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Some resolutions for business owners mulling an exit this year

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Daniel Acker/Bloomberg *If you're considering exiting your business in 2015, there are a few resolutions you can make to help get things right.*

If you find yourself mulling over the prospect of exiting your company, it may be time to start taking real action. And what better time than the new year to set yourself some resolutions to do just that:

I will strip away the clutter and figure out whether my business is getting stronger or weaker at its core. Aside from the usual things, such as cleaning up your books and records and contracts etc., take a look at customer relationships, product or business lines and related assets, fixed and human. A hodgepodge of stuff you accumulated over the years will not increase your business's value. Only those things that fit with the narrative of your core business will add to it.

Spend significant time defining your core, then figure out what is non-core. Don't take this exercise lightly. Many entrepreneurs think everything is core, but that is rarely true.

Don't dump things lightly from your business, but try hard not to focus resources on non-core things. They may add to your cash flow if all goes well, but they won't add to the value of your business — and may actually complicate a sale. You need to have a frank discussion about whether your business is saleable, or whether you are better off milking it — maximizing the cash that goes into your pocket before its closure.

This is a very important consideration for many owners of small to mid-sized businesses. Don't just presume your business is saleable, at any price.

I will figure out what my core business is worth — not theoretically, but transactionally. This is so important, I've talked about it in several columns. It is the starting point for everything. If you don't have a realistic, transactional value for your business, you are flying blind and you will be unable to set proper objectives for the business, or your own estate and retirement planning.

The transactional nature of the value is critical, because your business is worth what the best buyer will pay, which is not necessarily the same as, or even close to, the theoretical value. It could be much higher, or lower.

I will strip my business down to its core. It is dangerous to generalize about this. You should get assistance and allow sufficient time to get it done right.

You also need to do this in concert with managing your cash flow and liquidity. The exercise is very different for smaller businesses versus large corporations, which can afford to be more blunt-instrument in the way they do it. Doing it wrong can put your core business at risk — exactly the opposite of what you are trying to do.

Be sure you model out the timing of cash flows — in and out — when you start to make actual changes. Bottom line, buyers won't pay for clutter, they will punish you for it, so this exercise is well worth enduring.

It should correlate positively to the value of your business. Track it to be sure.

I will focus on and improve my core. I'm not talking about your abs here. Again, your business's core is the valuable and saleable part of it. Once you have figured out what your core actually is, this exercise can change completely. It becomes something more tangible, and less bewildering or arbitrary.

I will get ready to sell my core business. Even once you have identified and optimized your core business, selling it is still a process, and more of a marathon than a sprint.

Don't underestimate the time and resources required to do it right. As good as they might be, businesses do not sell themselves.

Don't let all the efforts in the first four resolutions go to waste by ignoring this one.

Future columns will hone in on specific parts of this process. But with all this, you will be better positioned for the ultimate resolution — getting the most from your business, and your life afterwards.

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