

# TAKE CONTROL OF YOUR DEAL FLOW

A 5-Step Playbook for Modern Private  
Equity and Investment Banking Firms

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# 1

# TRADITIONAL DEALMAKING

Today's dealmaking landscape looks drastically different than it did just a few years ago. Capital markets and corporations awash in funding are racing to find and transact with promising companies, adding both pressure and competition to deal cycles. Meanwhile, new businesses can start and grow successfully with lower capital than ever before.

All of this means firms need to reinvent how they are sourcing and transacting to avoid being locked out of or missing out on deals. Firms can't rely solely on intermediaries to provide adequate deal flow. They must take control of their own deal flow by also building direct sourcing teams and processes. The COVID experience has shown how important it is



to be nimble and able to quickly modify where and how firms source deals. To be successful, they must identify and build relationships with the right targets earlier in a company's life cycle.

Fortunately, a new school of dealmaking is taking hold. New data services that give visibility into historically opaque private markets are driving a new era of data-driven sourcing strategies. Software systems that enable small teams to have an outsized impact are revolutionizing the business development process. Whether investors or in M&A, firms that don't embrace these new techniques are quickly being surpassed by their peers. Reinventing dealmaking is no longer optional.

Take a proactive, structured, and methodical approach to finding and closing the right prospects

2

## NEW SCHOOL DEALMAKING

New school dealmaking uses data, technology, and process to take a proactive, structured approach to finding and closing deals.

Develop unique, specialized perspectives and experiences

Build a differentiated brand and reputation

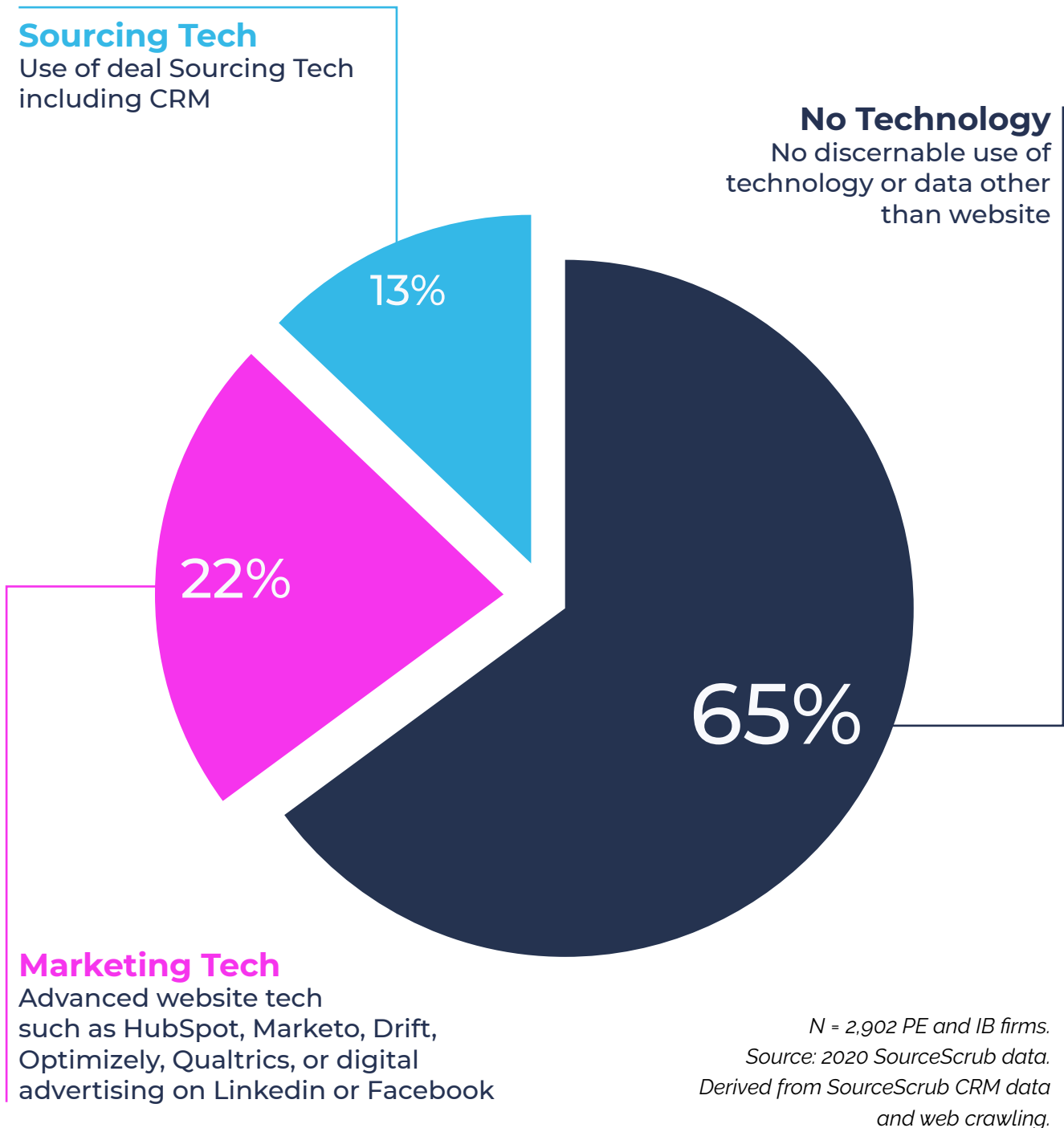
Land deals that exponentially increase the value of your portfolio and network

### The Virtuous Cycle of Next-Generation Dealmaking

Over time, it creates a *virtuous cycle* in which a firm is able to develop unique market expertise, build a differentiated reputation and brand, and land deals that add significant value to their network and portfolio.

# Dealmakers' Use of Data & Technology

While just 13% of firms we surveyed have adopted data and technology for deal sourcing, those that do transact at a much higher rate compared to their peers. And PE firms that have adopted sourcing technology generate 8.3% points higher internal rates of return (IRR).

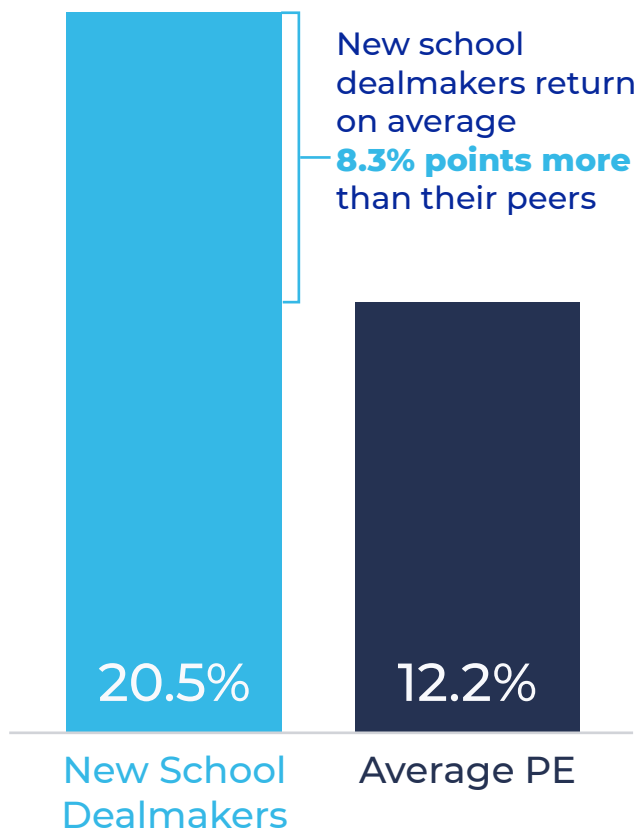


**The majority of dealmakers are not taking advantage of the latest data and technology developments.**

# Technology + Data = Results

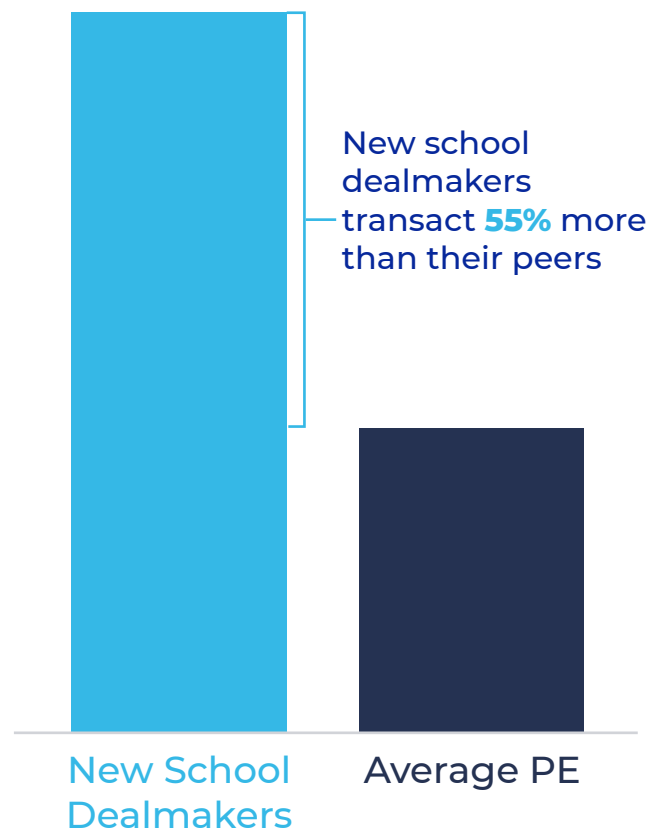
The benefits of next-generation dealmaking are clear — but making the transition from traditional processes doesn't happen overnight. It requires organization-wide focus and a deliberate shift in structure, organization, and process.

## IRR\*



*\*2020 SourceScrub and Pitchbook data. Highest fund return reported. N = 389*

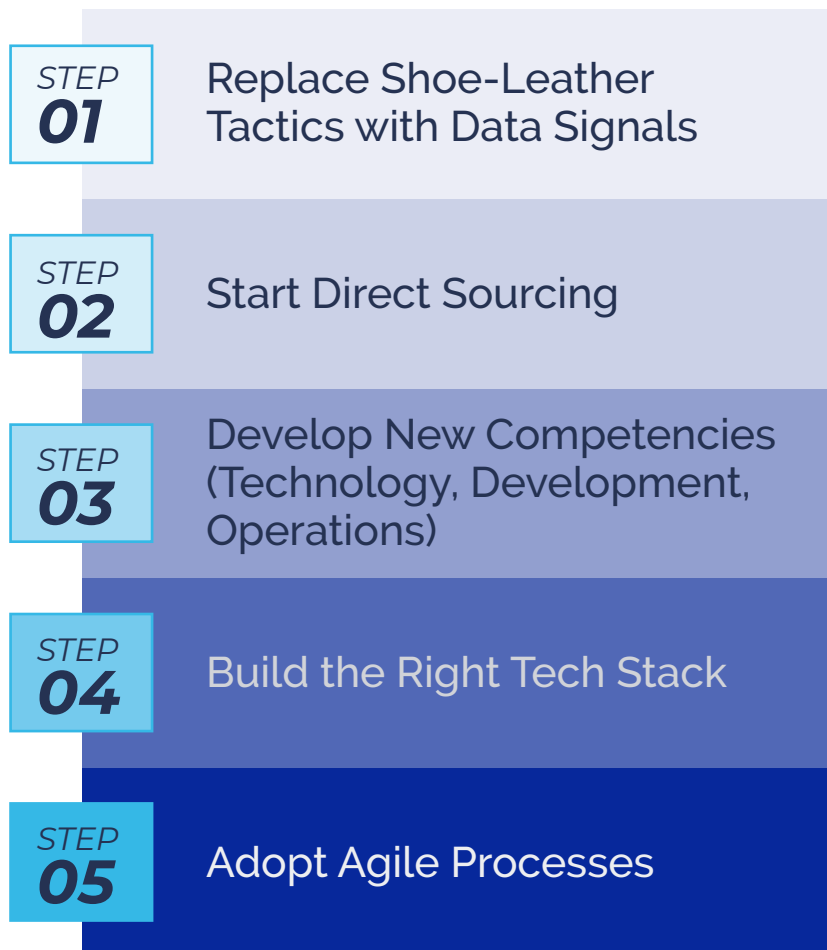
## Transactions per year\*



*\*2020 SourceScrub and Pitchbook data. N = 1357*

**Firms that have adopted data and technology for deal sourcing transact at much higher rates and generate higher IRR compared to their peers.**

To help guide and accelerate this transformation, we've developed a **clear five-step playbook** your firm can follow to successfully navigate the process:



# THE 5-STEP PLAYBOOK FOR MODERN FIRMS

# 3

## STEP #1

## Replace Shoe-Leather Tactics with Data Signals

### Traditional Dealmaking

Non-transacted companies are traditionally an opaque market segment where data is scattered, disorganized, and hard to obtain. As a result, firms have historically relied on bottoms-up, brute force approaches to surface, research, and score potential targets. Associates pore over conference data, “best of” lists, and websites looking for hidden treasure.

### The New School Approach

Modern firms leverage newly available data sources and technologies to work top-down using vast datasets that provide accurate insights into the universe of non-transacted companies. This data-driven approach allows firms to develop, apply, and test investment theses with a much more complete view and in a fraction of the time.

### Pre-Transaction Data Signals

Because key data points like revenue and growth aren't publicly available for non-transacted companies, data signals serve as key indicators around investment readiness and potential.



# There are 9 core data signals companies can pay attention to

**1 Growth signals**  
Employee count, etc.

**Web signals** **2**  
Search engine rankings, web-site traffic, etc.

**3 People signals**  
Board members, executive teams, etc.

**Investor signals** **4**  
Company financing, investors, etc.

**5 Conference/trade show signals**  
Past attendance, planned exhibits, etc.

**Industry recognition signals** **6**  
Won awards, inclusion in buyer's guides, etc.

**7 Ownership signals**  
Ownership type, structure, etc.

**News & events signals** **8**  
New hire announcements, media coverage, etc.

**9 Growth intent**  
New job postings, etc.

The more signals a firm has access to, the more precisely they can “tune” their investment theses and apply them to potential targets. They can even develop proprietary projections around size, growth, and value.

## KEY BENEFITS OF USING DATA SIGNALS:

- **Uncovers new or previously hidden market opportunities**
- **Removes analyst bias to more objectively apply a specific strategy**
- **Spot opportunities and take action ahead of competitors**
- **Improves team productivity and firm transaction rates**
- **Sets the stage for an effective company scoring model** *(more on that in Step #2)*

## STEP #2

# Start Direct Sourcing

## Traditional Dealmaking

Traditional dealmaking relies heavily on networking and inbound intermediary interest, making it extremely difficult to accurately forecast or systematically generate deal flow. Due to limited data, most outbound motions follow a “spray-and-pray” model that lacks discipline and rigor, or a labor-intensive, one-at-a-time research process that’s expensive and impossible to scale.

## The New School Approach

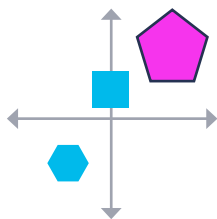
Modern dealmakers are taking command by building sourcing teams internally and creating tools and process to find their own deals. This follows the example of outbound technology sales by using data, technology, and process to clearly define an ideal customer profile (ICP) and develop a lead scoring model. This proactive, targeted approach empowers firms to build a repeatable, predictable, and scalable deal origination engine.

## ICP, Explained

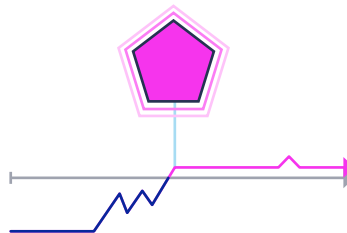
High-performing sales teams in the tech space focus outbound efforts on prospects with the highest lifetime value and propensity to close, based on research and data analysis of existing customers. These prospects typically share a common set of firmographics, behaviors, characteristics, and needs, referred to as an ideal customer profile, or ICP.

## Investment Thesis vs. Investment Theme vs. Ideal Customer Profile

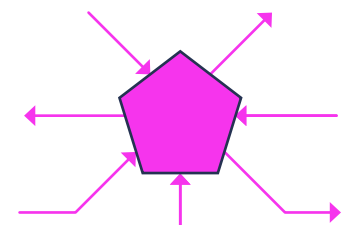
Although similar, ICPs, investment themes, and investment theses are different.



An **investment thesis** focuses on a specific company's investment viability based on particular performance factors and market considerations.



An **investment theme** targets companies that operate within emerging or trending markets poised for long-term growth.



An **ICP** characterizes a firm's “sweet spot” based on shared data points among successful past investments.

## **Lead Scoring, Explained**

To help business development and marketing teams clearly prioritize one outbound prospect or inbound lead over another, companies assign weights to various ICP attributes and develop a corresponding proprietary scoring model. The higher the lead score, the better fit and higher value the prospect, and the harder the team should pursue them.

### **When applied to private equity dealmaking,**

scoring can help prioritize targets for further research and engagement. By determining the value of and assigning corresponding weights to data signals like employee number, employee growth, and website traffic, it's possible to clearly rank a list of possible targets.

## **KEY BENEFITS OF LEAD SCORING**

- **Maximizes revenue and returns**
- **Minimizes acquisition costs**
- **Increases deal conversion rates**
- **Improves outbound productivity and efficiency**
- **Enhances marketing and business development alignment**

# Scoring Methodology Example

Custom Score	Company	Founded	Employees	Employee Growth	Web Traffic Growth	Sources
2982	ProEst	1976	29	61,11	72%	79
2969	Point-of-Rental Systems	1982	189	27,7	310%	87
2909	TCS Associates	1982	42	-2,33	280%	7
2909	Copley Consulting Group	1989	37	-9,76	101%	31
2909	BCG	1982	30	-3,23	58%	18
2907	Egen Solutions	2000	1446	557,27	62%	28
2850	Cargas Systems	1988	182	10,98	420%	51
2850	RF-SMART	1982	268	10,29	30%	39
2846	WebPresented	2001	26	62,5	300%	14
2816	NexLAN	1997	10	42,86	20%	2
2814	BrieBug	2009	43	207,14	34%	6
2813	CMMS Data Group	2000	49	-2	27%	47
2808	Asset Panda	2012	50	11,11	5%	148
2799	Praxent	2000	45	-15,09	6%	62
2795	Flight Schedule Pro	2001	24	84,62	22%	6
2794	Alta Vista Technology	2014	28	27,27	330%	16
2785	DB Services	2003	29	3,57	120%	7
2783	Solutions by Text, LLC	1995	52	20,93	55%	76
2780	KBMax	2009	46	39,39	3%	71
2777	Avatria	2014	26	23,81	10%	31
2777	Rocket Referrals	2013	30	15,38	770%	21
2774	Text In Church	2013	15	87,5	41%	9
2774	Credit Repair Cloud	2002	44	120	420%	13
2773	Warecorp	2004	40	0	63%	4
2773	Cratebind	2014	25	-7,41	27%	21

The above is a lead scoring sample for the Best of Bootstrapped Awards dataset.

By determining the value and assigning corresponding weights to data signals including employee number, employee growth, and website traffic, we were able to clearly rank, or score, this list of leads.

Rather than having to manually comb through this awards list, research each company, and reach out to determine fit, our business development team now has an immediate, clear, and prioritized path for outreach.

## STEP #3

# Develop New Competencies

## (TECHNOLOGY, DEVELOPMENT, OPERATIONS)

### **Traditional Dealmaking**

With limited use of technology and data, team members at traditional firms often focus on researching companies and building relationships. While partners oversee firm strategy, operations, personnel, and finances, vice presidents work closely with analysts or associates to find and close deals. They often have overlapping responsibilities such as attending conferences.

### **The New School Approach**

Next-generation firms build processes around data and technology to add scale and rigor and accelerate the way they work. They add new functions that feature a number of new specialized roles and clearly defined responsibilities. These include selecting and implementing new applications, streamlining operations, and automating processes.

### **The New School Team, Explained**

While each firm is unique and has its own organizational structure and needs, there are a few key roles most firms prioritize:

#### **IT**

Technology is a cornerstone of modern dealmaking, so employing an expert to build the right stack (see Step #4) and manage these systems is critical. Buying an application is easy. But ensuring it's properly configured, adopted, and managed is where the rubber meets the road.

#### **Sales Operations**

These hires are not only the overseers of your CRM, marketing automation platform, and other go-to-market tools, but they're also the conductors of your sales and marketing processes. Their responsibilities include using data and best practices to streamline deal flows, implement lead scoring models, optimize outbound efficiencies, and more.

## **Data Analysts**

Having a dedicated data analyst gives new school firms a major edge over the competition. For example, data experts are able to combine large internal and public-facing datasets to generate high-value cohorts and other proprietary views of the market. They can also create different scenario models and advanced algorithms to score various company attributes and more accurately predict deal outcomes.

## **KEY BENEFITS OF THE NEW SCHOOL TEAM**

- **Improves organizational agility and response times**
- **Increases productivity by narrowing employee focus**
- **Promotes individual accountability and ownership**
- **Shifts employee focus from fulfilling orders to driving outcomes**
- **Accelerates technology adoption and ROI**

## STEP #4

# Build the Right Tech Stack

## Traditional Dealmaking

Just 22% of dealmakers use advanced website technology like HubSpot or Drift to track and convert visitors, according our research. [Another study](#) shows 40% are either dissatisfied with or don't have a CRM — arguably the most foundational technology for scaling operations. Yet [another resource](#) states that 70% of PE firms are still in the “awareness raising” phase of big data and digital platforms. It's clear that traditional dealmakers have been slow to adopt new technology.

## The New School Approach

Modern PE and IB firms are rapidly embracing digital transformation and all the advantages new technology has to offer. With the right team in place, next-generation firms are able to select, deploy, and integrate an advanced ecosystem of solutions and applications — or tech stack. A good tech stack is purpose-built to improve performance and achieve specific goals, from better understanding markets to more efficiently managing data and engaging targets.

### DIGITAL TRANSFORMATION, DEFINED ×

“Digital transformation is the process of using digital technologies to create new — or modify existing — business processes, culture, and customer experiences to meet changing business and market requirements.”



salesforce

## The Right Tech Stack

Enterprise tech stacks include dozens of applications, from cloud services platforms to help desk software to employee engagement tools.



## #1. DATA SERVICES

This category includes all the tools firms use to generate information and insights about potential prospects. While some data services provide firms with net new information specifically on public, private, or non-transacted companies, others enrich existing company profiles with additional data. Firms also use these tools to research particular market segments and discover companies in their networks.

*Example Players: Pitchbook (transacted data), SourceScrub (non-transacted data), Clearbit (data enrichment), LinkedIn Sales Navigator (relationship data)*

## #2. CUSTOMER RELATIONSHIP MANAGEMENT (CRM)

CRM is the central hub for all Dealmaking activities. CRM systems house all of your prospect and customer contact information, insight into every engagement and interaction with them, and important details about the status of your relationships. They usually integrate with and pass information between many other solutions in your stack.

*Example Players: Salesforce, Affinity, DealCloud, SugarCRM*

Since our focus is on finding and closing deals, here are **the four core types of solutions modern firms should include** in their tech stacks to help them better understand, engage, and acquire prospects.

## #3. SALES AUTOMATION

This category features the technology outbound associates need to efficiently connect with and convert leads at scale. These tools help teams organize, personalize, and automate email sequences, direct mail, gifts, and more. They also offer data insight into the efficacy of each tactic.

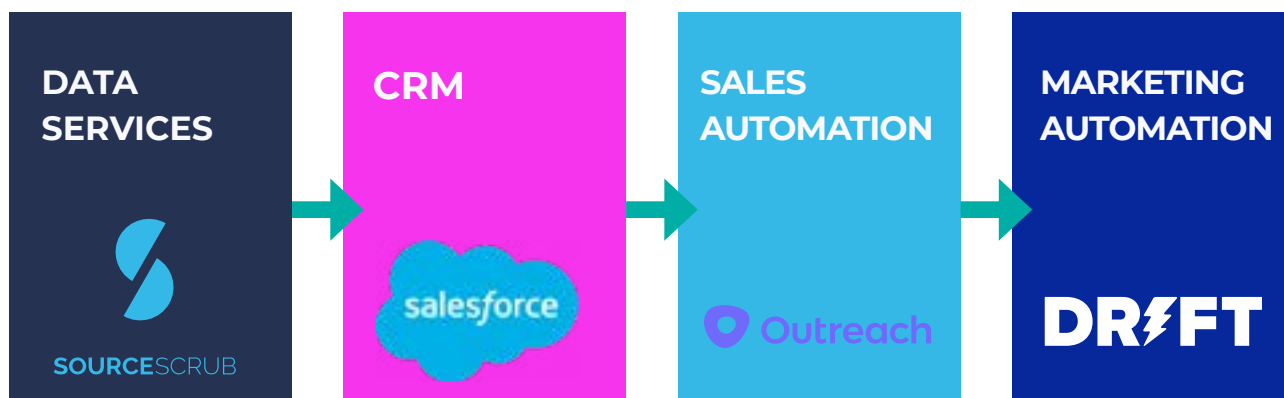
*Example Players: Outreach, SalesLoft, MixMax, Postal.io*

## #4. MARKETING AUTOMATION

Marketing automation technology allows marketers to help outbound associates attract and convert key opportunities. These tools push relevant content to prospects at opportune moments, automate email nurture sequences to engage and develop early leads for close, and alert sales when a new or existing opportunity engages.

*Example Players: HubSpot, Pardot, Marketo, Drift, Engagio*

## Tech Stack Example



An outbound associate uses SourceScrub to quickly find non-transacted companies that meet a current investment theme. They construct a list of targets and their industries, employee counts, executive contact information, and current Alexa rankings.

The associate imports this list directly to Salesforce using SourceScrub's CRM integration. Contacts and associated accounts are automatically created in Salesforce, which then passes this information along to Outreach.

With the click of a button, the associate is able to enroll each of these new contacts in a 3-step email sequence in Outreach. Each email is automatically personalized with the contact's first name and company.

One of these contacts opens their email and clicks through to the firm's website. They are greeted by one of Drift's AI chatbots, and proceed to ask it a series of questions. The bot has been pre-programmed with the perfect answers, and helps the contact schedule a meeting with an associate by the end of the conversation!

## KEY BENEFITS OF BUILDING THE RIGHT TECH STACK

- Gain insights that improve targeting and accelerate deal flow
- Streamline workflows and processes
- Automate tedious, time-consuming tasks
- Free teams to focus on more strategic work
- Eliminate data silos and drive organizational alignment

## STEP #5

# Adopt Agile Processes

## Traditional Dealmaking

A traditional deal process often starts with a well-connected partner making decisions based on past successes and educated guesses, creating a clear chain of command. Once a plan is set in motion, others in the firm take a waterfall approach to ensure each step of the process is carried out. Analysis and optimization typically take place once the plan has been completed, at which point it's too late to influence the outcome or shift priorities.

## The New School Approach

Modern firms thrive in today's fast-paced and volatile market by taking an Agile approach to Dealmaking processes. Rather than following top-down directives, these firms use data to guide their strategies and plans. Every employee is responsible for being an expert in their role and using data to consistently evaluate plans, priorities, and progress. Being agile allows firms to quickly respond to new opportunities, identify threats early on, and continuously improve theses in real time.

## Agile, Explained

Agile processes stem from a software development methodology where teams break larger projects down into smaller parts, typically called "sprints." Progress, roadblocks, and relevant information are reviewed and discussed by the entire team at each stage.

This makes it easy for those involved to iterate and improve overall outcomes, eliminate blockers before they delay progress, and adjust scope as challenges and opportunities arise. Data is a critical piece of Agile methodology as it allows teams to test and prove or rework certain hypotheses at every step of the project



## **KEY BENEFITS OF AGILE**

- **Quickly test and refine investment theses**
- **Improve deal conversion rates and terms over time**
- **Fail, learn, and improve quickly**
- **Spot and respond to market opportunities faster than competitors**
- **Align the entire organization around outcomes, not orders**

# THE VIRTUOUS CYCLE STARTS HERE

# 4

Traditional dealmaking tactics simply aren't as effective as they used to be. Firms that fail to embrace modern technology, data, and processes are at a disadvantage.

Following these five steps is a surefire way to outpace the competition and lead the pack for years to come:

**1** Pay close attention to data signals to quickly surface accurate insights about non-transacted companies, rather than spending time on manual research.

**2** Stop relying solely on networking and intermediaries and use direct sourcing to develop a predictable, scalable, and repeatable deal origination engine.

**3** Add new functions and specialized roles to the team to develop and support new competencies around technology, development, and operations.

**4** Embrace digital transformation by building a core technology stack that empowers your firm to more efficiently understand, engage, and acquire prospects.

**5** Adopt Agile business processes where everyone in the organization uses data to quickly respond to new opportunities, identify threats, and continuously improve.

Now you know how to take a proactive, structured, and methodical approach to finding and closing the right deals. But your journey is just beginning, and the virtuous cycle of new school dealmaking starts here.

Your ability to target and land specific deals will give way to a collection of unique experiences and expert viewpoints. This will allow you to build a known brand reputation and differentiate yourself from less-knowledgeable competition.

Soon, the best and most promising companies will crave your market expertise and clamor to join your portfolio. And the cycle will continue as your firm delivers higher and more consistent returns year after year.

SourceScrub can help you streamline and accelerate your transformation to a new school dealmaker. With its unmatched database of non-transacted companies and intelligent deal origination platform, SourceScrub empowers firms to identify key prospects, generate proprietary lead scoring models, enrich their CRMs, increase overall deal flow, and more.

**Take control of your deal flow  
and [schedule a live, customized demo](#)  
of SourceScrub today!**

# 5

# ABOUT SOURCESCRUB

SourceScrub, LLC is a market-leading data service for investment and M&A firms looking to research, find, and connect with privately-held companies. Founded in 2015, the SourceScrub platform has over 150M data points on private companies and combines the most advanced technologies with a Data Operations team of over 600 to ensure the highest quality signal. In 2020, SourceScrub was recognized by Inc as one of the top 600 fastest growing companies in the United States.



