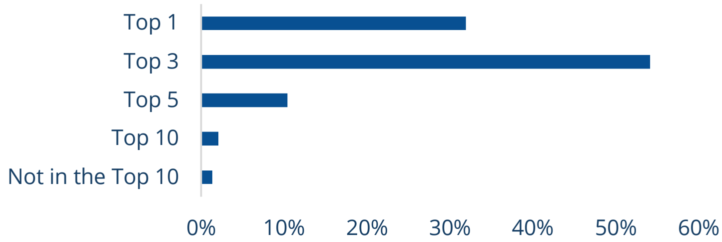
Not-for-profit 144 CEOs

Preliminary data as at: November 15, 20+ employees

Value of organisational culture

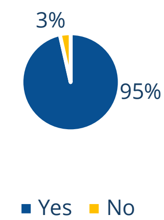
Culture's value relative to all organisational priorities



86% of leaders consider culture to be among the top three factors that make their organisation valuable.

Value of improving culture

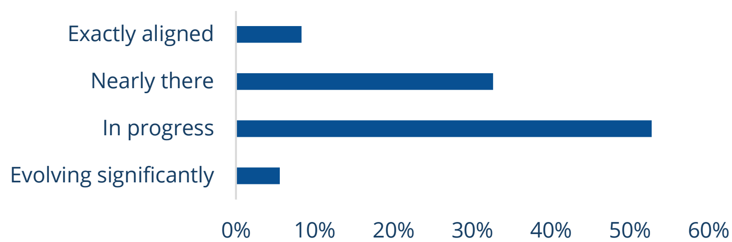
Improving culture will increase value to primary beneficiaries



95% of leaders believe that improving their culture will increase value for the primary beneficiaries they serve.

Current state of culture

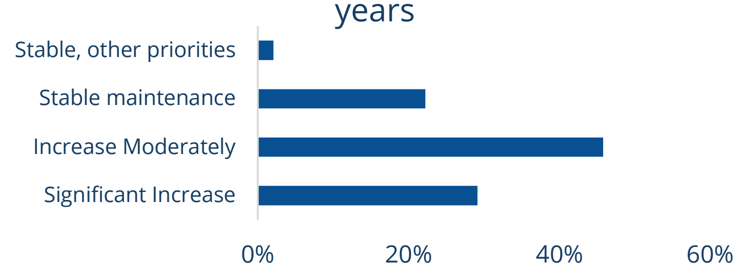
Strategy and organisational culture are



92% of leaders say they need to do some work to achieve ideal alignment between culture and strategy,

Changes to culture

Expected culture efforts over next three years



86% of leaders rank culture among their top 3 factors, 95% believe enhancing it increases value, but only 75% 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, 83% intend to align it. 85% cite continuously evolving external and internal factors as a key reason for misalignment. A further, 68% note that leadership needs to invest more time in culture, and 67% cite their leadership capability needs to be strengthened.

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

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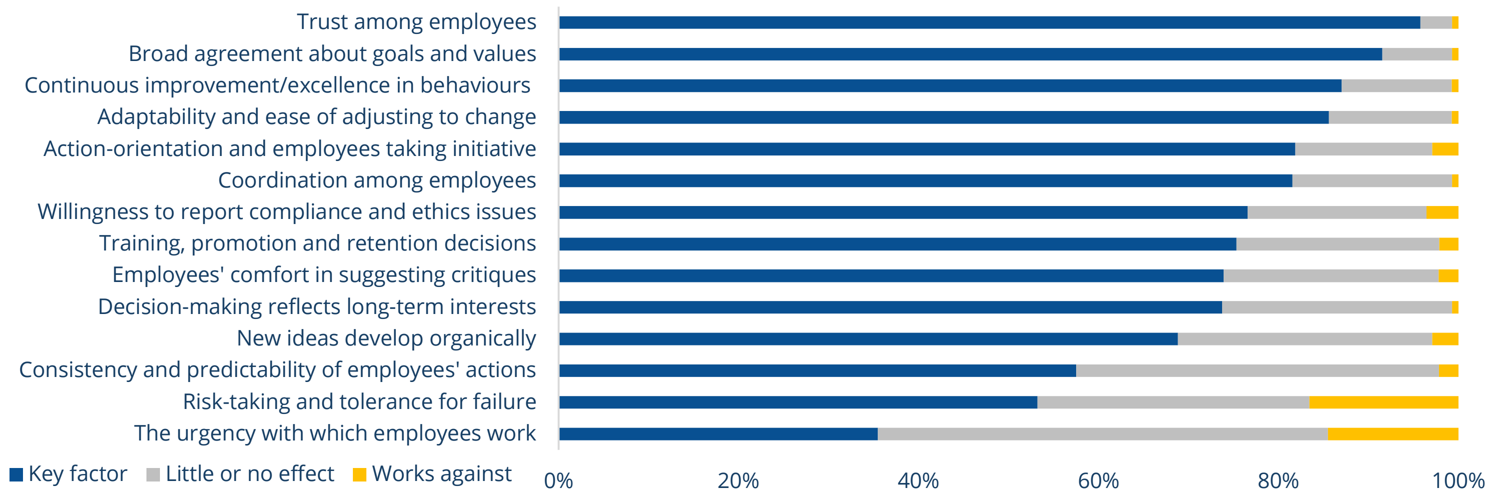
Why is organisational culture important

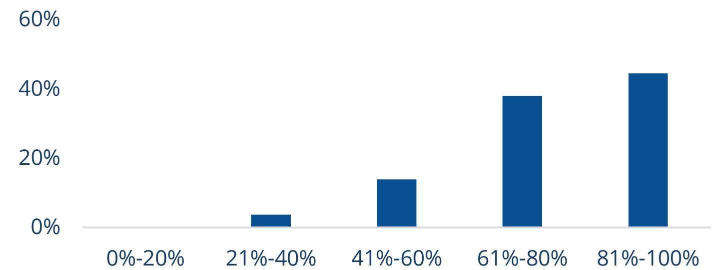
Key factors in determining the effectiveness of organisational culture



Trust among employees is key to cultural effectiveness followed by shared goals and values. Continuous improvement and excellence ranks higher in this cohort. 10%-20% cite risk-taking, tolerance for failure, and work urgency as barriers.

Exhibit and understand culture

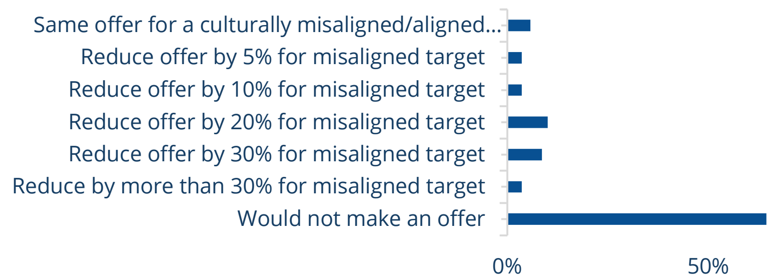
The percentage of employees that understand and exhibit their culture



Around 55% of leaders report that staff lack some under-standing or display behaviours contrary to the desired culture.

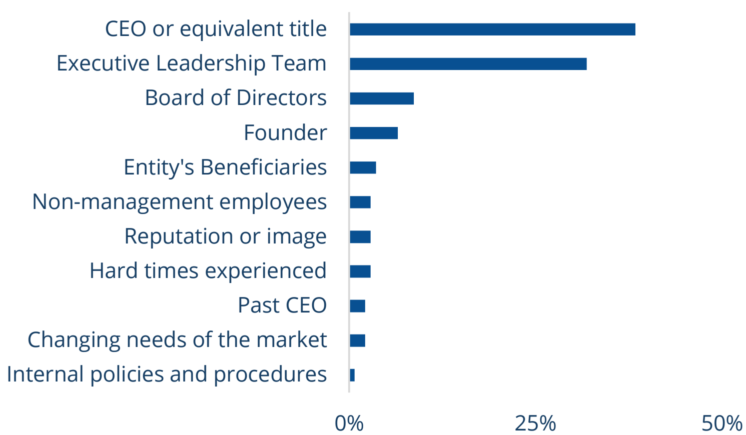
Identical M&A targets, one misaligned

Offers for culturally aligned vs. misaligned target

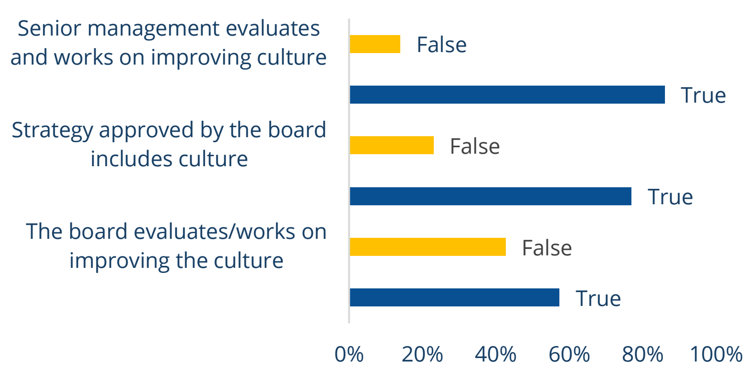


64% would not make an offer on the culturally misaligned target and another 30% would reduce an offer between 5% and more than 30%.

Most influential factor setting culture



Annual assessment of culture



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

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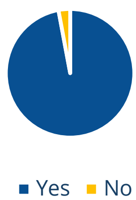
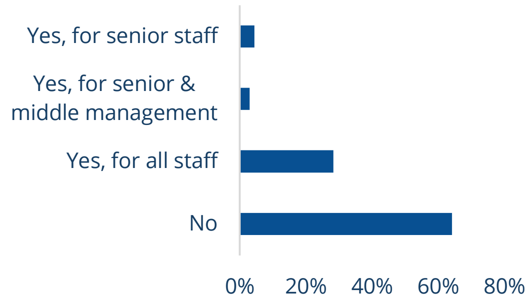
Exemplifying values: performance reviews, discretionary pay, & promotion

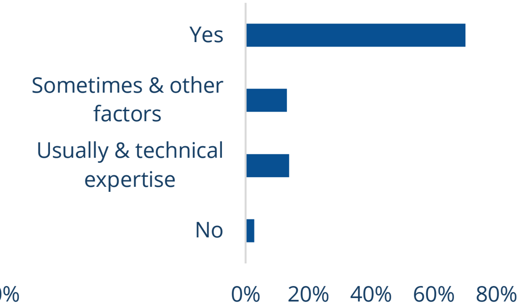
Employee behaviours reflect values included in performance reviews



Employee behaviour linked to discretionary pay



Behaviour a key criterion to advance to senior role



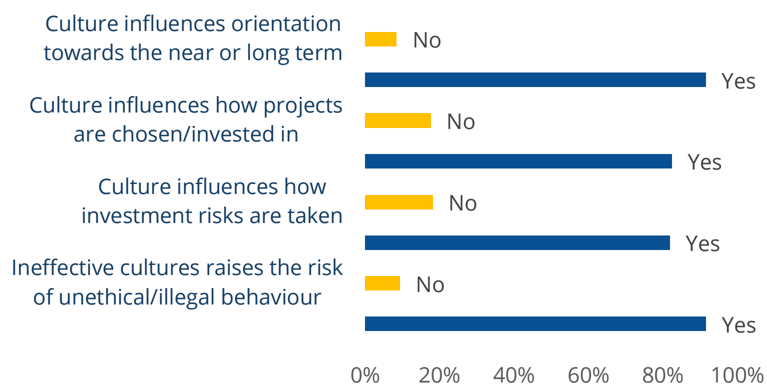
97% of organisations include whether employees exemplify their values in performance reviews, but only 36% link discretionary pay to performance. Around 30% consider exemplifying values a key criterion for moving into senior management. In pre-research discussions with NZ leaders, they noted that these are some of the strongest signals you can send to staff about the importance of your values.

Investment style

Project investment style

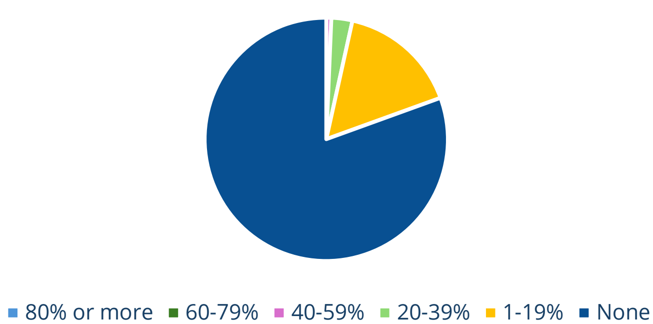
54% of leaders prefer a stewardship style strategy compared to a risk/growth approach. This cohort takes more project risk.

Culture: risk, long-term and ethics



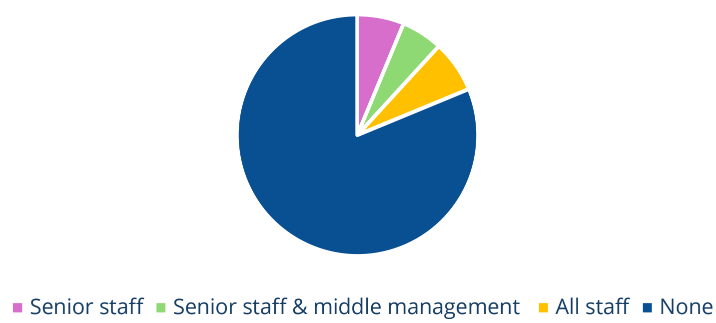
80%+ leaders agree culture impacts long-term orientation, project investment style, how calculated risk is taken, and ethical behaviour.

Short-term leader incentives



Leaders noted that, while they are not motivated by monetary incentives, they see incentives as signals. Of the 46% investing with a growth style, 19% have STIs. Fewer than 9% 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 46% with a growth approach, it is often not feasible for this sector.

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

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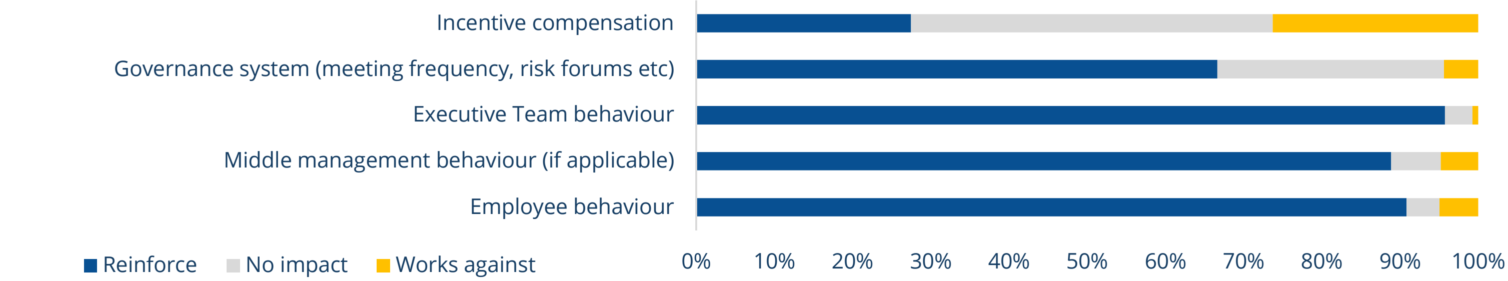
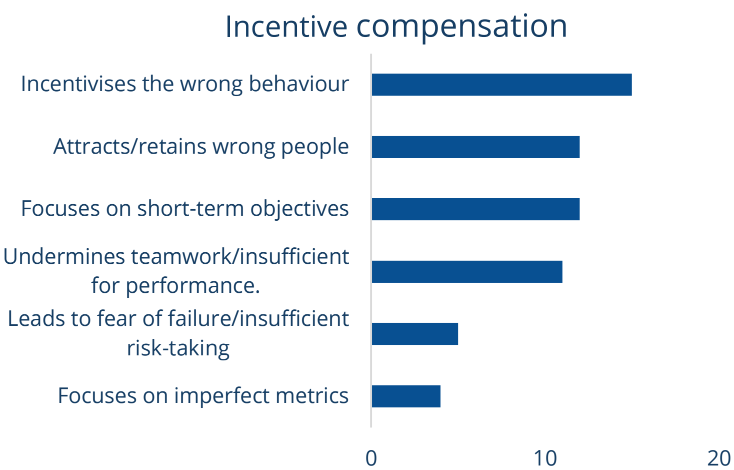
Impact of various factors on organisational culture effectiveness



Leadership and employee behaviours are the strongest reinforcers of culture. However, in organisations where incentive compensation is relevant, its impact is mixed, only 28% view it as reinforcing, while 26% believe it works against organisational culture.

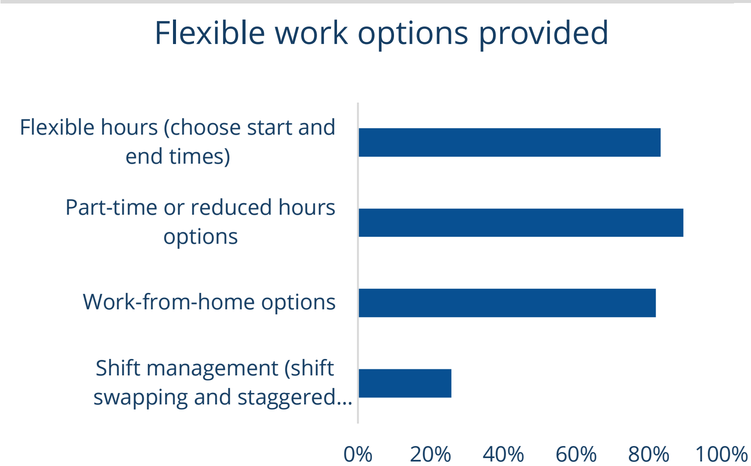
Reasons incentive compensation and governance work against culture:

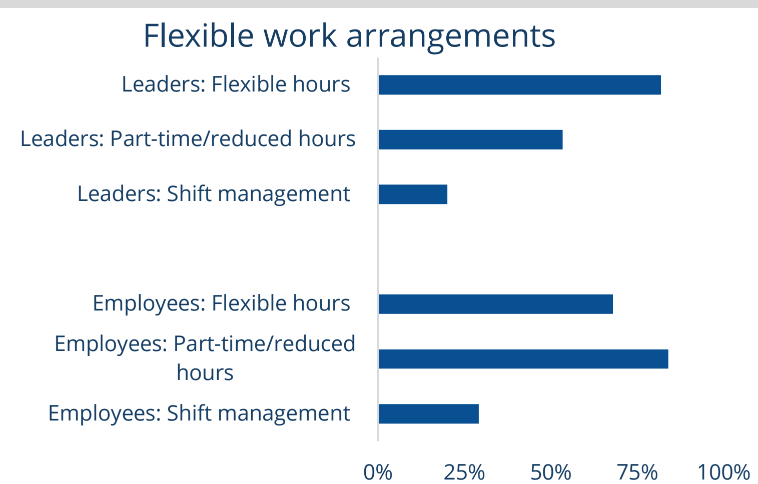


15 leaders say incentive compensation encourages the wrong type of behaviour, while 12 note it attracts/retains the wrong people, and focuses staff on short-term objectives.

4 leaders say ineffective communication and lack of diversity in their governance setup works against culture, while several note a strategy /culture mismatch, misaligned core values and long-term focus.

Support for 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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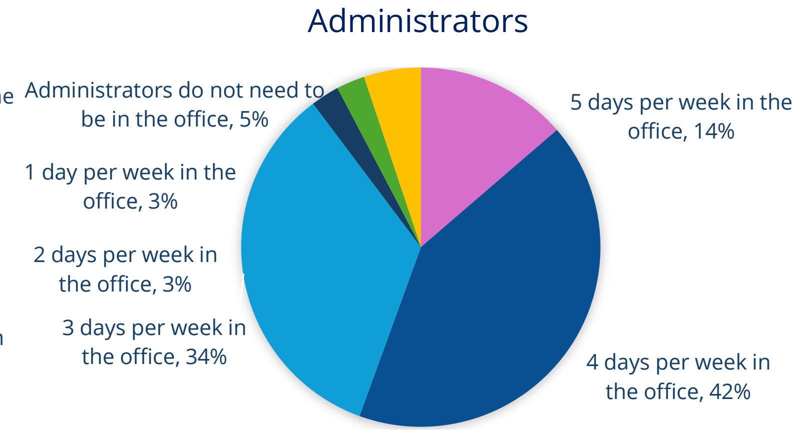
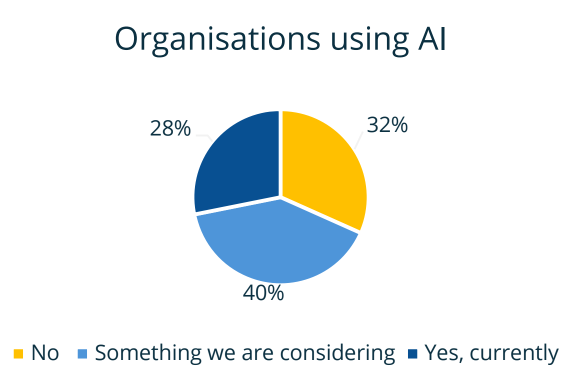
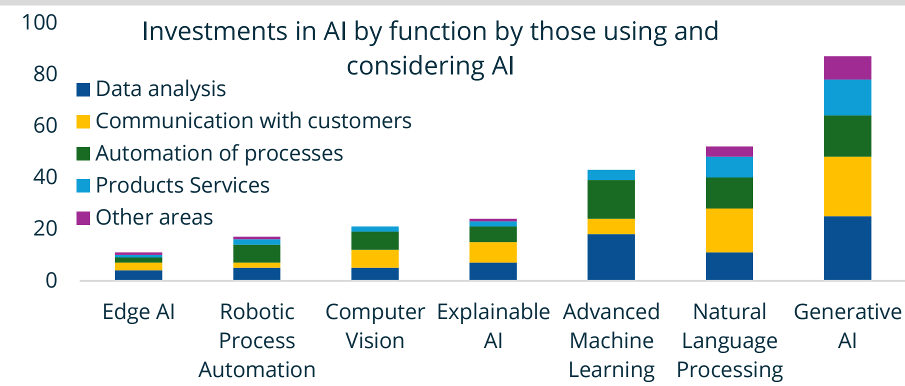
Optimal in-office days to support and nurture organisational culture



Leaders favour senior leaders and administrators working 3 to 4 days in the office each week to nurture organisational culture. Leaders have slightly less flexibility, and larger organisations appear to have less flexibility than smaller organisations.

Applications of AI technologies across organisational functions





Currently, 28% are using AI tools and 40% are considering their adoption; this is higher than the total cohort. Generative AI was the most frequently selected focus areas, for data analysis and products and services, followed by communication and process automation.

How AI adoption is expected to influence organisational culture

Leaders that have adopted AI or are considering it most commonly expect AI's impact on organisational culture to be the enhancement of 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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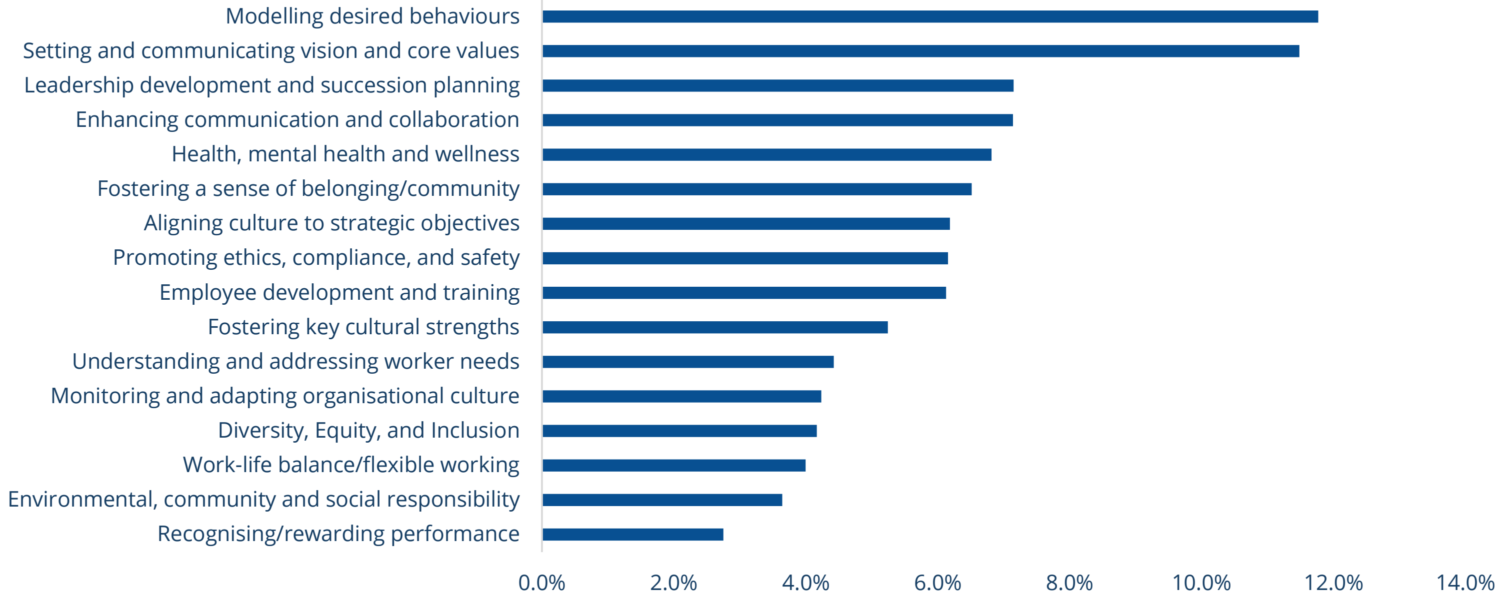
How leaders spend their time on organisational culture



Top organisational culture priorities - modelling desired behaviours, setting and communicating vision and values - remain consistent across the sector. There is variation in lower-ranking items such as fostering belonging which ranks third for smaller organisations.

How leaders measure outcomes and value from organisational culture

Based on selection frequency, most leaders have a strong focus on health and safety and performance across the sector. Employee engagement is more important for this cohort, which becomes more complex as organisations increase in size.

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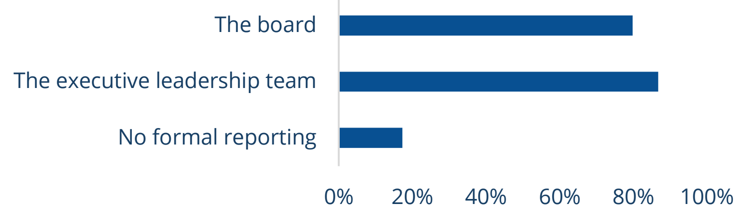
Formal channels for reporting culture

Reporting recipients of culture measurement metrics



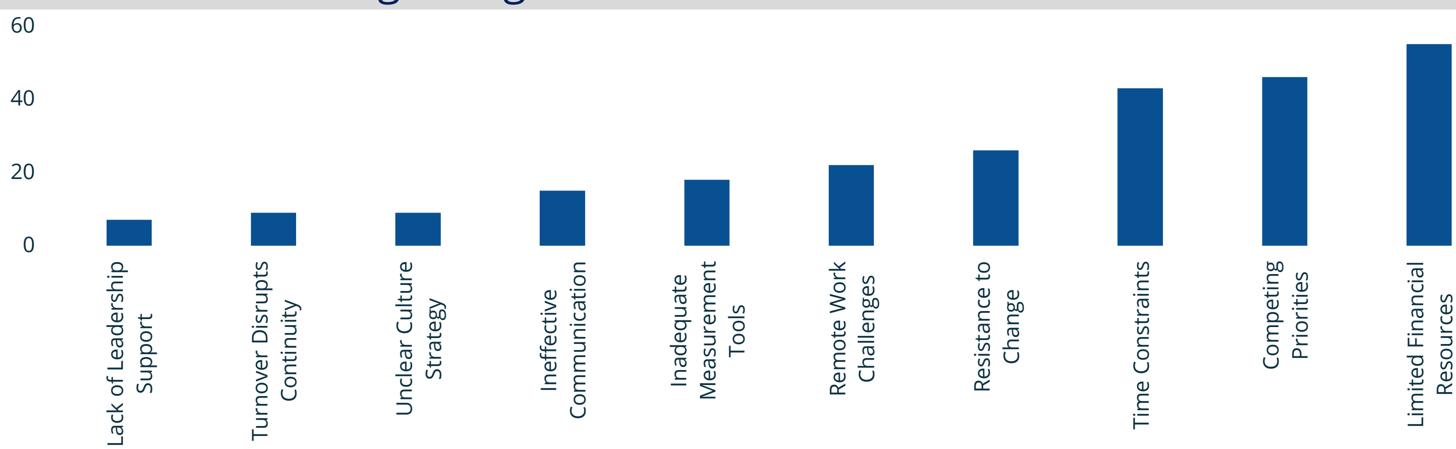
Culture metrics are primarily reported to executive leadership and the board, with under 1/5 measuring it for only internal use.

Ability to invest in culture

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

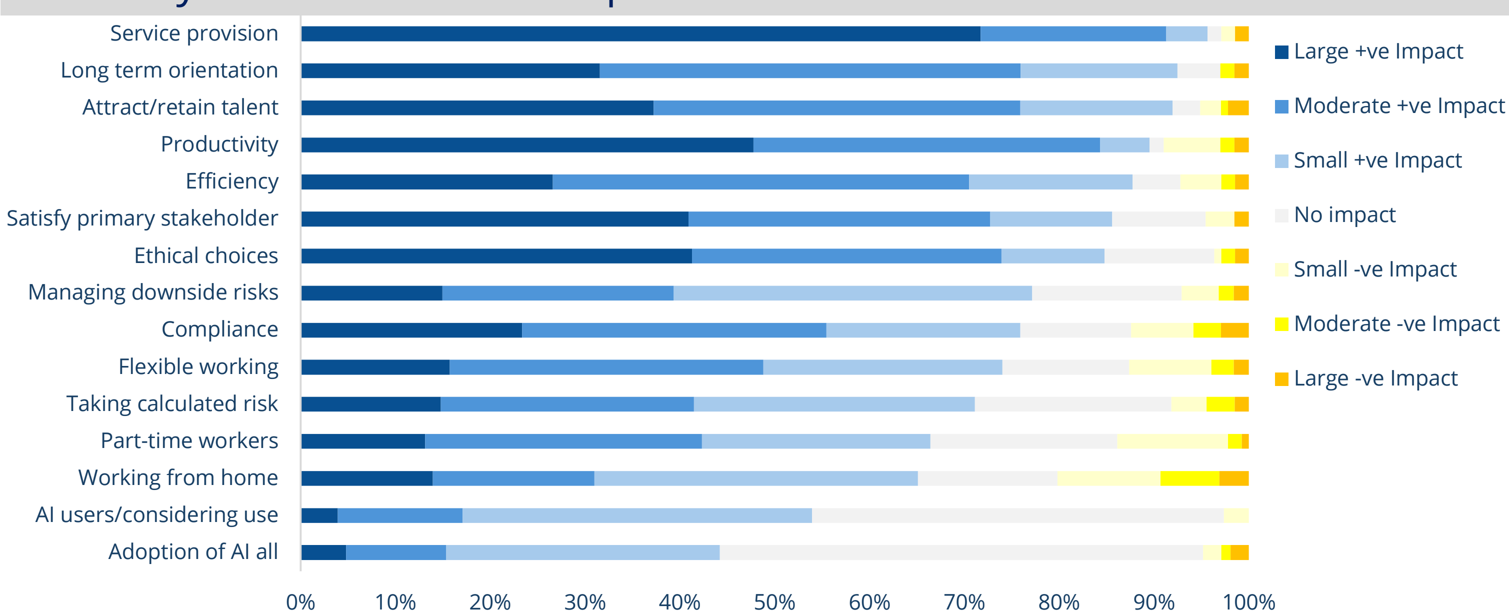
Just over half of leaders feel able to invest as much as required in organisational culture to realise the value of their culture.

Barriers to investing in organisational culture to maximise value



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

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