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TRANSFORM ARTICLE

WHY CORPORATE CULTURE IS IMPORTANT FOR PRIVATE EQUITY FIRMS

By Daniel Denison

The PE industry has grown dramatically over the years and now manages $15-20 trillion of investment. Not only is it much larger than the public equity markets, it is also growing faster. Although its early focus was often on restructuring distressed assets, the PE industry has developed many specialized approaches for different sectors, technologies, markets, geographies, size, and stages of development. At the same time, hold rates have gradually become longer as firms undertake more significant restructuring and repositioning. That often means that portfolio companies must now achieve successful growth in order for PE investments to continue to deliver superior returns to their investors. But what role can workplace culture transformation play in the PE business model? This article gives an overview of our approach and presents the model that we use to assess each firm's culture and leadership. We then present two case studies, done in cooperation with one of our key clients, Birch Hill Equity Partners - a middle market private equity firm based in Toronto, Canada. (www.birchhillequity.com).

Our research has shown that the culture of an organization is often the "glue" that holds it all together. Culture is not only a soft asset—it's a strategic one. Organizations with strong, aligned cultures outperform their peers in revenue growth, employee engagement, customer satisfaction, and profitability. Leadership is also key. New strategies and structures don't implement themselves. Leaders need to build alignment around the demands of the marketplace and build a team that can create the organizational systems that firms need to compete. A common mindset and a shared set of practices that bring those values to life is essential to driving the next stage of growth. The knowledge and commitment of a firm's PE ownership about the importance of culture and leadership is often a key point of leverage for the transformation.

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Our Approach

Our approach is based on years of research about how the culture of an organization impacts business performance (Denison, et al, 2012). The research identifies four key traits of a high-performing organization's culture. First, they build a clear sense of mission that is well understood through the organization. A strong sense of purpose and strategy, backed up by clear goals and objectives, provides the needed direction. They also have a high level of adaptability. They are in tune with the customer, learn at a high pace and are adept at translating the dynamics of the marketplace into the internal capabilities that allow them to respond and deliver. High performing organizations also have high involvement from their people. They work well together and generate the capabilities that the firm needs to deliver on their new direction. Finally, high performing organizations create an internal infrastructure that creates the consistency needed for everyone to deliver on the mission, be adaptable and engage with confidence.

We represent these ideas in our model of culture and leadership, presented in Figure 1. In our Denison model assessment, each of the twelve dimensions is measured by a well-tested set of survey items, and the scores are compared to a global benchmark of over 1000 organizations and 25,000 leaders.

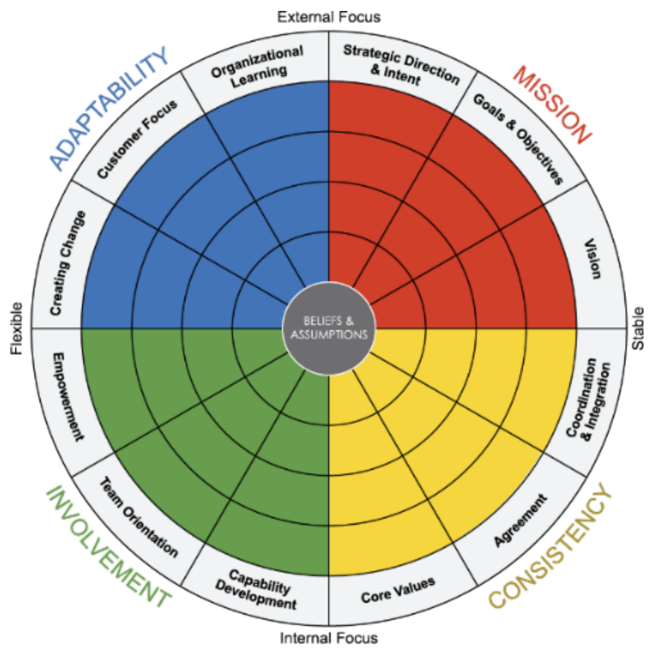

Figure 1. The Denison model of culture and leadership

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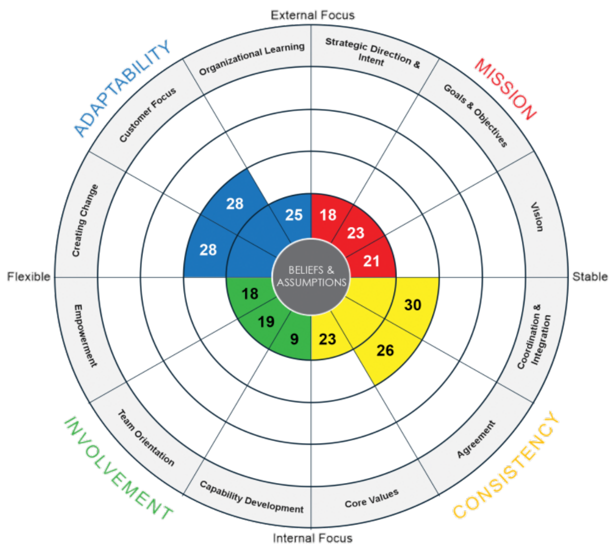
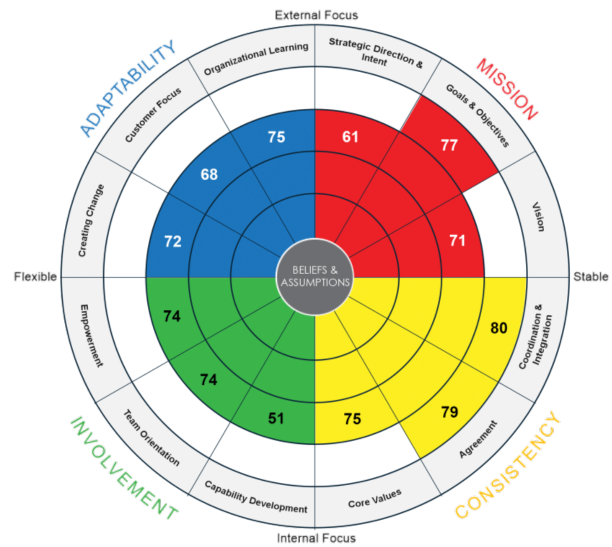
We've studied the link between these dimensions and various aspects of business performance. Figure 2 presents the results of one of our studies with special relevance to PE firms. This study focused on a sample of 60 portfolio companies, all from the same PE firm. This simple comparison contrasts the top 30 and the bottom 30 companies in terms of their culture scores. This shows that the performance of companies with high culture scores is significantly higher than the companies with low culture scores.

Bottom 30 Companies



Top 30 Companies



Bottom 30 Companies		Top 30 Companies
-1	EBITDA Growth	17
-4	Sales Growth	6

Figure 2. Culture & Performance of 60 Portfolio Companies

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How it Works

Our approach is a proven methodology, backed by research and grounded in practice. We begin by engaging key leaders (typically members of the executive team and senior management) in one-on-one interviews. These conversations provide essential context about the organization's strategy, leadership dynamics, cultural history, and business challenges. This qualitative insight lays the foundation for interpreting culture and leadership data in the context of the real-world pressures that the organization is facing.

Following the interviews, we survey the leaders and organizational members, evaluating behaviors and beliefs across all levels of the organization. The raw scores are then converted into percentiles, providing clients with a clear view of where they stand relative to peers in high-performing companies. For example, a score in the 70th percentile on "Customer Focus" means the organization outperforms 70% of companies in the global dataset on that dimension. These percentiles give leaders a quick, data-based way to pinpoint both strengths and critical vulnerabilities.

When there are key executive transitions, a common event in portfolio companies, leadership assessments help ensure that new leaders align with the desired culture and business priorities from day one. It also provides development plans to elevate the effectiveness of existing leaders and the ability of the team to work together. The culture shapes the leaders, and the leaders shape the culture.

Figure 3. Combining culture and leadership

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Once both the qualitative and quantitative data are in hand, the data is compiled and a culture profile emerges at every level of the organization and for every leader. These insights are presented back to the leadership team in a facilitated working session. The value of the interviews, assessments and comprehensive insights help leaders make better-informed decisions on how to develop or transform culture to support their business goals.

PE firms will often get a base profile shortly after the acquisition. Follow up assessments are conducted annually to measure progress, reinforce accountability, and adapt the strategy as needed. This ensures that culture becomes a lever for value creation—not a side-bar conversation.

Practical Examples

To give a clearer picture of how the improvement process works, we have included two case studies of the successful transformation of portfolio companies. Birch Hill's approach to building and growing middle market companies puts a strong emphasis on transforming their cultures. A core principle of Birch Hill's practice is that they always try to "leave our portfolio companies better than we found them." They are also deeply committed to providing extensive support through data-based analytics to their companies to help them grow. This approach has worked well. Since launching their first fund in 1994, Birch Hill has delivered top quartile returns to their investors.

Part of their success involves taking a consistent approach to the process of culture change. Like many of our PE clients, Birch Hill surveys each of their portfolio companies on a regular basis and then shares the results with their management teams in a process that includes both feedback and action planning. After the management feedback and action planning process, the companies then ask each member of the team to share the results with their individual teams and develop action plans. Then, the management team meets again to share those action plans and coordinate the actions. This part of the process is powerful because it creates accountability, buy-in, and integration.

Next, we provide brief case studies of the culture changes in two of Birch Hill's successful portfolio companies, CCM Hockey and Motion. (www.ccmhockey.com, www.motioncares.ca).

CCM Hockey

Birch Hill acquired CCM Hockey from Adidas in 2019 for US$110 million. Within Adidas, CCM was one of many sports-oriented retail brands, with limited independence and strategic control. Marrouane Nabih joined the break-even CCM as CFO around the time of the acquisition, bringing wide-ranging financial experience in Pulp & Paper, Aluminum, and HR staffing. Marrouane later became CEO of CCM and continued to lead the successful transformation of the 125-year-old hockey icon in head-to-head competition with their long-time rival Bauer. At the end of 2024, CCM was sold to Swedish PE firm Altor for CAD $600- million.

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With a new sense of strategic control and independence, Marrouane introduced a fundamental change in the mindset of the team: "Be the best!" Not just good enough to meet Adidas quarterly financial targets, or good enough to keep pace with Bauer, but good enough to be the best in the world. At the core of this strategy were design innovations that made their products stronger, with better performance to serve the amateur and the professional markets for both men & women. In the words of one of their executives, CCM culture began to turn from being "comfortable" to being "more opportunistic & ready to lead change for the better of the sport." New partnerships with hockey national teams, hockey associations & partners across the world, coupled with and key NHL & PWHL top players brought excitement to this Canadian icon in a way that only hockey can do.

CCM's culture survey results highlighted several of the key challenges faced by the team. Moving from a largely complacent subsidiary of Adidas to an aggressive leader in their segment required extensive re-alignment around the new objectives. But creating an aligned culture required a lot of discussion about the implementation of the new strategy. The discussion of the survey results helped to communicate this throughout the organization and to identify the pockets of opportunity where the capabilities of the leadership team were not strong enough to deliver on the new mission. Discussion of the departmental results and action plans generated from those discussions made it clear where the biggest changes were required. It felt like a breath of fresh air for those who were waiting for change but was sometimes difficult for those who were not ready. Realigning the team and ensuring a good culture fit with all of the organization's leaders was a powerful way to manage the transition to a team that aspired to be the best in the world.

Marrouane further honed his transformation expertise at CCM, building on his deep leadership experience in European and North American multinational firms. This background uniquely positioned him to lead the Montreal-based company's global culture, and to dismantle the longstanding silos that had constrained its growth. He continues to serve as CEO and co investor under CCM's new ownership, ensuring continuity as they pursue their ambition to be best in the world & lead the charge for innovation in hockey.

Motion

Motion is the leading provider of mobility and home accessibility products in Canada. Through a network of over 46 locations, they deliver comprehensive accessibility solutions to increase their clients' mobility and independence, provide them with a safe and accessible home environment, and enhance their quality of life. Their products, such as wheelchairs, mobility scooters, stairlifts, power lift recliners, ramps, and bathroom safety items, can be life-changing solutions.

Birch Hill acquired Motion from Centric Health Corporation in 2014 and subsequently acquired its largest competitors (Shoppers Home Health Care) in 2016. Both businesses were performing important functions in the Canadian health-care system but were marginally profitable. Founded in Toronto in 1985, Motion has expanded across Canada to become the market leader in their segment. In September 2025, Motion joined forces with Numotion – a similar provider of mobility and accessibility solutions across the US (www.numotion.com) -- to create the North American leader in mobility and accessibility solutions.

Motion's enhanced sense of purpose has been the most powerful driver of their transformation. Their –vision to "make life accessible for everyone" comes first, and that serves as a clear purpose for Motion's people, helping to define a compelling business strategy. Motion's products and service can impact every aspect of their clients' lives. Their philosophy is to provide a network of empathetic experts that provide their clients with the products and support that they need to achieve the freedom and equality they deserve.

We first used the culture survey with Motion in 2018 when the company was under the ownership of Birch Hill and was going through a significant period of change, including new systems, leadership and meaningful changes in the regulatory environment. The initial results did not reflect positively on the company's culture, but this created a high level of motivation to improve the organization. As you can see in Figure 4, the initial survey results set the stage for a remarkable turnaround in Motion's culture and business.

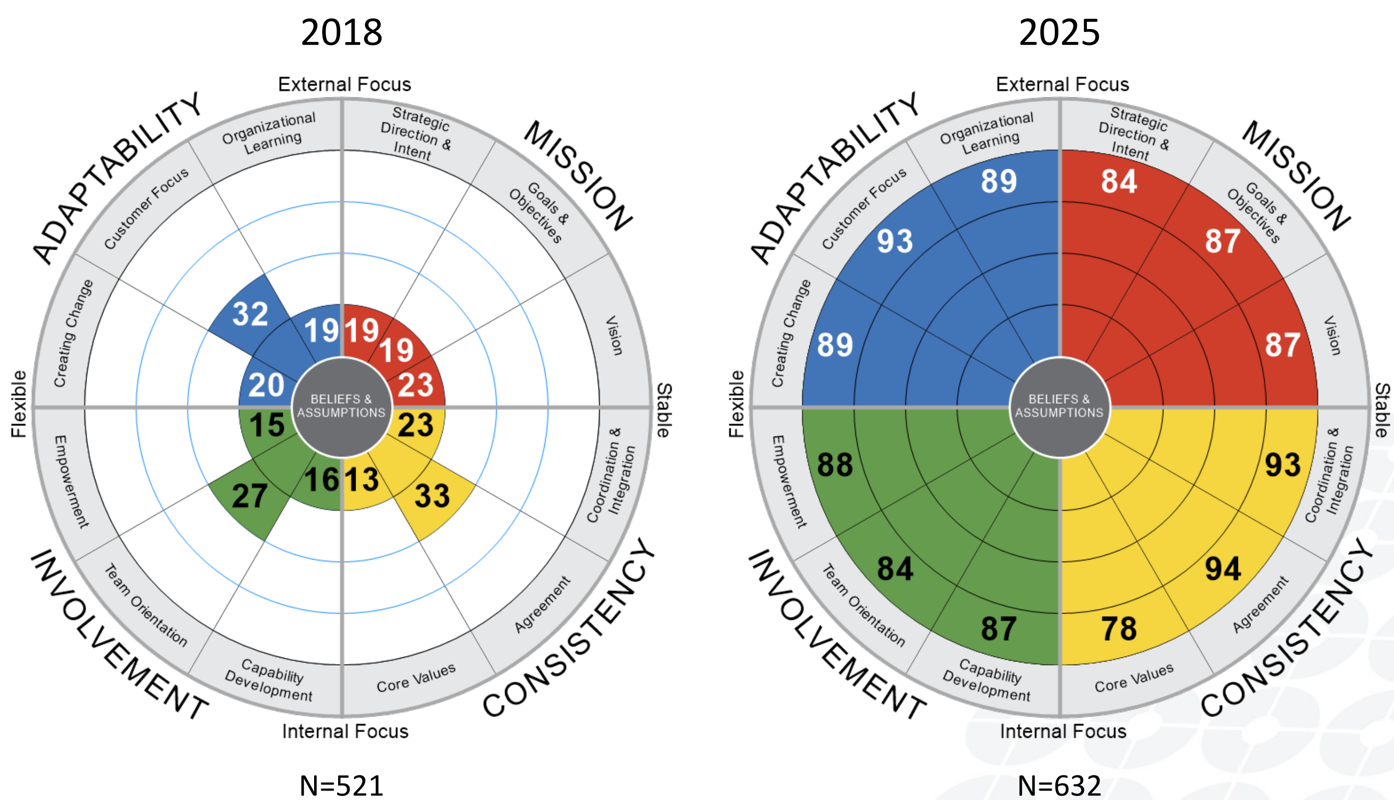

Figure 4. Motion's Culture Results: 2018-2025

During this period, Sue Gilpin held the role of Motion's CHRO, eventually seeing her scope expand to leading Operations for half of the country. Sue played a lead role in the culture transformation from the start. On the back of her success in her Region, in 2022, Sue was promoted to CEO, providing continuity during a time of rapid change. When asked how she managed all of the changes, her first response was that it "took a lot of listening." She visited, and continues to visit, all locations every year and meets with employees in the field to have a complete understanding of their experiences and sentiment about their site and the business. Townhalls, site visits, and constant communication all served to build employee's identities as important members of the Motion team. Video content was also used to communicate important issues and to build trust and transparency. In addition to continually communicating the mission and values across all levels of the organization, they included in-depth discussions of the structures, systems, tools and processes that they were using to drive the transparency of these deep into the organization and use them to create high standards, high expectations, and accountability.

This transformation also required a substantial investment in the local leadership in each of the 46 locations across Canada. The leadership at a local level made all the difference between a great strategic vision and the implementation of a real strategy. Strategy is not just about what you plan, it's about what you do. Good strategy implementation always involves local leaders taking actions that are consistent with the vision from the top, even when the CEO is not there, and this is what Motion was able to achieve. Motion continues to uphold the culture-building strategies implemented during the initial transformation, which has seen their organization maintain results in the top quartile of the survey over many years.

PE firms are always in the business of driving transformation to create value. This often involves changing strategy, changing leadership, and changing the configuration of assets that a firm uses to create value. There are many approaches to take, but this article has tried to lay out the case that cultural change is a key component of strategy implementation. Can you change the strategy of an organization without changing the culture? These case examples show how culture can be a major component of strategic change.

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