

Making a Graceful Exit

People who own businesses need to plan wisely for getting out

By Ryan Carter, Staff Writer

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GLENDORA – Royce Stutzman knew several years ago that as baby boomers started retiring, they would need advice on how to unload their businesses.

As an accountant, his clients kept asking about it.

The problem was, they were asking others, too, and getting different answers from accountants, lawyers and bankers.

“They would end up sitting there and doing nothing,” he said.

But the stakes of doing nothing are high, said Stutzman, an accountant who ultimately made business exiting strategy –the logistics of turning over a business – his business.

Business owners who don’t plan well for exiting their business could find themselves losing it and getting nothing for it. Or, having a chance to save it, they lose the attraction from buyers because bad planning led the firm to near bankruptcy.

As the economy slogs through a deep recession, planning is vital, Stutzman said.

“It’s a tough market out there, buyers are more demanding than ever before,” he said.

He offered a few tips for business owners looking to exit their companies with something to show for years of hard work. His advice is designed to enable exiting owners “to build the story” of the business and ensure they can get maximum value for it.

- Plan. Research shows that 25 percent of business owners have researched how to unload their business – or whether the business is even viable in a new market.
- Use this time. In the current economic climate, many business owners, uncertain about their futures, decide to wait before they unload the enterprise, Stutzman said. You may have to work a little harder he added. “But that’s the time when I think those owners who have not done anything have an excellent opportunity to get their shop in shape.” He said.
- Ask questions of yourself, to look for good potential buyer.

“Owners almost carry marginal employees too long,” Stutzman said.

“Do I really need to have this cadre of people? What’s the culture of the business?”

- Plan for afterward. “What are you going to do when you don’t have the business anymore?” Stutzman said. That’s the most difficult issue for entrepreneurs, he said.

What to do with the business was something Bill Hughes, 80, and his wife Lydia grappled with right before high rent forced them to either move their *Morrissey’s Catholic Gifts* business from uptown Whittier or close.

Faced with the prospect of having to move their business, the couple, who bought in 1989, could have retired. They could have sold it.

Instead, they decided to move into another location on east Whittier Boulevard, which was easier to get to, Hughes said. Their idea was that it ultimately would be more attractive to a potential buyer in about a year.

There were no other issues.

“This is not the kind of business every Tom, Dick and Harry can walk into,” he said, adding that religious background plays a role in its operation. “You can’t be out for the money. There’s more lows than highs in this kind of business.”

Not only that, but selling immediately, or just going out of business would not be fair to its employees or to a community of costumers, he said.

Hughes agreed with Stutzman that planning is vital. “It’s important to plan ahead,” he said. “When opportunity strikes, you can take advantage of it.”

These days, many people are holding on and waiting for that better opportunity, Stutzman said.

“We’re in an economy that’s on the skids...and (business owners) are looking at that and saying I’m not sure I can move out when I expected to,” he said.

The key is to be ready.

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