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From Florida to China, a Culture of Teamwork

Lipari, RSM:

Hello, I'm Lipari, head of private equity for RSM, and welcome to another segment of Powerhouses in Private Equity. Today, we're speaking with Krouse, co-CEO and co-founder of Sun Capital Partners. Welcome, Rodger.

You were in school in the ... late 70s, early 80s. That was pretty progressive that you said, "I'm going to go study Chinese."

Krouse:

Right. I've always been intellectually curious and I wanted to study business. I knew that. I wanted to go to Wharton and, once I was there for a while, I wanted to find another area that I could channel my energies and [00:06:00] learn about. I looked at all different types of subjects, and I was just intrigued with Chinese language. I started in a course and then really jumped in completely with both feet. Not only did I study Chinese at school and courses about China, but there was a program at Middlebury College, which was total immersion. Then, I realized once I graduated, I wanted to study further. There was a program at Stanford that Stanford University had at Taiwan University. I did that for a year, as well.

Lipari:

Really?

Krouse:

Yes.

Lipari:

So, this was not only about language skills. This was about learning the culture?

Krouse:

It was immersion. It was really a wonderful thing to learn and understand and be part of another culture and to live outside the U.S. at a young age. It was wonderful.

Lipari:

Do you still have a passion for the Chinese culture?

Krouse: I'm very interested in it. My Chinese has gotten rusty.

Lipari: You could speak it fluently. I'm sure without practice, like anything else, it gets a little rusty. Did you learn to write it as well?

Krouse: Wrote it, as well, could read it.

Lipari: In '84, you joined Lehman. Talk about your Lehman experience.

Krouse: It was wonderful.

Lipari: What roles did you play at Lehman?

Krouse: I started out as a generalist, as an analyst, and was involved in a lot of different companies, a lot of different analyses, and also I worked in the China team there.

Lipari: You did?

Krouse: Yeah, I went over to China. It was in Beijing with Lehman Brothers, too, and in Hong Kong, which was wonderful.

Lipari: That's a long time ago. China is a very different place.

Krouse: It was a very different place then. It was really rudimentary in terms of what was going on from an international business standpoint—night and day from today. It was fascinating. I did a lot of things domestically, a lot of things internationally. Every year, I just kept learning more and enjoying it more up until the time that Marc and I left to start Sun Capital.

Lipari: In 2006, Sun decided to open a Shenzhen office in China. Talk about that decision and also about some of the successes you've realized in China.

Krouse: One of the things we've realized is that a lot of middle-market companies were importing from China, doing business with China, but didn't have great expertise in that area, so they were outsourcing it to third parties maybe not as efficiently as they could. We felt that if we had a presence there, we could improve

things. So, given that I had a familiarity with it from my Chinese language studies, I felt very comfortable with it. We established a group that has been really helpful in taking costs out for our companies. Sometimes, it's with the current vendors that they have and letting the current vendors know that there are other alternatives. Sometimes, that happens. Sometimes, it's finding new vendors for the folks. Also, it's improving the quality of what comes from China. There's been a lot of money saved that way for our companies.

Lipari: Has having feet on the street in China also helped you look for either add-on or opportunities to buy companies?

Krouse: It helps us when we're buying companies, because we know how much we can save.

Lipari: I see.

Krouse: So, we see what the company is currently paying for certain things and, with our Chinese office, we can figure if we were owning the company, what would the company be paying then? So, sometimes it helps that way.