

Crest Point Director Training Manual



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1. The Director's Role

1.1 Understanding the Director's Role

The Director role plays a key part in the function of the search here at Crest Point. Your role can be broken down into four distinct areas:

1. Intern Recruitment
2. Sourcing
3. Outreach
4. Office Management

This training manual will help you understand each of these areas and prepare you to successfully handle the intern office. If you have not read the Intern Training Manual, please stop and read the manual before proceeding any further, as it will be referenced here.

The director role is much like the ring master at a circus (though hopefully your office isn't an actual circus!). You'll be asked to keep an eye on all four areas and learn to manage each one throughout the week. It is best to set up a schedule that reflect this. For example, our main outreach day is Wednesday, with personalized follow-ups sent on Monday and Tuesday mornings. This means intern recruitment, group brainstorming and company analysis must be scheduled accordingly. Sourcing and general office management are necessary Monday - Friday and worked into the daily schedule.

1.2 The Office and Interns

At Crest Point we rely on a steady flow of student interns, both undergraduates and MBAs. We have found that while MBAs have a little more knowledge and typically more experience than their undergrad counterparts, undergrads tend to have a lot more flexibility in their schedule and can dedicate more hours. Additionally, the market in general has become so much more competitive that undergraduates are now looking for internships the second they arrive at school for their freshman year. While it's expected that we may get the classic undergraduate dud now and then we have found that more often than not they exceed our expectations. As of the date of this manual we have had over 35 interns of which well above 98% have been excellent additions to Crest Point. We have also seen many of them go on to land jobs using their experience at Crest Point in the interview process. When interviewing new interns we like to point out this success. Lastly it is worth noting to explore the international student pool at your local university. As a very unfortunate byproduct of our immigration system here in the US, these students do not get the same number of offers that US citizens do. As a result we see a disproportionately large amount of



international students apply. We have found them to be excellent interns who are willing to go above and beyond to excel.

At Crest Point we aim for a group size of 5-10 interns at any given time. It's possible to have a smaller team than 5, but this is only achievable when each member is capable of spending longer hours - 20-25 hours per week. This type of schedule is usually more feasible during the summer when students are taking few, if any classes. You will want a bigger team during the fall and spring semesters when most interns will likely only contribute 10-15 hours per week.

Also keep in mind that every intern will not likely be a great contributor for the team. There will always be a candidate or two who you will misread, will realize they don't enjoy the work and burnout, or have some unexpected external issue that makes it impossible for them to commute to the office. For this reason, it is always important to interview and potentially recruit a few extra interns each session. It is much better to have too many interns than too few.

1.3 Where to Recruit and What Kind of Candidates

It is important to know what universities there are in your area. Identify not only the major universities, but also look for community colleges and smaller liberal arts schools. While the results may be small or none at all, you are only looking for one or two from these schools.

Unfortunately here at Crest Point, we are not terribly close to most of the major Los Angeles universities. Occidental College is pretty close and can be a good resource. Other schools to recruit from include UCLA, USC, Loyola Marymount University, and Claremont.

In creating your team, you will mostly be looking at undergrad students, and hopefully you can attract a few motivated MBAs as well. The most important candidates are those that are motivated and hard working. Proprietary search can get repetitive quickly and become grueling. This makes it important to find candidates who are truly interested in learning about different businesses and industries. In addition to this we find that a brief 'lesson' during select weeks goes a long way toward breaking up the grind. For example, a quick thirty minute talk about Porter's Five Forces or a breakdown on why CAPEX is important to understand can help break up the monotony. Beyond that, it can be very helpful to have a few interns who are capable of financial modeling. When you get further along in a deal, someone adept in modeling in Excel can be great asset. MBAs or financial engineers usually best fit this description, but you can occasionally find an undergrad student who is capable.

1.4 The Interview Process

We always start with a short phone interview. During this interview you can do four important things: First, you can get a general sense of the candidate. Are they pleasant to talk to? Do they have basic communication skills? Do they sound motivated and excited for the opportunity?



Second, this is a great opportunity to introduce the search fund model and sell the internship. Briefly describe the model. Sometimes it helps to contrast with private equity models. You should also emphasize that they will be given real responsibility and the chance to learn about business models, industries, and the search fund model itself. This is not a fetch coffee and shred paper type of internship; they will do real work and hopefully learn something while they are at it.

Third, get a sense of what their schedule is like. One of the larger issues we have with interns is that they do not consider the actual time commitment or realistically look at their schedule. You do not have to pin them down to a dedicated time, but get a sense of whether they've thought this through.

Lastly, the phone interview is a great opportunity to check for red flags. Do they have a car or easy way to get to the office? Do they have a laptop to bring to work? They will be writing a serious amount and need to be able to communicate effectively in writing as well as orally, so do you anticipate any issues arising based on the call? When you describe the type of work and that it can be difficult, do they sound enthusiastic or unmotivated?

Once potential recruits pass the initial phone test, the next steps are determined by what type of candidate they are. If you are recruiting them for an unpaid internship, invite them to the office for an in person interview. The purpose of this interview is to get a feel for the person, and whether or not you think they will contribute to the team and be enjoyable to work with. You should also ask questions that make them think on their feet and give you some insight into their thought process.

Everyone has their own style of interviewing people and we don't tend to direct you one way or another. Some previous Senior Directors have preferred questions similar to Google (i.e. how many pounds of pasta are consumed in Italy each year?) while others have found direct search related questions to be more telling (i.e. If a company has growing profit each year, is in a growing industry, and is positioned for strong future growth, why would a CEO think about selling it?). The key obviously is understanding how the potential candidate thinks and reacts.

If you, any other Senior Directors, and the Principal all agree that the candidate is good, then extend the offer! You will find that we have a boilerplate offer letter attached in the appendix here. Feel free to personalize it as you see fit but do not change any of the fundamental terms unless you clear it with the Principal first.

If you are considering hiring for a paid internship, you will want to get a sense of the candidate's work product before bringing them in for an in-person interview. In the past, we have given candidates a list of 5 companies and asked them to describe exactly what the company does. They should also create a pros and cons list illustrating the suitability of the company for our model. The candidates that show strong work ethic and some understanding should be invited for the in-person interview described above.



Great, now you have recruited the best team ever! The first day with your new team is right around the corner, but what are you going to do to make sure the machine gets moving quickly and smoothly? There is no perfect answer, but the next four sections are a blueprint to help you hit the ground running.



2. Sourcing

2.1 Proprietary Sourcing

Proprietary sourcing is the most difficult sourcing you will do, and thus much of your and the interns' time and energy will be spent on it. The better trained the interns are, the more you can delegate this effort to them.

Think of proprietary sourcing as a funnel. At the top it is wide open, and at the bottom there is a fine point from which the input actually flows through. In this type of sourcing, the top is brainstorming industries that are growing and worth looking in to. Typically you are looking for an industry with projected growth above 5% for the next 5 years (preferably 7%+ growth) and healthy margins. Further, it must be an industry that is primarily service based or involves light manufacturing. Sometimes you will be tasked with finding new industries to look into, and sometimes your principal will provide you with a starting point.

Once an overarching industry is identified, you move further down the funnel. Here, you start doing further research on the industry and start looking at specific companies. The idea is to get a sense of the sub-industries and different business models within the sub-industry. If you can identify which sub-industries are likely to have business models that fit our criteria, then you are off to the proprietary sourcing races.

The last part of the funnel, the input or flow-through, is identifying as many companies within the chosen sub-industry or those that are similar to the template business model. These companies go through the screening process laid out in the intern training manual and are eventually inputted in the CRM. This entire process can be very time consuming, but it is important to master each step in order to delegate and train your interns properly. See the office management tips section for insights on good ways to train and delegate.

2.2 Broker Sourcing

Broker sourcing can seem somewhat tenuous or frustrating at times, but is a necessary component for a successful search. Both proprietary search and broker sourcing will at different times seem fruitful and fruitless. Expect many peaks and valleys. You never know what source the next great deal will come from, and timing is just as important as skill. Once you get comfortable with all of the avenues for sourcing broker deals, it will only require a few hours each week to ensure that next great deal doesn't pass you by.

One source for broker deals are websites with listings. Examples of this are: www.bizbuysell.com, and www.bizben.com. Some of these listing sites are free and others are paid. Before signing up for a paid site, be sure to get approval from the Principal. Typically, these sites have filters which allow you to narrow search results based on our criteria, which can be a big time saver. These sites



are worth checking on a weekly or bi-monthly basis. To note, we generally avoid using the paid sites, especially dealnexus / intralinks which charges for recycled deals and has been known to be aggressive and unprofessional with searchers who have used their service in the past.

Next, there are buy-side broker firms that compile deals periodically and send out newsletters. An example of this is www.unionthunder.com. These sites are extremely useful because they send you an email each week with 30-80 new deals to look at. Search these brokers out and sign up for their newsletters. If they require an NDA or fee-agreement to be signed at this point, read it very carefully. Look out for weird terms (i.e. exclusivity terms), or exorbitant fee structures. Most of these will be boilerplate, but it is always best to err on the safe side and read the entire agreement carefully. If you have any questions, always ask the Principal before signing.

Lastly, you can do simple Google searches to get contact information for buy-side brokers. Create a form email that you send to brokers explaining our criteria and that we are motivated buyers. You can send these emails out quickly if you find a broker that appears to deal with businesses the size we are looking for. If you find a phone number for that broker, feel free to call them. When calling be sure to quickly get to the point and get a sense of the size of businesses the broker deals with. You should spend no more than 5 minutes figuring out if the broker will potentially be helpful to us.

So you have looked at a bunch of listings, but how do you know which ones to inquire further about? At the initial stage, you will have very limited information about the company. Generally, if the company appears to be a service company (or light manufacturing), makes revenues above \$5M with 15%+ margins, it is worth looking further into. When you inquire further, the broker will ask you to sign an NDA. Again read through the agreement to ensure there are no “funky” terms. If the agreement looks fine, sign and send it to the broker, and await the broker’s response. If you are lucky, you will quickly receive a confidential information memorandum (CIM) to review, but beware as brokers can often times be slow to respond and frustrating to work with.



3. Outreach

3.1 Outreach Overview

Below is the five-step outreach process we currently use to generate as much proprietary deal flow as possible. You can shorten or extend each cycle depending on the urgency of creating new CEO phone calls. In the appendix below, there is a sample schedule of the quickest outreach cycle we use when deal flow creation is most urgent. The following are five steps to our outreach process:

a) Introductory email outreach

Mail chimp is a good free service for introductory emails. It allows you to send out mass emails and provides valuable data, including viewership metrics and confirmation of which CEO email addresses are valid. The downside is that it may appear like spam to the recipient, especially if you provide links to your website or attached documents. This will likely result in relatively small response rates, but it provides a solid first impression and valuable data, making it worthwhile.

b) Personalized Follow-up to Introductory email

The personalized follow-up can often be the most time consuming part of outreach, but it regularly yields the highest response rates. We use a template email that has a personalized feel and they must be sent to owners one at a time. The template refers to the introductory email and invites the owner to respond with any questions they may have. It is imperative that the follow-up does not contain any attachments or links aside from our website in order to avoid any appearance of spam.

c) USPS outreach

Physical mail is the next step for companies that have not responded to either of our emails. With the prevalence of email scams, it is understandable that a certain percentage of CEOs will not respond to the prior inquiries. Physical mail will legitimize our inquiry to those CEOs and may eliminate any fears stopping them from responding. Microsoft has a mail merger tool that is extremely useful for setting up template letters and envelopes that can be re-used each week. Relevant information (i.e. company name, address, CEO name, etc.) can be imported so that each letter and envelope can be prepared and printed in large batches.



d) Personalized Follow-up to USPS

This follow-up is essentially the same as the previous personalized follow-up with one small difference. Instead of referencing the “email” you previously sent them, it should reference the “USPS letter” that you recently sent them. We believe this follow-up consistently produces relatively high response rates because the physical mail they received prior to the email can make them comfortable enough to begin a conversation with us.

e) Personalized Follow-up for older leads of interest

Persistence is key! CEOs are extremely busy, and there is an abundance of reasons to explain why they may not have had the chance to respond to the previous four steps. You can use the same template email that you used for the previous follow-up for this step. Depending on the level of interest in the industry, you may want to revisit these unresponsive leads every 3-12 weeks and send another follow-up. Although this follow-up doesn’t produce the highest response rate of the entire five-step process, you will be surprised at how effective it can be.

It is important to have fully functional use of your desired email/USPS platform before you begin inputting leads and conducting outreach. Understanding the intricacies of this process can help save lots of time and effort. Pay particular attention to how your CRM and outreach platform work together. Sometimes you can export contact lists or link your mail program directly to your CRM, foregoing the need to organize individually later. Knowing these things before you begin inputting leads can be crucial for meeting deadlines and quotas.



4. General Office Management

4.1 Scheduling

Every group of interns you bring in will be different, but from our experience we've learned a few tips that will help get the office running smoothly.

At a minimum you'll want 3 interns (aside from senior directors) in the office at least 4 days a week. Typically interns will be able to find and input 1 lead per hour. This generally guarantees that you'll bring in a minimum of 60 leads per week. 80 lead per week is great, and 100 would be excellent.

During the summer most interns will be able to work 3-4 days per week. During the fall and spring semesters, they will likely on be available for 2-3 days per week, so schedule and build your team accordingly.

4.2 Training Process: Start Narrow and then Expand

Before their first day of training you will want to have the interns read the training manual and look through the databases they have access to through their school libraries (Hoovers, IBIS, Thompson One). You should also create email and CRM accounts before the first day. This will ensure that you can get right into training.

The first few days you should limit the scope of the work that interns do. Introduce them to the CRM and show them the basics of where to find information needed for inputs and how to check for red flags (Hoovers, Manta, Crunchbase, Google searches...etc). You should pre-screen a large list of companies before the first day. These are companies that at first glance appear to meet our criteria. For the first few days, you will want to give each intern a list of about 5 companies. They can check for red flags and input them into the CRM to get familiar with the process. Be ready to answer many questions along the way.

Once they start getting the hang of basic input, it is time to build up their skills of sourcing and pre-screening companies for themselves. This is when you should focus on list building skills using all of the resources available (Hoovers, association lists, Google searches).

After they have all of the basic skills of proprietary search, you can determine what other tasks you would like to delegate to each intern.

4.3 Keep Your Team Motivated By Breaking Things Up

It is inevitable that at some point interns may show signs of burn out because proprietary sourcing can be very repetitive at times. For this reason it is important to mix things up as much as possible.



One great thing to do is to spend the last 30-60 minutes of each day discussing the companies they found and talk about what was interesting, good, or bad about them. This not only breaks things up, but can act as a sort of brain training to improve the interns' thought processes and understanding of what types of companies we are looking for.

Other things you could do are give short and quick finance lessons, have them read CBRs and lead discussions about them, and encourage them to do industry research or brainstorm new industries. It is important to find the right balance of these other activities without letting lead generation numbers dip too much.

Having the interns work as a team can make the work more lively and keep them engaged. For example, two interns can work on inputting the same company if one is writing the summary and gathering basic information, and the other is finding the CEO's name, approximate age, and email address. This can cut a 1-hour process if done by a single intern down to a 20-minute shared process. Google Docs and programs like Slack are good tools to facilitate organized teamwork amongst the interns.

These are just some of the tips we've come up with and they should prove helpful to you. You should always think of new and creative ways to keep your team enthusiastic and engaged!

5. Sample Training Week

5.1 Sample Training Work Week Outline

Day 1: Welcome interns. Go over management philosophy and expectations as an employee. Check access to databases, email, CRM, Internet, Google drive, etc ... Have a list of 2-3 companies ready. Input one company in front of the interns, so that they can observe the process. While researching and inputting, point out particular things of interest and give them a general sense of what to look for and how to overcome common pitfalls. Have them enter at least one company for practice

Day 2: Pre-screen 5-10 leads per intern and have them spend the day practicing input. It will be key to have them develop this routine early. Doing so will also ensure that you do not have to double-back over the interns' work when conducting outreach.

Day 3: Now that the interns have practiced, input have them start sourcing independently. Set a goal for the day (say 5 leads). Make sure to review all input from this day and give constructive feedback on input as well as general thoughts about the companies. Brainstorming and spit-balling will be particularly helpful in assuring that the team understands the concepts involved in targeting industries and companies. This also helps maintain quality of lead input further down the line.

Day 4: Go over ways to identify industries of interest (e.g. growth, simple models, recurring revenue). Have the interns source an industry and then source a few companies from that industry. Go over the input with the interns, make note of particular observations, and give constructive feedback. This will help interns develop the appropriate thinking necessary to perform well.

Day 5: Have them input leads in the morning. Review and brainstorm new industries/business models in the afternoon for the week to come.

Appendix A: Quick Reference Tear Sheet

Broker Sites:

www.bizbuysell.com

www.bizben.com

www.unionthunder.com

www.genequity.com

(Please avoid using dealnexus / intralinks)

Email Finders:

www.voilanorbert.com

Contactout (Google Chrome Extension)

Hunter (Google Chrome Extension)

Research Databases:

www.hoovers.com

www.manta.com

www.owler.com

www.thomsonone.com

Useful Tools:

Slack Messaging

Google Drive: Doc, Sheets, Drive (for storage)

www.lessannoyingcrm.com (Simple, Low-Cost CRM, Offers “search fund” template)

www.mailchimp.com (Mass Email System)