

80 Questions Every Family Business Owner Should Answer

Purpose:

This assessment tool is designed to help you:

- **Identify** your business and family strengths and weaknesses.
- **Establish** your priorities.
- **Work ON** your business rather than **IN** your business.

How to Use:

This is a challenging list of questions which will provoke thoughts in virtually all areas of your business and family lives. Answer as many of the questions as you can – preferably in writing. Put the answers away for a day or so, sleep on your responses, and take them out again for reflection and review. TAKE ACTION on the one or two items you think are most important.

Recommendations:

If you really want to maximize the value of this instrument, copy it for ALL of your family members and key executives (some questions won't apply to non-family employees or non-employee family members), have them answer the questions, and then compare notes with each other in a scheduled, one-hour meeting. You'll be pleasantly surprised at how much people appreciate your allowing them to express their opinions and concerns about the present and future of your closely held company.

SUCCESSION PLANNING

1. Is the future **ownership** of your family company clearly defined? Do all affected stakeholders know the ownership succession plan? If not, why not?
2. Is the future **management** of your family company clearly defined? Do all affected stakeholders know the management succession plan? If not, why not?
3. Is there the potential for ownership in your family enterprise to be fragmented in the future (or right now) so no one person controls? If so, what anti-deadlock provisions have you got in place?
4. What objective criteria do you use in evaluating your successors' strengths, weaknesses, skills, and talents as you attempt to evaluate their potential? Where are you most confident in them? Doubtful?
5. If you own a business with siblings or cousins, what are your exit plans? Are you inadvertently creating a race for the door between same generation owners where the first one to get out wins?
6. What are your provisions for you to exit your business with financial security assured?
7. Is there a liquidity plan for buying back the stock of departing shareholders?
8. If there is more than one shareholder in your family enterprise, do you have a binding, modern buy-sell agreement? If not, why not?
9. Does your shareholder agreement cover atypical items such as disability, "bad boy" behavior, windfall sale, "drag along," non-compete provisions, etc.?
10. In the future, will your business go to family members, some of whom are employed in the company and some of whom are not? If so, what provisions will you make to balance the interests of employee shareholders versus non-employee shareholders?
11. If you were to drop dead, could your family and/or business survive the "triple whammy" of loss of the family patriarch, loss of a key family business manager, and the potential for ruinous estate taxation? What is your contingency plan?
12. Your CPA, attorney, and other advisors have probably been after you for some time to address the issues of your exit, future management of the company, your estate planning, etc. What are the barriers that prevent you from tackling these tough family business issues?
13. Who is the next leader of the family enterprise? Is this clear to everyone, or is it a big secret and potentially a bone of contention?
14. If you don't have children who are capable of taking over the business at your retirement, what is the best course of action? Should you close the doors, sell it to insiders, or sell it to outsiders?

STRATEGIC PLANNING

15. If you were to poll the other stakeholders your business, your family, and your key employees, is there an explicitly agreed upon vision for where your company is headed in the next five years? If not, why not?
16. If your family business were to fail in the next three years, what would you predict would be the most likely cause(s)?
17. Being brutally honest, can you recite your company's mission statement by memory? If not, why not?
18. Are there regularly scheduled meetings for the purpose of working ON the business?
19. What skills or training do you need to be more successful in the family business?
20. What skills or training do other people need to be more successful in the family business?

21. What are your corporate goals for this year? If you were to assess other managers in your company, would their goals be the same? Are you all on the same page? If not, why not?
22. Do you have regular senior management meetings to discuss your strategic plan, business plan, capital plan, human resources, etc.? If not, why not?
23. Do you use a formal or informal Board of Advisors or Board of Directors? If not, why not?
24. Do you know what your “critical success factors” are for your business? If not, why not?
25. What new capabilities must you, your employees, or your company acquire to stay competitive over the next five years?
26. What are the three most important things you should focus on in your job that would be the most productive for your company in the next 90 days? Once you’ve identified those three items, determine approximately how much time, as a percentage, you’re currently spending on those critical success items. If you spent more time on those key items, what kind of results could you produce for yourself and the company?

BUSINESS OPERATIONS & MANAGEMENT

27. When there are difficult business decisions to be made, is there a proven methodology for arriving at decisions or do you often decide “not to decide” in order to preserve harmony?
28. Are family members employed by the business compensated fairly and adequately? Upon what standard is their compensation based?
29. List your top five frustrations in the family business.
30. Thinking objectively, what are the marketing strengths of your family business?
31. Thinking objectively, what are the sales strengths of your family business?
32. Thinking objectively, what are the operational strengths of your family business?
33. Thinking objectively, what are the administrative strengths of your family business?
34. Thinking objectively, what are the marketing weaknesses in your family business?
35. Thinking objectively, what are the sales weaknesses in your family business?
36. Thinking objectively, what are the operational weaknesses in your family business?
37. Thinking objectively, what are the administrative weaknesses in your family business?
38. What do you consider to be the main threats facing your business in the next three years?
39. Is there a proven methodology that you employ for resolving conflict in your business?
40. How profitable are you versus your peers in your industry? Into what percentile do you fall? What are the reasons for your position?
41. Do you have a written organization chart for your business, and do you manage to the organization chart, or is it just a nice piece of wallpaper?
42. Do you have the right people (especially family members) in the right positions in the company for now (and for the future)?
43. Do you have written job descriptions for family and non-family employees? If not, why not?
44. Is the authority embodied in the job descriptions defined and supported? If not, why not?
45. Do you regularly conduct employee performance reviews and schedule sessions for appropriate feedback? If not, why not?

46. Being as objective as you can, if you were to evaluate your top 10 family business employees and the jobs they are doing, if you were to start your business from scratch tomorrow, would you hire them again? If not, why not?
47. Do you have a customer satisfaction program in place that gives you formal feedback about how your customers view your company? If not, why not?
48. From a sales standpoint, what are your competitive advantages? Disadvantages? How do you stack up to your competition?
49. Are there policies in place for appropriate handling of corporate profits in order to balance the needs of the corporation, employee shareholders, and non-employee shareholders?
50. You've made a decision to hire some new talent; how do you objectively quantify the candidates' qualifications for the job and abilities to do the job effectively?
51. What are your recruiting processes when it's time to hire new talent? Do you have formal procedures that can produce predictable results, or is it an informal process that more closely resembles a crapshoot?

FAMILY RELATIONSHIPS

52. Rate the quality of communication within your business family on a 1 to 10 scale with 10 being perfect. If your response is "7" or less, what are the contributing factors? How could you increase the quality of your family business communication?
53. Are there regularly scheduled meetings for the purpose of working ON the family, communication, and relationships?
54. Is there a proven methodology that you employ for resolving conflict in your family?
55. When there are difficult family decisions to be made, is there a proven methodology for arriving at decisions or do you often decide "not to decide" in order to preserve harmony?
56. Are there rules for entry of family members into business management?
57. Are there rules for entry of family members into business ownership?
58. What is one item in your family (or business) that has been nagging you for some time and that you've been meaning to clean up? What is holding you back from cleaning up this persistent, uncomfortable issue?
59. What's the one relationship in your family or business family that causes you the most concern? If that relationship were to improve dramatically, what types of benefits would you see?
60. Are there rules for distributions of funds from your family enterprise (above and beyond employment compensation)?

"DROP DEAD" PLANNING

61. Have your wills and associated trust documents been updated in the past three years? If not, why not?
62. Do you have the following: Declaration for Desire of Natural Death, Power of Attorney, and Healthcare Power of Attorney? If not, why not?
63. Do your testamentary documents assure your family business privacy after your death?
64. Do your testamentary documents specifically address the disposition of your family business?
65. Do your testamentary documents agree with other business arrangements such as buy-sell agreements?

66. Do you pass ownership of the family company to your spouse in your testamentary documents as a tax avoidance measure? If so, does that make practical sense, and is that consistent with the wishes of your spouse?
67. If the business ownership does go to your spouse, is there the potential for your children to inflate his/her estate thereby increasing their estate tax burden during his/her surviving lifetime?
68. What are your testamentary provisions for treating your employee and non-employee children fairly and equitably?
69. In your “drop dead” planning, do you have insurance proceeds includable in your taxable estate? If so, why?
70. For your real estate, do you use Family Limited Partnerships or Limited Liability Companies? If not, why not?
71. Do you have a written plan for when your family members get home from your funeral to lessen the burden on them? If not, why not?
72. Will your children inherit the business in equal portions or will one child be designated the “prize pig” and receive a larger proportion? What are the pros and cons of each course of action?

LIFE PLANNING

73. At this stage in your business life, being brutally honest, is your business generally adding to the quality of your life, or is it gradually draining the energy and quality of life away from you?
74. What, ultimately, do you want to get out of the business? Why do you work as hard as you do?
75. How many hours per week are you working now? Are you working harder or less hard than you did five years ago? If you're working harder now, what is your plan for gradually slowing down and enjoying some of the fruits of your labor?
76. How much time do you take away from the business for rest and relaxation (vacations at your industry or trade conventions or when you do work at home or at the beach don't count)? Ideally, how much time would you like to take off? What's holding you back from having as much vacation time as you would like?
77. On a 1 to 10 scale with 10 being perfect, how well do you think you manage your time? If your answer is a “7” or below, what do you have to do to get your time management and personal effectiveness skills up to an acceptable level?
78. Do you worry about giving your children too much? Is it a concern that you may spoil them to the point where they don't achieve their potential in life? Are you worried about “affluenza”?
79. If you didn't come to work for the next six months for whatever reason, in what condition would your business be upon your return? What would likely have happened to your most valuable asset during your absence? Why?
80. At this stage in the evolution of the family company, what is your return on investment (both financial and non-financial)? Are you getting a sufficient rate of return to fairly compensate for your blood, toil, sweat, and tears?