How An Owner's Age Impacts Their Attitudes Towards Exit

The **Value**Builder System™

Double Your Value. Double Your Offers. **Control Your Future.**

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The Value Builder Survey is a study designed to track worldwide trends in the liquidity of privately-held businesses. This study was conducted by the team at The Value Builder System™, a cloud-based software application that allows business owners to evaluate the "sellability" of their company.

We analyzed data from approximately 35,000 users of The Value Builder Score™ from around the world between July 1, 2012 and August 10, 2018. The majority of participants were from the United States, United Kingdom, Canada, Australia, and South Africa.

Business owners surveyed were profiled in four generation groups:

Millennials
: owner born between 1981 and 1996

Generation X
: owner born between 1965 and 1980

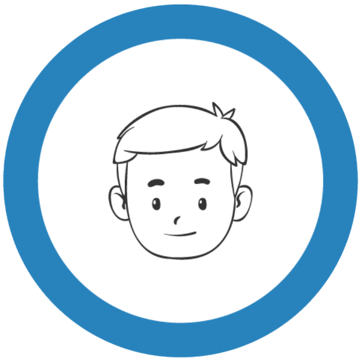
Baby Boomers
: owner born between 1946 and 1964

Silent Generation
: owner born between 1928 and 1945

Statistically significant differences at a 99% confidence level are shown within the body of this research brief. Findings are considered accurate +/-0.52% 99 times out of 100.

Overall percentages may not add up to 100% due to the removal of insignificant "unsure" question responses (if 5% or less stated they were unsure about the question's response).

MILLENNIALS



One of the hallmark characteristics of the millennial generation of founders - again, perhaps in contrast to their peers who work for a company - is that they are optimistic about the future.

Despite the popular myth of the young millennial who starts a company as his fastest way to fame and fortune, the data suggests a very different profile of today's millennial-led businesses. Millennials are born between 1981 and 1996.

One of the most obvious differences between millennials and the average business owner we analyzed is that millennials are running much younger companies. Just 12.8% of millennials started their businesses before the year 2000, compared to almost four in ten companies with owners of all ages.

Millennials are also running much smaller businesses. Overall, just four in ten of our users had revenue of less than $1 million, but fully 65.2% of millennials had yet to hit the seven-figure mark.

Despite the stereotype of millennials being less loyal to their businesses, it seems those who choose entrepreneurship are actually more loyal, with almost one in three (29.7%) expecting to continue to run their businesses for at least another ten years before exiting, compared to just 18.1% of all owners we analyzed.

One of the hallmark characteristics of the millennial generation of founders - again, perhaps in contrast to their peers who work for a company - is that they are optimistic about the future. Almost a quarter (24.7%) say it would be "very easy" to scale geographically, compared to just 18.9% of all owners. Equally, millennials are almost 50% more likely to say scaling five times larger would be "very easy" (12.5% of millennials vs. 8.7% of all owners) and almost twice as likely to say they expect their companies to grow by 30% or more next year (25.2% of millennials vs. 14.1% for all business owners), as well as expecting their industry to grow by 30% or more next year (31.1% of millennials vs. 17.9% for all business owners).

Not surprisingly, when it comes to the criteria millennials use to select an advisor, they are more inclined to say a track record of helping fast-growth businesses is most important to them (42.7% vs. 34.6%).

One of the other factors that sets millennials apart is their adoption of social media. Almost half (44%) of millennials say they have at least one thousand social connections and/or email opt-ins, compared to just 35.4% of all owners surveyed.

Millennials are much more likely to admit their businesses are dependent on them, with 11.3% saying their businesses could not survive their absence for three months, compared to just 7.3% of all owners.

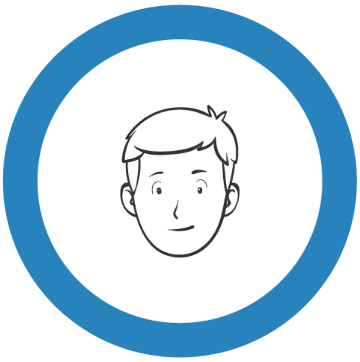
When asked for a definition of "wealthy," 21% of millennials said that $10 million makes you rich, compared to just 14.8% of all owners, who were more inclined to say that "having enough money to cover your lifestyle expenses" or being able to do "whatever, whenever you want to" was their definition of wealth.

When it comes to their biggest fear involving exiting, millennials agreed with all owners that not getting the value their businesses are worth is their primary concern, but when it came to their secondary concerns, millennials were significantly more likely (24.9% for millennials vs. 18.7% for all owners) to fear their legacies would be sullied with an exit. Again, this appears to be in stark contrast to the popular myth of the millennial entrepreneur chasing a quick flip.

Surprisingly, millennials are less inclined to expect to sell to a third party (49.5% for millennials vs. 58.8% for all owners) and much more likely (43.5% vs. 35.4%) to anticipate passing their businesses down to their kids or a management team.

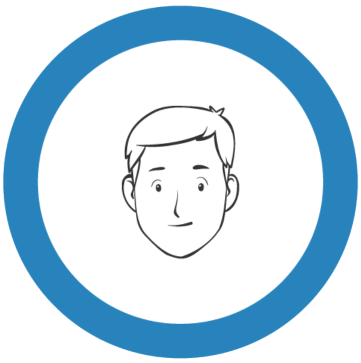
Millennials were significantly more likely (24.9% for millennials vs. 18.7% for all owners) to fear their legacies would be sullied with an exit.

GENERATION X



Born between 1965 and 1980, the most interesting insight about Generation X, the generation sandwiched between the millennials and their baby-boomer parents, is that they are incredibly average. In fact, there is no statistically interesting insight that sets Gen-X owners apart from their peers of a different age - they are, in effect, average on all accounts.

BABY BOOMERS



Baby boomers, the owners born between 1945 and 1964, appear to be a pragmatic group, caring more about making fast and lucrative exits from their businesses than concerning themselves with “softer” issues of loyalty and legacy.

Just 9.9% of boomers plan to stay in their businesses for at least ten more years, compared to 18.1% of all owners.

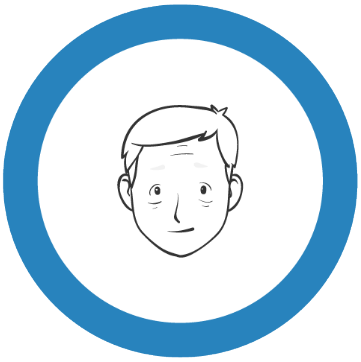
We asked business owners about how they plan to exit their companies, giving them a range of choices from shutting down their companies to passing their businesses to their kids or selling outright. Boomers were more inclined to envision selling their businesses to a third party (62.5%), compared to 55.8% of all owners, reinforcing the idea that boomers’ first priority is to maximize their take from a sale.

When it comes to their goals for the year ahead, we asked respondents to choose between growing their top line, growing their bottom line, or mastering their craft. Boomers were more likely (45.2% vs. 41.7%) to say their main goal was maximizing their bottom-line profits.

When it comes to the traits they look for in an advisor, boomers were more inclined than other generations (64.6% vs. 57.3%) to seek out an advisor with a track record in their industries.

Boomers care more about making fast and lucrative exits from their businesses than concerning themselves with ‘softer’ issues of loyalty and legacy.

THE SILENT GENERATION



When it comes to their exit plans, the silent-generation founders are about 50% more likely to plan to transition their businesses to their kids.

The silent generation consists of older owners who were born between 1928 and 1945 and, as you might imagine, are running older businesses they plan to leave soon.

Almost a quarter (24.3%) of surveyed silent generation owners started their businesses before 1980, compared to less than 10% (8.8%) of all founders analyzed. They are also much less likely to have started recently, with just 6% having founded their companies between 2010 and 2014, compared to 21.5% of all owners.

Silent generation members were twice as likely (18% vs. 9%) to be planning to exit their businesses within the next two years, and less than 3% plan to run their companies for ten or more years.

Time appears to be catching up with the silent generation owners, 17.8% of whom claim they expect their businesses to decline next year, compared to 12.6% of owners overall. They were less than half as likely to expect their revenue to grow by 30% or more next year (9.3% for the silent generation vs. 17.9% overall) or feel bullish about scaling their business geographically, with 5.1% saying it would be "impossible" to scale to another city, compared with just 2.9% of respondents overall.

When it comes to their exit plans, the silent generation founders are about 50% more likely to plan to transition their businesses to their kids (16.9% vs. 11.7%) and significantly less likely to be planning a management transition - just 14.4% vs. 23.7% overall.

ABOUT US

The Value Builder System™ is a statistically proven methodology designed to improve the value of a privately held business. At the core of the system is the Value Builder Score™, which is an evaluation system driven by an algorithm that evaluates a business on the eight core value drivers acquirers take into consideration when buying companies.

After analyzing more than 40,000 businesses, the Value Builder System™ discovered that companies with a Value Builder Score™ of 80+ received offers that are 71% higher than the average-scoring business.

The Value Builder System™ is available exclusively through an experienced and authorized group of advisors, known as Certified Value Builders™, located across the globe.

ABOUT THE FOUNDER

John Warrillow is an entrepreneur and author with over 20 years of research experience into the small and medium business (SMB) market. He founded the Value Builder System™ to level the playing field for business owners as they approach their exit. Over 40,000 business owners have taken the Value Builder Questionnaire, and with the support of Certified Value Builders™, such as brokers, M&A professionals, and coaches, they're using the statistically proven methodology to improve company value by up to 71%.

John's best-selling book, Built to Sell: Creating a Business That Can Thrive Without You, was recognized by both Fortune and Inc. Magazine as one of the best business books of 2011 and has been translated into four languages. In 2015, John wrote another best-selling book that was released by Random House called, The Automatic Customer: Creating A Subscription Business In Any Industry.

A sought-after speaker, John has keynoted Fortune Magazine's Growth Summit, Entrepreneur's Organization New York City and Toronto Chapters, and the Inc. 5000 conference. John is also the host of Built to Sell Radio, ranked by Forbes Magazine as one of the world's 10 best podcasts for business owners.

Prior to founding the Value Builder System™, John started and exited four companies, including a quantitative market research business that was acquired by the Corporate Executive Board (NYSE: CEB) in 2008. John has been recognized by B2B Marketing as one of the top 10 business-to-business marketers in the United States.