

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- == Financial plan does not consider the value of the business or has an outdated, overstated, or understated opinion of value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- == Missing, outdated (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