

Why 80% of Businesses Listed for Sale Never Close

And what the other 20% do differently

By Bob Wells, CFO & Financial Advisor | bobwellsco.com

Most business owners assume that when they're ready to sell, a buyer will be ready to buy. The data tells a different story. According to the Exit Planning Institute and multiple industry studies, roughly 70 to 80% of businesses listed for sale never actually transact. They sit on the market, get stale, and eventually delist—leaving the owner either stuck running a business they wanted to leave, or worse, closing the doors in a fire sale.

The gap between “listed” and “sold” isn't a market problem. It's a preparation problem.

The Exit Isn't an Event—It's a Journey

Owners tend to think of selling their business as a single transaction: find a buyer, negotiate a price, sign the papers. In reality, a successful exit is a multi-year process that begins long before you're emotionally ready to leave.

Think of it like climbing a mountain. You don't start at the summit. You start at base camp—getting your financial house in order, building a team that can operate without you, and understanding what your business is actually worth to a buyer (not what you think it's worth).

The businesses that sell—and sell well—are the ones where the owner has been deliberately building toward that outcome for two to three years before going to market.

The Three Things That Kill Deals

After working with business owners navigating exits, acquisitions, and capital raises, I've seen the same deal-killers show up over and over.

1. Messy financials

This is the most common and most preventable problem. Business brokers consistently report that financial issues kill about 45% of potential deals—and the problem is usually provability, not profitability. Buyers and their lenders will scrutinize all three financial statements—not just the P&L.; Balance sheet integrity is the foundation. If your books aren't reconciled monthly, if you're running personal expenses through the business, if your revenue recognition is inconsistent, you're going to face painful surprises during due diligence.

The fix isn't complicated, but it takes time. Normalize owner compensation. Remove personal expenses. Adjust any non-market transactions with related parties (like below-market rent on a building you own). Run a sell-side Quality of Earnings analysis 6 to 12 months before you plan to sell, so you discover the issues on your terms—not the buyer's.

2. Founder dependence

If your business can't run without you, it isn't really a business—it's a job. And buyers don't pay premium multiples for jobs.

This means building a leadership team, documenting processes, and systematizing your sales pipeline so it doesn't live in your head. The goal is to make yourself replaceable. I know that sounds counterintuitive—you've spent years being indispensable. But the market rewards the opposite. Owner-dependent businesses typically sell for 50 to 70% less than comparable businesses with professional management—if they sell at all.

3. Hidden liabilities

Contingent liabilities are the silent deal-killers. Sales tax non-compliance. Misclassified employees (W-2 vs. 1099). Undocumented cap tables. Environmental exposure. Outstanding litigation. Informal agreements with key customers or vendors.

Any one of these can trigger an escrow holdback, a price reduction, or kill the deal entirely. The worst part? Most owners don't even know these issues exist until a buyer's attorney starts digging.

The prescription is straightforward: hire a good CPA and attorney to do a thorough contingent liabilities assessment at least six months before you enter due diligence. Fix what you can fix. Disclose what you can't. Surprises destroy trust, and trust is what gets deals closed.

What the 20% Do Differently

The businesses that successfully sell share a few traits. Their financials are clean and auditable. Their operations run without the founder in the room. Their customer base is diversified. Their revenue is predictable and, ideally, recurring. And their owners started preparing years—not months—before they went to market.

None of this is glamorous work. It's the financial equivalent of cleaning your house before an open house. But it's the difference between a business that sells at a premium and one that sits on the market until the listing expires.

The Bottom Line

If you're thinking about selling your business in the next three to five years, the time to start preparing is now. Not when you're burned out. Not when the market shifts. Not when a broker calls with a “great opportunity.” Now.

Get your books clean. Build your team. Address your liabilities. And start thinking about your business the way a buyer will—because that perspective is worth more than any valuation multiple.

If you're wondering whether your business has the structural problems that kill deals, that's worth looking at sooner rather than later.

Sources

Exit Planning Institute, cited in “Why 70% of Businesses Never Sell”—Buy Then Build “Only 30 to 40% of Businesses Actually Ever Sell”—Foresight / Investment Bank “How Many Businesses Sell Once They're Brought to Market?”—Worldwide Business Brokers “Why 8 Out of 10 Businesses Don't Sell”—Michelle Seiler Tucker

Related Resources

The Capital Stack — Understanding acquisition financing from every angle.

Have questions? — I'm happy to discuss your specific situation.

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If you'd rather know than guess about your financials, let's have a conversation. A conversation costs nothing. Clarity might be worth everything.

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