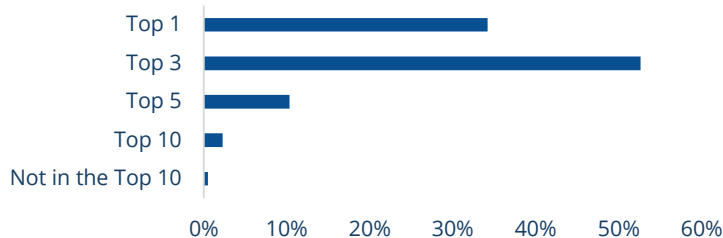


Value of organisational culture

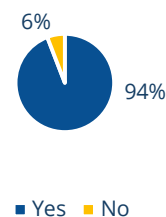
Culture's value relative to all organisational priorities



87% of leaders consider culture to be among the top three factors that make their organisation valuable.

Value of improving culture

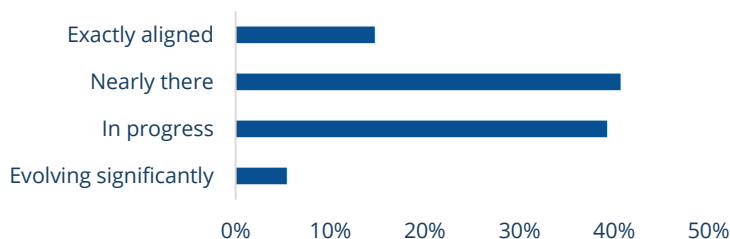
Improving culture will increase value to primary beneficiaries



94% of leaders believe that improving their culture will increase value for the primary beneficiaries they serve.

Current state of culture

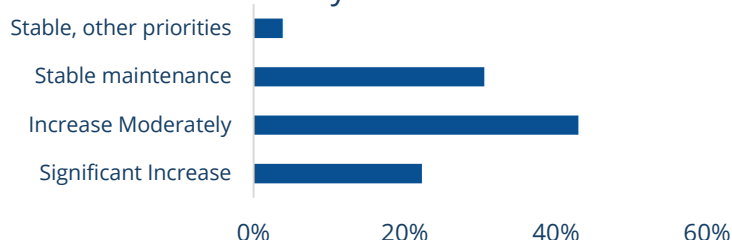
Strategy and organisational culture are



85% of leaders 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



87% of leaders rank culture among their top 3 factors, 94% believe enhancing it increases value, but only 65% plan to enhance culture.

Culture and strategy alignment: leaders' perspectives on misalignment

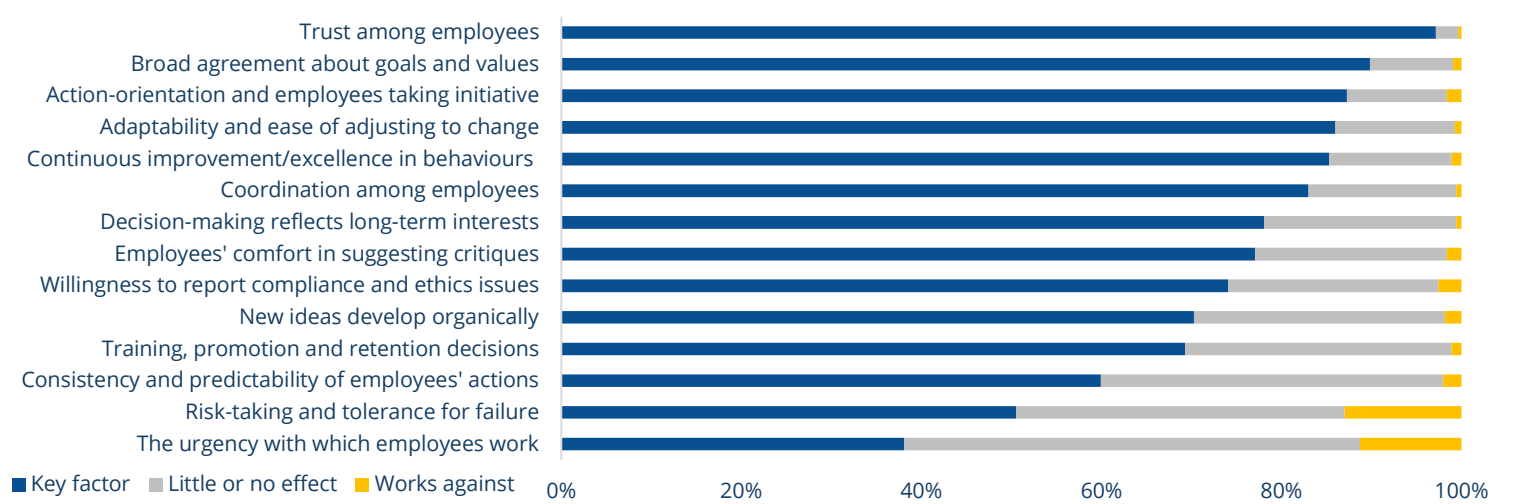
Alignment of culture with strategy: agreement levels on key statements



Of the leaders whose culture is not aligned with strategy, 82% intend to align it. 86% cite continuously evolving external and internal factors, while around 60% highlight that leadership needs to invest time in culture and that a stronger leadership capability is required.

Why is organisational culture important

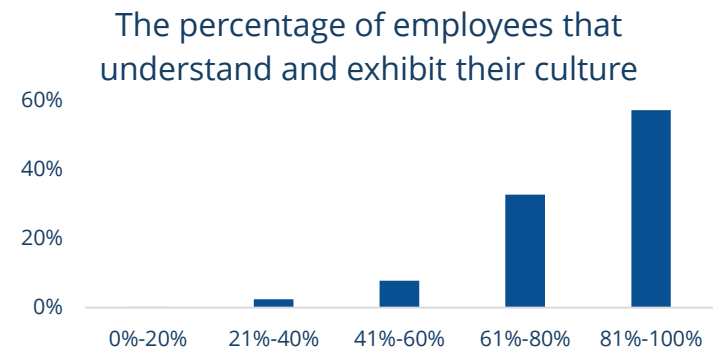
Key factors in determining the effectiveness of organisational culture



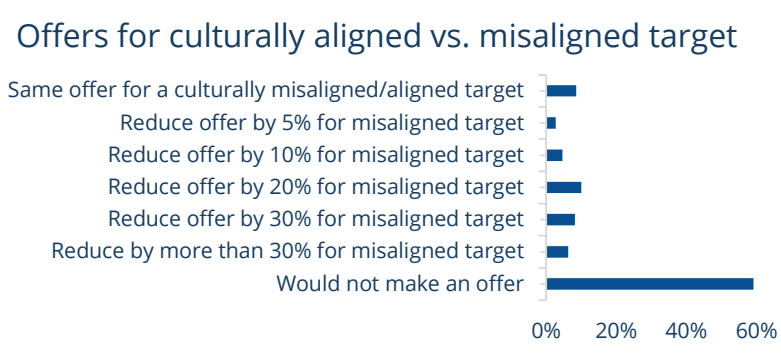
Trust among employees is key to cultural effectiveness, along with broad agreement on goals and values, action orientation, and ease of adjusting to change. Between 10%-20% note that risk-taking, tolerance for failure, and urgency of work hinder cultural effectiveness.

Exhibit and understand culture

Identical M&A targets, one misaligned



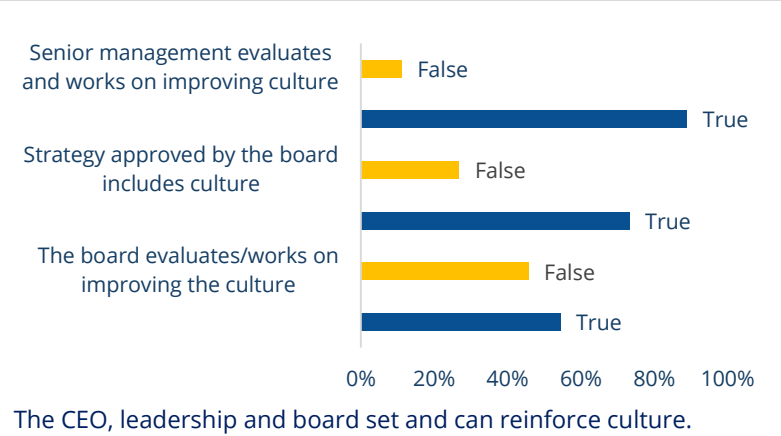
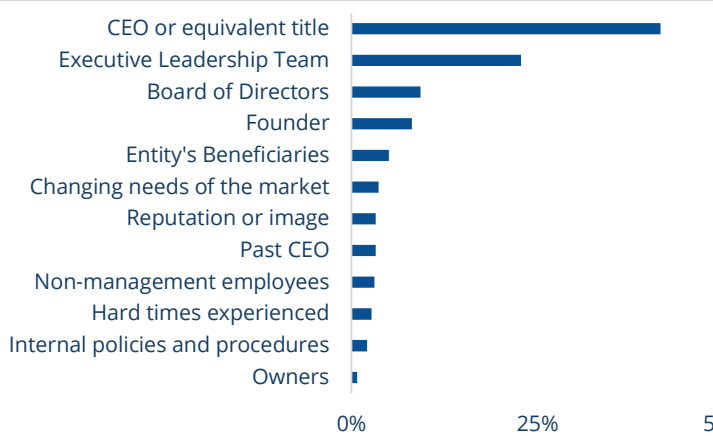
Just under half of leaders report that staff lack some understanding or display behaviours contrary to the desired culture.



59% would not make an offer on the culturally misaligned target and another 29% would reduce an offer between 5% and more than 30%.

Most influential factor setting culture

Annual assessment of culture



The CEO, leadership and board set and can reinforce culture.

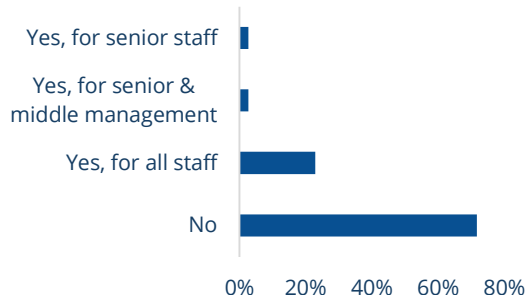
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Exemplifying values: performance reviews, discretionary pay, & promotion

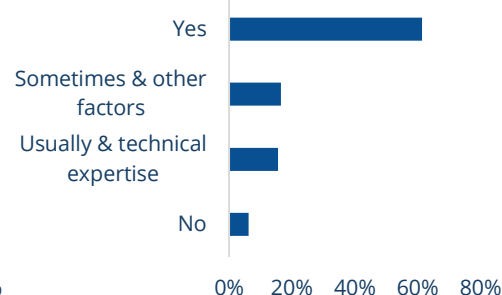
Employee behaviours reflect values included in performance reviews



Employee behaviour linked to discretionary pay



Behaviour a key criterion to advance to senior role



94% of organisations include whether employees exemplify their values in performance reviews, but only 28% link discretionary pay to behaviour. Just over 60% consider exemplifying values a key criterion for moving into senior management. In pre-research discussions with NZ leaders, many noted that these can be some of the strongest signals about the importance of behaviours.

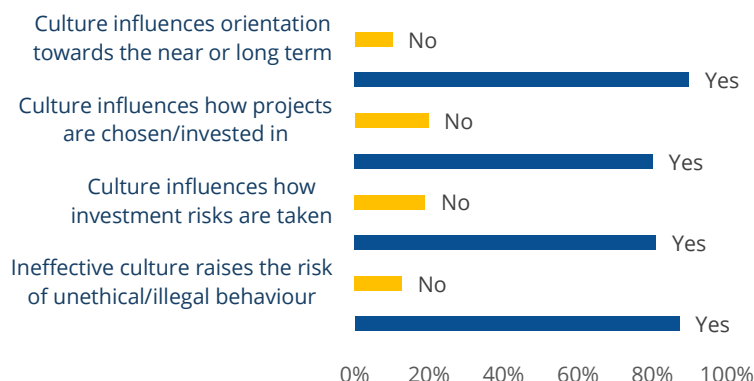
Investment style

Project investment style



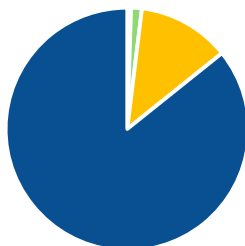
40% of leaders prefer a growth or high-risk strategy compared to a stewardship one. 81% agree that culture drives project selection.

Culture: risk, long-term and ethics



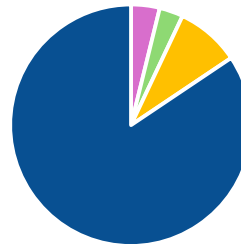
80%+ leaders agree culture impacts long-term orientation, project investment style, how calculated risk is taken, and ethical behaviour.

Short-term leader incentives



CEOs noted that, while they are not motivated by monetary incentives, they see incentives as signals. Despite 40% investing with a growth style, only 13% have STIs. Fewer than 3% have LTIs.

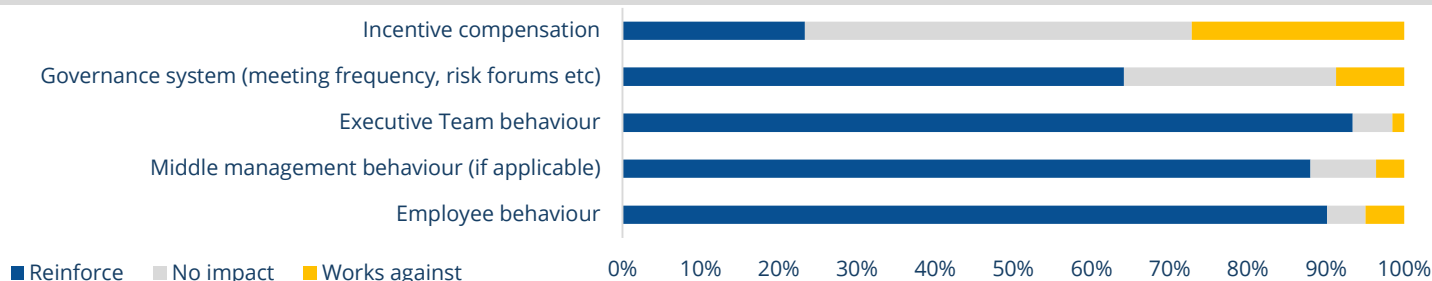
Short-term staff incentives



Staff incentives align with those of leaders. While aligning incentives with a growth mentality can strongly signal support for the 40% with a growth approach, it is not always feasible for this sector.

Not-for-profit

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 25% view it as reinforcing, while 28% believe it works against organisational culture.

Reasons incentive compensation and governance work against culture:

Incentive compensation



52 leaders say incentive compensation attracts/retains the wrong people and encourages the wrong type of behaviour, and 47 note it undermines teamwork or is insufficient for performance.

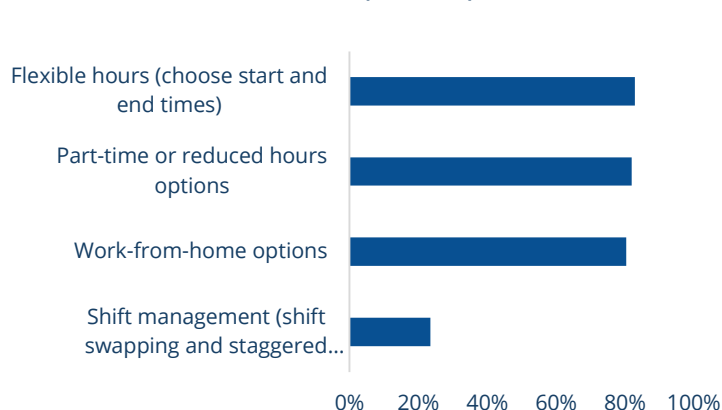
Governance system



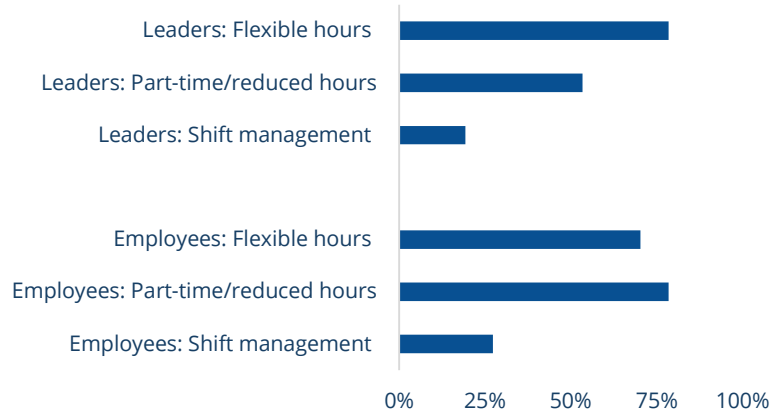
25 leaders say ineffective communication in their governance setup works against culture, 23 cite inconsistent behaviours, followed by 21 noting a mismatch in long-term focus and strategy.

Support for flexible work arrangements

Flexible work options provided



Flexible work arrangements

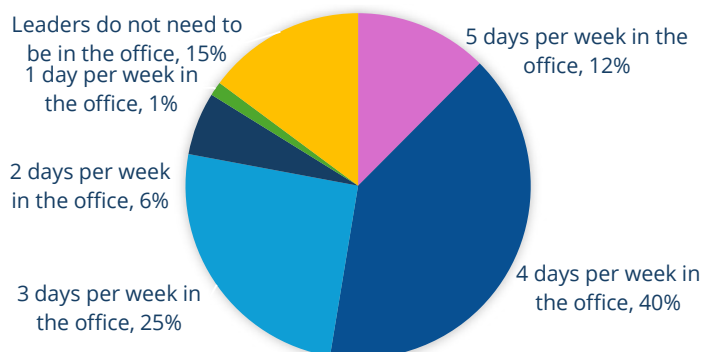


Leaders widely support flexible work arrangements. For employees, part-time or reduced hours are most common, followed by flexible hours. Among leaders, flexible hours lead followed by part-time options. Working from home options are supported (next page).

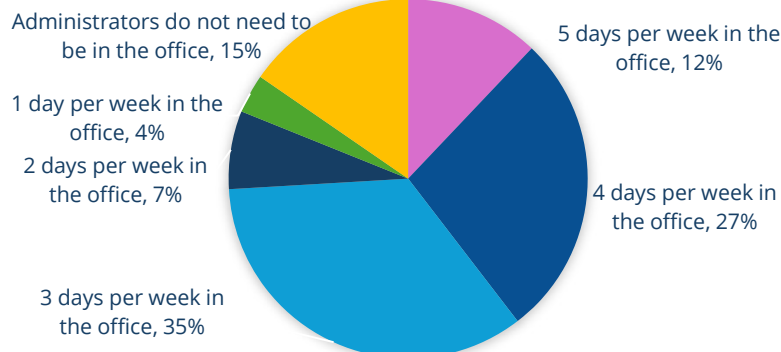
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Optimal in-office days to support and nurture organisational culture

Leadership teams



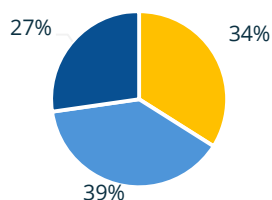
Administrators



Leaders favour senior leaders and administrators working 3 to 4 days in the office each week to nurture organisational culture. While there is a preference for senior leadership visibility, over 1/4 agree that administrators can be in the office two days a week or less.

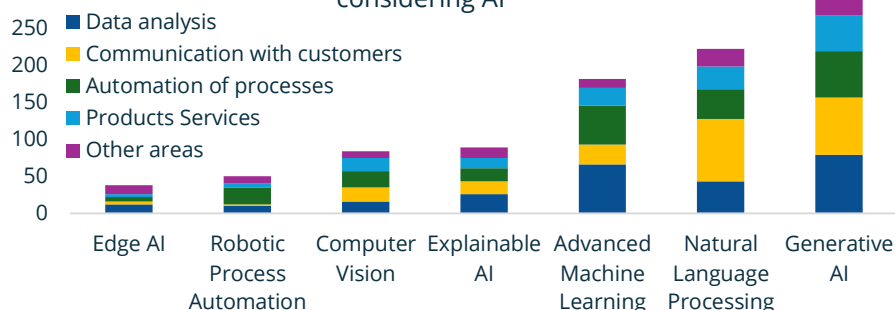
Applications of AI technologies across organisational functions

Organisations using AI



■ No ■ Something we are considering ■ Yes, currently

Investments in AI by function by those using and considering AI



Currently, 27% of organisations are using AI tools, while 39% are considering their adoption. Among the leaders that responded, generative AI was the most frequently selected focus area, particularly for data analysis, communication, and process automation.

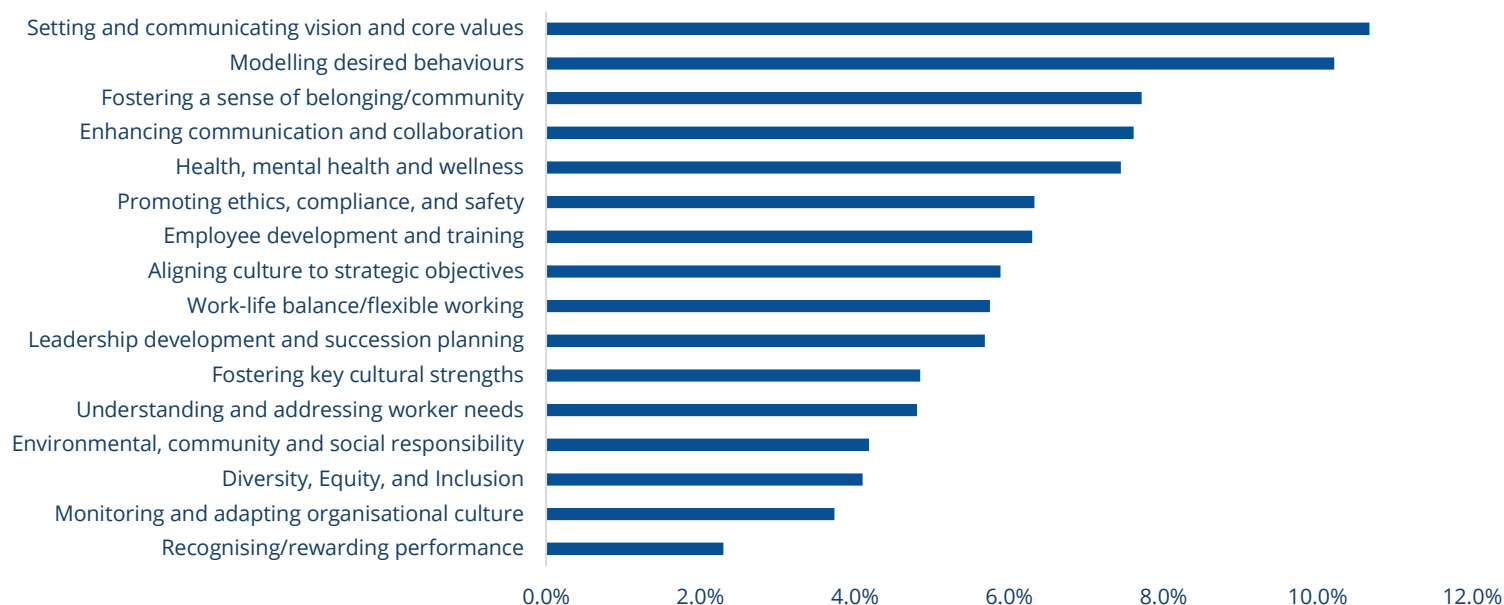
How AI adoption is expected to influence organisational culture



Based on selection frequency, leaders adopting or considering AI most commonly expect its cultural impact to enhance collaboration tools and platforms, which could improve 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.

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How leaders spend their time on organisational culture



Top organisational culture priorities are modelling desired behaviours, setting and communicating vision and values, and fostering a sense of belonging. Followed by enhancing communication, promoting wellness, and supporting employee development.

How leaders measure outcomes and value from organisational culture



Most leaders show a strong focus on health, safety, and customer engagement, with performance (based on selection frequency), with well-being and financial efficiency close behind. The lower-ranked options are opportunities to expand the toolkit for measuring culture.

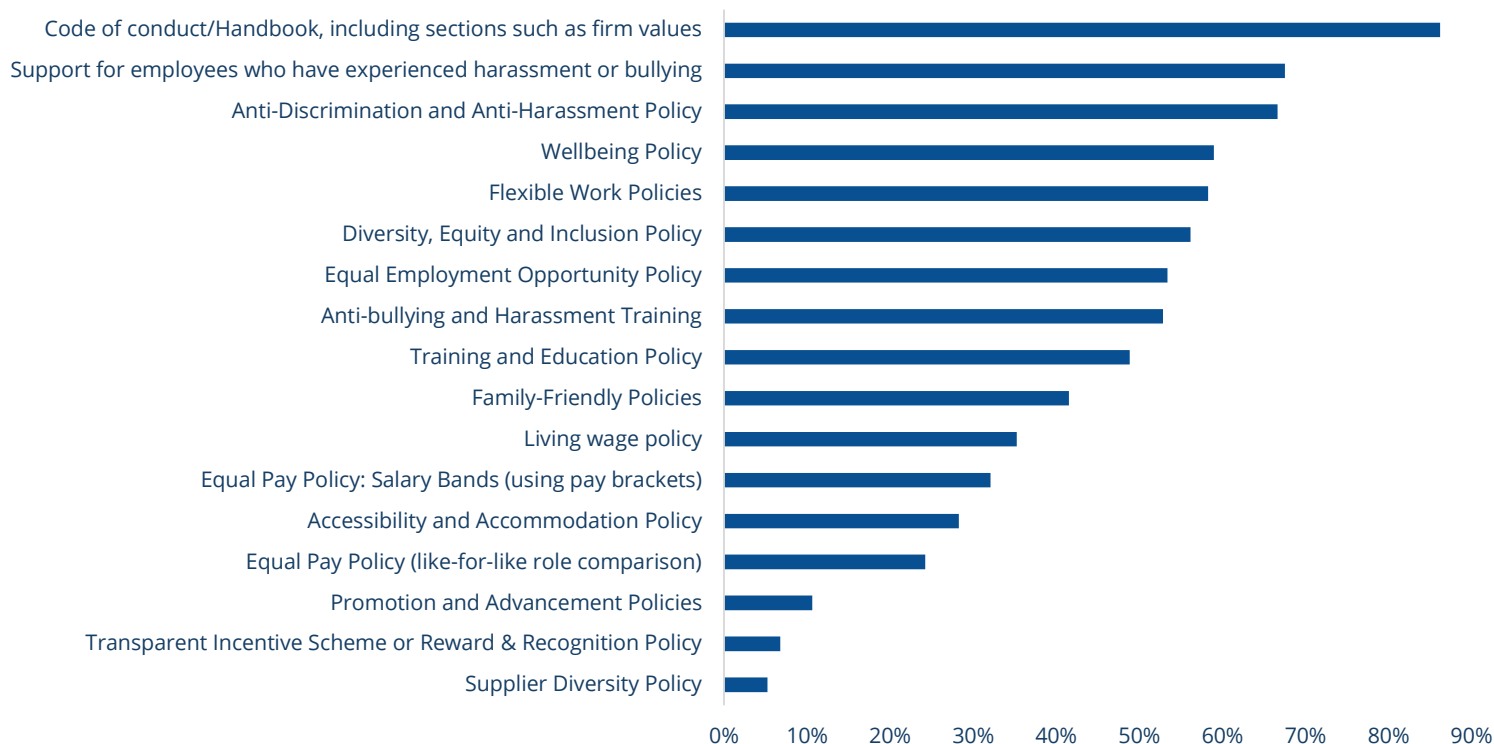
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Ethics-centric policies and processes



Most NFPs have formal policies, such as codes of conduct, while many focus on principles like doing the right thing.

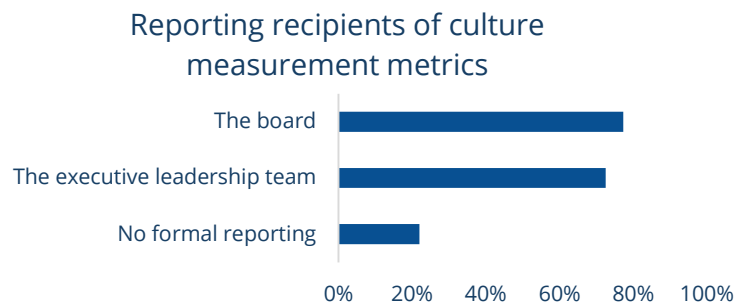
People-centric policies



NFP organisations commonly have codes of conduct, support policies for harassment or bullying, and anti-discrimination policies.

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Formal channels for reporting culture Ability to invest in culture



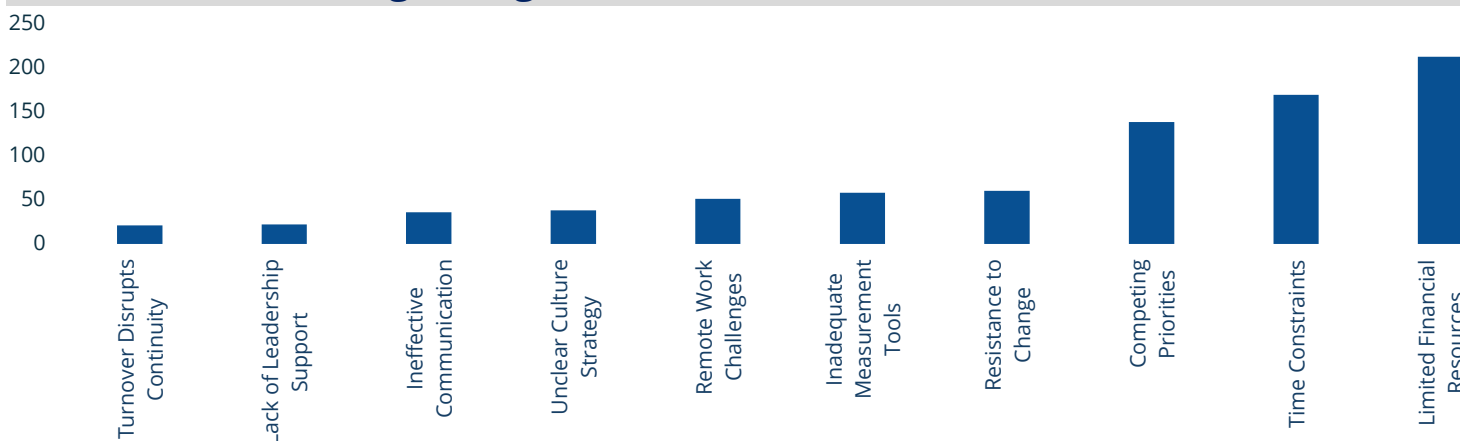
Freedom to invest as much as required in culture to maximise its value



Culture metrics are primarily reported to executive leadership and the board, with under 1/4 measuring it for only internal use.

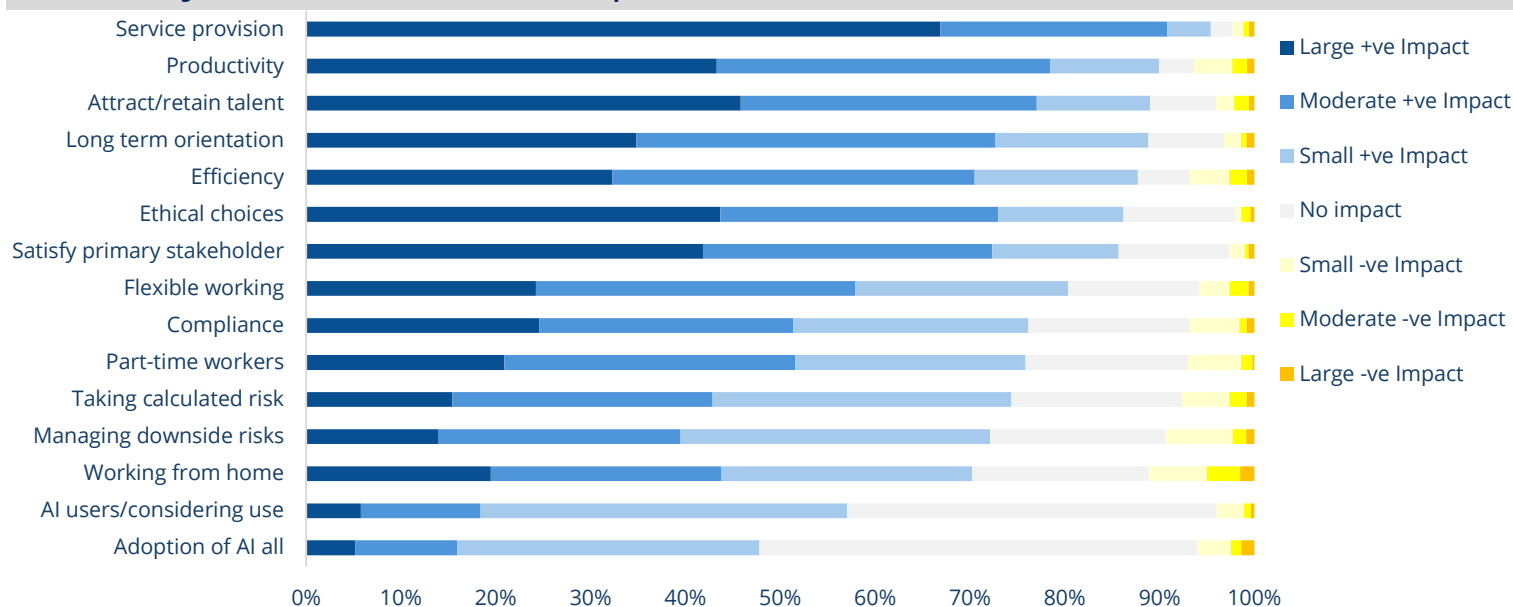
Just over half of leaders feel they can invest enough in organisational culture to realise its full value.

Barriers to investing in organisational culture to maximise value



Based on selection frequency, limited resources, and time constraints are top barriers to investing as much as needed in culture.

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.