SAFI

The Good Faith Gap

Why Women-Led Businesses Lose Enterprise Value at the Moment of Sale

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Three women sold their companies. Only one still exists.

Three of the exited founders in this study described their sales in detail. One built a consultancy to 25 offices and $25M, sold it, and the firm operates today. One sold a profitable clinical practice and watched the business she built come apart within a year. One sold a technology platform for no cash at all and watched the product be abandoned.[1]

The difference between these women was not scale, sector, luck or how good the underlying business was. It was the founders' ability to transform intention into contractual obligation.

This paper reports original research: sixteen in-depth interviews with women founders, investors and a mergers and acquisitions advisor, conducted in August and September 2026 and analyzed across 691 coded passages of transcript.

Its central finding is the Good Faith Gap – the distance between what a founder *trusts will happen and what anyone is contractually obliged to deliver.*

[1] In fact, 38% of our interview subjects have successfully completed and exited (three have completed multiple exits) but we only cite case studies where the founders were interviewed around the specifics of their exits versus more generalized knowledge of women's enterprise value.

What is enterprise value, and why does it matter more for women?

There are two financial scorecards for a business. What it earns and what it's worth. Earning power refers to the firm's income. Worth is a reflection of the firm's enterprise value.

Income is what the business pays you while you run it. **Enterprise value** is what the business itself is worth to somebody else: a competitor, an investment firm, a larger company, or your own employees.

A business can produce excellent income for twenty years and be worth almost nothing the day the founder stops working.

This asymmetry between a company's income and its enterprise value matters deeply for women. Women take on more career interruption for caregiving. We live longer. And we accumulate less retirement wealth.

A sellable business is one of the few assets that closes this gap in women's ability to compound their wealth. A business that only pays you while you work in it cannot.

What's more, for at least fifteen years, women in North America have been starting businesses significantly faster than the overall population. Those businesses generate real revenue. Their founders take real income out of them.

But they do not appear to be producing **enterprise value.**

This working paper explores why.

Do women actually not know how to build sellable businesses?

The last 15 years have seen an explosion in conferences, training courses and accelerator programs aimed at building skills and capacity for women entrepreneurs. Given this plethora of education, one might assume that women have a knowledge gap when it comes to building sellable businesses.

All sixteen women interviewed in this study built profitable businesses with revenue ranging from $250K USD per year to over $60M per year. The companies had employees, consistent demand and competent financial record keeping and existing systems.

> **Fifteen of the sixteen women in this study produced clear evidence contradicting the idea that women lack the financial knowledge or readiness to build sellable businesses. In fact, this was the second most frequent pattern in the entire coded research corpus.**

An investor and entrepreneur described the command of the dozens of women entrepreneurs who have pitched her angel group. “They know their unit metrics, they know their business...they’ve got all of the documentation clean.”

An agency founder who is actively preparing her company for an exit has commissioned two formal valuations and has a clear asking price benchmarked against her profit and revenue multiples.

A membership platform founder commissioned her own M&A firm and accountant with exit experience to prepare her own valuation.

And a planning consultant who saw a successful exit of her own firm acknowledged that while she started her company with low financial literacy, “I became more knowledgeable than my male partner because I put myself through the school of ‘Really Get A Handle On Your Finances.’”

The one dissenter was a mergers and acquisitions advisor who sells exit readiness preparation, who shared that “getting a person ready (to exit) could take years.” Women do not lack the knowledge of how to build a sellable business. They are building profitable firms with strong demand and capable operations.

Therefore, if women know HOW to build valuable companies, they are leaking that enterprise value somewhere else. The rest of this paper attempts to uncover where.

So where does the enterprise value actually go?

To understand where enterprise value leaks in the women-led companies we studied, it’s critical to pinpoint the difference between good faith and obligation.

Good faith is what everyone in the room intends, believes and trusts will happen. An obligation is what someone can be contractually held to. **Women are paid for what they are contractually able to hold a buyer to.**

The Good Faith Gap is the chasm between what a woman operator intends and believes will happen in her exit and what she is able to contractually enforce. It represented the biggest loss of enterprise value in our study.

This must not be read as an argument for better exit planning. All the exited and pre-exit founders in our study had clear, precise intentions related to her exit. They could recite them months and years later. In addition to building valuable companies, they had prepared clear intentions for their exit. Intention was not the variable.

Rather, the loss in enterprise value came down to the Good Faith Gap and what the buyer was legally obligated to provide.

A clinical practice owner approached her exit with 4 clear intentions, listed in order of priority. First, she wanted her team to have health insurance and job security/continuity. Second, she wanted to preserve the culture she had worked hard to build. Third she wanted a minimum sales price of $1M. And fourth she wanted a continuing salary.

Price was third on her list, and it's what she got – 50% over her floor, in fact. But the things that mattered most to her, the things she emphasized in her negotiations, did not materialize. Neither clause was in the agreement and in the end, the buyer breached nothing because there was nothing to breach.

A platform founder sought an exit because she wanted to fund a national build out of a highly successful local product and lacked the resources to do so. This was the driving reason behind her decision to exit. She found a buyer with whom she had an excellent pre-existing relationship. She papered the financial details of the exit; she took an equity stake in the buyer. But she didn't include a clause in the exit holding the buyer to a national roll out.

Less than a year later, she was gone from the company and the national build out was permanently tabled. *"We didn't require it wasn't sort of as mandatory as it should have been, in terms of what was going to happen and what our roles were going to be and what guarantees or promises (were in place)."* This was a deal negotiated by 3 lawyers. Today the platform she built with such love and care doesn't exist.

It's tempting to read these examples and assume the women were ill-prepared or ill-advised. The exited and pre-exited founders in our study had all assembled professional teams to support them, including lawyers, accountants and M&A advisors. And this brings us to the second consequence of the Good Faith Gap.

When assembling the team of professionals, the women felt they had their bases covered. But none of the advisors actually owned the most important component of the deal: the totality of what the business was worth.

Why didn't they just ask for it in writing?

Before we proceed further, let's address the obvious question. Why did clearly competent women – seasoned professionals, clinicians and operators, often surrounded by similarly skilled professionals, not convert the things they most cared about into a legally enforceable clause?

It's not ignorance or incompetence. Rather, in these cases it was that **asking for the clause feels like an accusation.**

The women in our study were not engaged in transactions. They were in relationships that became transactions. Indeed, if the relationships weren't in place to begin with – *if the women didn't trust the acquirers enough to be in relationship* – the transaction would not have happened.

The platform founder had cultivated her acquirer for years, through deliberate, non-commercial outreach — **the relationship was the reason the deal existed at all.** The practice owner was handing twenty-five people she felt responsible for to a buyer she was choosing to believe in.

In that position, demanding a milestone schedule with consequences attached, or a covenant on staff terms, does not feel like diligence. It feels like calling your new partner a liar before you have begun.

But asking for a clause is not a sign that you distrust someone. It is what lets you proceed as though you trust them.

An important caveat: the founders did not attribute this Good Faith Gap to gender. As one founder shared, "*we were first-time founders. I think we were naive.*" We interviewed no men for this study and therefore cannot say whether the Good Faith Gap is gendered or common to all first-time sellers.

What did the one who got it right actually do?

All the women founders in this study considered selling their companies. Most had heard the advice to "plan your exit at the beginning."

The one who got it right had both an intention and plan to sell. But what she actually built was not a plan to sell. Rather, it was five standing instruments that ran every year whether or not she contemplated exiting that particular year.

The planner **designed her exit at incorporation**, copying a structure she had watched a male predecessor use. Thus, she had not only an intention to exit, but a legal structure that made it easier to transfer ownership to others.

She and her business partner *set and agreed upon a valuation formula at the outset.* This formula eliminated miscommunication and fixed the price before the firm became valuable enough for any one shareholder to have a vested interest in the number.

As the company grew, the CEO prepared a *written statement of share value which she provided to each shareholder annually*, stating clearly what their shares were worth.

She *practiced open book accounting*, including a monthly all-staff review of the numbers. This practice created a level of financial literacy that made it possible to create internal buyers.

And finally, *senior staff were converted to owners with clear agreements and contracts.* In this way, the planner manufactured buyers who already knew and accepted the price in advance of the sale.

She did not decide to sell and then establish a price. The price had been calculated and circulated annually for years. When she eventually sold – to ten of her own people and the company – there was nothing left to negotiate. *"No defaults. Everybody made a lot of money. And the firm continues."*

INSTRUMENT	WHAT IT DOES
Share-transfer structure established at incorporation	Makes ownership moveable before anyone needs to move it
A valuation formula agreed in advance	Fixes the price while nobody has an interest in the answer
A written statement of share value to every shareholder, annually	Makes the number real, repeatedly, on paper
Open-book accounting, monthly all-staff review of the numbers	Builds the financial literacy that makes internal buyers possible
Senior staff converted to owners on papered terms	Manufactures buyers who already know and accept the price

This successful exit wasn't simply an intention or a plan; it was a group of structured instruments applied consistently.

Two things worth noting. The entrepreneur did not take outside funding, but chose to fund growth herself specifically in order to protect what the business would eventually be worth. In one case she even overruled the firm's CFO in not taking on debt.

And crucially, especially given the topic of this paper, what this entrepreneur noted through the process that was missing: there were no women to copy. She learned her model from a man. Her take: "*we need to train the women on when you start your firm, now is when you think about how you're going to exit.*"

What if I'm nowhere near selling?

Handshake revenue vs contracting up

The seeds of a successful exit are planted years before they happen. We found the Good Faith Gap emerged in multiple companies years before a potential exit, at a time where closing this specific gap costs the founder little, but can yield significant growth in enterprise value.

Specifically: a potential business buyer can value and price your contracts. They cannot price clients and partners who "always come back," otherwise known as **handshake revenue.**

Handshake revenue is revenue that recurs reliably with nothing in writing. It is the Good Faith Gap in its earliest, cheapest and easiest to fix form.

Here are two examples of handshake revenue from our interviews:

A leadership coach secured roughly **$250,000 of work over several years** from a single referral source, with no agreement of any kind. This was a legitimate, repeatable customer acquisition source that, without a contract, would be worth little, if nothing in a valuation.

An equity consultant had client relationships running three years and longer, with scope and fees rising every year. However, each of these relationships and engagements were contracted **one year at a time.** This was effectively multi-year relationships with the most valuable type of revenue – recurring – on annual contracts.

Most operators at the $500K - $10M revenue level are sitting on handshake revenue and have never considered this to be an asset at all.

The solution to this? A move we call **Contracting up.**

Contracting up means going to a relationship that already works and asking for a commitment it has never been asked to make.

Contracting up is not administration, or paperwork. *It is making a bigger ask.* The ask is the whole thing. And it's not easy to do.

Consider what *contracting up* proposes for the leadership coach described above. Contracting up would see her go to a colleague who has referred her a quarter million dollars' worth of business out of goodwill and ask her to sign something. This is a bold, nervy ask that risks the very relationship that has been feeding her so many clients. And the risk inherent in the ask is why it doesn't happen. And this is precisely why this is not a paper about planning and process, but about the Good Faith Gap. The leadership coach has gratitude and good faith that her source will continue referring. And this early expression of the Good Faith Gap is where enterprise value leaks from the outset.

The learning for founders who may be years away from an exit is this: you are already doing the work. But you are being paid for it once instead of twice – once in cash, which you have, and once in enterprise value, which you do not.

Handshake revenue may lower a founder's blood pressure, but buyers don't pay for handshakes. They purchase contracts.

The 60-Day Test

If you were completely unreachable for sixty days – no email, no texts, no calls – what breaks first? Not what gets harder in the business, but *what actually breaks*.

In these interviews the answer was consistent: **delivery survives, and sales stop.** The team ships, clients get served, the quarter closes with revenue from existing contracts. But nothing new comes in.

Sixty days is the litmus test for a truly founder independent business, not thirty. Reason: thirty days sits inside most sales cycles, which flatters the business and makes the sales function in particular look more robust than it actually is.

Does gender actually have anything to do with it?

The answer to this question, according to the evidence we gathered is *yes and no.* The women interviewed only attributed gender-based outcomes in relation to specific, named experiences rather than a more generalized rule. Interestingly, what we uncovered in our interviews is that women are much more careful to attribute challenges they experience to their gender than the literature written about them.

13 of 16 interview subjects attributed some part of their experience to gender; nine explicitly attributed outcomes to something other than gender; seven did both within the same hour-long interview.

This is not confusion; rather, the women we interviewed attributed gender to specific events they could name and date. They didn't attribute more general circumstances to the fact they were women.

For example, when we asked a practice owner if anything about her gender influenced the price, she said, unprompted it was her exhaustion – she wanted OUT of the business by the time she exited. But nine minutes later, she cited a specific instance in which a key member of her negotiating team – her husband, was barred from negotiations by her acquirers' legal team and HR department. Her husband had played a key role in the business, identifying an early income ceiling, pushing her to hire and invest in help and research comparable prices when she started exploring an exit. While her buyers cited a legal conflict, the practice owner summed up their refusal to allow him in the final negotiations this way: *"Of course, you don't want the man in the room. You just want to deal with me."*

A sell-side advisor interviewed for the study shared that, in her experience, women founders would automatically have their valuations discounted between 6-8% because of their gender. Furthermore, she shared that if they appeared to be in any sort of distress, either because they were feeling burned out from their companies, dealing with health issues, wanting to sell in order to spend more time with their families, they could expect as much as a 20% valuation discount, and in some cases be offered a deal only for the company's assets.

What Should Change?

Our research uncovered three distinct areas of recommendations.

For Women Founders

Close the Good Faith Gap and get it – all of it – in writing. The women we interviewed were all specific about why they were exiting and what was most important to them in the deal. Some of those intentions made it into the contract, and some did not. The lesson: convert what you want into something somebody can be legally held to, and do it before you need it, because at the point of sale your leverage is already spent. Everything the planner did was available to every woman in this study and cost her almost nothing when she implemented it.

For Advisors

Women founders invest in expertise and surround themselves with advisors. In the best-documented sale in this study the founder had a bookkeeper, an accountant, an attorney, a business coach, a financially literate spouse, and a friend with corporate acquisition experience. **Six advisors were present for the deal, and not one of them owned the price, and ensured her terms were bindable in her contract.** The question for the professions that surround women entrepreneurs is not, therefore, whether women get advice. It is whether anyone is accountable for what the business is ultimately worth in an acquisition.

For the Ecosystem

Our study revealed a potential misalignment in the women's entrepreneurial ecosystem. The ubiquitous accelerators, incubators, associates, events, programs, non-profits, non-governmental-organizations and publicly funded projects meant to advance women entrepreneurs may indeed be giving women founders what they already have in place of what they actually need.

While none of the women entrepreneurs in this study were immune to the advantages of capital from an exit; building a personal financial nest egg was generally only one factor motivating the women to sell. All the exited and pre-exit founders wanted to sell in order to secure the capital their teams and mission needed to thrive.

Exiting was about access to capital.

But as two investors in this study described, twice, women seeking capital are offered mentorship, programmes and panels **instead of money.** Set that beside the finding that fifteen of sixteen subjects already demonstrate the knowledge those programmes exist to supply.

The sector may be systematically offering women education our evidence shows they do not need, in place of what they are consistently saying they need: capital.

What this study can't tell you.

This working paper is exploratory by design; it is intended to surface key questions for more in-depth analysis. We conducted 16 long form interviews with founders, investors, lawyers and brokers in August and September 2026. No men were interviewed, so no finding can be shown to be exclusive to women, as opposed to first time sellers. I disclosed my hypotheses in 15 of 16 interviews, however this was done at the end of the conversation, once the formal interview was complete. I asked leading questions 64 times, however the paper's claims rest on the 78 coded passages that were specific and unprompted.

Who are women learning this from?

Perhaps the biggest conclusion from this paper: women need more examples of exited founders to learn from.

The one woman whose exit we studied closely in this study who got it right, learned her model from a man. She described this specifically, and she said it was the thing she noticed most: there was no woman to learn it from.

That is the gap this research exists to close. Not a gap in what women know about building sellable companies – we have shown there isn't one. But rather, there's a gap in the exemplars available to them.

This research is ongoing.

This is a working paper, which means it is unfinished by design. We are actively recruiting founders, advisors and ecosystem professionals as we continue our research into enterprise value in women-led businesses.

If you'd like to participate in our research, please complete this brief form. We will reach out to you to schedule an interview. An interview takes an hour, everything is anonymised, and nothing traceable is published without your approval.