Sell Off Non-Critical Assets to Raise Cash

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The scenario: Insignificant assets are hogging resources — without a clear payoff in sight.

The tactic: Keep the parts of the business that will help the company grow; get rid of those that likely won't.

Assets acquired in a boom market can become liabilities in a slowdown for a company that grew too fast or accumulated extra baggage during an acquisition. The same can be true for companies that generate ideas, projects, and intellectual property during the normal course of business and don't have the time or resources to capitalize on them. For both, it can make sense to unload those assets — from real estate to patents — for cash.

Done right, selling so-called non-core assets has little impact on the forward momentum of a business. A company can potentially buy back what they sold later, when conditions improve. But more likely, the disappearance of an insignificant asset may mean an opportunity to focus on growing other, more promising parts of the company at a faster rate.

Selling assets can obviously bridge a budget gap in the short run. Cash-poor GM, for example, is considering selling its new headquarters for about $500 million and renting the same space from a new owner. But it's not just a desperation tactic and can also be a smart long-run strategy. A company that's working with a joint venture, for instance, could sell an additional stake to that partner to lower its operating costs — while still realizing the gains of shared work. On the downside, the company would probably lose some revenue, too, but if it's averting a cash crunch or making a major debt payment with proceeds of the stake sale, then that may be a bigger gain. SanDisk recently announced plans to sell 30 percent of its manufacturing capacity to Toshiba, a joint-venture partner, which will lower its capital spending and production commitments — while bringing in cash and curbing equipment lease obligations by $1 billion.

Caution: Losing ownership stakes in non-core assets can come back to bite a company later. What if that non-core asset accumulates a lot of value over time? Also, running a business with a partner means that partner becomes a variable, rather than a fixed, aspect of business operations — they may have more of a say over how business gets done, for example.