

EVERGREEN® EXITS

A DIVISION OF EVERGREEN WEALTH SOLUTIONS

HOW CAN I SCORE MY COMPANY'S OWNER DEPENDENCE?



A majority of private businesses are highly dependent upon an owner's individual efforts. Most owners intuitively understand that if they are a critical part of each area of their business, then it is going to be very difficult to have a business transition to a new owner. And, as a result of not having a transferable business, owners stand to see their companies stagnate and potentially lose much of the value that they have created. This newsletter describes the Owner Dependence Index™ (ODI™), which is an online tool that was created to help owners score the dependence that their company has on their individual efforts.

About the ODI™

The Owner Dependence Index™ is a free online survey tool that allows owners of privately-held businesses to measure the amount of dependence that their business has on their individual efforts. Owners take a forty (40) question, twenty (20) minute assessment and get a score from 1% to 100% that lets that owner know how dependent their business is on their individual efforts. The ODI™ was created to help owners take this measurement and then work, over time, in a focused manner to reduce the amount of dependence that their company has on them. These efforts are generally made to assist an owner in growing their company as well as setting the stage for a transferable business and for a future owner (i.e. to have the business run without the owner).

Eight Owner Dependence Categories

The ODI™ assessment measures eight (8) categories where an owner interacts with their business, as described below:

1. Owner Involvement

The owner involvement section of the ODI™ has eight (8) questions that ask about how much vacation time an owner can take from their business each year, how many key relationships and negotiations the owner personally handles as well as the owner's role in developing, selling, and delivering the company's products.

2. Internal Operations

The internal operations section of the ODI™ has seven (7) questions that examine the level of involvement that an owner has with the internal running of the company including hiring and firing decisions, internal reporting, allocating resources and oversight of key reporting metrics.

3. Strategy & Planning

The strategy & planning section of the ODI™ has five (5) questions that ask about how the goals and the strategy for the company are set and monitored. It also asks about the leadership of the company, including how much industry knowledge and subject matter expertise is held by the owner.

4. Governance & Ownership

One advantage for many owners is that they do not report the status of their company to anyone other than the IRS or their bank. The governance and ownership section of the ODI™ has



questions relating to the ownership and the board of directors for the company. These questions serve as an indicator of how much, if at all, the owner is focused on how others / outside parties view their business.

5. Financial Matters

The financial section has four questions that ask about the controller / CFO functions, including the financing of the company, personal guarantees on credit lines as well as how involved the owner is in allocating financial resources. This section helps the owner think through the impact of funding the business if something was to happen to them.

6. Performance Management

The performance management section has four questions that ask about an owner's involvement with the incentive and compensation plans for the company as well as oversight and management of the performance

planning. These questions are an indicator of how essential an owner is to overseeing the growth of the business.

7. Sales & Business Development

The sales and business development section of the ODI™ has five (5) questions asking about how large a role the owner plays in the sales functions of the business, including relationships with customers, pricing, as well as attendance at trade shows. The answers to these questions will demonstrate how the company revenue would suffer in the owner's absence.

8. Company Culture

The company culture section of the ODI™ has four (4) questions that inquire into the owner's ongoing influence over the culture of the business, including values and innovation beyond the owner.



Concluding Thoughts

The Owner Dependence Index™ helps owners understand and determine whether they are a critical part in their business and how much their business depends on them. The survey not only helps the owner analyze the business' overall dependence, but the eight (8) categories also helps demonstrate how dependent the business is in each category within the business. The overall results, as well as the results from each category, can be very helpful to reduce owner dependence when working to create a focused and customized plan for their exit.

Are you ready for next steps?

Click to complete our Business Readiness Survey and connect with our team.