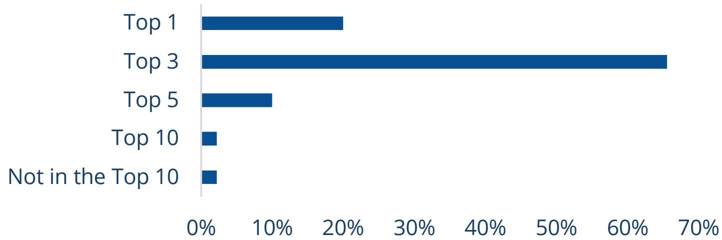
For-Profit: 91 CEOs with fewer than 9 employees

March 2025

Value of organisational culture

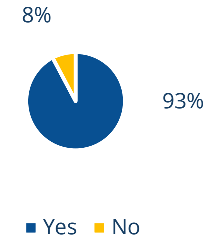
Culture's value relative to all organisational priorities



86% of <9 employee CEOs consider culture to be among the top three factors that determine their organisation's value - slightly lower than CEOs across all firms (88%).

Value of improving culture

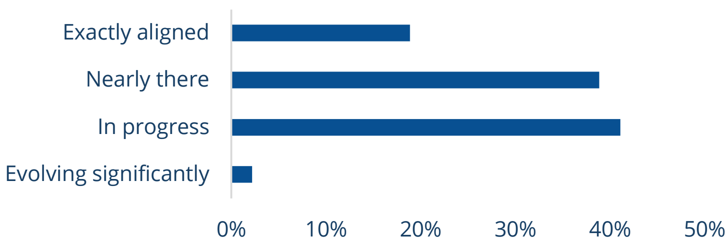
Improving culture will increase value to primary beneficiaries



93% of <9 employee CEOs believe that improving their culture will increase their company value through productivity, profitability, or growth - fewer than CEOs across all firms (95%).

Current state of culture

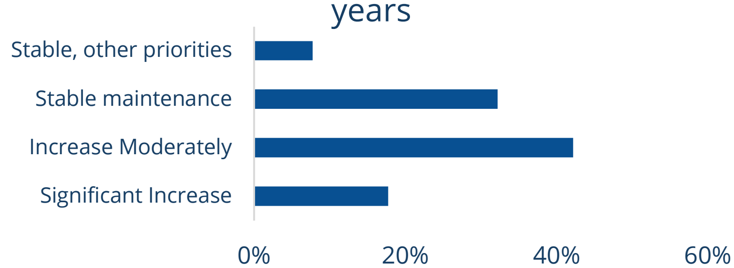
Strategy and organisational culture are



82% of <9 employee CEOs say they need to do some work to achieve ideal strategic alignment between culture and strategy - below the average for all firms (89%).

Changes to culture

Expected culture efforts over next three years



86% of <9 employee CEOs rank culture among their top 3 factors, 93% believe enhancing it increases value, and 60% plan to enhance culture - lower than 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, 76% work to align them. 85% attribute misalignment to evolving external and internal factors, while 53% note leadership needs to invest more time in culture or a stronger leadership capability is required (56%).

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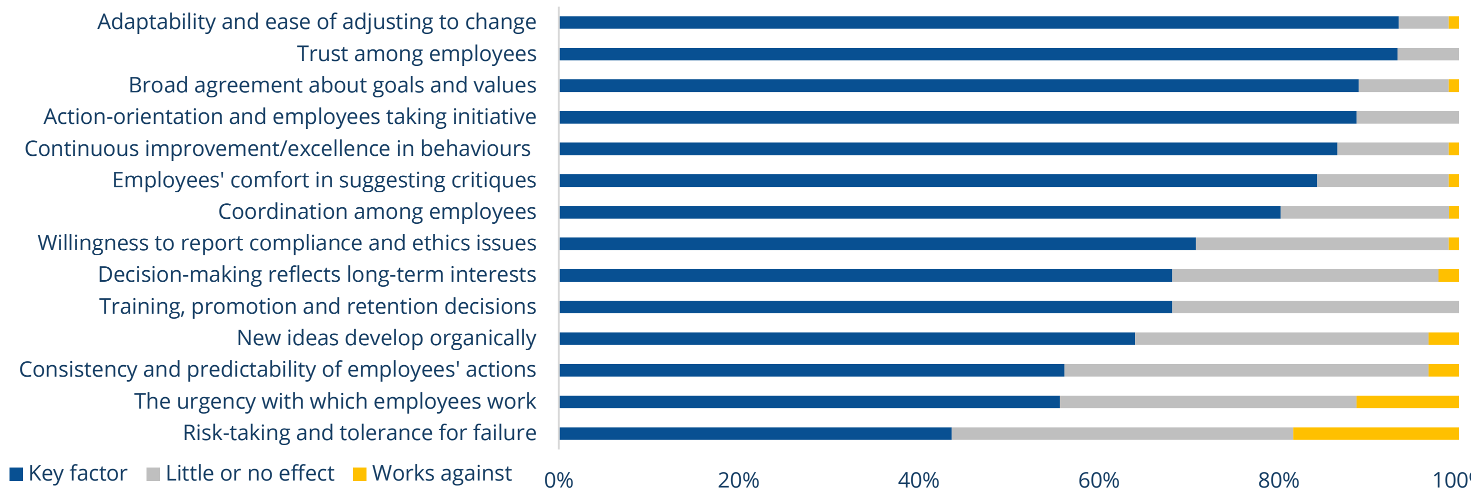
Why is organisational culture important

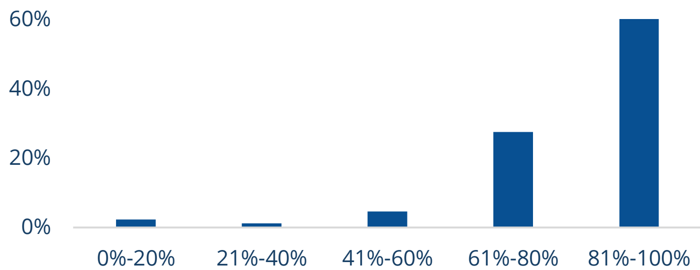
Key factors in determining the effectiveness of organisational culture



Adaptability and ease of adjusting to change and trust among employees is key to cultural effectiveness, followed by broad agreement on goals and values, action orientation and taking initiative, and striving for continuous improvement and excellence.

Exhibit and understand culture

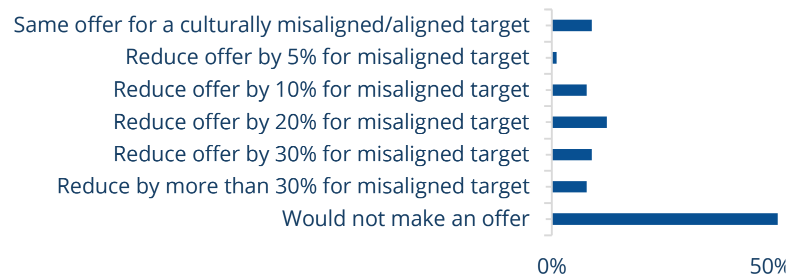
The percentage of employees that understand and exhibit their culture



36% of <9 employee CEOs report staff lack some understanding or display behaviours contrary to the desired culture - below the 55% across all firms.

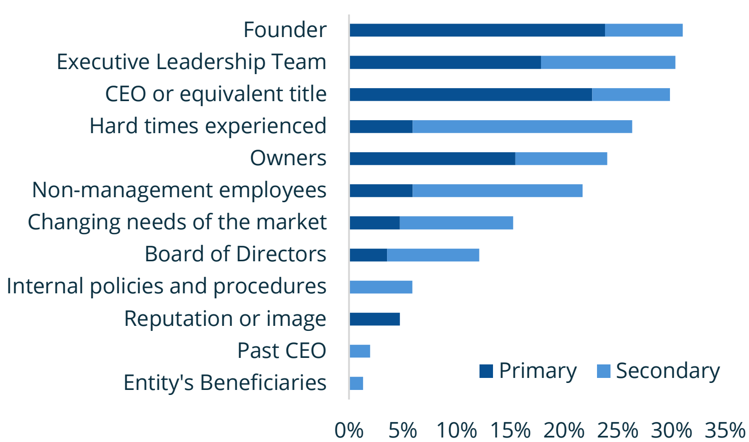
Identical M&A targets, one misaligned

Offers for culturally aligned vs. misaligned target

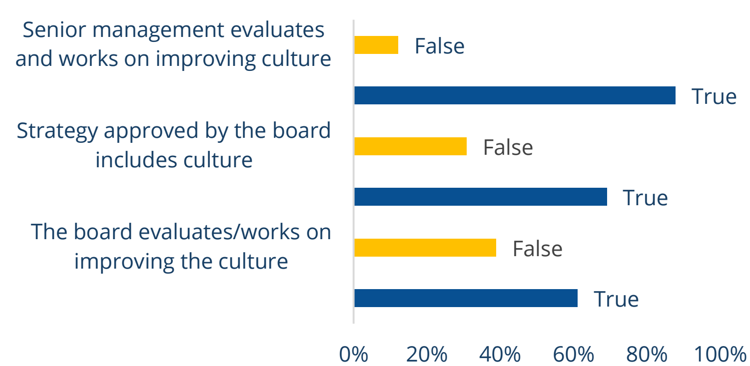


52% of <9 employee CEOs would not make an offer on a culturally misaligned target, a higher proportion than the 44% across all firms. Another 39% would reduce an offer by 5% to 30% or more.

Most influential factor setting culture



Annual assessment of culture



Cultural influences differ considerably for firms with <9 employees.

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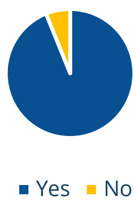
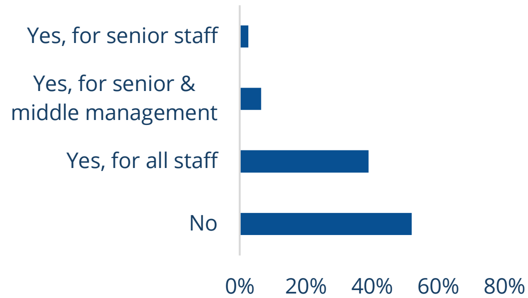
Exemplifying values: performance reviews, discretionary pay, & promotion

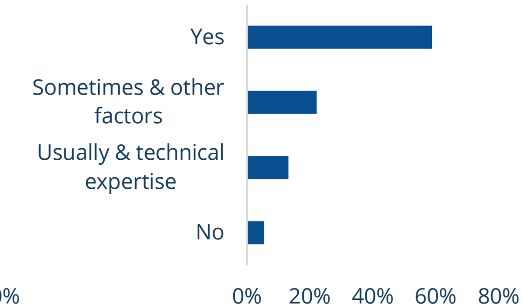
Employee behaviours reflect values included in performance reviews



Employee behaviour linked to discretionary pay



Behaviour a key criterion to advance to senior role



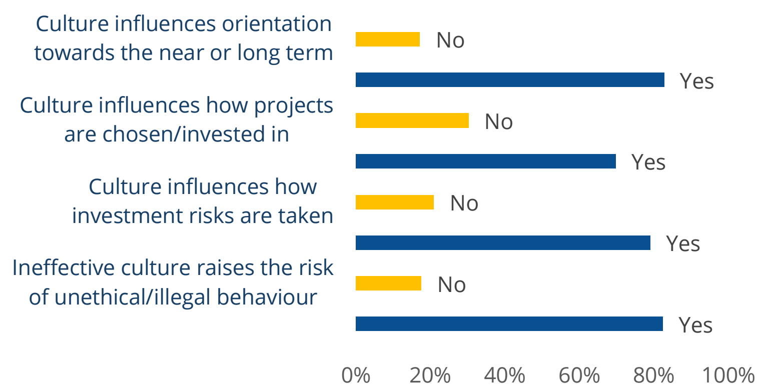
94% of <9 employee firms include whether employees exemplify their values in performance reviews, and 48% link discretionary pay to behaviours (compared to 61% of all firms). A further 59% consider exemplifying values a key criterion for senior management progression (compared to 61%). <9 employee organisations assess employee values and behaviours slightly fewer than all firms and link discretionary pay to behaviours less often. They also place less emphasis on exemplifying values for job progression.

Investment style

Project investment style

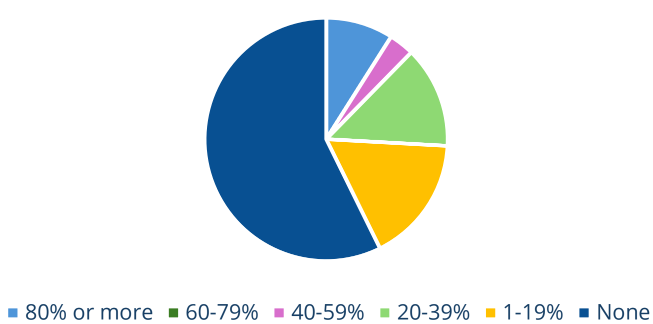
39% of <9 employee CEOs prefer a growth or high-risk strategy compared to a stewardship approach. 70% agree that culture drives project selection (compared to 73% of all firms).

Culture: risk, long-term and ethics



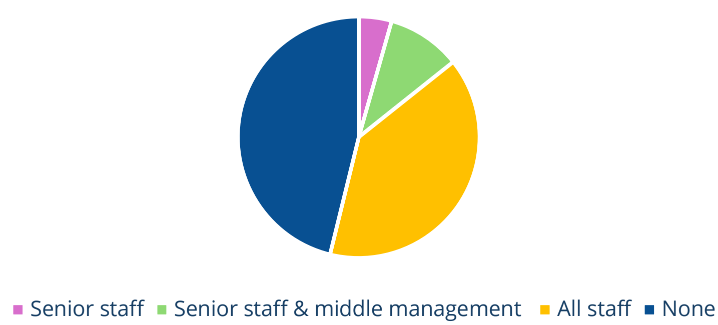
CEOs of companies with <9 employees say culture affects long-term focus (83%) and investment risk (79%), and (82%) believe it impacts ethical decision-making - figures similar to all firms.

Short-term CEO incentives



CEOs noted that, while they are not motivated by monetary incentives, they see incentives as signals. 57% of CEOs receive no STI, 17% get between 1-19%, and only 9% receive 80% or more.

Short-term staff incentives



54% 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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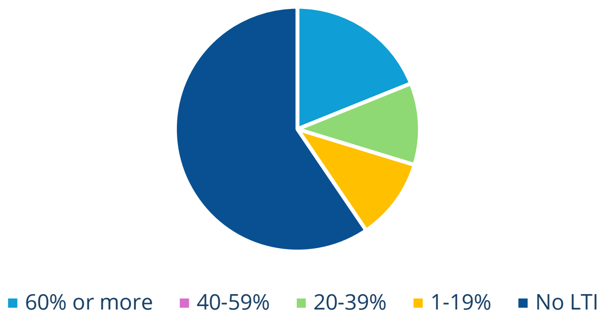
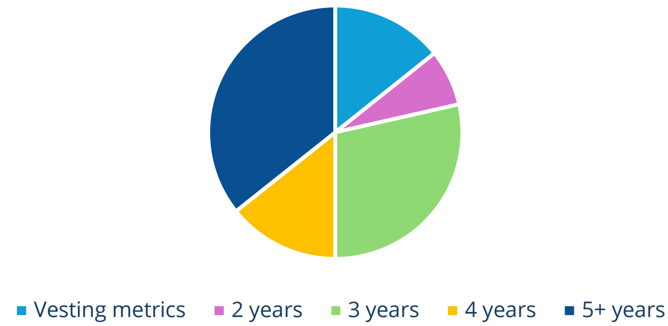
Long-term leader incentives



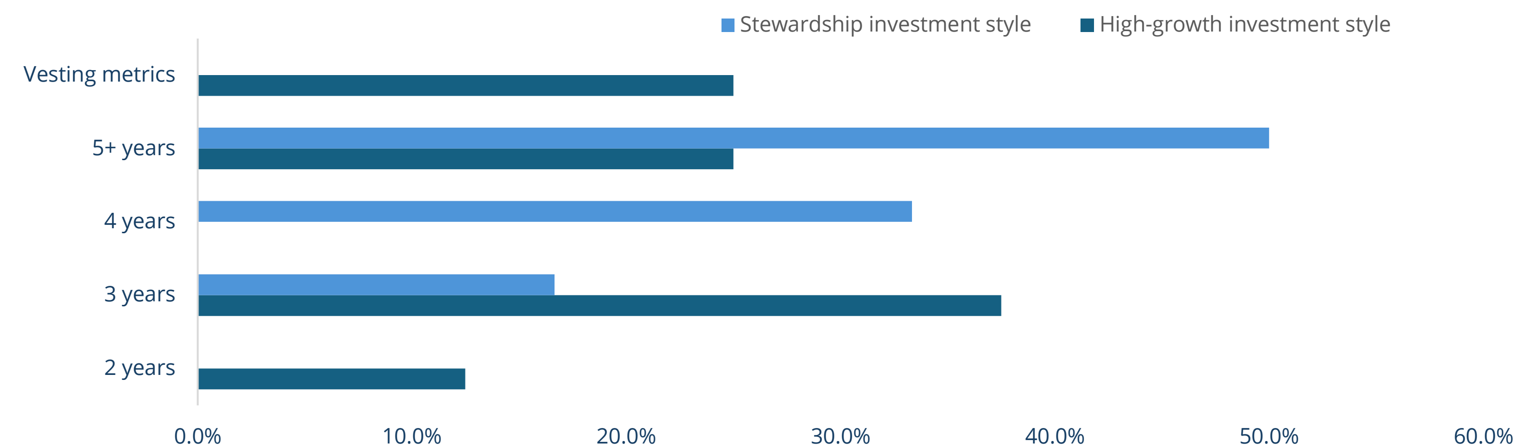
There is a variation in CEO LTIs, with 59% receiving no LTIs, while the majority fall into lower range percentages, indicating an alignment opportunity between incentives and long-term goals.

Long-term incentive vesting period



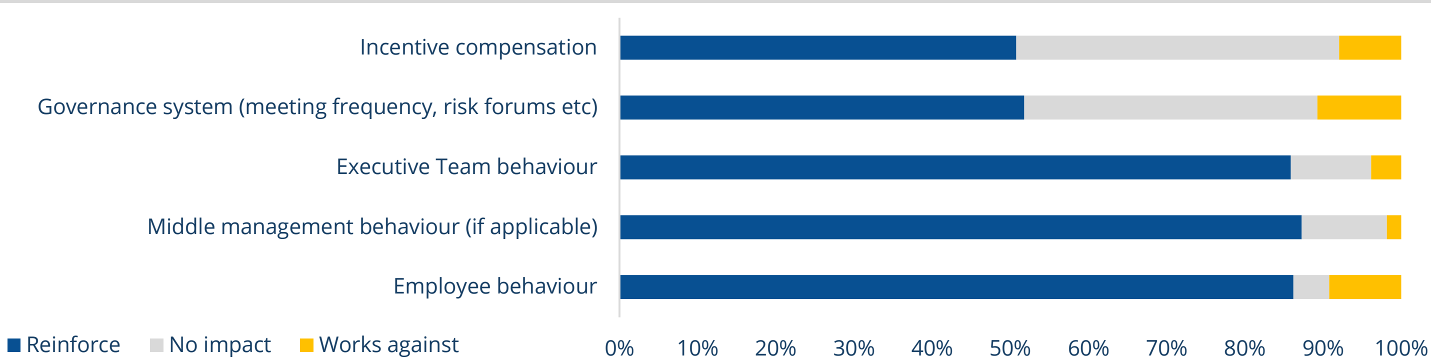
The most popular vesting period is 5+ years (36%), 36% are linked to between 2 and 3 years, and 14% have specific vesting tied to performance metrics.

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



Growth firms allocate a larger share of CEO LTIs to vesting metrics - 25% compared to 0% for stewardship firms. However, stewardship firms have more LTIs with longer durations, with 83% vesting over 4 or 5+ years, while growth firms have 25% - an atypical pattern compared to the overall group.

Impact of various factors on organisational culture effectiveness



Middle management behaviour is the strongest reinforcer of culture. However, incentive compensation and the governance systems impacts are mixed, only 51% and 52% consider it as reinforcing, while 8% and 11% (respectively) believe they work against culture.

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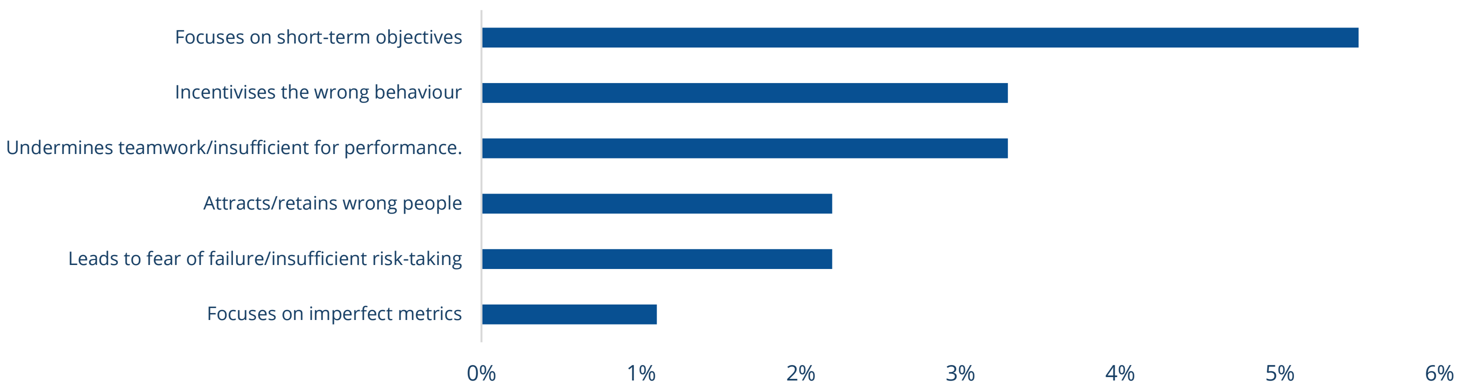
Reasons incentive compensation and leaders work against culture:

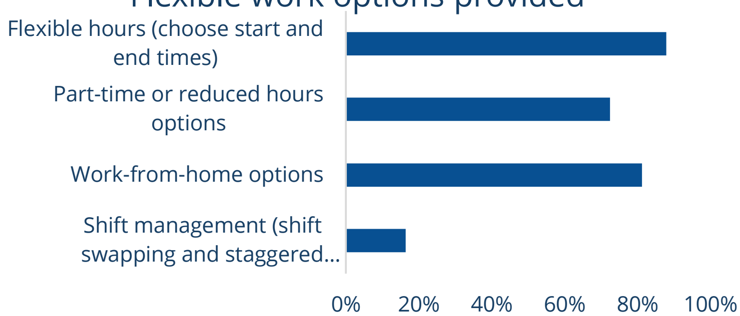
Incentive compensation



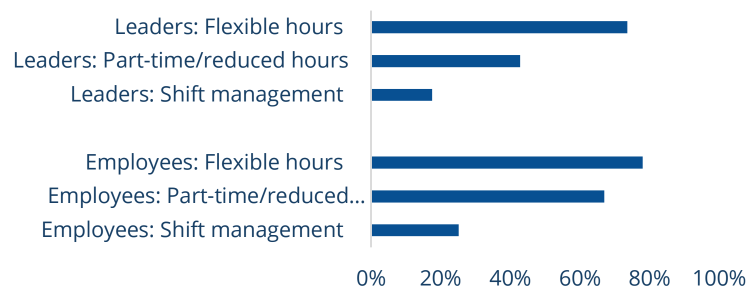
According to <9 employee CEOs, incentive compensation primarily focuses on short-term objectives (5%) and incentivises the wrong behaviour (3%). It also undermines teamwork or proves insufficient for performance (3%), attracts and retains the wrong people (2%), and leads to fear of failure or insufficient risk-taking (2%). Focusing on imperfect metrics is less of a concern (1%).

Support for flexible work arrangements

Flexible work options provided



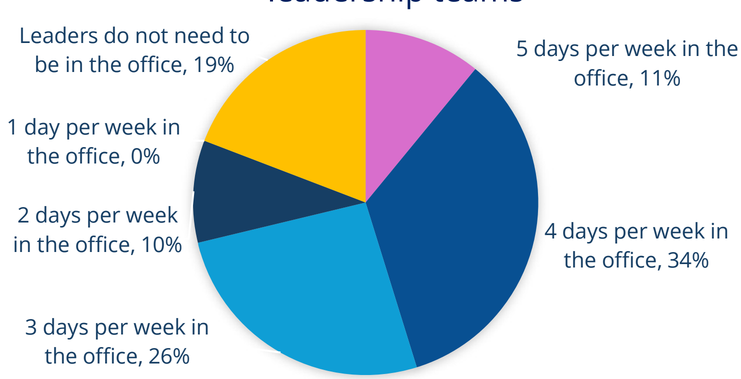
Flexible work arrangements



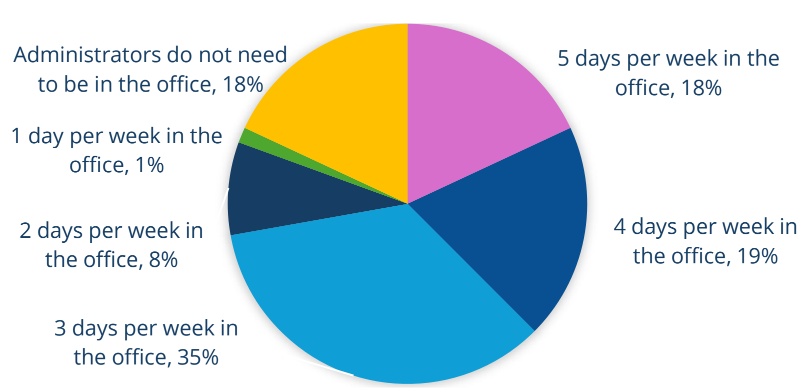
CEOs of <9 employee firms support flexible work but offer slightly different options than the overall sample. They provide more access to flexible hours (88% vs. 81%) and work-from-home (81% vs. 77%), but less access to part-time/reduced hours (73% vs. 75%) and shift management (16% vs. 22%). Part-time or reduced hours are rarer among leaders, potentially limiting parents seeking leadership roles.

Optimal in-office days to support and nurture organisational culture

leadership teams



Administrators



CEOs of <9 employee firms require fewer in-office days for leaders to support and nurture culture, with 11% requiring 5 days (vs. 20% overall) and 34% requiring 4 days (vs. 41%). A higher proportion favour 3 days (26% vs. 23%) or require no in-office days (19% vs. 10%). A similar trend applies to administrators.

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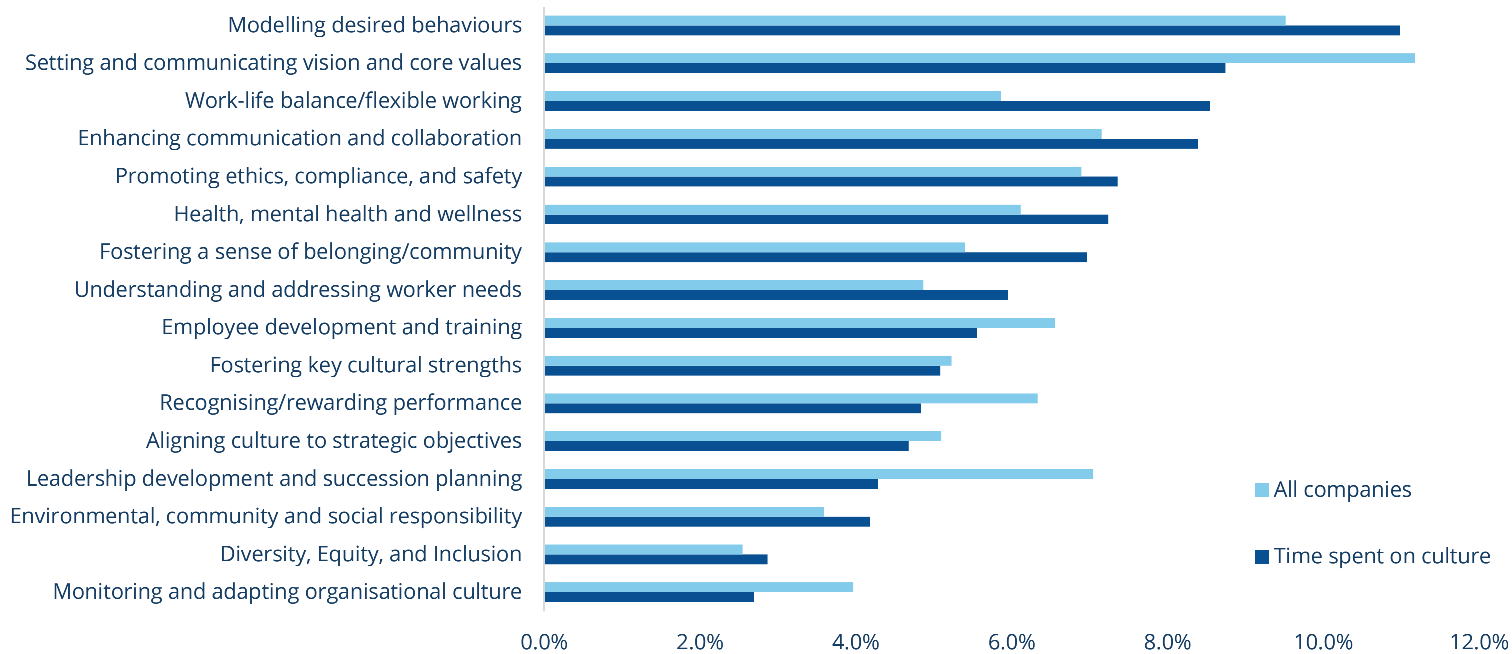
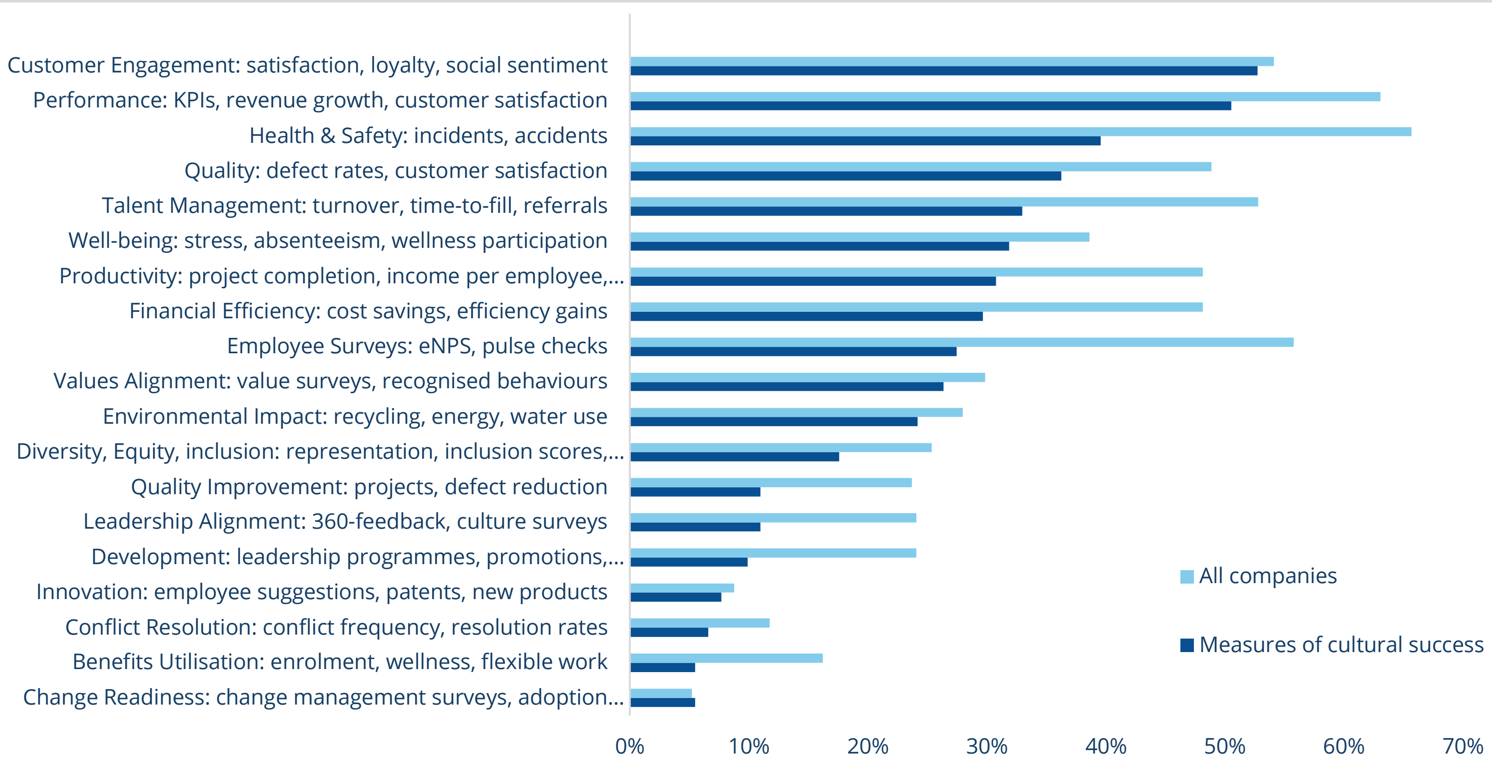
How CEOs spend their time on organisational culture



CEOs of <9 employee firms prioritise modelling desired behaviours, work-life balance/flexible working, and fostering a sense of belonging/community more than the overall group. In contrast, the overall group places greater emphasis on and setting and communicating vision and core values and leadership development and succession planning.

How CEOs measure outcomes and value from organisational culture



CEOs in the <9 employee group and the overall group share common focus areas, such as measuring customer engagement, values alignment and environmental impact. Due to simpler structures in smaller firms, they measure fewer factors than larger organisations.

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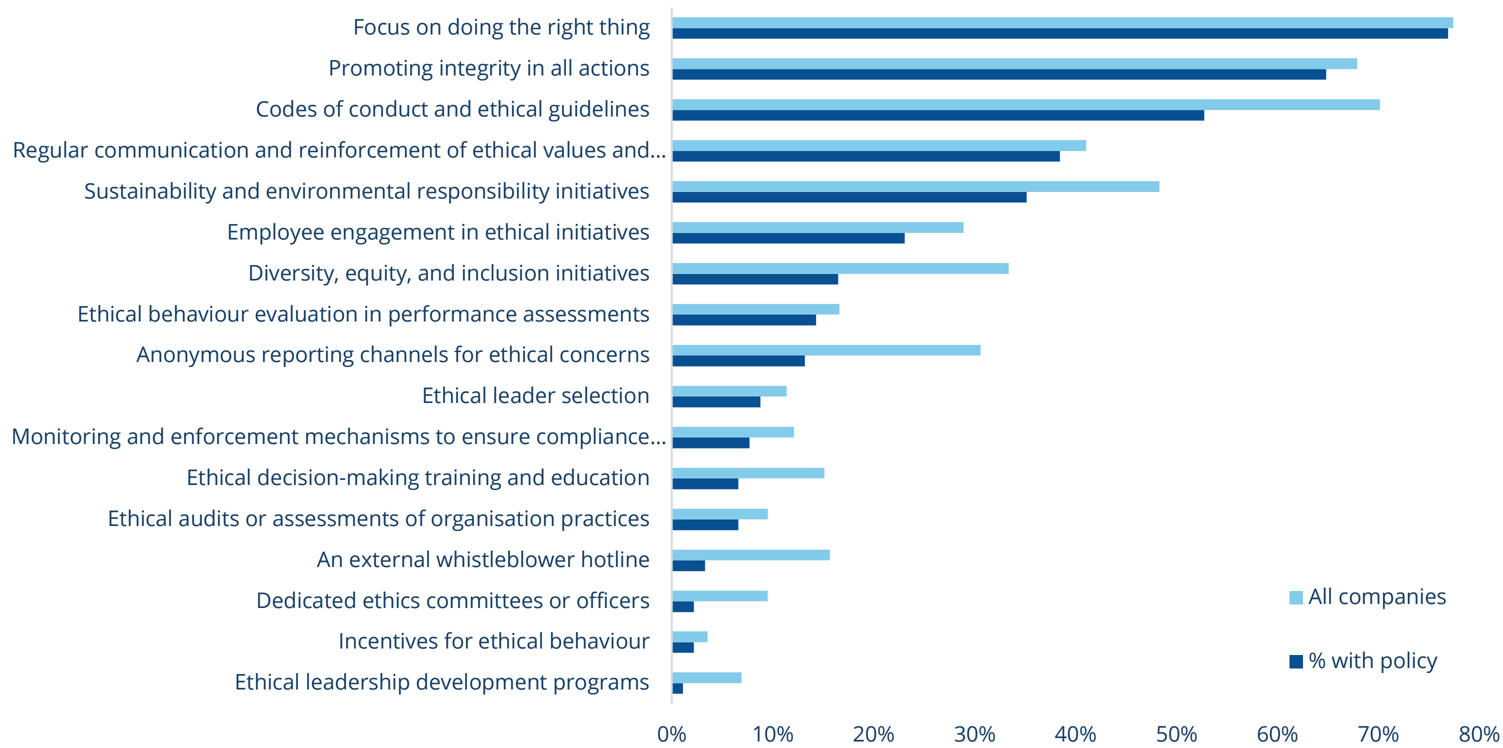
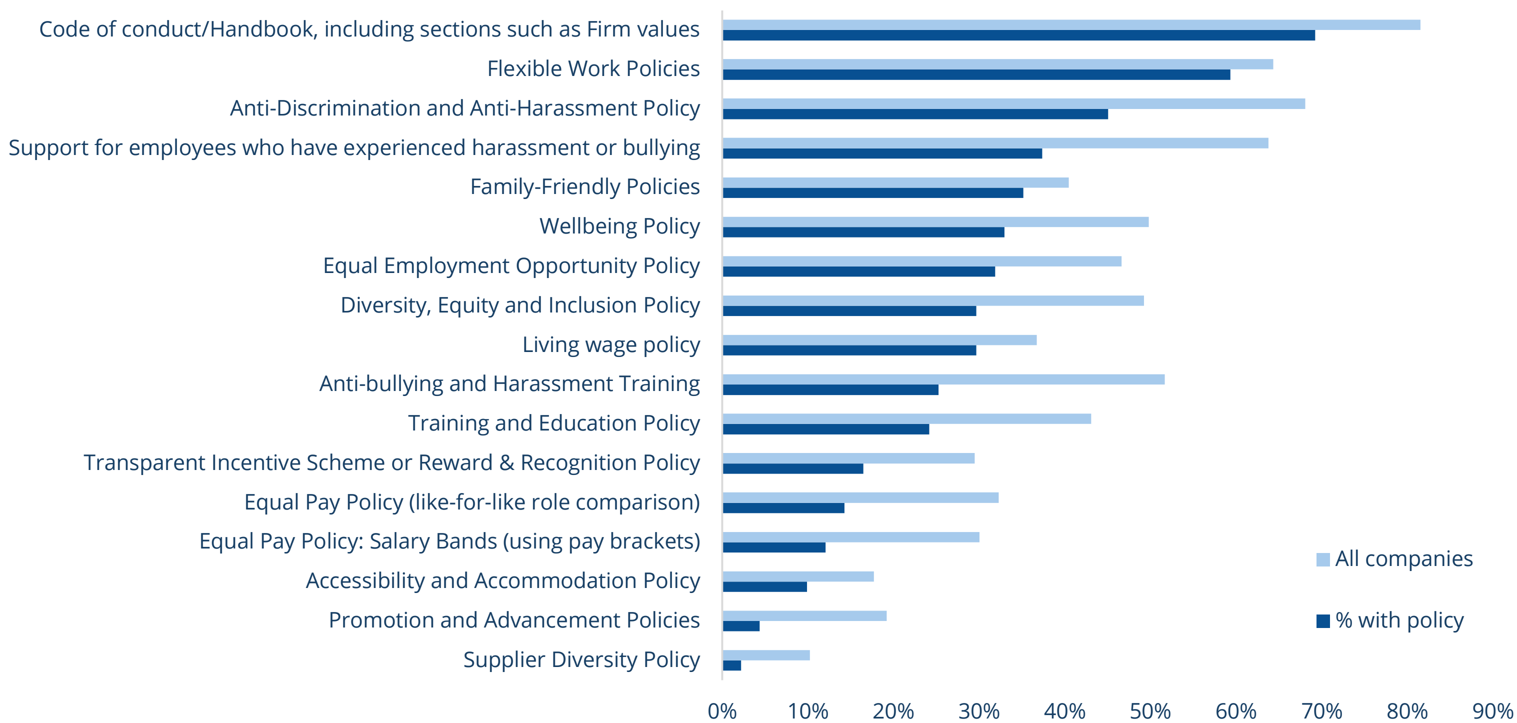
Ethics-centric policies and processes



CEOs in the <9 employee group and the overall group both emphasise a focus on doing the right thing and promoting integrity. Smaller firms place less focus on formal processes like codes of conduct, suggesting principle-based ethics rather than process-driven.

People-centric policies



CEOs in the <9 employee group tend to have fewer formal policies, reflecting simpler structures and less organisational complexity. The areas where their policies most closely align with larger organisations are flexible work policies, family-friendly policies, and living wage policies.

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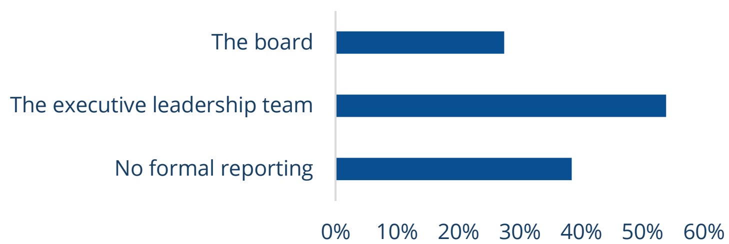
Formal channels for reporting culture

Reporting recipients of culture measurement metrics



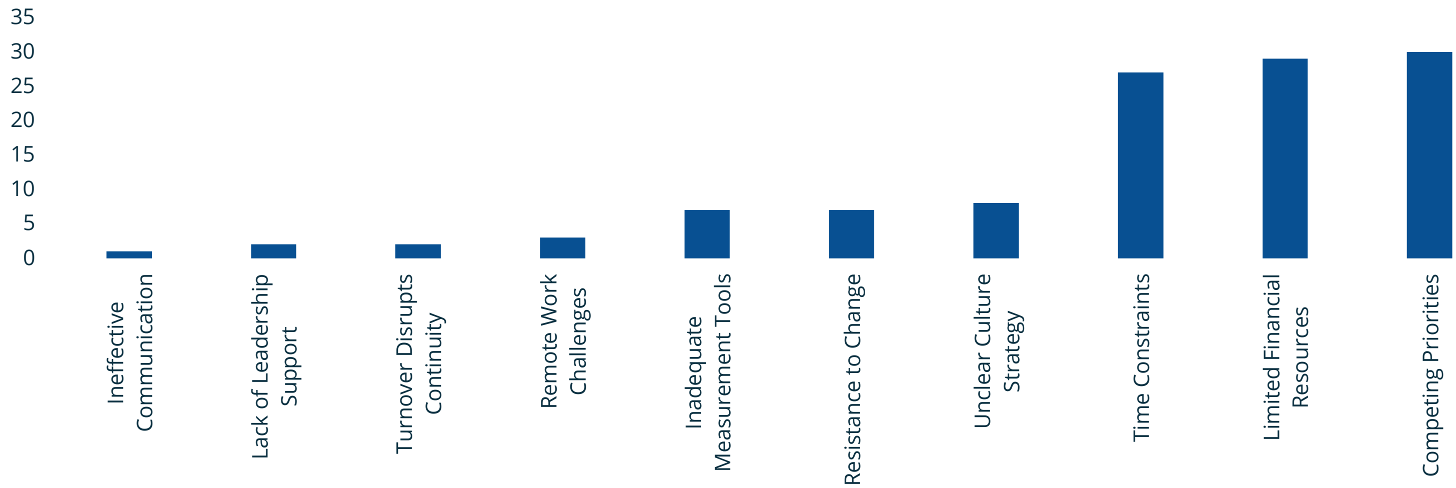
Culture metrics are primarily reported to executive leadership and the board, with 38% having no formal reporting (relative to 22%).

Ability to invest in culture

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

54% of CEOs feel able to invest in organisational culture as much as needed to realise the value of their culture (compared to 63%).

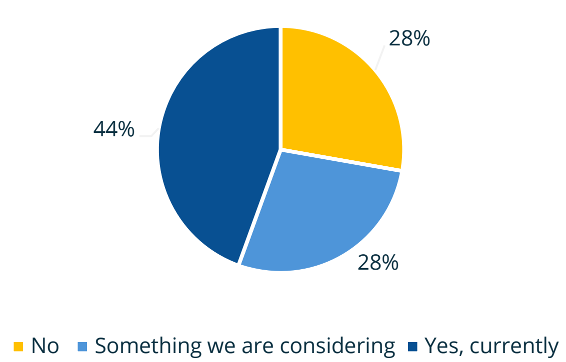
Barriers to investing in organisational culture to maximise value

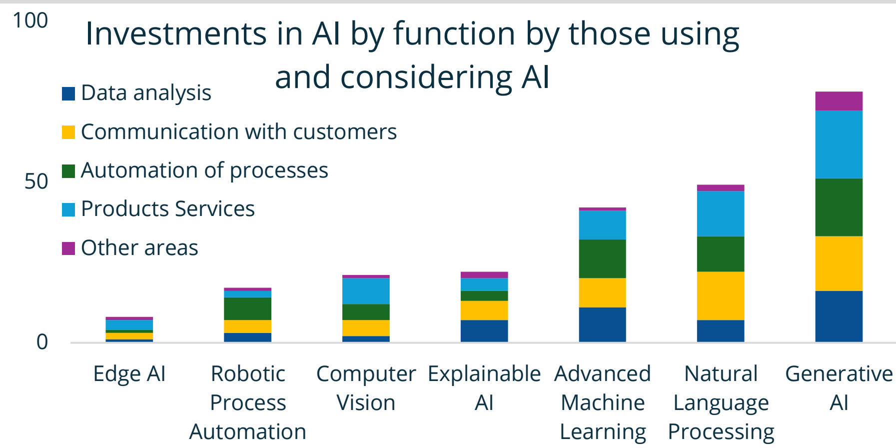


Based on selection frequency, competing priorities, limited resources, and time constraints are top barriers to investing in culture.

Applications of AI technologies across organisational functions

Organisations using AI





Currently, 44% of CEOs in companies with <9 employees use AI tools (compared to 51%), while 28% are considering their adoption. Generative AI is the most frequently used, particularly in product sales and automation of processes.

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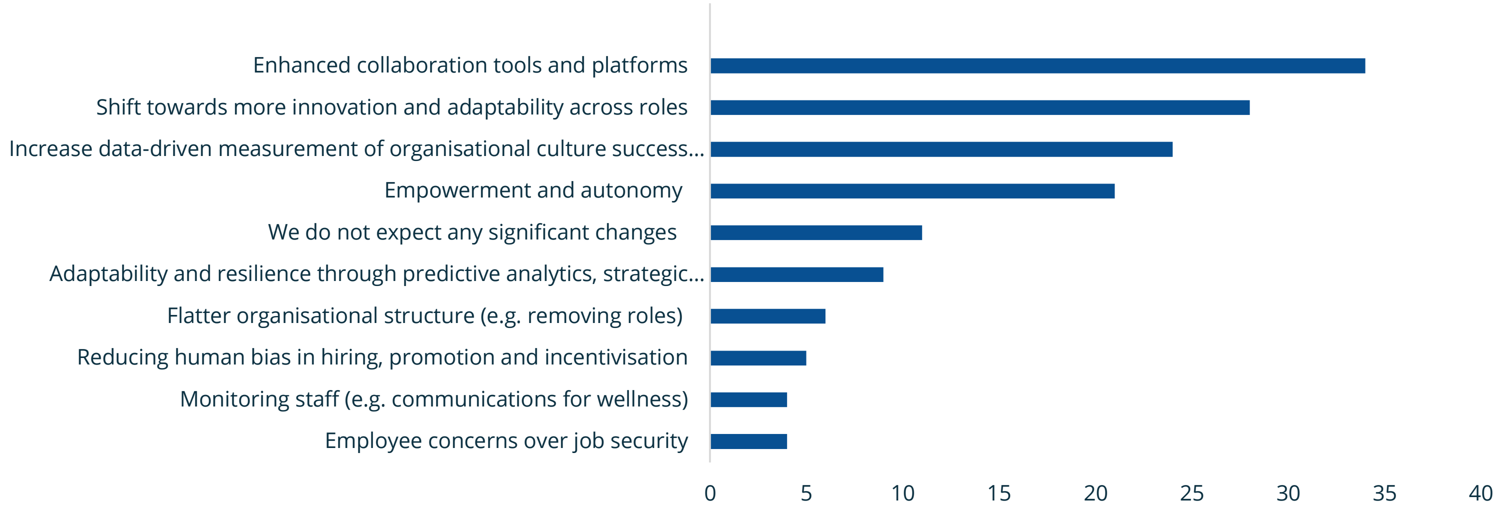
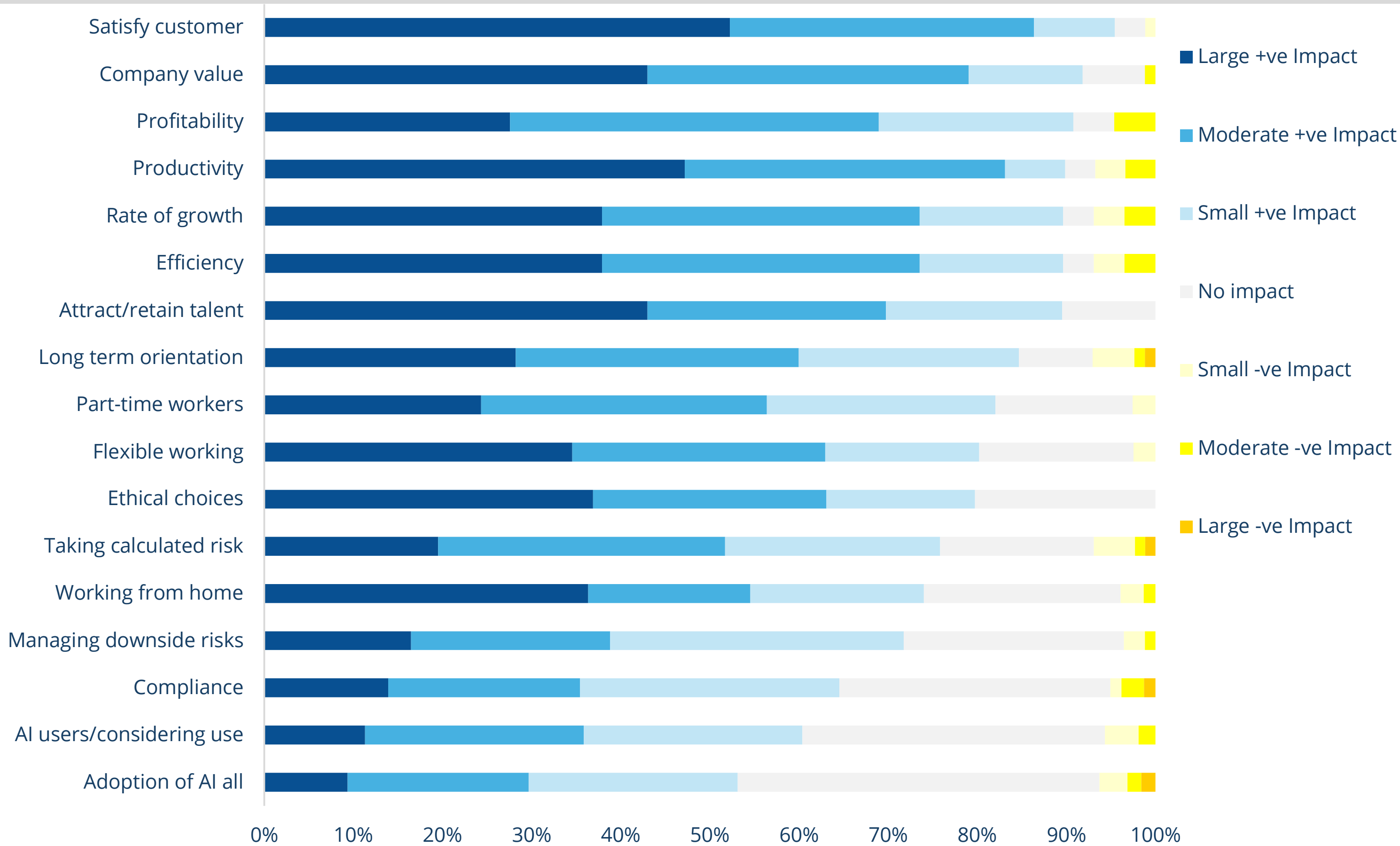
How AI adoption is expected to influence organisational culture



CEOs in the <9 employee group adopting or considering AI expect its cultural impact to centre on enhanced collaboration tools and platforms and a shift towards greater innovation and adaptability across roles. These changes are expected to foster more efficient workflows, drive flexibility in job roles, and enhance overall 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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