



C U B E C A P I T A L

Thesis Series | 3

Your Culture Has a Multiple

Why buyers price transferability before diligence is complete

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THE MOMENT BEFORE THE MODEL

Marcus Webb says very little in first meetings.

He stopped listening closely to the content of management presentations long ago. What he listens for is the texture of the room: who speaks and how often, what happens when a question lands on someone who was not expecting it, what people do in the pauses between slides.

The company on the table was, by any standard measure, a serious acquisition candidate. Twenty-one million dollars in annual recurring revenue. Net revenue retention above a hundred and ten percent. Gross margins in the high seventies. Three customer references had described the product, unprompted, as excellent. Webb's firm had been circling the opportunity for six weeks, and the numbers held up every time they looked.

Forty minutes in, the meeting revealed what the numbers could not.

The CFO was midway through the financial summary when a colleague of Webb's asked a routine question about customer concentration. The CFO paused. In that pause, barely visible to anyone not already watching for it, she glanced left. Not at her laptop. Not at the slide. At the founder, sitting across the table with his hands folded.

The founder answered.

The CFO nodded.

Webb wrote two words in his notebook.

Pricing risk. The specific risk that the business would be worth less to an acquirer than its numbers suggested, because the performance those numbers described did not quite belong to the company. It belonged, in some essential and non-transferable way, to the person across the table. And that person, like all founders, would eventually leave.

Webb's firm made an offer. Fourteen percent below the asking price. A three-year earnout attached.

He had prepared the wrong things.

The scenario above, and the examples throughout this paper, are drawn from composite observations across multiple anonymised transactions. Individual details have been altered.

THE CONVERSATION BEFORE THE CONVERSATION

Every serious acquisition runs two processes simultaneously.

One of them the seller can see. It has a name, a timeline, and deliverables. The financial due diligence team reviews three years of accounts. The legal team examines contracts. The commercial team stress-tests the market position. Sellers prepare for these workstreams. They clean the data room. They rehearse the management presentation. They brief the CFO and the head of sales.

The other process is invisible to almost every seller who goes through it.

Call it the shadow process. It begins before the data room is populated and concludes before the financial team has finished its first year of accounts. It produces no formal report. What it produces is a number: not the offer number, but the ceiling number, the figure above which the buyer will not go regardless of what the financial model eventually says.

The ceiling is set by a single question: how much of what this business is depends on who this business is?

If the performance transfers, the ceiling is set by the business's future cash flows. The financial model does the work. If the performance is attached to the founder, the ceiling is set differently. The buyer is pricing the business minus the performance that will leave, plus the cost of the earnout required to delay that departure long enough to protect the investment.

Almost none of them prepare for it, because almost none of them know it is happening.

The earlier papers in this series have addressed external structural forces: the macro repricing of software multiples, the AI-driven compression of valuation assumptions, the dynamics that have quietly moved the floor beneath founders who were not watching. This paper is about a variable that operates inside whatever range the market will bear. In a wide market, it decides whether a founder clears the top end or the bottom. In a compressed market, it decides whether a deal closes at all.

That variable is what experienced buyers, using a word most founders have dismissed as irrelevant to them, call culture.

A PRECISE MEANING

The word culture has a problem.

It has been so thoroughly colonised by the language of human resources that most founders have stopped expecting it to carry useful meaning. Culture means the values statement on the wall. It means the team lunch. It means, if a founder is feeling generous, the quality of the people. Most founders in the ten to eighty million dollar revenue range have quietly concluded that culture belongs to companies large enough to employ someone whose job it is to worry about it.

That conclusion is expensive. Team wellbeing matters, but it has nothing to do with what experienced buyers are measuring.

In an acquisition context, culture has a precise meaning. It is the transferability of performance.

A business has strong culture when its performance, its revenue quality, its customer relationships, its operational decision-making, its institutional knowledge, survives a change in who runs it. A business has weak culture when its performance is attached to specific individuals in ways that would cause it to degrade once those individuals were no longer present and motivated.

Founders who have built strong culture in this precise sense share one characteristic: their own continued presence is an enhancement to the business, not a dependency. The business would be worth acquiring without them. With them, it is worth more. That is the premium multiple.

THE THREE DEBTS

Software founders need little explanation of technical debt. Code written quickly because there was no time to write it well. Architecture decisions made for expediency that became costly later. Technical debt is invisible in a good year and surfaces during due diligence, when the buyer's technical team starts asking questions the development team cannot answer cleanly.

Cultural debt works exactly the same way. It accumulates silently across years of growth. It is invisible to the people carrying it because they have learned to work around it. And it surfaces during a transaction, at the worst possible moment, always more expensive to discover than it would have been to address two years earlier.

In practice, cultural debt shows up in three places. Each maps directly to a line in a buyer's risk assessment. Each carries a measurable consequence for price and deal structure.

Decision Debt

Here is a test most founders fail.

Without asking anyone, and without looking at any calendar or communication log, estimate the number of significant operational decisions made in your business last week that did not involve you. Not the strategic decisions. The operational ones: a pricing exception approved, a product prioritisation call made, a customer escalation resolved, a hiring judgment reached. Decisions that were made, and finalised, by people other than you.

In most founder-led software businesses between ten and eighty million dollars in revenue, the honest answer is very few. Not because the team is incapable, but because the team has learned, over years of working alongside a strong founder, that founder preference tends to settle ambiguity faster than any internal process. So ambiguity flows upward. The founder resolves it. The team learns to wait. The pattern becomes structural.

What the founder has built, without choosing to, is a business whose decision-making infrastructure lives in one person. It runs efficiently because that person is accessible and good at their job. It is also a business that cannot run at full capacity when that person is unavailable, unmotivated, or gone.

A buyer sees this quickly in management interviews. Not through anything the founder says, but through what happens when a question is directed at someone else: the slight hesitation before an answer, the involuntary glance across the table, the phrase we would typically check with. They are organisational signals. Experienced buyers read them quickly, and the price adjusts.

Self-assessment:

In a typical working week, how many significant operational decisions were made in your business without your direct involvement? If the honest answer is fewer than half, the buyer's management interview will surface this. The financial model will reflect it.

The path out is not conventional delegation, where the founder steps back but remains available to override. That reduces the symptom without touching the debt. What moves the dial is redesigning decision rights explicitly: documenting which decisions belong at which level, giving the team genuine authority to own those decisions, and then removing yourself from the resolution loop long enough that the pattern becomes visible to an outside observer. Founders who have been the answer to every question for eight years do not easily become the architect of the system that generates answers. But it is achievable in 24 months. The valuation difference between the business that has done this and the one that has not is not marginal.

Relationship Debt

The founder is not in the room when the reference call happens. That is the point.

A buy-side team calls your five most important customers. They ask an open question: tell us about your relationship with the vendor. The customer, who likes you and wants to say something useful, tells them about you. Your responsiveness. Your personal grasp of their business. The way you were there when something went wrong eighteen months ago and it could have cost them the relationship. They mean every word. They are, in their way, giving you a glowing reference.

They are also describing your company's single largest due diligence risk.

What the customer has just told the buyer is that the relationship sustaining their renewal is not with the company. It is with a person. And the buyer is now quietly calculating what happens to that renewal when the earnout period ends, the equity is settled, and the calls start being returned a little more slowly. The renewal mechanism, the thing that makes the revenue sticky, has just been identified as founder-dependent. That identification has a price.

This is relationship debt. The founder built those relationships because there was no one else to build them, and because they are good at it. The debt is not the relationship itself. The debt is the failure, across years of growth, to transfer ownership of the relationship from the person to the company.

Self-assessment:

Name your five most important customers by revenue. Who would each of them say they trust most at your company? If four of the five name you, the deal structure will be built around managing what happens when your incentives change. Buyers do not penalise strong founder relationships. They penalise the absence of anything that sustains those relationships when the founder steps back.

Transferring relationship ownership is not a matter of introducing an account manager and stepping back. Customers who have built trust with a founder over years do not redirect that trust on instruction. The transfer is slow and deliberate: the founder bringing team members into key conversations and making them the follow-up point, the gradual withdrawal from being the first call when something goes wrong. It takes longer than most founders expect. Which is exactly why 24 months is not much time.

Knowledge Debt

Here is a useful test. Not a comfortable one.

A capable general manager is hired today: smart, commercially sophisticated, experienced in software businesses of similar scale. They understand the category. What they do not have is any prior knowledge of this particular business.

How long before they could make the ten most consequential operational decisions your company faces without asking you a single question?

In most founder-led businesses, the honest answer is months. Not because the new manager is not capable, but because the knowledge required to make those decisions has never been written down. It exists in the founder's pattern recognition. It is nowhere else.

A buyer underwriting the proposition that this business can run independently of the founder is also underwriting the answer to that question. If the answer is uncomfortable, the deal structure compensates for it.

Write the list of everything a capable new owner would need to know to run your business effectively without you, specifically the knowledge that cannot be found in documents that currently exist. The buyer's operational due diligence team will produce a version of this list during the transaction. If it is long, the discovery will not arrive at a convenient moment.

Fixing knowledge debt is unglamorous: documentation, process design, the systematic transfer of institutional knowledge from one person's head to systems, and from systems to teams. It never feels urgent. Founders who have done it find that due diligence moves efficiently. Those who have not find that it generates requests for information nobody can locate, creates an impression of organisational opacity that is difficult to dispel, and gives the buyer's team negotiating material they did not need.

A Note on Market Posture

Commercial diligence also reveals what the organisation thinks its value is.

In businesses with genuine pricing confidence, the sales team does not open the price conversation. In businesses without it, routine discounting is not a product problem. It is a cultural signal: the team has learned, across hundreds of sales conversations, that conceding price is the fastest path to a closed deal. That learning lives in the pipeline patterns. A buyer's commercial diligence team examines this data early. A team that holds price has internalised the product's value. One that discounts habitually has not, and the buyer prices the difference.

Self-assessment:

In your last ten competitive sales processes, who opened the price conversation? If your team consistently opened it, and material discounts were routine, commercial diligence will surface this. Unlike the three debts, pricing posture is among the more tractable things to shift in a 24-month window, not by changing the product but by tightening ideal customer qualification and training the team to hold price with evidence rather than concede it under pressure.

THE 24-MONTH WINDOW

Cultural debt is, in most cases, the accumulated cost of doing things the fast way for long enough that the fast way becomes the only way.

The founder who answered the CFO's question in that management meeting did not make a mistake. They knew the answer, the meeting needed to move, and stepping in was the fastest path forward. The same logic applied to every customer relationship maintained personally, every decision that flowed upward rather than being held by the team, every piece of institutional knowledge that stayed in one person's head because writing it down could wait. Each individual decision was reasonable. The accumulation of those decisions across eight years is what ends up in a buyer's notebook.

What can actually be changed in 24 months?

Decision rights can be redesigned. Relationships can be transferred, slowly and with deliberate effort. Knowledge can be documented. The org chart can be rebuilt to reflect the business being acquired rather than the business that was built. These are hard, unglamorous tasks. They are also tractable, and the valuation consequence of completing them is not marginal.

The real difference is architectural. Founders who treat preparation as architecture build it into how the business operates day to day. They redesign decision rights and let the redesign run. They step back from key relationships and hold that position even when it is uncomfortable. By the time a buyer arrives, the changes are observable because they have been in operation long enough to produce genuine patterns.

Founders who treat preparation as document assembly produce different results. They create an org chart that describes a business they have not yet built. They document processes the team still resolves by calling the founder. They can show a buyer an account management structure without being able to show an account management team that actually holds the relationships. Experienced buyers have seen both kinds of preparation. They can tell the difference.

The founders who use this window well are not the ones who work hardest in the 24 months before a sale. They are the ones who work on the right things: who understand that a buyer's ceiling is set not by what the business produces, but by whether what it produces can survive without them.

THE BUSINESS THAT IS READY

A business that has addressed its cultural debt does not look perfect. It looks robust.

The distinction matters. Experienced buyers are not looking for perfect businesses. They are looking for evidence that the performance they are being asked to pay for will still be there after the transaction closes. Robustness is the word for that quality. It is the evidence that the business has been built to operate at one remove from the person who built it.

In a robust business, the management meetings run without the founder filling the silences. The head of product has a clear and reasoned view of the roadmap. The CFO walks through the financial model with the precision that comes from owning the numbers. When a question is directed at the head of sales, the head of sales answers it. The CFO does not glance across the table.

The customer reference calls produce descriptions of the product experience, the implementation process, the team. Customers mention the founder warmly. The mentions are contextual rather than load-bearing. The customer's relationship is with the company.

The org chart already looks like the business the buyer is acquiring, not the one the founder is still carrying. There are people in the organisation who could step into roles more senior than the ones they hold. Departure at the top would create adjustment. It would not create a crisis.

None of this happened by accident. It is the product of a specific kind of attention, directed not at the business's outputs but at its architecture, applied consistently over the years before a process began. Buyers who have seen both kinds of business know which one they are sitting in before the second slide has appeared.

WHAT MARCUS WEBB WROTE

The founder who walked out of that management presentation with a fourteen percent discount and a three-year earnout did not fail to build a good business. He failed to demonstrate, to a buyer watching quietly from the back of the room, that the goodness was structural rather than personal.

The gap is not between good businesses and weak ones. It runs between businesses whose performance transfers and businesses whose performance is attached to a person.

Founders spend the 24 months before a sale preparing their numbers. Buyers arrive having already decided something the numbers cannot answer: whether the performance those numbers describe belongs to the company, or to the founder.

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Hani is Founding Partner at Cube Capital, where he advises founders and boards of software and consulting businesses on sale readiness, valuation positioning, and exit strategy, and leads sell-side processes through to transaction. His work focuses on the 24 months before a transaction, when the structural drivers of transferability and buyer confidence are either built or exposed. Before founding Cube Capital, he built technology companies in Australia and the United States and led the Asia Pacific region for a NASDAQ-listed software company.

CUBE CAPITAL

Cube is an Australian M&A advisory firm specialising in technology company exits. The firm works with founders and boards of software and technology services businesses in the A\$10 million to A\$80 million revenue range, advising on exit preparation, capital structure, and sell-side transaction execution. Its work is grounded in the structural readiness that shapes how acquirers price a business before the formal process begins.

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