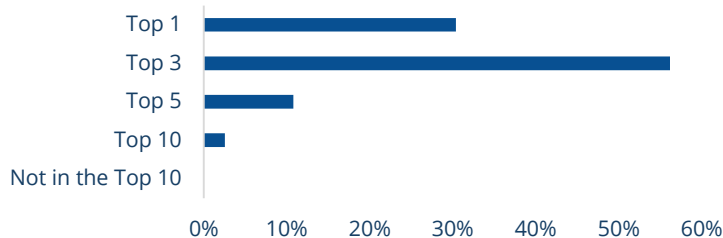


# Not-for-profit: 196 CEOs with fewer than 9 employees

March 2025

## Value of organisational culture

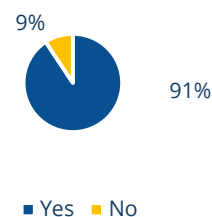
Culture's value relative to all organisational priorities



87% of leaders in organisations with < 9 employees rank culture among the top three value drivers. Slightly fewer rank culture as the top factor (30% vs. 34%).

## Value of improving culture

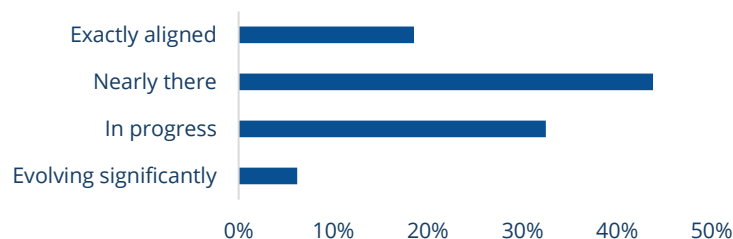
Improving culture will increase value to primary beneficiaries



91% of leaders believe improving culture will increase value for the primary beneficiaries they serve, lower than the NFP cohort.

## Current state of culture

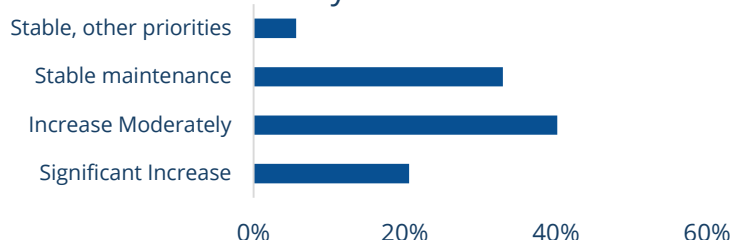
Strategy and organisational culture are



82% of leaders say they need to improve strategic alignment between culture and strategy, compared to 85% across all NFPs.

## Changes to culture

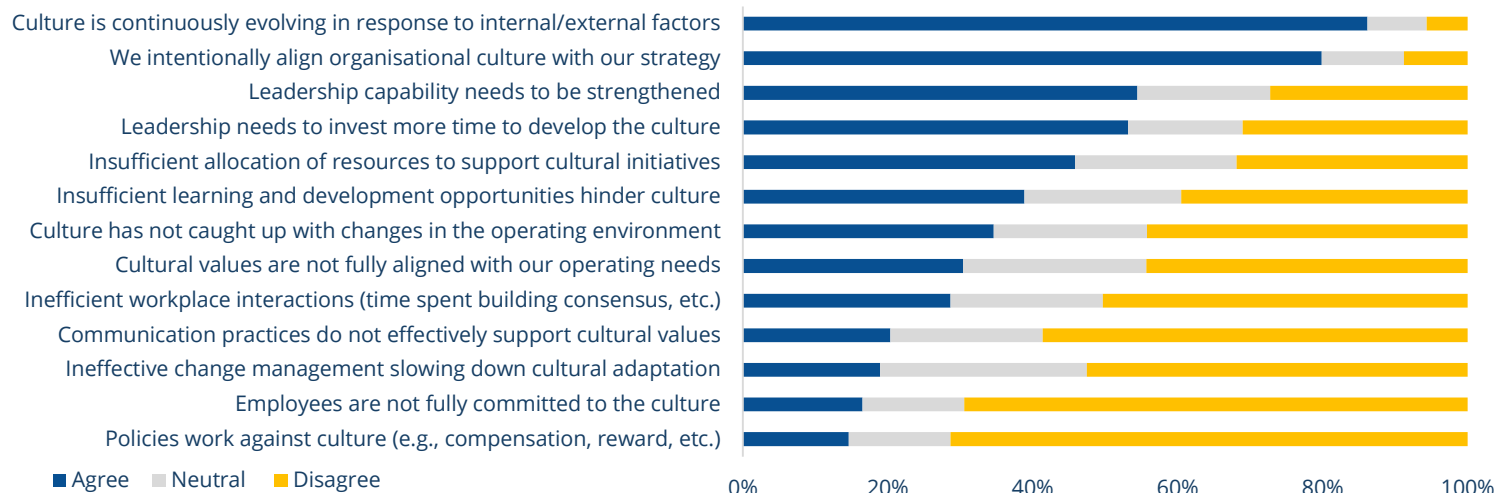
Expected culture efforts over next three years



87% of leaders rank culture among their top 3 priorities, 91% believe enhancing it adds value, yet only 61% plan to improve it - fewer than the 65% of all NFPs.

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

Alignment of culture with strategy: agreement levels on key statements



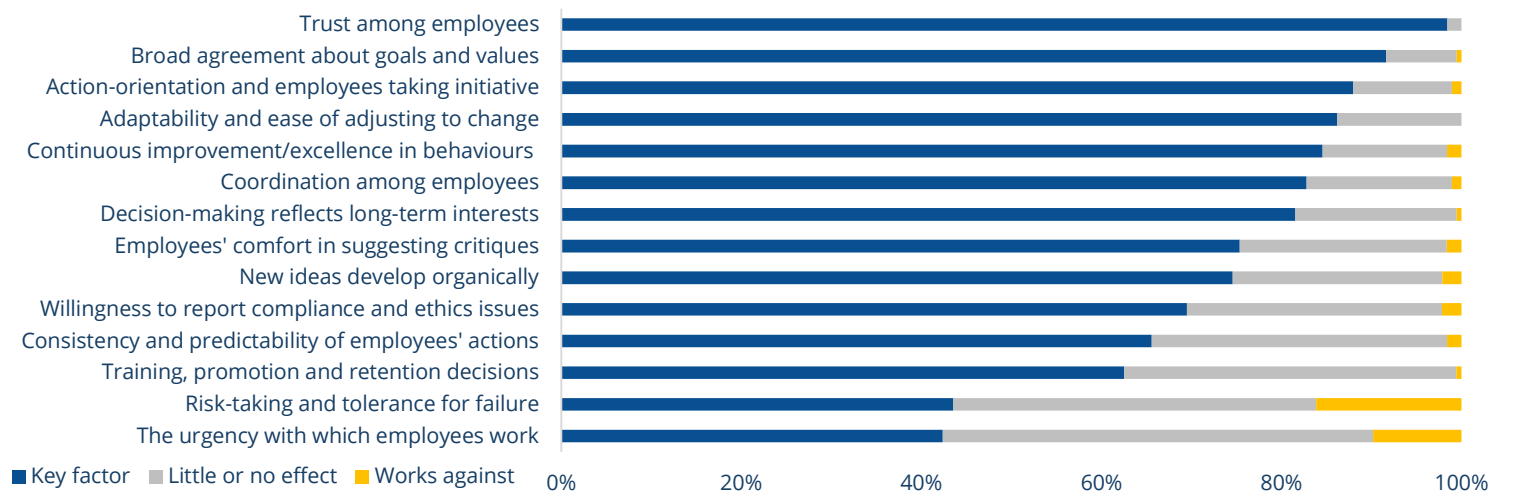
Of leaders whose culture is not aligned with strategy, 80% intend to align it. Another 86% cite evolving external and internal factors, while over 50% emphasise the need for leadership to invest time in culture and need to strengthen leadership capabilities. 46% note insufficient resources for cultural initiatives.

**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

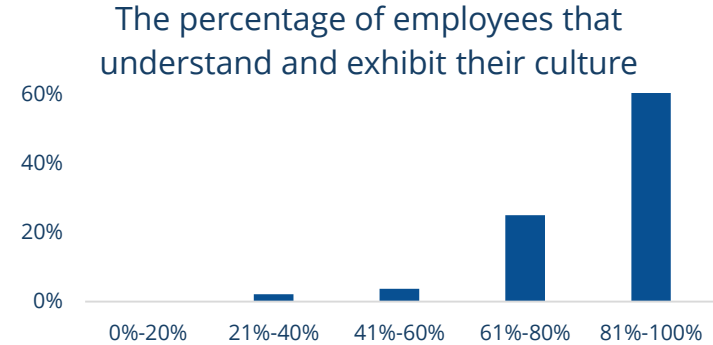
### Key factors in determining the effectiveness of organisational culture



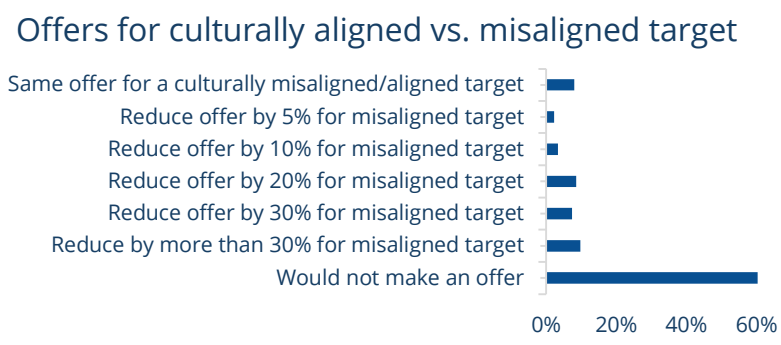
Trust among employees is key to cultural effectiveness, along with action orientation, taking initiative and coordination among employees. Between 10%–20% note that risk-taking, tolerance for failure, and urgency of work hinder cultural effectiveness.

Exhibit and understand culture

Identical M&A targets, one misaligned



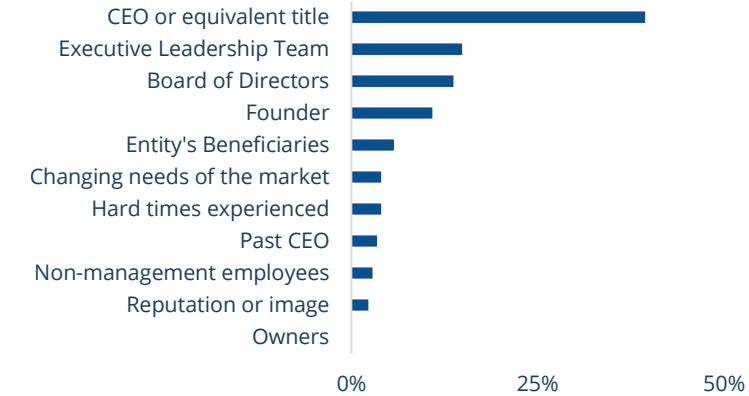
31% of leaders report staff misunderstand or act against the desired culture, matching 42% across all NFPs.



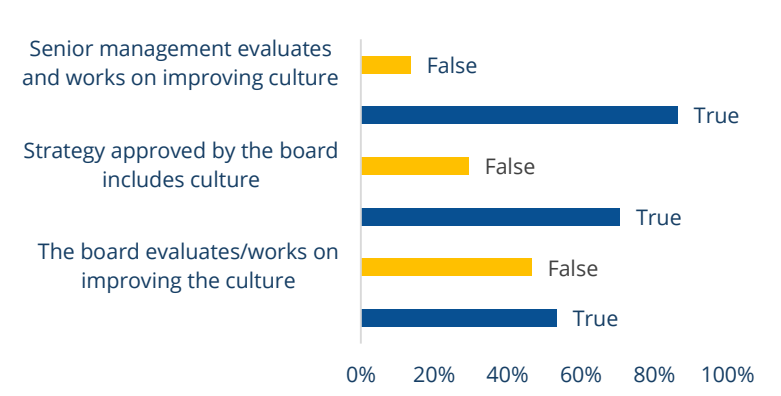
60% would not make an offer on the culturally misaligned target and another 32% would reduce an offer between 5% and more than 30%, slightly higher than all NFPs.

Most influential factor setting culture

Annual assessment of culture



Leaders in organisations with < 9 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



90% of organisations include whether employees exemplify their values in performance reviews, and 19% link discretionary pay to employee behaviours (compared to 28% of all NFPs). A further 52% consider exemplifying values a key criteria for moving into senior management (compared to 61%). Smaller organisations less frequently assess employee values and tie both discretionary pay and job progression to the demonstration of these values.

Investment style

Culture: risk, long-term and ethics



29% of leaders prefer a growth or high-risk strategy compared to a stewardship approach. 83% agree that culture drives project selection compared to 81% in the all NFP cohort.

80%+ leaders agree culture impacts long-term orientation, project investment style, how calculated risk is taken, and ethical behaviour, marginally lower than the overall NFP cohort.

Short-term leader incentives

Short-term staff incentives

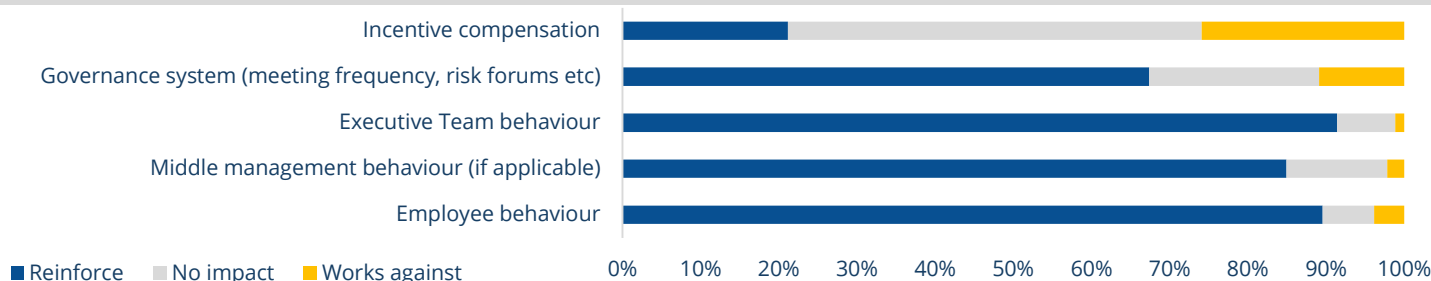


CEOs noted that, while they are not motivated by monetary incentives, they see incentives as signals. Despite 29% investing with a growth style, only 9% have STIs, fewer than overall NFPs.

Staff incentives align with those of leaders. While aligning incentives with a growth mentality can strongly signal support for the 29% 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 21% view it as reinforcing, while 26% believe it works against organisational culture.

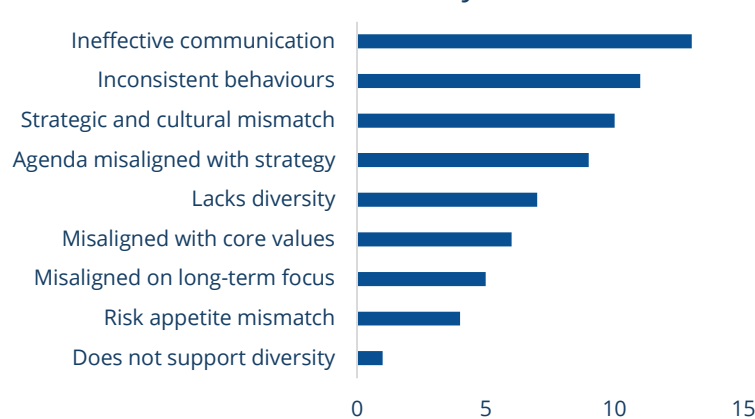
## Reasons incentive compensation and governance work against culture:

### Incentive compensation



14 leaders say incentive compensation incentivises the wrong behaviour, 12 note it undermines teamwork or is insufficient for performance and a further 14 cite it attracts and retains the wrong people.

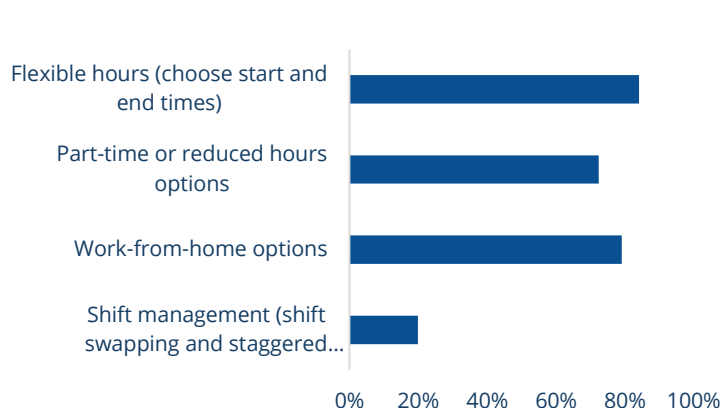
### Governance system



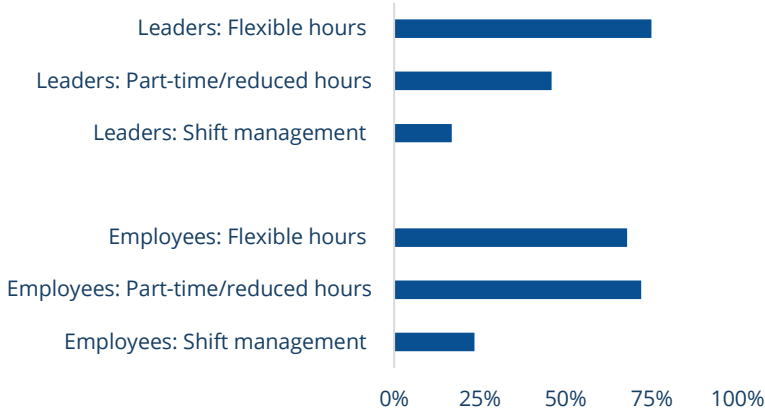
13 leaders say ineffective communication works against governance, followed by inconsistent behaviours (11), and a strategic and cultural mismatch (10).

## Support for flexible work arrangements

### Flexible work options provided



### Flexible work arrangements

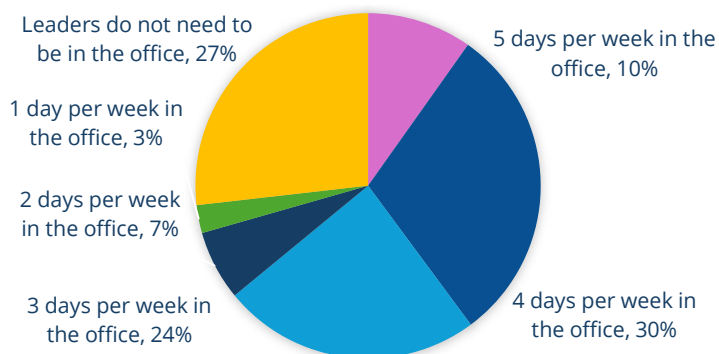


Leaders widely support flexible work arrangements. For employees, part-time or reduced hours are most common, followed by flexible hours. Among leaders, flexible hours lead followed by part-time options. Working from home options are also supported.

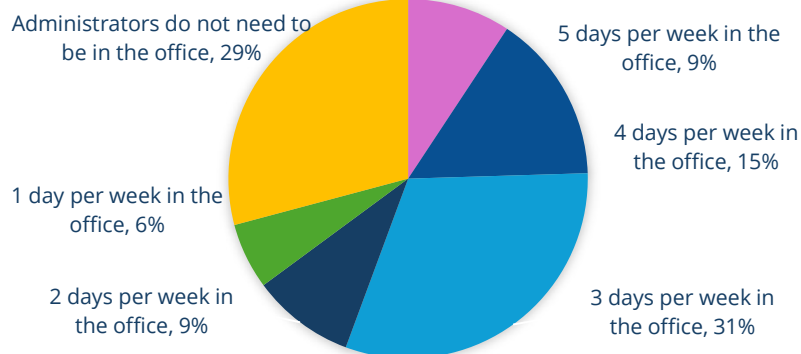
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## Optimal in-office days to support and nurture organisational culture

Leadership teams



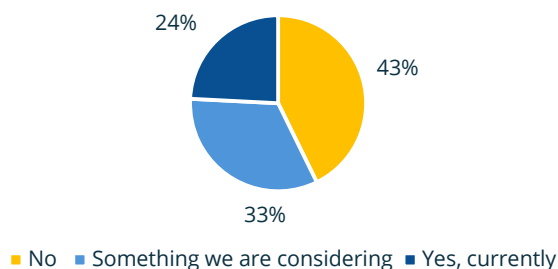
Administrators



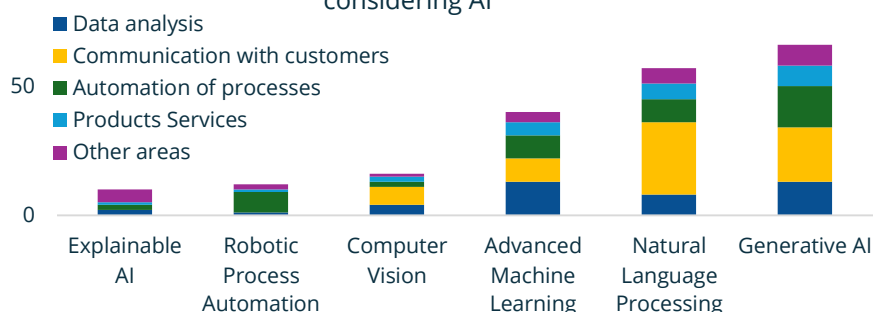
Leaders and administrators in < 9 employee NFPs can do more work from home and support and maintain the culture, compared to the overall NFP cohort. In both cohorts, leaders are required in the office more frequently than administrators, indicating a need for leadership visibility.

## Applications of AI technologies across organisational functions

Organisations using AI

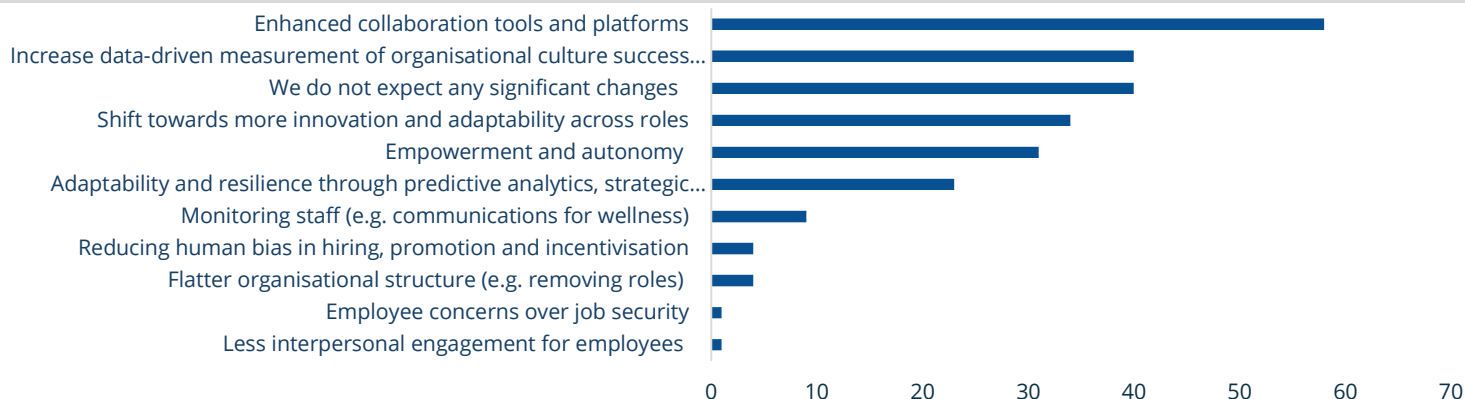


Investments in AI by function by those using and considering AI



In < 9 employee NFPs, AI adoption is slightly lower, with 24% using it compared to 27% across all NFPs, and 33% 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 automation of processes.

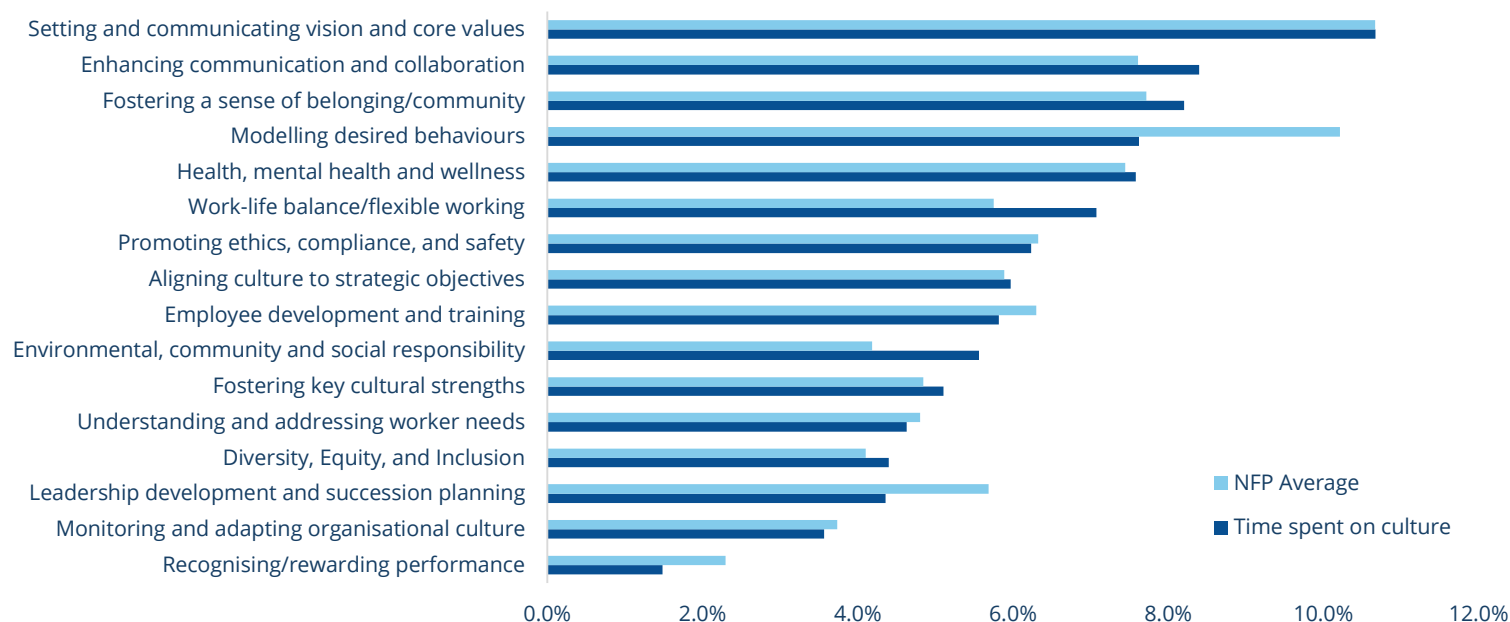
## How AI adoption is expected to influence organisational culture



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 anticipates the lowest impact on culture from AI uptake.

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## How leaders spend their time on organisational culture



< 9 employee NFPs spend more time on work and life balance, flexible working, and environmental and social responsibility.

In contrast, the overall NFP cohort places greater emphasis on modelling desired behaviours and on leadership development and succession planning.

## How leaders measure outcomes and value from organisational culture



In < 9 employee NFPs, there is a stronger focus on customer engagement, such as satisfaction and loyalty. This cohort places less emphasis on quantitatively measuring most other factors, perhaps because smaller NFPs can more easily track issues qualitatively in less complex organisations.

**Authors:** Susanna Lee (Leadership and Governance Collective),  
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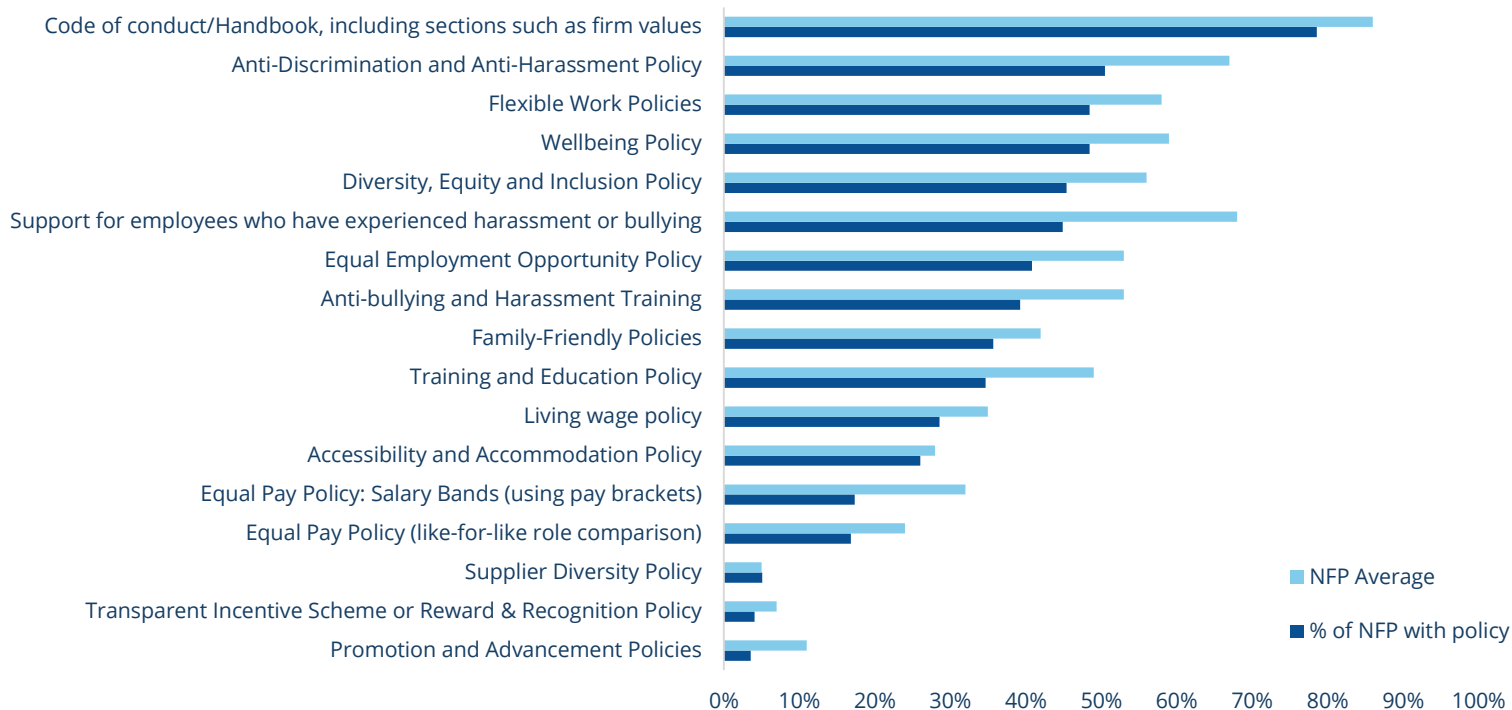
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## Ethics-centric policies and processes



While NFPs with fewer than 9 employees excel in sustainability and environmental responsibility initiatives, the broader cohort leads in most other areas, as larger, more complex organisations necessitate more formalised policies and processes.

## People-centric policies



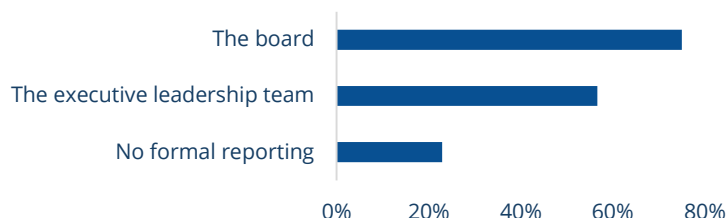
Smaller NFPs typically have fewer people-centric policies, likely because their limited scale allows for more direct, informal management of staff.



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

Reporting recipients of culture measurement metrics



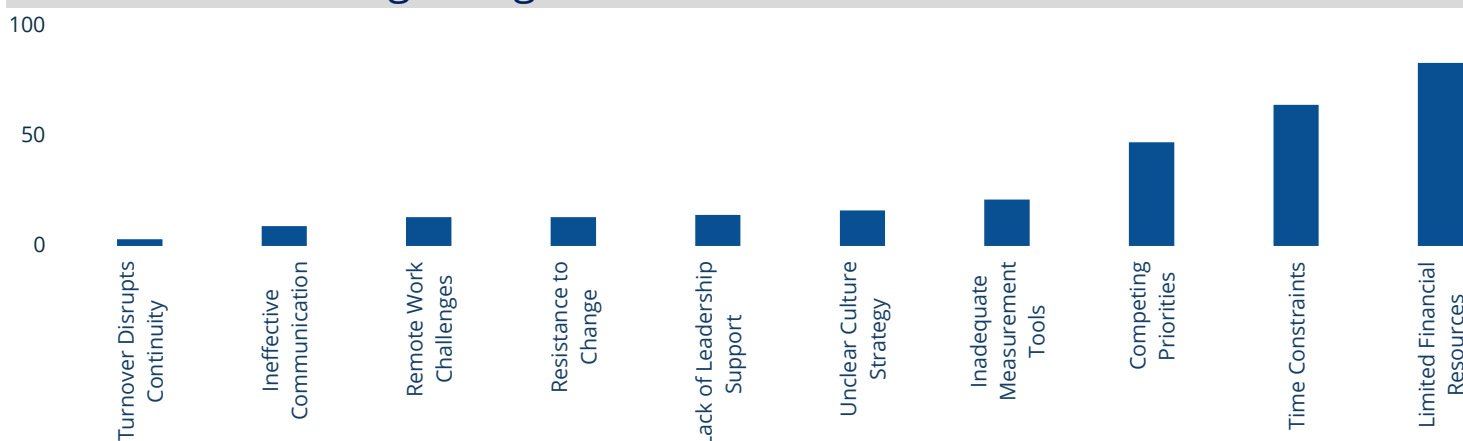
Culture metrics are primarily reported to executive leadership and the board, with 26% having no formal reporting.

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



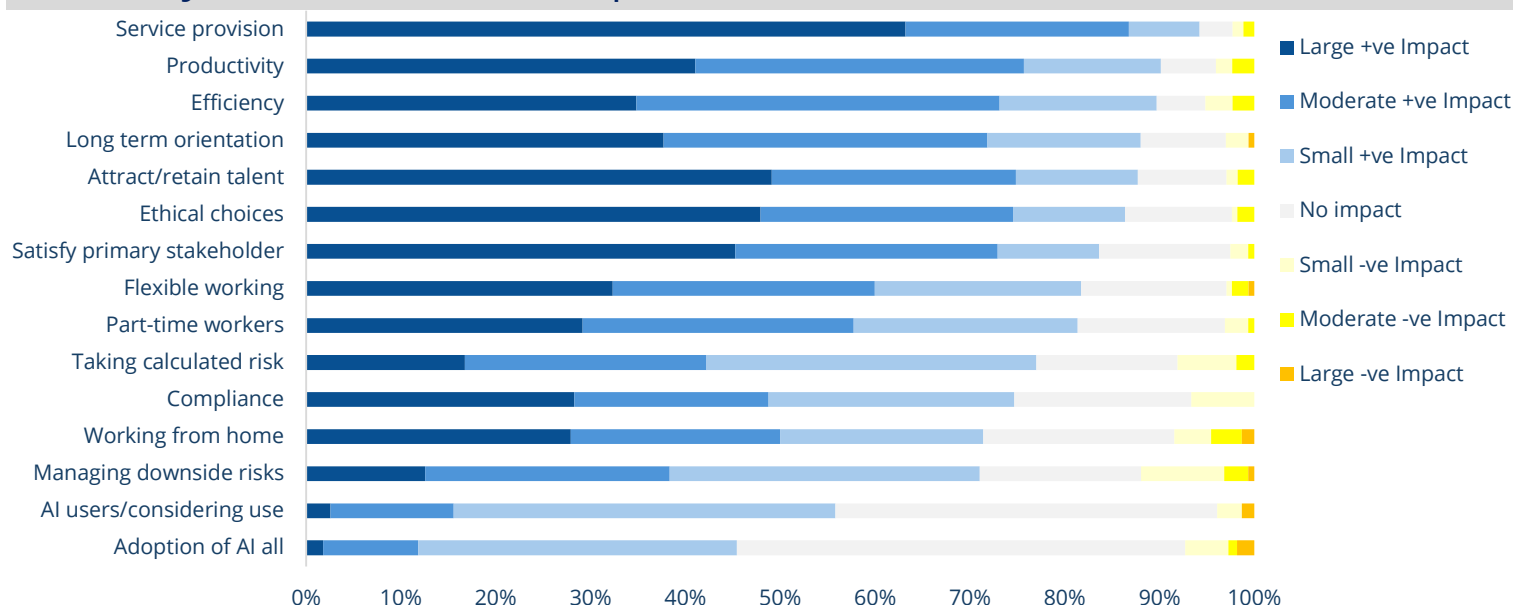
54% of leaders feel they can invest enough in organisational culture to realise its full value (compared to 55%).

## Barriers to investing in organisational culture to maximise value



Based on selection frequency, limited resources, and time constraints 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.