

## Quick Test --- Family Firm Succession Readiness

**INSTRUCTIONS:** Check each item present in your family firm and add below.

### Family Troubles

- Emotional Cut-Offs (Family members who do not talk to each other)
- Excluding type alliances (typically a destructive triangle in which 2 people exclude a 3rd person)
- Rage-like feelings towards other family members
- Threats of lawsuits between family members
- Family conflict which affects board or management meetings or the workplace.

### Ownership Problems

- Lack of advisory board or Board of Directors with true outsiders
- Lack of valid buy-sell agreement
- Lack of unified mission
- Refusal to allow outside advisors (attorney, CPA, banker, etc.) to intervene or enter system (i.e.: valid estate plans rejected)
- No liquidity for shareholders

### Management Difficulties

- Non-standard compensation schedules
- Underperformance of a family firm.
- Threats by well-trained second or third generation family members to leave firm
- Decision-making based on emotion and relationships rather than business logic

### Succession Obstacles

- Unclear or unrealistic succession plan
- Lack of specific date for succession
- Lack of named successor
- Lack of training program for successor(s) and management
- Isolated CEO
- Lack of interest by CEO in matters outside the business

**Add Total Number of Check Marks**

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### Interpreting Your Score:

**0-2 items:** Excellent

**3-5 items:** Potential Risks Lurking

**6-8 items:** Serious Problems Putting Firm and/or Family at Significant Risk of Failure

**9+ items:** Urgent crisis impending or in effect

#### **CLUES THAT IT MAY BE TOO LATE FOR HELP**

- Two sides of the family have hired litigators
- Family member has filed a lawsuit against another family member
- Persistent pattern of rapidly decreasing revenues with no proprietary product or service