4 Truths and 4 Myths About Partnering With Private Equity

Private equity has a mixed reputation—with opinions on the investor category varying, depending on whom you ask. But working with the right private equity partner can bring an infusion of energy and perspective that invigorates companies, empowering them to think big, innovate fast, and seize opportunities in a strategic way—all in the pursuit of reaching their full potential.

For business owners exploring the investor universe and navigating who is the right partner to take their company to the next level, here are four truths—and four myths—about private equity.

Truths About Private Equity Firms

1. **They can provide valuable growth capital with an entrepreneurial spirit**
Private equity firms bring a new energy and a partnership mentality that can lead to an invigorating (and shared) vision. They also are experts at raising financing across multiple economic cycles and geographies—and at leveraging relationships to accelerate growth.

2. **They provide domain expertise and operational resources**
Private equity firms craft clear investment approaches—based on factors like size, industry, and geography. The resulting vertical knowledge can provide sector and operational lessons and allows firms to act as sounding boards, advisors, and mentors to management teams.

3. **They have acquisition experience**
Companies considering an acquisition to accelerate growth might not know where to start—but private equity firms do. They have experience evaluating targets, effectively conducting due diligence, and providing advice that leads to more strategic bidding.

4. **They highly value company leaders**
Creating a respectful relationship with company leaders is key, as is understanding the challenges owner-operators face. As part of building a positive relationship with company managers, firms typically offer incentive structures that are aligned with the investment thesis, engender collaboration, and incentivize management and employees.

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Myths About Private Equity Firms

1. **They're overly reliant on leverage**
Despite criticism for placing too much debt on acquired portfolio companies—and raising bankruptcy risks—many firms utilize conservative capital structures that balance flexibility and growth capacity.

2. **They make sweeping organizational changes**
Private equity firms can regularly help build infrastructure to strengthen corporate governance and improve financial reporting. They also understand talent and support the recruitment of key executives as the company scales and broadens its offerings.

3. **They're not in it for the long term**
The primary goal of private equity firms is to generate attractive returns for their investors—but that can align with a long-term approach and flexible time horizons. Firms seek to unlock value creation and profitably grow, which doesn't necessarily mean buying and quickly selling assets.

4. **They're all about asset stripping**
Private equity firms regularly help implement digital innovations and provide new perspectives on how to refine the business strategy. Additionally, they can help identify non-core assets that aren't creating value and reallocate capital to support profitable growth initiatives.

Note that these insights, based on William Blair's extensive experience working with private equity, are not applicable to every private equity firm. Please don't hesitate to reach out if you have questions.

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