

COMMON READINESS ISSUES

Below is a sampling of some of the many possible personal, financial, and business readiness issues I frequently see during assessments.

COMMON PERSONAL READINESS ISSUES

- ⇒ No owner goals and objectives
- ⇒ No owner consideration to "What next?"
- ⇒ No advisory board or formal transition team
- ⇒ No contingency plans
- ⇒ Dated buy-sell agreement
- ⇒ Shareholders and/or family members not on the same page
- ⇒ Forced generational transfer
- ⇒ Failure to mitigate personal risks
- ⇒ Health issues

COMMON FINANCIAL READINESS ISSUES

- ⇒ Income requirements post-transition (e.g., standard of living adjustment needed?)
- ⇒ Needs vs. wants not identified
- ⇒ Financial plan does not consider the value of the business or has an outdated, overstated, or understated opinion of value
- ⇒ Net proceeds analysis—what you keep is what matters most
- ⇒ Tax and estate planning not started soon enough
- ⇒ Risk sensitivity analysis and profile
- ⇒ Inappropriate portfolio allocation
- ⇒ Financial plan not aligned with personal plan and business plan

COMMON BUSINESS READINESS ISSUES:

- ⇒ Missing, outdated (> 2 years), overstated, or understated valuation
- ⇒ Stated EBITDA inaccurate—not recasted or not recasted properly
- ⇒ Multiplier not adequately adjusted for risk such as customer concentration or owner dependence
- ⇒ Business is not bankable
- ⇒ Creditability of financial information an issue—lack of audit, review, or compilation of financial statements
- ⇒ Availability of interim information
- ⇒ Forecasting (basis, accuracy, assumptions)
- ⇒ Management/key employee retention
- ⇒ Have not addressed management succession—will key employees stay on?
- ⇒ Threat of losing key people—is tribal knowledge retained?
- ⇒ Customer concentration, meaning one customer accounts for more than 25% of total sales
- ⇒ Ownership group at odds
- ⇒ Fishing for an unrealistic price

DEAL KILLERS

Deal killers are easy to identify by a third party. They include things like:

- ⇒ Owner dependence
- ⇒ Lack of documentation
- ⇒ Lack of transferable systems and processes
- ⇒ Product liability
- ⇒ EPA/safety
- ⇒ Lawsuits