

Reprint

“Small Talk”

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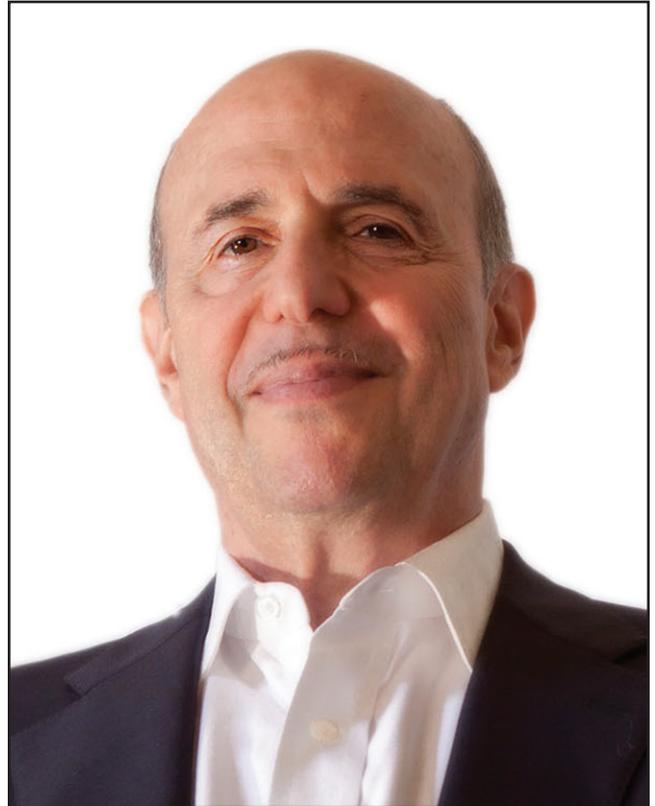


“Small Talk”

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Wiring Harness News



By Loren Smith



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Today's digital, interconnected world has been a business game changer in many ways, challenging the traditional perspective that "bigger is better." For example, technology has significantly leveled the playing field for key business service providers such as accounting firms, law firms and M&A firms. The advantages that large purveyors of services once held over the small guy have diminished, providing entrepreneurs with a greater variety of resources and plenty of lower-cost options. In fact, in many instances we could make the case that the small guy has an upper hand.

Let's examine, then, a few of the reasons wire harness manufacturers should feel entirely comfortable playing "small ball."

Cost

Large firms with relatively fixed overhead have an ongoing need for revenue to cover that overhead. M&A firms, for example, with extensive support services such as legions of young MBAs, research associates, accountants, lawyers, secretaries, and writers, need to generate volume and often charge substantial upfront fees to cover these services. Smaller firms, on the other hand, access these services by using the vast worldwide reaches of the Internet to find independent contractors or building a stable of affordable partners to rely on as needed.

Granted, a large firm might be preferable at times, such as when we are looking for one-stop shopping or dealing with a complex issue, but we reap savings when we have the time and ability to go small. An apt metaphor might be the choices we have with a home remodeling project. Hiring a general contractor is one route, but working directly with a competitively priced interior design consultant, painter, electrician and floor refinisher is likely to yield sizable savings.

Access

In the many years I have used professional services such as accounting firms and law firms, I have found hiring a small

firm or even an individual consistently satisfying. When we hire a major firm, we often deal with senior partners and do not know who is being delegated the bulk of the assignment. Furthermore, gaining access to that senior partner may not be as immediate as when we go small. Nimble firms, without layers of management, have great appeal.

Logic

We say that clichés become clichés because they contain elements of truth. But sometimes we need to apply logical thinking to a cliché to decide if it applies. Here I am thinking of the "it's who you know" perspective and the process of selling a company. Recognizing that a large M&A firm will have extensive contacts could lead us to selecting that firm to land a buyer for our company. That firm should have an obvious advantage over a small firm, right?

Not really. Given the nature of the deal process, existing relationships with prospective buyers have limited or no value because it's impossible to predict at any given time which prospective buyer might have an appetite for a particular deal. The only reliable process for marketing a company is to contact virtually every prospective buyer out there (which can be done without revealing the name or location of the company) and then cultivating the prospective buyers that surface.

Three takeaways

1. Not everyone in business today applauds the digital world, but technology has given us many new advantages. Among them is the ease of identifying and verifying potential resources.

2. As a business owner, CEO or manager, you should not dismiss going small. The small outfit often brings marked advantages in affordability and access--and even commitment.

3. If you are a small harness manufacturer, shed any inferiority complex about comparisons to the big guns. Yes, they may have capacities you don't, but you may be the nimble, dedicated provider customers want. Don't shy away from playing that card.

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