

# How much of your business relies on you?

A 12-month owner dependence audit



### Key takeaways

- Businesses can carry owner dependence risk through customer relationships, undocumented processes and key decisions that require the owner's involvement.
- Reducing that dependence can strengthen **business continuity** and help protect the value you've built.
- Buyers may be willing to pay more for businesses with transferable value and less risk—those that run more on strong systems and a capable management team than on the owner.
- A 12-month plan can help your business run more independently, even if you're not preparing to sell.

You've built a valuable business, but how much of that value depends on you?

For many business owners, the answer may be more than they realize. Key customer relationships may depend on them. Critical processes may exist only in their head. Important decisions may require their involvement. While that may not create issues today, it can make the business harder to operate, scale or adapt when circumstances change.

### Why this matters to buyers

If you ever plan to sell, two things often drive what a buyer is willing to pay: transferable value and reduced risk.

Buyers typically aren't looking to gain a job, instead they want a system that keeps producing value after you leave. When customers, know-how and decisions are tied to you personally, that value is often hard to transfer and may therefore be less valuable to a prospective buyer.

Owner dependence can also read as risk—what happens to revenue, key accounts and daily operations if you are unavailable? Buyers may price that risk in through a lower multiple, longer transition period or an earnout. They could also walk away from the deal altogether. Reducing owner dependence can help you address both problems at once, because it helps make the business easier to hand off and less risky to own.

## A 12-month owner dependence audit

Imagine you're unavailable for 30 days. Who knows which customers need attention? Who can approve major purchases? Who knows how to solve the operational problems that normally come to you?

The answers can reveal where your business relies too heavily on one person.

As you review the year and plan for the next one, Q4 is a natural time to assess where your business relies most heavily on you and make a 12-month plan to address three key areas where owner dependence often shows up.

## 1. Months 1-3: Strengthen critical customer relationships

You may be the primary reason certain customers stay. Perhaps you personally handle the largest accounts, negotiate contracts or serve as the trusted point of contact.

That can be an asset, but it can also create concentration risk if customers are uncertain about who to work with in your absence.

To help mitigate this risk, identify your most important customer relationships. For each one, ask:

- Does someone else have a direct relationship with this customer?
- Could that person confidently maintain this relationship if I were unavailable?
- Is important account history documented somewhere the team can access?

Start involving any key team members who already have relationships with those customers and introduce other key colleagues before you need them to take the lead.

## 2. Months 4-6: Document critical processes

Every business has unwritten knowledge. You may know how to handle a difficult account, price a particular type of job or resolve a recurring operational issue because you've done it hundreds of times.

The risk is that when critical knowledge only lives with you, no one else knows how to apply it.

Document the processes that would be the most difficult for someone to take over in your absence. Write each step out in plain language and include the key points of contact, what decisions need to be made and where important information lives.

Then have someone else follow the process without your help. Their questions will show you what still needs to be clarified. Once you revise your documentation accordingly, make sure your team members know where to access it.

## 3. Months 7-9: Evaluate decision-making

Owner dependence can also show up in the number of decisions that wait for your approval.

Look at the day-to-day matters that regularly require your attention to move forward. Determine which ones genuinely need your involvement and which could be delegated with the right training and guidelines.

Rather than hand everything off to your team members, focus your involvement where your experience and judgment add the most value.

## 4. Months 10-12: Put the changes into practice

Finish your audit by looking for evidence that the business is becoming less dependent on you and assessing whether you need to make additional adjustments. In addition to observing day-to-day operations, you might consider stepping away for a few days to test those changes in real time.

Notice which customer issues still come directly to you, which processes are difficult for others to follow, and which decisions continue to rely on your approval. Use that information to make necessary changes and set priorities for the next quarter. You might focus on transferring certain important customer relationships, clarifying recurring processes or expanding a manager's authority.

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## Underneath it all: Build a strong management team

A capable management team is what lets customer relationships, documented processes and delegated decisions keep working once you step back. Often it's the difference between a plan on paper and a business that genuinely runs without you.

As you work through the audit, take the time to invest in your management team. You might give managers decision-making authority and put it in writing, tie team goals to measurable KPIs and start training at least one successor for every key role. A business with an empowered, accountable management team is often less risky and may be more valuable whether or not a sale is on the horizon.

## Not sure where to start? Take the Owner Dependency Test

Before you build your 12-month plan, it helps to know exactly where you stand.

The Owner Dependency Test is a short assessment that scores your business across the four areas relevant to buyers and to day-to-day resilience—management team, relationships and brand, revenue and sales, and financial—and flags areas that may warrant additional attention. This can help turn this article's 12-month plan from a generic checklist into a plan built around your business's actual score. If you'd like to take the Owner Dependency Test, ask your advisor to help you get started.



## Planning for tomorrow can help strengthen your business today

Reducing owner dependence isn't just about preparing for a time when you might leave. It can also make your business more resilient while you're still running it.

Expanding your team's responsibilities, documenting processes and broadening customer relationships can create capacity for growth, make onboarding easier, strengthen trust and improve communication. Shifting some of your decision-making duties can also free you to focus on higher-value priorities.

The goal is to preserve your importance to the business while reducing its dependence on one person.

Your business may be one of your largest assets, so **changes to its value** or cash flow may affect your broader financial plan. Your advisor can help identify areas that might need extra attention, coordinate with your other advisors and assess the **business's role in your overall financial picture**.

For more information visit: [mariner.com](https://mariner.com)

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Results are based on the information provided and the methodology used and may not reflect all factors relevant to a particular business, prospective buyer or transaction. Buyer considerations and business valuations vary based on the circumstances. Reducing owner dependence or addressing areas identified through these tools does not guarantee an increase in business value, a particular valuation or multiple, or more favorable transaction terms.

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