Know how to end your business or rescue it

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Most businesses, even successful ones, have a point where the owner's involvement ends. Owners may sell their companies, pass them down to the next generation, or close them to pursue other interests. How do you know when it's time to move on? And if your business is in trouble, how do you turn it around so that you're not forced to close it prematurely? Tri-City business owners and advisors share their advice:

- **Plan your end.** It may seem odd to think about an exit strategy when you're establishing yourself, but it's part of business lifecycle planning, according to Coke Roth. Roth is a Kennewick-based attorney and former president of Roth Distributing, a beverage distribution business that he sold nine years ago. "The biggest problem I see is owners or partners not specifying what they expect from the business relationship up front," Roth said. "This includes what happens to the business if someone becomes disabled, divorced, dies or decides to pull out." Roth said that business owners can rest easier once a plan is in place, knowing that their wishes will be carried out. Plans should be updated as necessary.
- **Understand the pros and cons of various exit strategies.** Exit plan options can include going public by selling stock shares; being acquired, sold, merged or bought out; franchising; passing to family members and ending operations. Local business advisors can describe each option and its implications.
- **Make wise choices from the start.** Not doing enough homework at the beginning of new venture can spell disaster later on. Chuck Wilson, a Hanford engineer and manager, has started several side businesses since 1986. "One of my earliest businesses ended after a nasty power struggle with the partner," he said. "Later, I discovered that the partner had a reputation of taking over businesses that later failed." Wilson advocates conducting an extensive background check on prospective partners and making sure all business expectations are clearly stated in writing.
- **Don't be forced into closure.** Owners sometimes don't recognize warning signs that could kill the business, according to Dallas Breamer of the Tri-Cities Enterprise Association in Richland. He lists several indicators of a business in trouble: It takes longer to pay the bills, you're choosing which ones to pay because you can't pay them all at once or your personal bank account has overdrafts from attempting to cover your business expenses. Other warning signs are vendors calling for payment or requesting cash upon delivery of supplies.

  Addressing such problems when they first arise could save a business from closing prematurely. The Tri-Cities Enterprise Association is one of several Tri-City organizations that counsel businesses on ways to remain financially stable. TEA and the Benton-Franklin Council of Governments, among others, also offer loan packages to qualified candidates.

- **Seek outside help to get back on track.** Most small businesses must weather a rough spot now and then. But sometimes tough times are an indication of a more serious problem. Advised Wilson, "Understand why you're at a crossroads and whether it's temporary cash flow problem or something more fundamental. Get an outside opinion from an objective party."

  Tom DiDomenico, from the Benton-Franklin Council of Governments, noted that seeking help is difficult for many entrepreneurs. "They've invested everything they have to make this business work, and they have trouble admitting there might be a problem," he said. The Council monitors its loan clients quarterly to make sure they stay on track financially.
  Added Breamer of the TEA, " We take off their rose-colored glasses. For example, if they tell us they've been promised income from someone, we ask, 'Do you have a signed contract? Do you have a deposit?'"

- **Know when it's time to get out.** For Stacie Walker, a certified public accountant, two employees told her they were considering leaving the company to start their own. Walker sold them the business instead. "I realized it was time to either sell it or take it to the next level," she said. "I had spent 13 years making the business successful and needed a change." Selling the business to her employees allowed Walker's clients to continue getting services from people they trusted. Walker is returning to school for her Ph.D. in business, then plans to join a university faculty.

  For Coke Roth, the decision to sell the business was drawn out and difficult. "This was a company that my great grandfather started in 1919," he said. "We kept thinking, why should this generation be the one to end it?" But as profits remained static while demands increased from suppliers, customers and employees, Roth decided it was time for a change. The fast-approaching "glass ceiling," coupled with his father's declining health, confirmed the timing of the decision. As with many entrepreneurs, Roth's past experiences prepared him for his next career.