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On the Nature of a Search Fund Not Working Out as Planned

Search fund entrepreneurs can encounter challenges and disappointment on their journey

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Search fund activity has continued to proliferate in recent years, with the number of active searches reaching an all-time high of 86 in 2018.[5] There are many reasons becoming a search fund entrepreneur can be attractive, both personally and professionally. Just as startup entrepreneurs may look to the likes of Google founders Larry Page and Sergey Brin and hope for similar outcomes, search fund entrepreneurs often dream big. Aspiring entrepreneurs define success in the search fund world in many ways, but the general picture is as follows: a successful search ends in an acquisition, followed by an operating period and, ultimately, an exit that gives positive financial returns to both the investor and the searcher. While they know the path is not without challenges, search fund entrepreneurs believe the outcome will be overwhelmingly satisfying financially and emotionally. Furthermore, it presents an enriching learning and personal development opportunity. Unfortunately, the search fund journey can lead to other destinations—it is possible that the project will not work out as planned.

This note looks at what happens when a search fund goes awry. There are plenty of MBA case studies on successful search fund outcomes, and there are even a few that showcase disappointing outcomes, but there is no study on entrepreneurs' feelings and experiences when their dream turned into a nightmare. The Stanford Graduate School of Business biennial search fund study does an excellent job depicting the data in unsuccessful outcomes—the raw numbers of returns and closed deals—but there are individuals with stories and emotions behind the data. It is much easier for an aspiring search fund entrepreneur to clinically and antiseptically study data than it is to hear the raw emotions behind that data. In this note, we will explore the feelings behind the data regarding unsuccessful outcomes.

It is not our intent to dissuade potential search fund entrepreneurs from embarking on the search path; rather, we hope to illuminate the often-forgotten stories about deals that did not work and the individuals behind them. MBA classrooms do not generally celebrate the entrepreneurs who stumbled, nor do the numerous search fund conferences. We hope that this note normalizes unsuccessful outcomes and empowers aspiring entrepreneurs and active entrepreneurs to talk about disappointing outcomes openly and honestly and without shame or embarrassment.

This note addresses the following topics:

- Plans not working out in the general context of business
- The three specific ways things can go askew in search fund projects:
  - **The No-Dealer**
  - **The Imploder**
  - **The Drifter**
- How entrepreneurs feel during these events and how they process the outcomes
- How entrepreneurs move forward after a disappointment

In business, things do not always work out as planned

The possibility that things will not work out as planned is not unique to the search fund world but exists in all business arenas. Countless successful people failed early in their careers. Famous examples include Walt Disney, the eponymous media and resort entrepreneur, who was fired from the Kansas City Star for "[lacking] imagination and [having] no good ideas," and Oprah Winfrey, the megastar talk-show host, also fired from her first television job as an anchor for getting "too emotionally invested in her stories."[6]

Every encounter with a less-than-ideal outcome brings valuable lessons. Ariana Huffington, the author-cum-entrepreneur, experienced failure early in her career and has been outspoken about the importance of failing: "The most important thing for an entrepreneur is not to be afraid of failing, because failure is part of the journey. . . . [F]ailure is not the opposite of success; it is a stepping stone to success. If you haven't failed along the way, you haven't really aimed high enough."[7] In her own career, she was rejected by 36 publishers before publishing her first book; she has since published fifteen books.[8] *Huffington Post*, Huffington's news aggregator, and blog website, also fought off early headwinds but was ultimately sold for $315 million only six years after it was started. "A key component of whatever success I've had has been what I learned from my failures," claims Huffington.[9]

Every story of things not going according to plan is unique, and not all protagonists of these stories go on to find success. To increase the likelihood of success, it can be helpful to reflect on what went wrong, perhaps even codifying those lessons in a "failure resume." Tim Herrera, a *New York Times* writer, discussed the idea of such a resume, explaining that "when things go right, we're generally pretty good at identifying why. . . . [but] you learn much more from failure than success, and honestly analyzing one's failures can lead to the type of introspection that helps us grow . . ."[10]

Similarly, initial success does not always guarantee future success. While Arianna Huffington can be seen as a phoenix rising from the ashes of her early failures, other successful people have encountered failure later in their careers. Richard Branson is the British businessman best known for founding the Virgin Group. With a net worth in the billions, he has achieved success in domains from music to telecommunications to financial services. Despite these successes, he has more recently launched a number of business lines that have not gone to plan.[11] Virgin Cola, for instance, was launched in 1994, but the venture folded in 2007. In reflecting on the experience, Branson said, "The problem was that . . . we didn't have something completely unique. We had a great brand. But Coke had a great brand. The taste of the Cola was maybe marginally better. But it was neither here nor there."[12] Virgin Cars, launched in 2000, was similarly shut down within a few years, as was Virgin Brides, a wedding dress boutique concept.[13] Branson has seen many successes since, but his experience shows that the path to success is not linear.

Unfortunately, in the search fund community, there is a real possibility that things will not go as planned. As with entrepreneurship in general, we have found that success stories in the search fund community are often overemphasized. The Stanford Graduate School of Business Search Fund Study: Selected Observations (2018) provides some illuminating statistics. A full 31% of searches launched do not result in an acquisition. Of the 69% of searchers who do close a deal, an additional 29% of searches end in a partial or total loss of equity (see **Exhibit 1** for study results).[14] That means over 50% of searches do not meet the common definition of success. Aspiring search fund entrepreneurs need to understand the full range of potential outcomes and be prepared for things not going as planned.

Admittedly, this is easier said than done, and a searcher's profile can compound this problem. Searchers are traditionally overachieving recent MBA graduates from prestigious schools. Coley Andrews of Pacific Lake Capital, a ubiquitous search fund investment firm, describes the profile of a searcher as "highly motivated and talented."[15] They are often high-performing individuals, many of whom have lived gilded lives of successive triumphs and accomplishments—academically, athletically, socially, and professionally. They have been successful at most, if not all, of their endeavors. A search fund entrepreneur's failure can be particularly emotional and difficult to process, as it may very well be their first significant failure.

There are three common archetypes of plans not working out for a search fund.

- **The No-Dealer**: In this situation, the searcher does not make an acquisition after the allotted search time.[*] The capital invested to fund the search is lost, and no additional capital was raised to fund an acquisition.
- **The Imploder**: In this condition, the entrepreneur makes an acquisition, but things deteriorate from there. The company faces significant challenges post-acquisition, ultimately including liquidity and financial problems. Growth might be negative, and the overall enterprise value decreases (potentially significantly). This path usually includes an exit or wind-up in which investors lose a material portion or all of their invested capital. More significantly, the entrepreneur will receive no equity compensation for their years of hard work.
- **The Drifter**: In this state, the searcher acquires a company, and it does not thrive post-acquisition. The drivers of these companies' performance might vary, but generally, they stagnate. They see minimal equity value growth and do not create financial value for the searcher or for investors. These companies normally continue to meet their financial obligations and serve customers but encounter significant operational challenges. This path is sometimes referred to as a zombie company. Envision a bottle bobbing or drifting along the surface of the water—never sinking, but also never rising.

Although explaining the 'why' of search fund failure is not this note's purpose, we will touch on it briefly. Benjamin Kessler wrote a helpful academic study entitled *Search Funds: Death and the Afterlife* while studying for his MBA at Stanford University. Kessler identifies nine frequently cited reasons why a search fund does not go as planned in the operating phase.[16] See **Exhibit 2** for additional details on these reasons.

[*] For funded searches, the search time period (typically two years) is usually defined as the time when the capital is raised until the search is shut down after depleting the search capital. The exact timeline may vary based on cash burn rate. For unfunded or self-funded searches, the timeline might be more flexible.

We think Kessler's list is excellent, but we have a few more potential reasons why a search fund project might not thrive in the post-acquisition operating phase:

- Failing to uncover significant adverse information during diligence
- Attempting to grow too quickly
- Purchasing a business that is not adequately cash generative
- Purchasing an unstable business that requires a complete overhaul
- Experiencing bad luck
- Being incapable of running the business

Regardless of why the business does not launch and thrive, we want aspiring entrepreneurs to understand the stories of the entrepreneurs behind the Stanford study's numbers. Talking dispassionately about the possibility of an undesirable outcome is very different than hearing how an individual entrepreneur with a name and a face felt when running an imploder or a drifter or experiencing a no-dealer. We recognize that all aspiring entrepreneurs start their journeys with stars in their eyes—no aspiring entrepreneur thinks they are going to be on the wrong side of the outcome. Yet the Stanford study tells us that 50% of all search fund entrepreneurs will wind up disappointed. When search fund entrepreneurs launch, they all believe they will be the next Asurion or ServiceSource[*] or, at least, garner $10 to $25 million personally from their project. Unfortunately, that is not always their destiny.

The No-Dealer

Of the three archetypes, we think the most favorable of the undesirable outcomes is to be a no-dealer. The next best outcome is to be a quick imploder, and the least desirable is to be a drifter.

When an aspiring entrepreneur finds themselves in a no-dealer, they have invested two years looking for a business to purchase. During this process, they put their MBA and previous professional skills to use and learned a lot along the way. They also built a network of investors and other entrepreneurs. This experience is akin to having a post-MBA job for two years before moving in another direction. A significant portion of MBA graduates change jobs within two years of receiving their MBA degree; this is actually a very common outcome for MBA students. There is little stigma to not finding a business to purchase and it is not too difficult to redeploy.

It is helpful to frame the goal of a search as buying a good business rather than just any business. What makes a business attractive for a search fund acquisition is a separate subject, but the pertinent lesson here is to keep in mind the importance of buying a *good* business. Search fund entrepreneurs might feel an internal pressure to close on any business as their search time comes to an end, perhaps relaxing some of their search criteria. In the following sections, we review some outcomes of buying a bad business, coming to the conclusion that it is far better to end up with no acquisition than a bad one.

Jim Sharpe, a former search fund entrepreneur and a current Entrepreneur in Residence at the Harvard Business School, notes that it takes on average 3.2 letters of intent (LOIs) to reach a closing. Sharpe identifies a number of common reasons why deals might fall apart: sellers change their minds; financials do not line up with expectations; there are concerns about customers, the market, and the industry; and the entrepreneur is unable to raise financing.[17] Many of these reasons are out of the searcher's control, but in many cases, it still might not be in the entrepreneur's best interest to proceed with closing. LOIs are typically issued before the searcher has the opportunity to diligence the business, and aspiring

[*]Asurion and ServiceSource are considered the two most successful search funds to date.

entrepreneurs should avoid confirmation bias when completing the diligence, so they can evaluate whether the target company is truly worth acquiring.

Additional reasons a searcher may not make a deal include spending too much time on an opportunity in which the owner is not committed to selling, searching in too narrow a geographic area, not having an industry focus, sourcing an actionable deal too late in the search process, and having bad luck.

From an investor's point of view, "failure in operations is far worse than the inability to close a transaction during the search phase."[18] The capital invested at the search stage is relatively small, only covering the searcher's salary and diligence costs. At this point, the investor has not committed equity to acquire the business. Therefore, the downside for the investor is limited, and entrepreneurs should not feel guilty or upset that their investors did not get a deal in which to invest.

Despite investor support, a no-dealer outcome can take a toll on a searcher. While seeking to acquire a business, the searcher will constantly try on each business for size—what would it be like to run this company, are we going to move to that city, will the schools be good for the kids, and will my spouse be happy? Since a searcher usually moves their family with them to the location of the business, they go through a constant rollercoaster of projecting what life will be like if they purchase a certain business. The unknown can be particularly vexing: wrestling with whether or not a particular deal will get done and what life will be like after a deal closes can be both exciting and stressful.

One mitigation strategy to avoid a no-dealer is to maintain a healthy pipeline of deal opportunities at various stages of the acquisition funnel. The Stanford Graduate School of Business Search Fund Study labels the funnel's phases as identification, initial approach, serious discussion, and due diligence.[19] Tactically, this means that if a deal falls through at the due diligence stage, a searcher should have other opportunities at the approach and serious discussion stages to minimize the downtime and process disruption. Searchers take different approaches to develop their deal leads, but diversifying sources (e.g., leveraging business brokers and proprietary searching) can also mitigate risk.

A no-dealer is not a devastating outcome and comes with little if any stigma. While it is certainly not desirable, a no-dealer is surmountable and does not have a heavy time cost.

Searcher Profile: Bryan Luce, Principia Capital, LLC

Bryan Luce (Jones Graduate School of Business at Rice University 2010) initially entered the corporate world after graduating, receiving what he calls his "Corporate Ph.D." and gaining the skills he felt he needed to be successful as a search fund CEO. After working for about seven years, Luce reached the point of personal and professional maturity at which he felt ready to pursue a search fund. After raising his fund, Principia Capital, at 34, he began searching full-time in 2016. While searching, Luce executed three LO. Is. He had initially planned a 30-month search but extended it by six months to complete diligence on the third company under LOI. The first two deals did not go through, primarily because Luce uncovered information during the diligence phase that resulted in terminating the process. The third deal was the victim of a demanding seller who requested a nearly 40% purchase price increase within a month of closing.

> There was a cyclicality and a cadence to the search. Every six months or so, I had an LOI. that my investors and I thought was worth pursuing. Throughout the process, I made sure to keep my pipeline of deals flowing, knowing I might have to go back to the drawing board again. There's a reason most searchers buy on the second or third deal, not on the

> first. There is a significant learning curve on the soft skills—how to manage communications with the seller and your investors—and how to execute diligence.
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> I felt like I had to grieve a little every time something fell through, but I knew I would find another good one. For the last deal, it was a company I had encountered early in my search but that the owner was not ready to sell at that point. With time running out, I reached out again, and the timing was mutually beneficial. I went back to my investors and raised incremental capital to fund this last diligence and went into it with energy and momentum.
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> The physical, emotional, and mental impact of not getting a deal done is enormous. This was a huge loss that was not easy to manage. I felt like this dream, and the vision of my life was vanishing. My future was melting before my eyes. Each deal I looked at, I would envision running the business and where I would live. Taking all that away was disastrous and hard. Letting go of that image was difficult—it felt like losing part of myself. It was a very emotionally taxing process.

Despite not closing a deal even after extending the duration of his search, Luce found his investors and the larger search fund community to be extremely supportive. While he may not have been successful in acquiring a business, his professional life is only one aspect of his character.

> Professionally, this was the first measurable setback in my life. Was this a failure? I think that is the right word. People have been helpful and supportive. This is a healing process that I am going through, and being part of the search community has been helpful—I'm not alone. I'm not the first, and I won't be the last. Life, of course, goes on. No matter how painful this has been, I wouldn't take any part of the experience away. There is a lot of scar tissue, but I have grown. It is a regenerative process.
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> This is just one part of my life, and I am not a diminished person. Entrepreneurship is filled with failure, but that does not make me a failure as an individual. In context, I am grateful; the outcome was far better than buying a horrible business and trying to run that and losing a decade of my life. This experience has made me a stronger person.
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> Investors met my inability to close a deal with total support, even after we raised some additional capital to diligence a final target company. The seller was demanding a heinous renegotiation of the purchase price, and despite my natural tendency to want to save the deal, I knew I had to be a good steward with my investors' capital. Going through with the deal was not worth losing my investors' respect and damaging the relationship I had built with them over the years. In hindsight, that was the right call, and I remain connected with most of my investors to this day. After the last deal fell through, I took time off. I went to Costa Rica to decompress for a number of months. It's a psychologically exhausting process but an incredible experience. My board was supportive throughout the journey, both personally and professionally.
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> Looking back on it, yes, I am glad I searched. I would do it again! It is not for the faint of heart. I learned that time is your biggest resource and enemy in searching. My advice for a prospective searcher is to make sure you understand why you are pursuing this path. You need to internalize that reason to make sure you have the emotional grit and wherewithal to get through the experience.

After taking time off to reset and reevaluate, Luce continues to work with some of his original investors, taking on ad hoc diligence work and consulting engagements. He considers himself a free agent. He is still active within the search community and is searching in a different capacity. His dream is still very much alive. According to Luce, life and entrepreneurship are all about perseverance, and he claims to be persevering.

The Imploder

With an imploder, the search culminates in an acquisition that experiences one or more discrete events causing significant operational, liquidity, and financial challenges. The exact challenges vary across businesses but may include regulatory fluctuations, significant transformation in the competitive environment, or legal difficulties. The searcher either exits the imploder or winds the business up and ceases operations. Investors lose a significant portion, or perhaps all, of their invested capital. The entrepreneur receives cash compensation in the form of a salary while operating the business but no equity compensation, despite operating the business through a very difficult period. Timelines vary; the company's demise can happen quickly after acquisition or after several years of operation.

We believe that a quick imploder is the next best type of failure after a no-dealer. In this case, the entrepreneur learns how to effectively lead a search (source, diligence, fund), how to close a deal, and how to lead a business—all positive takeaways even if no equity is earned. To minimize downsides for the entrepreneur, the key is for the business to fail somewhat rapidly, ideally within three years of closing the deal. If the entrepreneur is three years into a deal after searching for two years, that makes a five-year time investment, which is significant but not calamitous.

Independent of the timeline, an implosion can be challenging for a searcher. Since they have made an acquisition, the entrepreneur has other stakeholders to consider. In addition to investors and debt holders, there are employees and customers. Employees have families and their own financial obligations, such as rent and mortgage payments, and an implosion might put their job in jeopardy, which can cause additional pressure for the searcher.

While the entrepreneur is operating this type of company, their day-to-day experience will be quite challenging. They might feel they are constantly fighting fires and that every time they take a step forward, another challenge arises, pushing them one (or two) steps back. It can be difficult to leave these troubles at the office, so problems might follow the entrepreneur home. Depending on the reason for the implosion, they might also feel personally responsible, which can be difficult to process. For example, an entrepreneur might miss a key component during the diligence phase that hampers the company's performance after the acquisition. In this situation, not only must the entrepreneur try to turn the business's performance around, but they also feel they are to blame.

It is also important to remember that being a CEO, even of a well-functioning company, can be lonely. Josh Leslie, C.E.O. of Cumulus Networks, a computer software company headquartered in Mountain View, California, comments that as CEO, you have no peers for the first time in your career: "I don't get to go to lunch and complain about the boss with my coworkers. My role in the company is unique and uniquely isolating . . . I regularly possess information about our financial position, a key partnership, or a former employee, and I can't share it with anyone."[20] These feelings of loneliness can be exacerbated when things are going wrong. An entrepreneur may get some solace and support from their investors, but living and breathing the business on a day-to-day basis as CEO is very different than being an investor who observes the business with a limited, bird's-eye perspective.

Searcher Profile: Rafael Alfonzo, Quatrefoil Capital

Rafael Alfonzo (M.I.T. Sloan School of Management 2014, The George Washington Law School 1996) has had a career that has spanned multiple sectors. He was a captain in the United States Marine Corps, an attorney, and an entrepreneur all before going to business school. His pre-search entrepreneurial pursuit was successful by most metrics. He co-founded Distributed Sun, a renewable energy services provider, and saw the business through to an exit four years later. Alfonzo learned about search funds while at Sloan and launched his search shortly after graduating. While searching, he began to focus on managed service providers and outsourced IT services. While the industry was experiencing price pressure, he saw an opportunity in niches that served more specific, often regulated industries. He ultimately acquired a managed service provider, Datum Technologies, that focused on the restaurant industry, serving primarily large chains. Serving multi-unit organizations mitigated some risk compared to dealing with less sophisticated mom-and-pop customers, Alfonzo determined. Long-term contracts provided recurring revenue, and since the company provided support for point-of-sale services, he reasoned these were critical services with high switching costs. However, the acquisition did not go as planned. Alfonzo describes it this way:

> We missed several items during diligence that made it really difficult to be successful. The relationship with the seller, the relationship with primary customers, and the financial implications of the equipment leases and service contracts were not evident at the time of acquisition. I take full responsibility since I led diligence. We tried to recover by narrowing our focus in the first year of operations, but any cut to personnel meant a cut to services and, ultimately, losing clients. We were mired in lawsuits, employees did not feel secure in their positions, and clients were not receiving the level of service they expected. The confluence of factors really made it impossible to rescue the business.
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> In hindsight, I felt like I really did not know what I was doing. This failure was certainly humbling. Before this experience, I may have been too confident and not as open to or accepting of all the potential outcomes. As you are going through the process, there is no respite from the trouble. I was on vacation with my family during the worst of it and never saw the outside of our hotel room—you truly live it day and night. The experience itself put a strain on my relationship with my spouse and on me emotionally.
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> It is hard to put into words just how catastrophic and hard it was to be in a business that was not going well. This was, by far, the most challenging and miserable professional experience I have ever had. I felt like no matter how hard I tried to move forward, I just could not get any traction or make any progress. It was emotionally all-consuming and completely draining. I had never been in a situation in which no matter what I did, no matter how hard I worked, things did not go well. The business was literally melting away. I don’t blame anybody. It is just so hard to describe the uphill battle I was fighting every single day with no improvement. It was painful, embarrassing, and just no fun at all.
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> My wife changed careers when I bought Datum—she was previously in a prestigious and powerful legal services role in Washington, DC. We packed up the kids and moved to Florida, where Datum operated. A lot of family and marriage energy went into making this project happen, and when it began to go sideways, that was really hard for me. My wife was fantastic and completely supportive and understanding, but I did not imagine that I would be telling her my dream project, and our path to financial independence, was a disaster after getting her and the kids ramped up on the whole idea.

After operating the business for several years, Alfonzo was ultimately able to exit. Despite the poor outcome, investors were supportive.

> Ultimately, we sold the company for the value of the debt to one of our competitors. All the equity in the business was wiped out at the time of sale, but we were able to meet our debt obligations. The investors were supportive and were the kindest and most understanding team I have met.
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> Unlike the investors, who take a portfolio approach to their investments and assume some investments will not be successful, I felt like I had all my eggs in this one basket. I made a lot of personal sacrifices. The company basically imploded. Having gone through such a profound failure, I am more understanding as a person, and I am a better person and leader. I know this experience and this endeavor were failures, but I personally am not a failure. Everybody fails—I do not equate the failure of a project with failure as a person. Despite all that happened, I am still glad I did it. I am beginning to have conversations with investors about new opportunities and am confident I will land on my feet.
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> I am very glad I pursued this path. It was a deep experience, and I met phenomenal people along the way that continue to support me. As you explore a search fund, my advice is to not only talk to people who have exited successfully but also talk to people who are operating a business and see how they feel. Talk to people who have experienced something unexpected. And then really consider whether it is the right path for you and your spouse.

Alfonzo has recently raised a new search fund, Radien Legacy Partners, this time with a partner. His new partner, [redacted] (Yale School of Management 2006), sees value in his experience, despite the outcome, and potential investors have been receptive.

The Drifter

A drifter is a company that is acquired but does not launch and thrive post-acquisition. The causes for its post-acquisition malaise vary but could include fundamental reasons, such as poor product–market fit, or company-specific reasons, such as a weak transition from the former management team. Whatever the cause, in this potential outcome, the company is generally stagnating. Despite efforts from the searcher-cum-CEO, the company putters on, meeting basic financial requirements like payroll and satisfying debt obligations and covenants but without finding a groove to create equity value. The investors have given up on seeing strong (or positive) returns, and the searcher has likely not built any individual equity value.

We consider this to be the most detrimental outcome of the three undesirable paths. Here, time is a vicious enemy and can usurp the prime years of an entrepreneur's career. If a drifter runs a business for five to ten years in perpetual anticipation of breaking out the next year, time becomes fleeting. If a searcher is a decade into a project at 45 years old with no equity to show for their efforts, they understandably feel frustrated and disappointed. Trying to pivot at age 45 is much more difficult than at 35. Think of a drifter as being analogous to a minor league sports player or local theater actor who works hard year after year to make it to the major leagues or onto Broadway: no matter how hard they work, they languish. We encourage entrepreneurs to get out as quickly as possible if they think they are stuck in the quagmire of a drifter.

While operating a drifter company, the entrepreneur is likely to face challenges and hardships that distract them from long-term planning and building equity value. In this respect, a drifter can be similar to an imploder, in which the entrepreneur feels they are constantly fighting fires. The distinction is that, for a drifter, each hurdle is not the end of the road—the company continues to limp on. This pattern of perpetual setbacks can delude the entrepreneur into perpetually thinking that next year will be the year the company takes off. The entrepreneur might believe that if they can solve the most pressing issues now, they can focus on monetization next year. But despite the positive attitude and boundless energy, the company continues to struggle.

As with the other archetypes, investors in a drifter scenario are likely to be supportive as long as the entrepreneur puts in their best effort. However, since investors take a portfolio approach to their investments, they will eventually focus their energy on other projects. Entrepreneurs might notice less engagement, and therefore less support, from investors over time, leading to additional frustration. As the entrepreneur continues to drift for years or even a decade at the helm of this business, their prime earning and career-defining years pass by. Seeing friends and colleagues experience success in other ventures may be frustrating, adding to the entrepreneur's feeling of isolation. The entrepreneur might feel they are far from where they pictured themselves at this point in their life, leading to feelings of doubt and regret.

Searcher Profile: Matt Littell, Spec Limit Capital Partners

Matt Littell (Kellogg School of Management at Northwestern University 2007) first experienced acquiring and running a business when working in a corporate role at General Electric before going to business school. Littell autonomously oversaw a small business service line and gained valuable operational experience. A desire to round out his skillset led him to business school, where he gained exposure to the search fund model. Littell ultimately launched Spec Limit Capital Partners upon graduation and, through that search vehicle, acquired Progressive Bronze Products LLC, a niche manufacturing business.

> I found Progressive Bronze only nine months into my search. It checked most of my boxes—a good brand, high EBITDA margins, strong history, and room for operational improvements and professionalization. It had low-hanging fruit I was confident I could capitalize on.
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> Once I closed the acquisition, we immediately ran into a number of hurdles. Getting financial reporting to a point where I had sufficient visibility over day-to-day operations took much longer than expected. There were some regulatory issues we had to respond to, and this happened in 2008 and 2009 at the beginning of the financial crisis. Industry volumes contracted, and revenue was down almost a third from the time of acquisition. We had to do the first layoff in company history in my second year as CEO. My attention was being pulled in many different directions, but I had to focus on revenue generation to meet debt service. It was one thing after another.
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> The experience was not what I expected. I thought I was buying a more stable, predictable business. In reality, I was always putting out the latest fire and then going to the next problem. It was like a game of whack-a-mole, just swatting at the latest problems. I was managing with the goal of generating cash and meeting debt covenants but could not focus on the forward-thinking, long-term things I needed to because I was always fighting to live another day. I focused on getting through the current period of uncertainty and hoping there would be an opportunity to reset. When it became clear that was not going

> to happen, I concentrated on getting the business to a better landing spot. I had signed my name to this business and did not want to abandon it.

Littell operated the business with energy and the best of intentions. He had invested a great deal of time, and he did not want to admit that things were not working out as he and his investors had expected and let go of the business. The challenges at Progressive Bronze affected his health and emotional balance, as he did not have time for exercise and rejuvenation.

> I was in a bit of denial about the situation I found myself in—in some respects, it was delusional to think I could bring this company out of the situation. I was not happy, I gained a bunch of weight, and the business took a toll on me physically and mentally. It was not a fun situation. The board was engaged early on, but the longer our ownership went on, the less involved they became. There was not much to gain financially from engaging, so it was not worth it to them. Since the financials were tight, I didn't have the support I needed, and I was the only one thinking about these problems late into the night—I was in a state of constant emotional stress, and that is not a sustainable way to run a business or live a life. Both in terms of time commitment and financial outcomes, I created volatility and uncertainty for my family.
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> What was tricky about the situation at Progressive Bronze is that I kept seeing a ray of hope that kept me going. Unfortunately, that ray of hope was just a mirage. Because we could make payroll and had just enough cash flow to meet our debt obligations and run the business, we kept going, but that was a huge mistake. I put way too much time into Progressive. I ran the business for a decade, and that was just too big a chunk of my career for a project that really did not have any upside. I totally believe that searchers need to give it their all for five years or so, but the brutal truth is that if a business has not found its groove after five years, it probably never will. I should have left sooner, and I think my investors would have supported that. Chasing the mirage was not a good use of my investors' capital or my time. After ten years, I learned a lot but have nothing to show for my time financially.
>
> Having said all that, I am absolutely glad I searched and would do it again. This is how I enjoy spending my time. I wish I knew then what I know now—the insights and experiences were extremely valuable. I admit there was an economic and an opportunity cost for taking this path. It is tough to see classmates from my MBA program with much better economic outcomes, but I enjoy the experience of being in the driver's seat, no matter how many bumps there are along the way. In terms of how I enjoy spending my time and the experience I had, I would definitely do it again.

Littell ultimately ended up overseeing a small add-on acquisition to broaden the target market. Once the combined entity was de-levered, Littell brought on a new president to run the business on a day-to-day basis and stepped back into an advisory role on the board of directors. While investors remained supportive, they became disengaged as problems mounted and focused their efforts on other more productive investments. Today, Littell is a principal in a family office, Halstatt Legacy Partners, focused on investing in search funds.

What Happens Next?

The three outcomes discussed above outline the range of ways things can deviate from a search fund entrepreneur's plan. But what happens next? The impact on the searcher depends on how they conducted themselves during the search project. Harvard Business School Professor Shikhar Gosh describes three types of failures for venture capital-backed startups, which hold true for search funds as well: constructive, normal, and destructive failure. [21]

> *Constructive failure* is based on "unproven hypotheses" and involves a sold or ended operation, "having learned its lesson relatively inexpensively."
>
> *Normal failure* is based on "a reasonable and viable proposal, is well executed and effectively funded, but ends up competing with a large number of similar firms . . . [it wraps] up operations in a responsible manner."
>
> *Destructive failure* may seem similar to constructive or normal failures, but the firm experiencing the problems is led further astray by the entrepreneur. "In the face of those early problems, the entrepreneur finds a defensive and intellectually dishonest explanation, may oversell potential new investors in an attempt to keep things afloat, and in the end, tries to protect his narrow interests at the expense of other stakeholders."

Destructive failure, Gosh asserts, "is the only type of failure that truly 'poisons the well' for future entrepreneurial efforts." In contrast, if the entrepreneur put in their best effort, "executed well, built a good team, and had some leadership ability, [investors] don't necessarily hold a bad outcome against the person."[22] Gosh's assessment holds true in the search fund community too.

The searcher should remain diligent, honest, and communicative with investors, debt holders, and employees throughout the process. They should also consider all relevant stakeholders when making decisions and seek mutually beneficial outcomes whenever possible. Search fund entrepreneurs who have had unsuccessful outcomes assert that an entrepreneur's approach to these outcomes is more important than the outcomes themselves. Many search fund entrepreneurs describe investors as supportive, providing succor during an otherwise difficult time.

What searchers do after things do not go as planned varies. Most will take some time off to consider their next steps and to decompress from the experience. It is common to see an average elapsed time of about six months between winding down a search and beginning a new role.[23] That six-month period should include time to reflect that is not spent actively pursuing new opportunities. The search fund entrepreneur will likely process the outcome by moving through the Kubler-Ross five stages of grief: denial, anger, bargaining, depression, and acceptance.[24] These are normal emotions and reactions to loss and painful news. Some of this processing occurs during the search in a no-dealer or while operating an imploder or a drifter. For example, an entrepreneur dealing with an imploder moves from anticipating a windfall to bargaining, ultimately thinking that getting out gracefully would be a win.

It is important to learn and grow from the experience of failure. The entrepreneur should consider many things: What went wrong? What would they do differently next time? What skills and lessons can they translate to a new role or opportunity?[25] One searcher, an imploder, shared that he went as far as codifying his lessons in a 10-page document to ensure he remembered the learning opportunities as he transitioned to a new role.

Experience, regardless of the outcome, can be helpful in future endeavors. In all three of these paths, the searcher gains valuable sourcing and diligence experience, and in two of the three outcomes, they gain valuable operational experience. Having tried and failed in a search project can contribute to future capital raises and endeavors, signaling that the entrepreneur not only has experience that others may not, but also has grit and dedication.

As a searcher reflects on their experience, it is also important for them to distinguish between the search outcome and their value as an individual. Failing at a project is not the same thing as failing as a person. When an entrepreneur experiences an undesirable outcome, it can be difficult to separate their personal and professional selves, and the tumultuous work experience can spill over into personal and family life. However, it is important for an entrepreneur not to let this painful professional experience impact their perception of themselves as a spouse, parent, friend, or community member. Entrepreneurs can fulfill these other roles meaningfully and with joy no matter what happens in a failed business venture. This might not be easy, and a challenging business situation might consume an entrepreneur's entire life like a fog, but it is healthy for entrepreneurs to draw a distinction between their personal and professional selves—especially when the professional self is flagging.

Common paths for former searchers after this period of self-reflection include investor roles (e.g., private equity), typical MBA jobs (e.g., consulting), operating roles at small- or medium-sized businesses, and other startup roles. "The most obvious path is to join a private equity or M&A firm, which will directly utilize the skillset developed during the search," explains Jim Sharpe.[26] Some searchers incorrectly believe that these more traditional career paths might be shut off after pursing a search but ultimately find significant options available. In terms of compensation, the Kessler study looked at a cohort of fifteen searchers and that found one third earned incomes above the median of their business school graduating class after an unsuccessful acquisition.[27] The career paths found in that study mirror Sharpe's observations and include search fund entrepreneurship, search fund investing, other forms of entrepreneurship, traditional post-MBA careers, and operating roles at large- to mid-size corporations.[*]

While conducting a search or operating a business, search fund entrepreneurs need to maintain some balance in their lives. This is healthy in successful projects and even more crucial in unsuccessful outcomes. If an entrepreneur only defines themselves by their professional role, it can be especially painful if that avenue in their life is not what they had anticipated. If an entrepreneur is part of other communities, in addition to their entrepreneurial circle, there might be more comfort and personal identity when it feels like their professional identity is struggling. We recognize, from personal experience, that running a business or doing a search can be all-consuming, but we advocate for searchers to carve out some time, perhaps as little as one hour per week, to engage in other parts of their lives. For example, nurture those old college and business school friendships, be part of a book club or a tennis league, and make sure your spouse and kids are not an afterthought. These outside-of-the-business relationships and activities will create purpose, meaning, identity, and vital support systems when the business wanes.

Conclusion

"I don't celebrate failure for failure's sake, but I think there is something amazing about trying to do something at the edge of possibility and potentially failing at it. . . . The real story is much more volatile and human, and we do our community a disservice pretending otherwise," says Christine Wallace, vice president of branding and marketing at the Startup Institute.[28]

It was our intent for this note to share the real, volatile, and human stories that are common in search fund projects. We agree with Christina Wallace that it is a disservice to ignore search fund projects that do not work out as planned. We are effusive supporters of entrepreneurship and search funds in particular, so we hope this note does not mollify anybody's entrepreneurial dreams. We do hope this note enables aspiring search fund entrepreneurs to pursue their projects with more awareness and with their eyes open to how it feels when a search project does not go as planned. We also hope that this note has

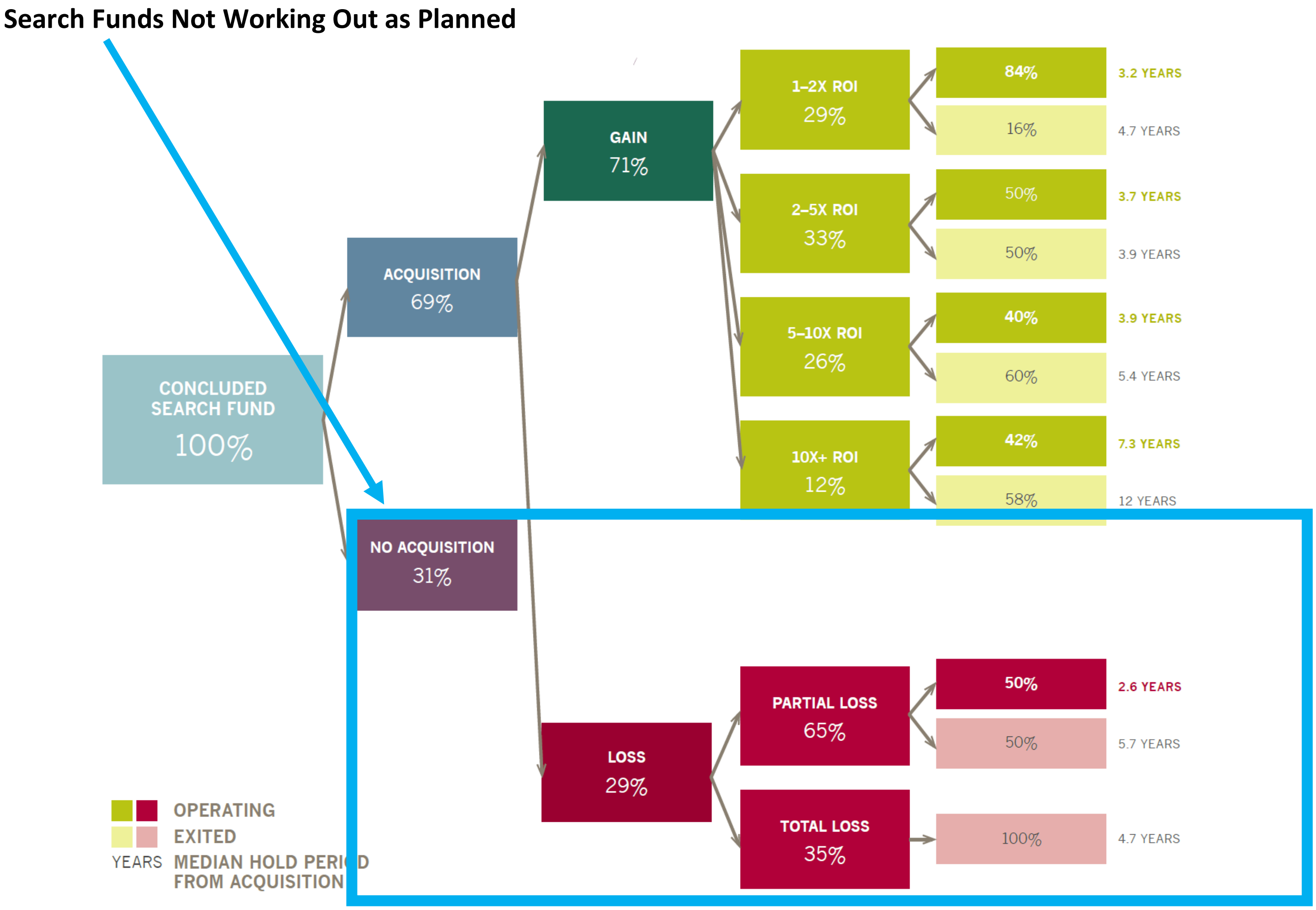
[*]Two of the fifteen searchers in the study earned incomes at the median for their graduating class and the remaining eight earned incomes below the median.

normalized disappointing outcomes and the emotions that entrepreneurs experience when a project does not turn out as expected.

Being a no-dealer, an imploder, or a drifter is certainly not fun or what a search entrepreneur envisions, but the reality is that 50% of searchers will find themselves in one of these categories. In these situations, it is important to pursue a constructive or normal failure and not slip into a destructive failure. Entrepreneurs should also work to separate their professional shortcomings from their personal triumphs—an unsuccessful entrepreneur can still be a fantastic parent. Finally, if a search fund project is a no-dealer, an imploder, or a drifter, it is important for the entrepreneur to remember that life goes on eventually.

Good luck with your search fund journey!

Exhibit 1: Frequency of undesirable search fund outcomes



Source: Stanford Graduate School of Business, "2018 Search Fund Study: Selected Observations."

Exhibit 2: Kessler's details on why search funds fail in the operating stage

Benjamin Kessler's Nine Common Themes of Causes of Failure	
Low or negative industry growth	• Industry growth of 5% or less at time of acquisition, usually driven by outside shocks and the obsolescence of a key product or service in the industry
Complex operations	• Defined as more complex than the searcher, management team, and/or board are able to manage • Frequently lead to loss of company's competitive advantage
Troubled dynamics between the searcher and the board of directors	• May be an issue with the searcher, an issue with the board of directors, and/or an issue with communication between the two parties • May include failure to be fully transparent and inability to implement or lack of interest in implementing suggestions from board
Low gross margins	• Defined as a gross margin below the industry median (or <20%) • Usually signifies a near-commoditized product or service
Execution failure	• Occurs when a searcher experiences challenges learning and executing the detailed operations of the acquired business • Usually driven by a lack of time, prioritization, or a lack of experience that leads to a gap between what could have been and what was completed
Customer concentration	• Defined as one customer representing 25% or more of revenue • Customer concentration coupled with large customers departing, financial trouble, or a request for a price decrease can negatively impact a firm
Restrictive capital structure	• Typically created by an excessive amount of seller or institutional debt; forces the buyer to use a substantial portion of free cash flow to service interest and principal • Restricts cash flow available for financing working capital, capital expenditures, and other growth needs
Conflict with a previous owner	• Conflict between searcher and previous owner • Previous owner can negatively influence operations, board meetings, employees, and/or the searcher following the sale
Inability to retain or hire adequate talent	• Searcher is unable to retain or hire middle management • Usually occurs because of firm's location, negative or low industry growth, or searcher's own leadership ability

Exhibit 3: Mikalai Martsul—No-Dealer

The No-Dealer

Mikalai Martsul
North River Partners
Tuck 2015

1	**What did your acquisition pipeline look like? Were there any near-acquisitions that fell through? Why?**	I stretched my search fund (North River Partners) to last for about two and a half years and signed five LOIs over that time period. My last LOI was signed at month 25 or so, so I knew going in that my runway was limited. Each LOI had the potential to become an acquisition, but each time diligence would turn up something I was not comfortable with. The reasons why they fell through varied. For example, one owner had a history of fraud, and the other one had too many family members in key business roles, which made the transition risk too high.
2	**How were you feeling when you suspended the search?**	My goal and mindset throughout the search process was not to buy just any company, but to buy a good company I felt could deliver a strong financial performance for my investors. With that mindset, I knew there was a risk I would end the search without making an acquisition, so it may have been a bit disappointing, but it wasn't shocking. Searching is like panning for gold—you go through a lot of dirt, and even so, you may not find a nugget. That doesn't make the process easy, though. With each deal, you can feel it—you can picture moving and relocating your family, taking over operations, and living that life. When it falls apart, you have to walk away and start again. My investors were supportive. No one screamed at me or chastised me. They agreed that I had developed a good deal flow and that it was better for me to not buy a company that did not meet our criteria. I maintain strong relationships with many of my investors to this day, more than three years later.
3	**What did you do in the short-term after searching? What are you currently doing?**	After searching, I considered my next steps. I reconnected with an owner I had encountered during the search process. They were not ready to sell but made me an offer to come on as CEO at Pan American Collision Center. I am still in that role today, and I operate a multi-site collision repair company with seven locations throughout the San Francisco Bay area. We had over $20M in revenue in 2019 and about 150 employees. The outcome is quite similar to where I would have ended up, albeit with less equity in the business.
4	**Looking back now, are you glad you pursued a search fund? Would you recommend it to others?**	Yes, I am glad I did it. It made sense for what I wanted. It is a great way to put the MBA toolkit to work, but it might not be the best path for everyone. My advice for prospective searchers is to be aware that things might not work out—you might not find a company. With that in mind, consider the personal and professional costs, including opportunity costs, and then decide if it's the right path for you.

Exhibit 4: Anish Patel—Imploder

The Imploder

Anish Patel
A.R.P. Capital Partners
Stanford GSB 2013

1 What was the final outcome of your acquisition? What do you attribute that outcome to?

Things started going wrong within six months post-acquisition. My partner and I thought we were acquiring a stable entity but quickly entered a turnaround situation. As it began to unfold, we realized we had been fatally naive in two areas. First, we misjudged the stability of the macro environment. A major policy reversal, followed quickly by the Brexit announcement, led to an industry-wide volume decline of 90% within six months. It wasn't in our control, but it was our responsibility. Second, the two sellers outright lied to us about some financial aspects of the business. We had built in legal protections (and were ultimately successful in our claims), but it was costly and time-consuming. Thinking back to the negotiations, the broker had been heavily controlling of information flow and limited vendor contact. We underestimated the importance of judging the character of the actors we were dealing with, and we should have pushed for more 'face time'. Our previous careers in 'ivory towers' didn't prepare us for this level of dishonesty, and we bought a lot of their story without question.

2 How were you feeling when all of this was going on?

Personally, this has been a very difficult few years. It was without a doubt the biggest setback in either of our lives and the hits started coming quickly after acquisition. I was prescribed medication to deal with work-related burnout. We started experiencing the downside before our equity was worth anything. Maybe we should have walked away earlier, but we both made a commitment to each other and to our investors. The biggest feeling was one of isolation—we felt really alone. Investors were supportive but they weren't in the trenches with us on a day-to-day basis. We were our biggest critics, but we continued to dig while there was still a path forward. Having each other was a significant help—I'm not sure I could have stuck around for as long as I did if I were a solo searcher. It impacted our personal lives too. We were able to compartmentalize what was going on at work and live our lives outside the office to some extent, but it was challenging. Life goes on, and you have to create some level of detachment.

3 Looking back now, are you glad you pursued a search fund? Would you recommend it to others?

Maybe I have a perverse capacity for pain, but I would do it again. I regret the outcome, but I learned so much daily. Dealing with the turnaround, managing litigation, managing our lenders—these were all new skills for us. Its important to separate the quality of the decision and the quality of the outcome, and even in hindsight our decision to do the search was made for all the right reasons. My advice to a prospective searcher is that you have to be comfortable with the process, not just the outcome.

4 What advice would you share with other searchers?

I am not sure I am the person to seek advice from. This is a humbling process. I have had a rough road in the search process, and this was excruciatingly difficult. My advice would be to be prepared for a disappointing outcome and to understand how you might react and feel if that is the case. Nothing could have prepared me for what I went through. So no matter how talented you are and no matter how successful you have been before a search, you have to be prepared for things to go sideways—even if you work harder than you have ever worked before in your life. This is not a reason not to do a search, just be prepared for a rollercoaster that doesn't work out how you would like, despite the best efforts of yourself and your investors.

5 What are you doing now?

I took some time off after exiting the business to consider my next steps, and I'm now looking at additional small business acquisitions, including revisiting some opportunities I initially encountered during my search.

Exhibit 5: Charlie Saponaro—Drifter

The Drifter

Charlie Saponaro
Bartley Capital
University of Vermont 1996

1	**How has MRA evolved since you've acquired it?**	MRA was a classic search deal: the owner was looking to retire, and the company needed a lot of updating. Revenues had been flat prior to acquisition and then grew at 10% per year for the first five years after acquisition. We did an early recap that returned 85% of equity to investors. However, things started taking a turn about five years in. There was consolidation in the space from private equity buyers, so we started to explore a sale but were too late to the trend. New regulation led to a meaningful contraction in our business—about 30% of revenue—and price pressure. We were then mired with lawsuits, including a class-action and an employee malfeasance suit. The valuation was then down significantly from what we expected. I was trying to salvage value, so I devised a plan to split the business and sell to two strategic buyers, resulting in a higher overall valuation. We were a week away from closing the larger of the two deals when it fell through due to financial troubles at the acquiring company. We sold the smaller business and continued to operate, only to lose two of our largest remaining customers.
2	**What do you attribute the current state of the business to? How do you feel about it?**	Many of the issues we've faced could not have been foreseen prior to acquisition. That doesn't make it an easier pill to swallow, though. My equity has no value. The company is just bobbing along at this point, which is very difficult for me both personally and professionally. I'm sitting here after working so hard for ten years, and I don't have much to show for it. I have probably held on longer than I should have, hoping I could walk away with something. But when you're experiencing this, you pull back, you are less comfortable and less self-assured. You're just facing continual setbacks, which can feel very debilitating at times. I've had some hard conversations with my spouse—I had to take a pay cut, for example—and am broadly not where I envisioned myself being at this point in my life. The business has been all-consuming at times. Even from a personal standpoint, it meant I haven't been as present with my friends and family as I wish I could be. I'm still glad I pursued this path, and I have learned so much doing it, but I am not nearly where I expected myself to be. I would encourage people embarking on this path to go into it with open eyes and realize the risk inherent in searching.
3	**Looking back now, are you glad you pursued a search fund? Would you recommend it to others?**	I am glad I did a search, though it did not work out as I had hoped. In some ways, I feel like I have wasted a decade of my career. I have learned an incredible amount from the process, though. I still think a search fund is an excellent way to propel yourself into a CEO role at a relatively young age. I am grateful to the people who have supported me and appreciate the opportunity their support has afforded me. Of course, I wish this had worked out differently than it has. I am also lucky that my wife has been so supportive—emotionally and financially. She is a lawyer and we are in a good spot because of her success. It's a bit hard when you get to your mid-40s and see your friends progressing and climbing in their careers.
4	**What advice would you share with other searchers?**	Searchers need to understand this is not easy—at all. Searching is hard, closing is hard, and running a business can be an uphill slog everyday. Do not glamorize or romanticize this journey in any way. I have been pushed and challenged—and not always in good ways. Searchers need to assess whether this is for them or not, but they shouldn't talk to the people who were successful; they should talk to the ones who failed and then determine if they are prepared to be in that bucket. Make sure your spouse and family are on board; this is a team sport. If your spouse is not prepared for the rollercoaster ride and potential failure, it will not work.
5	**What are you doing now?**	I am still running MRA and am in the process of negotiating a deal to buy out the existing investors. That deal will close out the search chapter of MRA, and I will try to rebuild and move forward.

Exhibit 6: Investors offer perspective and advice

		 **Greg Geronemus (HBS 2012)** **Footbridge Partners** *footbridgepartners.com*	 **Rich Kelley (Stanford GSB 1989)** **Search Fund Partners** *searchfunds.net*
1	**Describe your firm.**	Footbridge Partners invests in exceptional entrepreneurs whose mission is to source, buy, and build a market-leading company over the long term. We strive to be the capital partner of choice for searchers who desire more collaboration and more alignment with their investors. We believe superior outcomes are driven by exceptional people working together as a team.	Search Fund Partners has been exclusively investing in search funds for almost 20 years. We are four hands-on partners with extensive experience in small business and search funds. We cherish the interactions with the searchers and CEOs, and the satisfaction of being involved from the beginning of a search through the growth of a successful company is what makes our work meaningful.
2	**What advice do you have for no-dealers?**	Be kind to yourself. You are not alone. In fact, 30% of searchers (or higher) are no-dealers, which means you are in good company. The difference between being a dealer and a no-dealer can be a function of skill and work ethic, but luck often plays a critical role. Although you finished your search without a deal, you are not emerging empty-handed, since you have grown both personally and professionally. Make sure you take some time to recuperate before rushing into something new.	If you are honest, creative, and zealous in your search, there is absolutely no stigma attached to an empty search. If you enjoyed the interactions with your investors and you still are attracted to small companies, there will be many opportunities for you in the search fund ecosystem if you communicate. There are consulting jobs, there are top lieutenant jobs, and there are emergency plug-in CEO jobs that always come up in our world. So dust yourself off and think about marketing yourself as a valuable resource for searchers, investors, or CEOs.
3	**What advice do you have for imploders?**	Ask yourself: Have I done everything in my power to make the best of this unfortunate situation? Have I acted ethically and honored my fiduciary duty? If so, hold your head up high, thank your investors for their confidence in you, exit stage left, and make sure that you learn from the experience. If not, consider what additional actions (if any) you can take to leave in the most graceful way possible.	Don't burn bridges. You never know when you will need a referral for another job. If you worked cooperatively alongside the board throughout the death throes of your company, you will be well regarded by your investors and you should get a small financial parachute. When it is all over, step back and write up a postmortem on lessons learned, mistakes made, and things for everybody to avoid next time.
4	**What advice do you have for drifters?**	Take a step back and consider your options. If there is no viable path toward real growth, you need to make a significant change. Nobody benefits from a company simply drifting along. The most likely course of action is to sell the company and exit gracefully. You may also consider the uncomfortable possibility that the company would be better off under new leadership and try to find your replacement.	If you are stuck in a mediocre situation, you should stick it out as long as you reasonably can. The common advice is to cut and run if things appear stagnant, but there are too many variables in business to really know the future. We have seen companies struggle for quite a while until something changes, the headwinds shift, and they are finally sailing with the breeze. If life is truly miserable, then figure out a succession or exit plan.
5	**How can you best help entrepreneurs when things are not going as planned?**	As investors, the best way we can help is to make ourselves available, listen carefully, and ask how we can help. To put it differently, we try to respond more as partners than investors. One area that's often overlooked is the personal support network of the searcher, which becomes all the more important when things are not going as planned.	The most powerful way for us to help entrepreneurs who are going through disappointing times as well as successful times is to foster an open and honest communication pattern. The ability to have difficult conversations between investors and CEOs is key to healthy and productive outcomes. Investors should be supportive but occasionally blunt, and entrepreneurs need to learn how to listen and react without defensiveness.

Exhibit 7: Entrepreneur Bios

Entrepreneur 1: Mikalai Martsul, C.E.O., Pan American Collision Center

Mikalai came to the US in search of freedom and a better life. As a first-generation immigrant, he has first-hand experience of what it is like to start from scratch and knows that hard work, persistence, and integrity will go far. Mikalai has worked at small businesses his entire career. His first job in the US was at a grocery warehouse, where he helped to load trucks. Prior to Tuck, Mikalai worked at a small, Boston-based software firm building best-in-class technology tools used by a major American political party. By the time he graduated from business school, Mikalai knew he would rather run a small business and work with people than spend his days staring at a computer screen and building financial models. Mikalai holds an MBA from the Tuck School of Business at Dartmouth and a BS and MS in Software Engineering from Belarusian State University of Informatics and Radioelectronics. In his free time, Mikalai enjoys outdoor activities including hiking, kayaking, whitewater rafting, and skydiving.

Entrepreneur 2: Anish Patel, Private Investor

Anish is a private investor and entrepreneur. Prior to founding ARP Capital, Anish worked for Barclays and LEK Consulting in London. He has an MBA from Stanford University, USA, and a Master's Degree in Mathematics & Theoretical Physics from Cambridge University, UK He lives in the UK and is married with two young children.

Entrepreneur 3: Charlie Saponaro, CEO, MRA

Charlie Saponaro is an experienced entrepreneur with a proven track record of both operating and investing in growing companies. Prior to acquiring Medical Record Associates, Mr. Saponaro was a key member of the ArchivesOne management team. Mr. Saponaro was instrumental in growing ArchivesOne from a regional company to the third largest records management company in the United States before it was acquired by Iron Mountain (NYSE: IRM). Before joining ArchivesOne, Mr. Saponaro was a vice president at Brook Venture Partners, a Boston-based venture capital firm focused on expansion-stage companies, and prior to that, Mr. Saponaro worked for Saturn Capital, a Boston-based venture capital and private equity firm focused on early-stage technology companies. Before Saturn, he worked for Boston Capital, the largest apartment owner in the United States. Mr. Saponaro holds a Bachelor of Arts in Political Science from the University of Vermont.

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