

REVENUE PER HEAD — THE NORTH STAR

One number tells you what kind of business you're really looking at



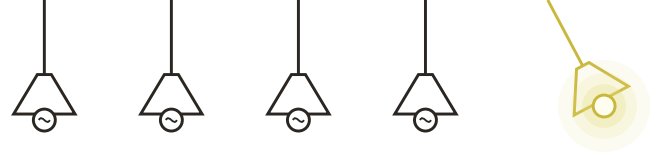
Approximate annual revenue per employee — illustrative comparison.

From the white paper that follows:

The Value Creation Imperative

How Private Equity Creates Real Business Value · Andrew Roberts

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The Value Creation Imperative

How Private Equity Creates Real Business Value

Andrew Roberts

The Three Levers

Years ago, a shrewd accountant shared something deceptively simple with me. There are only three ways to make more money in business, he said. You can sell for more. That's price. You can sell more. That's volume. Or you can spend less. That's cost. Price, Volume, Cost. PVC.

It's obvious once you hear it, but that's precisely what makes it powerful. It cuts through complexity. Whether you're running a multinational or a startup, whether you're optimising margins or plotting an exit, every decision you make ultimately boils down to one of these three levers. I've spent years using that framework – first at Mars and Wrigley, where we developed finance-for-non-finance-people training to help salespeople and operators across the business think differently, and more recently in how I approach value creation across businesses. And the more I've used it, the more convinced I've become that it's the clearest lens for understanding not just how businesses work, but how private equity, or any business for that matter, actually creates value.

The Three Levers Explained

Price is about the value exchange. It's not just the price tag on a product or service; it's the entire value proposition. Can you command a premium because of quality, brand, distinctiveness (being recognised for being you), or genuine differentiation? Are your customers willing to pay more? In a business context, price also means buying well and selling well. You acquire assets at the right valuation, optimise what you have, and exit at a multiple that reflects the value you've created.

Volume is about reach and scale. How many customers do you serve? How often do they buy? Can you expand into new markets, new channels, new products? Volume growth through incremental penetration is the engine of business expansion. It's organic growth: taking what works and doing more of it, whether that's reaching more customers in existing markets, entering new geographies, launching new product lines, or deepening customer relationships.

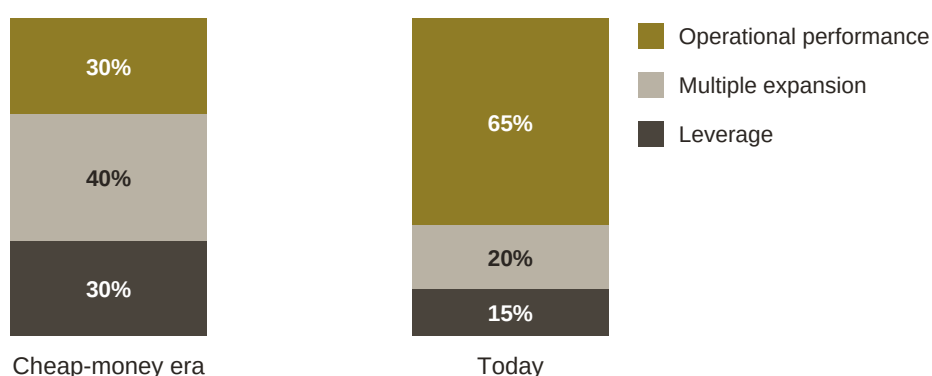
Cost is about efficiency and operational excellence. What does it cost to deliver your product or service? Can you do more with less? Are you carrying unnecessary overhead, redundant processes, underutilised assets? Cost discipline isn't about penny-pinching; it's about getting maximum output from every pound of capital you deploy.

Every business decision, every strategic choice, every operational improvement ultimately moves one of these three levers. And crucially, they're not mutually exclusive. The best operators work all three simultaneously, but with different intensity depending on where they are in their journey.

Value Creation in Private Equity

Private equity is often caricatured as financial engineering: buying low, selling high, and extracting value through leverage and multiple arbitrage. There's truth in that, but it's an incomplete picture.

Entry multiple and exit multiple matter, certainly. Buying a business at the right valuation and exiting when the market values it more highly is real value creation. But here's what's often overlooked: the balance of returns has shifted decisively towards what happens *in between*, towards how the business actually performs during the holding period. KPMG's 2025 Global PE Value Creation Survey, covering 500 respondents across firm sizes and geographies, found that 64 percent of private equity firms now rank margin growth as their top value driver. That is a decisive shift from an era when financial engineering and multiple arbitrage dominated the playbook.



Where private equity returns come from – the shifting mix (illustrative).

That means three things matter. First, the assets you inherit and build: the people, systems, products, customers, and competitive moats that define the business. Second, how efficiently you operate and how you grow. And third, the financial structure you put in place to support it all.

The operators who excel at this understand that value creation isn't a single lever. It's about understanding the current state of the business, identifying where the constraints are, and then systematically improving performance across multiple dimensions simultaneously.

The Metric That Matters – Revenue Per Head

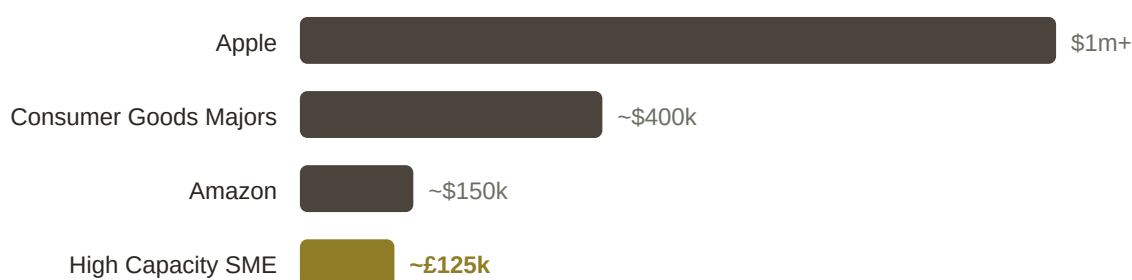
Understanding a business starts with a single question: how much revenue are you generating per employee? This metric, revenue per head, is deceptively simple, but it tells you almost everything you need to know about operational health and capacity.

If your revenue per head is low, you're carrying assets, things like people, plant, machinery and infrastructure, that aren't yet delivering returns. That's not necessarily a problem; it's diagnostic. It tells you where you are. It also tells you where you need to go.

Revenue per head serves three purposes. First, it's a snapshot of current productivity and efficiency. Second, it's a planning tool: you can calculate where revenue per head needs to be, which tells you what growth trajectory the business must follow and what assets you need to acquire or divest. Third, it reveals your agenda. If revenue per head is constrained, your agenda is split between growth, which expands the revenue line, and efficiency, which improves returns on the assets you already have.

This is where the centre of gravity matters. Every business has both a growth dimension and an efficiency dimension, but depending on where you sit, one will dominate. A business with low revenue per head might need aggressive efficiency gains before scaling further. A business with strong productivity might be ready to invest in growth. Knowing which is which is the difference between a coherent strategy and scattered effort.

To see how revealing the metric is, look at it in the wild. Apple generates over \$1 million of revenue per head; Amazon, around \$150,000. Neither number is "wrong"; they're telling you two completely different stories about business model, asset intensity, and where the operational leverage sits. Big consumer goods companies typically land around \$400,000. A well-run SME approaching its capacity ceiling tends to sit near £125,000. The real power lies in the comparison: against your sector, your competitors, and your own trajectory. One figure instantly frames what kind of business you're looking at, how, in relative terms, it converts people and assets into revenue, and what its next strategic move ought to be.



Approximate annual revenue per employee – illustrative comparison.

Revenue per head also connects you to the real drivers of value creation. It's not abstract; it's about what you do operationally, day to day, to make the business work better.

The Hidden Multiplier – Engagement

Here's what separates mediocre operators from exceptional ones: they understand that engagement, both employee and customer, is the biggest hidden driver of productivity and performance. And they understand that engagement is created, not assumed.

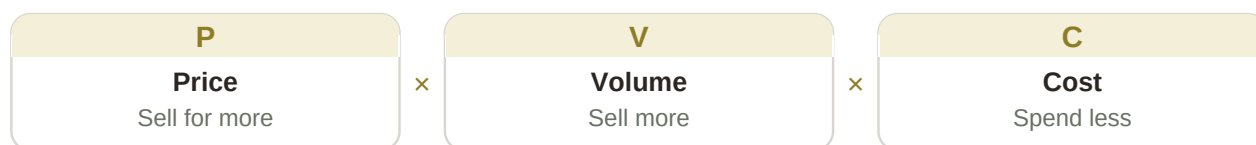
At Mars and Wrigley, we measured associate engagement rigorously using the Gallup Q12. The first three questions set the tone: Do I know what's expected of me at work? Do I have the tools and equipment to do my job? Do I have the opportunity to do great work every day? Those three questions capture something essential: clarity, capability, and opportunity. Without them, engagement collapses, and so does performance.

This is where leadership becomes operational. A leader's responsibility is to create the environment for people to perform. That's servant leadership in practice. It's not about being liked; it's about being deliberate and rigorous in building conditions where people understand what matters, have what they need, and see genuine opportunity to contribute. The same principle applies to customers: clarity on what you're offering, capability to access it, and the opportunity to get real value. A genuine win/win.

Engagement sits at the intersection of growth and efficiency. It amplifies both. An engaged workforce executes growth initiatives faster and better. They spot inefficiencies and self-correct. Engaged customers expand their purchasing, reduce churn, and lower acquisition costs. It's the multiplier effect that most private equity narratives completely miss.

The Pillars of Value Creation

Value creation happens through deliberate focus on specific operational levers. Understanding what they are, and where they sit within the PVC framework, is what separates strategy from execution.



The three levers – each pillar serves one of them.

Price: Assets and Competitive Moats

The foundation of pricing power is what you own and what protects it. Do you have a strong management team? What systems and processes underpin the business? What products resonate with customers? What channels do you own or control? What customer relationships are defensible? And what about technology, both the proprietary kind that's genuinely yours and the kind you leverage to amplify everything else? Increasingly, that means AI: businesses that embed it intelligently into how they operate are quietly building an advantage that compounds. These assets create moats, competitive advantages that protect the business and allow it to command premium pricing or expand without constant pressure on margins.

Entry multiple and exit multiple matter because they reflect the quality and durability of these assets. A business with strong moats, differentiated products, loyal customers, and capable leadership commands a higher multiple. Building and protecting those assets during the holding period is where you create multiple expansion.

Volume: Revenue Capacity and Growth Agenda

Growth doesn't happen by accident; it flows from understanding your revenue capacity and having a deliberate plan to develop it. Revenue per head tells you where you are. From there, you calculate where you need to be, which determines your growth trajectory. Your growth agenda is trigger-bound by revenue per head milestones, not arbitrary timelines.

Are you expanding into new markets? Launching new products? Deepening customer relationships? Acquiring complementary businesses? Each of these levers expands the revenue line, and each is underpinned by your operational capacity to execute. This is where engagement becomes critical: growth initiatives live or die based on how well your people understand the strategy and execute it.

Cost: Operational Efficiency and Financial Structure

Efficiency isn't about cutting costs indiscriminately. It's about getting maximum output from every asset you deploy. Where is capital tied up? Are there redundant processes, underutilised assets, overhead that doesn't contribute? Improving revenue per head through operational discipline, through better processes, smarter asset allocation and faster decision-making, is where efficiency gains compound.

Financial structure also matters. How much capital have you deployed? What's your leverage? What's your cost of capital? In a lower interest rate environment, leverage becomes more attractive; in a higher one, operating efficiency becomes even more critical. But fundamentally, cost discipline is about running a tight ship where every pound of capital earns its keep.

A Note on Interconnection

It's important to recognise that in practice, these elements don't operate in isolation. They're deeply interconnected. Efficiency gains create capacity to invest in growth. Pricing improvements fund expansion. Cost discipline enables investment in assets and capabilities. You're often funding growth through improved operational discipline, not choosing between efficiency and expansion; you're sequencing them based on where the business sits and what your capacity allows.

Lever	Strategic focus	What it covers
Price	Business assets & competitive moats	Management team, systems and processes, products, customers and channels, proprietary and leveraged technology – the quality and durability that drive entry and exit multiples
Volume	Revenue capacity & growth agenda	Understanding current capacity via revenue per head; trigger-bound growth through penetration, new markets, products and relationships
Cost	Operational efficiency & financial structure	Maximum output per asset deployed; capital employed, leverage and cost of capital matched to cash generation and risk

Revenue per Head – the North Star & **Engagement** – the Multiplier across all three

How the PVC levers map to the pillars of value creation.

From Framework to Execution

PVC is simple because it has to be. Every decision in business, every strategic choice, every operational improvement ultimately moves price, volume, or cost. Understanding which lever you're pulling, and why, is the difference between coherent strategy and scattered effort.

For private equity, this clarity matters even more. You inherit a business, you have a finite holding period, and you need to create measurable value. That value comes from three places: buying well and selling well, growing the business intelligently, and operating it efficiently. But it also comes from something less visible: creating an environment where people are engaged, where they understand what's expected, where they have the tools to succeed, and where leadership creates the conditions for performance.

Revenue per head is your north star. It tells you where you are, reveals your nearest bottleneck, and defines your strategic roadmap: when to invest in growth, when to focus on efficiency, and how to avoid the trap of extending investment too far ahead of your ability to execute. It's the difference between building sustainably and building recklessly.

And where transformation is needed, sequencing is everything. Efficiency isn't the enemy of growth – it's how you pay for it. The gains you release through operational discipline create the headroom to fund the road to growth, so the business earns its own way forward rather than betting the balance sheet on ambition.

Value creation isn't mysterious. It's disciplined, deliberate, and grounded in operational reality: guided by a metric that matters, amplified by engagement, and led by people who create the conditions for performance rather than extract it. It starts with understanding PVC. Everything else flows from there.