



## Insight Equity

It's all about finding value and providing topnotch service for this private equity firm, according to Ted Beneski.

# Insight



**I**nsight Equity is a Southlake, Texas-based private equity firm that specializes in making controlled investments in a wide range of strategically viable, middle market, asset-intensive companies. The company's philosophy is to bring more than capital to companies that may be underperforming by working collaboratively with their management teams on key strategic and operational initiatives, according to Ted Beneski, CEO and Managing Partner.

Beneski began his career in commercial banking and then started with Bain, the strategy-consulting firm, after graduating from Harvard Business School in the 1980s. After the owner sold the firm, Beneski and the other partners became owner/operators of Bain & Company.

"That gave me the chance to come down to Dallas and co-found the Bain office here," Beneski said. "It was a different approach for Bain; they had four offices at the time, and we decided to go to a 26-office system over the next five years."

Beneski worked in the Bain Dallas office for about a decade. In 1999, he was working with a company that was purchased

by Carlyle. That gave Beneski the chance to work with and talk to the leaders of Carlyle, which led to he and a small group starting Carlyle Management Group in Dallas.

"That was my first foray into private equity. We did that for a few years and created a successful track record with several companies that had substantial returns," Beneski said. "Then I spun out and formed my own shop in 2002 along with Victor Vescovo: Insight Equity."

### **A smart strategy**

Beneski, Vescovo, and the team have built their firm consistently over the past eight years, and Insight Equity now has 20 employees. From the beginning, Beneski said the strategy of the firm has been to go out and acquire middle-market, underperforming companies that are strategically viable and have a large gap between where they are performing today and their full potential.

"We add value in those companies in a very hands-on, operationally intensive way," Beneski said. "Unlike most private equity shops, which tend to operate under the premise of





finding value through financial engineering, which we can do, we add much more than that. We're actively involved in helping the companies at literally every element of the operation across every functional area of the companies."

Beneski said the firm's focus has consistently been on middle-market companies, which he defined as those that have a deal size between \$50 million and \$500 million and revenue between \$75 million and \$1 billion. "We decided that it was much more valuable to not go head to head with the Thomas E. Lee and the Blackstones of the world, but rather have a very sophisticated group that brings value to the middle market," he said. "There is not as much sophistication in those markets, and there are many more transactions, so the level of competition for any one transaction is less."

When it comes to helping underperforming middle-market companies reach their potential, Beneski said there are a lot of commonalities across the board. "Clearly, you have to have experience in these industries and these types of companies, so part of the equation was that all the experience in a wide range of industries," he said. "Having been involved in so many businesses and industries, we know there are commonalities—certain value creation principles, tools, and techniques that are directly applicable to just about any business."

As one example, Beneski points to a tool used by Insight Equity called PLP, or Product Line Profitability. "As you interview a particular prospect you may want to buy, and you



ask the company's management team what its costs are, they usually can't tell you," he said. "So we go in and determine what the cost and profit is for each product the company produces, and we determine what the cost and profitability is for each customer relationship in the company, and we do cost and profitability for each division in the company."

After getting all that information from a company, Beneski said Insight Equity does something called best demonstrated practices where it compares and contrasts how each of the



areas does against each other and how each of the individual areas are doing against the competition. “We look for ways to improve their performance to be at least as good as, or hopefully better than, the competition across the board,” he said.

As Insight Equity has honed its methods and strategies for improving companies, Beneski said the implementation challenge of putting great ideas into place can sometimes be underrated. “I think a lot of private equity shops like us take for granted that a great idea is automatically going to be implemented because it is a great idea and because it creates value,” he said. “The truth is, if you are not partnerlike in your approach with the management team responsible for that particular strategy, tool, or idea on a day-to-day basis, they may not implement it.”

Beneski said the best way to deal with potential pushback on ideas is to hire the right people to interact with the companies. “We try to hire the best and brightest people that have all the technical savvy necessary to deliver results, but one of the other things we do is find team members who have those people skills that enable strong partnerships and bonds to be developed with portfolio management teams,” he said.

“We’ve found that unless we have that element, the very best of ideas often get pushed to the side and never implemented. We value those people skills as much as any other element that people bring to our team.” ■

—Adam Swift



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1400 Civic Place, Suite 250 | Southlake, TX 76092  
(817) 488-7775 Main | (817) 488-7739 Fax