

▶ POWERHOUSES IN PRIVATE EQUITY



Rodger R. Krouse
Co-Chief Executive Officer
Sun Capital Partners



Donald A. Lipari
National Private Equity Leader
RSM US LLP

From Florida to China, a Culture of Teamwork

An interview with Rodger Krouse, co-founder of **Sun Capital Partners**

A co-founder of Sun Capital explains how the firm's original strategy was generated out of being shown so many "castaway" investment opportunities. Rodger Krouse also talks about the culture and "secret sauce" of Sun Capital, his personal background with the Chinese language and his firm's operations in China. Krouse was interviewed by Donald Lipari, National Private Equity Leader for RSM US LLP.

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

Rodger Krouse, Sun Capital Partners: Thank you.

Lipari: So, Rodger, you grew up in the Philly area. You still have a lot of your attention to Philly sports still? Passionate?

Krouse: Still a Philly sports fan, absolutely. Still have a lot of family there, a lot of friends there. Yeah, it's a great town. It's a great town. I mean, it's a big city, but it's a small town. It's great.

Lipari: Anyway, so you decide to go to Wharton, which is where you first meet Marc, your co-founder of Sun Capital Partners. First impressions?

 [Click to watch this video on privcap.com](https://privcap.com)

↓ CONTINUES ON NEXT PAGE

Krouse: Like everyone's first impressions, his energy, his enthusiasm, his intelligence, his sense of humor. It's all on display.

Lipari: You guys really had a liking for each other?

Krouse: Yeah, we just had a connection.

Lipari: You continued your relationship. You were together at Lehman. You decide, you know what? It's 1995. It's our time. What's the thinking?

Krouse: Well, we worked a lot at Lehman. He was in retail and consumer products, and I was in merchant banking and high yield. Anything that overlapped those two areas, we were working together, and we just had a great working relationship, a lot of mutual trust. We just enjoyed working together and were looking for something more entrepreneurial and more upside. We decided to take the plunge.

Lipari: Well, you're still here.

Krouse: We're delighted. We're delighted we did. The funny thing is our original strategy we affectionately call our failed strategy, which was a regional private equity strategy, and we thought that our deals would be done down here. Then, ultimately, some were, but very few mostly, they were elsewhere. We looked for deals down here, but even though there were very few private equity firms, there were a lot of private equity firms certainly willing to travel and look at opportunities down here. So, it was very competitive. The only deals that were available to us were companies that weren't doing so well. Our original strategy, people may think we intended to look for turnarounds and underperformers and special situations. We didn't. Those were the only ones that remained when the people-

Lipari: The castaways.

Krouse: The castaways. People picked over all the healthy ones, and that was what was left.

Lipari: So, your strategy, you guys were not going to say, "We built a better mousetrap. We're going to take underperformers and really make them shine."

Lipari: Talk about that first raise. How did that work out for you guys?

Krouse: It actually went pretty quickly for our first raise. I think that to an extent, we were in the right place at the right time. We had developed our operations skills. We had developed our turnaround skills. People were concerned that

a downturn was coming, an economic downturn, a recession. So, I remember going into one limited partner, this meeting, and they said, "We've been looking for someone like you." So, we were in the right plane in the right time.

Lipari: You say, "And, we've been looking for someone like you."

Krouse: Exactly, but it really came together quickly. It was just really a few months once we got started.

Lipari: What was on the book for that fund? How much are you looking to raise?

Krouse: \$200 million.

Lipari: \$200 million?

Krouse: Yeah, our first fund was \$200 million.

Lipari: That's great.

Krouse: So, one of the toughest things was explaining what we do because there were so few people at the time that really did it. There were so few that had an operational capability.

Lipari: At the time, it was still a lot of financial engineering.

Krouse: It was mainly former investment bankers at the time. Our first operating partner just retired at the end of last year. In his going away speech, he thinks he may have been the first in the industry. I don't know if that's true, but there were very few in the industry at that time. So, to describe what we did, and buying companies that weren't hitting on all cylinders but were fundamentally good, and the value added that we provided was different than most private equities were talking about.

Lipari: Right, you really got into the operations. You would cut costs and expand revenues and improve management teams.

Krouse: That was the plan.

Lipari: That was heavy lift.

Krouse: That was the plan. There was heavy lifting.

Lipari: Talk about the culture.

Krouse: Culture, it's really interesting. Culture is so important, and we've recognized that, and we celebrate that, and

we measure it. We actually have a culture survey.

Lipari: You do?

Krouse: That we take every year, and our portfolio companies take culture surveys as well. We think that culture is just a key enabler for success, and it's just important to have a very good one. Our culture is based on a number of things. One is values, one is results, and one is teamwork. There are 17 different points that we have at our culture, and it's in every ... It's a lucite on every desk, and it's in every room on the wall as it is in this conference room. It's something that we really try to live and embrace every day.

Lipari: But, as you get bigger, and you have offices that are not where you and Marc hang your hats every day, maintaining that culture in a consistent way becomes more and more difficult.

Krouse: It is more difficult. It's something that you have to repeat. It's the reason we wrote it down. We were living our culture for years when we were just small and we could just share it with a small group in one location. As we expanded and there were many more people across multiple locations, we had to write it down.

Lipari: And, international, right?

Krouse: Exactly.

Lipari: You've got London. You've got Shenzhen. It becomes trickier.

Krouse: It does become trickier, but it's part of who we are. It's part of what differentiates us. It's part of the compensation process, just how people align with the culture.

Lipari: Since 1995, Sun Capital Partners has closed over 365 transactions, a remarkable accomplishment.

Krouse: Thank you.

Lipari: Why do owners sell to Sun?

Krouse: I think a lot of it is our culture. I think a lot of it is that people trust us. People like working with us. Obviously, we have to pay fair value, no doubt about that. In many respects, they have faith in our operating capabilities, which is important because sellers often continue with us with some ownership, also continuing running the company. Even people that just sell to us and say goodbye to the company want it in good hands. I think that helps, too.

Lipari: Do you have a secret sauce here? Is it that culture is the secret sauce at Sun?

Krouse: I think we have two elements of the secret sauce. One is our operations capability. We have an operations team, but even our deal folks have a very good operations understanding. I think that's really important as we underwrite and as we help management teams execute. Then, the other is our culture. I think the culture is really, really important. It's a teamwork oriented one. We work really well together, and I think that people comport themselves well with others on the outside and have a teamwork orientation even of those outside the firm.

Lipari: When you look out on the horizon, what do you see coming towards Sun Capital as opportunity? And, do you see headwinds as well?

Krouse: Well, I'm trying to remember which British naval officer said, "We've met the enemy, and it is us." So, I think it's most important that you are not your own worst enemy, and most important that you're being the best that you can be. If you are the best that you can be, you're going to find a way to succeed. So, a lot of it is being reflective and thoughtful about our business, I think. In terms of things that we're excited about, among other things, there will be a downturn. I think that really plays well for us. So, we see that in the offing. I don't know when that will be, but at some point cycles haven't gone away. At some point, it'll happen.

Lipari: Let's say you're at your hall of fame induction ceremony, your private equity hall of fame induction ceremony.

Krouse: Oh, my goodness.

Lipari: It's a proud moment. Give me the abridged version of some of your comments.

Krouse: As I look back, and the things that have really worked for us is being a team and thinking like a team and being true to our culture, being true to our values, focusing on the results, focusing on performing for our limited partners. They're the ones that make it happen. I think what I'm probably proudest of is the development of the team members that most of whom joined us particularly on the deal side as young associates, and we've seen develop over time. ■

To watch the video version of this interview, [click here](#)