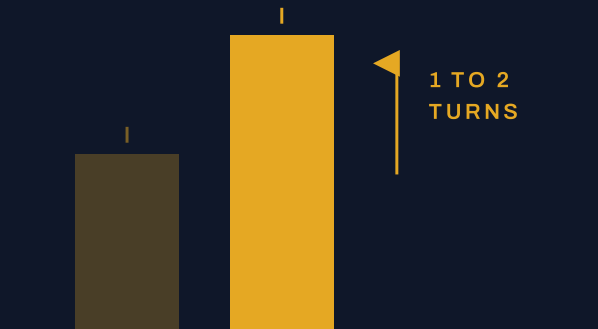




FOR OWNER-LED COMPANIES

The Owner Dependency Discount

Why a company that runs on its owner is worth less than the same company run by a team, what the gap is worth in dollars, and how long it takes to close.



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A note on the figures

Every number in this paper is sourced and the sources are listed on page 16. Nothing here is an estimate of our own, and none of it has been rounded up.

About Growth Right Solutions.

Growth Right Solutions places a Chief AI Officer inside owner-led companies that cannot justify hiring one full time.

The work is done with a client's leadership team rather than handed to them. Strategy, governance, and building sit in one accountable seat, instead of a strategist, a builder, and a vendor who each answer for a different part of the result.

Who we work with

Owner-led and family-owned companies, including partnerships, between \$20M and \$40M in revenue with 40 to 250 employees. No private equity, no venture investors, and no outside board. The people in the room can decide.

Specialty contracting, large home services, roll-ups and holding companies, and emerging franchisors.

Why we wrote this

The work that documents a business and moves it off the people who remember how is the same work that gives a leadership team its evenings back. Owners tend to hear about one half of that and not the other. This paper is the half that shows up at the closing table.

Who wrote it

W. Ed Becker spent twenty six years running a managed IT services company, where the average client stayed 17.5 years against an industry norm of three to five. Before that, seventeen years in government technology as Director of the Eastern Zone for the General Services Administration.

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SECTION ONE

What a buyer is actually paying for.

An owner selling a company he built for thirty years expects to be paid for what he built. A buyer is paying for something narrower than that.

A buyer is paying for the part that keeps running after the owner leaves.

Everything else is real, and it mattered enormously, and it does not transfer. The relationships that exist because of who you are. The judgment calls that get made correctly because you have made them a thousand times. The exception a customer gets because you remember why. None of that appears on a balance sheet and none of it survives a closing.

This is not a buyer being difficult. A buyer who pays for a business and receives a job has made a poor investment, and every buyer knows the difference. The whole of diligence is an attempt to work out which of the two is being sold.

The one sentence version

Buyers do not pay for the business the seller built. They pay for the business that can run without the seller.

The best operators have the most to gain

The owners with the most to gain here are often the best ones. A founder who is exceptional at sales, who knows every customer, who can price a job in his head and be right, has built a company that performs well and carries a great deal of its value in one person. Those strengths are exactly what becomes transferable once they are written down.

An operator who was forced to delegate early sometimes sells for a higher multiple on lower earnings, for exactly this reason. The good news in that comparison is that delegation is a decision rather than a talent.

SECTION TWO

What owner dependency actually means.

It is not about hours worked. An owner who puts in seventy hours a week on strategy has a lifestyle problem. An owner who puts in thirty hours a week approving pricing exceptions has a valuation problem.

Dependency is about **what only you can do**, not how much you do.

The four questions a buyer is really asking

Do the customers belong to the company or to the owner? If the top ten customers would take a call from a new owner without hesitation, that is a company relationship. If three of them would want to know whether you were still involved, that is a personal one.

Can a decision be made correctly without you? Not any decision. The recurring ones. Pricing exceptions, credit terms, scheduling conflicts, quality calls.

Is the way the work gets done written down anywhere? Not in a binder nobody opens. In a form that a competent new person could follow.

Is there anyone who could run this next year? A buyer is underwriting the management team as much as the business.

A USEFUL DISTINCTION

There is a difference between a company that needs you and a company that prefers you. The first one is discounted. The second one is a premium, because a buyer who wants you to stay will pay to keep you and structure the deal around it.

Most owners assume they are the second. Diligence is where they find out.

SECTION THREE

The number, and where it comes from.

The discount is measured in turns of EBITDA rather than in percentage points, because that is how buyers price it.

The figure

Owner-dependent businesses sell at a 1.0 to 2.0 turn EBITDA discount against comparable management-run peers. That comes from FISART's analysis of closed transactions across thirteen service industries between the first quarter of 2024 and the fourth quarter of 2025, covering enterprise values from \$1M to \$50M.

What else the transaction data shows

It is the most common discount there is. Owner dependency is the single most prevalent factor reducing earnings multiples in lower middle market sales, and industry surveys put its prevalence at roughly eighty percent of owner-led companies.

It shows up in the deal terms as well as the price. Buyers manage transition risk by reducing the cash paid at closing and by requiring earnouts that keep the founder in the business for three to five years afterwards. An owner can accept a fair headline number and still find he has sold his next three years.

It is a common reason a sale does not happen at all. Only twenty to thirty percent of businesses brought to market actually sell, and a lack of preparation around owner-held responsibilities is a consistent driver.

The wider range you will also see quoted

Some advisors put the effect considerably higher, describing founder-dependent companies trading at three to four times EBITDA where independent peers reach seven to eight. Others express it as a twenty to forty percent discount on enterprise value where a business could not operate for ninety days without its owner.

Those are larger claims from smaller samples. We use the one to two turn figure throughout this paper because it comes from closed transaction data and because it is the conservative end of the range. The point does not need the larger number to hold.

SECTION FOUR

What the gap is worth on a real company.

Take a specialty contractor doing \$30M in revenue at a ten percent EBITDA margin, which is \$3M of adjusted EBITDA. GF Data put lower middle market specialty contractors at 5.5 to 6.2 times EBITDA in the first quarter of 2026, so call the sector mid-point 5.8.

Run by a management team



\$17.4M

5.8 times EBITDA, the sector mid-point

Dependent on the owner



\$12.9M

4.3 times EBITDA, after a 1.5 turn discount

THE DIFFERENCE

\$4.5 million

Same revenue. Same profit. Same customers, same trucks, same crews. The only difference is whether the business runs on documented systems and a management team, or on the person who founded it.

HOW TO READ THIS

This is illustrative rather than a valuation. The margin, the multiple, and the size of the discount will all differ for any particular company, and a real number requires a real analysis.

What does not change is the shape of it. On a company of this size, one and a half turns is measured in millions, and it is the largest single number an owner has any control over in the two years before a sale.

The same arithmetic at other sizes

ADJUSTED EBITDA	AT 5.8X	AT 4.3X	DIFFERENCE
\$1.5M	\$8.7M	\$6.5M	\$2.2M
\$3.0M	\$17.4M	\$12.9M	\$4.5M
\$5.0M	\$29.0M	\$21.5M	\$7.5M

SECTION FIVE

How a buyer finds it.

Nobody asks whether a business is owner-dependent, because nobody would answer yes. A buyer works it out from things that are harder to manage.

What they look at

Your calendar. A buyer who sees the owner in forty meetings a month that have nothing to do with strategy has learned what he needs to know.

Who signs what. Approval thresholds tell a buyer exactly which decisions the company cannot make on its own.

Who the customers ask for. Buyers speak to customers during diligence. The question is rarely direct, and the answer is usually clear.

What is written down. A request for process documentation is partly about the documents and mostly about how long it takes you to produce them.

What happens in the room. When a question is asked of the leadership team and everyone looks at the owner, that is the finding.

Your own vacation history. An owner who has not taken two consecutive weeks off in six years has told a buyer something without being asked.

Which is why the timing works in your favor

Everything on this list responds to work done steadily over a couple of years, and a buyer can tell the difference between that and documentation produced in a hurry. An owner who starts now is building something that will read as simply how the company works by the time anyone looks at it.

SECTION SIX

The thirty day test.

There is a simple version of all of this that an owner can run without an advisor, and it takes about ten minutes of honest thinking.

The question

If you disappeared for thirty days starting tomorrow, with no phone and no email, what would happen? What would still run, and what would stop?

Write the list. Not the reassuring version. The real one.

Then ask a harder question, which most owners find changes the exercise entirely.

The second question

Now ask it about your receptionist. Your quoting person. Whoever closes the month. What stops if they disappear for thirty days?

The second answer is often more alarming than the first, and it is the one a buyer will find. An owner usually has some plan for his own absence. Very few companies have any plan at all for the person who has been at the front desk for nineteen years and knows which callers matter.

What the test tells you

Every item on those two lists is one of three things. It is work that should be documented so somebody else could do it. It is work that should be handled by a system rather than a person. Or it is genuinely the owner's job and always will be.

The third category is usually the shortest of the three, which is the encouraging part. Sorting the list into those three piles is the beginning of the work, and it takes an afternoon.

SECTION SEVEN

Where dependency hides.

It is rarely in the obvious places. Companies at this size usually have the big things covered and lose value in the small ones that nobody ever thought to write down.

FUNCTION	WHAT IT USUALLY LOOKS LIKE
Front desk	One person knows which callers matter and which can wait, and none of that exists anywhere but in her head.
Sales and quoting	Pricing exceptions route to the owner. A quote waits three days because the one person who knows the numbers is on a roof.
Operations	Scheduling works because somebody holds the whole picture. The system holds part of it.
Finance	Month end waits on one person and everybody knows it. Collection calls land on the owner's desk because nobody else can offer a payment plan.
Customer relationships	Several customers will only talk to the owner, and have done for years.
Training	New people learn by watching the person before them, because the job has never been written down in a way anyone could learn it from.
Management	A standing weekly meeting exists to answer questions the systems should already have answered.

WHY THE PATTERN IS WORTH MORE THAN THE PIECES

Each of these is small on its own, and each is straightforward to write down on its own. What a buyer sees is the pattern across all seven, and that is also where the value sits.

Seven functions documented is not seven small improvements. It is a company that visibly runs on its systems, which is a different company from the buyer's side of the table.

What actually closes the gap.

Three things, in this order. The order matters more than most owners expect, because doing them out of sequence is why so much of this work fails.

One. Write down what only exists in people's heads

Not everything. The processes that would stop if a particular person were unavailable. This is unglamorous and it is where most of the value is, because it converts a dependency into an asset that transfers.

Two. Move the repeatable work off the people

Once a process is documented, some of it can be handled by a system rather than by a person remembering to do it. A system that answers the phone around the clock, books appointments, and routes what it cannot handle is not a productivity tool. It is the removal of a dependency, and it happens to give somebody their evenings back at the same time.

This is where this work differs from writing procedures. A documented process still depends on a person reading it and following it. The step that removes the dependency is turning that written process into software that performs the work itself, consistently, around the clock, without anyone remembering to start it.

An exit planner will tell you to document. An operating framework will tell you to assign an owner. Both are right and both stop short. What moves a company across the line a buyer is looking at is process that has been written down and then built, so that it runs whether or not the person who used to do it is at their desk.

Three. Prove it worked

Record where things stand before the work starts. Without a starting point, nobody can demonstrate the change afterwards, including you. A buyer looking at a documented process with measurements attached is looking at evidence. The same process without measurements is a claim.

Why the order matters

Automating a process nobody wrote down produces a system that works the way one person happened to describe it on the day they were asked. Building before documenting is the most common and most expensive mistake in this work.

What a buyer sees at the end of it

Documented processes, a leadership team that answers questions without looking at the owner, systems with a named owner and a record of performance, and an owner who took a two week holiday last year and nothing happened. That is a different company from the buyer's side of the table, and it is priced differently.

Why eighteen to thirty-six months.

This is the part that determines whether any of it is worth doing, and the timeline is not arbitrary.

Documentation takes about a quarter per function

Writing down how work actually gets done, rather than how it is supposed to, takes the people who do it. They have other jobs. Seven functions at roughly a quarter each is most of two years, and doing them all at once produces documents nobody uses.

A system has to run before it counts

A process that has been automated for six weeks proves nothing. One that has run for three months, been measured, and been tuned is evidence. That is a real constraint on how fast this can go.

A buyer wants to see a track record, not a project

Changes made in the last quarter before a sale are visible as such. Changes made two years out are simply how the company works.

And the team has to absorb it

Three changes a year is roughly what a leadership team can take on while still running the business. Faster than that and adoption fails, which puts you back where you started with the cost already spent.

What this means for timing

An owner thinking about a sale in three to five years is not early. He is on time. An owner who begins this work when the broker is already engaged has left the largest controllable number on the table.

SECTION TEN

What this work buys you, even if you never sell.

Many owners reading this have no intention of selling. The work still pays, and it pays sooner than any transaction would.

Your evenings and weekends

Every dependency in section seven is something that currently follows you home. The pricing exception that arrives at seven in the evening. The quote that has to go out before Monday. The call only you can take. Each one you move onto a documented process or a system is one that stops arriving, and that is the same work that lifts the multiple.

A leadership team doing leadership work

People who are not holding jobs are building the company. A leadership team freed from closing the gaps between systems is a leadership team deciding what the business becomes, which is what you hired them for and what most of them would rather be doing.

Your own position back

An owner who is no longer the answer to every question gets to set direction again. That is the job most owners thought they were taking when they started, and it becomes available the moment the operational questions have somewhere else to go.

And your options

A company that runs on documented systems can be sold, passed to family, held while the owner does something else, borrowed against, or simply enjoyed. The work does not commit you to selling. It hands you the choice, which is worth having whether or not you use it.

THE RETURN

The four freedoms.

Everything in the previous section adds up to the same four things, and they are the reason this work is worth the effort.

Freedom of time, because the hours come back. The evening call that no longer arrives. The two consecutive weeks you have not taken in six years.

Freedom of money, because a company that runs on documented systems costs less to operate and is worth more when anyone puts a price on it.

Freedom of relationship, because you choose who you work with rather than personally holding every relationship the business has. That applies to customers, and it applies to the people you spend your days with.

Freedom of purpose, which is the one people reach for later and want most. It is also the only one of the four that cannot be put in a spreadsheet, which is probably why it goes unmentioned in most conversations about business value.

And the freedom underneath all four

Optionality. A company that runs on documented systems can be sold, held, passed on, borrowed against, or simply enjoyed, and the owner decides which. A company that runs on its owner has one option, and it is the one he is already doing.

Why this is the one that lands

Almost nobody started a business because they wanted a job. They started it because they wanted to lead, and because they had a picture of what they could build.

Then the work arrived, and they ended up doing the things nobody else could do, would do, or that they would not hand over. The four freedoms are not a lifestyle upgrade. They are a return to the reason they started.

THE LINE WORTH REMEMBERING

The work that gives you your evenings back is the same work that makes your company worth more. Those are not two projects.

SECTION ELEVEN

Where to start this week.

Four things, none of which requires hiring anyone or buying anything.

Run the thirty day test, and write the list down

Both versions. Yours and your key people's. Sort every item into documented, systematized, or genuinely yours.

Name the person who carries the most in their head

Then ask them to spend two hours writing down what they actually do. Not their job description. What they do on a Tuesday. This single exercise usually surfaces more than anyone expects, and the person asked is almost always glad to be asked.

Record three numbers

Pick three measures that describe how the business runs today. Calls answered and missed. Days from quote to decision. Hours between a customer request and a response. Whatever matters in your business. Write them down and date them. In a year they are the only evidence you will have that anything changed.

Get your leadership team in a room and ask one question

If you could change one thing about how this company runs, what would it be? Go around the table and let everyone answer before anyone responds. The answers will tell you where to start, and they will not be where you expected.

THESE FOUR ARE YOURS TO DO

All four can be done without help, this week, at no cost, and they are worth doing whether or not anyone else is ever involved.

What outside help adds later is sequence and follow-through, which is a different question from whether to start.

What this document cannot do for you.

It is not a valuation

The figures here describe patterns across many closed transactions. Your company is one company. The multiple that applies to you depends on your sector, your size, your customer concentration, your growth, your margins, and a dozen other things this paper knows nothing about. A number for your business requires an analysis of your business, and that is work for a valuation professional or an M&A advisor rather than for us.

It cannot tell you which dependencies matter most in your company

Section seven lists where dependency usually hides. Where it hides in your business, and which instances are worth the effort of removing, requires someone walking through how work actually moves from first contact to getting paid.

It cannot make the work happen

Every owner who reads this will agree with it. Most will do nothing, not from lack of intent but because the work competes with running the company and the company always wins. Sequence and accountability are what change that, and neither comes from a document.

If you want the rest of it

Growth Right Solutions works with owner-led companies to find where the work is actually getting stuck, document it, and move it onto systems the company owns.

The place to start is The Check. Twelve questions, about two minutes, and a reading on screen at the end. No email is required and the reading is yours whether or not we ever speak.

GrowthRight.Solutions/check

TWO COMPANION GUIDES

The AI Governance Policy Template covers what may be built and who approves it, which is the work that comes first.

The Baseline covers how to record where things stand before you build, so that in ninety days you can show what changed. Both are free at GrowthRight.Solutions.

REFERENCES

Sources.

Every figure quoted in this paper comes from one of the following. Where a range is given, we have used the conservative end.

The one to two turn discount

FISART transaction analysis, closed deals across thirteen service industries, Q1 2024 through Q4 2025, enterprise values from \$1M to \$50M. Owner-dependent businesses sold at a 1.0x to 2.0x EBITDA discount against comparable management-run peers.

Specialty contractor multiples

GF Data, Q1 2026 lower middle market transaction data. Specialty contractors at 5.5x to 6.2x EBITDA. Lower middle market average across all sectors, 7.2x.

Prevalence and deal completion

Industry surveys place owner dependency at roughly eighty percent of owner-led companies. Between twenty and thirty percent of businesses brought to market complete a sale, with preparation around owner-held responsibilities a consistent factor.

Deal structure effects

Lower middle market transaction analysis, including Valutico, identifying owner dependency as the most prevalent factor reducing earnings multiples, and buyers responding with reduced cash at closing and earnouts binding founders for three to five years.

The wider range

Strategic Exit Advisors, cited in secondary analysis, placing founder-dependent companies at three to four times EBITDA against seven to eight for independent peers. Separately, a twenty to forty percent enterprise value discount where a business could not operate for ninety days without its owner. These are larger claims from smaller samples and are noted in section three rather than relied upon.

Exit intentions

Exit Planning Institute, estimating that seventy three percent of business owners plan to exit within ten years, representing roughly \$14 trillion in private business value.

On the worked example

The company in section four is illustrative and is not a real client. The margin, the multiple, and the discount are stated so that you can substitute your own figures.

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