

# ENTREPRENEURIAL EMPATHY

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The world of private equity is loaded with stories of failed investments and unsuccessful partnerships between investors, entrepreneurs, and founders of businesses. What often started with the right intent—partnering to grow and scale a business—may not have played out as either side expected, leading to frustration and remorse.

Having worked with numerous entrepreneurs and founders over the past 20+ years, we've found that successful partnerships require the following:

**ALIGNMENT:** Establishing and maintaining a shared view of objectives, roles, growth strategies and more throughout the relationship

**COLLABORATION:** Regularly convening with key stakeholders, engaging in dialog and debate and working together to advance important matters

**EMPATHY:** Listening, learning and adapting based on mutual understanding of another's perspectives and experiences.

While all of the above are critical, empathy may be the most difficult factor to find or establish in a partnership between an entrepreneur or founder and a private equity investor.

## What is *Entrepreneurial Empathy*?

Empathy refers to the ability to understand and relate to another's perspectives and experiences. In the context of a private equity investment, "entrepreneurial empathy" describes the ability of the private equity firm to listen to, understand and blend experiences of founders and entrepreneurs with the financial, market, and value creation expertise the private equity firm brings to the table. Some examples of how this may come to life include



- Spending time actively listening to and thoughtfully understanding how (and why) a business started and grew to where it is today. What drove success in the early days? What sacrifices were made?



- Jointly exploring "what type of business" could be built together—combining ideas about markets, products/services, resources and expansion to achieve a future state aspiration



- Objectively reviewing and examining facts—e.g., location demographics, customer purchase behavior and retention, market growth rates and more—along with the hands-on experience and intuition of founders and entrepreneurs to develop and execute winning strategies



- Helping founders and entrepreneurs shift their balance of time from working solely **IN** the business (tackling today's issues, etc.) to working **IN and ON** the business (freeing up time to formalize scalable processes, design roles and organizations, etc.) to enable scale and accelerated growth

What we found through dialogue and engagement was that the best partners *sat in our shoes* and empathized with our situation, listened to and challenged our thinking, and provided ideas and solutions that truly helped us advance the firm.



## Leveraging Our Own Experience

Our perspectives on entrepreneurial empathy are heavily informed by our own experience launching and growing our firm, Access Holdings. When we launched our business in 2013, we had tremendous ambition and passion for building a contemporary, differentiated private equity firm. While we made decent progress during our early years, we began to find opportunities and face challenges we had not experienced before. Recognizing there were important matters and things we “didn’t know we didn’t know,” we sought input and advice from others including several potential partners. What we found through dialogue and engagement was that the best partners “walked in our shoes” and empathized with our situation, listened to and challenged our thinking, and provided ideas and solutions that truly helped us advance the firm. The value we received (and continue to receive) from these partners is immeasurable and their empathetic, partnering approach is something we’ve embraced in our own approach to investing and business building.

## Entrepreneurial Empathy In Action

A real example of how this came to life with one of our investments is a recent site selection decision in our express carwash business. The business is growing at a rapid pace and selecting sites for expansion requires diligent, fact-based analysis of traffic patterns, real estate development and more. One of the locations we jointly contemplated had very attractive fundamentals—high traffic volumes throughout the day, growing retail development, consumer demographics that fit our success profile and more. However, when conducting site visits with our founder and partner, he expressed concerns about the quality of traffic based upon 20+ years of experience working in this particular market. Through discussion and debate about the pros and cons of the location and informed by our combined knowledge, we jointly decided to pass.

## Evaluating a Potential Partnership

Beyond the expected dialog about business plans, financial results, and economic considerations, founders/entrepreneurs should be keen to understand the level of entrepreneurial empathy a potential partner may have. This will be important to finding the right balance and relationship necessary to drive success. Some questions to consider include:

- Is the private equity firm demonstrating genuine interest in learning about your experience launching and/or growing the business to date? Learning about the history of the business? People involved?
- Have you spent time collaborating and jointly exploring what type of business you could build together?
- Have they demonstrated an ability to listen and build upon your views on how best to expand and grow the business?
- Are they demonstrating creativity and “value add” when discussing challenges and opportunities ahead and how best to achieve to success?
- Do they bring expertise and solutions that address pain points you’re experiencing and a spirit of collaborating to build a successful, and enduring business?

## Closing

The combination of knowledge, experience, and perspective is critical to growing and advancing a business successfully. Placing a premium on empathy—in addition to alignment and collaboration—ensures that this combination is achieved and that partnerships between entrepreneurs, founders, and private equity firms can be exceptional.



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