

Bought or *learned*

Two questions, four positions, and a map for choosing how you grow, and what it does to the value each person creates.

PART THREE · TWO QUESTIONS, FOUR POSITIONS

2

Transit

grow into it or right-size

4

Learning
organisation

more from the same

1

Latent capacity

efficiency first

3

Capital trap

more from more

*Every growing business cycles between two of these boxes.
Nothing in the cycle takes it to the fourth. Only a decision does.*

SWIPE ON →

Expiring logic

For thirty years, private equity had a good reason not to invest in its people. The hold was short and ended in a handoff: sold to the next sponsor, who reset the clock, or to a strategic acquirer, a Mars, who wanted the market position and would plug in its own systems anyway. I spent a decade inside one of those acquirers, and very little of what we bought survived contact with the way we already worked. If how your people work does not survive the handoff, why build it for someone else?

That logic rested on three conditions: short holds, willing buyers, and multiple arbitrage doing the heavy lifting between entry and exit. All three are going. Holds are longer, exits harder, and the multiple you sell at is no longer reliably bigger than the one you bought at. The old approach has not been proven wrong. It's just that the conditions that made it rational are disappearing, which is a different thing, and a more urgent one.

Growth can be bought or learned. So can the return on a hold. Financial engineering and a well-timed exit are bought: value at the point of sale that never had to prove it compounds. Longer holds mean the proof falls due before the exit, on the owner's watch.

That is convergence, not correction. What makes a company good was never different for a sponsor; what differed was the horizon and the handoff. A hold and a leadership team's tenure now run to a similar length, and neither is long enough to “pass” on the question. Revenue and headcount up together, profit per head flat, and nobody able to say which growth paid for itself: no longer survivable for either.

THE DECISION

The cycle that never lifts

Here is how a growing business usually works, and there is nothing wrong with it. You run your assets harder until you approach the limit of what they can produce: the trigger. You invest: plant, systems, a bigger team, a new site. Capacity jumps, utilisation falls back, and you have room again. You fill it, reach the trigger, invest again. Each lap is profitable, which boards approve, because at the moment of decision the arithmetic is sound.

Now look at what the lap does not change. Each round adds capacity and fills it. Value per person at the end of the third lap looks much as at the end of the first, because nothing in the cycle was aimed at that number. The business is bigger, not better at what it does.

None of this argues against the arithmetic every board already does. You invest until the return on the next pound falls to its cost, and each lap cleared that test on the day. But that optimises the business you have: it finds the best point on the curve you are on, and says nothing about moving the curve. Value per person is a property of the curve, not the point, which is why a business can be efficiently run, correctly optimised, and no better at converting a person into value than a decade ago. A sector benchmark is a reference, not a target.

And nothing in the cycle graduates you out of it. Capability does not arrive as a by-product of scale. Leaving is a separate decision, taken deliberately and usually while the cycle still works: we will take this round of growth by making people better rather than buying more of them, and here is what we expect that to be worth. It is a planning assumption before it is a result, which is why it rarely gets made.

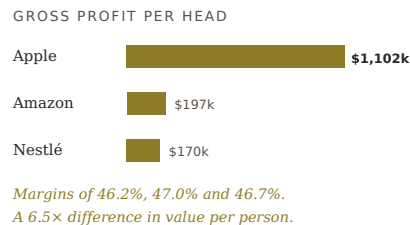
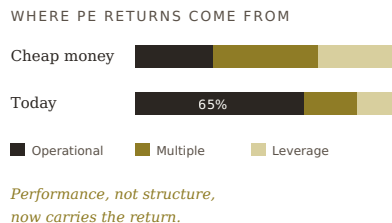
A DISTINCTION WORTH BEING PRECISE ABOUT

This is not organic versus acquired. Every deal team separates those already, and does it well. Bought growth in the sense meant here runs straight through the organic column: a business can grow entirely organically and still buy every gain it makes, by adding plant and people faster than it adds value per person. Your reporting separates the deals. It does not separate this.

FROM THE LAST PAPER

Two charts that set this up

The first is where private equity returns now come from. Operational performance has displaced multiple expansion and leverage as the main source, and KPMG's 2025 survey has 64 per cent of firms ranking margin growth as their top value driver. The second is why margin alone will not get you there: three companies from the last paper kept almost the same share of every sales dollar, and what each produced from it differed by six and a half times. Margin describes the model; value per head describes the organisation.



Returns mix illustrative, after part one; margin and value per head from part two.

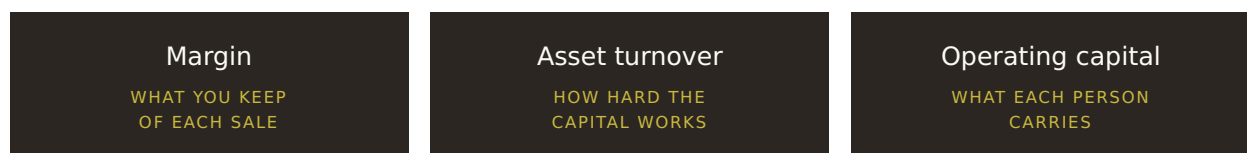
TWO READINGS

Where you are standing

To make the choice you need to know where you are standing, and that takes two readings.

The first is your revenue capacity: the turnover your current people, plant and organisation could support if everything sellable were sold. Almost no business knows this number. It doesn't appear in any published accounts, yet it can be estimated from them, and the estimate is worth more than its precision suggests, because most teams have never put a figure on it at all. At low utilisation you are paying for capacity you are not selling, and the cheapest growth available is the capacity you already own. Run high and that advantage is spent: the question becomes how to grow, not whether.

The second is the growth you have already achieved: where it came from, and at what cost per person. Gains are bought when capital per head rises faster than value per head, and learned when value per head rises on a stable base: the same people, the same assets, producing more. The decomposition from the last paper tells them apart.



MULTIPLIED TOGETHER · GROSS PROFIT PER HEAD

Four positions, four agendas

Put the two readings on two axes and you have a strategy map. Capacity in use runs left to right, divided at roughly 70 per cent; the vertical axis runs from gains bought to gains learned. Companies are placed from published accounts where they speak and from judgement where they don't. Treat the positions as arguable: what matters is not whether Nestlé is in the right box, but that placing your own takes two numbers your board has probably never seen.



The cycle runs between Box 2 and Box 3. Box 4 is reached by decision, not by lap.

2 Transit · *grow into it or right-size*

The same coordinates as Box 1, with one difference: a story and a date. Capacity was just added and the plan is to grow into it, or demand fell and right-sizing is being decided. Amazon has made residence here a strategy, investing ahead of demand.

4 Learning organisation · *more from the same*

Value per person rising on a stable capital base, the engine running near its ceiling and holding there. Apple and Microsoft sit here as best in class. How much is learning and how much is model design their accounts cannot say.

1 Latent capacity · *efficiency first*

Chronic under-utilisation nobody can date or explain. The prescription writes itself: sell utilisation before buying anything. Walmart runs the play in public, taking new revenue over the same assets.

3 Capital trap · *more from more*

Over the benchmark, but by purchase. Growth keeps arriving, yet every gain is bought: capital per head rises faster than value per head. Wrigley in 2007 is the resident exhibit; the trap is the cycle that never leaves.

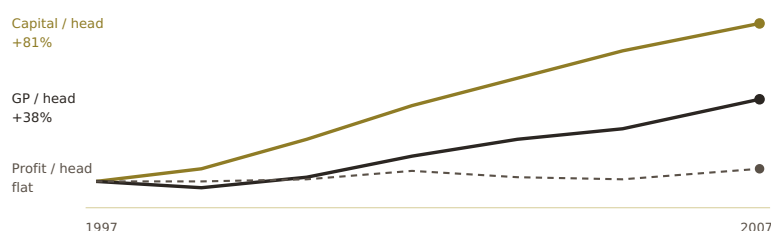
THE SORTING QUESTION

Story, or no story. A business at half its capacity could be in transit or in trouble, and the coordinates look identical. The question that separates them: whose decision is this position, and when does it end? An answer puts you in transit. Silence means Box 1, for longer than anyone wants to admit.

A decade of the cycle, in full

The argument is worth only as much as the arithmetic behind it. I use Wrigley because I was there, and because the numbers said something I did not expect.

Between 1997 and 2007 revenue rose 180 per cent, from \$1.9bn to \$5.4bn, and headcount doubled from 8,200 to 16,400. Net profit per head stayed at roughly \$35k the whole decade. Gross profit per head rose 38 per cent, from \$126k to \$173k, but capital per head rose 81 per cent to get it there, and sales per dollar of plant fell from roughly 4.5 times to 3.4 as the new capacity arrived.



Capital per head ran away from value per head, and net productivity never moved. Growth was bought.

That is the Box 2 to 3 cycle, run three or four times, in a business almost everyone would have called excellent. It was excellent. It was also buying its growth: bigger every year, no better at converting a person into value. Each dollar of plant bought less gross profit than the one before, which invites a question nobody asked, because nobody prices growth per person. What will head 16,401 cost in capital, and return in value?

And here I must be fair to a business I loved. Capital deepening was not wrong, and may have been right given the moat Wrigley was defending. The indictment is not the choice. It is that the choice was never made explicitly. No board paper said: we will grow by capital rather than capability, and here is why.

THE SAME PATTERN, RECENTLY

Not a manufacturing story

Wrigley invites an objection: that this is a plant problem, and a business owning very little is exempt. It is not. Capital deepening is only one way to buy growth. Hiring is another, and it is available to everyone. Take two enterprise software companies on almost identical gross margins, both around 79 per cent, so margin cannot explain what follows.

Zendesk's gross profit per employee ran \$152k, \$163k and \$188k across 2018 to 2020, then fell back to \$182k in 2021. Nothing had gone wrong with the margin, which kept expanding. Headcount simply grew 42 per cent against gross profit growth of 37 per cent, in the year the take-private approach arrived. ServiceNow, on the same margin and chasing the same customers, produces 1.7 to 1.8 times Zendesk's last public year. The gap is not cost discipline. It is revenue per head. Not that ServiceNow has escaped anything: it invests, and its asset turnover dips and recovers just as the cycle predicts. Nobody escapes the cycle; the question is whether each lap leaves value per head higher.

What a learned gain is made of

It would be convenient, and wrong, to say that everything above the horizontal line is people. Moving up this map means building assets. Travel with a company from founder-led through growth capital and private equity to a listing or trade sale and you can see which owner built what: product and first customers, then systems, then management depth, then brand and distribution. None appears as an asset on the balance sheet. The decomposition sees only their effect: value per person higher than the plant and payroll can account for.

Engagement belongs in that portfolio, and is the most opaque item in it. What makes it worth separating is that the others leave fingerprints: systems in capital expenditure, brand in advertising spend, distribution in channel mix. Engagement leaves nothing, yet it determines how well every other asset is used. Mars ran Gallup's Q12 for years and the mechanism is the one the research describes: people who spend their days doing more of what they do best get better at it faster. Customers engage too, and there the measure is behavioural rather than attitudinal. Employee engagement tells you whether efficiency gains hold. Customer engagement tells you whether growth will.

Be clear about what can and cannot be claimed. Wrigley's flat value per head proves nothing on its own: mix dilution, rising selling cost per head and less productive plant all sit in the same accounts. Each is visible in the decomposition and can be sized. What remains is the residual, where the human capability question lives. We can locate its effect by exclusion, not isolate its contribution to the penny.

THE PRESCRIPTION

What this means on Monday

Three engines, then. Efficiency and Growth, which the map sequences for you, and Engagement, which comes last in the numbers and first in the sequence: last because its effect shows only once the other two have run, in whether their gains held; first because nobody converts capacity into capability when people are not set up to perform. Once you know which leads, order the moves by how quickly each can be pulled. Filling capacity you own needs nobody's agreement but your own. Margin needs someone outside to agree. The capital base is slowest, which is why it should be the last thing you reach for and is so often the first.

The companies here are giants because giants publish their accounts. The pattern is not a giant's, and nothing in the arithmetic depends on size. Any business adding people faster than it adds value per person is buying its growth.

This is the work we do at LIME. Within weeks, not quarters, the sponsor and the leadership team share one view, down to unit, channel and role, of where growth created value and where it cost. The argument about the numbers ends, and the conversation about what to do next begins.

The question, and the answer

Everything in these three papers reduces to two lines, and they are deliberately not one.

THE MECHANISM

$$\text{Gross profit per head} = \text{Growth} \times \text{Efficiency}$$

growth: revenue per unit of operating capital · efficiency: margin kept, on the capital each person carries

...and engagement is the multiplier on whether it holds.

The first line is not a new claim. The last paper split gross profit per head three ways: the margin you keep, how hard the capital works, and how much capital each person carries. Leave the middle term alone and call it Growth, the revenue pulled from the capital employed. Put the other two together and call it Efficiency, the margin kept on the capital each person carries. Multiply them and revenue and capital cancel, leaving gross profit per head exactly. The same arithmetic, grouped the way the decision is made.

The second line is a belief, set apart because that is what it is. Engagement carries no currency unit and doesn't appear in any ledger; what it does decide is whether the gains the first line records turn out to have been learned, cycle after cycle. And on the evidence of a career rather than a regression, the engaged business does not just compound value more reliably. It cycles faster, which for an owner on a clock is the shorter road to an exit.

It starts with knowing your number. How much of your capacity is in use, and when you last grew, was it bought, or learned?

Most businesses cannot answer either question today, which is probably the reason the choice so rarely gets made. Both answers are recoverable from accounts you already hold.

Two numbers, one map, and a conversation about what to do next.

The methods note behind the capacity estimate, including how breakeven varies with gross margin, is at limepro.co.uk

To have your own position read, or to argue with where I have put the companies above, write to me or connect here on LinkedIn.

Sources. Wrigley from Wm. Wrigley Jr. Company annual reports (2007; SEC EDGAR). Zendesk and ServiceNow from filed 10-K data; Zendesk's last full public year is 2021. Margin and gross profit per head comparisons as analysed in part two. Returns mix illustrative, consistent with KPMG's 2025 Global PE Value Creation Survey. Map placements draw on published accounts and on judgement where they are silent.