

**Recent Business Owner Survey on Owner Dependency
 Reveals an Average Score of 52%**

In a recent release of findings from an ongoing research effort being conducted by Pinnacle Equity Solutions, Inc., a national leader in the emerging field of business transition planning, it was revealed that business owners, on average, score 52% in terms of the level of dependency that a company has on their individual efforts. Generally speaking, the more dependent a business is on the efforts of the owner, the harder it will be for the company to transition to a new owner. This newsletter discusses these findings and provides insights for owners of privately-held businesses to learn how you might begin planning for your own business transition or exit in the future by knowing more about how dependent your fellow owner's companies are on their individual efforts.

A National Crisis of Owners Unprepared for Transition of their Companies

It is broadly realized that the United States has millions of baby boomers who own businesses and will be looking to transition their companies in the next number of years. In November of 2015, Pinnacle Equity Solutions launched its latest, innovative software survey tool called the Owner Dependence Index™ (“ODI™”). This seminal tool provides a system for owners and their professional advisors to

assess how dependent a company is on the individual efforts of the owner(s) of that business. Pinnacle created this tool out of a recognition that the landscape of baby boomer business owners is full of those who would like to exit their businesses in the near future but do not currently have a plan or strategy to do so.

Because the failure rate of business transitions is so high, Pinnacle sought to examine a key area, Owner Dependency, to better evaluate how to assist owners with protecting and transitioning their largest asset, their privately-held business.

ODI™ Assessment

A business owner's ODI™ score is an indication of how dependent the company is on their individual efforts. For example, a business owner with a High ODI™ score, say 80%, is someone who is very involved in their business. By contrast, a Low ODI™ score reflects an owner who has hired AND empowered others to oversee and manage significant portions of that owner's business, amongst other factors. The ODI™ score is an overall indication of a business's ability to transition successfully to a new owner. In other words, a Low ODI™ score indicates that an owner has Created a Transferable Business™ that someone else could own and run with the management team and systems in place today.

The twenty (20) minute ODI™ assessment includes forty (40) questions that rank a company's dependence on that owner.

The data presented in this newsletter are the current results of the ODI™ tool being used in the marketplace, surveying owners of operating companies who have completed this assessment. The results provide a view through which we all can better understand an owner's attitude and preparedness for their future business exit.

ODI™ Survey Results

As mentioned at the beginning of this newsletter, of the business owners who completed the ODI™ survey to date, the average overall score is 52%. The data presented in this newsletter are the initial results of five hundred and sixty (560) owners of operating companies who have completed this ODI™ assessment. The lowest ODI™ score in the sample was 10% and the highest Owner Dependency recorded was 98%.

High Owner Dependency

The following attributes apply to owners who scored above the 52% average, national score. As a group, they generally:

- Are very involved in the day-to-day running of the business
- They do a majority of the hiring, managing and firing of employees
- Plan for the company's strategic direction by themselves, with little to no input from others
- Do not share their company results with anyone except their accountant (and what they choose to tell the IRS)
- They are involved in writing checks, running payroll, paying bills, handling accounting
- Are personally liable for the debts of the business
- Oversee the business performance with little delegation or empowerment to managers

- Handle a large portion of the sales and marketing, and
- Influence the company's culture in a material way

These traits vary in degree amongst different owners who completed the ODI™ survey but are generally true for owners with a high ODI™ score.

Low Owner Dependency

Owners who score below the national average of 52% ODI™ score generally are much better at empowering others to handle critical tasks within the business and some of these owners have even assembled a functioning board of advisors who hold these owners accountable for certain activities in the business. Overall the lower the score the more transferable the business.

How Can You Apply These Survey Results to Your Transition Plans?

As you review the list of traits in the preceding paragraph regarding owners with a high ODI™ score, you may see many that apply to you. If so, you may begin to consider your own ODI™ score and whether or not your company is truly transferable to someone else.

The important message to all business owners who are desirous of one day successfully exiting their business is to learn about your own company's dependence on you, not only so that you can one day turn the business over to someone else at a higher value, but also so that you can, today, enjoy certain freedoms that come from empowering others to assist you in the running and managing of your privately-held business.

These are important considerations and changes that you can control today so that you can plan for a transition of your company in the future.

Concluding Thoughts

We hope that this newsletter has accomplished the objective of having you understand what your peers are thinking and doing for their exit plans so that you can better define your own.

Private Wealth Advisor

[Cathey Paine, CBEC, CEP, CLTC is a registered representative of Lincoln Financial Advisors Corp.](#)

Securities offered through Lincoln Financial Advisors Corp., a broker/dealer (member SIPC). Investment advisory services offered through Sagemark Consulting, a division of Lincoln Financial Advisors Corp., a registered investment advisor. Insurance offered through Lincoln Marketing and Insurance Agency, LLC and Lincoln Associates Insurance Agency, Inc. and other fine companies.

Please do not send any trading or transaction instructions through this email. They will not be honored or executed. Should you need immediate assistance, please call the Lincoln Financial Advisors trade desk at 1-800-237-3815.

If you do not wish to receive future e-mails from me, please call me at 818-540-6945, fax me at 818-540-6991, or e-mail me at Cathey.Paine@lfg.com. We will comply with your request within 30 days.

Lincoln Financial Advisors Corp. and its representatives do not provide legal or tax advice. You may want to consult a legal or tax advisor regarding any legal or tax

information as it relates to your personal circumstances.

CRN-2517812-042519