

Wire Harness Business & Strategy

Buyer Beware: Hidden Talent

I have heard more than one business owner or CEO give a seemingly surprising answer to the question “What keeps you up at night?” Sure, losing a key customer or getting embroiled in a lawsuit are mighty logical answers, but heads of companies fully understand why some execs answer, “Losing a key performer.” In virtually every business, one or more employees are so valuable that the company could face serious performance issues were those employees to leave.

Wire harness businesses are hardly immune to that concern. In fact, many small or medium-sized harness companies enjoy the talents of people who have developed skills that would be close to impossible to replace quickly.

This circumstance is highly relevant for buyers because often these valuable performers are “hidden”, especially if they are not members of the management team. That means prospective buyers need to identify these vital employees at the beginning of the acquisition process—and take steps to ensure their continued employment to minimize the risk of needing to replace them without adequate lead time.

I became aware of this issue years ago when I acquired my own harness company, **Monona Wire Corporation**, and almost immediately recognized that one of my employees, **Maggie**, possessed a critical skill. Maggie was the lead person in our factory’s forming department, where circuits that have been cut and terminated are assembled on a form board to create the wire harness.

Our largest customer at the time provided us with blueprints that were very complex and difficult to interpret. But Maggie was able to examine these blueprints and configure form boards with amazing accuracy and speed. When I discovered how talented she was, I felt blessed. But I also felt vulnerable. If we were to lose her for any reason, I would have no clue how to replace her.

Knowing that we had to develop back-up people to help Maggie and to eventually approach her skill level, we made that cultivation a priority. However, that process took a long time because she

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was so exceptional.

Now, as someone who helps buyers and sellers make deals, I feel twice-blessed. First, because I inherited a hidden talent like Maggie through dumb luck, and second, because my appreciation of her critical importance to our company always reminds me to be on the lookout for someone like her when I am helping to put a deal together.

When we advise a harness company owner on the sale of his or her business, we make sure to scout out these folks and add them to the description of the management team, seeing as their contributions are so vital to the strength of the business.

Over the years, I have gotten to know quite a number of harness companies, and I am pleased that so many have one or more gems like Maggie. And whenever we do uncover one or more prized employees, we are able to benefit both the buyer and the seller. Our showcasing of a hidden talent provides a fuller picture of the company to the buyer, and for the seller, it reflects positively on the company’s value.

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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\$200M) 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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