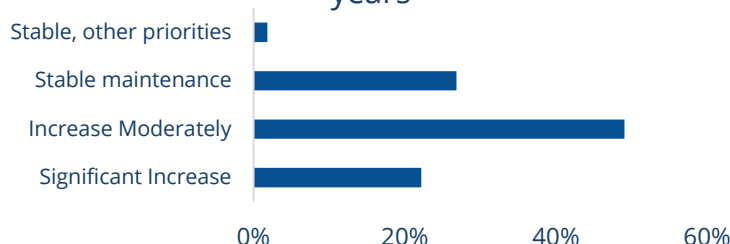
Strategy and organisational culture are



96% of leaders say they need to improve strategic alignment between culture and strategy, compared to 85% across all NFPs.

Changes to culture

Expected culture efforts over next three years



88% of leaders rank culture among their top 3 priorities, 98% believe enhancing it adds value, yet only 71% plan to improve it - more than the 65% of all NFPs.

Culture and strategy alignment: leaders' perspectives on misalignment

Alignment of culture with strategy: agreement levels on key statements

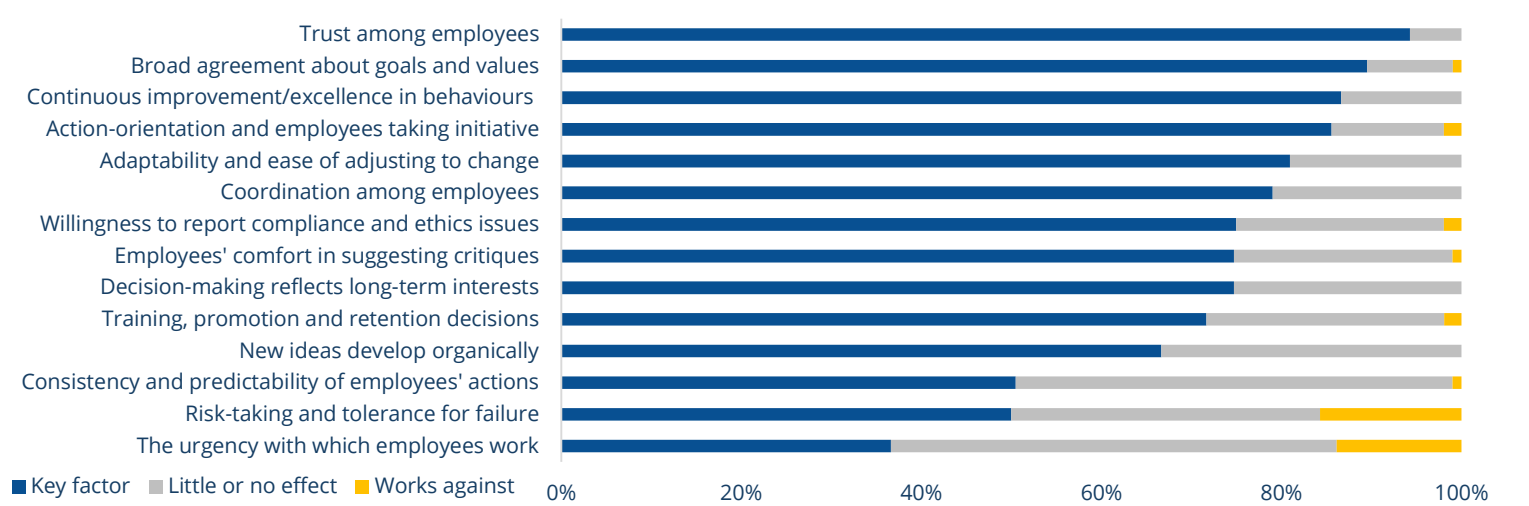


Of leaders whose culture is not aligned with strategy, 81% intend to align it. Another 88% cite evolving external and internal factors, while 70% emphasise the need for leadership to invest time in culture and 55% need to strengthen leadership capabilities - about 10% more than the overall NFP cohort.

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Why is organisational culture important

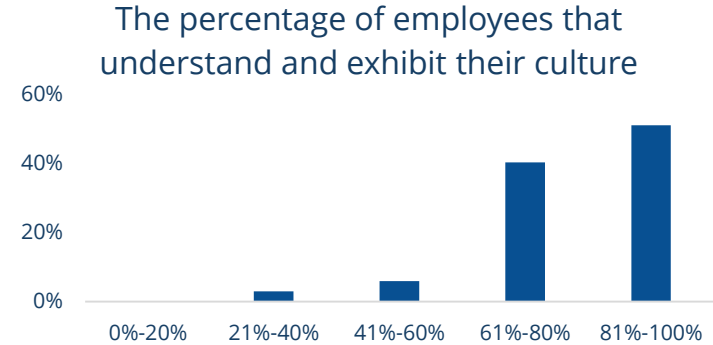
Key factors in determining the effectiveness of organisational culture



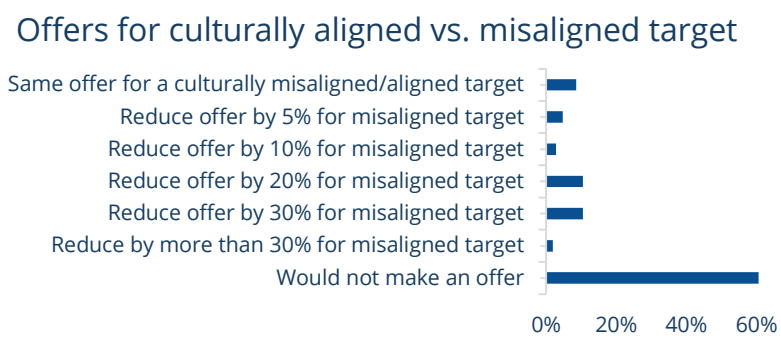
Trust among employees is key to cultural effectiveness, along with broad agreement on goals and values, and continuous improvement. Between 10%–20% note that risk-taking, tolerance for failure, and urgency of work hinder cultural effectiveness.

Exhibit and understand culture

Identical M&A targets, one misaligned



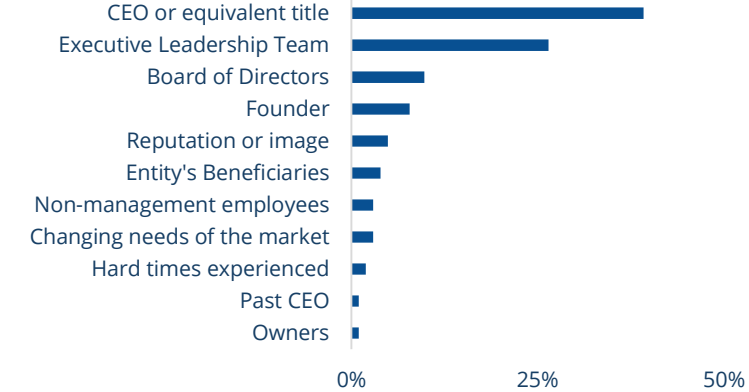
49% of leaders report staff misunderstand or act against the desired culture, compared to 42% across all NFPs - likely reflecting greater organisational complexity.



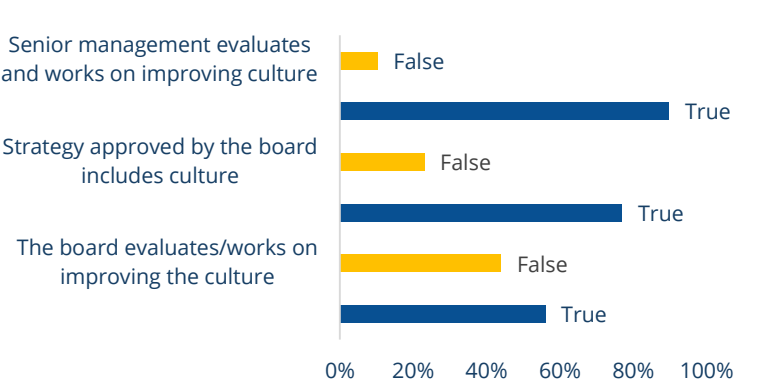
61% would not make an offer on the culturally misaligned target and another 31% would reduce an offer between 5% and more than 30%, slightly higher than in all NFPs.

Most influential factor setting culture

Annual assessment of culture



Leaders in organisations with 20-49 employees view the CEO as the most influential in setting culture, similar to all NFPs.



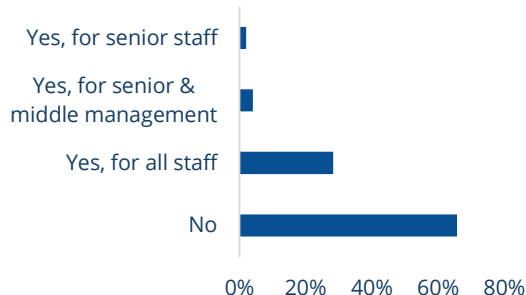
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Exemplifying values: performance reviews, discretionary pay, & promotion

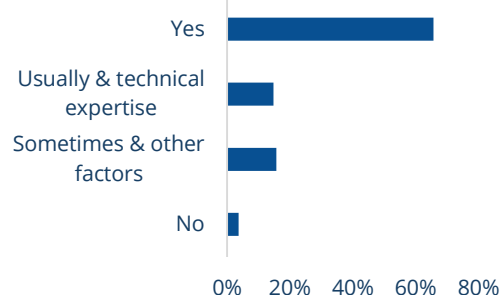
Employee behaviours reflect values included in performance reviews



Employee behaviour linked to discretionary pay



Behaviour a key criterion to advance to senior role



96% of organisations include whether employees exemplify their values in performance reviews, and 34% link discretionary pay to employee behaviours (compared to 28% of all NFPs). A further 66% consider exemplifying values a key criteria for moving into senior management (compared to 61%). Larger organisations more frequently assess employee values and tie both discretionary pay and job progression to the demonstration of these values.

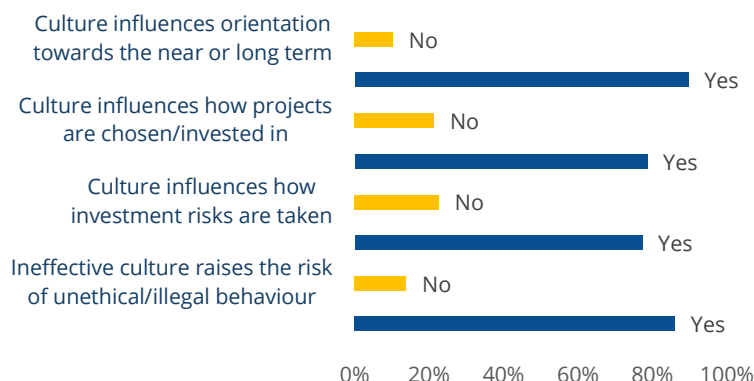
Investment style

Project investment style



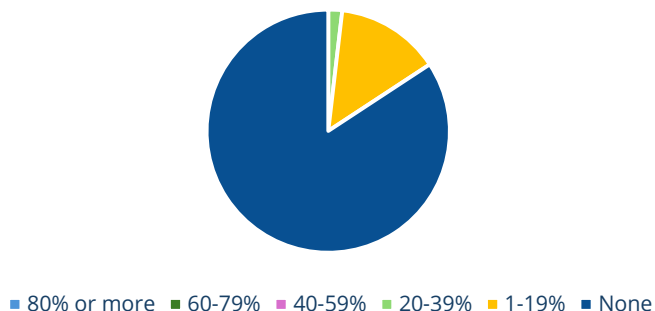
43% of leaders prefer a growth or high-risk strategy compared to a stewardship approach. 78% agree that culture drives project selection compared to 81% in the all NFP cohort.

Culture: risk, long-term and ethics



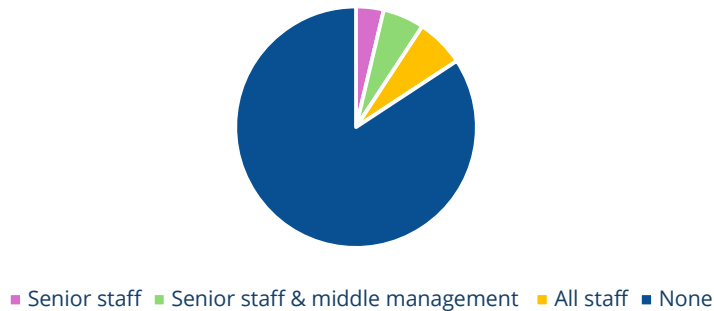
77%+ leaders agree culture impacts long-term orientation, project investment style, how calculated risk is taken, and ethical behaviour, marginally higher than the overall NFP cohort.

Short-term leader incentives



CEOs noted that, while they are not motivated by monetary incentives, they see incentives as signals. Despite 43% investing with a growth style, only 16% have STIs, similar to overall NFPs.

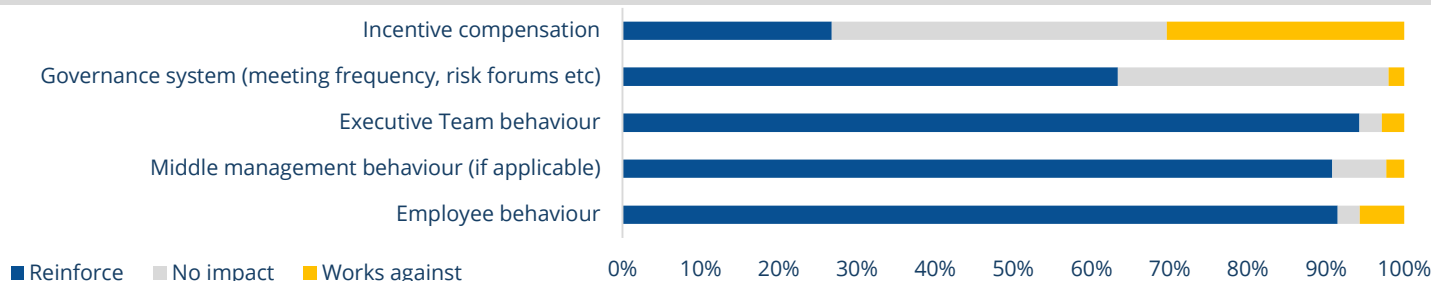
Short-term staff incentives



Staff incentives align with those of leaders. While aligning incentives with a growth mentality can strongly signal support for the 43% with a growth approach; it is not always feasible for NFPs.

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Impact of various factors on organisational culture effectiveness



Leadership and employee behaviours are the strongest reinforcers of culture. However, the impact of incentive compensation is mixed only 27% view it as reinforcing, while 30% believe it works against organisational culture.

Reasons incentive compensation and governance work against culture:

Incentive compensation



12 leaders say incentive compensation incentivises the wrong behaviour, 10 note it undermines teamwork or is insufficient for performance and a further 10 cite it attracts and retains the wrong people.

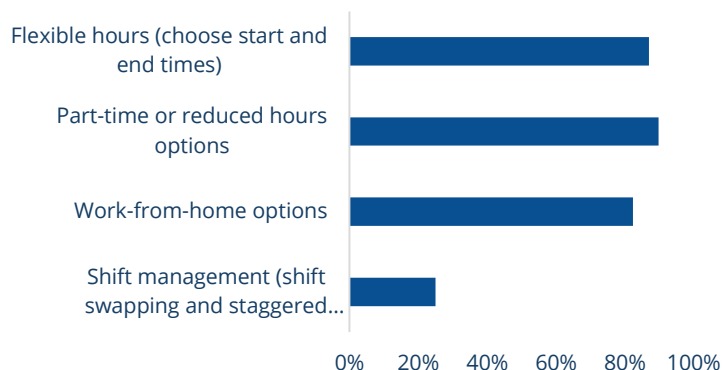
Employee behaviour



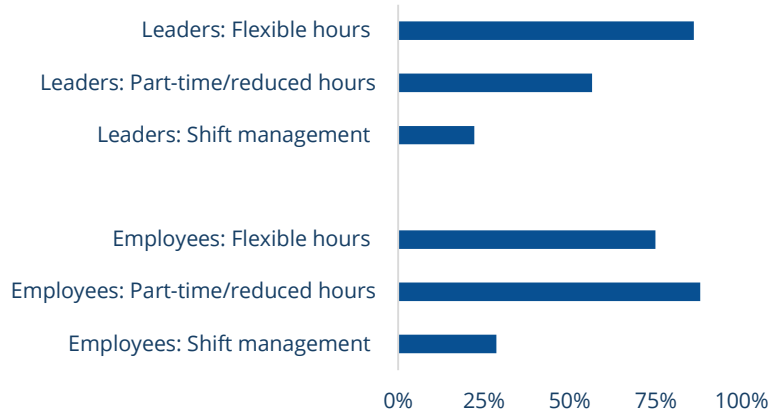
While 9% of NFPs note that the governance system works against culture, only 2% of this cohort say the same. Instead, the second largest detractor is employee behaviour, at 6%.

Support for flexible work arrangements

Flexible work options provided



Flexible work arrangements

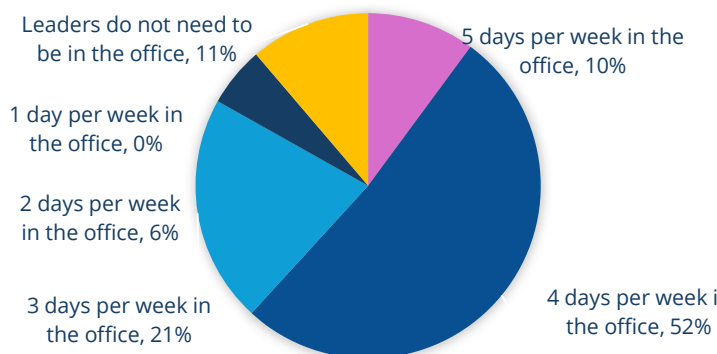


Leaders widely support flexible work arrangements. For employees, part-time or reduced hours are most common, followed by flexible hours. Among leaders, flexible hours lead followed by part-time options. Working from home options are also supported.

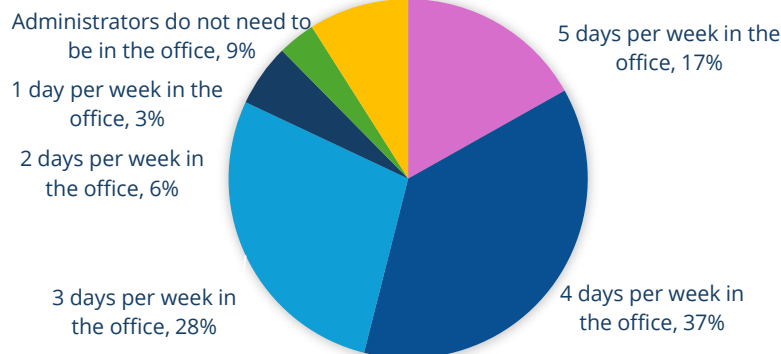
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Optimal in-office days to support and nurture organisational culture

Leadership teams



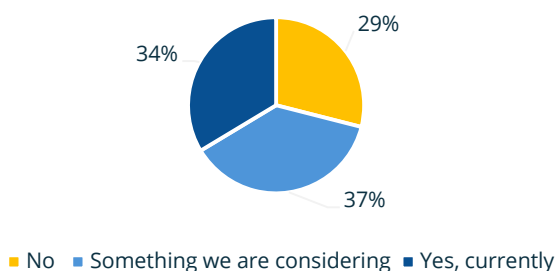
Administrators



Leaders and administrators in 20-49 employee NFPs are more likely to do more in office hours to maintain culture, compared to the overall NFP cohort. Around 17% of leaders and administrators in these NFPs are required in the office two days or fewer per week, versus over 22% across all NFPs. In both cohorts, leaders are needed in the office more frequently than administrators.

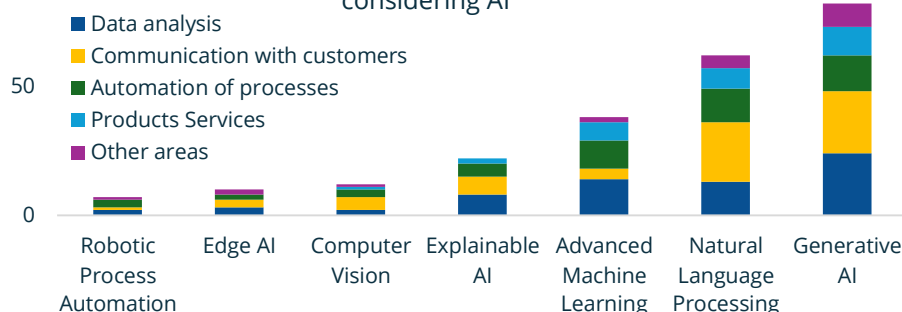
Applications of AI technologies across organisational functions

Organisations using AI



100

Investments in AI by function by those using and considering AI



In 20-49 employee NFPs, AI adoption is slightly higher, with 34% using it compared to 27% across all NFPs, and 37% considering it, similar to the 39% in the overall cohort. Among responding leaders, generative AI is the most frequently selected focus area, particularly for data analysis, communication, and products and services.

How AI adoption is expected to influence organisational culture

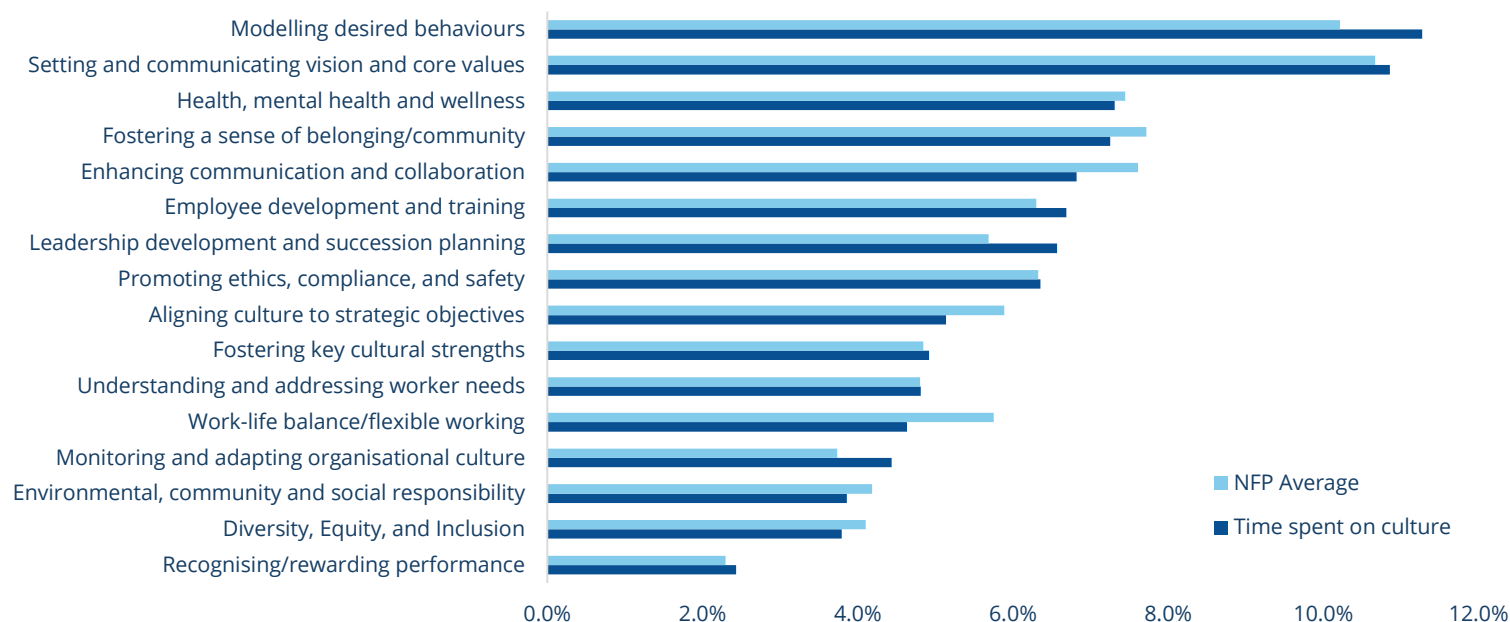


Leaders adopting or considering AI most commonly expect its cultural impact to enhance collaboration tools and platforms, improving communication and teamwork. This is followed by an anticipated increase in data-driven success measurement, likely leading to more informed decision-making based on productivity and performance. This cohort does not expect a flatter organisational structure.

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

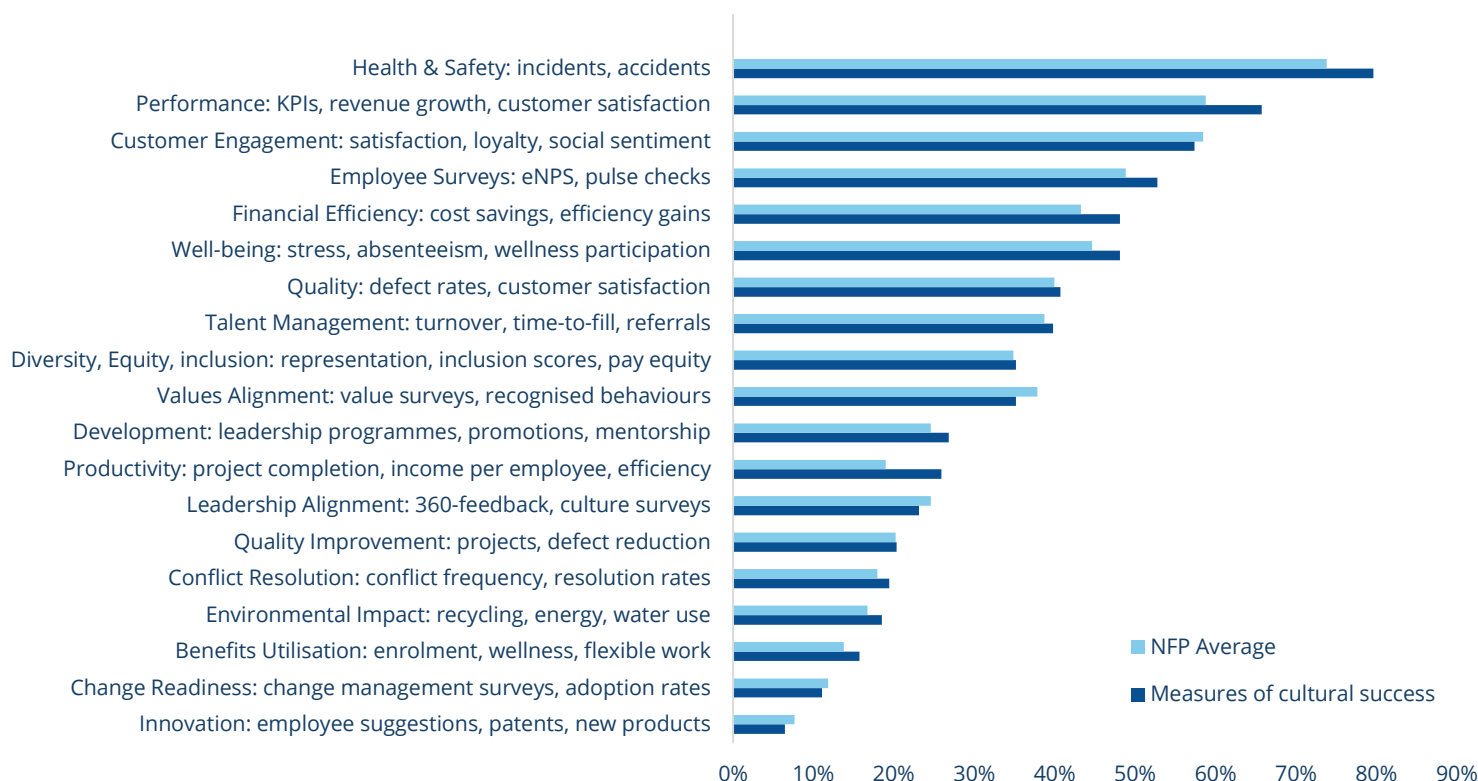
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How leaders spend their time on organisational culture



20-49 employee NFPs spend more time modelling desired behaviours and focusing on leadership development and succession planning. In contrast, the overall NFP cohort places greater emphasis on fostering a sense of belonging, work-life balance, enhancing communication and aligning culture to strategic objectives.

How leaders measure outcomes and value from organisational culture



In 20-49 employee NFPs, there is a stronger focus on measuring cultural impact, with greater emphasis on health and safety, performance, financial efficiency, and productivity. This cohort places less emphasis on values alignment and leadership alignment.

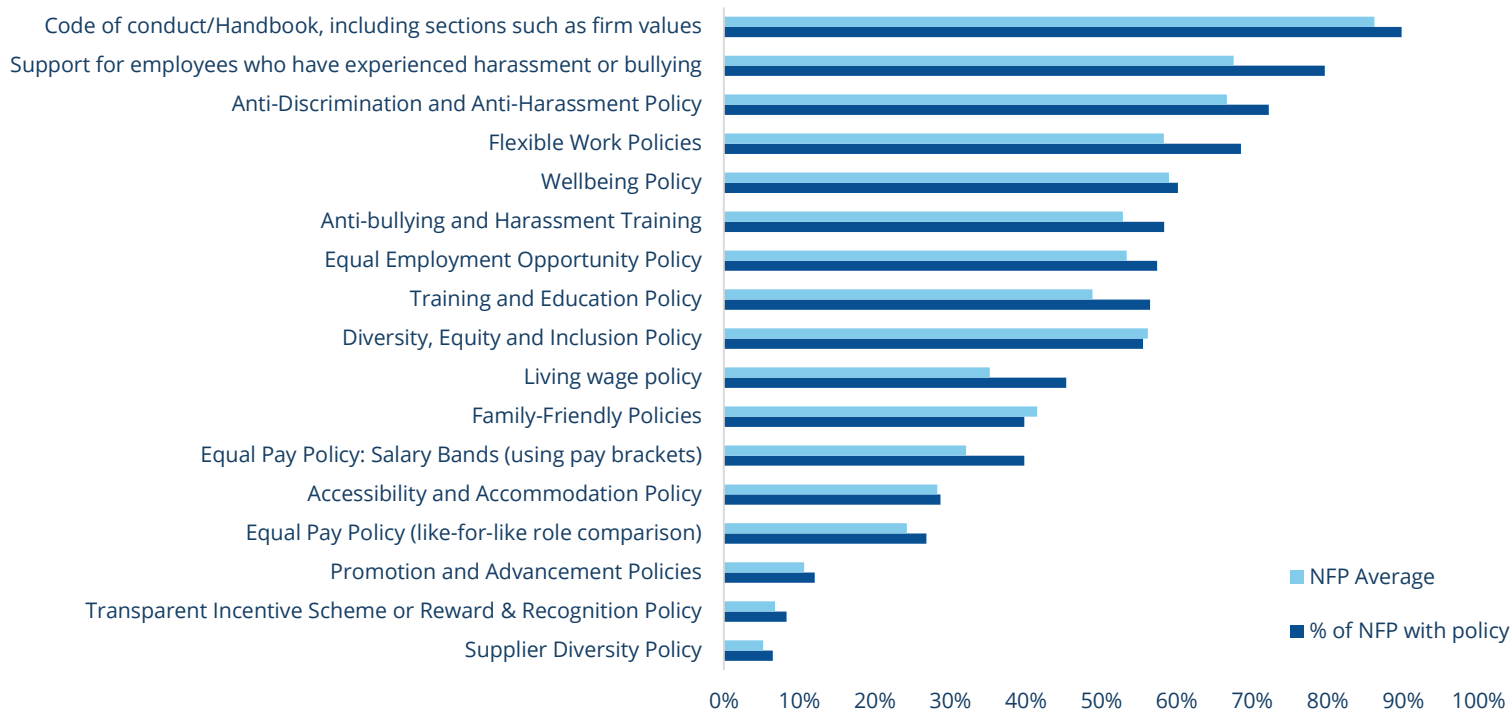
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Ethics-centric policies and processes



While 20-49 employee organisations have more formalised ethics-centric policies, the overall NFP cohort leads in some areas, including employee engagement, monitoring and enforcement, ethical audits and ethical leadership development.

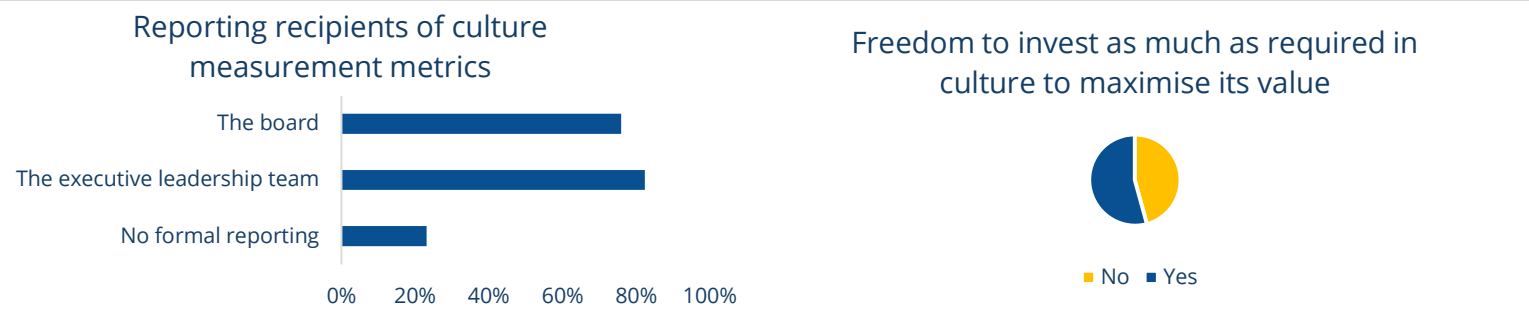
People-centric policies



20-49 employee NFPs typically have more formalised people-centric policies. The total NFP cohort, however, tends to have more diversity, equity and inclusion and family-friendly policies.

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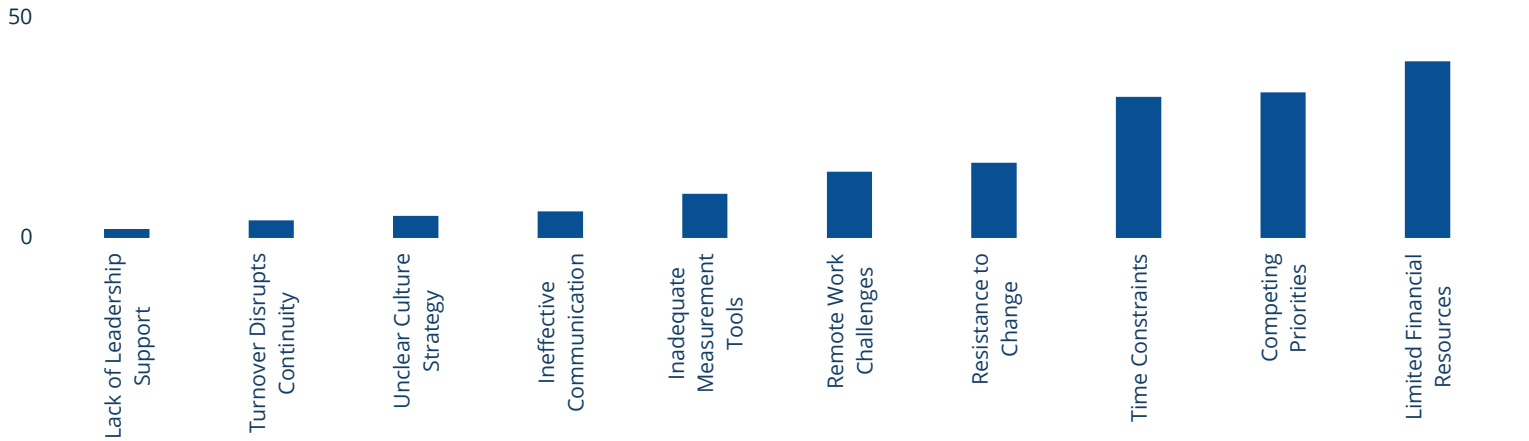
Formal channels for reporting culture Ability to invest in culture



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

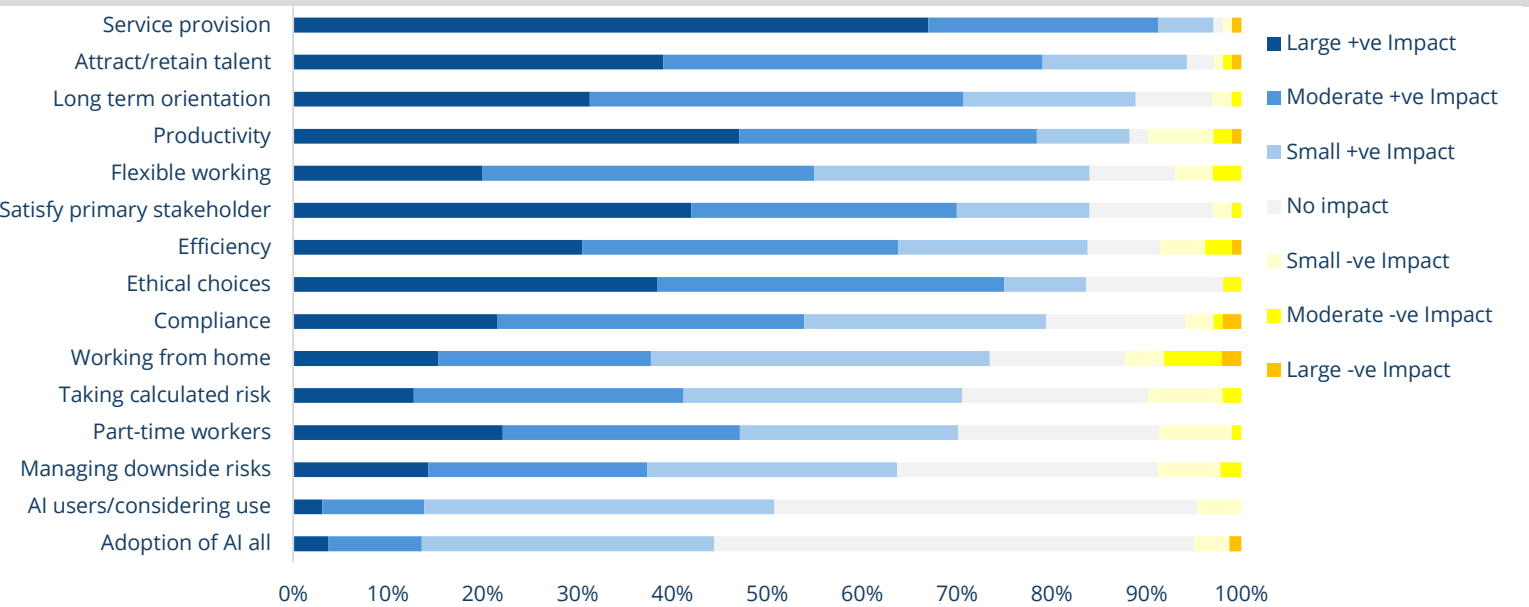
54% of leaders feel they can invest enough in organisational culture to realise its full value (compared to 55%).

Barriers to investing in organisational culture to maximise value



Based on selection frequency, limited resources, and competing priorities are top barriers to investing as much as needed in culture. For larger organisations, competing priorities is a more significant issue than time constraints.

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.