

Wire Harness Business & Strategy

Corporate Culture: Myth or Must?

“Corporate culture” may seem like B-school hype with few implications for smaller companies, but I believe culture often spells the difference between exceptional performance and just getting by—for companies of any size.

Toxic Culture

When I first got into the wire harness business, I was one of at least a dozen harness vendors attending a meeting at a major construction equipment manufacturer that was looking to standardize all new terminal and connector designs. Every one of us, of course, lusted after this potential customer, but one of my competitors was intimidating: a wire harness manufacturer that in today’s dollars was a US\$300-million company.

I observed during the meeting, however, that many key managers representing this company were strikingly arrogant. Over the next few years, further contact with the company confirmed my initial impression. The arrogance of the managers infected other employees and the company’s overall attitude toward its customers. This company no longer exists. Its culture killed it.

Culture as a Key Asset

The customer service of airlines is a prime example of the rewards of fostering a positive culture. I’m sure I am hardly alone in always patronizing my favorite airline, whenever possible, because of my consistently hassle-free experiences booking its flights and getting on its planes. And whenever I have needed to change a flight or request any other kind of service, I have encountered thoroughly helpful and pleasant employees. Not so with other airlines. Too many burdensome interactions with them keep me running back to my preferred carrier.

What’s going on? Clearly, the founder of this airline established a priority on constructive corporate culture—beginning with the hiring process and reinforced through ongoing communications, training and recognition. This asset became a cornerstone of this airline’s success.

When I reflect on 25 years in the wire harness busi-

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ness, it’s clear that a central attribute enabling us to frequently outperform our competition was our culture. When I acquired a small (under US\$1 million) harness company in the late ‘70s and grew it to US\$85 million, dozens of competitors were surely trying to realize similar growth. But despite having the same material and labor costs, and access to the same processes and IT, they didn’t. So how did we? Our culture of excellence and strong customer orientation gave us a distinct edge.

Essential Ingredients

So what were the hallmarks of our culture? I would identify four as the foundation:

- **Frequent expression of appreciation.** From the start, I conveyed gratitude to the good folks who worked in my company, and I stressed that managers and supervisors needed to do the same. This wasn’t a calculated labor-employee relations strategy, it merely reflected my commitment to making sure the daily challenges of running a company didn’t get in the way of consistently recognizing good work—and it was how I felt. Many studies measuring job satisfaction have shown that employees value a feeling of appreciation over their paycheck.
- **Clear and honest communication.** I regularly gathered all employees together to discuss a wide variety of work and nonwork issues affecting our lives. Openness, even about missteps I had made, built trust—essential to a culture of excellence. Employees quickly learned they could ask anything, in private or in a public forum, and no topic was off base. Employees always got an answer including some they didn’t like. And if time was needed to develop a response, I just said so and always followed up within the time frame I had committed to.
- **Customer focus.** Rather than content ourselves with attaining proficiency in our job descriptions (a lofty aim in itself), we all aspired to complement expertise with customer orientation. Our at-

titude was that everyone in the company worked for the customer. I preached that our pay was determined by our customers, and that there were dozens of companies who'd love to get the work we were doing in our plants. If our prices were not competitive, if our quality was not first-rate and especially, if our customer service was not distinguished, volume would erode. This approach was consistently communicated, often with examples—including discussion of how we had lost business and how we would try to win it back.

- **Recruitment from within.** We never drew a line between the plant and the office. I made it clear that anyone had the opportunity to apply for other positions, and if someone from the plant tried an office job and didn't like it or it didn't work out, there was no penalty for the person to return to his or her former role. We recruited outside talent only when we had to.

Working with as many harness companies as I do, I generally can get a feel for culture pretty quickly, and I have found a close connection between culture and success. No matter a company's size, corporate culture is crucial, and building an atmosphere of trust, teamwork, appreciation and customer orientation starts at the top. www.bluevalleycapital.com **WHCC**

Author & Company Profile...

Loren M Smith is CEO and sole shareholder of **Blue Valley Capital LLC**, a position he has held since 2001. From 1976 to 2001, he was CEO and majority shareholder of **MWC**, a manufacturer of electrical wire harness assemblies. During that period, by acquiring and integrating a number of mid-market wire harness manufacturers, MWC became the world's leading supplier of electrical wire harness assemblies serving the construction equipment industry. Loren eventually sold MWC to a private equity group.

As CEO of MWC and Blue Valley Capital, Loren has spearheaded the sale and purchase of dozens of mid-market (US\$2M-US\$75M) manufacturing companies.

Early in his career, he was with **Texas Instruments (TI)**, rising to general manager of TI's connector division. Smith earned a BS degree from **Miami University** in Oxford, OH, USA, and an MBA from **Northeastern University** in Boston, MA, USA.

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