

Breaking Out of the Box

Many businesses are “in a box,” that is, stuck within a range of revenues and profits. **Some boxes can be velvet-lined and comfortable; others are lined with sandpaper.**

Buyers will usually pay more for companies that are growing, profitable, investing, and are doing something different from the competition. Buyers will pay less for companies that are in a box, then will turn around and sell them for a lot more in a few years after breaking out of that box.

The business might be growing, but with growth comes more working capital and capital expenditure demands, which cause the business to take out more loans. In the end, the business has grown, but the net value to the shareholders may not have increased. The business is still in a box. Being in a box is not great, but it is better than being in decline or in distress. For an owner who wishes to increase value, the key is to break out of the box.

Running a business is the equivalent of two or three full-time jobs. Still, an owner should spend a good amount of time on strategic thinking and self-improvement. Most likely, the number one way to improve the business is to alter the owner’s habits and direction. The owner has done great to get to where the business is today, but the things that got the business to where it is today are probably not what will take it to the next level. Buyers salivate over companies that are ready to accelerate but just need some new thinking and more “oomph”. If you can do it yourself, you can pocket the difference.

If an owner reads a few articles like “The Top 24 Habits of Successful People” and is only performing two or three of those habits, it might be time to re-think things. Once the owner breaks out of their own personal box, it will be easier for others in the company to improve their habits.

Aside from the owner/CEO’s box, here are some other areas that may be boxed up and ready to break down:

Sales/Marketing:

Whatever worked in the 1990s probably does not work today. Keep trying different methods of getting the word out, since today’s customers get their information from different sources than in the past. I am not sure if you can sell PCBs by dancing on Tik Tok, but new methods of communicating with the market come up every year. One thing is for sure: Staring at the phone does not make it ring.

New Business Divisions:

Many companies in the PCB/PCBA sector have grown nicely by listening to their customers and expanding various services. PCB shops have expanded into assemblies, design, brokering, etc. PCBA shops have expanded into testing, full assemblies, design, supply chain management, plastics, etc. Almost no companies that have grown have stuck with one product over the years. If you are not moving forward, you are moving backward.

Acquisitions:

Of course, I would like to think that acquisitions are a great way to grow a business. The acquisitions do not have to be the type that are announced on the first page of the Wall Street Journal; even small, local acquisitions can help expand the customer list, capabilities, staff, and sales. Keep an eye out for opportunities and stay friendly with your competitors.

Technology/R&D:

Today's super high-tech products are tomorrow's standards and will eventually be obsolete. You do not want to spend too much time and money on science projects, but it is always good to be pushing the envelope a little (especially if the customer is paying for some engineering).

New Team:

Although it is great to have tenured employees and it is hard to find anyone good these days, it is great to have new blood in the company. New people bring new ideas and will help the company progress.

Operations Improvement:

A company should set a goal of continuous improvement in every area of operations. The best ideas often come from employees, and employees appreciate being listened to. It is nice to give them a little bonus, too, for good ideas, as well as pizza.

Whether the business is in a box made of gold (profitable but not progressing) or a box of kitty litter, it is important to try different ways to break out of the box. The business will become more valuable and the environment for the employees and shareholders will improve.

*Thanks to our US-Partner **Tom Kastner** – he generously allowed us to publish his article.*

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Vienna, November 2022