FINANCIAL POST

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Has your business had its annual spring tune-up? Here's some tips to get you started

Mary Teresa Bitti | April 28, 2014 8:53 AM ET

THE CANADIAN PRESS/Larry MacDougal Here are five key components of the ideal spring tune-up for private companies.

It’s human nature to do things on an annual cycle. For business owners who typically find themselves running to catch up, there is a certain elegance to taking a fresh look at your business each spring with an eye to making improvements where needed and ensuring you are meeting your objectives.

“There is something about spring. As a business owner, your mind opens up after a long haul winter and you’re ready to gear up and start again,” said Brad Cherniak, co-founder and principal of strategic advisory firm Sapient Capital Partners in Toronto.

Hibernation is over, particularly if you are a small retail business in Canada, said Andrew Penny, certified management consultant and president of Kingsford Consulting Ltd., a business advisory firm in Ottawa.

“Spring is a time of renewal. People start to buy, spend and engage. For business owners, it’s easy to keep your head down and charge forward with whatever plans you put in place years ago without taking a moment to think about what’s changed, the value you are creating and if you should be doing things differently. For example, what are you going to do now that the value of the Canadian dollar has dropped?”

Here are five key components of the ideal spring tune-up for private companies:

Value your business Know the value of your company from one year to the next. “This can be a formal or informal process. You can do it in-house or you can opt to bring in a third party to assess your business. However you choose to address it, the key is to do it,” Mr. Cherniak said. “This is the first critical piece to tell you whether or not things are working and that what you are doing translates into value.

“A valuation is in part based on the fundamentals of your business and in part based on the financial condition of it. You want to keep both of those in balance because that’s what will drive your growth strategy, your financing strategy and ultimately your exit strategy,” he said.

Start pruning Are your customers and products adding value to your business or are they using more resources than they are worth? “This analysis goes beyond gross margins and sales growth. It requires taking a close look at how your time and management resources are being deployed and whether or not your high maintenance customers and product lines are worth the trouble,” Mr. Cherniak said.

“It’s hard to do this on the fly. Better to take your team off site and think through the flow of your business. This will allow you to troubleshoot and prevent problems down the road. Small businesses have a hard time cutting stuff loose but in some cases you will be better off because you can focus on areas that are adding the greatest value to your business.”

Anticipate what could go wrong Assess where the business is at today and look forward to the next 12 months with an eye to the flow of the business and where the likely pain points will be. For example, is an employee overburdened? Is machinery nearing the end of its life cycle? Taking the time now to identify potential issues will allow you to prevent them or put a plan in place to deal with them if they do.

Plan your exit The best way to get a handle on an exit strategy is for business owners to revisit the concept every year. “This will allow you to think about how your business, your attitude about the business and how your life is changing,” Mr. Cherniak said. “If you look at it regularly, you are better able to set that target point in time and manage toward it.”