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COOK MARTIN POULSON, P.C.

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*Certified Public Accountants*

# SUCCESSION SCORESHEET

for closely held or family owned businesses



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Cook Martin Poulson understands the difficulties closely held or family owned businesses face when they are passing the torch to the next generation of owners and managers. We have developed a scoresheet to help leaders determine the current state of their succession plans and help provide a list of crucial issues that need to be addressed to ensure the continuing success of their business. The following scoresheet will provide insight to your strengths and weaknesses. While you may have strengths in some areas and weaknesses in others, this checklist will identify a path and help address those issues and enable a plan for improvement.

## NOTES

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## QUESTION

## ANSWER

## OWNER MOTIVATION AND GOALS

• I am committed to the ongoing continuity and succession of my business.	Yes	Mostly	Somewhat A little	No	Neutral Don't Know
• I have an ownership transition plan.	Yes	Mostly	Somewhat A little	No	Neutral Don't Know
• I have evaluated various business disposition alternatives before developing an ownership transition plan.	Yes	Mostly	Somewhat A little	No	Neutral Don't Know
• I have documented and communicated my performance expectations of the business to my successor(s).	Yes	Mostly	Somewhat A little	No	Neutral Don't Know
• I have trust and confidence in my successor(s).	Yes	Mostly	Somewhat A little	No	Neutral Don't Know
• I have trust and confidence in my management team.	Yes	Mostly	Somewhat A little	No	Neutral Don't Know
• I am considering a sale to family members.	Yes	Mostly	Somewhat A little	No	Neutral Don't Know
• I am considering a sale to key managers.	Yes	Mostly	Somewhat A little	No	Neutral Don't Know
• I am considering a sale to a third party.	Yes	Mostly	Somewhat A little	No	Neutral Don't Know

## FAMILY DYNAMICS

• My family understands our values and family goals.	Yes	Mostly	Somewhat A little	No	Neutral Don't know
• I am educating and coaching my family members to align with our values and goals.	Yes	Mostly	Somewhat A little	No	Neutral Don't Know
• My family works harmoniously together.	Yes	Mostly	Somewhat A little	No	Neutral Don't Know
• The ownership transition plan has been communicated to family members who will be impacted.	Yes	Mostly	Somewhat A little	No	Neutral Don't Know
• My family is aware of our succession plan.	Yes	Mostly	Somewhat A little	No	Neutral Don't Know
• My family agrees with our succession plan.	Yes	Mostly	Somewhat A little	No	Neutral Don't Know

## PERSONAL FINANCE PLANNING

• I have an estate plan.	Yes	Mostly	Somewhat A little	No	Neutral Don't Know
• I have explained my estate plan to our children and other prospective beneficiaries.	Yes	Mostly	Somewhat A little	No	Neutral Don't Know
• I have no concerns about potential issues between the beneficiaries of my estate that could create acrimony or litigation during estate settlement.	Yes	Mostly	Somewhat A little	No	Neutral Don't Know
• My exit strategy does not put my personal or business financial stability at risk.	Yes	Mostly	Somewhat A little	No	Neutral Don't Know
• I have clearly defined my personal financial security needs.	Yes	Mostly	Somewhat A little	No	Neutral Don't Know
• I have developed a plan to achieve personal financial independence from the operating business.	Yes	Mostly	Somewhat A little	No	Neutral Don't Know

QUESTION		ANSWER				
•	I am confident my estate planning documents reflect my wishes.	Yes	Mostly	Somewhat A little	No	Neutral Don't Know
•	My estate plan and titling of assets have been specifically developed to avoid probate.	Yes	Mostly	Somewhat A little	No	Neutral Don't Know
•	My estate plan provides for a fair distribution of business and family assets.	Yes	Mostly	Somewhat A little	No	Neutral Don't Know
•	My estate planning documents utilize trusts to provide asset management and administration.	Yes	Mostly	Somewhat A little	No	Neutral Don't Know
•	My estate planning documents take full advantage of allowable estate tax credits and exemptions.	Yes	Mostly	Somewhat A little	No	Neutral Don't Know
•	I have chosen trustees who are sensitive to the needs of my family and understand my business succession plan.	Yes	Mostly	Somewhat A little	No	Neutral Don't Know
•	I have adopted durable powers of attorney, healthcare powers of attorney, and living wills.	Yes	Mostly	Somewhat A little	No	Neutral Don't Know
•	I have confidence in the technical competence of my estate planning attorney.	Yes	Mostly	Somewhat A little	No	Neutral Don't Know
•	I am confident my estate planning attorney will be an effective leader of estate administration.	Yes	Mostly	Somewhat A little	No	Neutral Don't Know
•	I have developed my estate plans with a knowledge of how the IRS values assets for estate tax purposes.	Yes	Mostly	Somewhat A little	No	Neutral Don't Know
•	I have a clear understanding of the impact inheritance taxes can have on the succession of my business.	Yes	Mostly	Somewhat A little	No	Neutral Don't Know
•	I have a plan for handling the payment of estate taxes, and my beneficiaries have been informed.	Yes	Mostly	Somewhat A little	No	Neutral Don't Know
•	I have reviewed the various methods for the payment of estate taxes.	Yes	Mostly	Somewhat A little	No	Neutral Don't Know

## BUSINESS STRUCTURING

•	My business(es) are set up to utilize efficient tax strategies for a business transition.	Yes	Mostly	Somewhat A little	No	Neutral Don't Know
•	I have a functioning board of directors.	Yes	Mostly	Somewhat A little	No	Neutral Don't Know
•	I have outside experienced board members to add value and insight to the board.	Yes	Mostly	Somewhat A little	No	Neutral Don't Know
•	I have current shareholder and/or operating agreements for all business entities.	Yes	Mostly	Somewhat A little	No	Neutral Don't Know
•	My shareholder/operating agreements protect company owners against the death of an owner.	Yes	Mostly	Somewhat A little	No	Neutral Don't Know
•	My shareholder/operating agreements protect against disability.	Yes	Mostly	Somewhat A little	No	Neutral Don't Know
•	My shareholder/operating agreements protect against divorce.	Yes	Mostly	Somewhat A little	No	Neutral Don't Know
•	My shareholder/operating agreements require retiring shareholders to sell their stock to remaining shareholders or the company.	Yes	Mostly	Somewhat A little	No	Neutral Don't Know
•	My shareholder/operating agreements contain provisions requiring the sale or forfeiture of stock related to a shareholder's inability to meet a credit guarantee or respond to a franchiser's directive.	Yes	Mostly	Somewhat A little	No	Neutral Don't Know

QUESTION		ANSWER			
• I have written leases for all business related real estate.	Yes	Mostly	Somewhat A little	No	Neutral Don't Know
• My company maintains written compensation plans for all management positions.	Yes	Mostly	Somewhat A little	No	Neutral Don't Know

## SUCCESSOR PREPARATION

• Family members seeking employment in the family business must have work-related experience outside the family business.	Yes	Mostly	Somewhat A little	No	Neutral Don't Know
• Our development program identifies the areas in which family members will be best utilized and fulfilled.	Yes	Mostly	Somewhat A little	No	Neutral Don't Know
• I have a documented and well-communicated criteria defining the career path to be considered for a potential successor.	Yes	Mostly	Somewhat A little	No	Neutral Don't Know
• I have family members who have made a career commitment to the business.	Yes	Mostly	Somewhat A little	No	Neutral Don't Know
• I have a curriculum to develop the talents and experience of potential successor leaders.	Yes	Mostly	Somewhat A little	No	Neutral Don't Know
• The identified successor(s) have a working understanding of the financial statements.	Yes	Mostly	Somewhat A little	No	Neutral Don't Know
• I have developed a method of evaluating potential successor(s) readiness for succession.	Yes	Mostly	Somewhat A little	No	Neutral Don't Know
• Prospective successor(s) are confident in their abilities.	Yes	Mostly	Somewhat A little	No	Neutral Don't Know
• Prospective successor(s) execute business plans effectively.	Yes	Mostly	Somewhat A little	No	Neutral Don't Know
• Prospective successor(s) have demonstrated the ability to make good business decisions.	Yes	Mostly	Somewhat A little	No	Neutral Don't Know
• Prospective successor(s) have developed a strong rapport with our senior management team.	Yes	Mostly	Somewhat A little	No	Neutral Don't Know
• Prospective successor(s) have demonstrated the ability to motivate and inspire others.	Yes	Mostly	Somewhat A little	No	Neutral Don't Know
• Prospective successor(s) communicate effectively with managers and employees.	Yes	Mostly	Somewhat A little	No	Neutral Don't Know
• Identified successor(s) have begun developing relationships with our bankers and creditors.	Yes	Mostly	Somewhat A little	No	Neutral Don't Know
• I am confident in the prospective successor(s) abilities.	Yes	Mostly	Somewhat A little	No	Neutral Don't Know
• My identified successor(s) could run the business in my absence.	Yes	Mostly	Somewhat A little	No	Neutral Don't Know
• Prospective successor(s) have demonstrated an ability to resolve conflict effectively.	Yes	Mostly	Somewhat A little	No	Neutral Don't Know
• The senior management team has embraced the prospective successor(s).	Yes	Mostly	Somewhat A little	No	Neutral Don't Know
• The succession plan has been approved by vendors, manufacturers, banks, and flooring line companies.	Yes	Mostly	Somewhat A little	No	Neutral Don't Know

## QUESTION

## ANSWER

## STRATEGIC PLANNING

• Annually, our management staff reserves time to establish one year, three year, and five year growth objectives.	Yes	Mostly	Somewhat A little	No	Neutral Don't Know
• We have a well developed vision, mission statements, and defined company values to develop a strong appropriate corporate culture.	Yes	Mostly	Somewhat A little	No	Neutral Don't Know
• The management team has established realistic and time-bound operating goals for the achievement of the organizational vision.	Yes	Mostly	Somewhat A little	No	Neutral Don't Know
• Our management team has agreed upon prioritized action steps and accountability measures for the achievement of strategic objectives.	Yes	Mostly	Somewhat A little	No	Neutral Don't Know
• Our leadership team has identified the technology, leadership, and talent the organization will need over the next three to five years.	Yes	Mostly	Somewhat A little	No	Neutral Don't Know

## BUSINESS PERFORMANCE

• Our leadership team has established specific performance expectations for management.	Yes	Mostly	Somewhat A little	No	Neutral Don't Know
• Compared to industry averages, our business generates above-average net profit.	Yes	Mostly	Somewhat A little	No	Neutral Don't Know
• We have a management team that is concerned with the overall growth and stability of the company.	Yes	Mostly	Somewhat A little	No	Neutral Don't Know
• Our senior managers utilize financial statements to improve efficiency and profitability.	Yes	Mostly	Somewhat A little	No	Neutral Don't Know
• Senior managers have a working knowledge of our key performance indicators.	Yes	Mostly	Somewhat A little	No	Neutral Don't Know
• Our management team works with established budgets in accordance with our annual objectives and strategic goals.	Yes	Mostly	Somewhat A little	No	Neutral Don't Know
• Our senior management team is empowered with the responsibility and authority to make operational decisions.	Yes	Mostly	Somewhat A little	No	Neutral Don't Know
• Our managers achieve or exceed departmental and overall objectives and goals.	Yes	Mostly	Somewhat A little	No	Neutral Don't Know
• We have written job descriptions for all management positions.	Yes	Mostly	Somewhat A little	No	Neutral Don't Know
• Our company maintains an annual employee turnover ratio of less than 20 percent.	Yes	Mostly	Somewhat A little	No	Neutral Don't Know
• We have annual performance reviews with managers.	Yes	Mostly	Somewhat A little	No	Neutral Don't Know
• The business' cash flow is strong enough to withstand a major economic or business performance downturn.	Yes	Mostly	Somewhat A little	No	Neutral Don't Know
• Our company has developed a debt/credit policy that guides financial decision making.	Yes	Mostly	Somewhat A little	No	Neutral Don't Know

## QUESTION

## ANSWER

## LEADERSHIP MANAGEMENT CONTINUITY

• Our exit strategy has been coordinated with our family.	Yes	Mostly	Somewhat A little	No	Neutral Don't Know
• Our exit strategy has been documented and communicated to minimize disruption to the family and business.	Yes	Mostly	Somewhat A little	No	Neutral Don't Know
• Department managers could run the business in my absence.	Yes	Mostly	Somewhat A little	No	Neutral Don't Know
• We have developed short-term contingency ownership transition plans involving key managers.	Yes	Mostly	Somewhat A little	No	Neutral Don't Know
• We have a program to incentivize and retain the senior management team.	Yes	Mostly	Somewhat A little	No	Neutral Don't Know
• We have expressed our expectations to the senior management team as to how we want our business managed in our absence.	Yes	Mostly	Somewhat A little	No	Neutral Don't Know
• We have established an experienced management team to “bridge the gap” between retiring family business leaders and developing family members.	Yes	Mostly	Somewhat A little	No	Neutral Don't Know

## MANAGEMENT SYNERGY AND TEAMWORK

• We rotate managers through the various departments in an effort to cross-train.	Yes	Mostly	Somewhat A little	No	Neutral Don't Know
• Our senior management team exhibits a high level of teamwork.	Yes	Mostly	Somewhat A little	No	Neutral Don't Know
• The management team promotes teamwork among all employees.	Yes	Mostly	Somewhat A little	No	Neutral Don't Know
• We have an organizational chain of command that is respected and followed.	Yes	Mostly	Somewhat A little	No	Neutral Don't Know
• Visible friction between managers is uncommon.	Yes	Mostly	Somewhat A little	No	Neutral Don't Know
• We solicit employee input on how the organization can achieve enhanced productivity.	Yes	Mostly	Somewhat A little	No	Neutral Don't Know
• Senior managers exhibit a high level of trust for one another.	Yes	Mostly	Somewhat A little	No	Neutral Don't Know
• The senior management team has their attention focused on results.	Yes	Mostly	Somewhat A little	No	Neutral Don't Know
• In the absence of the senior generation, the next generation would assume management control without challenges to family harmony.	Yes	Mostly	Somewhat A little	No	Neutral Don't Know

