



THE TRANSFERABLE VALUE INDEX

A Good Business That Still Runs Through You

Most owners have handed off sales and customers. Fewer have handed off who gets hired. A letter from our founder, and what 121 closely held businesses show about that gap.

121

closely held businesses measured, May to September 2026

1 in 6

built to last, and still unable to run without the owner

74 vs 56

average score when managers make the people decisions, and when the owner does

■ A LETTER FROM BYRON MCFARLAND

A Good Business That Still Runs Through You

By Byron McFarland, Founder

There's a seductive idea in business advice, repeated so often nobody questions it anymore: build something valuable, and independence follows naturally. Make the business good enough, durable enough, systemized enough, and eventually it runs itself. The owner becomes optional as a side effect of quality.

The data says this is mostly wishful thinking.

We looked at 121 business owners scored on two separate dimensions: how durable the business is (stable earnings, diversified customers, documented systems) and how independent the owner is from it (whether decisions, relationships, and daily operations run through someone else). Score high on both, and you land in what we call "Transferable Enterprise," the top bracket. Score high on durability but low on independence, and you land somewhere else entirely: a bracket we call "Owner-Dependent Success," which is where this gets interesting.

You'd expect that second combination to be uncommon. The same discipline that makes a business durable seems like the very thing that should also make an owner replaceable. Build the machine well enough, the thinking goes, and it stops needing the machinist.

It isn't uncommon at all. The correlation between the two is moderate, noticeably weaker than most owners would guess. And nowhere is that clearer than in that "Owner-Dependent Success" group: businesses that score nearly as well on durability as "Transferable Enterprise" while scoring dramatically lower on independence. These aren't fragile businesses propped up by one person's hustle. They're good businesses.

They just happen to have an owner who is still, by habit or by choice, at the center of nearly everything.

Here's what that looks like in practice. Take an owner who spent ten years building discipline into the business. They moved to recurring contracts instead of one-off jobs, and closed monthly financials within a week instead of waiting until year-end. They put in an operating system for repeatable work instead of reinventing every job, and built a diversified customer list instead of one account carrying the company. Every one of those moves made the business more durable. Not one of them required the owner to step back. They could do all of it while still being the person every major customer calls first, the person who signs off on every hire, the person the team brings new ideas to before acting on them. The business got sturdier. The owner didn't get any less essential to it.

Which suggests something a little uncomfortable: durability and independence aren't one project. They're two. You can spend a decade building the first and make almost no progress on the second, because they don't require the same behavior from you. Building a durable business rewards involvement: your judgment, your relationships, your standards, stamped on everything. Building an independent one requires the opposite: removing your judgment, your relationships, your standards from the machinery, one piece at a time, on purpose.

Nobody does the second by accident. You have to mean it.

Which one have you been building?

Byron McFarland

Founder, The McFarland Group



Byron McFarland, Founder, and John Bruckner, Managing Partner, streamside.

Who made your last hire?

Where managers make the people decisions, businesses average 74 out of 100. Where the owner stays involved, 56. Page 4.

THE FINDINGS

One in six businesses is built to last and still runs through its owner

The Index asks twelve questions about whether a business would keep performing without its owner: six on Business Durability, six on Owner Independence. Three findings stand out.

01 Durable businesses are only somewhat likelier to run without you

Across 121 closely held businesses, the durable ones are somewhat more likely to run without their owner, and many still don't. One in six is built to last and still runs through its owner.

A restaurant can have a good lease, reliable suppliers, full bookings and trained line cooks, and still be unable to serve Friday dinner when the chef is out. Improving the restaurant does not train the sous chef. That is a separate job, done on purpose.

These are the 19 Owner-Dependent businesses at lower right: close to the Transferable group on durability, 20.5 versus 22.0 out of 30, and eight points behind on independence, 14.6 versus 22.8.

HOW TO READ THE MAP

Across is Business Durability: steady earnings, spread-out customers, timely books, work in systems, backup people, a model that can take a hit.

Up is Owner Independence: who sells, keeps customers, runs operations, and makes the calls on what comes next, money and people.

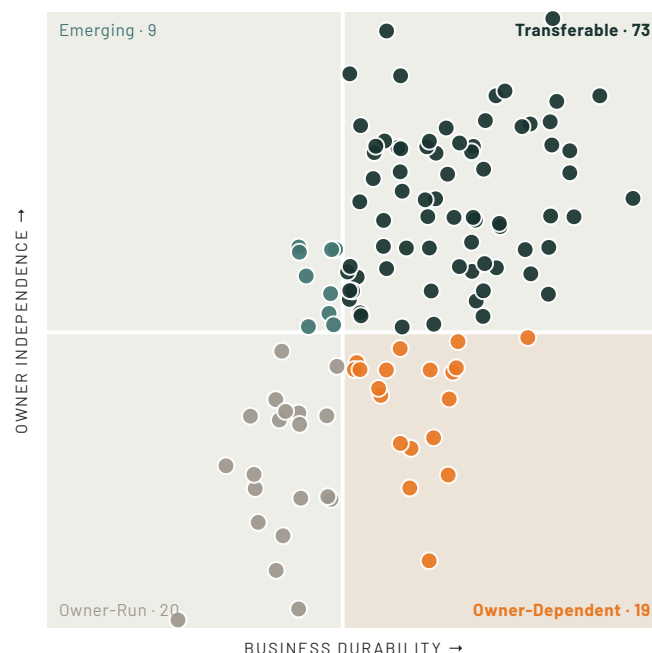
Transferable: built to last, and runs without the owner.

Owner-Dependent: built to last, still runs through the owner.

Emerging: runs without the owner, not yet steady.

Owner-Run: depends on the owner for both.

WHERE 121 BUSINESSES LAND



Each dot is one business. A dimension scores High at 18 of 30, an average of 3 or better on a 1-to-5 self-assessment. Owners who take the Index are already thinking about an ownership transition; read the shares in that light.

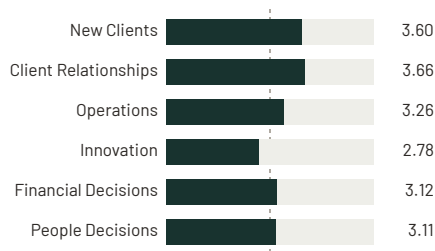
02 Sales and customers have been handed off. Hiring lags.

Six in ten owners say their team closes most new business and holds customer relationships. Fewer than half say their managers handle hiring, pay and terminations for their teams, and 22 percent are personally involved in most people decisions, down to front-line roles. No other question draws that many owners to the most hands-on answer. Another 11 percent are involved in all management and senior hires, so page 4 counts 33 percent as personally involved. As in the inaugural issue, Innovation, who decides what comes next, scores lowest on average, at 2.78.

BUSINESS DURABILITY



OWNER INDEPENDENCE



Average score, 1 to 5. Higher means the business holds up better without the owner. Dashed line marks 3.0. Based on 121 assessments through September 29, 2026.

03 Who made your last hire?

Sort the 121 owners by their answer to the people question, and score each business on the other eleven questions. Where managers make their own teams' people decisions, the average score is 74 out of 100, and no business lands in Owner-Run. Where the owner stays personally involved, the average is 56, and nearly half are Owner-Run. Owners who keep the final call on senior roles sit in between, at 67.

Among the 19 Owner-Dependent Success businesses, 68 percent still have the owner personally involved in people decisions. Among Transferable Enterprises, 10 percent do. Of the six independence questions, this one separates the two groups most.



Why people decisions matter most

In due diligence, a buyer asks who handles terminations, because the answer shows where responsibility sits. If it is still the owner, the leadership team has never made the hardest call in the building, and every other strength in the business gets discounted against that. The data also carries good news. For most owners, durability is largely built. The widest gap is people decisions, so start there: hand them to the managers who will own them after the ownership transition.

WHO MAKES THE PEOPLE DECISIONS · SCORE AND CATEGORY MIX

OWNER PERSONALLY INVOLVED

40 owners · 33%



FINAL CALL ON SENIOR ROLES

24 owners · 20%



MANAGERS DECIDE FOR THEIR TEAMS

57 owners · 47%



Owner-Run Owner-Dependent Emerging Transferable

THE PEOPLE QUESTION, AS ASKED

When your business makes decisions about its people (hiring, promotion, compensation, performance management, terminations), what's your involvement?

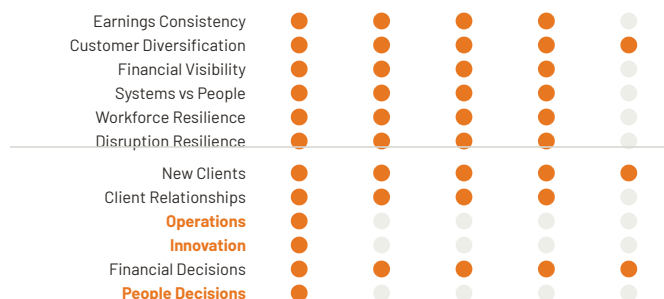
- I am personally involved in most people decisions across the company, including front-line roles. 22%
- I am personally involved in people decisions for management and senior roles, and on exceptions for front-line roles. 11%
- I make the final call on people decisions for management and senior roles; the team handles front-line independently. 20%
- I am involved only in people decisions for senior leadership; managers handle their own teams' decisions. 28%
- People decisions are owned by the leadership team and line managers; I am involved only on the most senior or most strategic. 19%

TWO BUSINESSES FROM THE INDEX · SAME DURABILITY, DIFFERENT INDEPENDENCE

Business A

OWNER-DEPENDENT SUCCESS

Durability 25 of 30
Independence 17 of 30



Business B

TRANSFERABLE ENTERPRISE

Durability 25 of 30
Independence 26 of 30



Each row is one question, answered 1 (most dependent on the owner) to 5 (least). Top six rows are Business Durability, bottom six Owner Independence.

About the Index. Twelve questions, each scored 1 to 5, across two dimensions: Business Durability and Owner Independence. Each dimension is reported out of 30 and scores High at 18; the combined Index is out of 100. The two dimensions correlate at 0.57 across the 121. **The cohort.** 121 assessments submitted May 2 through September 29, 2026, reached through The McFarland Group's network, partner coaches and industry events. Test submissions are removed and repeat takers counted once.

See where your business lands.

The assessment takes about four minutes.

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