



**WOOD
ASSOCIATES**



Australia's Biggest Business Concerns Impacting SME Value

The top 7 insights and tips to help you get it together.

Advisory White Paper

2026

*Adapted from Bstar's inaugural Data Mining App. Used under licence with permission. Data based on 2,791 completed Risk and Value Driver Assessments (RAVDAs) for SMEs with \$1m-\$5m turnover.

Executive Summary

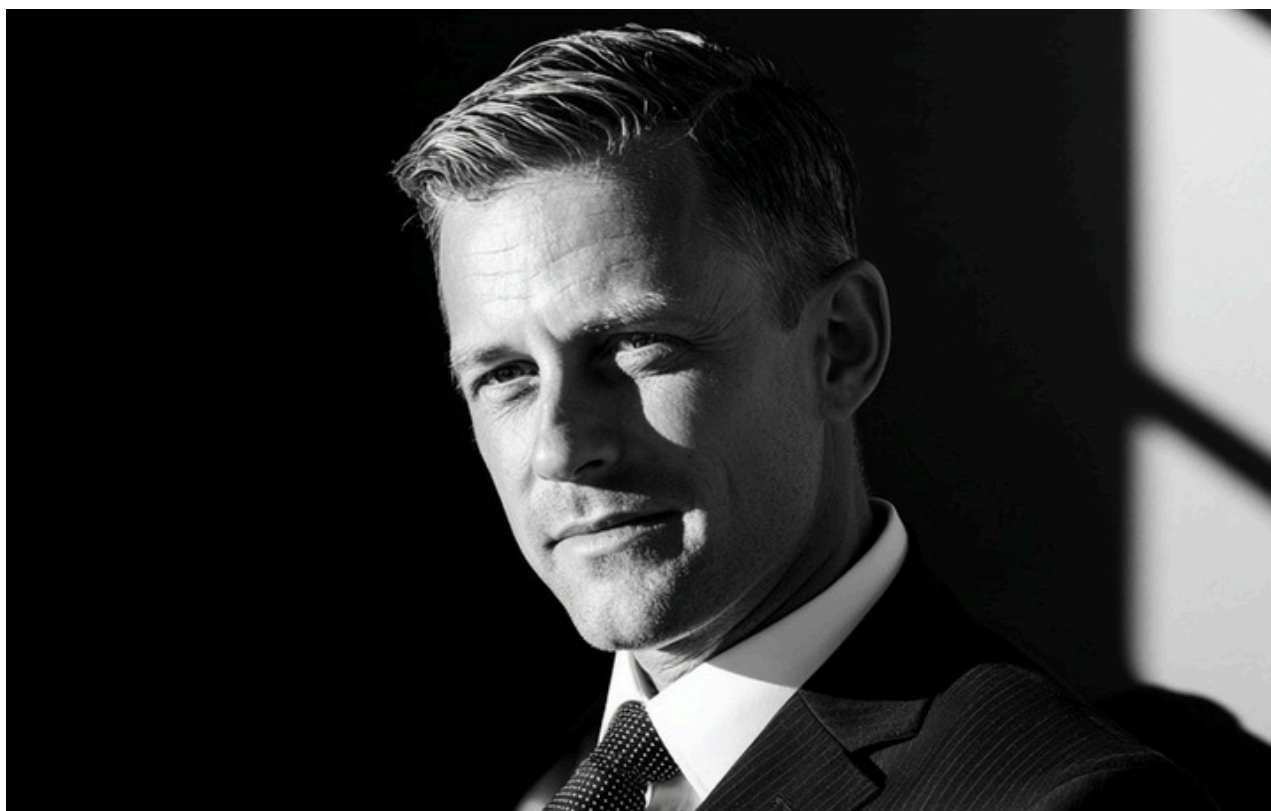
Introduction

Small and medium-sized enterprises (SMEs) are the backbone of the Australian economy, yet many face structural risks that threaten both business continuity and long-term value.

Most SME owners have a large proportion of their personal wealth tied up in their business. Protecting and growing this value requires more than just strong financial results - it demands resilience, succession readiness, and a deep understanding of the operational levers that drive valuation.

An analysis of 2,791 Risk and Value Driver Assessments (RAVDAs) highlights **the top seven concerns keeping SME owners awake at night and a significant education gap around non-financial performance drivers.**

This white paper examines each concern in detail, interprets its implications for owners and offers strategies for closing the gap between current performance and sustainable enterprise value.

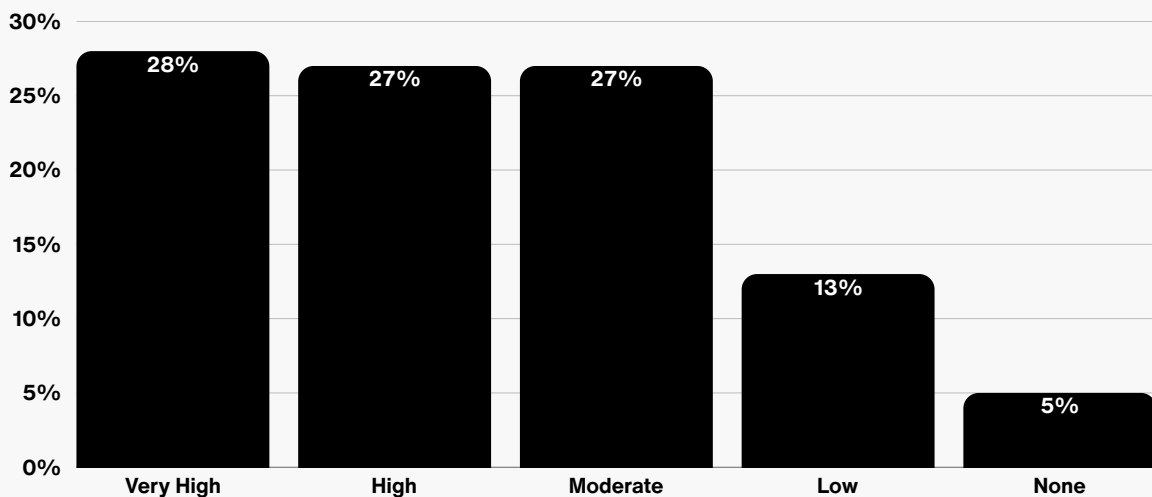


Concern #01

Owners' Reliance

Only 5% of SME owners believe their business would run well without them. High owner reliance creates operational bottlenecks, heightens key person risk, and reduces saleability.

Owners Reliance



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84%

business owners have rated a high degree of owner reliance as their biggest concern.

5%

believe their business would run well without them.

Strategic priority:

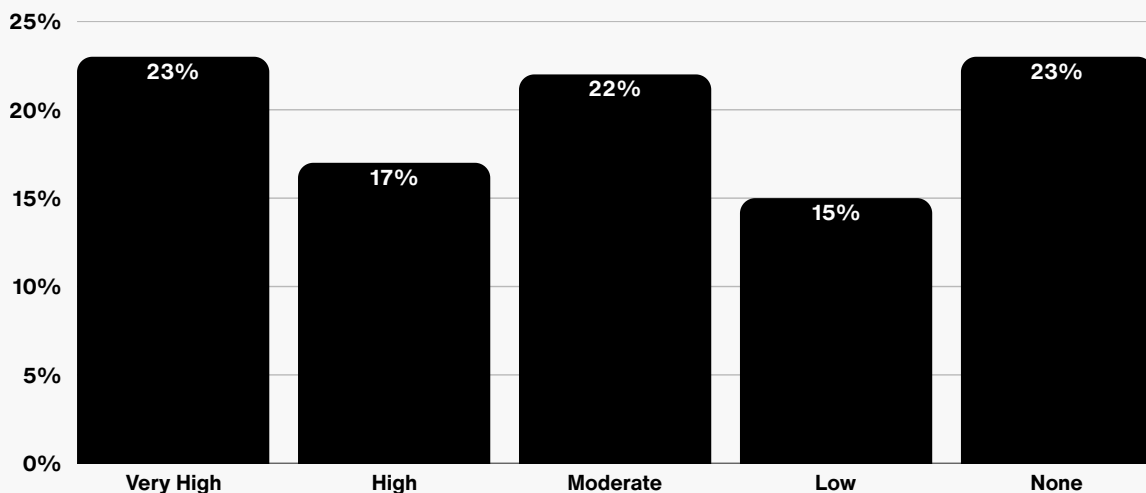
Document key processes, empower senior staff with decision-making authority, and create a management structure that can function independently of the owner.

Concern #02

Owners' Goodwill

Just 23% of owners believe their departure would have no impact on staff or customers. When goodwill is tied to the individual rather than the enterprise, customer retention and staff morale are at risk in any transition.

Impact of Owners Departure on Staff and Customers



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23%

of business owners said their departure would have no impact.



Businesses that are not owner-reliant generate higher valuations.

Strategic priority:

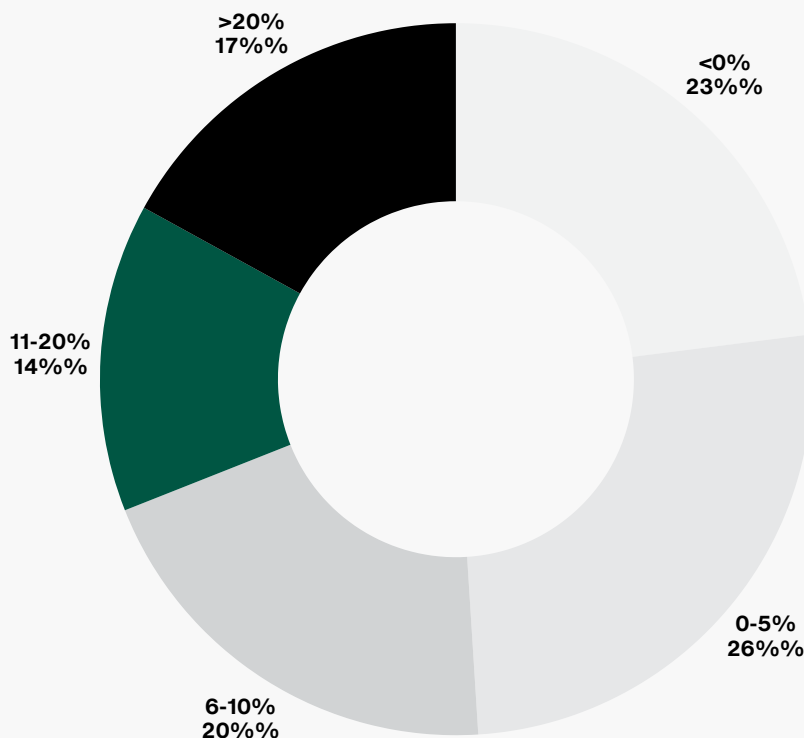
Strengthen the business brand, embed customer loyalty systems, and ensure client relationships are spread across the team.

Concern #03

Profitability

A significant portion of SMEs report **profit growth of 10% or less**. Low or stagnant profitability limits reinvestment capacity and weakens bargaining power in a sale.

Current year increase in EBIT (% of Sales)



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69%

of business owners indicated profit growth of 10% or less.

Strategic priority:

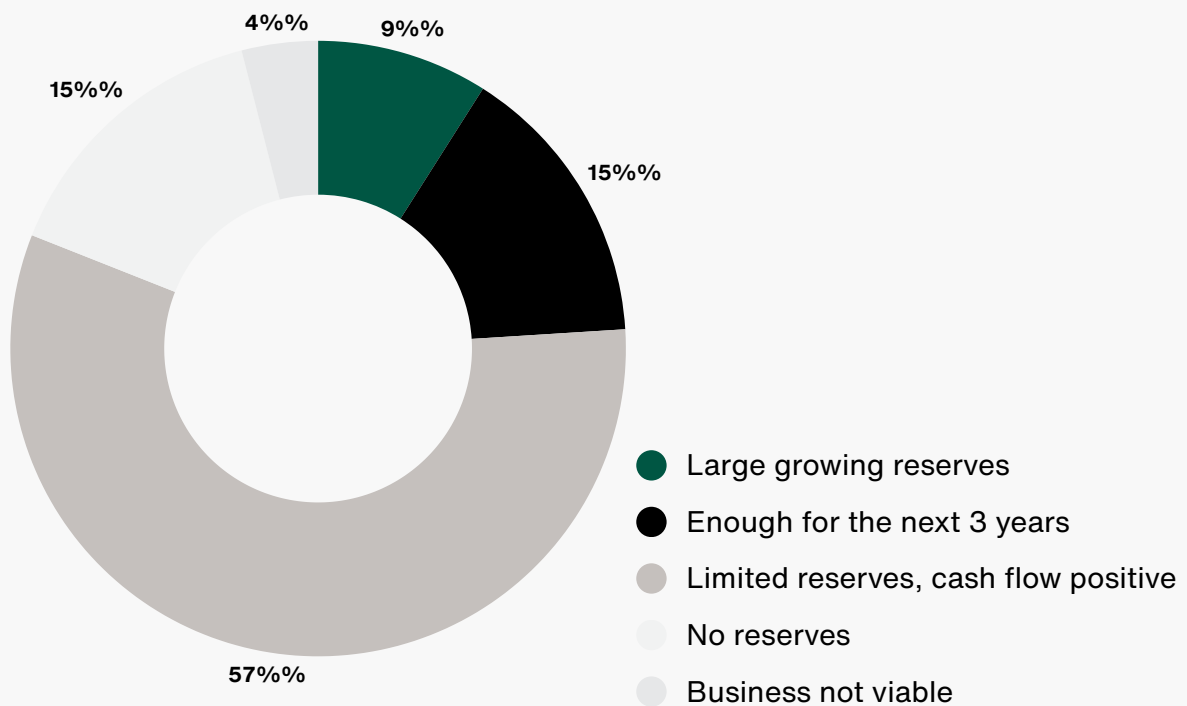
Implement margin improvement strategies, review cost structures, and focus on high-margin, high-value segments.

Concern #04

Cash Reserves

76% of SMEs have limited or no cash reserves. Without a buffer, these businesses are vulnerable to market shocks and cash flow interruptions.

Cash Reserves



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76%

have limited cash reserves.

Strategic priority:

Establish a cash reserve target, build it gradually, and protect it from operational drawdown except in planned circumstances.

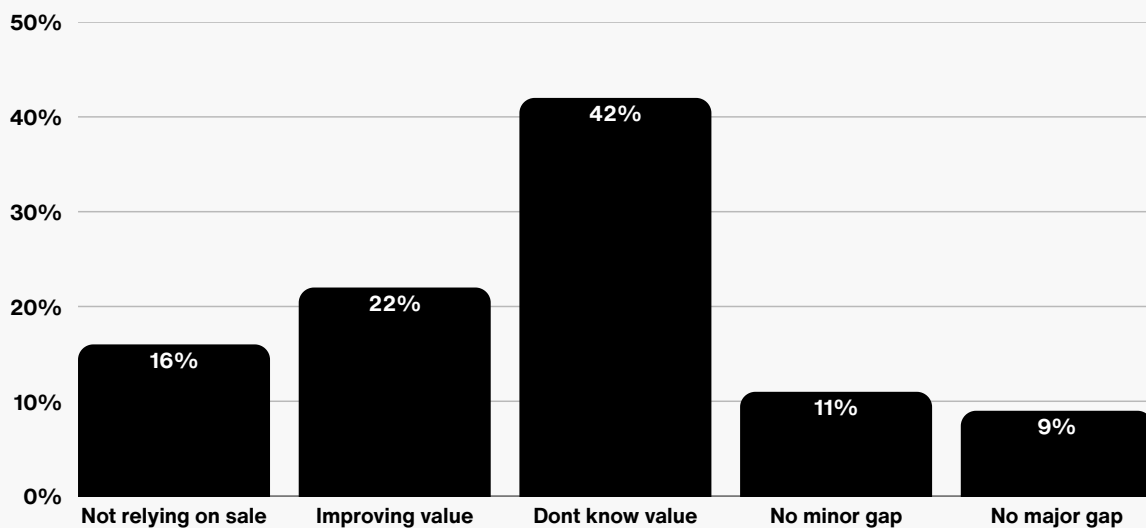
Concern #05

Value Gap

Many owners face a **value gap** - the shortfall between anticipated sale proceeds and required retirement funding. In some cases, owners do not even know their business's current value.

Will the sale of your business fund retirement?

Value Gap



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84%

of owners have a value gap risk.

42%

don't know what their business is worth.

Strategic priority:

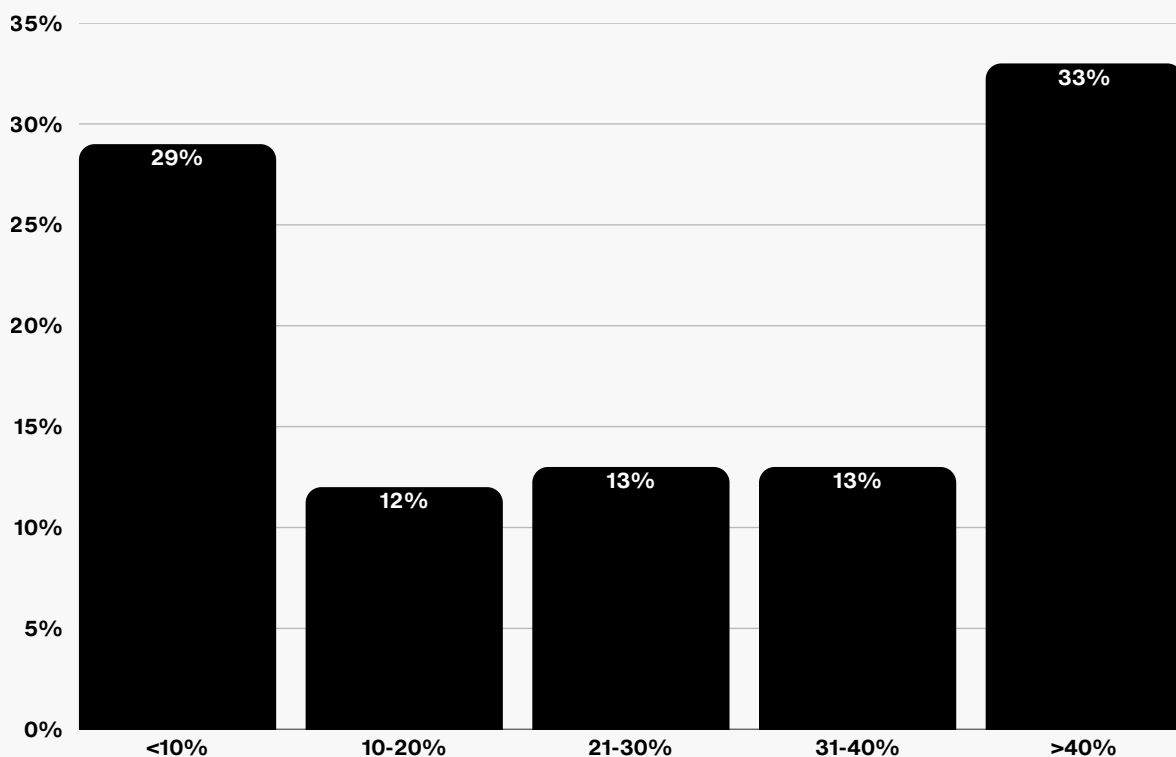
Commission regular business valuations, identify value drivers, and align business growth strategies with personal financial plans.

Concern #06

Customer Sensitivity

33% of SMEs have over 40% of sales concentrated in their top ten customers. This customer concentration exposes the business to revenue volatility if one key account is lost.

Top 10 Customers (% of Total sales)



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33%

of SMEs top 10 customers generate > 40% of sales.

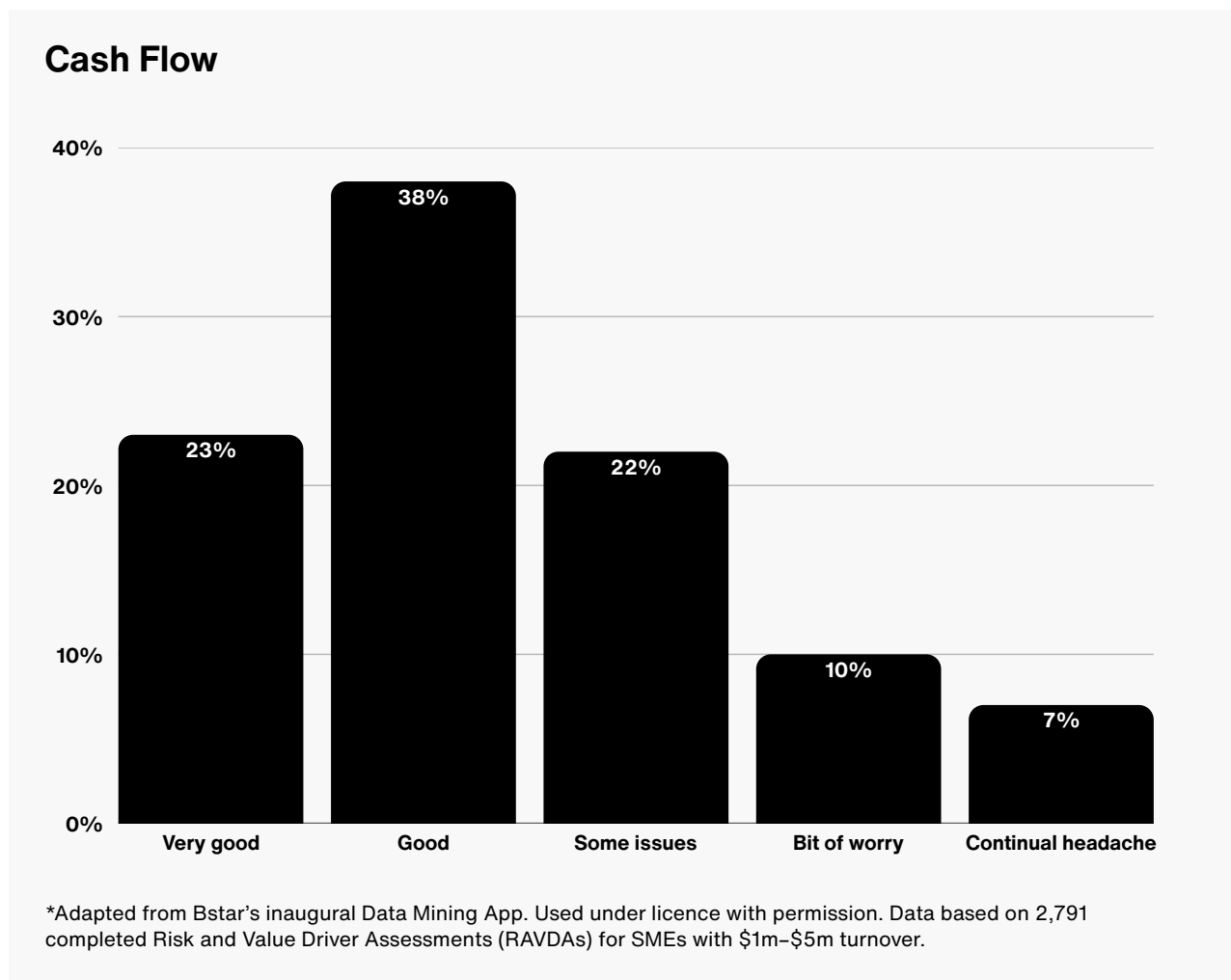
Strategic priority:

Diversify the client base, introduce long-term contracts, and develop recurring revenue streams.

Concern #07

Cash Flow

While **61%** report good to very good cash flow, a sizeable minority still experience ongoing challenges. Even profitable businesses can fail if cash flow is poorly managed.



61%

have good to very good cash flow.

Strategic priority:

Improve debtor management, optimise stock turnover, and introduce cash flow forecasting tools.

Key Insights

Education Gap

The data reveals a significant non-financial KPI education gap. While financial metrics are widely understood, many owners overlook operational measures such as systemisation, customer satisfaction, and staff engagement - all of which have a direct impact on value.

Strategic priority:

Educate owners on the role of non-financial KPIs, benchmark their performance against top industry peers, and track improvements over time.

Top Performers vs. Industry Average

Top-performing SMEs share common traits: industry leadership, robust business planning, healthy cash reserves, and low owner reliance. In contrast, industry average businesses tend to monitor market trends without embedding operational resilience.

Strategic priority:

Adopt the practices of top performers, particularly in planning, systemisation, and value protection.

How Much Value Can You Unlock Before You Exit?

Most owners can **lift profit by 44% and business value by 43%** – simply by closing the gap between the average and the top 20 % of their industry.

Businesses below the benchmark can usually **add \$500k–\$1million+ in equity value** through operational improvements and risk reduction before listing.



Conclusion

The evidence is clear: addressing these seven concerns is critical for SMEs aiming to protect and grow business value. Owners and advisers who act on these insights can improve resilience, increase valuation multiples, and secure better succession outcomes.

We help SME owners and their advisers identify, prioritise, and implement strategies that address these structural risks.

To arrange a confidential discussion or request your Industry Top Performers Report, contact us at 03 5259 9970 to speak with Mark Hall our head of advisory.



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