WHITEPAPER

Culture Does Not Wait.

Every Investment Inherits a Culture.
Enterprise Value Depends on What Happens Next.

peoplewise
PART OF THE LCAP GROUP

Contents

Foreword

Every investment begins with assumptions. Assumptions about markets, competitive advantage, leadership capability, operational performance and an organisation's ability to execute the investment thesis. Investors apply considerable discipline to testing these assumptions because confidence in execution ultimately determines confidence in investment returns.

Yet every investment also inherits something far less visible.

Every organisation possesses an established behavioural operating environment. Leadership decisions, organisational habits, informal norms and incentives patterns that have developed over many years, shaping how the business performs. These conditions do not pause at acquisition. They continue to evolve throughout ownership, influencing how decisions are made, how quickly change is adopted and how effectively strategy is executed.

Every investment inherits a culture.

It behaves as an inherited strategic asset that is already shaping execution before the first value creation initiative begins. Like a current beneath the surface, culture is already moving. It will either reinforce accountability, adaptability and disciplined execution, or create friction that slows transformation, weakens decision-making and constrains value creation. In doing so, it influences the organisation's capacity to deliver the investment objectives and translate strategic intent into enterprise value.

This paper examines culture through an investment lens rather than an organisational one. It argues that culture is not simply an organisational characteristic or people initiative. It is the behavioural environment that determines execution capability and influences how effectively leadership, strategy, technology, governance and operational improvement translate into enterprise value.

The organisations that consistently outperform are not necessarily those that inherit the strongest cultures. They are those that recognise the organisational conditions shaping behaviour, understand how those conditions influence execution and intentionally invest in their evolution to deliver the value creation plan.

Culture does not wait. It is the behavioural operating system every investment inherits. It is already moving, continuously evolving and shaping execution capability. Investors cannot choose whether they inherit it. They can only choose whether they intentionally understand it and shape its direction.

Nairita Ford
Principal Consultant and Psychologist

Introduction

Private equity has always been centred on execution. Identifying opportunity is only the beginning, value is realised through an organisation's ability to convert strategy into sustained operational performance. Investment returns depend on successful leadership transitions, operational improvement, technology adoption, acquisitions and commercial growth initiatives. Each requires an organisation to adapt, make effective decisions and execute consistently under changing conditions.

This paper argues that culture should be understood through this lens.

Culture does not create value independently. It behaves as an inherited strategic asset that determines execution capability and influences how effectively every other investment translates into enterprise value. Leadership capability, digital transformation, operational improvement, governance and commercial strategy all depend on the behavioural environment in which people make decisions, collaborate, respond to challenge and execute change. Strategy determines where an organisation intends to go, and culture influences whether it has the capability to get there.

This perspective is increasingly supported by evidence. Research consistently demonstrates relationships between organisational culture, organisational effectiveness, transformation success, financial performance and long-term sustainability (Hartnell, Ou and Kinicki, 2011; Guiso, Sapienza and Zingales, 2015; Schein and Schein, 2021). Research also suggests that organisations with greater alignment, accountability and adaptability are more likely to sustain performance and outperform competitors over time (Keller and Price, 2011a; 2011b).

For investors, however, the implication differs from the traditional organisational perspective. Every investment inherits a culture. Investors do not acquire a blank slate; they acquire established leadership behaviours, decision-making patterns, accountability mechanisms, incentives and informal ways of working. These characteristics continue to evolve throughout ownership and shape how effectively the organisation executes the investment thesis.

Culture, therefore, behaves as a living strategic asset. Like a current beneath the surface, it is already moving before ownership begins. The strategic question is not whether culture matters, but whether investors understand the direction in which it is moving and whether it supports value creation.

What Do We Mean by Culture?

An Inherited Strategic Asset

Organisational culture is often described as the shared assumptions, beliefs and behaviours that shape how people think and act within an organisation (Schein and Schein, 2021).

From an investment perspective, culture is best understood as an inherited strategic asset.

Every acquisition transfers ownership of established leadership behaviours, decision-making norms, incentives and organisational habits. These do not pause or reset when ownership changes. They continue to influence how effectively the organisation responds to change, manages risk and executes strategy.

Culture matters commercially because it shapes execution capability. Research has identified measurable relationships between culture, decision-making, organisational performance and firm value (Guiso, Sapienza and Zingales, 2015). Strategy defines direction. Governance provides oversight. Capital funds growth and technology enables capability. Culture influences how effectively those investments are translated into performance through the everyday decisions and behaviours of leaders and employees (Financial Reporting Council, 2016).

Leadership, accountability, decision-making, collaboration and adaptability all influence whether strategic intent becomes operational reality. Research consistently demonstrates relationships between organisational culture, organisational effectiveness and performance (Hartnell, Ou and Kinicki, 2011). Organisations characterised by stronger alignment, accountability and adaptability are also more likely to execute effectively, sustain change and outperform over time (Keller and Price, 2011a; 2011b).

For investors, the challenge is not identifying an ideal culture but determining whether the organisational conditions they inherit are those required to execute the value creation plan.

Culture Does Not Wait.

Culture Creates Financial Value

Why Culture Belongs in Every Value Creation Plan

Every value creation plan depends on execution. Leaders must lead, change must be adopted, acquisitions integrated and strategic initiatives translated into results.

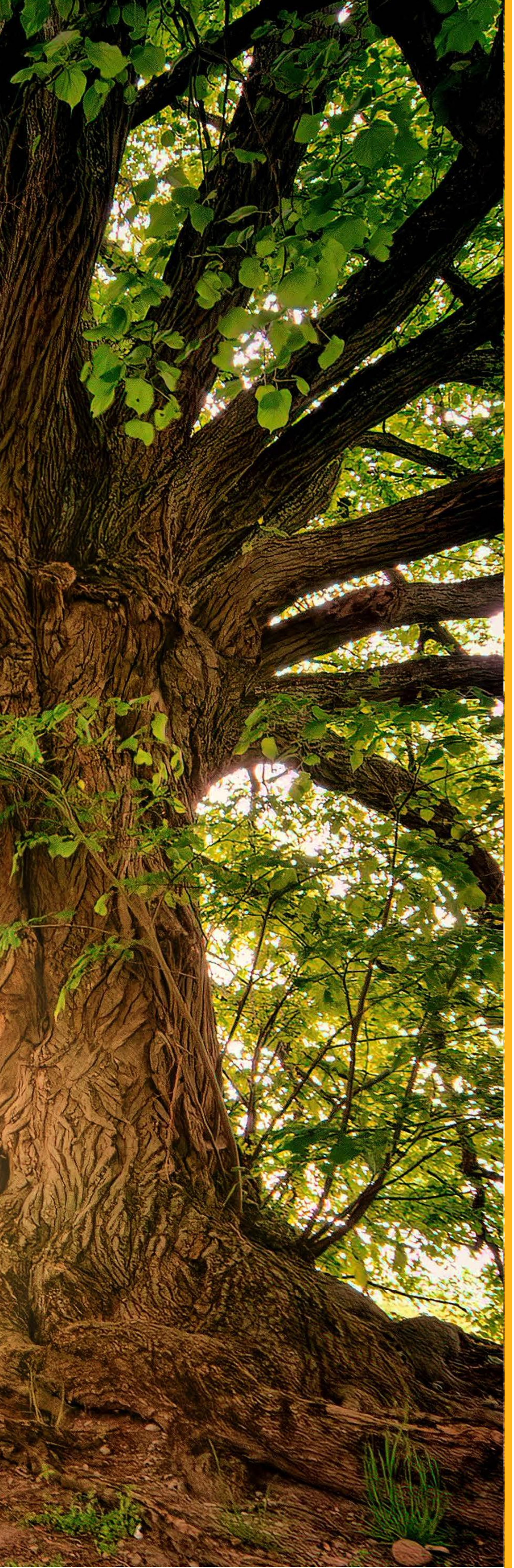
Culture influences whether those assumptions become reality. It is not another lever of value creation; it is the condition through which every other lever succeeds or fails. Leadership capability, technology, operational improvement, commercial growth and transformation all depend on execution, and culture shapes the quality and consistency of that execution.

Research links organisational culture to organisational effectiveness, business performance and firm value (Hartnell, Ou and Kinicki, 2011; Guiso, Sapienza and Zingales, 2015). What matters, however, is not whether an organisation possesses a particular culture, but whether the behavioural conditions within that culture support the execution required to achieve its strategic objectives.

Within an investment context, culture influences value creation across five critical areas.

01 Protecting Organisational Capability

Every acquisition inherits knowledge, relationships, leadership capability and organisational expertise. Cultures characterised by trust, accountability and effective leadership are more likely to retain critical talent and preserve capability through periods of change. Research links stronger engagement, leadership alignment and the conditions that support effective execution with improved retention and long-term organisational performance (Gallup, 2024; Keller and Price, 2011a; 2011b).



02 Increasing Execution Capacity

Beyond systems and processes, organisations execute more effectively when culture reinforces ownership, collaboration, disciplined decision-making and continuous improvement. By strengthening alignment, accountability and adaptability, these conditions improve an organisation's capacity to execute consistently and sustain performance over time (Keller and Price, 2011a; 2011b).

03 Strengthening Commercial Performance

Customers experience culture through the behaviour of an organisation's people. Consistent leadership, empowered decision-making and a shared focus on customer outcomes strengthen customer relationships and responsiveness. Harter, Schmidt and Hayes (2002) found that stronger engagement is associated with higher customer satisfaction, productivity and business performance, reinforcing the link between workplace conditions and commercial outcomes.

04 Accelerating Transformation

Every investment assumes change. Organisations with greater alignment, accountability and adaptability are more likely to successfully adopt new ways of working and sustain performance over time. These characteristics have been consistently associated with successful transformation and long-term organisational performance (Keller and Price, 2011a; 2011b).

05 Building Capacity for Continuous Improvement

Sustainable value creation rarely comes from a single initiative. Cultures that encourage learning, constructive challenge and problem-solving strengthen organisational capability over time, while those that discourage challenge constrain performance. Research identifies organisational learning and adaptability as important drivers of long-term success (Schein and Schein, 2021).

Taken together, these outcomes reinforce a simple proposition: culture does not create enterprise value independently. It influences how effectively every other investment creates value.

Culture, Engagement and Enterprise Value

While culture influences organisational performance through many channels, employee engagement provides one of the most visible and measurable indicators of whether cultural conditions are supporting execution.

Engagement is not culture itself. Rather, it reflects the quality of the organisational environment created through leadership behaviours, accountability, trust, development opportunities and alignment around purpose. Where these conditions are strong, engagement tends to increase; where they deteriorate, engagement typically declines (Harter, Schmidt and Hayes, 2002).

The relationship between engagement and organisational performance is supported by one of the most extensive bodies of evidence in workforce research. Harter, Schmidt and Hayes' landmark meta-analysis of almost 8,000 business units found consistent relationships between employee engagement, customer satisfaction, productivity, profitability, employee retention and safety outcomes.

More recently, Gallup's 2024 meta-analysis examined 736 studies, 347 organisations, more than 183,000 business units and 3.3 million employees across 90 countries. Teams in the top quartile of engagement achieved 23% higher profitability, 18% higher productivity, significantly lower turnover and absenteeism, and substantially fewer safety incidents than those in the bottom quartile.

Importantly, these are not simply workforce metrics. They are operational drivers of EBITDA performance. Higher productivity, stronger customer outcomes, lower turnover, reduced absenteeism and improved operational consistency all influence profitability, margin performance and enterprise value. Engagement, therefore, provides investors with a measurable indicator of whether culture is strengthening or constraining execution capability.

Engagement provides one measurable indicator of the conditions that influence execution. For investors, the challenge is broader: assessing the organisational conditions that shape behaviour, support performance and determine an organisation's capacity to deliver its strategic objectives.

Culture, Positive Resilience and Execution Capability

Engagement provides a valuable indicator of whether the organisational conditions created by culture are supporting performance today. For investors, however, current performance is only part of the picture. An equally important question is whether those conditions will continue to support execution when the organisation is placed under pressure.

This is where an organisation's positive resilience becomes relevant.

Positive resilience refers to the capacity of individuals, teams and organisations to adapt, respond and thrive through challenge and change as opposed to resilience, which is about the ability to bounce back. (Board, 2023). While often discussed as an individual characteristic, resilience is also shaped by organisational conditions. Leadership behaviours, trust, accountability, adaptability and learning all influence how effectively an organisation responds to increasing pressure, uncertainty and disruption.

From an investment perspective, positive resilience provides insight into an organisation's capacity for change. It helps investors understand not only how an organisation is performing today, but how much transformation, uncertainty or disruption it can absorb before performance begins to deteriorate.

Two organisations may display similar levels of engagement today, whilst possessing very different capacities for future transformation. Positive resilience provides insight into that difference.

A useful analogy is to think of culture as the structure of a bridge. Engagement reflects how efficiently traffic is flowing across it today. Resilience reflects how much additional load the bridge can carry before problems begin to emerge.

For investors, positive resilience should therefore be viewed as an outcome of the cultural conditions that support execution. If engagement provides an indication of how effectively those conditions are supporting performance today, positive resilience provides an indication of how much capacity those conditions create for future change. Together, they provide valuable insight into an organisation's ability to realise the value creation plan.

Making Culture Measurable

Managing Culture as a Strategic Asset

Culture is an inherited strategic asset and should be assessed with the same discipline applied to financial, commercial and operational performance. While culture cannot be reduced to a single metric, the organisational conditions that shape it can be observed and assessed. Leadership behaviour, accountability, decision-making, collaboration and organisational adaptability provide insight into an organisation's ability to execute strategy and sustain performance. These are the mechanisms through which culture influences value creation (Hartnell, Ou and Kinicki, 2011; Schein and Schein, 2021).

For investors, the question is not simply what culture exists within an organisation. The more important question is whether the resulting behaviours support or constrain execution. Leadership capability, accountability practices, decision-making quality, organisational alignment and readiness for change provide insight into an organisation's ability to deliver its strategic objectives and sustain value creation over time.

Diagnosing the Culture an Investment Inherits

Every acquisition inherits established leadership norms, behaviours and ways of working. Assessing these conditions provides a clearer view of execution capability and execution risk. The Peoplewise approach evaluates five dimensions:

- **Current Culture:** how decisions are made, accountability is exercised and work is delivered.
- **Leadership Behaviours:** the behaviours leaders model, reinforce and tolerate.
- **Employee Experience:** levels of trust, clarity, empowerment and alignment.
- **Organisational Enablers and Barriers:** the systems, structures and incentives that shape behaviour.
- **Readiness for Change:** the organisation's capacity to adapt and sustain transformation.

Together, these dimensions provide a practical assessment of the conditions most likely to support or constrain value creation, offering insight into both current execution capability and the positive resilience required to sustain performance through future change.

Assessing the Gap Between Current and Required Culture

Assessing the inherited culture is only the starting point. The more important question is whether it supports the organisation's future strategy.

By comparing current organisational conditions with those required to achieve the value creation plan, investors gain visibility into behavioural strengths that can be leveraged, risks that may impede execution and the interventions most likely to improve performance. This shifts culture from a descriptive exercise to a strategic tool for understanding execution risk and organisational readiness.

Assessing Leadership Capability

Leadership is one of the most powerful influences on culture because it shapes the behaviours, priorities and expectations that become embedded throughout an organisation. Leaders influence how decisions are made, how accountability is exercised and which behaviours are rewarded, reinforced or tolerated (Schein and Schein, 2021).

For investors and boards, leadership assessment therefore provides insight not only into individual capability, but also into an organisation's future cultural trajectory. Strong leaders do more than deliver results. They create the conditions that enable teams to execute effectively, adapt to change and sustain performance. Leadership gaps, by contrast, often become execution risks that can undermine even the strongest strategic plans.

Through Perspectives™, Peoplewise assesses leaders across four dimensions:

- **Potential:** capacity to learn, adapt and lead through complexity.
- **Competencies:** behaviours required to execute strategy and deliver results.
- **Motivators:** values and drivers influencing leadership behaviour and alignment.
- **Derailers:** behavioural risks that may emerge under pressure.

Combined with role-specific Success Profiles, these assessments provide evidence of whether leaders possess the capability not only to deliver current performance, but also to create the organisational conditions required for future value creation.

From Cultural Insight to Investment Advantage

Making culture measurable is not about creating another scorecard. It is about gaining visibility into the conditions that drive execution. By assessing organisational behaviours, leadership capability and readiness for change, investors gain a clearer understanding of execution capability, transformation risk and organisational readiness.

This transforms culture from an intangible concept into a source of strategic insight. The objective is not to create a perfect culture, but to create the conditions required to execute strategy, sustain performance and deliver long-term value creation. Organisations that consistently outperform are those that identify the conditions that support execution and intentionally shape them over time.

Conclusion

Culture does not wait. Every investment inherits a culture. Like a current beneath the surface, it is already influencing decisions, behaviours and execution long before ownership begins, and it continues to evolve throughout the investment lifecycle whether intentionally shaped or not.

Culture does not create value independently. It determines how effectively leadership, technology, operational improvement and strategic initiatives are translated into enterprise value. For that reason, culture should not be viewed as a people initiative or organisational characteristic. It is an inherited strategic asset that influences execution capability.

The evidence increasingly demonstrates that organisations with stronger cultural conditions produce higher levels of engagement, and that engagement is associated with many of the operational outcomes that underpin EBITDA performance, including productivity, profitability, customer loyalty, retention and organisational resilience.

The critical question for investors is not whether culture matters, but whether the organisational conditions they inherit support the execution required to deliver the investment thesis. The investors who create the greatest value will not necessarily inherit cultures aligned with their future strategy. They will be those who recognise culture as a strategic asset, assess the conditions that shape it and intentionally invest in its evolution. In doing so, they gain visibility not only into current organisational performance, but also into the positive resilience and execution capacity required to successfully absorb future change and deliver the value creation plan.

Speak to our team about assessing the culture you're inheriting .

References

Board, B. (2023) 'How to succeed in a volatile world? Utilising the 7 pillars of positive resilience to make the ideas-informed society a reality', in Brown, C. and Handscomb, G. (eds.) The Ideas Informed Society. Bingley: Emerald Publishing Limited, pp. 205–230.

Cameron, K.S. and Quinn, R.E. (2011) Diagnosing and Changing Organizational Culture: Based on the Competing Values Framework. 3rd edn. San Francisco: Jossey-Bass.

Financial Reporting Council (2016) Corporate Culture and the Role of Boards. London: Financial Reporting Council.

Financial Reporting Council (2018) The UK Corporate Governance Code. London: Financial Reporting Council.

Gallup (2024) State of the Global Workplace 2024 Report. Washington, DC: Gallup.

Gallup (2024) The Relationship Between Engagement at Work and Organizational Outcomes: Q12 Meta-Analysis (11th Edition). Washington, DC: Gallup.

Guiso, L., Sapienza, P. and Zingales, L. (2015) 'The value of corporate culture', Journal of Financial Economics, 117(1), pp. 60–76. https://doi.org/10.1016/j.jfineco.2014.05.010

Harter, J.K., Schmidt, F.L. and Hayes, T.L. (2002) 'Business unit level relationship between employee satisfaction, employee engagement, and business outcomes: A meta-analysis', Journal of Applied Psychology, 87(2), pp. 268–279.

Hartnell, C.A., Ou, A.Y. and Kinicki, A. (2011) 'Organizational culture and organizational effectiveness: A meta-analytic investigation of the competing values framework's theoretical suppositions', Journal of Applied Psychology, 96(4), pp. 677–694. https://doi.org/10.1037/a0021987

Keller, S. and Price, C. (2011a) Beyond Performance: How Great Organizations Build Ultimate Competitive Advantage. Hoboken, NJ: John Wiley & Sons.

Keller, S. and Price, C. (2011b) 'The irresistible power of organizational health', McKinsey Quarterly, June.

Kotter, J.P. and Heskett, J.L. (1992) Corporate Culture and Performance. New York: Free Press.

Schein, E.H. and Schein, P.A. (2021) Organizational Culture and Leadership. 5th edn. Hoboken, NJ: John Wiley & Sons. 2011b).

We can take you further

Assess

Our research-led psychometric, assessment and analytics tools reliably measure people’s capabilities and predict their potential, so that you can make better hiring and investment decisions.

Develop

Our leadership development, personal effectiveness and executive coaching programmes equip every person to achieve their potential and perform at their best, so that you can build a stronger business with home-grown talent.

Perform

Our research insights, team workshops and change strategies identify and build change-ready cultures, strong talent pipelines and high-performing teams so that you can achieve effective transformation and sustainable growth.

Let’s talk

Culture is already shaping performance before change begins. At Peoplewise, we help make culture measurable, giving you insight into the factors that can accelerate or constrain success. Let's talk about the culture you're inheriting.

Contact us to get started.

EMAIL

letushelp@peoplewise.co.uk

PHONE

+44 (0) 204 503 9442

FIND OUT MORE

peoplewise.co.uk

peoplewise

PART OF THE LCAP GROUP

Peoplewise is an award-winning business psychology consultancy specialising in assessing potential, developing leaders and transforming business.

peoplewise

PART OF THE LCAP GROUP

HEADOFFICE
20 Hammersmith Broadway
London
W6 7AF
United Kingdom

+44 (0) 204 503 9442
www.peoplewise.co.uk