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VALUE CREATION ANALYSIS

The Turnover Tax

What Revenue Leadership Churn Is Costing Your Hold Period

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An examination of what happens to the value creation plan when the revenue organization changes hands three times during a single hold period — and what the first year under sponsor ownership actually requires of the person in the seat.

Executive Summary

Private equity returns have changed composition. For most of the last fifteen years, a meaningful share of the value created in a buyout came from selling at a higher multiple than the one paid. That lever has weakened considerably. What has replaced it is revenue growth — not cost discipline, not financial engineering, but the slower and more operationally demanding work of selling more.

The data is consistent in direction even where the precise figures differ. For buyouts exited between 2022 and the third quarter of 2025, MSCI attributes just under two-thirds of the incremental value created above invested capital to revenue growth, with multiple expansion contributing considerably less than it did in the preceding decade. Oliver Wyman puts revenue growth at 71% of value creation. CohnReznick's mid-year 2026 assessment states the conclusion plainly: returns will increasingly come from execution rather than multiple expansion.

That shift carries a consequence the industry has not fully absorbed.

If revenue growth is now the dominant driver of value, then the revenue organization is the part of the portfolio company on which the investment thesis most directly depends. And the revenue organization is led by the shortest-tenured executive in the C-suite.

The arithmetic is unforgiving. Average hold periods at exit in North America reached 6.25 years in 2026, more than two years longer than in 2020. The average tenure of a chief revenue officer is 1.8 years. A portfolio company acquired today will, on current averages, pass through roughly three revenue leaders before it is sold.

Each of those transitions carries a measurable cost. Research by SBI Growth published in Harvard Business Review found that 62% of companies saw revenue growth decline or flatten in the year following a change at the top of the revenue organization, with the median company's growth rate falling from 15.5% to 11.7%.

The result is a structural mismatch: the capability sponsors most need to be continuous sits in the seat least likely to provide it.

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Key Findings:

- Revenue growth now accounts for roughly two-thirds or more of buyout value creation, depending on methodology and period measured — a reversal of the composition that held through the low-rate era.
- Hold periods have stretched to an average of 6.25 years at exit while average chief revenue officer tenure sits at 1.8 years, implying roughly three revenue leaders per hold period at current averages.
- The majority of revenue leadership changes make the problem worse before they make it better. Across more than 150 B2B organizations studied by SBI Growth, 56% saw their growth rate decline in the first full year after a change in revenue leadership.
- Sponsors recognize the dependency without resourcing it. McKinsey reports that 94% of sponsors say portfolio company leadership drives value creation, while only 8% report investing systematically in building that leadership capacity.
- Executive turnover is now a defining feature of sponsor ownership rather than an exception to it. AlixPartners' 2026 survey of 427 executives found that 65% of private equity firms report CEO turnover during the holding period, roughly half of it unplanned.
- Replacing the revenue leader is the most common response to a revenue miss and the least examined. The decision is rarely measured against the cost of the transition it sets in motion.

The Arithmetic Nobody Runs

Every sponsor underwrites a hold period. Every sponsor underwrites a revenue plan. Very few underwrite the relationship between the two.

The hold period has moved. Mergermarket data puts the average hold at exit in North America at 6.25 years as of November 2026, against 4.12 years in 2020. EY reports the median holding period of existing portfolio companies — those still unsold — lengthening to 4.2 years. Bain counts roughly 32,000 unsold portfolio companies worth approximately $3.8 trillion. Whatever figure you prefer, the direction is settled: companies are held longer than the models assumed.

The revenue seat has not moved with it. An analysis of 14,000 executives in Pave's compensation database puts average chief revenue officer tenure at 1.8 years, with a 32% annual turnover rate — roughly one in three replaced every year. Other credible studies range from 17 to 25 months. For comparison, the same dataset puts chief technology

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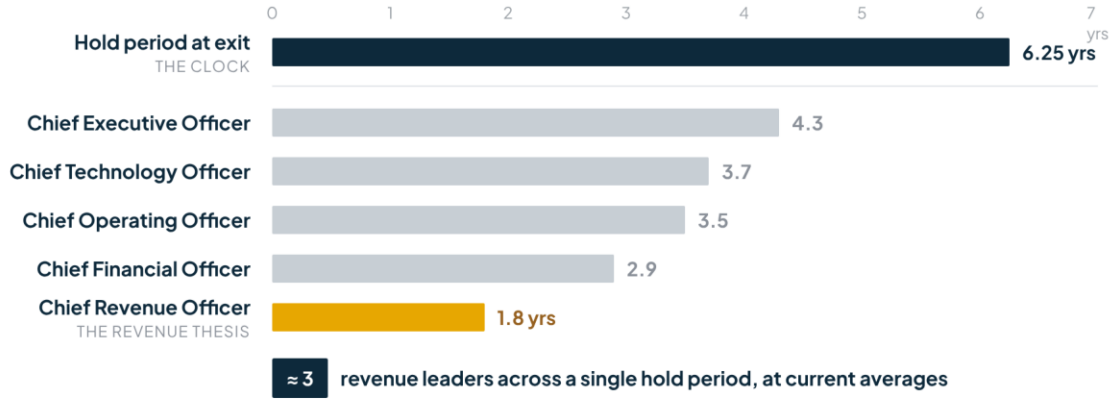
officers at 3.7 years, chief operating officers at 3.5, and chief financial officers at 2.9. The revenue seat is the shortest in the C-suite by a wide margin, and it is not close.

The hold outlasts the leadership

Average hold period at exit, against average tenure by C-suite seat. The seat the revenue thesis depends on is the shortest one in the company.



Hold period: Mergermarket, North America, as of 2 November 2026. Executive tenure: analysis of 14,000 executives in Pave's compensation database.

Put the two numbers side by side and the implication is immediate. A company acquired in 2026 and sold on current averages will be owned for roughly six years. Over that span, at current tenure, the revenue organization will be led by about three different people.

Three leaders. One thesis. The plan has to survive all three.

It usually does not. What survives is the number — the revenue target in the model — while the strategy underneath it is rebuilt from scratch every twenty-two months. Each incoming leader arrives with a different theory of the business, a different segmentation, a different compensation design, and a different view of which accounts matter. The team is asked to adopt a new operating system at roughly the interval required to become competent in the previous one.

This is not a failure of any individual leader. It is the predictable output of a system in which the tenure of the role is materially shorter than the time required for the work the role exists to do.

What a Change at the Top of Revenue Actually Costs

The case for replacing an underperforming revenue leader is intuitive: the number is being missed, the person responsible for the number is accountable, and a change signals seriousness to the board. The case against it is empirical.

SBI Growth's research, published in Harvard Business Review, examined more than 150 B2B organizations through a change in revenue leadership. It found that 56% experienced

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a decline in their growth rate in the first full year after the transition. A broader framing of the same research puts the figure at 62% when companies whose growth went flat are included alongside those that declined outright, with median growth falling from 15.5% to 11.7%.

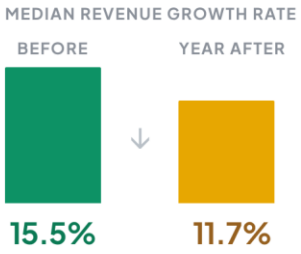
What the transition costs

Growth performance in the twelve months following a change at the top of the revenue organization.

62%

of companies saw growth decline or go flat

In the fiscal year after replacing their revenue leader. Across more than 150 B2B organizations studied, 56% declined outright.



SBI Growth research, published in Harvard Business Review, "The High Costs of Chief Revenue Officer Turnover."

The mechanism is not mysterious. When a revenue leader departs, growth initiatives in progress are paused or abandoned. Pipeline built on relationships that left with the leader degrades. The new leader spends the first two quarters diagnosing, the next two rebuilding, and reaches full productive output somewhere in year two — which, at a 1.8-year average tenure, is approximately when the cycle begins again.

There is a second cost that rarely appears in the decision. The structural conditions that produced the miss — an undifferentiated coverage model, a pipeline that cannot be measured, a pricing structure that was never tested, a product that is harder to sell than the model assumed — do not leave with the departing executive. The incoming leader inherits them intact. If the diagnosis was wrong, the replacement does not fix the problem. It restarts it.

None of this argues that revenue leaders should never be replaced. Some should be, promptly. It argues that the replacement decision is routinely made without the cost of the transition on the other side of the ledger. A sponsor that would never approve a capital expenditure without a payback analysis will approve a leadership change — which carries a documented year-one growth penalty in the majority of cases — on the strength of two missed quarters and a board's frustration.

Why the Seat Turns Over

Three forces compress revenue leadership tenure under sponsor ownership, and they compound.

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The role is scoped at hire and redefined in practice. The chief revenue officer is hired to own the revenue engine end to end — new business, expansion, renewal, channel, customer success. In practice, many are scoped as a senior vice president of sales with a larger title and no authority over the functions that determine whether sales can succeed. The gap between the mandate and the authority is where the tenure goes.

The plan was built by people who will not execute it. The revenue model underwriting the transaction is constructed during diligence, typically by the deal team, often from a top-down market sizing and a set of assumptions about cross-sell and pricing that have not been tested against the actual sales motion. AlixPartners has noted that the post-close period frequently suffers when portfolio company management has not been at the center of developing the plan it is accountable for. The person who inherits that number had no part in setting it, and in many cases is hired after it is already fixed.

The gap between underwritten revenue synergies and captured ones is well documented. Analysis cited by Unity Advisory indicates that fewer than one in five companies hit their cross-sell targets following an acquisition, and that acquirers typically capture only a quarter to a third of the revenue upside they underwrite — a gap that has not closed in twenty years.

Misalignment is diagnosed late and resolved through personnel. AlixPartners' 2026 survey found a persistent divergence in how sponsors and portfolio company leaders describe the same problems: sponsors cite financial performance and on-time delivery against targets, while portfolio company leaders point disproportionately to communication, goals, and incentives. The 2026 Private Equity Talent Benchmark found that roughly 55% of portfolio company executive turnover is unplanned, which suggests the diagnosis is frequently being made under pressure rather than in advance.

The conviction gap

What sponsors say about portfolio company leadership, against what they resource.



55% of portfolio company executive turnover is unplanned — decided after the miss rather than ahead of it.

Conviction gap: McKinsey, "Unlocking Full Potential: Five Practices Reshaping PE Value Creation." Unplanned turnover: AlixPartners 11th Annual Private Equity Leadership Survey, March 2026.

When the conversation about whether the plan is achievable does not happen in the first quarter, it happens in the fourth — and by then it is no longer a conversation about the plan. It is a conversation about the person.

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What the First Year Actually Requires

For the executive who takes a revenue seat inside a sponsor-owned company, the first year determines the rest. Not because of what gets built, but because of what gets established: the terms on which the number is set, the instruments by which performance is measured, and the credibility of the person reporting it.

Six things matter more than they appear to.

The first year, sequenced

What the revenue seat requires under sponsor ownership, in the order it has to happen.

PHASE ONE
Establish the terms
Days 1–90

01
Diagnose before you intervene
Know whether the problem is coverage, conversion, pricing, retention or fit before applying a playbook built for one of them.

02
Re-underwrite the number, in writing
Separate the inherited target from the achievable one and put the difference in front of the board. In month three this is analysis; in month ten it is an excuse.

PHASE TWO
Build the instruments
Days 60–180

03
Instrument before you optimize
Pipeline coverage by segment, win rates by source, cycle by deal size, cohort retention. What cannot be measured improves only by accident.

04
Find what is load-bearing
Establish what the inherited compensation plan, territory design and methodology are currently producing before replacing any of them.

PHASE THREE
Commit the runway
Days 120–365

05
Sequence against the hold clock
An initiative that pays in year four is worth less in a company entering year five than the same initiative in year two. The ownership calendar governs.

06
Decide what you are not doing
The failure mode is breadth: ten initiatives at twenty percent each. Choose three, decline the rest explicitly, and record the reasoning.

Diagnose before you intervene. The pressure in the first ninety days is to demonstrate movement. The value is in knowing what is actually broken. Most revenue organizations arriving at underperformance have more than one problem — coverage, conversion, pricing, retention, product fit — and the costly error is applying a playbook built for one of them to a company suffering from another. A leader who spends the first quarter diagnosing and says so plainly will be more credible in the fourth than one who reorganized in week three.

Re-underwrite the number in writing, early. The revenue plan was built in a model by people who had never run the revenue organization. Some of it will be sound and some of it will not survive contact with the actual sales motion. The incoming leader's single highest-leverage act is to separate the inherited number from the achievable number, document the difference and the reasons for it, and put it in front of the board inside the first quarter. Done in month three, this is analysis. Done in month ten, it is an excuse.

Instrument before you optimize. A revenue organization that cannot produce clean pipeline coverage by segment, win rates by source, sales cycle by deal size, and cohort

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retention cannot be improved except by accident. In the lower middle market this is the common condition rather than the exception. The first build is almost always measurement, and it is unglamorous work that pays for itself in every subsequent quarter — including the quarters of whoever holds the seat next.

Identify what is load-bearing and leave it alone. The instinct on arrival is to rebuild. The research says initiatives get paused or abandoned on transition, and some portion of what gets discarded was working. Before changing a compensation plan, a territory design, or a sales methodology, it is worth establishing what it is currently producing. Not everything inherited is debt.

Sequence against the hold clock, not the fiscal year. A revenue initiative that pays in year four is worth materially less in a company entering year five of its hold than the same initiative in a company in year two. The budget calendar and the ownership calendar are different clocks, and the second one governs. A revenue leader who can articulate which initiatives pay inside the remaining window — and which do not — is having a different conversation with the board than one presenting an annual plan.

Decide what you are not doing, and say so. The failure mode of a first year under sponsor ownership is not inactivity. It is breadth — ten initiatives at twenty percent each, none finished, all defensible individually. The discipline is choosing three and declining the rest explicitly, in front of the board, with the reasoning recorded.

None of this is exotic. All of it is difficult under the specific pressure of sponsor ownership, which rewards visible early motion and punishes the appearance of deliberation. That pressure is the thing the seat has to be managed against.

What Changes at the Board Level

The revenue leader cannot solve a structural problem alone. Several things sit with the sponsor and the board.

Re-underwrite the revenue plan with the person accountable for it. The plan improves when the operator is in the room before the number is fixed, not after. This is the cheapest available intervention and the least frequently taken.

Separate a plan problem from a people problem before solving for people. If the coverage model is wrong, replacing the leader does not change the coverage model. The question to answer before the replacement conversation begins is whether a different executive, given the same conditions, would produce a different result.

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Price the transition. A documented majority of revenue leadership changes produce a year-one growth decline. That cost belongs in the decision alongside the cost of the miss that prompted it. Sometimes the transition is still right. It should be chosen knowingly.

Resource the seat, don't just fill it. The McKinsey finding is the sharpest statistic in this paper: 94% of sponsors say portfolio company leadership drives value creation, while 8% report investing systematically in building that capacity. The gap does not describe reluctance to hire. It describes what happens after the hire — a seat filled, a number assigned, and very little else provided. Under a revenue-led thesis, the revenue leader is the most leveraged position in the portfolio company and routinely the least supported one.

Make the leadership call at entry, not under duress. Roughly 55% of portfolio company executive turnover is unplanned, which means it is decided from a weak position: after the miss, under time pressure, with a compressed search and a shortened runway. The same assessment run during diligence produces a different decision at a materially lower cost. If the revenue organization needs different leadership, the cheapest moment to install it is the first hundred days, when the hold clock is longest — not month twenty, when it is not.

Treat revenue continuity as a diligence item. If revenue growth is carrying two-thirds of the return, the stability and depth of the revenue organization is a value-creation risk on the same order as customer concentration or key-person exposure. It is rarely diligenced with comparable rigor.

Conclusion

The composition of private equity returns has shifted toward the one lever that requires the most continuity to pull, at exactly the moment hold periods lengthened and the seat responsible for pulling it became the least stable in the company.

That is not a talent problem, and it will not be solved by better hiring alone. The firms that handle it well will be the ones that decide who should hold the revenue seat while the hold clock is still long, resource that person properly once they are in it, and build revenue capability that survives the handoff when it comes.

A value creation plan that only works if one person stays is not a plan. It is a bet on tenure, in a role that does not have any.

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About the Author

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Stark Townend is Founder and Managing Partner of NorthShift Partners. He has spent twenty-five years building and leading revenue organizations across startups and global enterprises, including senior roles at Forbes, Google, Comcast, and Ampersand. His operating experience spans revenue strategy, go-to-market design, and revenue operations through ownership changes and carve-out structures. He holds an MBA in Strategic Management and Marketing from Villanova University and executive credentials in artificial intelligence, machine learning, and customer analytics from the Wharton School at the University of Pennsylvania.

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