The State of Owner Readiness

Benchmarking lower middle market businesses and educating owners on the differences of “attractiveness” versus “readiness”
A FIRST-LOOK AT THE GREATER L.A. STATE OF OWNER READINESS

Los Angeles businesses are predominantly owned by baby boomers.

49% of respondents were Boomers, still the largest age group, but a bit lower than US Census data which reflects approx. 63% boomer-ownership for privately-held companies. Note: 60% were over the age of 52, which means that successful conversion of the business wealth is likely top of mind.

DESCRIPTE LOS ANGELES IN TWO WORDS? FROM SCRATCH.

68% of Surveyed Owners indicated they began their business from scratch.

Greater L.A. survey data displayed a high concentration of small businesses under $5 million (consistent with US Census data for American privately-held companies), and most indicated that the current owner also founded the company.

Greater Los Angeles Surveyed Data:
- 54% Annual sales of less than $5 million.
- 41% Sales in the range of $5 million–100 million.
- 5% Sales of $100 million or more.

National US Census Data:
- 94% Annual sales of less than $5 million.
- 5.8% Sales in the range of $5 million–$100 million.
- 0.2% Sales of $100 million or more.

When it comes to controlling ownership, family matters...

...at least 71% of the time.

Surveyed owners reported the following data when asked about the nature of their business ownership/controlling interest:
- 57% Family Owned
- 14% Family/Outside Ownership (FAMILY CONTROLLED)
- 12% Outside Ownership
- 0% Family/Outside Ownership (OUTSIDE CONTROLLED)
- 17% Public Company
“Having a transition strategy is important both for my future and for the future of my business.”

According to the survey results from Greater Los Angeles, 32% of owners have no plans to transition. This statistic is particularly significant as most of the surveyed demographic are 52 years old or above, and who are also the most susceptible to experiencing the “5 Ds”: death, divorce, disability, distress, or disagreement.

Lack of exit readiness is a significant decision in a Boomer dominated market. The good news is that getting “exit” educated is your first step.

68% OF OWNERS AGREE WITH THIS STATEMENT:

“Having a transition strategy is important both for my future and for the future of my business.”

NOTE: Zero owners disagreed with this statement

AND YET...

The very same surveyed L.A. area owners reported the following data which proved contrary to the statement that readiness was actionably important:

- 60% OF OWNERS HAVE DONE NO PLANNING AT ALL
- 79% HAVE NO WRITTEN TRANSITION PLAN
- 69% ARE NOT FAMILIAR WITH ALL EXIT OPTIONS

IF YOU DON’T DO ANYTHING, WILL NOTHING HAPPEN?

Although 68% of owners intend to transition in the next 10 years...

- 80% HAVE NO FORMAL ADVISORY BOARD OR TRANSITION TEAM
- 69% HAVE NOT DOCUMENTED A CONTINGENCY PLAN FOR FORCED EXIT

68% OF LOS ANGELES OWNERS INTEND TO TRANSITION IN THE NEXT ONE TO TEN YEARS.