

# FULL STEAM AHEAD

## Little Engine Ventures Building for Future

By **Crickett Gibbons**

“August two-a-days are over. We’re ready for the game. Let’s go.”

Daryl Starr has a game plan, strategy and “players” with the agility, ability and confidence to capitalize on strengths and adapt to change.

As a founder and managing partner of Little Engine Ventures (LEV) in Lafayette, Starr compares the company’s readiness for action to the end of twice daily summer football practices – when the team has worked hard and is ready for the upcoming season.

In this case, however, LEV is still bringing aboard new players.

It’s recruiting small business owners ready to retire or hand over the calls and transition out of ownership. It’s also recruiting new leaders ready to take a team to the next level.

### Investing in small companies

Starr describes LEV as a partnership of business owners that invests in small businesses. It has grown from seven partners when it started in 2016 to 22, including Starr and the other founder and managing partner, Mikel Berger.

While LEV has a minority investment in six privately held businesses and also owns a minority interest in other publicly traded companies, the emphasis now is on buying or controlling additional small businesses to grow its current roster of seven, Starr notes.

As entrepreneurs reach retirement age, an opportunity to sell outright may be especially attractive. If a family member or employee doesn’t have the means – or desire – to purchase and take over the business, acquisition by LEV may be an option.

Top prospects have an annual revenue of \$1 million to \$10 million (possibly up to \$25 million), five to 15 employees and are within a 180-mile radius or two-hour drive time from Lafayette, Starr relates. LEV also considers growth potential and opportunity for innovation in what often has been a traditionally run operation.

“A lot of these small businesses in central Indiana that are owned by older owners haven’t necessarily embraced technology in a big way. A lot of businesses don’t need it to do business, but there are some efficiencies that can be gained by implementing enabling technology,” he observes.

“We bring in a new leader who oversees day-to-day operations. The business is conservatively capitalized, and they are responsible for making sure the team and the future is secure and is stewarded well.”

The “entrepreneurship through acquisition” structure enables LEV Executive on Deck participants to hunt for a business, work on the transition and lead a company even if they don’t want or can’t afford a cash outlay. They can invest in the company – although they don’t have to – and reap some rewards without shouldering the whole risk.

### Customer focused for long-term growth

LEV also isn’t chasing short-term gains in the businesses it buys. Decisions are based on what’s best for the customer and long-term



Little Engine Ventures (LEV) often incorporates new software and other innovative solutions after acquiring small businesses. A Spectrum Seed mobile sales app enables Brent Budreau to report real-time results to growers.

growth and sustainability.

“Philosophically, the way I like to look at it – and time will tell – I think it starts with the customer. Without the customer, none of us has jobs,” Starr emphasizes.

He draws on his own small business, entrepreneurial and investment experience. He previously started three other ventures including Advanced Ag Solutions, which he sold in 2014, before joining Purdue University – his alma mater – as entrepreneur in residence at Purdue Foundry. Advanced Ag Solutions specialized in precision agronomic consulting and developed a precision ag software tool called Optimizer.

Berger is also a partner at DelMar Software Development in West Lafayette, which was the lead developer of Optimizer. He brings additional software technology, entrepreneurship and consulting experience to the LEV team.

Raised on a farm in eastern Indiana, Starr credits his early years with exposure to technology, hard work and an emphasis on investing for the future.

“My dad was a crazy hard worker. He’s also smart, an early adopter of technology. He had an Apple II computer in 1982, ’83, and used VisiCalc to build a spreadsheet that was calculating his return on investment. He was hedging, on the board of trade, kind of a crazy techno finance farmer. And I grew up thinking that was totally normal.”

## Lending a hand

Starr’s drive to share his expertise and desire to be modest, combined with the Purdue Boilermaker connection, crystallized when naming the company.

“It’s about helping others, like the book (*The Little Engine That Could*). It’s a nod to Purdue, but it’s also about, ‘Let’s be humble. ... Don’t be too big to stoop down and help somebody and give it your best’” like in the story, he shares.

“I also thought it would be super hilarious if it got really big, so I’m setting up a 40-year-long joke,” he laughs. “It’s a long-term perspective.”

## Software solutions

LEV’s customer-first philosophy combined with Starr’s agricultural business background, farming roots and commitment to long-term sustainable growth attracted Josh Richey to LEV when Starr was looking for someone to head up Spectrum Seed, LEV’s first control acquisition in August 2016.

As Spectrum president and CEO, Richey and his team have expanded its customer-centric approach, enhanced by new software solutions.



After LEV’s involvement, Fountain Square Brewing Co. updated its branding and messaging strategy and installed a new bottling line that can operate with fewer people.



“We integrated new (customer relationship management) software so we could manage the database more effectively, and it’s created a cleaner experience for the sales team and for the customer. We also implemented an Enterprise Resource Planning solution,” he explains.

“LEV is a big believer in keeping things effective and simple,” Richey adds. “We have (software) that offers all of the fundamentals that we need, is easy to use and makes that experience on both sides of the table really simple, clean and effective.”

Innovation may always be at the forefront, but LEV also respects a company’s prior culture. “They were able to maintain the vision, keep the feel of the company and add resources that allowed it to continue to grow at a sustainable pace moving forward,” Richey summarizes.

## ‘A shot of adrenaline’

At Fountain Square Brewing Co. in Indianapolis, the change in ownership in

February 2018 was “like we got a shot of adrenaline,” says Luke Nelson, the sales manager who also helps oversee daily operations since Brad Smith, the new president and CEO, lives in West Lafayette.

Smith participated in the Executive on Deck program, which he credits with allowing him to follow his entrepreneurial passion without the risk – and financial commitment – of starting a business at age 30 with a wife and three kids.

Consistent with LEV’s strategy, the craft brewery was poised for innovation and executive-level leadership to help it grow and succeed, especially in the crowded craft beer marketplace.

“On a philosophical level, they’ve given the brewery a little more direction and vision,” Nelson notes.

Music events are out. Dogs are back in. A brand refresh incorporates new messaging, an updated logo and packaging with icons that represent life’s moments – big and small.

“The idea is that we want to be a partner

for people to make everyday moments great moments because of the way they savor the moment and share it with people,” Smith explains.

Hard-core cost analysis and monitoring enabled the business to reduce expenses, with additional data review in the works to monitor the impact of the brand refresh, Smith shares.

Nelson, who worked for the brewery prior to the sale, appreciates the deep business knowledge of the LEV team.

“One of what I think is the most positive things is they all have a very high business acumen,” he stresses. “They know what they are doing. They are able to look at the data we can provide and figure out ways we can save money. And not just save it, but save it to invest back into the brewery.”

An example is a new bottling line that operates with three people instead of 12, Nelson reveals. The updated equipment also benefits customers by improving the quality of the beer.

### Developing a winning team

Monthly CEO meetings include an opportunity to discuss operations issues, capitalizing on the diversity of experience.

“We intentionally spend time together trying to strategize and trying to create a space where some of that collaboration and thinking can provide something that is stronger and more fruitful than if it was just one leader thinking about this issue,” Smith observes.

Those team meetings help LEV’s key players work together to develop winning strategies. And the partnership should only grow as LEV



Little Engine Ventures managing partners Daryl Starr (left) and Mikel Berger draw on their combined entrepreneurial, software technology, investment and consulting experience to identify small businesses to acquire and leaders to run them.

purchases more small businesses from retiring or aging owner-operators.

“What we are going to do is hard,” Starr readily admits, adding, “I’m more and more convinced that the opportunity of this generational shift that’s going to happen in small businesses is something that Little Engine Ventures can win. We can be the best in the market at that.”

**RESOURCES:** Daryl Starr, Little Engine Ventures, at [www.lev.vc](http://www.lev.vc) | Josh Richey, Spectrum Seed, at [www.spectrumseed.com](http://www.spectrumseed.com) | Luke Nelson and Brad Smith, Fountain Square Brewing Co., at [www.fountainsquarebrewery.com](http://www.fountainsquarebrewery.com)



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