

## Lead Left Spotlight - Mark Habner

This week we chat with Mark Habner, Co-Founder and CEO of the BeckWay Group. Beckway provides operating capabilities to private equity firms and their portfolio companies. In his current role Mark leads BeckWay Group's three divisions, TalentFinders, Trailblazers and Tracking Technologies.

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**The Lead Left:** Mark, it's been a while since you've appeared in our pages. It's great to catch up. Tell us about your new venture at the BeckWay Group.

**Mark Habner:** Thanks Randy. Great to be back with you. We started BeckWay in late 2016, focusing on the same kind of initiatives I've been doing most of my career – helping private equity firms with their operating performance. With BeckWay we have three distinct platforms. Our operating partners comprise Trail Blazers. We supplement that with our talent acquisition platform, Talent Finders. And Tracking Technologies uses our proprietary software, VectorMarks, to measure detailed company performance.

**TLL:** Are you exclusively focused on the private equity sector?

**MH:** Yes. Several trends support our work. Sponsors are cutting back on the operating team members or pushing those partners to be 1099's. That makes BeckWay a very compelling alternative. Being part of a bigger team here, you see more opportunities. When engagements dip with one PE client we can move them to work with another one. We're not a consulting practice. We get project management synergies.

For example, a sponsor reached out to us recently for help with an upstream oil and gas carve-out. Using our talent search platform we found the right resources. We act as a PMO [project management office] to help define the objectives or then execute to achieve the investment thesis. We also have specialist operating partners, for example, digital marketing, and procurement. There's more specialization than ever on the operating side.

**TLL:** Is most of your work with smaller PE shops?

**MH:** We work for larger funds and the lower middle market, firms that have spun out of larger funds. Our private equity partner also benefits through access to our program

management execution software, VectorMarks. It's very uniquely designed for private equity, having strategic and execution links to Ebitda and ROI. Kelso was our first anchor client.

Everyone has initiatives and most funds track them in Excel, but our solution is hosted in the cloud and is updated real-time. It lets you know if you've hit or missed specific performance milestones.

**TLL:** Sounds like an interesting business in itself. Who developed it?

**MH:** Tom Anderson is the original architect. Our team is in Charlotte, the rest of us are in NYC and across the US. The points of connectivity work well.

**TLL:** Do you do turnarounds?

**MH:** Yes. For example, one of our operating partners has been in place at the client for twelve months now. But we also do growth companies. The average stay is 3-6 months. Essentially we offer fractional operating services. Most of our clients try us on a project basis. We then can help to build out their operating partner teams. We have relationships across the lower middle market PE space. Our OP's know the way private equity sponsors work.

**TLL:** Mark, tell our readers about the some of the broader trends you're seeing in private equity today.

**MH:** The timeframes on auctions are certainly shrinking. Buyers are increasingly taking big leaps of faith. Value creation is now happening post-investment, not with leverage or financial engineering. Operating demands are much greater. There are more carve-outs and bolt-ons. Lots of M&A jigsaw activity.

That increases the demands on management teams. They need more external help. It's very hard to find a unicorn C-suite team that can both execute expensive M&A and optimize the business. Ironically many sponsors are not investing in their operating

teams just when operating demands are increasing. The value equation is shifting back to talent to recapture the value potential.

*TLL: How does that manifest itself on the transaction side?*

**MH:** Sometimes the sponsor simply doesn't have the management team to make it happen. So they'll just buy the company and scramble to put the team in place after the deal closes. They'll put a team in place for the first nine months as an interim solution, then add the permanent team once things are stabilized.

We then help the client assess the talent they have and their fit near and medium term. We're looking for the best in breed, and as a result, there is a shift value back to the individual. That's consistent with the overall trend in PE. It also recognizes that it's the individuals within a company truly make the difference in performance and excellence, not the company itself.

*TLL: Do you consider BeckWay to be a niche player? Are you taking share from the larger consultants?*

**MH:** We are creating a niche around the fractional operating partner space. That's different from consulting. We don't compete with the Big Four, for example. We compete more with individual operating partners who work on their own.

*TLL: Could you give us a case study of your work?*

**MH:** One of our Operating Partners was the PMO for a merger. The management team had completed one acquisition but not integrated, and then had two more lined up. They needed someone to work alongside them and both execute the merger & integration, but also develop the playbook for the following acquisitions. That allowed them to do more deals, more quickly. We work closely with the sponsor, keeping them updated along the way.

*TLL: Based on your experience, what are the top three mistakes sponsors make on the operating front?*

**MH:** Underinvesting in changing management with acquisitions. Then failing to properly on-board their personnel. We see situations where the sponsor makes five acquisitions and keeps five different systems and reports! You need to develop a playbook.

And failing to invest in an on-site PMO. It typically takes two-three months to appropriately support on initiatives and establish reporting. You need to prioritize to capture the low hanging fruit on things like procurement. You can't tackle 30 different initiatives at once. A PMO will accelerate the EBITDA gains.

It often feels like sponsors are either smothering the management team or ignoring them. Then either nothing gets done or things aren't prioritized if the sponsor isn't focused. A good PMO gives visibility to progress and confidence to the owner. Providing a clear value path isn't rocket science, but it's good discipline.

I would also add that PE funds often make the mistake of thinking management teams can manage consultants, but often they can't. You end up with scope creep and expense creep. You need experienced assistance to choose the right consultants and stay on top of them.

*TLL: How do you see the future of private equity from your seat?*

**MH:** GPs are increasingly under threat of being disintermediated by LPs. The trend on co-investing will continue. LPs will continue to explore having more in-house capabilities. The GP model is a maturing asset class. Returns are down as competitors continue to enter the game.

*TLL: How many people work at BeckWay?*

**MH:** We have forty professionals across our three platforms, but leveraging the rolodex of our Operating Partners, we have about 1500 proven operations executives in the BeckWay network. We use them in our search work. We need a personal relationship with someone proven to get into our network. We were successful recently in placing our first CEO candidate from this network.

*TLL: What's been your biggest surprise since kicking off the new venture?*

**MH:** How long it's taken to people to migrate away from Excel to a better mousetrap like VectorMarks. Everyone is so jammed and on the go. Trying something new is tough. Our product looks like Excel for that very reason.

**TLL:** How steep is the learning curve?

**MH:** It's a flat gradient. It takes ten minutes to learn. Not complicated at all. Clients ask, can I rely on these numbers? The challenge is adding new features.

**TLL:** Mark, as an English major I would be remiss if I didn't ask you to relate how your firm's name came to be?

**MH:** Great question – it originates from Steinbeck and Hemingway, with the vision that our team are representative of the pragmatic, strong characters in their novels.

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