



SEASON 3 EPISODE #20

JOHN DONOVAN
TOWERBROOK

Narrator: Welcome to the Rainmaker Podcast with your host, Gui Costin. The goal of this podcast is to give listeners a unique look into sales strategies from top industry executives. We introduce you to the heads of sales and heads of distribution, who will help you understand the inner workings of the successful sales organizations, from philosophy to execution. This podcast is essential for sales professionals seeking wisdom from the best in the field. If you're not familiar with Dakota and their Dakota Rainmaker content, please check out dakota.com to learn more about their services. This episode is brought to you by Dakota Marketplace.

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Gui Costin: What's up, everybody? Gui Costin, founder and CEO of Dakota. Welcome to the latest episode of the Rainmaker Podcast. I'm so pleased to be joined by John Donovan of Towerbrook. John, welcome.

John Donovan: Gui, thank you for having me. I appreciate it. Great to be here.

Gui Costin: Thrilled having you. So, Mr. Donovan heads the Towerbrook Wealth Management Channel in North America, where his team focuses on Towerbrook's relationships with RIA's, family offices and private banks. As part of the investor relations team, he also helps with our institutional clients in the region. Prior to joining Towerbrook, Mr. Donovan held various roles with Blackstone's Private Wealth Solutions group, having joined the firm in 2016. Since January 2020, he was co-head of Blackstone's Independent Wealth Business responsible for RIA, independent and regional broker dealer sales across the United States. Prior to joining Blackstone, Mr. Donovan spent six years with Schroder Investment Management, having joined in 2011 from Legg Mason Asset Management. While at both firms, he was responsible for business development across

various regions and client segments within the wealth management channel. Mr. Donovan earned his Bachelor of Science in Business Administration, Finance and Economics from Boston University Questrom School of Management, as well as his FINRA series 7, 66, 79, and 24 licenses. He is a CFA Charter holder. Take us back. We love the origin story. Where you grew up, college, the whole thing, and then your career and what got you to Towerbrook today.

John Donovan: Yeah, absolutely. So again, thank you for having me. I've been looking forward to this for a long time, for a professional reason, but first, for the personal reason. My boys, Jack and Jameson, asked me what I was doing for work today, and I said, I'm going to Philadelphia to meet my friend Gui and we're going to record a podcast and it's going to be on YouTube. And despite my best efforts, both my sons are addicted to YouTube. So immediately, I became a celebrity in their eyes. Dad, I can't believe you'll be on YouTube. Unfortunately, for me, they'll never see it because this is not a Minecraft video. It's a video about our business. So, you made me famous with my kids, so thank you.

Gui Costin: Oh, I love it.

John Donovan: But I've been looking forward to this because I think the service your firm provides and how we engage you guys is really one piece of the puzzle. But this podcast and the way you highlight the importance of our industry and connecting individual investors with great investment opportunity and how professional and important that is, is really powerful.

Gui Costin: Oh, thanks.

John Donovan: So, my background, grew up outside of Philadelphia, went to Boston University and then stumbled into investment management distribution business. I spent 16 years in that role, in that function in various different responsibilities. The first sort of six were in traditional long only firms where I was afforded an opportunity to work in a lot of major metro areas. So, New York, Philadelphia, Phoenix, Denver, Southern California, covering most channels of US wealth management. wires, independence, RIAs, consultants. Incredible experience. And then I was fortunate enough to spend the last nine at the intersection of private markets and wealth. So, I joined Blackstone in 2016, as you know, and it was really an incredible experience. At that time, the firm was seeking to expand beyond its relationships at Merrill, Morgan, UBS and I spent the first few years in

Southern California directly working with clients. In 2020, assumed a leadership role helping run, what we called at the time, IWM, which was a business really oriented around the RIA. And it was just a spectacular experience. I mean, the business in aggregate doubled in size. The wealth business grew from really nascent to 25% of firm capital. The RIA business grew at an over 40% CAGR. Incredible people, incredible team, incredible experience for me, and I think they'll continue to have great success. Which leads me to where I am now. I joined Towerbrook last year to help us continue as we develop our IR strategy and build it out further, to continue to build that out in the US with a specific focus on our wealth management channel.

Gui Costin: Gotcha.

John Donovan: It's really exciting. We are building that team today, and I would tell you just to introduce the firm, because not many in wealth us. We are a 25-year-old transatlantic, middle market private equity firm. It's an incredible business, incredible product, but I think most importantly, incredible people and culture, which is really what you need to be successful in wealth or institutional fundraising. And our firm is really built around two concepts. One is modern value. We seek to invest in any number of four sectors that we focus in.

Gui Costin: Which are what?

John Donovan: So, we focus on health services. We focus on financial services. We focus on business services. We focus on consumer products and services. Importantly, we take a thesis-based approach to those sectors to try to find businesses that are great and growing, often owned by a founder and entrepreneur, and we try to invest at an attractive multiple. There's that value word. And something, Gui, that you and I talked a lot about in preparing for this is, the culture of the firm, it's an ethos that we describe as champion others. We sit at the intersection of our LPs, both wealth and institutional, the companies we invest in, and our employees. And it's our job to understand those relationships, champion them, make them successful, which in turn makes us successful.

Gui Costin: Yeah. And so, tell me, how is the team structured right now? I know you haven't been there a long time. You're just getting going, building the team. Give us a sense of how the team is structured.

John Donovan: Absolutely. So, it's a really exciting time to be at Towerbrook because our team is growing. The entire firm is a privately held partnership, is only 150 employees. We're about a dozen in IR spread across our two headquarters in New York and London. And I describe it as a three-stage process. So, sort of IR 1.0 is the founding of our firm. Filippo Cardini, who's our COO, who's excellent, who's a founding partner, sort of assumed IR responsibility, although the entire team was involved, because I think you have to have senior leadership involvement with customers, or it really doesn't happen. That evolved to 2.0, which was when we hired additional professionals, predominantly in London, as the business grew. And now we're at 3.0, where I've joined to help build our North American presence. We've hired two professionals focused on the wealth channel. We're going to hire another professional shortly here, hired on the institutional channel. And I expect us to continue to grow to meet the needs of our clients as our business grows.

Gui Costin: So next question, as I'm talking of the team, this is sort of so near and dear to my heart, is communication. And we talk about in my book, *The Dakota Way*, that we've been following since 2011, how important it is to build a sales plan.

John Donovan: Yes.

Gui Costin: And then have a consistent reporting on progress against the sales plan with your boss.

John Donovan: Yes.

Gui Costin: And just assume the core listener is a one-person fundraiser who's trying to figure it out and might not have the formal training from a Blackstone, or that. I wrote the book for those reasons.

John Donovan: Yes.

Gui Costin: Communicating both amongst the team, and the importance of that, and then up to the executive level. Could you explain to me how you think about that, and how it's structured right now, and really the importance of that?

John Donovan: Yeah, absolutely. And it's a great question and I think communication is important, as you described it, internally, within your team and across the organization. And it's, frankly, something

that runs in parallel to how you communicate with your underlying client, your prospective client. And our approach as part of this champion others ethos is the concept of excellent service and transparency.

Our culture is one where there is no meeting before the meeting, there is no back channeling. I often tell people that to be successful at Towerbrook, you have to work hard, you have to be nice, and you have to be honest. Sounds simple.

Gui Costin: No, no, but what you're saying is they've eliminated the bullshit--

John Donovan: Exactly

Gui Costin: --if you will.

John Donovan: That's correct.

Gui Costin: Like the back-channel stuff and all the back stuff. It's just like, be very transparent. Let's get our job done. Let's have fun. Let's get after it. Serve our customers. Serve our clients.

John Donovan: That's perfectly described. And to get to your question about communication and what's that process look like, because the core foundation is trust, accountability, a close-knit team, we're able to openly communicate both the good and the bad, and I think that's important and it's all about transparency. So, we really lean into the use of our CRM. We have a shared calendar across the entire team. Senior professionals at the firm, our COO, our CEOs can see that information. I can see that information. The folks in our team, on my team can see that information. And by having that transparency, it allows us to do two things. We hold ourselves accountable because we are telling our colleagues what we're doing, and it allows us to really share information and execute when we have opportunity. And to do that, I think you have to have redundancies. We want a weekly process where we visit as a team every Monday and we say, OK, what is in the CRM? What activity have we undergone in the past? What's happening this week? What's happening in the future? And we have an open, honest dialogue around success and failure. And again, that drives accountability, and it drives better outcomes, because as a team, we know where we should be oriented, what our goals are.

Gui Costin: So, a lot of people feel badly or guilty for having that level of transparency. I, obviously, disagree dramatically with that. I think you're letting your team down if you're not transparent, because you're letting them get away with murder. And what I mean by that is, I always say to our team, I know I'm asking you to do certain things, but I'm asking you to do it because it's in your best interest. So, I have an open-door policy. You can come to me, make a case for why you don't believe this is in your best interest, and I'm all ears. But I just want you to know, I've studied this really, really hard, and this is in your best interest for transparency.

John Donovan: Yeah. No, listen, I think that's a really good point. And the way I describe it is giving someone the tools so that they can make the decision and feel enabled and empowered versus just telling them what to do. There are times where you have to just rote say, here's what we're going to do. Right?

Gui Costin: Right.

John Donovan: I think, as a firm, our style, and my style is much more around empowering team members to have the information, have the tools, have an open, honest, transparent culture around communication and sharing of information, so that you can achieve something that we talk about, which is this idea of collaborative individualism. If we're on a team and you know your area of focus and your area of expertise and what you're responsible for delivering, and the same, then we're both empowered to decide to deliver. But because we communicate, we make each other better. We share information about what we're doing. So, it's a combination of collaborative team but also be empowered to go and achieve success.

Gui Costin: So Towerbrook didn't become \$25 billion because they don't know what they're doing, but this is an incredible depth of thought around culture and what works.

John Donovan: Well, and I think, to be honest with you, it's something that we are really focused on because it's something that we've come to be known for in the institutional marketplace, that we really want to deliver as we build out in the wealth marketplace. And it's just a reputation of being good people to work with.

Gui Costin: So, I just want to unpack one thing, because I've worked for one of the most spectacular firms for 19 years, Edgewood

Management, run by Alan Breed and the team and I love them. They've made our careers, everything. Alan runs, as the president, runs Edgewood with the same characteristics of the companies he wants to buy.

And it sounds like Towerbrook does the exact same thing. And then Alan also treats his employees like gold. So, it's those constituents. And you mentioned the exact same thing.

John Donovan: Yes.

Gui Costin: Right? So, it's championing others. Because the fact that you even have that as a core principle, if you will, if you wanted to call it that.

John Donovan: Yeah.

Gui Costin: That you've given that amount of thought to what really matters is helping others get what they want. So, if you make an investment in a business, you're helping others get what they want, grow that business.

John Donovan: Absolutely.

Gui Costin: Especially as a founder, providing them guidance, whatever. But you're doing that with your teammates. So, the whole thing is holistic, right? But there's a lot of thought that's been given. You don't fall off the turnip truck and just figure that out.

John Donovan: No. And it makes a big difference because, as I think about what drew me to Towerbrook, I think to be successful for your customer, whether that's an institutional or individual, sure, you have to have great product, but you also have to have great people and great culture. And beyond that, I talk about the product of a distribution professional is what you bring to bear in that meeting. It's the level of service. It's the transparency. It's the preparation. One of the things we talk about a lot is, how do you prepare somebody who's maybe new to the role, new to a sales role? What would you guide them? I've said the same thing for years, which is, prepare for every interaction, both internally and externally, so you can bring your A-game. Because you never know who you're talking to, what might come of that, and it's just another of those proverbial at bats. Right? An opportunity to talk about what you do, talk about your firm, to be passionate and to demonstrate your value. And that, I

think, is that alpha that allows you to differentiate beyond just how good your product is.

Gui Costin: Wow. Well, I could go on forever just on this one topic, because just I'm such a believer in defining standards and what you stand for, which are your core principles. And obviously, the founders of your firm, of Towerbrook, have given this an enormous amount of thought, and then how that just is a through line. So, as I said, I always think about our listener as the person that needs the guidance the most and just trying to figure it out from a fundraising perspective.

John Donovan: Yeah.

Gui Costin: Everything we talk about in the book, *The Dakota Way*, are leverage points that you can control.

John Donovan: Yes.

Gui Costin: One of them is a CRM. You touched on it there, but could you go a few levels deeper for me and just describe what does CRM means to you and what impact it can have, if used in the most basic way for a salesperson?

John Donovan: Yeah.

Gui Costin: The leverage, the 10x leverage, as I call it, that they can get by utilizing. Because I've always felt that these individual salespeople should think, like, Gui Costin Inc. But if you're a sole practitioner working for a firm, you need to have infrastructure like a big firm. Right?

John Donovan: Yeah.

Gui Costin: Because you have to protect yourself from yourself and the discipline to do certain things. So how does a CRM play into your life?

John Donovan: Totally. It's a great question. It can't be understated that you're emphasizing the importance of it. Because I don't care how great are at what you do, there's only so much information you can put inside your head at once. So, I mean, listen, I believe that a CRM is paramount. And the first thing that we did when I joined, I started to set up our business, was engage your firm to build that.

Because despite the importance of relationships, and all business is relationship oriented, there is just so much data out there that if you don't have excellent data and you don't use it, you will fail. So, whether you're a one-person sales organization or a many people organization, it's just a really avoidable pitfall to use great data. So, we engaged your firm to build our CRM, and we've driven a culture of-- And I say this all the time. A CRM should be two things. It should reflect reality and if it's not in the CRM, it didn't happen.

Gui Costin: Right.

John Donovan: So, we talk a lot about, listen, what is in our CRM, and does it reflect reality? Do we really mind it and pay attention to what the opportunity set is? And then as we engage with those prospective investors, let's make sure we're putting that information in, because what we don't want is our CRM to become a burden that a professional doesn't want to use. We want our CRM to be a tool that allows them to be leveraged beyond just what they can do by themselves.

Gui Costin: Right.

John Donovan: So, it's core to our culture. And frankly, that output from our CRM, I mentioned our redundancies, that Monday meeting. We try to hold ourselves accountable. The first thing we do is look at, OK, what's coming out of the CRM for the past week? And if you didn't put the information in, if you didn't start there with the information around who you were targeting and how, then we don't talk about it as a team.

Gui Costin: So, it's sad. OK, I'm going to say this is very sad for people. The biggest complaint from investment salespeople is entering call notes. And for some godforsaken reason, people think it's like stabbing a knife in their leg. However, we're now in an age, and the game's over, that we have AI. OK? And if you use Salesforce, like we do, they have embedded two AI tools natively into the platform, one Einstein, one Agentforce, where you can create using natural language, no programming bots to do certain things, whatever that might be. So, if you think about information in your CRM, and you think about if you did over the past 10 years enter your call notes, and all the meetings you've done, and your team and everything and all that information went in there, right?

John Donovan: It's so powerful.

Gui Costin: And if it didn't, there's no AI and it's all lost. And if you're not doing it now, you have no ability to leverage these tools that people are bringing. And so now it's actually become more of a crime than ever. I mean, it was already a crime. Because I call them the gold bars. If you're not getting your meetings, your call notes in, the gold bars you're paying the salespeople for, you're not capturing the gold bars. Because as we know, I mean were at Blackstone for a long time. If you leave, next man up, someone's going to take over. Whatever. And then if there's no notes and information stuff, all your footprints. I'm just saying, but extrapolate that over 10,000 salespeople, meaning across our industry of turnover, so think about-- and I'm sure TowerBrook's all over the AI for the portfolio companies and everything.

John Donovan: I couldn't agree with you more. I think what it does is it enables your organization to serve the needs of your customer and to become bigger than any one person. Right?

Gui Costin: Yeah.

John Donovan: So TowerBrook, sure, there are investment professionals that have been there for a long time. Our co-CEO's, our original members of the firm, but we're more than any one person. TowerBrook is this idea of modern value investing and of championing others. We sit at the middle this intersection of our LPs, our portfolio companies, and our employees. And by using our CRM, by tracking that information, by being intentional and using data, we become bigger than any one person. And that is really powerful. Because you create an enterprise-level relationship between your organization and the underlying wealth management firm that you're trying to engage with.

Gui Costin: But all 150 employee's benefit. That's the thing. It's like everyone wins when you operate like that.

John Donovan: Yes.

Gui Costin: Right? Because those CEOs have 148 people, they're responsible for. Right?

John Donovan: Yeah.

Gui Costin: And if you're not doing certain things that can help them grow and help them expand and help them do the things that they want to be able to do, we can call it a CRM, but it's really a technology platform.

John Donovan: You build your business around it. It's a backbone of the business.

Gui Costin: Exactly. Yeah. Well, point made, which I'm happy you did that.

John Donovan: I'm a huge fan.

Gui Costin: Good. I think so much about the individual salesperson who is using Excel spreadsheets and Outlook and stuff and not leveraging this because it's such a huge leverage point. OK, let's talk about leadership.

John Donovan: Sure.

Gui Costin: And I'd love it if you could characterize for us your leadership style and what you think about leadership.

John Donovan: Yeah. So, I appreciate the question. And I think, for me, there's two parts. I want to talk about my leadership style, but then I think importantly the leadership style of the firm and what drew me there as a relative new joiner. I really think, for me, and I talked about this already, it boils down to the concept of servant leadership and of empowering others and giving them the tools. So, from a servant leadership point of view, I believe that you really need to go out there and look for what is in the best interest and what does your team need. And what your team needs is always oriented around the goal.

So, let's start with what our definition of success is and our goal, and make sure we're oriented around that. And then I spend a lot of time thinking about, OK, what does our team need? What do my team members need to be successful at that goal? And if I always think of those things first, that servant leadership model, then I think you can find success. And delivering on that is, again, for me, it's empowering others. It's the collaborative individualism. It's giving them the tools. I talk often with the guys on our team that we've hired-- I don't want to sit down and tell you what to do. I want to give you the information. I want to give you the tools, like our CRM. And then I want to have a conversation with you about what our goals are, both

big picture and incremental next step, so that you're empowered to go make decisions to deliver on that goal.

Gui Costin: That's huge.

John Donovan: And I think that's a big deal now. That's my mentality around it, and I think it aligns nicely with what drew me to TowerBrook. And I said this already, and I've said this to my team members when I was recruiting them. Really, our culture and championing others is about working hard, being nice, and being honest. And if you are those things, then you can openly share information. You can make better investment decisions. You can understand the power of relationships, people network. Use that as a way to serve your client better and grow your business, find a better investment, improve that investment after you make it. All of the areas that we touch are made better by that culture. And it's really interesting because I think it's personified by the actions of our leadership team. We've gone from co-founders to now co-CEOs. We've executed in a very transparent and straightforward manner the transition in leadership. We've invested in the next generation of MDs and partners at the firm so that we can also honestly say to our LPs, you know who you're going to be working with for the next 10 years when you commit to one of our funds, because we've already made that transition. It's part of our culture. We're open and honest about it. And I just think that's a powerful thing. It differentiates you beyond your product.

Gui Costin: Yeah. I don't know exactly, John, how old you are, but I know when this servant leadership hit me in 2011 that I realized that it had to be more about than just about me. And so, I literally put on our website, our mission is to help others get what they want out of life.

John Donovan: Yes.

Gui Costin: Which is servant leadership.

John Donovan: It's championing others.

Gui Costin: Championing others.

John Donovan: We're going to be successful by making them successful.

Gui Costin: And that tends to happen to a lot of people in their 40s where they wake up and it's like, OK, it's got to be about other people. It just can't be about me all the time. And I think that's such a mature because that actually enables you to create scale in a business, if you make it about other people, not about you. Because it's always about you. And you can tell they obviously figured it out years ago.

It's a great segue into my final two questions.

John Donovan: Sure.

Gui Costin: And I can see what attracted you to TowerBrook. What advice would you give to a young salesperson getting into the industry today?

John Donovan: Yeah. That's a great question. This is probably consistent with your other attendees on this program.

Gui Costin: By the way, I've gotten every answer under the sun.

John Donovan: I'm sure you have.

Gui Costin: You have no idea.

John Donovan: I think it's three things. The first one is never underestimating the value of networking. You and I met through the industry. I've met so many people through my years of experience, different companies I've worked at, all walks of life. Being genuine about networking and trying to meet somebody and understand something about them and what they care about, that pays dividends. You never know when your path is going to cross again. Which is my second point, never burn a bridge. I think as somebody trying to break into the industry or is that sole sort of salesperson you talked about that's trying to help a firm grow, just don't burn bridges. You never know when someone's going to come back into your life and really be important. And then the third one, again, I think I already mentioned, but it's this concept of preparing your A-game. I always talk about every interaction. One of the things we've noticed at TowerBrook-- and I noticed this at Blackstone as well-- we would sit down with an RAA, with a wealth management professional, at a family office, at a private bank, and because our team always prepares their A-game, what ends up happening is that investment professional, that RAA, that wealth

manager says to us, you know what, actually, would you join me and talk to my client?

Gui Costin: That ultimate compliment.

John Donovan: That only happens if you always bring your A-game. So, whether it's the meeting that you're not sure is going to be great, or you're not sure if it's a great opportunity, you can only deliver one thing, and that's your product, which is are you going to deliver your A-game in that meeting?

Gui Costin: Yeah. And I called for the young people, know the knowables. Because you don't need experience to know the knowables. If it's a mutual fund, need to know the ticker symbol. You can know the knowables at the end of the day. OK, to close out--

John Donovan: Sure.

Gui Costin: --biggest challenge you're facing today and how you're overcoming it or dealing with it?

John Donovan: It's a great question. I think, without a doubt, the single biggest challenge-- in particular because I sit and have sat for almost a decade now at the intersection of individual investors, the wealth management teams that serve those investors, and private markets or alternative investing-- that intersection has become incredibly competitive. Every day, you see in industry media, XYZ firm has joined the sought-after private wealth dollars. Teams are building distribution. Blackstone was really a pioneer in the space. And I think the competitive nature of the amount of product and opportunity available for the individual investor is by far the biggest challenge. But I also think it's an incredible validation of the importance of both wealth and institutional LPs together. Private equity, real estate, credit firms of the future will need to have an LP base across both. I think the competitive nature is the perfect demonstration of that importance. And I think that, again-- and I have talked about this throughout, you and I talked about this-- you have to have a great product, but you also have to have great people, great culture, process around sales, understand the needs of the investor. And if you do those things, I think you can win by controlling your product as a distribution professional, which is what you bring to that meeting, how you organize yourself, how you

deliver with tools like a CRM. By being transparent, by leading with service, by leading with excellence, I think you can win in that market.

Gui Costin: And I think when I listen to you, I hear-- as I start to think about the why, and I'm writing a third book called Be Kind on Leadership Lessons Learned, and, basically, mistakes made along the way-- if you break down all the stuff that you just went through, and it's clear why TowerBrook is such a successful firm, is that you basically, at the end of the day, every organization, every great organization, has found a way to keep their best people. And that's done through all the things that you just spoke about-- it's how you treat people, its transparency, its kindness, you called it nice-- it's all of those things because at the end of the day, every business is a people business. And if you can't find a way to keep your best people and keep them happy and growing, then the company can't grow and be excellent.

If you start to think about all those things, and everything I hear you talk about the culture and championing others, the transparency, and the nice and honest, all those things just say to me, we need to keep our best people, and we never want them to leave.

John Donovan: Absolutely. Could not agree more.

Gui Costin: Unbelievable. Well, John, thanks so much for being--

John Donovan: Thank you.

Gui Costin: --amazing. Best of luck.

John Donovan: Thank you.

Gui Costin: And I know we'll stay in touch.

John Donovan: Absolutely.

Gui Costin: With that, everyone, another awesome episode of the Rainmaker Podcast. Thanks so much for joining, and I can't wait to see you on the next episode of the Rainmaker Podcast. You can find this episode and others on [Spotify](#), [Apple](#), or your favorite podcast platform. We are also available on [YouTube](#) if you prefer to watch while you listen. If you would like to check up on past episodes, check out our website, [dakota.com](#). Finally, if you like what you're hearing and seeing, please be sure to like, follow and share these

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