

PLAY #5

Mastering the Discovery Session

Partner for Equity

Equity Partner Playbook
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Key Insights

Before diving into the full transcript, here are the most important takeaways from this play:

Discovery sessions uncover pain, misalignment, and fear of loss - the emotional drivers of deals.

Use strategic question clusters to reveal the owner's true situation and motivation.

Main Street deals are driven by emotion, not just numbers.

Identify "bleeding problems" that create urgency for partnership.

Mastering the Discovery Session

Play 5. Mastering the Discovery Session. How to uncover pain, misalignment, and fear of loss that lead to equity partnerships. Discovery sessions are where powerful equity partnerships are born. These conversations reveal whether there's genuine alignment between what you offer and what the business owner truly needs. More importantly, they uncover the emotional drivers that motivate business owners to take action and consider bringing on a partner. Since this is the business buyer's partner for equity playbook, we'll focus primarily on discovery conversations with business owners who are already considering selling their business, the very deals you're likely originating in your search for acquisitions. Understanding how to navigate these conversations effectively can transform dead-end acquisition talks into lucrative equity partnerships. Understanding the two different discovery paths. Not all discovery conversations start the same way, and recognizing the context is crucial for your approach. There are two primary scenarios you'll encounter. Scenario 1. Talking to business owners already looking to sell. When you're speaking with someone who's already expressed interest in selling their business, they're in a different mindset than someone who hasn't considered exiting. They're likely focused on valuation, deal structure, and what happens after they leave. Your discovery approach needs to acknowledge their exit mindset while exploring whether a partnership might actually better serve their goals. As Carl often points out, these sellers frequently have a defensive posture in conversations. They're trying to present their business in the best possible light to maximize value, which means they're unlikely to volunteer information about problems or weaknesses. Your job becomes more challenging, requiring a special approach to break through this barrier and uncover the real issues that might make an equity partnership more appropriate than an outright sale. Scenario 2. Talking to business owners not currently looking to sell. This scenario involves business owners who aren't actively seeking to exit but may be open to strategic partnerships. These conversations typically focus more on growth challenges, operational issues, or strategic opportunities. Business owners in this situation are often more forthcoming about their challenges because they're seeking solutions, not trying to position for a sale. Your discovery approach here can be more direct about identifying problems and exploring collaborative solutions. The owner doesn't have the same defensive posture, making it easier to get to the heart of their challenges. Understanding which scenario you're in fundamentally changes how you approach the discovery session. Let's look at how to navigate these conversations effectively, particularly when dealing with sellers who might benefit more from a partnership than an outright sale. The psychology of discovery, breaking down walls. Matching your superpower to a bleeding problem. As Carl always emphasizes, consulting for equity starts with matching your superpower to a business owner's bleeding problem. This fundamental principle guides every discovery conversation you'll have. A bleeding problem isn't just any business challenge, it's an issue causing significant pain, stress, or limitation that the owner can't solve themselves. The discovery session's primary purpose is to break down walls, establish trust, and determine if such a problem

exists that you're uniquely positioned to solve. This is fundamentally a determination session. You're assessing whether there's a case for you to receive equity in exchange for solving critical issues. At its core, discovery is about 1. Establishing yourself as an expert and safe pair of hands. 2. Identifying bleeding problems that align with your capabilities. 3. Beginning to calculate and quantify your potential impact. 4. Building the emotional case for partnership. The Wall Street versus Main Street mentality. There's a crucial distinction between how decisions are made in larger businesses, Wall Street deals, versus smaller owner-operated companies, Main Street deals. Wall Street deals are driven primarily by numbers and logical analysis. Main Street deals, the ones most of us work with, are fundamentally driven by emotion. Business owners make decisions based on fear of loss. If I don't fix this, I could lose everything I've built. Stress and burnout. I can't keep running this business this way, it's killing me. Desperation for change. Something has to give. I need a different approach. Misalignment. I'm spending all my time on things I hate and am not good at. These emotional drivers are far more powerful than pure financial calculations in motivating owners to consider equity partnerships. If there's no emotional pain, there's rarely enough motivation for a deal. People take action to solve bleeding problems, not minor inconveniences or theoretical opportunities. Question clusters. The art of emotional discovery. The most powerful tool in your discovery arsenal is what I call question clusters. Rather than asking isolated questions that might lead to superficial or tangential answers, I group related questions that guide the conversation toward revealing deeper emotional triggers. For example, if I simply asked, what keeps you up at night, the business owner might respond with something irrelevant like, the election, or AI taking over. By asking questions in strategic clusters, I can guide them toward revealing specific business-related pain points and emotional triggers. These question clusters aren't meant to be read verbatim from a list. They're frameworks to help you navigate the conversation naturally while ensuring you uncover what truly matters, the emotional drivers that will motivate partnership decisions. Let's explore the five fundamental discovery question clusters that form the backbone of effective discovery sessions. Cluster one, what keeps you up at night. This first cluster focuses on uncovering what causes the business owner the most stress and anxiety. It helps identify the emotional pain points, driving them to consider making a change. What keeps you up at night? What are you most worried about breaking in your business? What's making you most nervous about your business right now? These questions are designed to lead the business owner toward discussing their deepest concerns, not surface-level issues, but the things that genuinely cause emotional distress. By starting with a general question and then narrowing to business-specific concerns, you guide them toward revealing their true pain points. When someone starts discussing what truly worries them, pay close attention to non-verbal cues and emotional reactions. These often reveal more than the words themselves. Follow up with probing questions like, can you tell me more about that? Or, how long has that been a concern? To dig deeper into the issues they mention. Cluster two, what are your superpowers? This cluster helps the business owner reflect on their strengths, and more importantly, recognize where they may be misaligned in their current role. This misalignment is often a powerful motivator for change. What are your superpowers? Does your current role in the business align with what you do best? What hats are you wearing right now that you shouldn't be? The concept of misalignment deserves special attention because it's often the most powerful emotional trigger for business owners. When someone is forced to spend significant time on activities that don't match their strengths or interests, it creates profound sense of psychological discom-

fort. Research in organizational psychology has consistently shown that role misalignment is a primary driver of burnout, decreased satisfaction, and ultimately, major business decisions. By highlighting this misalignment through careful questioning, you help the owner articulate something they likely feel but haven't fully acknowledged. When a business owner says out loud, I'm spending 70% of my time on things I hate and am not good at, it creates a powerful moment of self-realization that can be the turning point in considering a partnership. Cluster three, what are you spending time on that you shouldn't be? This cluster focuses on identifying tasks draining the business owner's time and energy that could be delegated or eliminated. What are you spending time on in your business that you know you shouldn't be? Are there any tasks that could easily be outsourced to a lower-skilled employee? Is there anything you're holding on to that you know you should delegate? These questions help quantify the opportunity cost of the owner's current allocation of time and attention. When owners realize they're spending \$300 per hour executive time on \$15 per hour tasks, it creates both logical and emotional momentum for considering a partnership that could free them from these misaligned activities. Cluster four, what happens if you don't make a change? This cluster taps into fear of loss, a psychological trigger that research has shown is seven to ten times more powerful than the prospect of gain. By asking the owner to articulate the consequences of inaction, you help them confront the urgency of their situation. If you don't make a change, what are the consequences? What happens if you don't figure out how to solve? Refer to the problem they mentioned earlier. What could go wrong if this issue continues? These questions serve multiple purposes. They help the owner verbalize fears they may only be feeling subconsciously. They create a sense of urgency around addressing the identified problems. They help distinguish between nice-to-solve issues and true bleeding problems. They begin building the case for why action is necessary now, not later. A critical insight about human psychology. People often don't fully recognize or accept a problem until they hear themselves articulated out loud. I call this holding up the mirror, creating space for the owner to see their own situation clearly, perhaps for the first time. Cluster five, what have you been ignoring that needs attention? This final cluster reveals backburner issues that the business owner has been avoiding but knows could become significant problems if not addressed. Is there anything in your business that you've been ignoring that needs attention right away? Is there anything you've known you should do but haven't started? What's been sitting on your backburner that you're worried might catch up to you? These questions often uncover the most powerful emotional triggers because they tap into an owner's fear of what they know they should be doing but haven't prioritized. The psychological weight of these postponed responsibilities creates significant stress that the owner is often eager to relieve. An additional powerful question to include in your discovery sessions is, what used to work that no longer works? This question helps identify systems, strategies, or approaches that have become outdated or ineffective, creating frustration for the business owner and potential opportunities for your expertise. The base discovery session framework. Now that you understand the psychology behind effective discovery, let's explore a practical framework for conducting these crucial conversations.

This approach will help you control the conversation flow, position yourself as a knowledgeable expert, uncover the emotional triggers driving business decisions, set up the next steps toward a successful equity partnership, this isn't a rigid script you need to follow. Verbatim. Think of it as a flexible framework that ensures you cover the essential elements while allowing the conversation to flow naturally. You don't need to address these steps in strict sequence, but you should hit all these key points to conduct an effective discovery session. Step one, setting the intention. Before diving into detailed questions, start by setting the proper context. This brief introduction frames the conversation and puts you in control of its direction. If you're speaking with someone who originally approached you about buying their business outright, you might say, I appreciate you considering me as a potential buyer for your business. My goal today is to truly understand what you've built, what's working well, what challenges you're facing, and what you're hoping to achieve through a sale. This will help me determine if there might be a good fit, whether that's through a traditional acquisition or perhaps a different type of partnership that could better serve your goals. For a business owner not actively looking to sell, you might say, thank you for taking the time to speak with me today. My goal is to understand your business deeply, what's working, what's challenging you right now, and where you see the biggest opportunities. I want to explore whether my expertise might be valuable in helping you address specific issues or achieve your growth objectives.

This approach works for several reasons. It positions the conversation as collaborative rather than interrogative. It signals that you're there to help, not just to evaluate. It creates space for honest discussion about challenges without implying criticism. It establishes you as a thoughtful professional, not just someone looking for a transaction.

Step 2. Asking the Question Clusters. The heart of discovery is systematically working through your question clusters, while remaining flexible enough to follow promising threads. The goal isn't just to gather information, but to guide the conversation toward revealing genuine pain points and emotional triggers. A few key principles for this stage. Listen more than you speak. Discovery is about uncovering the owner's situation, not showcasing your expertise. Dig deeper with follow-up questions. Don't accept surface-level answers. Use phrases like, tell me more about that or, can you give me a specific example? Watch for emotional reactions. Nonverbal cues often reveal more than words. Connect dots they might not see. It sounds like these issues might be related. Have you noticed that connection? Quantify problems when possible. How much time does that issue consume weekly? What's the approximate cost of that problem in dollars? Remember to lead with the emotional rather than the logical. While financial metrics matter, the decision to partner often hinges more on emotional factors like reduced stress, better alignment with passions, or increased freedom.

Step 3. The Walk-Away Strategy.

One of the biggest mistakes people make during discovery sessions is trying to close the deal too quickly. Instead, I recommend what I call the walk-away strategy. Deliberately ending the first conversation without pushing for an immediate commitment. After conducting a thorough discovery, you might say something like, you've shared some really valuable insights about the business. I'd like to take some time to reflect on what we've discussed, do some additional research, and put together some thoughts on potential approaches. Then we can reconvene to discuss whether there might be a way for me to help address some of these challenges.

This approach offers several advantages. It positions you as a thoughtful professional rather than a desperate salesperson. It gives you time to formulate a customized proposal based on what you've learned. It creates anticipation for the next conversation. It subtly shifts the dynamic so the owner is waiting for your assessment rather than the other way around. Step 4. Setting Up the Next Exposure. Before ending the conversation, it's essential to schedule the next meeting. If you don't lock in this next step, momentum often dissipates and the potential partnership dies in limbo. A simple approach is to say, let's schedule a follow-up conversation for next week after I've had time to process what we've discussed and put together some initial thoughts. Would Tuesday or Thursday afternoon work better for you? This specific scheduling approach maintains momentum in the relationship, creates a clear next step with a defined time frame, positions the next conversation as a continuation rather than a new beginning, demonstrates your seriousness and professionalism. Applying this to LBO conversations. If you're primarily focused on buying businesses outright, you might wonder how these discovery techniques apply to your existing deal flow. The answer is perfectly. When you're evaluating businesses for potential acquisition, you'll inevitably encounter some that don't make sense as traditional buyouts due to various transfer of value issues, which we'll discuss in the next chapter. Rather than walking away from these opportunities, you can pivot to exploring equity partnerships. The discovery approach I've outlined helps you. 1. Identify whether the business has issues that would prevent traditional financing. 2. Uncover specific problems you could solve as a partner. 3. Begin shifting the seller's thinking from all-cash exit to strategic partnership. 4. Establish your credibility as a potential value-adding partner, not just a buyer. This allows you to monetize a much higher percentage of your deal flow rather than discarding opportunities that don't fit a traditional acquisition model.

Dealmaker Checkpoint.

Before moving to the next play, take these essential preparation steps. 1. Create your personalized version of each question cluster, tailoring the language to your natural speaking style. 2. Practice delivering these questions conversationally until they flow naturally. 3. Prepare a specific, setting the intention opening tailored to both acquisition conversations and non-acquisition opportunities. 4. Develop your walk-away statement that leaves the door open while maintaining your position of strength. 5. Download the complete Five Fundamental Discovery Questions Worksheet and Base Discovery Session Framework to guide your conversations at [partnerforequity.com slash five questions sheet](https://partnerforequity.com/slash-five-questions-sheet). The mastery of discovery is what separates successful equity partners from those who struggle to land deals. Invest time in perfecting this skill, and you'll uncover opportunities others miss entirely. In the next play, we'll explore how to leverage transfer-of-value issues—the very problems that prevent traditional acquisitions—as opportunities for equity partnerships.

Action Items Checklist

Use this checklist to implement what you've learned from Play 5:

- ☐ Memorize the 5 question clusters for discovery sessions
 - ☐ Practice the discovery questions with a partner
 - ☐ Prepare your discovery session framework
 - ☐ Create a system for documenting insights from discovery calls
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Ready for the next step?

Continue to Play 6 to build on these concepts and move closer to closing your first equity partnership deal.