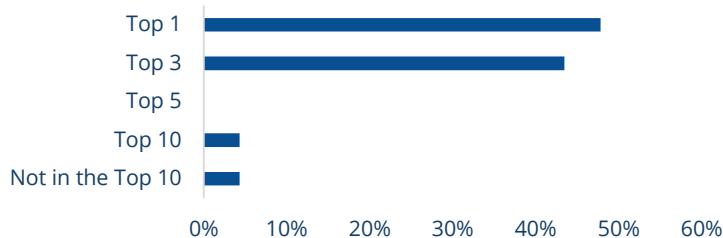


Value of organisational culture

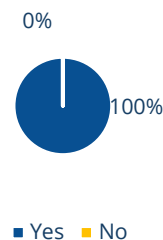
Culture's value relative to all organisational priorities



91% of CEOs consider culture to be among the top three factors that determine their organisation's value. Similar to local and central government CEOs at 92%.

Value of improving culture

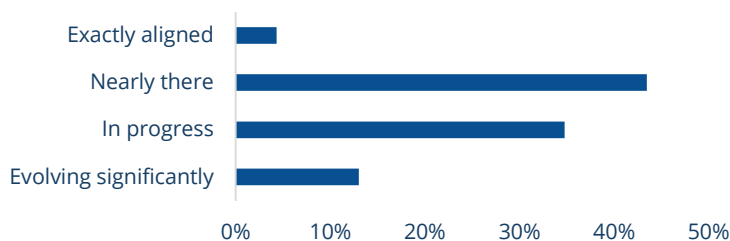
Improving culture will increase value to primary beneficiaries



100% of CEOs believe that improving their culture will increase their organisation's value through productivity or service provision. In line with local and central government CEOs.

Current state of culture

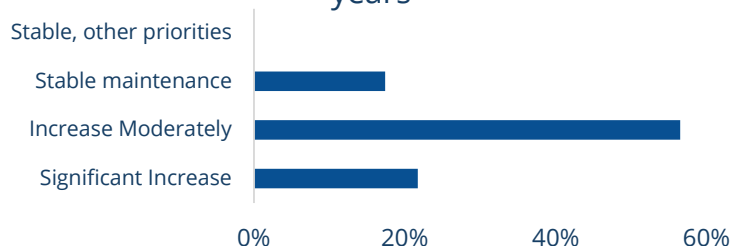
Strategy and organisational culture are



91% of CEOs say they need to do some work to achieve ideal strategic alignment between culture and strategy. Similar to local central government CEOs at 90%.

Changes to culture

Expected culture efforts over next three years



91% of CEOs rank culture among their top 3 factors, 100% believe enhancing it increases value, and 78% plan to enhance culture - higher than the 67% in the local and central government cohort.

Culture and strategy alignment: CEOs' perspectives on misalignment

Alignment of culture with strategy: agreement levels on key statements



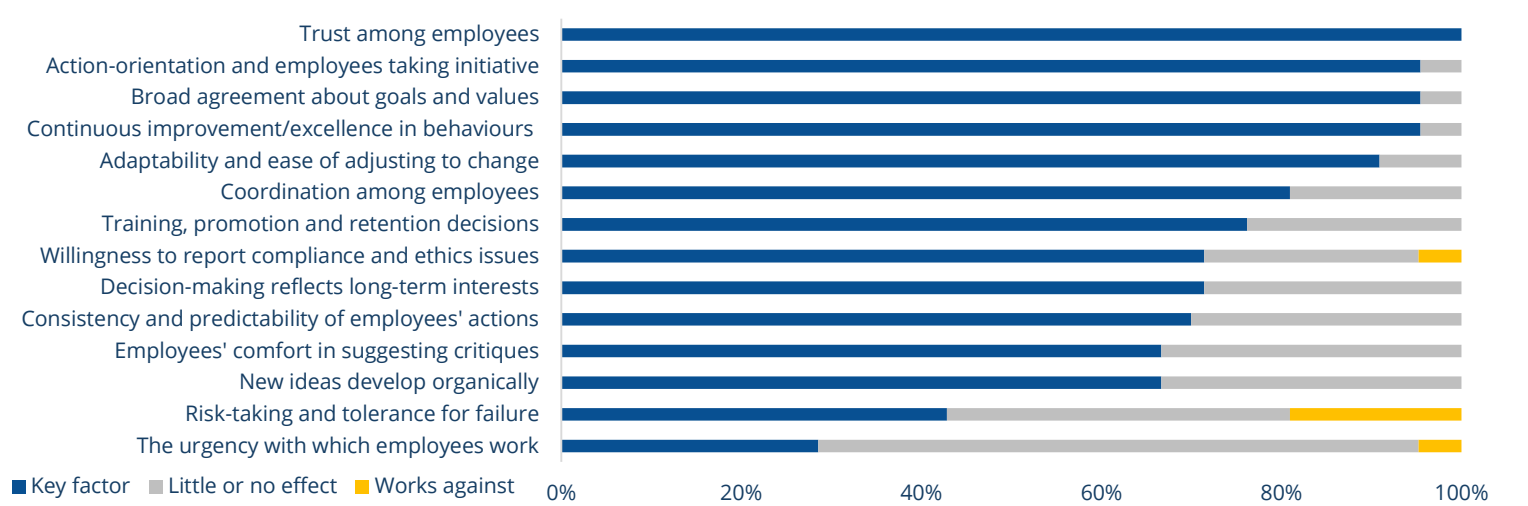
67% of CEOs work to align their culture and strategy, fewer than the local and central government cohort. 71% cite evolving internal and external factors as key causes of misalignment. 76% acknowledge the need to strengthen leadership capabilities, and 67% agree that leadership should invest more time in culture.

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

Local Government

Why is organisational culture important

Key factors in determining the effectiveness of organisational culture

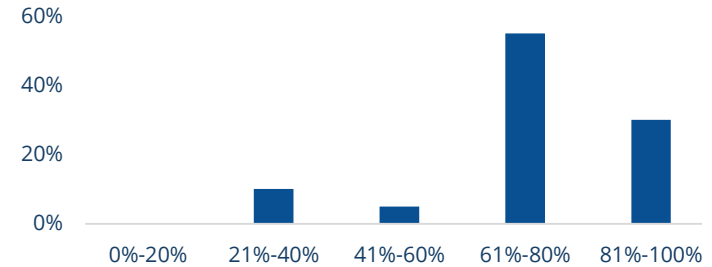


Employee trust is the most critical factor in organisational culture effectiveness, followed by action orientation, broad alignment on goals and values, and behaviours that demonstrate a commitment to continuous improvement and excellence. 19% say risk-taking and tolerance for failure works against their culture.

Exhibit and understand culture

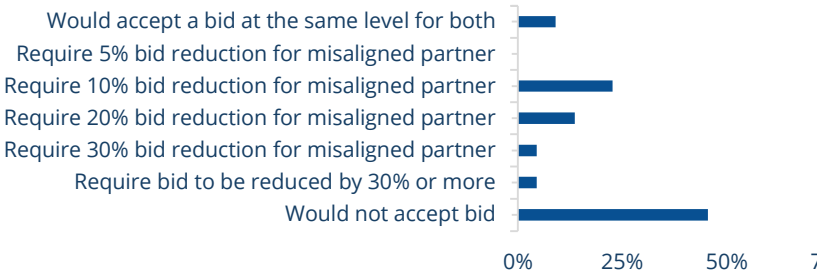
Identical project partners, except culture

The percentage of employees that understand and exhibit their culture



70% of CEOs report staff lack some understanding or display behaviours contrary to the desired culture - higher than the 67% in the local and central government cohort.

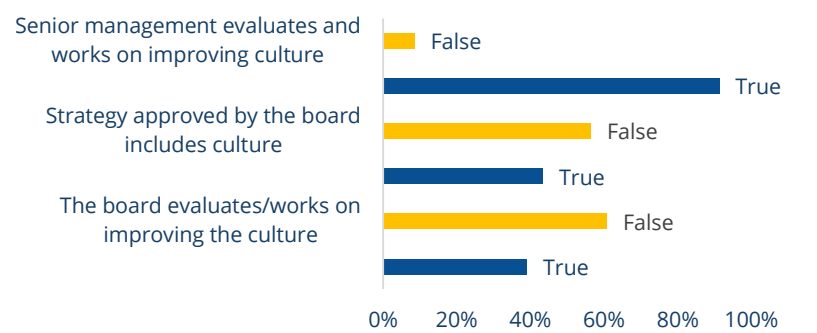
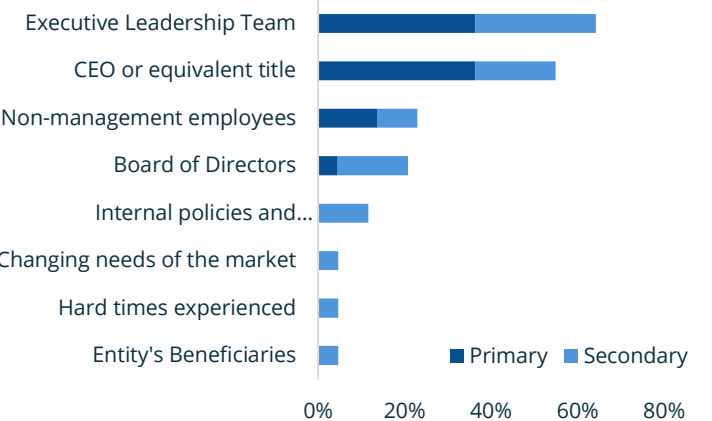
Bid by culturally aligned vs. misaligned partner



45% of CEOs would not accept a bid from a culturally misaligned partner, lower than the 52% in the local and central government cohort, while 45% would require a price reduction of 10-30%.

Most influential factor setting culture

Annual assessment of culture



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

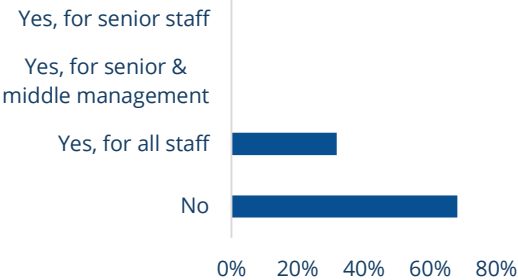
Local Government

Exemplifying values: performance reviews, discretionary pay, & promotion

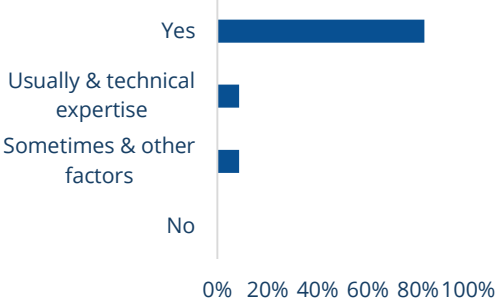
Employee behaviours reflect values included in performance reviews



Employee behaviour linked to discretionary pay



Behaviour a key criterion to advance to senior role



100% of local government organisations include whether employees exemplify their values in performance reviews, but only 32% link discretionary pay to behaviours (compared to 41% of all local and central government organisations). A further 83% consider exemplifying values a key criterion for senior management progression (compared to 74%). Local government organisations are slightly more likely to prioritise values in job progression but less likely to link discretionary pay to behaviours.

Investment style

Culture: risk, long-term and ethics

Project investment style



57% of CEOs prefer a growth or high-risk strategy compared to a stewardship one. 77% agree that culture drives project selection.

Culture influences orientation towards the near or long term



Culture influences how projects are chosen/invested in



Culture influences how investment risks are taken



Ineffective cultures raises the risk of unethical/illegal behaviour

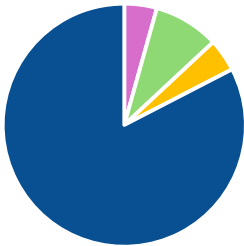


0% 20% 40% 60% 80% 100% 120%

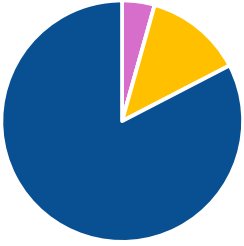
Over 90% of local government CEOs agree that culture impacts long-term orientation, investment risk, and ethical behaviour. These figures are higher than those of local and central government CEOs.

Short-term CEO incentives

Short-term staff incentives



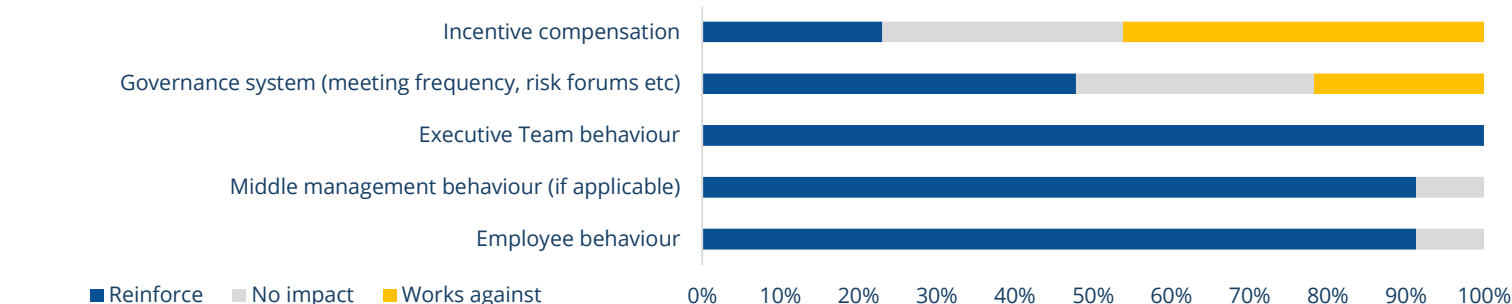
CEOs noted that, while they are not motivated by monetary incentives, they see incentives as signals. 83% of CEOs receive no STI, providing an opportunity for alignment.



13% offer STIs to all staff and 4% 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 Government

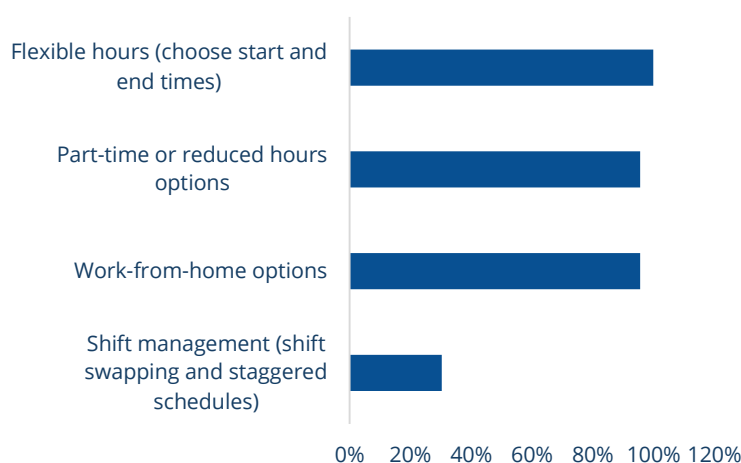
Impact of various factors on organisational culture effectiveness



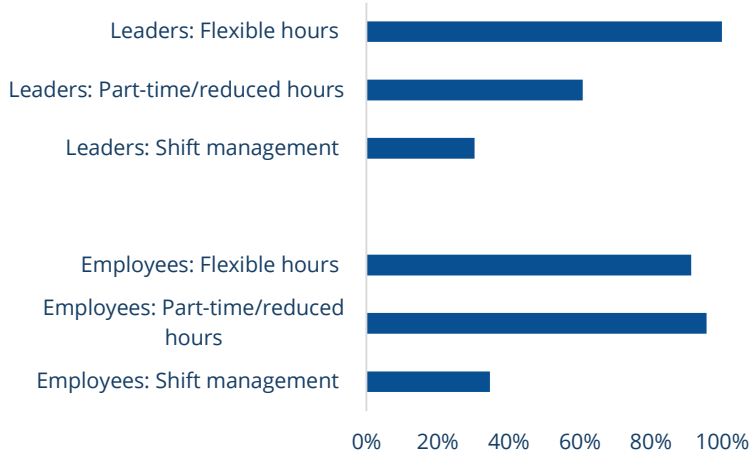
Leadership behaviour is the strongest reinforcer of culture. However, incentive compensation and the governance system impact is mixed, only 23% and 48% consider it as reinforcing, while 46% and 22% (respectively) believe they work against culture.

Support for flexible work arrangements

Flexible work options provided



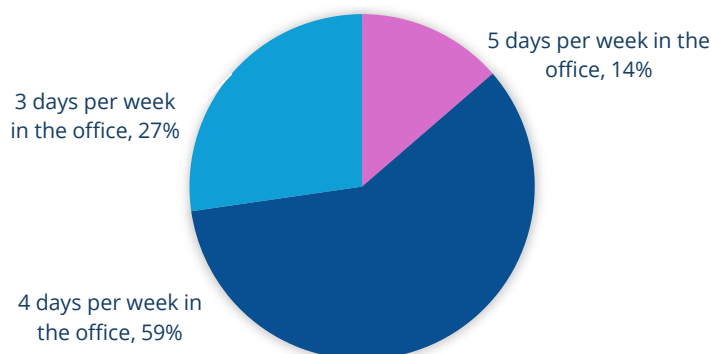
Flexible work arrangements



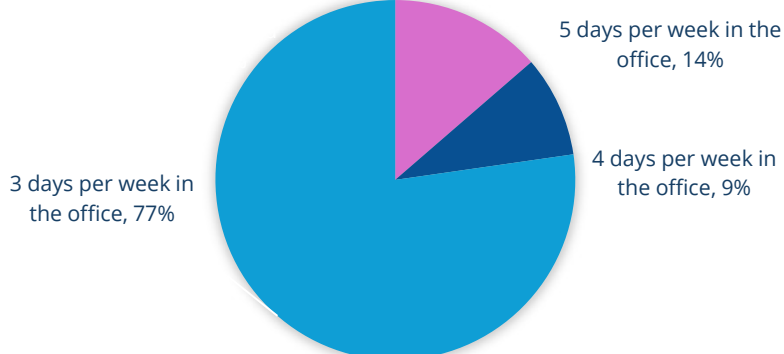
Local and central government CEOs broadly support flexible work. Most allow some remote work and flexible hours, but part-time or reduced hours are rarer for leaders, which may limit opportunities for parents seeking leadership roles. Local governments prioritise flexibility, with 96% of CEOs supporting remote and part-time options, compared to 91% and 88% in local and central government.

Optimal in-office days to support and nurture organisational culture

Leadership teams



Administrators



Local government CEOs believe that 3-5 in-office days are required to support and maintain organisational culture, with no CEO preferring 0-2 days for either leaders or administrators - compared to 13% of administrators and 8% of leaders in local and central government.

Local Government

How CEOs spend their time on organisational culture



Local government prioritises modelling desired behaviours, employee development, and health, mental health, and wellness, while local and central government focus more on setting and communicating vision, leadership development, succession planning, and enhancing communication and collaboration.

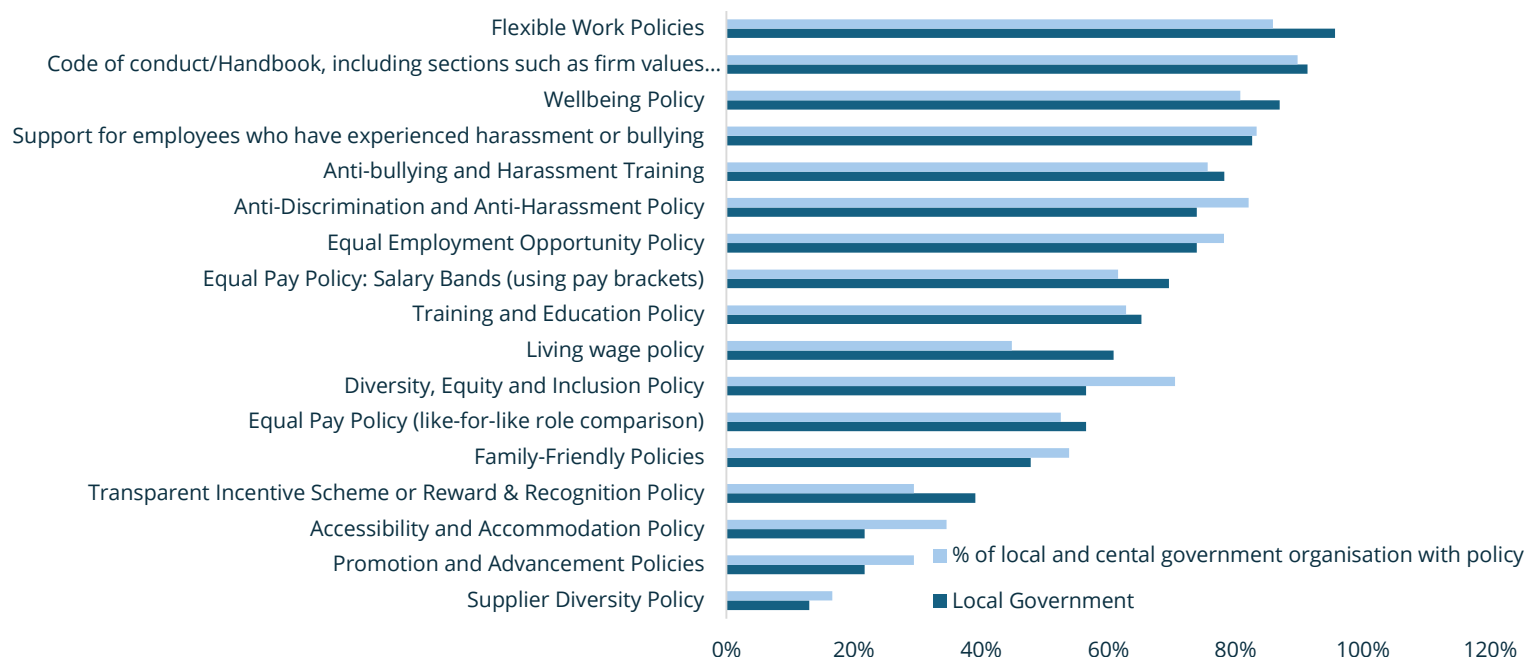
How CEOs measure outcomes and value from organisational culture



Local government measures health and safety, employee surveys, customer engagement, and well-being more to determine cultural effectiveness, while local and central government place greater emphasis on diversity, equity, and inclusion, quality improvements, financial efficiency, and values alignment.

Local Government

People-centric policies



Local government CEOs prioritise flexible work, well-being and living wage policies, as well as transparent incentive schemes and equal pay, while local and central government focus more on diversity, equity, and inclusion policies, equal opportunity, anti-discrimination measures, and promotion policies.

Ethics centric policies and processes

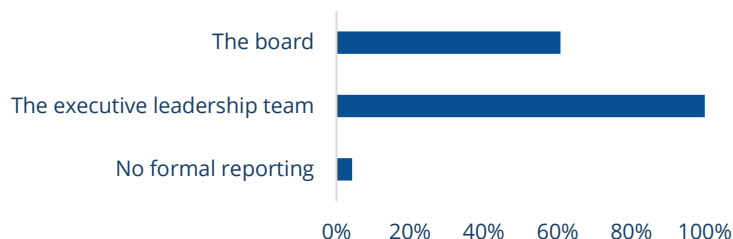


Local government places greater emphasis on sustainability and environmental responsibility, anonymous reporting channels, and codes of conduct and ethical guidelines. In contrast, local and central government focus more on regular communication and reinforcement of ethical values, dedicated ethics committees, and diversity, equity and inclusion.

Local Government

Formal channels for reporting culture Ability to invest in culture

Reporting recipients of culture measurement metrics



Culture metrics are primarily reported to executive leadership team and the board, with 4% having no formal reporting, compared to 9% for the local and central government sector.

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



65% of CEOs feel able to invest in organisational culture as much as needed to realise the value of their culture, compared to 52% for local and central government sector CEOs.

Barriers to investing in organisational culture to maximise value

10

5

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Turnover Disrupts Continuity

Resistance to Change

Unclear Culture Strategy

Time Constraints

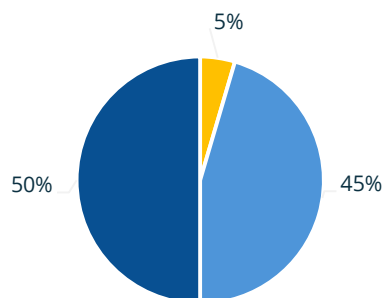
Competing Priorities

Limited Financial Resources

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

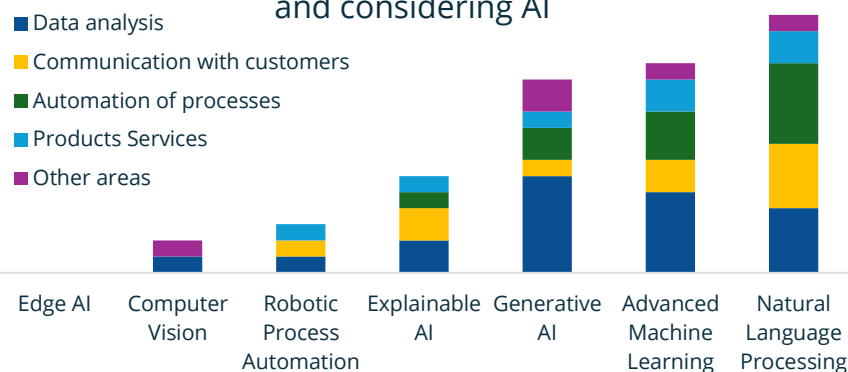
Applications of AI technologies across organisational functions

Organisations using AI



20

Investments in AI by function by those using and considering AI



50% of local government organisations currently use AI tools, compared to 47% across local and central government. Adoption is being considered by 45%, versus 38% seen overall. The most commonly used technology differs, with local government favouring Natural Language Processing and Advanced ML.

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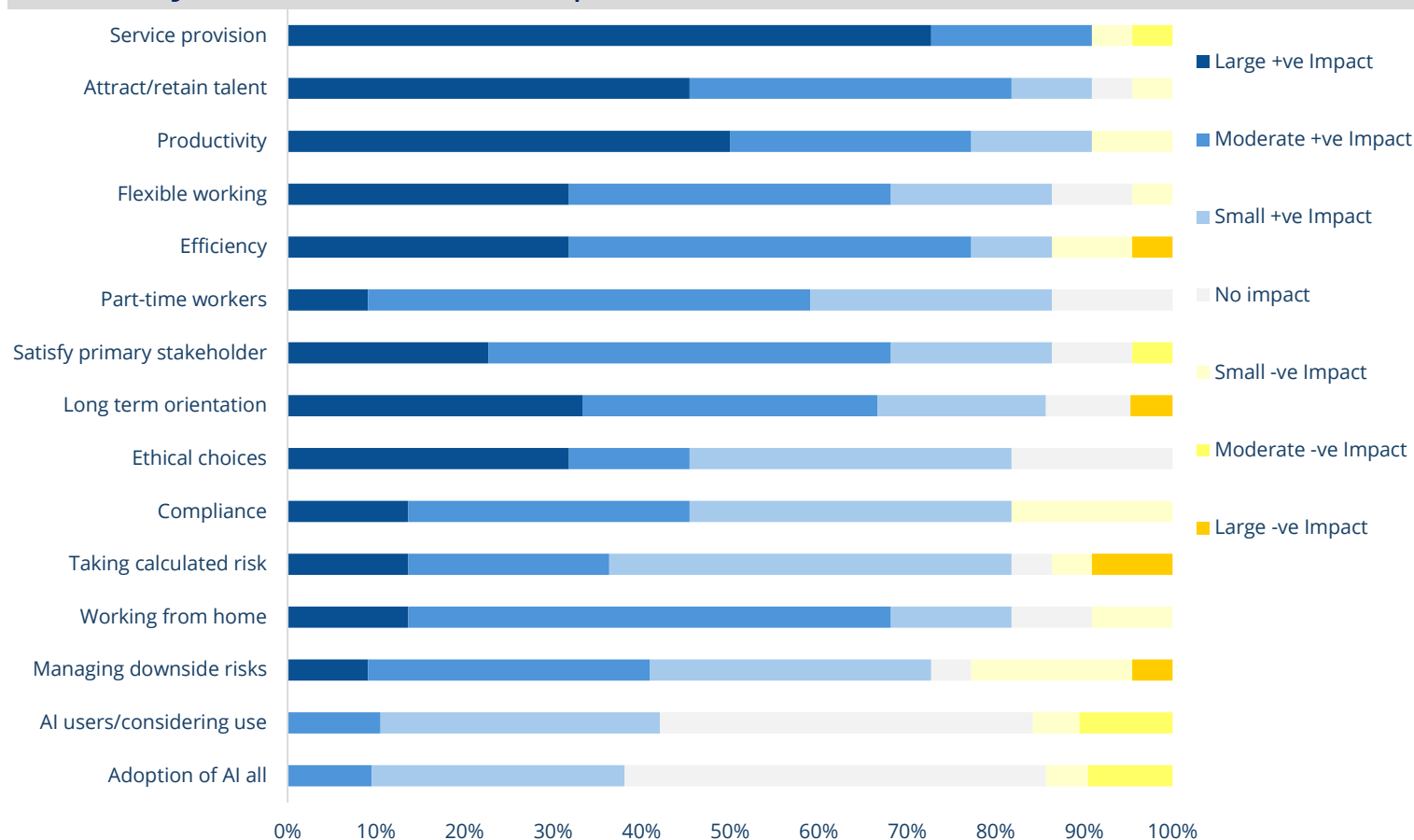
Local Government

How AI adoption is expected to influence organisational culture



Based on selection frequency, local government CEOs expect AI to enhance collaboration tools, increase data-driven cultural assessments, and drive greater innovation and adaptability across roles. These changes are anticipated to improve teamwork, streamline workflows, enhance 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.