# Local Government, 23 CEOs

## Value of organisational culture

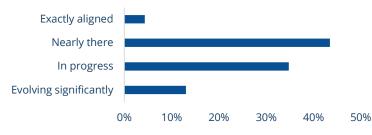
# Culture's value relative to all organisational priorities



0% 10% 20% 30% 40% 50% 60% 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%.

## Current state of culture

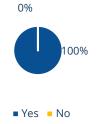




91% of CEOs say they need to do some work to achieve ideal strategic alignment between culture and strategy. Similar to local central government CEOs at 90%.

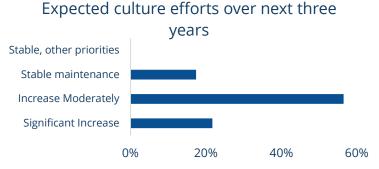
Value of improving culture

#### 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.

## Changes to culture

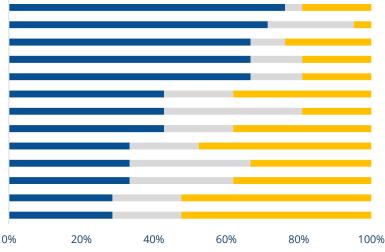


91% of CEOs rank culture among their top 3 factors, 100% believe enhancing it increases value, and 78% plan to enhance culture higher than the 67% in the local and central government cohort.

## Culture and strategy alignment: CEOs' perspectives on misalignment

#### Alignment of culture with strategy: agreement levels on key statements

Leadership capability needs to be strengthened Culture is continuously evolving in response to internal/external factors We intentionally align organisational culture with our strategy Leadership needs to invest more time to develop the culture Inefficient workplace interactions (time spent building consensus, etc.) Culture has not caught up with changes in the operating environment Ineffective change management slowing down cultural adaptation Policies work against culture (e.g., compensation, reward, etc.) Cultural values are not fully aligned with our operating needs Insufficient allocation of resources to support cultural initiatives Communication practices do not effectively support cultural values Insufficient learning and development opportunities hinder culture Employees are not fully committed to the culture



Agree Neutral Disagree

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)

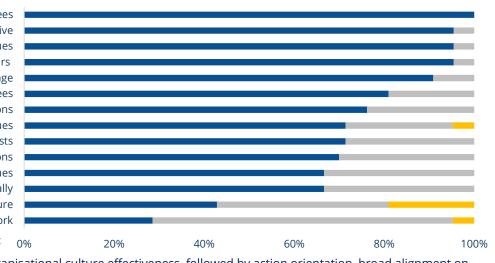




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#### Why is organisational culture important

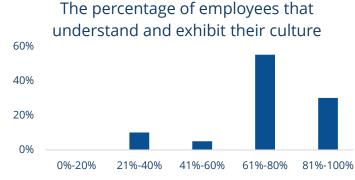
#### Key factors in determining the effectiveness of organisational culture



Trust among employees Action-orientation and employees taking initiative Broad agreement about goals and values Continuous improvement/excellence in behaviours Adaptability and ease of adjusting to change Coordination among employees Training, promotion and retention decisions Willingness to report compliance and ethics issues Decision-making reflects long-term interests Consistency and predictability of employees' actions Employees' comfort in suggesting critiques New ideas develop organically Risk-taking and tolerance for failure The urgency with which employees work

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.

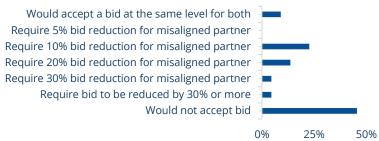
#### Exhibit and understand culture



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.

# Identical project partners, except culture

#### 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





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## Exemplifying values: performance reviews, discretionary pay, & promotion



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

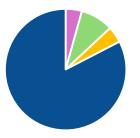


57% of CEOs prefer a growth or high-risk strategy compared to a stewardship one. 77% agree that culture drives project selection.

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

Culture: risk, long-term and ethics

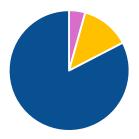
### Short-term CEO incentives



■ 80% or more ■ 60-79% ■ 40-59% ■ 20-39% ■ 1-19% ■ None

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.

#### Short-term staff incentives



Senior staff Senior staff middle management All staff None

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.







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### Impact of various factors on organisational culture effectiveness

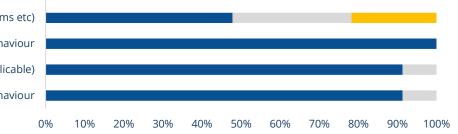
 Incentive compensation

 Governance system (meeting frequency, risk forums etc)

 Executive Team behaviour

Middle management behaviour (if applicable)

Employee behaviour



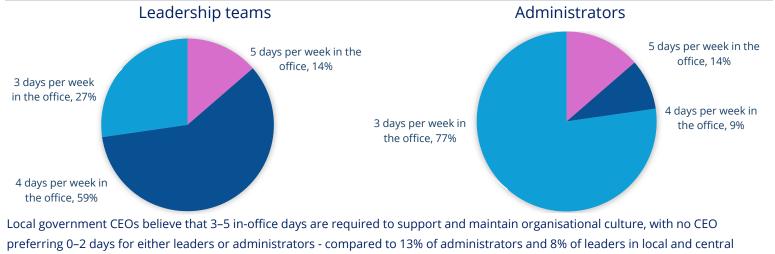
■ Reinforce ■ No impact ■ Works against 0% 10% 20% 30% 40% 50% 60% 70% 80% 90% 100% Leadership behaviour is the strongest reinforcer of culture. However, incentive compensation and the governance system impact is mixed, only 23% and 48% consider it as reinforcing, while 46% and 22% (respectively) believe they work against culture.

## Support for flexible work arrangements



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



government.

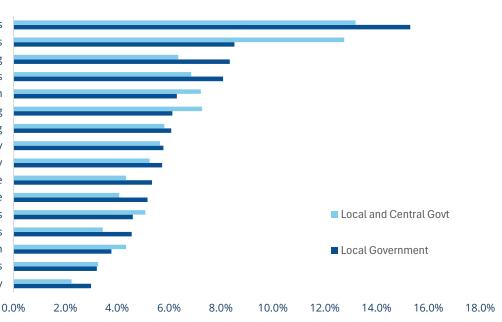
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## How CEOs spend their time on organisational culture

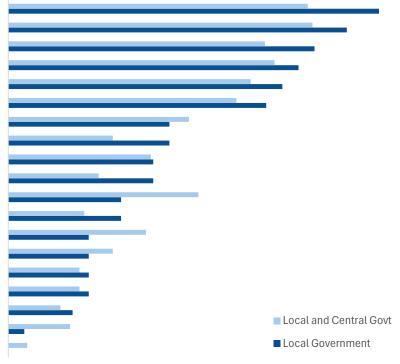
Modelling desired behaviours Setting and communicating vision and core values Employee development and training Health, mental health and wellness Enhancing communication and collaboration Leadership development and succession planning Work-life balance/flexible working Fostering a sense of belonging/community Promoting ethics, compliance, and safety Monitoring and adapting organisational culture Recognising/rewarding performance Aligning culture to strategic objectives Understanding and addressing worker needs Diversity, Equity, and Inclusion Fostering key cultural strengths Environmental, community and social responsibility



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

Health & Safety: incidents, accidents Employee Surveys: eNPS, pulse checks Customer Engagement: satisfaction, loyalty, social sentiment Performance: KPIs, revenue growth, customer satisfaction Well-being: stress, absenteeism, wellness participation Talent Management: turnover, time-to-fill, referrals Financial Efficiency: cost savings, efficiency gains Environmental Impact: recycling, energy, water use Leadership Alignment: 360-feedback, culture surveys Benefits Utilisation: enrolment, wellness, flexible work Diversity, Equity, inclusion: representation, inclusion scores, pay equity Productivity: project completion, income per employee, efficiency Quality: defect rates, customer satisfaction Values Alignment: value surveys, recognised behaviours Development: leadership programmes, promotions, mentorship Change Readiness: change management surveys, adoption rates Conflict Resolution: conflict frequency, resolution rates Quality Improvement: projects, defect reduction Innovation: employee suggestions, patents, new products



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.

10%

20%

30%

40%

50%

60%

70%

0%

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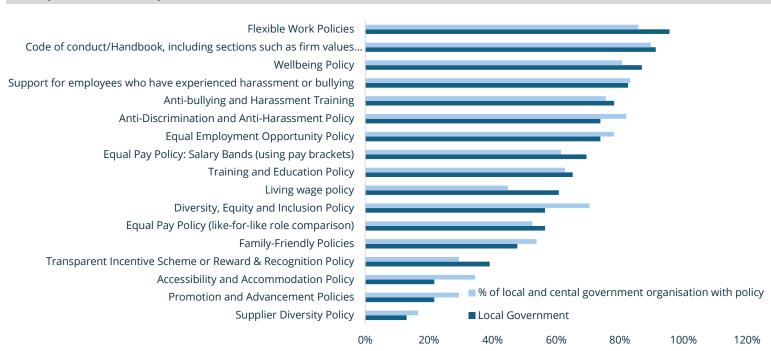


80%

90%

100%

### 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, antidiscrimination measures, and promotion policies.

#### Ethics centric policies and processes



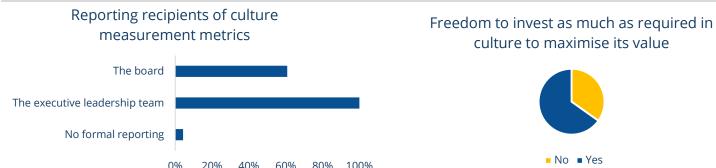
Local government places greater emphasis on sustainability and environmental responsibility, anonymous reporting channels, and codes of conduct and ethical guidelines. In contrast, local and central government focus more on regular communication and reinforcement of ethical values, dedicated ethics committees,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

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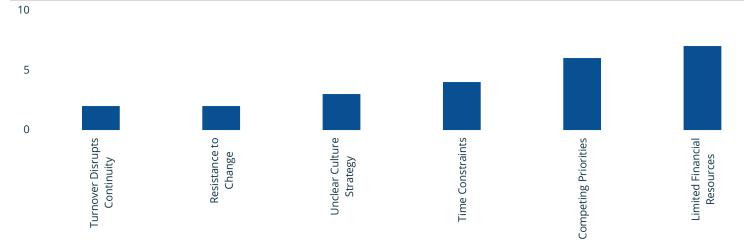


## Formal channels for reporting culture Ability to invest in culture



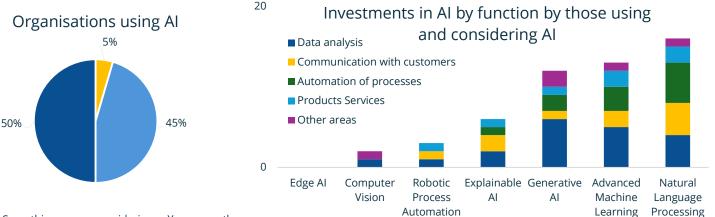
Culture metrics are primarily reported to executive leadership team and the board, with 4% having no formal reporting, compared to 9% for the local and central government sector. 65% of CEOs feel able to invest in organisational culture as much as needed to realise the value of their culture, compared to 52% for local and central government sector CEOs.

#### Barriers to investing in organisational culture to maximise value



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

## Applications of AI technologies across organisational functions



• No • Something we are considering • Yes, currently

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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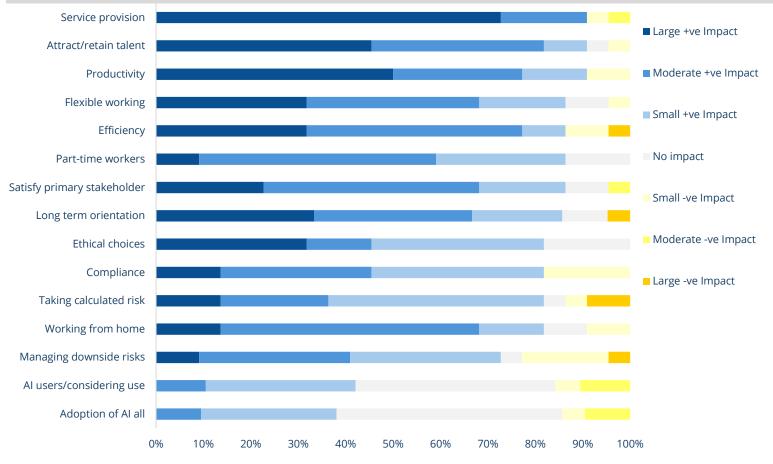
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## How AI adoption is expected to influence organisational culture



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.

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