Owning With Style:
How Corporate Owners Shape Firm Strategy*

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Abstract

While management research traditionally views corporate owners as governance actors, recent work suggests they also drive complex organizational change that requires distinct capabilities to implement. I investigate how owners implement their strategy across portfolio firms by examining employee mobility within private equity portfolios. Using career history and work activity data for over 8.7 million employees across 12,775 firms receiving first-ever private equity investment in 2001–2021, I document three findings. First, following investment, portfolio firms increase hiring from their new owner's prior portfolio firms, particularly into managerial, finance, and operations roles. Second, this common-owner hiring is more prevalent under owners who emphasize strategic growth, and less prevalent under those focused on financial engineering. Third, a firm's organizational focus converges toward that of other firms in the same portfolio after investment, but primarily when the firm also hires common-owner employees. These findings indicate a relational mechanism through which owners shape firms: they build a network of trusted talent and deploy it into new portfolio firms to implement their owner-specific strategy.

Keywords: Corporate ownership; Strategy implementation; Employee mobility; Knowledge transfer; Human capital redeployment

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1 Introduction

Over the past four decades, active institutional investors have rapidly gained prominence. Private equity firms now control six trillion dollars in assets, and activist hedge funds and institutional blockholders are major owners of publicly traded companies. Traditional management theories portray these active owners as remedies for firm failure: they identify governance deficiencies and correct them through oversight and incentive realignment (Daily et al., 2003; Connelly et al., 2010; DesJardine et al., 2024). This view has mobilized a large body of work examining how active owners improve firm accountability through monitoring and formal contracts.

Yet recent work suggests that active owners have evolved from governance actors to drivers of complex organizational change. Under active owners, firms alter their strategic actions (Hoskisson et al., 2013; DesJardine et al., 2022, 2023a), adopt new technologies (Agrawal and Tambe, 2016), and introduce new organizational practices (Bloom et al., 2015; La Forgia and Bodner, 2025). These complex and deep changes cannot be implemented through monitoring and incentive mechanisms alone (Kaplan and Stromberg, 2009; Gompers et al., 2016). To implement them, owners need a distinct strategy for value creation, and capabilities to implement them inside their firms (Benner and Zenger, 2016; Foss et al., 2021; Nary and Kaul, 2023). How active owners achieve this remains an open yet important question, as its answer would explain why firms under different owners behave and perform so differently in ways that governance structures cannot explain.

This paper proposes that trusted talent are an important channel through which owners implement their strategy across portfolio firms. Implementing strategy, particularly when it requires tacit operational knowledge (Szulanski, 1996; Teece et al., 1997; Yamaguchi et al., 2023), relies on individuals embedded in organizations who can reconfigure resources and routines toward new strategic priorities (Burgelman, 1994; Boeker, 1997; Karim and Williams, 2012; Tang, 2025). One way through which active owners identify trusted individuals is by building a talent pool through their engagements with diverse businesses. Because active owners invest in multiple firms at a time, over time, some firms exit the portfolio through third-party acquisition or IPO, while new firms join the portfolio. This structure creates opportunities to redeploy human capital *across* firms (Helfat and Eisenhardt, 2004; Santamaria, 2022; Kim and Pak, 2026). Through prior engagement, owners and portfolio-firm employees mutually learn about each other's abilities and build the trust that facilitates knowledge transfer (Kogut and Zander, 1992; Szulanski et al., 2004; Bidwell, 2011). Active owners therefore accumulate a network of trusted individuals from prior portfolio firms and deploy them to new firms to implement owner-specific strategy.

This mechanism reveals a form of owner influence that is not based in formal control but in relationships. Moving beyond providing oversight and operational advice, active owners build and allocate human capital across firm boundaries, aligning firms with their own strategy of value creation. Understanding this mechanism helps explain a long-standing question of why performance varies so much across firms and owners, and why different owners have divergent impacts on their firms, even when they wield similar governance tools. If strategy is implemented through people moving across owner-driven labor markets, then the inter-organizational network of talent, tacit operational knowledge, value-creation plans that owners accumulate become an important source of competitive advantage.

I test these predictions in the context of private equity, a prominent and economically important form of active ownership. Private equity owners have evolved from financial engineers into capability providers who leverage proprietary knowledge and specialist networks to shape portfolio firms (Hoskisson et al., 2013; Verbouw et al., 2025). Using career history and work activity data on nearly nine million employees across 12,775 U.S.-based firms that received first-ever private equity investment between 2001 and 2021, I examine whether private equity owners deploy employees from prior engagements to steer new portfolio firms toward their distinct focus. I merge individual job histories (Revelio Labs) with private equity transactions (PitchBook) to identify employees who previously worked at other firms owned by the same owner, then measure each owner's strategy emphasis (Wayback Machine), and finally combine occupation-level work activity score (O*NET) with firm-year occupation composition to capture each firm's dominant organizational focus over time.[1]

Three findings emerge. First, following a private equity investment, firms are significantly more likely to hire employees from their new owner's prior portfolio firms than comparable non-portfolio firms are. These common-owner employees are disproportionately placed in managerial, finance, and operations roles. The results hold when I compare common-owner hiring in firms against observably similar firms that did not receive investment, as well as against firms that announced an investment that was subsequently canceled. Second, owners who prioritize strategic growth (e.g., top-line growth, new products, talent development) are more likely to deploy common-owner employees, whereas owners who emphasize financial engineering (e.g., capital structure, financial restructuring, balance sheet) are less likely to do so. Third, a firm's organizational focus shifts to resemble that of other firms in the same owner's portfolio after investment, and this within-portfolio convergence is driven by firms

[1]I also interviewed 15 professionals in the private equity industry to support theory development. They include five operating partners across five major private equity funds, two serial managers who have worked at multiple portfolio firms owned by the same private equity fund, the founder of an executive training program for portfolio companies at a private equity fund, three alumni of that program (currently middle managers at portfolio firms), two partners at executive search firms, and two associates at private equity funds.

that also hire common-owner employees. To confirm that convergence is specific to the actual owner, instead of reflecting private equity sector-wide practices, I conduct a placebo test, assigning each firm to a fake (randomly drawn) owner from the same investment period. The true estimate of convergence exceeds the 95th percentile of the placebo distribution, ruling out the interpretation that the observed pattern reflects generic practices shared across owners. In sum, these results are consistent common-owner employees serving as a mechanism through which owners implement their unique strategy across portfolio firms.

This study makes several contributions. First, it extends research on corporate strategy and governance by identifying a relational mechanism through which active owners reshape firms. While prior work has emphasized formal control through monitoring and incentives (Daily et al., 2003; Connelly et al., 2010; Bloom et al., 2015; Gartenberg and Pak, forthcoming), my findings show that owners also build and deploy networks of trusted talent across firm boundaries, suggesting that the human capital an owner accumulates over time constitutes a distinct source of competitive advantage. Moreover, owners pursuing growth deploy common-owner employees extensively. Strategy and its implementation mechanism are thus a complementary bundle (Gupta and Govindarajan, 1984; Chandler, 1990; Yamaguchi et al., 2023), and the particular bundle I document reflects an emerging model of active ownership where value creation depends on organizational change implemented from within.

Second, this paper adds to research on strategy implementation by identifying employee mobility as a channel through which strategy diffuses across firms. While prior work has emphasized top managers in shaping organizational direction (Castanias and Helfat, 1991; Boeker, 1997; Bertrand and Schoar, 2003), my findings show that employees in positions to reconfigure resources are also important repositories and conduits of strategy, particularly for growth-oriented strategies that depend on tacit operational knowledge.

Third, the findings extend the strategic human capital literature by documenting a form of employee mobility that spans firm boundaries while remaining within ownership boundaries. Building on theories of information incompleteness in labor markets (Doeringer and Piore, 1971; Bidwell, 2011; Bidwell and Keller, 2014), I show that owners and portfolio-firm employees develop mutual knowledge and trust, which motivates within-portfolio talent movement and the convergence of organizational focus. Workers therefore move between structurally independent firms while remaining within a common ownership structure, highlighting the growing role of owners as intermediaries in labor markets.

These findings also speak to ongoing debates about the implications of active ownership for stakeholders (Barney, 2018; DesJardine et al., 2023a). While growing evidence documents the costs active owners impose on workers through job loss, wage compression, and lower corporate purpose (DesJardine and Durand, 2020; Chen et al., 2021; Gartenberg and Serafeim,

2023; Gartenberg and Pak, forthcoming), the relational mechanism I identify suggests that skilled workers embedded in an owner's network may experience a distinct career path. The costs and benefits of active ownership thus may be unevenly distributed across the workforce, with implications for within- and across-firm inequality (Barth et al., 2016; Cobb, 2016; Song et al., 2019; Amis et al., 2020).

The findings also offer practical insights. For private equity fund managers, competitive advantage lies not only in deal sourcing or financial structuring but in the network of specialized talent curated across investments, particularly in growth-oriented deals where performance depends on tacit know-how, discretionary effort, and collaboration. For managers of portfolio firms, performing well under an active owner and building relationships within its network can shape career trajectories beyond the focal firm, while those whose skills do not align with the owner's strategy may face shorter tenures than otherwise.

As active ownership continues to expand and become more strategic, questions long asked of firms, such as where their capabilities come from, how their strategies emerge, and how they are implemented, will be increasingly relevant to their owners as well.

2 Theory and Hypotheses

2.1 Active Owners as Drivers of Strategic Growth

Management scholars have long recognized that corporate owners are not homogeneous. Owners differ by objectives, ability to exert control, and the resources and capabilities they hold, and this heterogeneity leads to differences in how firms behave and perform (Thomsen and Pedersen, 2000; Connelly et al., 2010; Fitza and Tihanyi, 2017; DesJardine et al., 2023b). This study focuses on private equity owners, a subset of active owners who are known to exert greater voice over their firms than other shareholders do (Kaplan and Stromberg, 2009; Edmans and Holderness, 2017). Other institutional owners, such as hedge funds, are also considered active because they accumulate large ownership stakes and engage directly with management to shape firm strategy and operations, rather than governing passively through exiting or voting (Feldman, 2020; DesJardine et al., 2023b).

The long-standing view is that active owners are governance actors who discipline mismanaged and underperforming firms through financial oversight and tighter control (Daily et al., 2003; Connelly et al., 2010). Their voice manifests as frequent and intensive engagement with the firms they own. A large body of work shows that active owners influence their firms through formal control mechanisms, such as monitoring, reducing organizational slack, and realigning incentives between owners and managers (e.g. Bloom et al., 2015; Kaul et al., 2016;

Gartenberg and Pak, forthcoming).

Yet even under owners with similar governance capability, firms vary widely in their strategies and performance (Kaplan and Stromberg, 2009; Castellaneta and Gottschalg, 2016; Gompers et al., 2016). A rapidly growing body of work attributes this heterogeneity to strategic resources that active owners develop and deploy (Hoskisson et al., 2013; Castellaneta and Zollo, 2015; Nary and Kaul, 2023; DesJardine et al., 2024). The evolution of private equity provides a good example of this shift. When private equity firms emerged in the 1980s, they created value primarily through financial and governance engineering. By the 1990s, however, rising competition and interest rates eroded that advantage (Hoskisson et al., 2013; Ulrich and Allen, 2016; Verbouw et al., 2025). Today, private equity owners' competitive advantage increasingly rests on their capability to drive complex organizational change, such as altering strategic direction (Hoskisson et al., 2013), entering new markets (Fracassi et al., 2022; La Forgia, 2023), and adopting new technologies and organizational practices (Agrawal and Tambe, 2016; Bernstein and Sheen, 2016; Sen and Puranam, 2022).

Executing deep organizational changes requires owners to develop distinct strategy about how to build and reconfigure resources and routines within organizations (Adner and Helfat, 2003; Karim, 2006; Foss et al., 2021). This involves knowing not only what changes to make, but also how to implement them (Kogut and Zander, 1992, 1996). Recent evidence shows that active owners increasingly supplement their ability to implement strategy with advisory boards and external consultants (Gompers et al., 2016; Castellaneta and Gottschalg, 2016). However, strategy implementation requires individuals embedded in organizations who understand how work is organized. This paper explores how owners identify and deploy such individuals across their firms.

2.2 Implementing Strategy Through People

Knowledge and skills to implement strategy are often tacit and embedded in employees and their social relationships (Szulanski, 1996; Hatch and Dyer, 2004; Tang, 2025). Strategy implementation therefore requires individuals inside organizations, who understand how work is performed and can be reconfigured (Burgelman, 1994; Boeker, 1997; Wulf and Singh, 2011; Karim and Williams, 2012; Yamaguchi et al., 2023). To implement their distinct strategy, owners depend on trusted talent who understands their specific strategy for value creation (Foss et al., 2021).

One way through which owners identify this talent is their engagements with diverse businesses. Active owners invest in multiple firms at a time, and their portfolio changes over time as some firms exit through third-party acquisition or IPO and new firms enter the

portfolio. By design, this structure creates various entry and exit points across investment cycles, allowing owners to build and redeploy resources *across* firms over time (Helfat and Eisenhardt, 2004; Levinthal and Wu, 2010; Santamaria, 2022; Sabel and Sasson, 2023; Kim and Pak, 2026). Once an investment at one portfolio firm ends, an employee from that firm may leave to join another firm within the same owner's portfolio, holding their knowledge of a particular owner's strategy (Karim and Williams, 2012; Belenzon and Tsolmon, 2016; Stadler et al., 2022).

Through their engagements, owners and portfolio-firm employees develop mutual knowledge and trust (Cohen and Bacdayan, 1994; Szulanski et al., 2004). Similar to how firms and workers mutually learn about each other's quality and fit through employment relationships (Doeringer and Piore, 1971; Bidwell, 2011; Bidwell and Keller, 2014), employees at portfolio firms gain knowledge about the owner's strategy, and owners obtain better information about employees' ability to execute their strategy. I refer to employees who previously worked at the same owner's portfolio firm as *common-owner employees*, and I predict that active owners systematically deploy these individuals to newly acquired portfolio firms.

Hypothesis 1 *Following an active owner's investment, portfolio firms are more likely to hire common-owner employees (relative to non-portfolio firms).*

Some strategies depend more on implementing complex organizational changes, while otheres less so. For example, growth-oriented strategy, such as increasing revenues, introducing new products to the market, or professionalizing talent, depends on tacit operational knowledge that is difficult to codify into a blueprint or specify in formal contracts (Szulanski, 1996; Zollo and Singh, 2004; Kale and Singh, 2007; Heimeriks et al., 2012). On the other hand, strategy focused on optimizing capital structures and improving efficiency lends itself to arm's length oversight and contractual mandates (Chandler, 1990). I therefore propose that owners whose competitive advantage depends on strategic growth would rely more on employees who understand their strategy (Gupta and Govindarajan, 1984; Teece et al., 1997). Conversely, owners whose strategy emphasizes financial engineering or operational efficiency would rely less on this talent (Chandler, 1990).

Hypothesis 2 *Portfolio firms are more likely to hire common-owner employees when their owners emphasize strategic growth (relative to portfolio firms whose owners emphasize financial engineering and operational efficiency).*

When common-owner employees join portfolio firms, they bring experiential knowledge of the owner's strategy (Kogut and Zander, 2012; Castellaneta and Zollo, 2015; Yamaguchi

et al., 2023). If these employees occupy positions with authority and control, even a small number of them can reconfigure firm's resources and activities in a way that aligns with the owner's strategy (Castanias and Helfat, 1991; Boeker, 1997; Bertrand and Schoar, 2003). In other words, these employees act as both carriers and implementors of the owner's strategy, which leads to the final hypothesis.

Hypothesis 3 *When common-owner employees join portfolio firms, the firm's organizational focus becomes more similar to the owner's distinct focus (relative to new portfolio firms without common-owner employees).*

3 Research Design

I test these hypotheses in the context of private equity, one of the most prominent and economically significant forms of active ownership, with over $3 trillion in assets in North America alone as of 2024 (Guevarra and Bharucha, 2025). It is estimated that in 2024, private-equity backed firms in the United States employed about one in ten full-time workers (Ernst & Young, 2025). Beyond their economic footprint, private equity owners have evolved from financial engineers into drivers of complex organizational change (Hoskisson et al., 2013; Verbouw et al., 2025). Despite their economic and strategic importance, the heterogeneity in their value-creation strategy and mechanisms through which they implement it remain difficult to observe, as they exercise their influence through hands-on but largely behind-the-scenes engagement. I study the accumulation and deployment of trusted talent across portfolio as one mechanism through which private equity owners implement their distinct strategy.

The remainder of this section describes the structure of the analysis, data, measures, and empirical strategy.

3.1 Structure of Analysis

I employ a three-part analysis, each part corresponding to one of the hypotheses presented in Section 2.2.

3.1.1 Private equity investment and common-owner employees

The first analysis analyzes whether after private equity investment, portfolio firms become more likely to hire common-owner employees (i.e., employees from other portfolio firms owned by the same owner). The premise is that if owners build a network of talent across engagements, newly acquired firms should hire more common-owner employees than comparable firms. I

trace employee mobility across commonly owned firms by merging individual job history data with private equity transactions data.

3.1.2 Mechanism test: Emphasis on growth-oriented strategy

The second analysis tests the mechanism of common-owner employees, exploring whether the owners' emphasis on growth accounts for the hiring patterns reported in the first analysis. To test this mechanism, I examine each owner's primary strategy over time using archived text from their websites describing value-creation approach and keyword-dictionary method.

3.1.3 Firm-owner focus convergence

The third analysis examines the implications of common-owner hiring on firm's strategy. If common-owner employees serve as carriers and implementers of owner-specific strategy, firms that hire them should shift their focus most toward their owner's distinctive focus. I measure the kinds of work activities each firm and owner focuses on each year and track whether firm's focus converges with its new owner's after investment. Specifically, I examine whether such convergence is concentrated among firms that hire common-owner employees.

In summary, I explore evidence for common-owner hiring (hypothesis 1), whether this pattern is supported by the mechanism of owner's focus on growth (hypothesis 2), and its implications for firm's organizational focus (hypothesis 3), using data collected from several sources described in the next section.

3.2 Data

I combine four datasets to measure within-portfolio employee mobility, owner strategy emphasis, and organizational focus convergence. First, I use PitchBook to identify firms headquartered in the United States that received their first private equity investment between 2001 and 2021.[2] These transactions include buyouts, where owner acquires full or majority control, and growth equity investments, where owner acquires majority or minority stakes ("dealtype" is either "Buyout/LBO" or "PE Growth/Expansion" in PitchBook). I restrict the data to transactions by investors who participated in at least ten private equity transactions in the sample period, removing first-time or one-off participants, who are mostly non-traditional investors. For each transaction, I observe the firm, the investor(s) making the investment, the transaction date, and the exit date. When a firm received multiple investments, I select the earliest to study the initial transition from non-private equity to private equity ownership.

[2]I focus on private equity transactions from 2001 to 2021 due to the concern that Revelio Labs' data coverage before the 2000s may be less reliable.

Second, to identify common-owner employees, I construct career histories for employees at private equity-owned firms using individual jobs history data from Revelio Labs, which collects its data from publicly available LinkedIn profiles. Each job includes employer, employee, job title, and start and end dates. A worker who held multiple jobs at the same firm appears multiple times under different job identifiers but same person identifier. This data covers a substantial share of workers, particularly among professional, managerial, and high-income workers (Ge et al., 2016). I merge Revelio Labs with PitchBook using firm website URLs and restrict the match to firms with at least 15 full-time employees surrounding the transaction window.[3] This merged data allows me to observe which employees previously worked at firms owned by the same owner.

Third, to capture owner's strategy emphasis over time, I use archived snapshots of private equity owner websites from the Wayback Machine. I select pages with text that describe value-creation approach and use a keyword-dictionary method to measure each owner's strategy emphasis over time.

Fourth, to measure organizational focus for firms and owners, I use occupation-level work activity scores from O*NET. O*NET, maintained by the Department of Labor, provides worker characteristics and occupational requirements for 1,016 standardized occupations. The work activity scores data describes 332 work activities and rates how important each activity is to each occupation. I merge these scores to Revelio Labs using their crosswalk between job titles and O*NET occupations. The resulting data allows me to quantify the activities each organization emphasizes in a given year, which is how I measure its organizational focus. An owner's focus each year is the average focus across all firms actively held in its portfolio.

The final merged dataset contains information about 12,775 firms that entered private equity portfolios for the first time between 2001 and 2021, including their employees' past employment records, firms' organizational focus, and owners' strategy emphasis and focus. 8,738,615 employees worked at these firms during the window surrounding each transaction (four years before through three years after), and 1,717 private equity owners invested in these firms. For the empirical analyses, I aggregate the data to the firm-year level, pertaining to 12,775 portfolio firms and spanning 1997 (four years before the earliest transaction) to 2024 (three years after the latest transaction).

[3] 76% of private equity-backed firms in PitchBook are matched to Revelio Labs. Appendix Table A1 documents detailed sample construction process.

3.4 Measures

3.4.1 Common-owner employees

The first analysis tests whether following private equity investment, firms are more likely to hire employees from the new owner's portfolio. Accordingly, I identify common-owner employees, which refers to employees who have previously worked at another firm while it was actively held in the portfolio of the new owner(s).[4] I ensure that these employees' tenure at prior portfolio firms overlapped with the owner's active investment period. Private equity owner is considered as actively investing in a firm from the year of transaction until an exit event, whether through initial public offering, third-party acquisitions, or bankruptcy. Employees who do not meet this requirement do not count as common-owner employees since they were not "exposed" to how owners operate their firms.

For example, consider Alex, who joins Investor X-owned Company A in 2017. Alex previously worked at Company B, and during Alex' tenure, Investor X also owned Company B. In this case, Alex had exposure to Investor X prior to joining Company A, so Alex counts as a common-owner employee when joning Company A. Consider another example, Sam, who also worked at Company B before joining Investor X-owned Company A. However, unlike Alex, Sam left Company B before Investor X invested in Company B. Sam therefore does not count as a common-owner employee within Company A. These examples illustrate that the timing of tenure and ownership period is critical. For an employee to qualify as having exposure, their tenure at the previous firm under the same owner must overlap with the active investment period.

I use the percent share of common-owner employees in each firm-year as the main dependent variable in the first set of analyses. This measure is calculated as:

$$\textit{Common-Owner Employees}_{it} = \frac{\text{Number of common-owner employees}_{it}}{\text{Number of all employees}_{it}} \times 100 \qquad (1)$$

The empirical objective is to estimate whether investment leads to an increase in *Common-Owner Employees*. To estimate this, I compare changes in *Common-Owner Employees* at firms pre- and post-investment, relative to changes in comparable firms that did not receive investment. One issue is that control firms, by definition, do not have a private equity owner and therefore no portfolio from which common-owner employees are sourced. To create a comparable measure among control firms, I pair each control firm to a portfolio firm using

[4]As a robustness check, I restrict the sample to a subset of deals with lead investor information and redefine common-owner employees as those coming from only the lead investor's portfolio companies. Some deals are missing the lead investor information, so this sample is smaller, but the results remain consistent, as shown in Appendix Table B1.

processes described later in Section 3.5 and then assign the control firm the same owner identity as its matched counterpart. Changes in control firms serve as the baseline against which the changes in portfolio firms are compared.

3.4.2 Owner strategy emphasis

The second analysis tests whether the greater demand for strategic growth explains common-owner hiring. I therefore construct a measure of owner's strategy emphasis based on how each owner describes value-creation approach on website, following a growing body of research that uses website text to measure firm strategy (Guzman and Li, 2023; La Forgia, 2023). Private equity owners' approach can be categorized into financial engineering (e.g., restructuring, capital structure optimization, financial reporting), operational efficiency (e.g., cost reduction, process optimization, headcount reduction), and strategic growth (e.g., top-line growth, new market expansion, talent development) (Hoskisson et al., 2013; Castellaneta and Gottschalg, 2016; Verbouw et al., 2025).

I take three steps to measure emphasis along these three strategy dimensions. First, I create a list of keywords to identify websites that likely contain value-creation approach specifically for private equity (i.e., excluding non-private equity classes such as real estate). Second, I scrape text from those archived websites using Wayback Machine API. Third, I create dictionaries of keywords corresponding to each category and score the owner's strategy along each dimension as frequency of relevant keywords (i.e., keywords out of 1,000 words), which serves as the score for each strategy emphasis. I then z-score them to create measures of *Financial Engineering*, *Operational Efficiency*, and *Strategic Growth*. See Appendix C for full details and Appendix Table C1 for keywords and descriptive statistics.

The three dimensions are not mutually exclusive: if an owner emphasizes multiple approaches, it would score highly on multiple dimensions. These scores are the key moderators in the second analysis.

3.4.3 Organizational focus

The third analysis tests whether common-owner employees explain a convergence between firm's focus and owner's focus. To measure this convergence, I first measure firm's organizational focus as the configuration of work activities that a firm performs and prioritizes at a given moment in time (e.g. Helfat and Peteraf, 2003). To do so, I leverage the fact that different occupations carry out and prioritize different activities. To illustrate, Software Developers focus on designing and implementing IT systems, while Accountants spend much time on financial activities. By observing a firm's occupational composition and each occupa-

tion's activity emphasis, I infer what activities the firm collectively emphasizes, which serves as my organizational focus measure.

I describe the construction of time-varying organizational focus measure in three steps. First, for each firm in each year, I count the number of employees in each occupation. This produces a firm-year-occupation panel, each row indicating the occupational composition of workforce.

Second, I use work activity scores data from O*NET to rate how core each work activity is to each occupation. This data describes 332 activities performed by workers in each occupation and rates each activity's relative importance (Blinder, 2009).[5] Importantly, these 332 work activities are standardized across occupations but vary in importance on a scale of 0 to 5, allowing me to track the relative emphasis placed on each activity beyond just occupational composition of a firm.[6] For example, O*NET considers work activities such as "Prepare financial documents, reports, or budgets" and "Examine financial activities, operations, or systems" as important for Accountants (scored 4.41 and 4.50 out of 5, respectively) but not performed by Software Developers (scored 0 and 0). In contrast, "Design computer or information systems" and "Process digital or online data" are critical for Software Developers (3.74 and 3.59, respectively) but not performed by Accountants (0 and 0). Work activities such as "Develop operational or technical procedures" appear in both occupations with an identical importance score of 3.90. But while this is a core activity for Software Developers, whose other activities score below 3.90, it is relatively peripheral for Accountants, whose other activities score above 3.90. This second step produces an occupation-activity panel.

Third, using the two panels produced in the previous steps, I weight each activity's importance within an organization by the share of employees in occupations who perform that activity. To illustrate, consider Company C in year 2017 that employed 16 Software Developers and 8 Accountants. In this case, activities performed by Software Developers receive higher weight relative to those performed by Accountants since the former occupation dominates the workforce. If Company C in year 2018 hired 8 more Accountants, employing 16 Software Developers and 16 Accountants in total, activities by both occupations would receive equal weight. The result is *Organizational Focus*, a 332-dimensional vector for each firm-year, where each dimension represents one activity and the value captures the relative focus the organization places on that activity.

[5]Other O*NET data include skills, knowledge, abilities, and tasks. Appendix D provides details on each measure and the rationale for choosing work activities.

[6]O*NET provides work activities at three levels of granularity. I use the intermediate measure because it balances between comparability and specificity. Appendix D presents detailed examples and procedure.

3.4.4 Owner focus

Just as each firm focuses on different set of activities, each owner also prioritizes different configuration of activities to generate returns, which is reflected in what the owner's active portfolio firms collectively focus on at a given point in time. I calculate *Owner Focus* as the average *Organizational Focus* across all firms actively held in the portfolio each year. This 332-dimensional vector represents the representative set of activities that the owner's active holdings focus on each year. It changes over time according to the kinds of firms that an owner invests in and the kinds of changes that are implemented within each portfolio firm.

3.4.5 Firm-owner focus similarity

The objective of the third analysis is to assess whether after private equity investment, a firm's organizational focus shifts toward its new owner's focus. I calculate *Firm-Owner Focus Similarity* as the cosine similarity between a firm's organizational focus vector (*Organizational Focus*) and owner's focus vector (*Owner Focus*), which captures the degree to which a firm's focus (mis)aligns with the portfolio-wide focus each year. I hold owner's focus constant at one year before investment while allowing the firm's focus to evolve every year, testing whether a firm moves toward or away from a fixed benchmark. *Firm-Owner Focus Similarity* is the key dependent variable for the third analysis.

3.5 Empirical Strategy

The objective of the empirical analyses is to estimate whether private equity investment leads to an increase in common-owner employees, when this change is most pronounced, and whether these employees implement owner-specific strategy. An important question is whether a firm would have experienced these changes in the absence of private equity ownership. An ideal experiment would involve randomly assigning private equity ownership to some firms and not others and observing changes in hiring patterns and organizational focus trajectories. Absent such an experiment, I aim to disentangle the owner effect from the firm-owner match by employing a staggered two-way fixed effects difference-in-differences (DD) design. This framework estimates the differential changes in outcomes in portfolio firms (treated) and comparable firms (control) following investment, controlling for time-invariant firm characteristics and common time trends.

Constructing credible comparison groups is a key here. I take two complementary approaches to construct them, first matching on observable characteristics, and second using hand-collected data on publicly announced private equity deals that subsequently fell through. This section discusses each approach and the staggered DD design.

3.5.1 Matched sample

The first approach matches each portfolio firm to a firm that did not receive investment but is similar on observable characteristics. I use one-to-one coarsened exact matching without replacement, matching on industry, headquarters MSA location, firm age, firm size, employment growth, and common-owner employee share. Matching variables closely follow prior research (e.g. Davis et al., 2014) and are obtained from Revelio Labs. Industry includes 50 categories.[7] Headquarters MSA location includes 145 categories.[8] Firm age is measured in five-year ranges. Firm size includes 12 categories ranging from fewer than 10 employees to over 25,000 employees. Employment growth rate is the quartile of the growth in employment size from four years prior to the deal to one year prior. Pre-investment share of common-owner employees is measured from four years before to one year before the transaction. Including the pre-investment trend in the outcome variable ensures treated and control firms follow similar pre-trends and improves the credibility of the parallel trend assumption required by DD design (Heckman et al., 1997, 1998; Abadie, 2005). This matching process yields 3,661 matched pairs consisting of portfolio firms matched to observationally similar non-portfolio firms.

3.5.2 Cancelled deal sample

While matching improves comparability on observable features, it does not fully account for selection into private equity ownership. To address this issue, I construct an alternative control group from publicly announced private equity deals that subsequently fell through.

From PitchBook, I collect 921 private equity deals in the United States labeled as failed or cancelled. I manually verify that approximately half contain sufficient credible information about the proposed transaction and its failure. Of these, I exclude deals where the target firm subsequently filed for bankruptcy or was ultimately acquired by the same owner. I then match a canceled-deal firm to a portfolio firm, matching only if the canceled-deal firm's originally announced investment came from the *same* private equity owner in the *same* year as the portfolio firm. This allows me to directly compare the effect of completed versus unrealized investments by the same owner at around the same time. The final sample includes 238 matched pairs, pertaining to 138 portfolio firms matched to 100 canceled-deal firms. This sample provides a sharper counterfactual because canceled-deal firms are those that were deemed as attractive enough for investors to conduct due diligence and consider investment.

[7]Examples are "Digital Commerce Services," "Information Technology Services," "Apparel Retail," and "Food and Beverage."

[8]Examples are "Los Angeles Metropolitan Area," "San Diego Metropolitan Area," and "California Non-Metropolitan Area."

Within the canceled deals, I identify two subsamples that allow me to estimate post-investment changes with even more confidence. The first consists of 33 canceled-deal firms that immediately received investment from a *different* private equity owner. These represent situations where multiple owners competed to invest in the target in a bidding war: in other words, both portfolio and canceled-deal firms were targeted by the same owner in the same year, but only portfolio firm was acquired by that owner, while the canceled-deal firm was acquired by a different owner. This subsample constitutes an even more credible counterfactual, allowing me to isolate owner-specific effects from general private-equity effects. Both treated and control firms experience private equity ownership, so any difference in outcomes cannot be attributed to the general private-equity effects, but instead, to the specific owner's effect.

The second subsample consists of 20 canceled-deal firms whose deals fell through for plausibly exogenous reasons. These include regulatory reasons (e.g., by the Federal Trade Commission due to antitrust concerns) or unanticipated macroeconomic shocks (e.g., the onset of COVID-19). This sample further mitigate concerns about firm's or owner's characteristics correlating with outcome variables of interest.

In sum, the canceled-deals sample construction process produces three more samples: canceled deal, bidding war, and plausibly exogenous. Table 1 presents the summary statistics for all four samples, including the main sample from matching discussed above.

3.5.3 Staggered difference-in-differences

I estimate the effect of private equity ownership on outcomes using a two-way fixed effects difference-in-differences (DD) framework that compares changes at portfolio firms (treated) to changes at comparable firms (control), before versus after private equity investment. Because private equity investments occur in different years, a simple DD model can yield biased estimates (Goodman-Bacon, 2021). To correct this bias, I use a staggered DD design, using the stacked DD model as the main specification (Cengiz et al., 2019; Deshpande and Li, 2019). This method constructs separate datasets for each investment year, stacks them into one dataset, and estimates an intervention effect, which avoids biases that may arise from comparing earlier and new cohorts. I include stack-specific firm and year fixed effects to ensure that portfolio firms are compared only with their respective within-stack non-portfolio firms. I specify the model as follows:

$$Y_{it} = \gamma_i + \gamma_t + \delta \left(\text{POST}_t \times \text{TREAT}_i \right) + \epsilon_{it} \tag{2}$$

where subscript i denotes firms and t denotes years. Y_{it} is the main dependent variable.

In the first and second analyses, this is *Common-Owner Employees*, and in the third analysis, this is *Firm-Owner Focus Similarity*. POST_t is a binary variable that is equal to 1 in years following the private equity investment, and TREAT_i is a binary indicator that is equal to 1 for portfolio firms that receive the investment. The coefficient δ is the estimate of interest that captures the average treatment effect of private equity investment on outcomes. γ_i are stack-specific firm fixed effects controlling for time-invariant firm characteristics, and γ_t are stack-specific year fixed effects controlling for temporal trends.

For robustness, I replicate the main analyses using alternative estimators for staggered treatment settings with heterogeneous effects, including Callaway–Sant'Anna model (Callaway and Sant'Anna, 2021), two-stage model (Gardner, 2021), de Chaisemartin and D'Haultfœuille model (de Chaisemartin and D'Haultfœuille, 2020), and imputation model (Borusyak et al., 2024). The results are reported in Appendix Tables B2–B5 and consistent with the main findings.

4 Results

4.1 Hiring Employees from Other Portfolio Firms

4.1.1 Increase in common-owner employees after investment

The first set of analyses examines whether private equity investment leads to common-owner hiring.

I begin with descriptive patterns on worker composition around private equity transactions. Using all 12,775 portfolio firms, I calculate the annual percent share of three types of employee: (i) common-owner employees, (ii) different-owner employees (employees with prior work experience at firms owned by a different investor), and (iii) other employees (employees with no prior experience at any private equity-invested firm). Figure 1 Panel A plots the percentage change in each relative to one year before investment ($t-1$), spanning $t-4$ to $t+3$. The share of common-owner employees (blue circles) increases sharply following investment, while the share of different-owner employees (orange triangles) increases at a rate similar to pre-investment trends. The steady rise in different-owner employees reflects the secular growth of private equity in the United States, which mechanically increases the share of workers with some exposure to private equity ownership in prior employment. This secular trend, however, cannot explain the sharp jump in common-owner employees post-investment.

To distinguish owner-driven effects from unobserved firm characteristics, I take a subset

of 529 portfolio firms that transition immediately from the first-ever private equity owner to the next private equity owner. These transitions are known as secondary buyouts. If common-owner hiring reflects owner behavior rather than firm-specific attributes, employees affiliated with the original owner should leave the firm as the owner exits, while employees affiliated with the next owner should arrive following the secondary buyout. Figure 1 Panel B confirms this intuition. Together, these descriptive patterns suggest that common-owner hiring is likely a deliberate practice implemented by owners.

I next test whether this increase is plausibly causal by using staggered DD. Table 2 reports the estimates of the effect of private equity investment on the share of common-owner employees across four samples: main matched, canceled deal, bidding war, and plausibly exogenous. In column (1), using the main matched sample, the estimate is 0.184 ($p < .01$), indicating about 0.18% increase in the share of common-owner employees following investment. This corresponds to a six-fold increase relative to the pre-investment mean of 0.03%. Columns (2)–(4) use alternative samples constructed from canceled deals, where control firms were close to receiving investment by the same owner as matched portfolio firms. Column (2), using all canceled deals, reports an estimate of 0.077, a 70% rise relative to the pre-investment mean (0.11). Column (3) uses a subset of canceled deals involving bidding wars, where the control firm was ultimately acquired by a different owner. Because both treated and control firms were exposed to private equity intervention, this sample can isolate owner-specific effects on the outcome variable. The estimate of 0.123 corresponds to a 175% rise relative to the pre-investment mean (0.07). Column (4) uses deals canceled for plausibly exogenous reasons to identify control firms, and the estimate of 0.137 represents an over two-fold rise relative to pre-investment mean (0.06). In short, the impact of investment on the share of common-owner employees is consistently supported across increasingly stringent comparison groups.

A causal interpretation of these estimates rests on the assumption that, absent private equity intervention, the share of common-owner employees in portfolio firms and non-portfolio firms would have followed similar trends. Figure 2 shows event study plots for each sample. Pre-investment estimates are statistically indistinguishable from zero across all samples, supporting the identifying assumption.

I next turn to disentangle the extensive margin (firms without common-owner employees beginning to hire them) and the intensive margin (firms with common-owner employees further increasing their share). If the effect is driven by the extensive margin, it would suggest that private equity investment systematically introduces a new type of employee into organizations (that previously had none). To test this, I replace the outcome variable with *Common-Owner Hiring*, a binary indicator equal to one if the firm employed at least one

common-owner employee each year, and zero otherwise.

Table 3 reports results across the four samples. The estimate in column (1) indicates that private equity investment led to approximately 10 percentage points more portfolio firms hiring at least one common-owner employee for the first time. Relative to the pre-investment mean of 1.88%, this represents a six-fold increase. Put differently, private equity investment increases the number of portfolio firms with at least one common-owner employee from approximately 65 to 411 firms (out of 3,661), relative to trends among comparable firms. Columns (2) to (4) indicate that results are consistent across alternative samples: using all canceled deals (column (2)), the increase is strongly positive (0.05, $p < .01$); in the bidding-war subsample (column (3)), the increase is positive and moderately significant (0.06, $p = .07$); and in the plausibly-exogenous subsample (column (4)), the increase is strongly positive (0.29, $p < .01$).

These findings together show that private equity investment leads to common-owner hiring, and that this effect manifests primarily as firms with no common-owner employees beginning to hire them. These results are consistent with owners building and deploying talent across portfolio and support Hypothesis 1.

4.1.2 Common-owner employees by role

The analyses thus far establish that private equity investors direct common-owner employees across portfolio firms. Next, I examine where common-owner employees are placed within organizations. If common-owner employees serve as a vehicle for owner's strategy, they should concentrate in positions with greater authority and control over resources.

To explore this, I use Revelio Labs' seniority level measure, which classifies jobs into seven levels: Entry (level 1), Junior (level 2), Associate (level 3), Manager (level 4), Director (level 5), Executive (level 6), and Senior Executive (level 7). For each firm-year, I calculate the share of common-owner employees within each level, creating a firm-year-seniority panel. I then estimate a triple DD model that interacts *Post* × *Treated* with indicators for six seniority levels, using Entry (level 1) as the baseline.

Table 4 reports the estimates. Three patterns emerge. First, the coefficient on the main *Post* × *Treated* indicates a moderately significant increase in common-owner employees at the entry level. Second, the interaction terms for all levels above entry are positive and statistically significant. Third, the magnitude of the increase rises as the level goes up. As a result, the differential effect of private equity investment on common-owner employees is larger among managerial positions (Levels 4–7) and peaks among the C-suite (Level 7).

I next examine common-owner hiring by job category. Using Revelio Labs job-title

classifications, I assign each employee to one of seven categories: Administrative, Engineering, Scientist, Marketing, Sales, Operations, and Finance. Table 5 reports the estimates. Two insights emerge. First, the *Post* × *Treated* coefficient indicates that common-owner employees increase in administrative functions following investment. Second, relative to this baseline, the interaction terms are positive and moderately significant for Sales (0.075, $p = .06$) and strongly positive for Operations (0.374, $p < .01$) and Finance (0.486, $p < .01$), indicating larger increases within these functions. No other interaction term is statistically significant, indicating that firms hire more common-owner employees across functions post-investment, but notably more so within finance and operations functions. The full estimates of these heterogeneity analyses, including all main effects and interactions, are reported in Appendix Tables E1 and E2.

All in all, the heterogeneity analysis reveals that common-owner employees are not placed randomly within firms. Instead, they are primarily placed in managerial, financial, and operational roles, which are key for resource allocation decisions. This pattern is consistent with common-owner employees serving as a channel for extending owner influence inside the organization to reconfigure a firm's resource base.

4.2 Mechanism Test: Owner Strategy Emphasis

4.2.1 Common-owner employees driven by growth-oriented owners

My core finding thus far is that following an investment, firms hire more common-owner employees, and that these employees primarily occupy managerial, financial, and operational roles within organizations. I turn to the mechanism behind this pattern that, as theorized in Section 2, growth-oriented owners are more likely to rely on this talent.

I first present a plot showing the strategies emphasized by owners over time. Figure 3 presents strategy emphasis of 1,717 private equity owners in my sample along *Financial Engineering*, *Operational Efficiency*, and *Strategic Growth*. Initially, owners primarily emphasized financial engineering (yellow solid triangles) and efficiency (green diamonds), but over time, this focus has shifted towards strategic growth (blue solid circles).

Table 6 reports estimates from models that interact *Post* × *Treated* with *Financial Engineering*, *Operational Efficiency*, and *Strategic Growth*. Column (1) shows that the coefficient on *Post* × *Treated* × *Financial Engineering* is negative and statistically significant. In other words, stronger emphasis by owners on financial engineering is associated with a smaller increase in common-owner employee share following investment, suggesting that financially-oriented owners rely on these employees less. Column (2) shows that the coefficient on *Post* × *Treated* × *Operational Efficiency* is statistically indistinguishable from zero,

indicating that an owner's emphasis on efficiency does not moderate common-owner hiring. Column (3) indicates that the coefficient on *Post* × *Treated* × *Strategic Growth* is positive and strongly significant, showing that emphasis on growth is associated with greater reliance on common-owner employees. Column (4) estimates all three interactions simultaneously, and the direction, magnitude, and statistical significance of interactions remain consistent with those in columns (1)–(3). Uncentered variance inflation factors for the independent variables are below 3 and indicate no multicollinearity. Appendix Table F1 reports results using alternative measures of owner strategy emphasis, using the count and unique count of keywords instead of frequency, and the results are consistent.

Next, I plot event study estimates by owner's primary strategy. I classify each owner as primarily emphasizing financial engineering, operational efficiency, or strategic growth based on the dimension on which they score the highest, and estimate the stacked DD separately for each subsample.[9] Figure 4 presents the event study plots. The patterns mirror the results from Table 6, showing that owners whose primary strategy is strategic growth are most likely to engage in common-owner hiring, followed by those whose primary strategy is operational efficiency and then financial engineering.

Altogether, these results indicate that the extent to which owners build and deploy a portfolio-spanning talent network varies by their strategy for value creation. Owners oriented toward strategic growth (e.g., revenue growth, new market and product, talent development) are more likely to leverage common-owner employees as a way to shape organizations, while those emphasizing financial engineering rely on this talent less, supporting Hypothesis 2.

4.2.2 Roles of common-owner employees correspond to owner's strategy

The analyses thus far establish that growth-oriented owners are more likely to deploy common-owner employees. If the roles of common-owner employees correspond to owner's strategy, it would reinforce the interpretation that common-owner employees indeed serve as implementers of the owner's strategy. To test this, I examine the functional placement of common-owner employees within each owner primary strategy type. Specifically, within each of the three subsamples (financial engineering, operational efficiency, and strategic growth), I replicate the analysis from Table 5, interacting *Post* × *Treated* with job category indicators, using administrative functions as the baseline.

Table 7 reports the estimates. Columns (1) corresponds to the subsample of owners whose primary strategy is financial engineering. Two patterns emerge. First, the *Post* × *Treated*

[9]The three categories are mutually exclusive and exhaustive. In rare cases of ties, financial engineering takes priority over other dimensions, and operational efficiency takes priority over strategic growth.

coefficient is positive but not significant, indicating that common-owner hiring does not increase within administrative functions after investment. Second, the interaction term is strongly positive on *Finance* (0.304, $p < .01$), positive and moderately significant on *Operations* (0.203, $p = .051$) is, and statistically indistinguishable from zero on all other functions. Overall, these patterns indicate that among financially-oriented owners, common-owner employees increase primarily within finance functions.

Column (2) corresponds to owners whose primary strategy is operational efficiency. The *Post* × *Treated* coefficient is positive and significant (0.105, $p < .05$), indicating an increase in common-owner employees within administrative functions. Relative to this baseline, the interaction terms indicate larger increases in *Finance* (0.400, $p < .01$) and *Sales* (0.180, $p < .05$). The interaction term for *Operations* (0.325, $p = .053$) is moderately significant, while interaction terms for other functions are insignificant. This pattern suggests that within efficiency-focused owners, common-owner employees increase across the organization and especially so in finance and sales functions.

Column (3) corresponds to owners who primarily emphasize strategic growth as a value-creation strategy. The *Post* × *Treated* coefficient is strongly positive (0.121, $p < .01$), indicating that common-owner employees increase within administrative functions for this owner type. Relative to this baseline, the interaction terms indicate significant and large increases in *Finance* (0.787, $p < .01$) and *Operations* (0.627, $p < .01$), as well as moderately significant increases in *Marketing* (0.380, $p = .061$), and *Sales* (0.101, $p = .053$). This pattern suggests that among growth-oriented owners, common-owner employees increase across the organization and are primarily installed in finance and operations functions.

In sum, the functional placement of common-owner employees appears to reflect the primary value-creation strategy of the owner who deploys them. Financially-oriented owners deploy common-owner employees primarily in finance functions. Efficiency-oriented owners direct them across all functions, but primarily into finance and sales. Finally, growth-oriented owners channel them across all functions as well, but primarily toward finance and operations roles, which are critical for making operational and strategic change across the organization. This apparent match between owner strategy and the roles of common-owner employees suggests that owners either accumulate a network of talent whose capabilities reflect their strategies, deliberately install them in roles aligning with their strategies, or both.

I now turn to the final set of analyses, examining whether these individuals steer portfolio firms' organizational focus toward the owner's distinctive focus.

4.3 Convergence in Organizational Focus Within the Portfolio

My analyses thus far suggest that owners accumulate a network of talent, particularly when their strategy is on growth rather than financial engineering or cost cutting, and that this talent's roles reflect their strategy. In the third set of analyses, I examine whether this talent serves as a mechanism for implementing owner strategy. If it does, its presence in portfolio firms should shift those firms' organizational focus in ways that align with the owner's focus. To test this, I begin by analyzing whether private equity investment leads to convergence between a portfolio firm's organizational focus and its owner's focus, and then test whether this within-portfolio convergence is driven by common-owner employees.

4.3.1 Convergence in firm-owner focus

This analysis uses measures of work-activity-based organizational focus, owner focus, and their similarity, as detailed in Section 3.4. Figure 5 illustrates how these measures operate through examples. Panel A plots work activities of portfolio firms owned by two different owners, Vista Equity Partners and Apollo Global Management. The x-axis indicates z-scored importance level of work activities related to analyzing financial performance, and the y-axis corresponds to activities related to IT systems implementation. Two patterns are noteworthy. First, portfolio firms' activities clearly diverge by owner identity while clustering within the same owner, suggesting within-portfolio similarity in work activities. Second, Vista-owned firms (blue stars) place relatively high importance on IT implementation activities, while Apollo-owned firms (yellow circles) relatively prioritize financial performance activities. This pattern reflects each owner's strategy, with Vista known for investing in enterprise software firms and growing their operations and Apollo historically focusing on distressed assets and financial restructuring. While this panel portrays two example activity types, *Organizational Focus* is a 332-dimensional vector that captures the relative emphasis placed on 332 distinct work activities by each firm each year.

Panel B plots a sample of owners along the same two example activity types, demonstrating how *Owner Focus* operates. *Owner Focus* is defined as the average organizational focus of all firms actively held in the owner's portfolio. Vista clusters with other owners that similarly focus on software sectors and emphasize growth strategies, while Apollo sits near owners known for more financially-oriented approaches.

Table 8 reports staggered DD estimates of the effect of investment on *Firm-Owner Focus Similarity*. Column (1) shows that the coefficient on *Post* × *Treated* is positive and statistically significant (0.007, $p < .01$), indicating that investment leads to convergence between a portfolio firm's organizational focus and that of its new owner. Column (2)

decomposes this effect by interacting *Post* × *Treated* with *Common-Owner Hiring*, a binary indicator equal to one if the portfolio firm hires at least one common-owner employee. The coefficient on *Post* × *Treated* is positive but no longer statistically significant, while the triple interaction term is strongly positive (0.015, $p < .01$). This indicates that firm-owner similarity is driven primarily by portfolio firms that engage in common-owner hiring.

In sum, my results show that post-investment, firms' focus converge with their owner's focus, primarily among firms that hire common-owner employees. These findings suggest that common-owner employees act as a channel through which owners align their firms' focus with their own distinct focus.

4.3.2 Placebo test: convergence to owner focus or private equity sector-wide focus?

The results above establish that a firm's organizational focus and its owner's focus converge following investment. This raises a natural question: does the convergence reflect a shift toward the unique approach of the owner, or a general shift toward practices common across all private equity owners? The latter would suggest that private equity shares a generic set of practices, whereas the former would support the interpretation that each owner has a distinctive approach that it implements within its portfolio.

To distinguish between these interpretations, I conduct a placebo test using randomization inference. I randomly assign each portfolio firm a fake owner randomly drawn from the universe of private equity owners active at the time of the investment, excluding the actual owner. I then recalculate *Firm-Owner Focus Similarity* using the randomly assigned owner's focus and re-estimate the coefficient on *Post* × *Treated*. I repeat this procedure 500 times to generate a distribution of placebo coefficients. If convergence simply reflects a shift toward private-equity-sector-wide practices, the placebo coefficients should be of similar magnitude to the actual coefficient. If convergence is specific to the actual owner's focus, the actual coefficient should exceed the placebo distribution.

Figure 6 presents the simulation results. The bars show the distribution of placebo coefficients from the 500 simulated datasets, and the red vertical line is the actual coefficient. The actual coefficient exceeds all 500 placebo coefficients ($p < .002$). This result allows me to reject the null hypothesis that the observed convergence reflects a shift toward sector-wide practices rather than toward owner-specific ones.

Overall, these results show that private equity owners implement distinctive approaches across the firms they own, and that these approaches are specific to each owner. The evidence altogether supports Hypothesis 3: owners form and apply unique strategies to reshape their

firms, and talent sourced from prior engagements serves as a channel through which their strategies transfer and are implemented in new portfolio firms.

5 Discussion

My analysis reveals how active owners shape the firms they own through three findings. First, owners build a pool of talent from prior engagements and deploy these common-owner employees to new portfolio firms. Second, owners whose strategy focuses on strategic growth, rather than financial engineering or efficiency, are most likely to deploy common-owner employees. Third, these employees matter for transferring and implementing owner's specific strategy, as firms with common-owner employees shift their organizational focus most toward the owner's distinctive focus.

The remainder of this section considers the interpretation of these findings. I first examine why employees, rather than other channels of owner influence, serve as the channel through which owner-specific strategies are implemented. I then discuss alternative explanations for the patterns of common-owner hiring and focus convergence. Finally, I address sample representativeness.

5.1 Why Employees as a Channel of Owner Influence?

The core finding is that employees move across commonly owned firms and implement owner-specific strategy. This finding raises a natural question: are employees the only channel through which owners implement strategy, or do other channels, such as board representation, operating partners, and external consultants, serve a similar role (Hoskisson et al., 2013; Acharya et al., 2013; Gompers et al., 2016)?

These alternatives are important channels through which owners exert influence, but they differ from common-owner employees in that they operate primarily from outside the firm. Board members, often the deal partners themselves, exercise control rights over CEO hiring, strategic direction, and capital allocation. Operating partners are advisors associated with the owner who engage with multiple portfolio firms simultaneously and episodically to provide operational and strategic guidance. Consultants similarly engage episodically and on a project basis to provide expertise and operational support. In contrast to these channels, common-owner employees are embedded inside the organization, and, as my findings show, occupy positions in management, finance, and operations, which are critical roles for reconfiguring resources and routines from within. From these positions, they adapt organizational processes and activities on the ground, rather than advise or govern as an outsider.

This shift is consistent with how private equity owners describe their own evolving engagements. As one operating partner I interviewed remarked, "I have learned the hard way that for the PE firm to be effective, you need 'A players' at portcos, who can catch our passes... our team of consultants doing a bunch of things to solve problems without anyone there to catch our passes does not work." A middle manager at a portfolio firm also explained, "There are gaps between theoretical and operating realities, and translating the theory into a business reality is hard ... I think that's why they need someone from the PE firm to translate." Practitioners report a similar shift, noting that "The old model, where CEOs, CFOs, and a handful of others got all the attention — and an equity stake in the portfolio company — reflected a financial-engineering-based model of value creation. But when you realize that value creation depends on people, you need to address the organization as a whole" (Bililies, 2023), and that "[private equity] funds are taking a much more granular perspective on talent when they make an acquisition, asking what skills people have, how these skills can be improved, and how they might be pooled or moved to benefit other companies in the portfolio" (Walsh et al., 2023).

This shift in strategy thus implies a greater reach into the firms by private equity owners. Where earlier models exerted influence primarily through governance and oversight, private equity owners today place trusted individuals inside the organization. This is, of course, not to say that other channels do not operate in parallel. My analysis captures only the kind of owner influence that operates through employee mobility, so the estimates should be interpreted as a lower bound on owners' overall reach. The evidence nonetheless points to deeper and more relational influence of private equity owners over their firms.

5.2 Alternative Explanations

5.2.1 Common-owner hiring

The mechanism I propose, that owner's emphasis on strategic growth drives common-owner hiring, is not the only factor that can influence talent movement within portfolio. I consider two plausible alternatives.

One possible explanation is that owners with larger portfolios have, by design, a larger pool from which to draw common-owner employees. To test this, I count the cumulative number of portfolio firms each owner has invested in up to the year of investment and re-estimate the main specification with this measure included. Appendix Table F2 shows that portfolio size indeed predicts common-owner hiring, but importantly, including it does not alter the coefficients on financial engineering or strategic growth. The moderating role of owner strategy emphasis thus persists and is not explained away by portfolio size.

Another possibility is that owners who specialize in narrow sets of industries make greater use of common-owner employees because the knowledge held by these employees is more transferable across the portfolio (Neffke and Henning, 2013; Lieberman et al., 2017). Following Castellaneta and Zollo (2015), I construct a time-varying Herfindhal index of active portfolio firms by sector to measure owner's sector specialization. Appendix Table F3 shows that specialist owners are more likely to hire common-owner employees. But once measures of owner strategy emphasis are included, specialization no longer explains the pattern, while the moderating roles of financial engineering and strategic growth persist.

While portfolio size and specialization plausibly contribute to common-owner hiring, neither displaces the role of owner strategy emphasis for the observed patterns. The stability of owner strategy emphasis as a moderator across these analyses provides confidence that alternative explanations do not drive common-owner hiring, at least not entirely.

5.2.2 Firm-owner focus convergence

The relationship between common-owner employees and firm-owner focus convergence permits two interpretations. The first is that these employees act as carriers and implementers of the owner's strategy. The second is that firms hiring them simultaneously introduce other changes (e.g., new technologies, governance changes, external advisors and consultants) that drive the convergence, with common-owner hiring co-occurring with these practices. Although my data do not allow me to fully disentangle these interpretations, my view is that the convergence is, at least in part, attributable to common-owner employees, particularly given the findings that they are disproportionately placed in roles that allow them to steer the firm toward new strategic priorities and that their functional roles align with the owner's primary strategy.

5.3 Sample Coverage and Representativeness

The use of Revelio Labs as data sources warrants discussion of sample representativeness. Revelio Labs constructs employee job histories from public LinkedIn profiles, which raises two related concerns. The first is selection into LinkedIn. Prior work documents that professional, managerial, and white-collar employees are disproportionately represented on LinkedIn (e.g. Ge et al., 2016). Reassuringly, these are the roles that common-owner employees tend to occupy, so this selection likely works in favor of accurate measurement. The second concern is that older job histories may be sparser. Since LinkedIn launched in 2003 and grew from 4,500 users initially to over 1.3 billion as of 2026, users must backfill jobs they held before they joined. I therefore avoid definitive claims about over-time trends in common-owner hiring, though the shift in private equity toward strategic growth, confirmed by my qualitative

interviews, corroborates that this is likely a growing phenomenon (e.g., Ulrich and Allen, 2016; Bililies, 2023; Walsh et al., 2023).

Importantly, for sample bias to explain my results, it would need to account for not only inclusion in the sample but also the specific patterns I report across three analyses: that common-owner hiring rises following investment (and not before), that it is concentrated under growth-oriented owners (and not under financial- or efficiency-oriented owners), and that it predicts a firm's focus converging toward its specific owner (and not toward owners generally). This is a substantial hurdle, and while no observational study can fully rule out sample concerns, bias arising from sample coverage or representativeness alone is unlikely to generate this combined pattern.

5.4 Theoretical Implications

This study contributes to several streams of research. First, it extends research on corporate strategy and governance by identifying a relational mechanism through which active owners reshape firms. The canonical view of corporate ownership emphasizes formal control through monitoring and incentive realignment (Daily et al., 2003; Connelly et al., 2010; Bloom et al., 2015; Gartenberg and Pak, forthcoming). Complementing this work, my findings show that owners also build and deploy networks of talent to influence firms, suggesting that an owner's human capital resources are an increasingly important source of competitive advantage.

Second, the findings show that owners implement strategy through different channels depending on their strategic emphasis. Strategies oriented toward capital structure or cost discipline lend themselves to codification and oversight, while those that depend on growth rely on tacit knowledge (Gupta and Govindarajan, 1984; Chandler, 1990; Yamaguchi et al., 2023). Building on this, my findings on the mechanism, that growth-oriented owners rely on common-owner employees more, while financial-engineering-oriented owners rely on them less, show that strategy and the mechanisms through which it is implemented are a complementary bundle. The particular bundle that I document (growth-oriented strategy and talent) reflects an emerging model of active ownership in which value creation depends more on organizational change implemented from within.

Third, this paper extends research on strategy implementation by identifying employee mobility as a channel through which strategy moves across firm boundaries. Prior work has emphasized the role of top managers in shaping organizational direction (Castanias and Helfat, 1991; Boeker, 1997; Bertrand and Schoar, 2003). My findings indicate that employees throughout the hierarchy, and particularly those in positions to reconfigure resources and routines, are an important vehicle and repository of strategic knowledge.

Fourth, the findings contribute to research on broader labor market dynamics by documenting a form of employee mobility that spans firm boundaries while remaining within ownership boundaries. Prior work shows that firm boundaries play an important role in shaping talent flows, with consequences for both individual careers and organizational outcomes (Bidwell, 2011; Bidwell and Keller, 2014; Belenzon and Tsolmon, 2016). My findings reveal that workers may move between structurally independent firms but still remain within a common ownership structure, highlighting the growing role of owners as an intermediaries in labor markets.

Finally, these findings speak to ongoing debates about the consequences of active ownership for stakeholders (e.g. Barney, 2018; DesJardine et al., 2023a). Growing evidence documents the costs that active owners impose on workers in the forms of job loss, wage compression, and diminished corporate purpose (DesJardine and Durand, 2020; Chen et al., 2021; Gartenberg and Serafeim, 2023; Gartenberg and Pak, forthcoming). For the subset of skilled workers who get embedded in an owner's network, however, active ownership may offer a distinct career path. The costs and benefits of active ownership may therefore be distributed unevenly across the workforce, with implications for the role of owners and firms in within- and across-firm inequality (Barth et al., 2016; Cobb, 2016; Song et al., 2019; Amis et al., 2020).

5.5 Managerial Implications

The findings also present practical implications for managers at private equity funds and at portfolio firms. For fund managers, they suggest that competitive advantage lies not only in deal sourcing or financial structuring but in the cumulative network of specialized talent, deliberately built and coordinated across investments. In growth-oriented investments, where performance depends on tacit know-how, discretionary effort, and cooperation, and less on monitoring and quantifiable outputs, fund-level investments in talent development may be particularly consequential.

For managers of portfolio firms, the findings suggest that the people that a new owner brings in likely already carry the owner's strategy. Performing well under a private equity owner and relationship building can shape career trajectories beyond the focal firm, with potential for placement at future investments. Conversely, managers and employees whose skills or roles do not fit the owner's strategy may find their tenure shorter than it would otherwise.

6 Conclusion

This study shows that employee mobility is a key mechanism through which corporate owners transfer their distinct strategy to the firms they control. Following private equity investment, firms hire more employees from other firms in the same owner's portfolio than comparable peers do. This common-owner hiring is driven by owners that emphasize strategic growth. The presence of common-owner employees predicts convergence of the firm's organizational focus toward the focus of the owner's broader portfolio, suggesting that these employees carry and implement owner-specific strategy.

These results open several avenues for future research. First, as owners redeploy workers within portfolios, common-owner employees may develop expertise specific to a particular owner's strategy. If this expertise is less transferable outside the owner's ecosystem, it could produce a distinct group of workers whose careers unfold within portfolios, similar to how large corporations have traditionally developed talent internally (Cappelli, 1999; Lazear and Oyer, 2004). Future work could examine how ownership influences employee's career trajectories, both within and across ownership boundaries. Second, the findings raise the question of when ownership-based coordination substitutes for formal hierarchy. Diversified corporations have long redeployed employees across units to transfer knowledge and exert control (Edstrom and Galbraith, 1977; Gupta and Govindarajan, 1984; Ghoshal and Bartlett, 1990; Belenzon and Tsolmon, 2016; Chauvin and Poliquin, 2024; Sohl and Folta, 2025), and I find that private equity owners increasingly rely on talent that spans portfolio firms for similar effects. As traditional firms have shifted from "building" to "buying" talent (Cappelli, 1999; Bidwell et al., 2013), private equity portfolios may emerge as a new infrastructure for coordinating skilled talent across organizations. Finally, as new technologies like generative AI transform workplaces, an open question is whether active owners will continue to develop human talent or shift toward substituting technology for labor. Research at the intersection of ownership, human capital, and technological change could shed light on how different owners adapt as the nature of value creation evolves.

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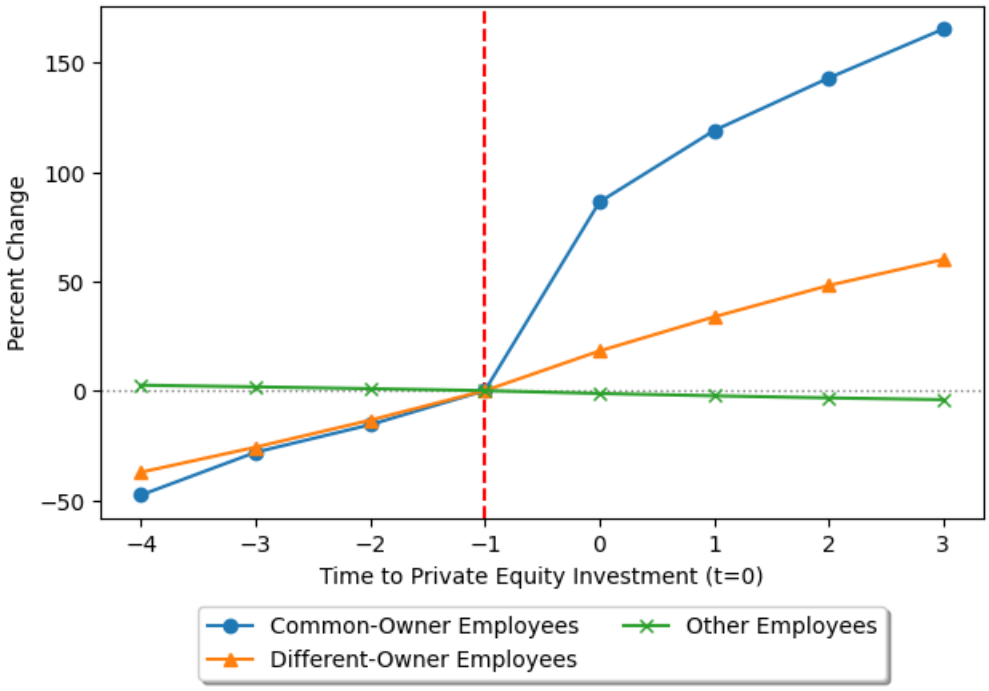
Figures

Figure 1: Common-owner employee hiring patterns.

(a) Hiring around private equity investment



(b) Workforce composition around ownership change

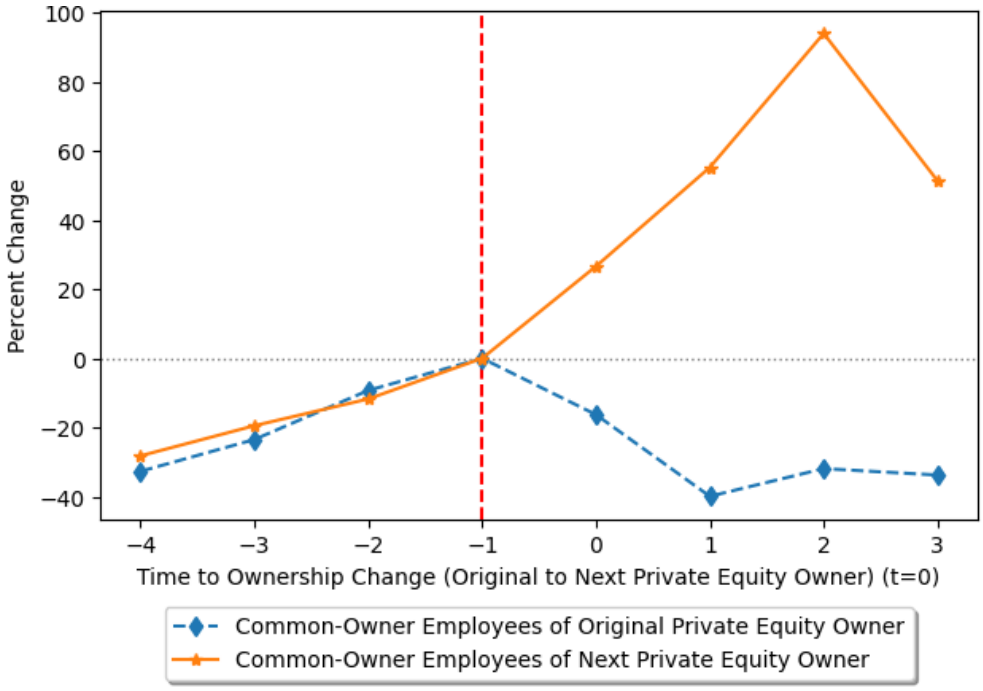
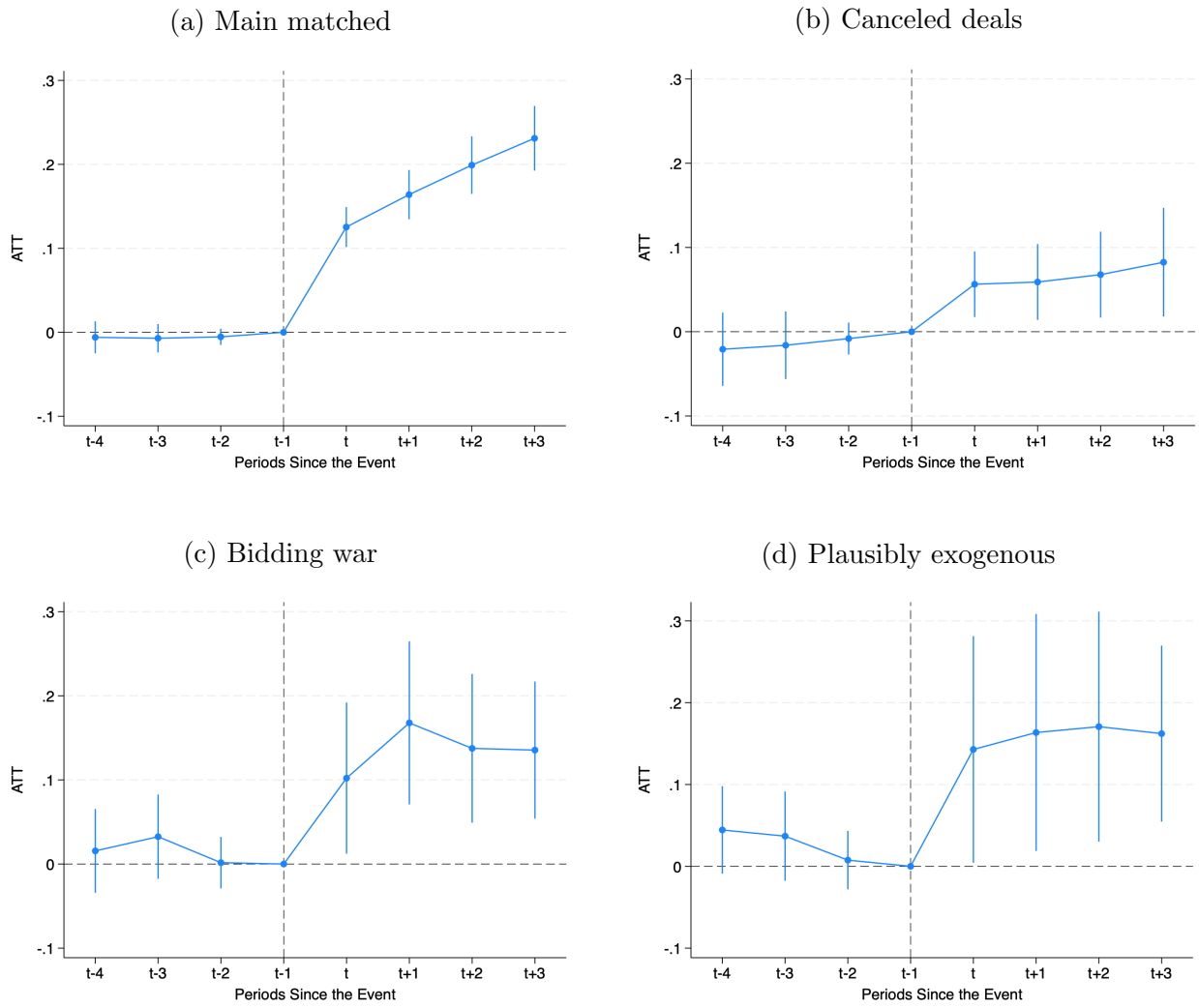
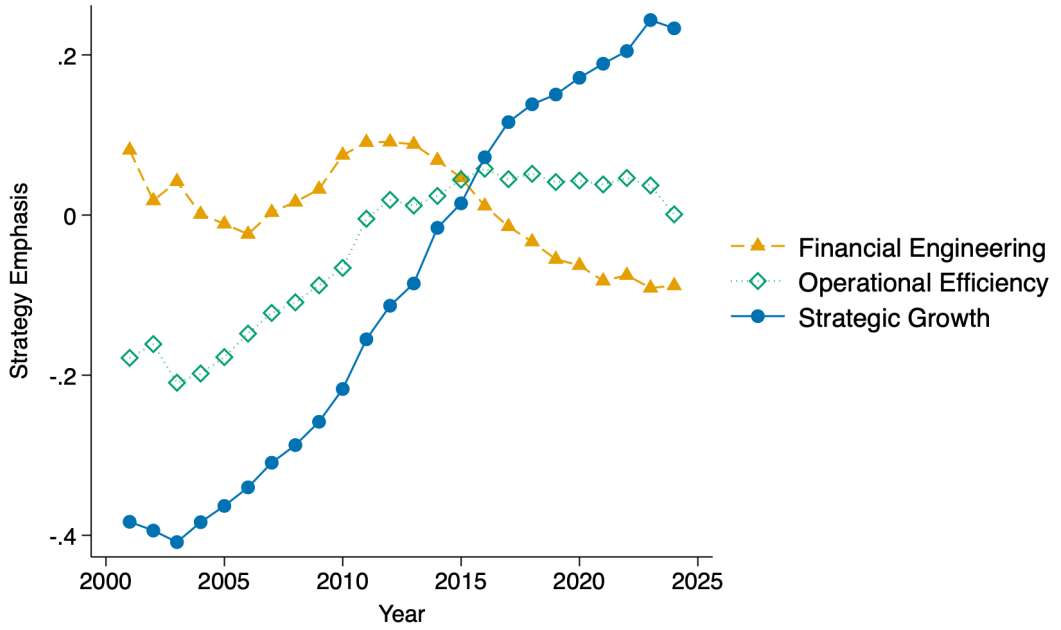


Figure 2: Event study of private equity investment on common-owner employees.



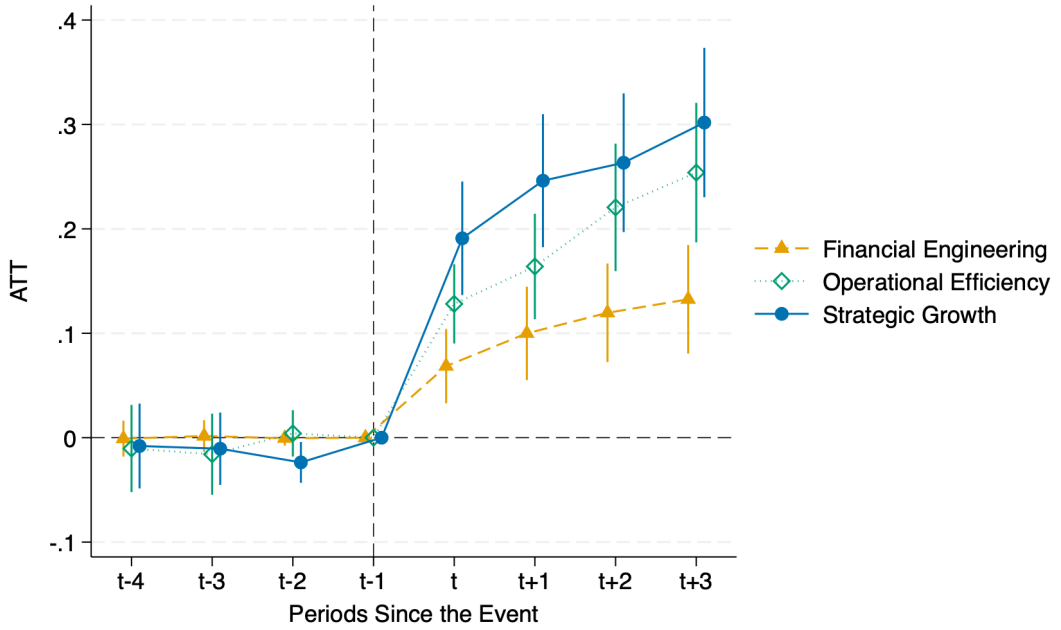
Notes: This figure plots event study estimates of the impact of private equity investment on the share of common-owner employees, using the stacked DD design. Period t-1, the year before investment, is the omitted reference category. Red square markers are pre-investment coefficients and blue circle markers are post-treatment coefficients. Vertical bars represent 95% confidence intervals.

Figure 3: Private equity owners' strategy emphasis over time.



Notes: Owner strategy emphasis is measured along three dimensions of *Financial Engineering*, *Operational Efficiency*, and *Strategic Growth*. Each dimension is measured as a frequency of keywords (counts per 1,000 words) appearing on owner's archived websites.

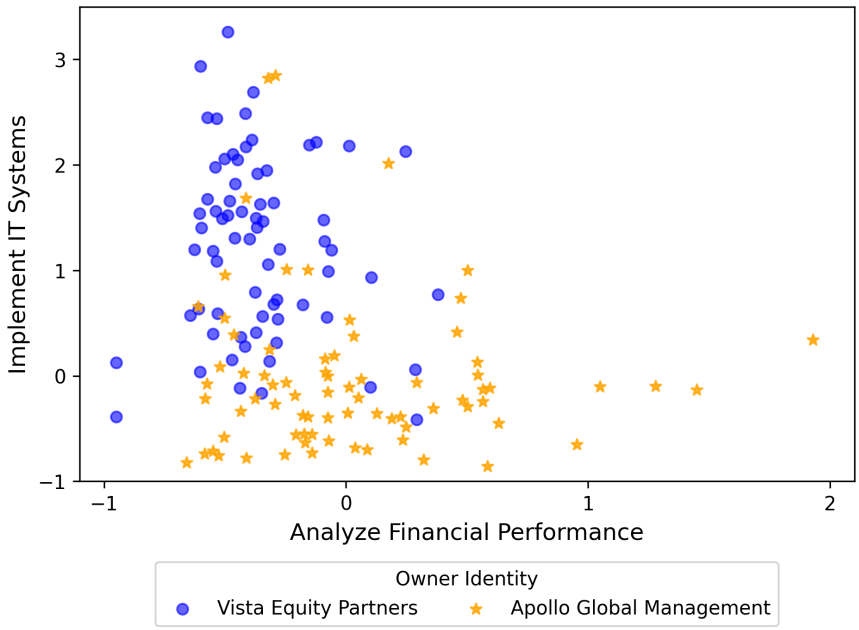
Figure 4: Event study on common-owner employees by owner's primary strategy.



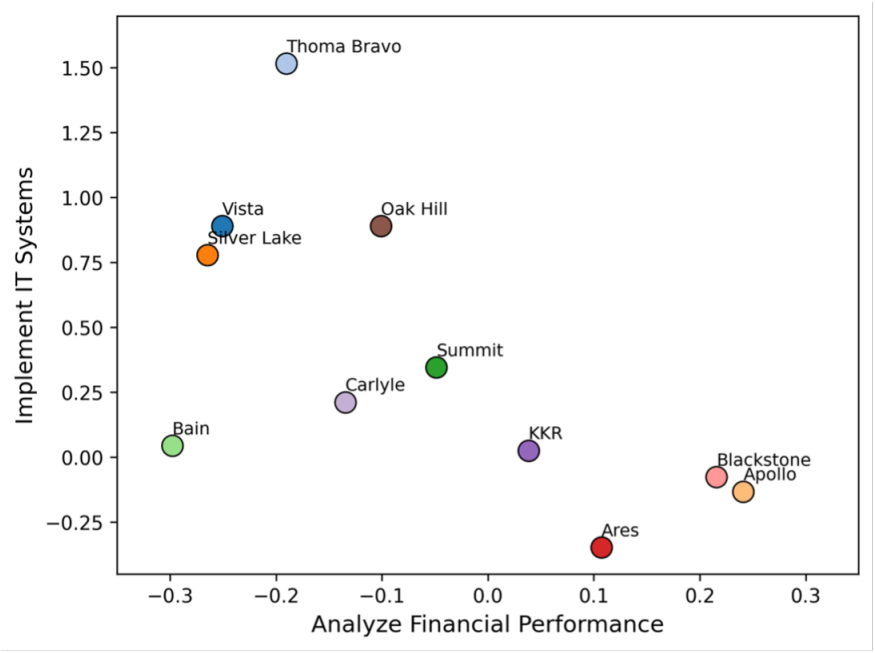
Notes: This figure plots event study estimates of the impact of private equity investment on the share of common-owner employees by owner's primary strategy, using the stacked DD design. I classify each owner as emphasizing financial engineering, operational efficiency, or strategic growth based on the dimension on which they score the highest, and estimate the stacked DD separately for each subsample. Orange solid triangles, green diamonds, and blue solid circles are estimates for the financial engineering, operational efficiency, and strategic growth subsamples, respectively. Period -1, the year before investment, is the omitted reference category. Vertical bars represent 95% confidence intervals.

Figure 5: Activity-based focus measures of portfolio firms and owners.

(a) Organizational focus of illustrative portfolio firms

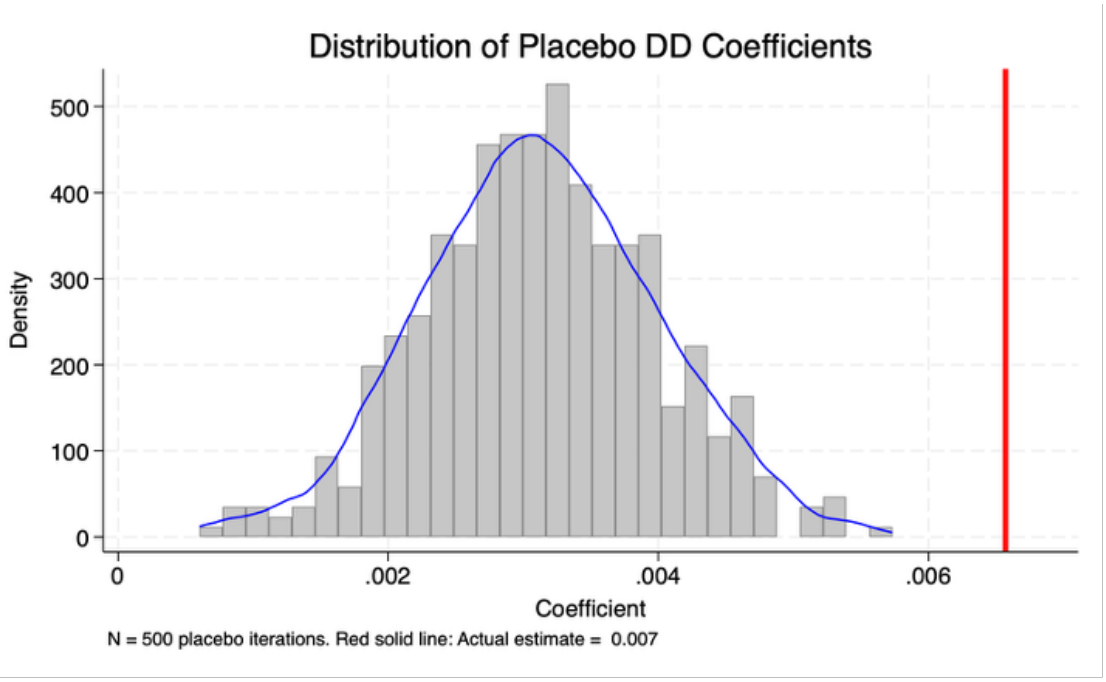


(b) Owner focus of illustrative private equity owners



Notes: In Panel A, the x-axis is the average of z-scored "Analyze Financial Performance" work activities at a given firm, and the y-axis is the z-scored "Implement IT Systems" work activities. Each dot represents a portfolio firm, with its shape indicating different private equity ownership. In Panel B, the axes represent the average of all portfolio firms' average z-scored work activities for a given private equity owner. Each dot represents a private equity owner.

Figure 6: Firm-owner focus similarity: actual versus simulation.



Notes: The figure shows the histogram of the simulated *Firm-Owner Focus Similarity* after 500 simulations. Portfolio firms are randomly assigned a private equity owner who is not the actual owner but active during the investment period, and *Firm-Owner Focus Similarity* is calculated using the portfolio firm's focus and the fake owner's focus. The red vertical line shows the actual estimate. The distribution shows the simulated coefficients on *Post* × *Treated*.

Tables

Table 1: Descriptive statistics.

Panel A. Firms that received first private equity investment in 2001–2021 ($n = 12{,}775$).

Variable	Mean	Std. Dev.
Investment year	2014	5.76
Number of employees	275.03	1,546.77
% Share of common-owner employees	0.08	0.82
% Share of different-owner employees	5.06	6.25

Industry	Number of Firms	% of Firms
Commercial Services	3,640	22.59
Commercial Products	2,083	12.93
Software	1,903	11.81
Healthcare Services	1,386	8.60
IT Services	688	4.27

Panel B. Four samples.

Sample type	Number of firms	% Share of common-owner employees	% of firms with common-owner employees
1. Main matched	7,222	0.03	3.02
2. Canceled deals	734	0.11	31.34
3. Bidding war	200	0.08	25.50
4. Plausibly exogenous	113	0.07	33.63

Table Notes: Panel A consists of all firms that received first private equity investment in 2001–2021 ($n = 12{,}775$), and statistics are based on years prior to investment. Panel B shows summary statistics across four different analytic samples, and statistics are based on years prior to investment.

Table 2: The impact of private equity investment on common-owner employees.

Dependent variable	*Common-owner employees*			
Sample type	Main matched	Canceled deals	Bidding war	Plausibly exogenous
	(1)	(2)	(3)	(4)
Post × Treated	0.184***	0.077***	0.123***	0.137**
	(0.014)	(0.025)	(0.039)	(0.065)
Observations	54,617	10,904	2,664	1,508
R-squared	0.51	0.78	0.69	0.60
Mean of DV	0.08	0.15	0.13	0.11
Stack-Year FE	Yes	Yes	Yes	Yes
Stack-Firm FE	Yes	Yes	Yes	Yes

Notes: Significant at ***1%, **5%, and *10%. *Common-owner employees* is the percent share of common-owner employees in each firm-year.

Table 3: The impact of private equity investment on common-owner hiring.

Dependent variable	*Common-owner hiring*			
Sample type	Main matched	Canceled deals	Bidding war	Plausibly exogenous
	(1)	(2)	(3)	(4)
Post × Treated	0.100***	0.050***	0.062*	0.297***
	(0.006)	(0.019)	(0.034)	(0.049)
Observations	54,617	10,904	2,664	1,508
R-squared	0.55	0.73	0.73	0.75
Mean of DV	0.06	0.37	0.27	0.38
Stack-Year FE	Yes	Yes	Yes	Yes
Stack-Firm FE	Yes	Yes	Yes	Yes

Notes: Significant at ***1%, **5%, and *10%. *Common-owner hiring* is a binary indicator equal to one if at least one common-owner employee was hired in firm-year.

Table 4: Change in common-owner employees by seniority level.

Dependent variable	*Common-owner employees*
	(1)
Post × Treated	0.027*
	(0.015)
Post × Treated × Junior (level 2)	0.046**
	(0.022)
Post × Treated × Associate (level 3)	0.063**
	(0.026)
Post × Treated × Manager (level 4)	0.131***
	(0.032)
Post × Treated × Director (level 5)	0.440***
	(0.053)
Post × Treated × Executive (level 6)	0.616***
	(0.113)
Post × Treated × Senior Executive (level 7)	0.998***
	(0.119)
Observations	313,950
R-squared	0.10
Mean of DV	0.12
Stack-Year FE	Yes
Stack-Firm FE	Yes

Notes: Significant at ***1%, **5%, and *10%. Baseline omitted category is "Entry (level 1)". To preserve space, estimates for six seniority levels (all except the baseline "Entry (level 1)" category), "Post" interacted with six seniority levels, and "Treated" interacted with six seniority levels are omitted here but reported in Appendix Table E1.

Table 5: Change in common-owner employees by job category.

Dependent variable	*Common-owner employees*
	(1)
Post × Treated	0.107***
	(0.032)
Post × Treated × Engineer	−0.025
	(0.040)
Post × Treated × Scientist	0.070
	(0.078)
Post × Treated × Marketing	0.139
	(0.087)
Post × Treated × Sales	0.075*
	(0.040)
Post × Treated × Operations	0.374***
	(0.081)
Post × Treated × Finance	0.486***
	(0.076)
Observations	321,379
R-squared	0.11
Mean of DV	0.10
Stack-Year FE	Yes
Stack-Firm FE	Yes

Notes: Significant at ***1%, **5%, and *10%. Baseline omitted category is the "Administrative" job category. To preserve space, estimates for six job categories (all except the baseline "Administrative" category), "Post" interacted with six job categories, and "Treated" interacted with six job categories are omitted here but reported in Appendix Table E2.

Table 6: Change in common-owner employees by owner's strategy emphasis.

Dependent variable	*Common-owner employees*			
	(1)	(2)	(3)	(4)
Post × Treated	0.184***	0.184***	0.184***	0.184***
	(0.014)	(0.014)	(0.014)	(0.014)
Post × Treated × Financial Engineering	−0.045***			−0.040***
	(0.011)			(0.011)
Post × Treated × Operational Efficiency		0.011		0.001
		(0.014)		(0.015)
Post × Treated × Strategic Growth			0.045**	0.040**
			(0.017)	(0.018)
Post × Financial Engineering	−0.005			−0.006
	(0.004)			(0.004)
Post × Operational Efficiency		−0.003		−0.002
		(0.004)		(0.004)
Post × Strategic Growth			−0.006	−0.007
			(0.005)	(0.005)
Observations	54,617	54,617	54,617	54,617
R-squared	0.51	0.51	0.51	0.51
Mean of DV	0.08	0.08	0.08	0.08
Stack-Year FE	Yes	Yes	Yes	Yes
Stack-Firm FE	Yes	Yes	Yes	Yes

Notes: Significant at ***1%, **5%, and *10%. "Financial Engineering," "Operational Efficiency," and "Strategic Growth" are keyword-based measures of the owner's strategy emphasis constructed from archived websites (see Appendix B).

Table 7: Change in common-owner employees by job category and owner's primary strategy.

	Dependent variable: Common-owner employees		
Owner primary strategy	Financial engineering (1)	Operational efficiency (2)	Strategic growth (3)
Post × Treated	0.097	0.105**	0.121***
	(0.074)	(0.045)	(0.039)
Post × Treated × Engineer	−0.123	0.058	−0.007
	(0.083)	(0.071)	(0.048)
Post × Treated × Scientist	0.150	0.005	0.063
	(0.170)	(0.106)	(0.127)
Post × Treated × Sales	−0.046	0.180**	0.101*
	(0.075)	(0.075)	(0.054)
Post × Treated × Marketing	−0.067	0.123	0.380*
	(0.140)	(0.106)	(0.196)
Post × Treated × Operations	0.203*	0.325*	0.627***
	(0.104)	(0.168)	(0.145)
Post × Treated × Finance	0.304***	0.400***	0.787***
	(0.118)	(0.118)	(0.161)
Observations	121,667	83,041	99,641
R-squared	0.09	0.12	0.11
Mean of DV	0.01	0.02	0.02
Stack-Year FE	Yes	Yes	Yes
Stack-Firm FE	Yes	Yes	Yes

Notes: Significant at ***1%, **5%, and *10%.
Owner primary strategy corresponds to the highest score that the owner scored along the three z-scored dimensions of financial engineering, operational efficiency, and strategic growth.
To preserve space, estimates for six job categories (all except the baseline "Administrative" category), "Post" interacted with six job categories, and "Treated" interacted with six job categories are omitted here but reported in Appendix Table E3.

Table 8: Focus similarity between firm and its owner.

Dependent variable	*Firm-owner focus similarity*	
	(1)	(2)
Post × Treated	0.007***	0.003
	(0.002)	(0.002)
Post × Treated × Common-Owner Hiring		0.015***
		(0.004)
Post × Common-Owner Hiring		−0.002
		(0.003)
Constant	0.686***	0.686***
	(0.000)	(0.001)
Observations	35,357	35,357
R-squared	0.949	0.949
Mean of DV	0.688	0.688
Stack-Year FE	Yes	Yes
Stack-Firm FE	Yes	Yes

Notes: Significant at ***1%, **5%, and *10%.
Firm-owner focus similarity is the cosine similarity between portfolio firm's *Organizational focus* and its owner's *Owner focus*. *Owner focus* is fixed at one year before private equity investment. "Common-Owner Hiring" is a binary indicator equal to one at least one common-owner employee was hired in firm-year.

Appendix

Owning With Style: How Corporate Owners Shape Firm Strategy

A Sample Construction Process

Table A1: Sample construction process.

Conditions	Number of firms	Number of employees
PitchBook's "Private Equity North America – Company" data (downloaded in December 2024)	116,799	–
After dropping firms missing deal year or are outside of deal years 2002–2021	73,442	–
After dropping firms that appear only as add-on acquisition of another private equity-owned firm	68,203	–
After dropping firms whose deal types are not "Buyout/LBO" or "PE Growth/Expansion" and whose deals are not by legitime private equity investors (i.e., those with more than 10 private equity deals previously)	29,211	–
After dropping firms that could not be merged with Revelio Labs using website and LinkedIn URLs	22,076	8,884,400
After dropping firms with less than 15 full-time employees on average before investment	12,775	8,738,615

Notes: This table shows the steps taken to arrive at the final sample of 12,775 portfolio firms.

B Robustness Analyses

Section 4.1 of the main paper shows that following a private equity investment, portfolio firms hire significantly more employees from other firms in the same owner's portfolio (Table 2). This appendix reports two sets of robustness checks for that result.

First, I restrict the samples to deals with an identified lead investor and redefine common-owner employees as those previously employed at portfolio firms of the lead investor only. Because lead-investor information is missing for some deals, these samples are smaller than the main samples. Table B1 reports the resulting estimates. Throughout the samples, the estimates remain positive and significant.

Table B1: The impact of private equity investment on common-owner employees, deals restricted to lead investors.

Dependent variable	*Common-owner employees*			
Sample type	Main matched	Canceled deals	Bidding war	Plausibly exogenous
	(1)	(2)	(3)	(4)
Post × Treated	0.190***	0.072**	0.087***	0.156*
	(0.016)	(0.033)	(0.033)	(0.090)
Observations	43,972	9,358	2,257	1,314
R-squared	0.51	0.79	0.81	0.62
Mean of DV	0.09	0.16	0.12	0.11
Stack-Year FE	Yes	Yes	Yes	Yes
Stack-Firm FE	Yes	Yes	Yes	Yes

Notes: Significant at ***1%, **5%, and *10%. *Common-owner employees* is the percent share of common-owner employees in each firm-year. Common-owner employees in this table are restricted to those previously employed at portfolio firms of the lead investor only. Standard errors clustered at the firm level appear in parentheses.

Next, I estimate the main result, whether private equity investment is followed by the increase in the share of common-owner employees, using four alternative staggered DD estimators. Tables B2–B5 report the results using different estimators of Callaway and Sant'Anna, two-stage DD, de Chaisemartin and D'Haultfœuille, and imputation. The results are qualitatively consistent with the results from the main stacked DD estimator, indicating that the result is robust to different estimators.

Table B2: Callaway and Sant'Anna (2021) estimator.

Dependent variable	*Common-owner employees*			
Sample type	Main matched	Canceled deals	Bidding war	Plausibly exogenous
	(1)	(2)	(3)	(4)
Post × Treated	0.177***	0.066***	0.133***	0.134**
	(0.014)	(0.022)	(0.040)	(0.065)
Observations	54,617	10,904	2,664	1,508
R-squared	–	–	–	–
Mean of DV	0.08	0.15	0.13	0.11
Year FE	Yes	Yes	Yes	Yes
Firm FE	Yes	Yes	Yes	Yes

Notes: Significant at ***1%, **5%, and *10%. *Common-owner employees* is the percent share of common-owner employees in each firm-year.

Table B3: Gardner's (2021) two-stage DD estimator.

Dependent variable	*Common-owner employees*			
Sample type	Main matched	Canceled deals	Bidding war	Plausibly exogenous
	(1)	(2)	(3)	(4)
Post × Treated	0.089***	0.036***	0.059***	0.064**
	(0.007)	(0.012)	(0.019)	(0.032)
Observations	54,617	10,904	2,664	1,508
R-squared	–	–	–	–
Mean of DV	0.08	0.15	0.13	0.11
Year FE	Yes	Yes	Yes	Yes
Firm FE	Yes	Yes	Yes	Yes

Notes: Significant at ***1%, **5%, and *10%. *Common-owner employees* is the percent share of common-owner employees in each firm-year.

Table B4: de Chaisemartin and D'Haultfœuille (2020) estimator.

Dependent variable	*Common-owner employees*			
Sample type	Main matched	Canceled deals	Bidding war	Plausibly exogenous
	(1)	(2)	(3)	(4)
Post × Treated	0.126***	0.052***	0.103**	0.115
	(0.011)	(0.020)	(0.045)	(0.071)
Observations	36,178	7,402	1,777	646
R-squared	–	–	–	–
Mean of DV	0.08	0.15	0.13	0.11
Year FE	Yes	Yes	Yes	Yes
Firm FE	Yes	Yes	Yes	Yes

Notes: Significant at ***1%, **5%, and *10%. *Common-owner employees* is the percent share of common-owner employees in each firm-year.

Table B5: Borusyak et al.'s (2024) imputation model.

Dependent variable	*Common-owner employees*			
Sample type	Main matched	Canceled deals	Bidding war	Plausibly exogenous
	(1)	(2)	(3)	(4)
Post × Treated	0.182***	0.074***	0.122***	0.130**
	(0.014)	(0.024)	(0.037)	(0.060)
Observations	54,617	10,904	2,664	1,508
R-squared	–	–	–	–
Mean of DV	0.08	0.15	0.13	0.11
Year FE	Yes	Yes	Yes	Yes
Firm FE	Yes	Yes	Yes	Yes

Notes: Significant at ***1%, **5%, and *10%. *Common-owner employees* is the percent share of common-owner employees in each firm-year.

C Constructing the Measure of Owner Strategy Emphasis

This appendix describes the construction of the owner strategy emphasis measures used in the mechanism analysis in Section 4.2: *Financial Engineering*, *Operational Efficiency*, and *Strategic Growth*.

First, for each private equity owner in the sample, I collect archived snapshots of its website using the Wayback Machine API from 2001 to 2021. Within each owner-year, I select pages whose URL paths match a private-equity-strategy keyword list (e.g., strategy, strategies, investment-approach, value-creation, portfolio, philosophy). I exclude pages that are least likely to describe private equity strategy, such as non-private-equity business lines (credit, real estate, infrastructure, insurance, hedge funds), administrative content (legal, careers, press), and individual personnel pages. Due to Wayback Machine's strict API rate limits, I cap the number of pages to ten per owner-year. When multiple snapshots exist for the same owner-year, I keep the earliest snapshot.

Next, I extract text from the collected pages using the BeautifulSoup library in Python.

Finally, I score each owner-year along three strategy dimensions using a keyword-dictionary method. For each dimension, I construct a list of keywords associated with that strategy. Each dimension's score is measured as the frequency (counts per 1,000 words) with which the dimension's keywords appear in the cleaned website text. I then z-score the scores, producing *Financial Engineering*, *Operational Efficiency*, and *Strategic Growth* measures that are used in the main analyses.

Table C1 lists the full set of keywords for each dimension along with descriptive statistics for the raw frequencies. Financial-engineering keywords appear most frequently, followed by strategic-growth keywords. Operational-efficiency keywords are least common, likely because owners are less likely to emphasize cost reduction publicly even when it is part of their approach.

Table C1: Descriptive statistics of three dimensions of owner strategy emphasis.

Dimension	Keywords	Mean	SD
Financial engineering	recapitalization, refinance, reorganization, restructuring, convertible, tvpi, bankruptcy, distressed, turnaround, financial performance, financial result, financial return, financing solution, deal structure, return on investment, irr, moic, balance sheet, flexible capital, working capital, capital commitment, capital investment, capital provider, capital solution, capital structure, cash flow, common equity, complex situation, complex transaction, credit facility, credit strategy, debt capital, debt equity, debt investment, direct lending, provide debt, equity capital, final close, liquidity event, mezzanine financing, multiple arbitrage, opportunity fund, preferred equity, preferred stock, custom tailored investment, risk-adjusted return, rollover equity, senior debt, senior secured, structured debt, structured equity, subordinated debt, superior return, target return, attractive return, gross return, transaction structure	5.14	8.28
Operational efficiency	cash discipline, consolidate operation, cost control, cost discipline, cost improve, cost optimization, cost reduction, cost save, cost saving, lower cost, reduce operating cost, discipline capital, reduce cost, reduce expense, financial discipline, financial rigor, efficient operation, headcount optimization, lean operation, streamline operation, optimize headcount, optimize operation, process automation, procurement saving, sg&a, productivity gain, metric drive, kpi, rationalize workforce, reduce headcount, rpa, robotic process, staff reduction, efficiency, overhead, workflow automation, workforce rationalization, workforce reduction	0.77	1.21

Table C1 continued from previous page

Strategy emphasis dimension	Keywords	Mean	SD
Strategic growth	accelerate growth, drive growth, profitable growth, revenue growth, growth journey, growth trajectory, next phase growth, next stage growth, market expansion, geographic expansion, international expansion, long-term growth, long-term value, product development, product innovation, supply chain, customer experience, digital market, go-to-market, gtm, enhance customer, enhance operation, hundred-day plan, improve process, sale market, best practice, build capability, business transformation, support portfolio company, operate group, operating executive, operating model, improve operation, operating partner, operating playbook, operation team, operational capability, operational resource, operations advisor, portfolio operation, attract talent, talent acquisition, talent development, talent strategy, human capital management, build team, recruit executive, founder-friendly, leadership development, leadership team, succession planning, grow team, executive coaching, value creation group, value creation plan, value creation strategy, value creation team	3.45	4.29

Notes: Mean and SD are computed across all owner-years, using the raw frequency measure (counts per 1,000 words).

D Construction of the Organizational Focus Measure

This section describes the construction of the *Organizational Focus* measure used in Section 4.3. O*NET provides several measures to describe occupational characteristics. I considered several alternatives (*Skills*, *Knowledge*, *Abilities*, *Tasks*, and *Work Activities*), and ultimately selected *Work Activities* for the analysis.

The *Skills*, *Knowledge*, and *Abilities* measures capture worker qualifications rather than the activities actually performed on the job (Blinder, 2009). For example, *Skills* include items such as "Active Listening," "Reading Comprehension," and "Writing" (35 in total); *Knowledge* includes "Administration and Management," "English Language," and "Geography" (35 in total); and *Abilities* include "Oral Comprehension," "Written Comprehension," and "Fluency of Ideas" (52 in total). Although these measures are well suited for studying occupational evolution and broader labor market dynamics (e.g. Autor et al., 2003), they describe inputs to work rather than the work itself. For example, "Active Listening" (*Skill*) describe worker qualifications and attributes, while "Manage budgets or finances" (*Intermediate Work Activity*) capture the actual work that is performed.

The *Tasks* measure provides rich descriptions of activities performed on the job, but it is occupation-specific. In other words, the same task does not appear across occupations, so it does not allow cross-occupation comparison. As a result, a *Tasks*-based measure of organizational focus would be no different from measuring occupational composition.

The *Work Activities* measure, by contrast, describes activities that are standardized across occupations, allowing me a comparison of activities are performed and emphasized by different occupations. Each activity is scored on a scale of 0–5 according to how core or peripheral it is to an occupation, allowing me to track the relative emphasis a firm places on each activity beyond what occupational composition alone would suggest.

O*NET provides work activities at three levels of granularity: *Work Activities* (41 in total), *Intermediate Work Activities* (332 in total), and *Detailed Work Activities* (2,087 in total). I use *Intermediate Work Activities* because they balance comparability and specificity. *Work Activities* are too coarse for the analysis: for example, "Guiding, Directing, and Motivating Subordinates" confounds multiple distinct managerial activities into a single category. *Detailed Work Activities*, on the other hand, are often occupation-specific, which again introduces the cross-occupation comparison problem described above. *Intermediate Work Activities* balance comparability and specificity and are well-suited for the construction of *Organizational Focus*.

E Full Model Results of Common-Owner Employee Heterogeneity

Section 4.2 shows where in organizations common-owner employees are placed. To preserve space, full estimates were not reported in the main tables. This appendix presents those full results.

Table E1: Change in common-owner employees by seniority level – full model results of Table 4.

Dependent variable	*Common-owner employees*
	(1)
Post × Treated	0.027*
	(0.015)
Post × Treated × Junior (level 2)	0.046**
	(0.022)
Post × Treated × Associate (level 3)	0.063**
	(0.026)
Post × Treated × Manager (level 4)	0.131***
	(0.032)
Post × Treated × Director (level 5)	0.440***
	(0.053)
Post × Treated × Executive (level 6)	0.616***
	(0.113)
Post × Treated × Senior Executive (level 7)	0.998***
	(0.119)
Post × Junior (level 2)	0.010
	(0.014)
Post × Associate (level 3)	−0.006
	(0.019)
Post × Manager (level 4)	−0.001
	(0.014)
Post × Director (level 5)	0.002
	(0.014)
Post × Executive (level 6)	−0.026
	(0.020)
Post × Senior Executive (level 7)	−0.027
	(0.017)
Treated × Junior (level 2)	0.016
	(0.011)
Treated × Associate (level 3)	0.019
	(0.021)
Treated × Manager (level 4)	0.013
	(0.013)

Table E1 continued from previous page

Dependent variable	*Common-owner employees* (1)
Treated × Director (level 5)	0.005
	(0.011)
Treated × Executive (level 6)	0.081**
	(0.040)
Treated × Senior Executive (level 7)	0.050*
	(0.027)
Junior (level 2)	−0.013
	(0.009)
Associate level (3)	−0.002
	(0.014)
Manager (level 4)	−0.006
	(0.011)
Director (level 5)	0.000
	(0.009)
Executive (level 6)	0.018
	(0.022)
Senior Executive (level 7)	−0.006
	(0.021)
Observations	313,950
R-squared	0.10
Mean of DV	0.12
Stack-Year FE	Yes
Stack-Firm FE	Yes

Notes: Significant at ***1%, **5%, and *10%. Baseline omitted category is "Entry (level 1)".

Table E2: Change in common-owner employees by job category – full model results of Table 5.

Dependent variable	*Common-owner employees*
	(1)
Post × Treated	0.107***
	(0.032)
Post × Treated × Engineer	−0.025
	(0.040)
Post × Treated × Scientist	0.070
	(0.078)
Post × Treated × Marketing	0.139
	(0.087)
Post × Treated × Sales	0.075*
	(0.040)
Post × Treated × Operations	0.374***
	(0.081)
Post × Treated × Finance	0.486***
	(0.076)
Post × Engineer	0.019
	(0.027)
Post × Scientist	−0.001
	(0.036)
Post × Marketing	−0.010
	(0.035)
Post × Sales	−0.013
	(0.026)
Post × Operations	−0.004
	(0.028)
Post × Finance	0.004
	(0.024)
Treated × Engineer	0.023
	(0.023)
Treated × Scientist	−0.017
	(0.048)
Treated × Marketing	0.030
	(0.041)
Treated × Sales	−0.007
	(0.025)
Treated × Operations	0.065
	(0.042)
Treated × Finance	0.036
	(0.023)
Engineer	−0.017
	(0.020)

Table E2 continued from previous page

Dependent variable	*Common-owner employees*
	(1)
Scientist	0.011
	(0.044)
Marketing	0.011
	(0.029)
Sales	0.012
	(0.024)
Operations	−0.004
	(0.023)
Finance	−0.020
	(0.021)
Observations	321,379
R-squared	0.11
Mean of DV	0.10
Stack-Year FE	Yes
Stack-Firm FE	Yes

Notes: Significant at ***1%, **5%, and *10%. Baseline omitted category is the "Administrative" job category.

Table E3: Change in common-owner employees by role and owner's primary strategy – full model results of Table 7.

	Dependent variable: Common-owner employees		
Owner primary strategy	Financial engineering (1)	Operational efficiency (2)	Strategic growth (3)
Post × Treated	0.097	0.105**	0.121***
	(0.074)	(0.045)	(0.039)
Post × Treated × Engineer	−0.123	0.058	−0.007
	(0.083)	(0.071)	(0.048)
Post × Treated × Scientist	0.150	0.005	0.063
	(0.170)	(0.106)	(0.127)
Post × Treated × Marketing	−0.067	0.123	0.380*
	(0.140)	(0.106)	(0.196)
Post × Treated × Sales	−0.046	0.180**	0.101*
	(0.075)	(0.075)	(0.054)
Post × Treated × Operations	0.203*	0.325*	0.627***
	(0.104)	(0.168)	(0.145)
Post × Treated × Finance	0.304***	0.400***	0.787***
	(0.118)	(0.118)	(0.161)
Post × Engineer	0.072	−0.024	0.006
	(0.072)	(0.023)	(0.018)
Post × Scientist	0.009	0.036	−0.047
	(0.062)	(0.048)	(0.070)
Post × Marketing	0.033	−0.082	0.020
	(0.070)	(0.065)	(0.036)
Post × Sales	0.022	−0.068*	0.005
	(0.064)	(0.036)	(0.017)
Post × Operations	0.002	0.026	−0.043
	(0.062)	(0.046)	(0.031)
Post × Finance	0.019	−0.014	0.008
	(0.055)	(0.029)	(0.031)
Treated × Engineer	0.062	−0.002	0.009
	(0.058)	(0.017)	(0.030)
Treated × Scientist	0.062	0.012	−0.111
	(0.055)	(0.037)	(0.124)
Treated × Marketing	0.095	−0.031	0.028
	(0.095)	(0.067)	(0.031)
Treated × Sales	0.029	−0.057	0.007
	(0.059)	(0.039)	(0.018)
Treated × Operations	0.063	0.105	0.030
	(0.058)	(0.102)	(0.052)

Table E3 continued from previous page

Owner primary strategy	*Dependent variable: Common-owner employees*		
	Financial engineering	Operational efficiency	Strategic growth
	(1)	(2)	(3)
Treated × Finance	0.053	0.013	0.046
	(0.059)	(0.016)	(0.034)
Engineer	−0.060	−0.006	0.019
	(0.057)	(0.008)	(0.012)
Scientist	−0.051	−0.029*	0.112
	(0.051)	(0.016)	(0.118)
Marketing	−0.022	0.057	0.000
	(0.054)	(0.064)	(0.007)
Sales	−0.032	0.057	0.013
	(0.058)	(0.036)	(0.010)
Operations	−0.063	0.003	0.050
	(0.058)	(0.013)	(0.037)
Finance	−0.057	−0.013	0.014
	(0.058)	(0.012)	(0.014)
Observations	121,667	83,041	99,641
R-squared	0.09	0.12	0.11
Mean of DV	0.01	0.02	0.02
Stack-Year FE	Yes	Yes	Yes
Stack-Firm FE	Yes	Yes	Yes

Notes: Significant at ***1%, **5%, and *10%.
Owner primary strategy corresponds to the highest score that the owner scored along the three z-scored dimensions of financial engineering, operational efficiency, and strategic growth.
Baseline omitted category is the "Administrative" job category.

F Robustness of the Owner Strategy Emphasis Mechanism

Section 4.2 shows that owner strategy emphasis moderates common-owner hiring: owners that emphasize strategic growth deploy more common-owner employees, while owners that emphasize financial engineering deploy fewer (Table 6). This appendix presents three sets of robustness checks for that finding.

Table F1: Change in common-owner employees by owner's strategy emphasis, using alternative keyword-based measures.

Dependent variable	*Common-owner employees*	
	(1)	(2)
Post × Treated	0.183***	0.183***
	(0.014)	(0.014)
Post × Treated × Financial Engineering	−0.028***	−0.044***
	(0.010)	(0.010)
Post × Treated × Operational Efficiency	−0.020	−0.013
	(0.013)	(0.018)
Post × Treated × Strategic Growth	0.086***	0.084***
	(0.018)	(0.022)
Post × Financial Engineering	−0.008**	−0.010***
	(0.003)	(0.004)
Post × Operational Efficiency	−0.006	−0.002
	(0.005)	(0.005)
Post × Strategic Growth	−0.011*	−0.011
	(0.006)	(0.008)
Observations	54,617	54,617
R-squared	0.51	0.51
Mean of DV	0.08	0.08
Stack-Year FE	Yes	Yes
Stack-Firm FE	Yes	Yes

Notes: Significant at ***1%, **5%, and *10%. "Financial Engineering," "Operational Efficiency," and "Strategic Growth" are keyword-based measures of the owner's strategy emphasis constructed from archived websites (see Appendix B). In column (1), each measure is the z-scored count of dimension-specific keywords. In column (2) each measure is the z-scored count of *unique* dimension-specific keywords. Standard errors clustered at the firm level appear in parentheses.

Table F2: Change in common-owner employees by owner's strategy emphasis, accounting for owner portfolio size.

Dependent variable	*Common-owner employees*	
	(1)	(2)
Post × Treated	0.091**	0.103***
	(0.039)	(0.039)
Post × Treated × Financial Engineering		−0.039***
		(0.011)
Post × Treated × Operational Efficiency		0.002
		(0.015)
Post × Treated × Strategic Growth		0.038**
		(0.018)
Post × Treated × Portfolio Size (Logged)	0.030**	0.026**
	(0.013)	(0.013)
Post × Financial Engineering		−0.006
		(0.004)
Post × Operational Efficiency		−0.002
		(0.004)
Post × Strategic Growth		−0.006
		(0.005)
Post × Portfolio Size (Logged)	0.005	0.006
	(0.006)	(0.006)
Observations	54,617	54,617
R-squared	0.51	0.51
Mean of DV	0.08	0.08
Stack-Year FE	Yes	Yes
Stack-Firm FE	Yes	Yes

Notes: Significant at ***1%, **5%, and *10%. "Financial Engineering," "Operational Efficiency," and "Strategic Growth" are z-scored frequency measures of dimension-specific keywords on the owner's archived website. "Portfolio Size (logged)" is the log of the cumulative number of portfolio firms the owner has invested in up to the year of investment. Standard errors clustered at the firm level appear in parentheses.

Table F3: Change in common-owner employees by owner's strategy emphasis, accounting for owner sector specialization.

Dependent variable	*Common-owner employees*	
	(1)	(2)
Post × Treated	0.136***	0.154***
	(0.026)	(0.028)
Post × Treated × Financial Engineering		−0.033***
		(0.011)
Post × Treated × Operational Efficiency		0.011
		(0.025)
Post × Treated × Strategic Growth		0.046**
		(0.022)
Post × Treated × Sector Specialization	0.394*	0.276
	(0.205)	(0.215)
Post × Financial Engineering		−0.007
		(0.004)
Post × Operational Efficiency		−0.005
		(0.007)
Post × Strategic Growth		−0.009
		(0.009)
Post × Sector Specialization	0.141	0.160
	(0.109)	(0.115)
Observations	54,617	54,617
R-squared	0.51	0.52
Mean of DV	0.08	0.08
Stack-Year FE	Yes	Yes
Stack-Firm FE	Yes	Yes

Notes: Significant at ***1%, **5%, and *10%. "Financial Engineering," "Operational Efficiency," and "Strategic Growth" are z-scored frequency measures of dimension-specific keywords on the owner's archived website. "Sector Specialization" is a Herfindahl index of the owner's active portfolio firms across sectors, computed in each owner-year. Higher values indicate greater portfolio concentration in a small number of sectors, indicating greater sector specialization. Standard errors clustered at the firm level appear in parentheses.