

Building Resilience

An Interview with Steve Rosen,
Co-CEO, Resilience Capital Partners

EDITORS' NOTE Steve Rosen is involved with all aspects of the firm's operations including developing and maintaining relationships with investors and investment intermediaries, and the firm's strategic planning efforts. In 2001, Rosen co-founded Resilience at the age of 30. He is a member of many professional organizations, including the Ohio Chapter of the Turnaround Management Association and the Cleveland Chapter of the Young Presidents Organization. Rosen



Steve Rosen

also serves on the boards of directors of several companies including the Park-Ohio Holdings Corp. and Hickok Inc. Active in civic and community life, he serves as the Chairman of the Cleveland Presentense Fellowship Steering Committee, The Boys and Girls Club Pathways to Resilience and in a leadership capacity with the Cleveland Clinic Heart Center and University Hospitals Cancer Center and the Milken Institute. He has been involved in public affairs, assisting Ohio legislators with developing the concept of a state-administered small business working capital loan program. An alumnus of the University of Maryland, Rosen also received an M.B.A. from the Weatherhead School of Management at Case Western Reserve.

FIRM BRIEF Founded in 2001 by Co-CEOs Steve Rosen and Bassem Mansour, Resilience Capital Partners (resiliencecapital.com) has assembled a team of world-class senior investment and operations professionals with broad industry experience and strong track records of success. It believes in partnering with management to enhance operations, strategy and finance. Resilience takes a long-term view and brings large company resources to the middle market as it manages in excess of \$750 million for its global investor base which includes pension funds, insurance companies, foundations and endowments, fund of funds, wealth managers, and investment consultants. With a focus on companies headquartered in North America with operations anywhere in the world, Resilience makes equity investments of \$10 to \$50 million in a wide range of industries.

Will you discuss the vision for founding Resilience Capital Partners?

When we started Resilience in 2001, large corporations were getting all the headlines, but I recognized that talent was starting to move.

I saw many smaller enterprises, which didn't have access to capital or the best talent, were actually innovators and had good products. They often had only one banking relationship, and not the ability to scale. I made one initial investment and the firm was built from there.

What's interesting about being from Cleveland, Ohio, is that the most important person isn't a financial person; it's the person who runs a business. I recognized that is where the real talent is. Financial engineering isn't going to create value. I could have started my firm anywhere, but

Ohio was a great place to do it because we have good hard-working people here, excellent professional advisors and, of course, investment opportunity.

I also recognized that many talented people who want to be a CEO won't want to wait 10 years to be the person in charge. If those people find other opportunities while they are waiting, they're going to leave. We started going after that talented group of people who were waiting to be CEOs and giving them an opportunity to become owners.

What do you look for when evaluating investment opportunities?

We see opportunities two ways: incoming through our network of relationships, from which we see over 1,000 opportunities per year, and in our outgoing strategy, where we're building an investment thesis in an industry and end market segment need.

We look for niche market opportunities, which are what firms of our size should focus on. Half of our portfolio has been built on outgoing searches for niche opportunities.

Family-owned businesses make up one third of our invested portfolio, corporate divestitures another third where we take divisions from inside of a large company that aren't getting the attention they need and, finally, we look at opportunities where things are going wrong for other investors and the business plan they developed isn't working.

Of the three, the challenges are mixed. Being the first institutional owner of a family business is often most challenging but has the most opportunity. If we can get the culture right, we can bring some talent and investment and punch above our weight.

Buying a business from a large company is probably the riskiest. That culture is the toughest to change and we must create an entrepreneurial/ownership atmosphere. This is very difficult to do, but we have had some success with it.

We're very good at fixing a troubled company, but this is getting tougher and tougher. We used to be able to fix a company quietly without much attention from customers and employees. Today, we're in a glass bowl in the online digital world. Anyone can read about what it's like to work at a company through Glassdoor.com and customers hear about problems before we can even contact them. It's also important not to kill the flowers with the weeds.

Is there specific industry expertise for Resilience?

We're industry agnostic yet we do have some favorites. Much of the industrial world today has been commoditized. It's tough to chase trying to become the best processor. Today, there is nothing special about being automated and being a good manufacturer – anyone not doing that is going to be out of business.

We did very well from 2001 to 2010 by investing in basic industrial companies. Then, we had to make a shift in 2012/2013 after the financial crisis because many of those businesses became decimated.

We're deep into aviation, but we try not to get too deep into regulated industries like healthcare. Every business is a tech business, so we've added tech and intellectual property expertise in-house.

How important is cultural fit when bringing in talent for Resilience?

It's very important. Having the right attitude at the top and in the ownership group creates enthusiasm. A great leader should be able to create more great leaders.

Leaders having conviction is also important and that comes from someone knowing what they're doing.

There are few businesses in industries that we own today that won't look somewhat different in five years. You need to be an active investor. Companies make investment decisions every day. We need to continually innovate so we need an agile team.

Small business and entrepreneurs drive job creation, yet much of the attention goes to large companies. Why isn't the critical role of small businesses better understood?

It's always about the loudest narrative today but, if we look at where the innovation is coming from and where millennials want to work, it is in small businesses.

The problem small businesses have is a lack of access to capital and the cash to conversion cycle has only gotten worse. When we come to the next recession, many businesses will struggle without the access to capital and, hopefully, they think to call Resilience. ●