

# FINANCIAL POST

FP ENTREPRENEUR

## 5 things to help steer your business through 2014

[Brad Cherniak](#) | February 10, 2014 4:04 PM ET

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*Fotolia There may be a few things small to medium-sized business owners might benefit from knowing when planning for the coming year.*

Now that the holiday's distraction is behind us, business owners can calmly look ahead for what 2014 may bring. But there may be a few things small to medium-sized business owners might benefit from knowing when planning for the coming year:

**First, hold on to your cash, and tightly.** Ignore the entreaties of politicians and pundits who berate you for greedily hoarding your money. Nothing could be further from the truth. Cash is a lifeline, especially for small businesses.

In the current capital markets, if you seek to raise capital under the spectre of running out of cash six or even 12 months ahead, you are playing with a deck stacked against you. The adage of never try to raise capital when you actually need it has never been more true.

If you are illiquid, you put your growth curve or your operation at risk, and capital providers will be far less likely to fund you. Even if they do, your terms of investment are likely to be onerous and expensive. Nervous capital providers will treat illiquidity as a major going-in investment risk.

Bottom line, it is far preferable to raise capital to boost your growth arc and increase your options for expansion, not replace rapidly dwindling funds.

**Second, have a good bead on when your cash will run low.** Most important, ensure you have the ability to reasonably forecast your cash flow at least six months out — but ideally 12 — on a monthly (better weekly) basis. You need to understand how your sales revenues and costs interact to generate or use up cash.

It does not need to be a complicated or cumbersome exercise. Your financial model should be as brief and simple as possible in order to be tweaked and updated easily and often.

As part of this exercise, it is critical to be familiar with the different costs your business can have:

*Variable costs* are those that vary against your unit revenues on a straight line. Materials costs are generally a fully variable cost for a product manufacturer. Each unit requires the same amount of materials, so the relationship is easy to determine.

*Fixed costs* include major buildings, equipment and infrastructure, and once you have made the investment, you are usually good for a long time unless you're growing like gangbusters.

*Step-variable costs* are tricky, and can take entrepreneurs by surprise. They are generally fixed over the short- to medium-term, but can jump unexpectedly if you are not planning operational requirements carefully.

The most critical step-variable cost in today's technology-based world is professional staff such as programmers and technical sales people. Generally, they are paid a premium and can be hard to find quickly, given the growing demand for this scarce resource.

**Third, regularly ask yourself “Why am I in business?”** Very few businesses actively and frequently discuss the pain they are solving for their customers, and how well they are actually doing in solving that pain, Kevin O’Neil, partner at Sapiient Capital Partners says.

They convince themselves they are important to their customers and judge their level of performance based on lack of negative feedback and are surprised when their customers leave them.

It doesn't take long for businesses to lose their competitive advantage, and even their reason for existing so take the time to do a quarterly or more frequent testing of performance through using Net Promoter Score (NPS) or another proven methodology and quarterly reviews around the drivers identified as the customer's reason for requiring your service and a relationship with your company.

**Fourth, get a bead on social media — as a sales tool, and an information source.** Increasingly business decisions and customer research is being done before you or your sales team even enter the picture. But you don't have to lose out. The days of cold-calling are not over, however, prospecting can be done so much more efficiently on social media. Learn how it works.

You can also learn much on social media to inform your strategic business decisions, including lessons of others in situations similar to yours. Access to these people is easier than ever before through social media.

However, you can get social, constantly seeking confirmation of your choices, or templates for every decision. The risk in this is that you lose your centre and begin to drift. Despite what you may hear on social media, there are generally no right or wrong answers to key business questions.

**Finally, don't leave exit planning until you are looking to exit.** To start, look at your team for a successor or second-in-command that you are comfortable giving real power to. This can greatly improve and increase your exit options.

Next, get a read on what your exit options are and start making the right strategic and tactical choices to support the path you chose. This takes time, and money but it will increase your chances of personally realizing on the value you have built in your company.

*Brad Cherniak has spent more than 20 years as a principal, advisor to and investor in private companies. He is co-founder and partner at Sapiient Capital Partners, a Toronto-based advisory firm to companies from early stage to \$50-million in revenues. His column appears monthly in the Financial Post. He can be reached at [brad@sapiientcap.com](mailto:brad@sapiientcap.com) and you can follow him on Twitter as @SapiientCapital.*