

THE LEGACY FAMILY  
BUSINESS QUESTIONNAIRE™

The first step  
to providing  
clarity for  
your family  
business

A large, white, serif letter 'M' is centered within a dark green square.

ost planning begins and ends with the numbers. The Legacy Business Optimization System™ employs a unique values-based approach that begins with what is most important to you. As you answer the questions, you will explore your beliefs, feelings and values regarding your business and its relationship to you, your family, your employees and society at large.

Completing the questionnaire is your first step in identifying your Business Philosophy™. This foundation becomes the roadmap you and your team will rely on to ensure that all business planning decisions are consistent with your values and objectives.

Please note the instructions vary from question to question. Some require you to check the one response that most closely reflects your view. Some ask you to rank the order of importance of your answers. Some ask you to check all that apply. A few require you to fill in the blanks. Every question has room for additional comments.

Try to complete the questionnaire at a time when you will not be distracted. Take time to consider your answers carefully, but don't spend too much time on any one question. Be sure to read all choices for each question, as some have very subtle differences. If a question doesn't apply to you, skip it and go on to the next.

Don't become frustrated if you are unable to answer a question or if you are not fully satisfied with your answers. Conflicts and insufficient information are expected outcomes of this process. The idea is to identify issues and concerns so that you can take the necessary steps to address them.

Keep in mind that the more detailed clarification you can provide, the better your roadmap around the business will serve as a planning tool. If you are comfortable doing so, use the space for comments to expand on your thoughts or provide additional information that will assist your team in developing your plan. The more specific you are, the more effective your ultimate business planning decisions will be.

When you have answered the questions to the best of your ability, please sign and date the last page. If your company has multiple owners, each owner should complete his or her own questionnaire. This will allow us to compare and contrast your philosophies at various levels.

It is important to remember that the amount of time you invest in this process will directly affect its outcome.



## GENERAL QUESTIONS...SETTING THE STAGE

1. As you think about the future of your company, what are the greatest challenges that you face?

*Check all that apply. Then rank the 3 most important to you at this time in order of priority from 1 to 3, where 1 is the most important.*

- \_\_\_  Management      \_\_\_  Competition  
\_\_\_  Leadership      \_\_\_  The Economy  
\_\_\_  Business Transition      \_\_\_  Employee Quality  
\_\_\_  Cash Flow      \_\_\_  Product or Service Quality  
\_\_\_  Capitalization      \_\_\_  Sales  
\_\_\_  Industry Change      \_\_\_  Succession  
\_\_\_  Other (please specify)

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COMMENTS

COMMENTS

2. Understanding that each of the following values may be important, which are of greatest importance to your business and its employees at this time?

*Check all that apply. Then rank the 3 most important to you at this time in order of priority from 1 to 3, where 1 is the most important.*

- \_\_\_  Ethical values, such as honesty, justice, and fairness
- \_\_\_  Personal values, such as modesty, loyalty, and faithfulness
- \_\_\_  Emotional values, such as compassion, kindness, and generosity
- \_\_\_  Public values, such as good citizenship, community involvement, and government service
- \_\_\_  Economic values, such as financial responsibility, frugality, and stewardship
- \_\_\_  Financial values, such as material possessions, independence, and social standing
- \_\_\_  Spiritual values, such as inner spirituality and meditation, faith, and religious commitments
- \_\_\_  Work values, such as effort, punctuality, competence, and professional achievement
- \_\_\_  Physical values, such as health, relaxation, quiet time alone, and exercise
- \_\_\_  Cultural values, such as music, visual arts, and travel
- \_\_\_  Relational values, such as family, friends, and work associates

- \_\_\_  Business values, such as profit, leadership, and management
- \_\_\_  Philanthropic values, such as contributions of time and money to care for others
- \_\_\_  Recreational values, such as sports, leisure activity, hobbies, and family vacations
- \_\_\_  Educational values, such as study, self-improvement, and academic achievement
- \_\_\_  Other \_\_\_\_\_

COMMENTS

## FINANCIAL

1. Please select the response that best describes the financial status of the company.

- On an upward trend
  - and should continue.
  - but challenges lay ahead.
- On a level trend
  - and should continue.
  - but the future looks good.
  - with cause for concern about the future.
- On a declining trend
  - but the future looks good.
  - with cause for concern about the future.

COMMENTS

COMMENTS

2. Please select the statement that best describes the cash flow position of your company.

- We have retained adequate capital to run the business on a relatively debt-free basis.
- We have retained capital, but short-term borrowing is part of the plan to maintain cash flow.
- We have relied on short-term debt and cash flow is a constant battle.
- We have relied on long-term debt and some short-term debt, but cash flow is adequate to run the business.
- We have relied on long-term debt to run the company and cash flow is a constant battle.
- We have depleted our available capital and must rely on cash flow from operations.

COMMENTS

3. What measures do you use to operate your business? *Check all that apply.*

- We do not use any financial standards.
- We use cash flow reports.
- We use internally generated reports to manage strategic areas of the business.
- Other \_\_\_\_\_
- We use profit and loss statements.
- We use balance sheets.
- We use financial ratios.

4. Which statement best reflects your business performance over the past five years?

- We do not measure business performance.
- The business has failed to meet its performance objectives.
- The business has met, but not exceeded its performance objectives.
- The business has exceeded its performance objectives.

COMMENTS

5. The relationship between risk and reward is a critical factor in evaluating the decision to invest capital in a business. For the risk of owning and running the company, what return on assets is required to justify your investment?

- Under 10%
- Between 10% and 15%
- Between 16% and 25%
- Over 25%

COMMENTS

6. What has been the company's average return on assets over the past five years?

- Less than 10%
- Between 10% and 15%
- Between 16% and 25%
- Over 25%

COMMENTS

COMMENTS

7. Although many of the factors listed below may have contributed to the success of the business, which factors do you consider to be most important at this time?

*Check all that apply. Then rank the 3 most important to you at this time in order of priority from 1 to 3, where 1 is the most important.*

- |  |  |
|--|--|
| ___ <input type="checkbox"/> Personal initiative | ___ <input type="checkbox"/> Unique service          |
| ___ <input type="checkbox"/> Spouse              | ___ <input type="checkbox"/> Low-cost producer       |
| ___ <input type="checkbox"/> Founder             | ___ <input type="checkbox"/> High quality of service |
| ___ <input type="checkbox"/> Parents             | ___ <input type="checkbox"/> Sales and marketing     |
| ___ <input type="checkbox"/> Partner(s)          | ___ <input type="checkbox"/> Team approach           |
| ___ <input type="checkbox"/> Siblings            | ___ <input type="checkbox"/> Strong management       |
| ___ <input type="checkbox"/> Children            | ___ <input type="checkbox"/> Business culture        |
| ___ <input type="checkbox"/> Key employees       | ___ <input type="checkbox"/> Economy                 |
| ___ <input type="checkbox"/> Unique product      |  |



## OWNERSHIP AND CONTROL

1. People acquire business ownership in various ways. How did the current owners acquire their ownership interest?

*Check all that apply.*

- |   |  |
|---|--|
| <input type="checkbox"/> Started the business.                              | <input type="checkbox"/> Inherited the business.                   |
| <input type="checkbox"/> Bought the business from an unrelated third party. | <input type="checkbox"/> Received the business as a lifetime gift. |
| <input type="checkbox"/> Bought the business from a relative.               | <input type="checkbox"/> Came up through the company ranks.        |

COMMENTS

2. Which generation(s) do the current owners represent? *Check all that apply.*

- |  |   |
|--|---|
| <input type="checkbox"/> Founding generation | <input type="checkbox"/> 3rd generation         |
| <input type="checkbox"/> 2nd generation      | <input type="checkbox"/> 4th generation or more |

COMMENTS

COMMENTS

3. Please review the list below and indicate which of the four key roles, if any, are filled by individuals in that particular category. *Circle all appropriate categories.*

- Me (director/owner/manager/employee)
- Spouse (director/owner/manager/employee)
- Children (director/owner/manager/employee)
- In-laws (director/owner/manager/employee)
- Parents (director/owner/manager/employee)
- Siblings (director/owner/manager/employee)
- Key management (director/owner/manager/employee)
- Other \_\_\_\_\_  
\_\_\_\_\_  
(director/owner/manager/employee)

COMMENTS

4. Which of the following individuals would you allow as shareholder in your company?

- A non-family member who is
  - active in the business.
  - not active in the business.
- A family member who is
  - active in the business.
  - not active in the business.

5. Which statement most closely reflects your thinking regarding children in the family business?

- An owner's children should
  - never be allowed to work in the business.
  - be employed only if they meet the same criteria as non-family employees.
  - first gain experience and expertise outside the business before they work in the business.
  - be employed regardless of their qualifications and experience.
- All hiring should depend on who is best qualified for the job.

COMMENTS

6. What is your philosophy regarding the relationship between business ownership and active participation in the business?

- Only those family members who are active in the business should be eligible for ownership.
- Only those family members who are active in the business for \_\_\_\_ years should be eligible for ownership.
- Family members should be eligible for ownership regardless of whether they are active in the business or not.
- Family members should not be eligible for ownership.

COMMENTS

COMMENTS

7. What are your views with regard to your (and your spouse's) ownership of the business?

I am prepared to give up my ownership today.

I intend to maintain my ownership

until age \_\_\_\_.

until (specify)\_\_\_\_\_.

for my lifetime.

COMMENTS

8. What are your views with regard to control of the business?

I do not currently have control.

I am prepared to give up control today.

I intend to maintain control, as long as I have ownership.

I intend to maintain control

until age \_\_\_\_.

until (please specify)\_\_\_\_\_.

for my lifetime.

## OWNERSHIP TRANSITION

1. Describe your current status regarding business transition.

- It is not important to me today.
- I have a business transition plan.
- Survival as a company is more important than business transition.
- I don't know how to go about it, but I know I need a transition plan.
- I am ready to put a transition plan together.

COMMENTS

2. Sooner or later, every business owner must choose between keeping the company in the family or selling it to a third party. Which statement most closely reflects your philosophy regarding the keep or sell decision?

- We plan to transfer the company to the next generation of family owners,
  - and a plan is in place for that purpose.
  - but a plan is not yet in place for that purpose.
- We plan to sell the company to the next generation of family owners,
  - and a plan is in place to finance the sale.
  - however, no plan is currently in place to finance the sale.

COMMENTS

COMMENTS

- We plan to sell the company to key employees,
  - and a plan is in place to finance the sale.
  - however, no plan is currently in place to finance the sale.
- We plan to sell the company to a third party in the future,
  - and we have identified potential buyers.
  - but we have not yet identified any potential buyers.
- We plan to sell the company to insiders who are not immediate family,
  - and a plan is in place for that purpose.
  - but a plan is not yet in place for that purpose.
- We plan to go public.
- We do not need a plan for the sale or transfer of the business.

3. To whom do you feel a sense of obligation concerning the business?  
 Check all that apply. Then rank the 5 most important to you at this time in order of priority from 1 to 5, where 1 is the most important.

- |                                   |  |
|-----------------------------------|--|
| <input type="checkbox"/> Founder  | <input type="checkbox"/> Children        |
| <input type="checkbox"/> Parents  | <input type="checkbox"/> Employees       |
| <input type="checkbox"/> In-laws  | <input type="checkbox"/> Shareholders    |
| <input type="checkbox"/> Siblings | <input type="checkbox"/> Management team |
| <input type="checkbox"/> Myself   | <input type="checkbox"/> Community       |
| <input type="checkbox"/> Spouse   | <input type="checkbox"/> Customers       |

COMMENTS

4. In the event of a business transition, what is most important to you?  
 Check all that apply. Then rank the 3 most important to you at this time in order of priority from 1 to 3, where 1 is the most important.

- |  |  |
|--|--|
| <input type="checkbox"/> Maximize the financial return for the owners. | <input type="checkbox"/> Protect the jobs of employees.        |
| <input type="checkbox"/> Keep the business in the family.              | <input type="checkbox"/> Protect the company's future success. |
| <input type="checkbox"/> Keep the business private.                    | <input type="checkbox"/> Protect the community's interest.     |
| <input type="checkbox"/> Protect the jobs of key employees.            |  |
| <input type="checkbox"/> Other _____                                   |  |

COMMENTS

COMMENTS

5. What are the most common forms of business transition in your industry?  
*Check all that apply.*

- Transfer the business to employees.
- Keep the business in the family.
- Sell the business to employees.
- Sell the business to a third party.
- Take the business public.
- Close down the business and walk away.
- Other \_\_\_\_\_  
\_\_\_\_\_

COMMENTS

6. Who is (are) the most likely buyer(s) if your business were for sale today?

- Key employees
- Family members
- Competitor
- Private investors
- Larger acquisition company
- Public company
- Public offering
- None
- Other \_\_\_\_\_  
\_\_\_\_\_



7. For YOU, when is the best time for a business transition to take place?

- When business is great.
- When I want out.
- When I am \_\_\_\_ years old.
- When I can no longer make a good profit.
- When a strategic event occurs, such as \_\_\_\_\_.
- Other \_\_\_\_\_

COMMENTS

8. What are your thoughts about the role of your children with regard to business ownership transition? *Check all that apply.*

- We have no children in the business.
- We will not transfer ownership to our children.
- We will only transfer ownership to children who are active in the business.
- We will transfer the business to all children equally regardless of active participation in the business.
- We will transfer ownership to the best qualified child who is active in the business.
- We will transfer the business to all children who are active at the time of transfer.
- We have already identified the children who will receive ownership.

COMMENTS

COMMENTS

9. A business transition creates the opportunity for the owners to define new roles and activities for themselves. In this regard, which of the following roles or activities appeal most to you.

*Check all that apply.*

- I don't know.
- I would enjoy starting a new company.
- I would enjoy buying another existing company.
- I would enjoy finding someone to mentor.
- I would enjoy being an advisor to my business.
- I would enjoy being a resource to my business.
- I would enjoy traveling.
- I would enjoy leisure activities.
- I would enjoy \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_
- I would enjoy teaching.
- I would enjoy becoming a consultant.
- I would enjoy volunteering as a business advisor.
- I would enjoy volunteering in my community.
- I would enjoy doing charitable work.
- I would enjoy becoming a volunteer business consultant to third world countries.

## LEADERSHIP

1. Leadership development is key to the survival and continuity of any business. Which statement most closely reflects your philosophy of business leadership and leadership development?
- We are not concerned with leadership development at this time.
  - We do not formally develop leadership,
    - and prefer to allow leaders to evolve naturally.
    - but recognize the need to do so.
  - We have done some leadership development and training, but do not have a formal process or plan.
  - We have an effective plan for leadership development that educates and trains key employees for a possible leadership role.

COMMENTS

COMMENTS

2. With regard to leadership transition, which statement most closely reflects your current level of preparation?

- I do not intend to develop successor leadership.
- I intend to sell the business, therefore, successor leadership is not necessary.
- I have not yet identified successor leadership for the business.
- Successor leadership for the business has been identified,
  - however, they are not yet prepared to take over.
  - and they are prepared to take over the leadership today.

3. Other than you, who is best suited to run your company today?

- Spouse
- New owner
- One or more of my children
- One of the other current owners
- One of my siblings
- Competitor
- Parents
- Key manager

## MANAGEMENT

1. Please describe your preference in making important business decisions.

- I make them solely.
- I make them solely, however,
  - I seek input from family members.
  - I seek input from top management.
  - I seek input from outside advisors.
  - I seek input from the board of directors.
- I delegate the decision to the top management.
- I delegate the decision to the company's board of directors.
- Other \_\_\_\_\_  
\_\_\_\_\_

COMMENTS

COMMENTS

2. Which statement best reflects the status of your current management team?

- I am the current management team.
- No management team is in place beyond the owners.
- A management team exists, but is not as effective as it needs to be and much work is needed.
- An effective management team runs the company on a day-to-day basis, but additional work is needed.
- An effective management team runs the company on a day-to-day basis.

3. Which statement best reflects the status of your current plan for management transition?

- No plan for management transition is needed.
- No plan for management transition is in place and one is not needed.
- No plan for management transition is in place and one is needed.
- A plan for management transition is in place, but needs to be reviewed.
- An effective plan for management transition is in place.

4. How far in advance of a potential management transition should planning be done?

- 1 year prior
- Between 2 and 4 years prior
- Between 5 and 9 years prior
- More than 10 years prior

COMMENTS

5. Which statement best reflects the status of your plan for management retention?

- There is no plan for management retention and
  - one is not needed.
  - one is needed.
- There is a plan for management retention in place,
  - but it needs to be reviewed.
  - and it does not need to be reviewed.

COMMENTS

## GOVERNANCE

### COMMENTS

1. Communication among family members is critical to maintaining family harmony. This is particularly true for families who own businesses. Which statement most closely reflects your opinion on this subject?  
*Check all that apply.*

- Our family does not communicate effectively
  - even though we have a formal process for doing so.
  - and we do not have a formal process for doing so.
  - and we need a formal process for doing so.
- Our family communicates effectively
  - but we do not have a formal process for doing so.
  - and we have a formal process for doing so.
- We do not need a formal process for communicating effectively.



2. There are many intersections and boundaries that need to be considered between family and business life. Which statement most closely reflects the current situation?

*Check all that apply.*

- Rules and regulations for compensating family members employed in the business have been established and effectively balanced family and business considerations.
- We have developed, agreed upon and documented guidelines for making decisions about hiring family members to work in the business.
- We have defined, considered and documented the rights and responsibilities of each family member and business roles they play.
- Every family member is being educated on how to be an excellent owner of the enterprise.
- Each family member is actively participating in the business.
- Job standards exist for both family and non-family employees.

COMMENTS

COMMENTS

3. Which statement most closely reflects the manner in which your family resolves conflicts?

*Check all that apply.*

- Our family effectively resolves conflicts
  - that occur outside the business.
  - that occur inside the business.
- Our family does NOT effectively resolve conflicts
  - that occur outside the business.
  - that occur inside the business.
- Our family has unresolved conflicts outside the business
  - that could be resolved with effective communication.
  - that would be very difficult to resolve.
  - that cannot be resolved with effective communication.
- Our family has unresolved conflicts inside the business
  - that could be resolved with effective communication.
  - that would be very difficult to resolve.
  - that cannot be resolved with effective communication.

## CONTINGENCY PLANNING

1. Whom should your spouse contact if something happened to you?  
*Check all that apply.*

- Lawyer
- Accountant
- Banker
- Member of the board of directors
- Financial advisor
- Close friend
- Other \_\_\_\_\_  
\_\_\_\_\_

COMMENTS

2. A written strategic contingency plan spells out what is to occur in the event of an owner's death or disability. Which statement most closely reflects the status of your contingency plan?

- I have no such plan.
- A plan is in place and it is up to date.
- A plan is in place, but it needs to be reviewed and updated.
- There is no plan in place, but I would like to have one.

COMMENTS

COMMENTS

3. In the event of an owner's death or disability, in which of the following ways can their family withdraw money and assets from the business?

*Check all that apply.*

- Can go to work and receive an income from the business.
- Will receive distributions from the company.
- Can sell the business.
- Will have no method for drawing income from or selling the business.
- Will receive benefits through insurance proceeds.

COMMENTS

4. Most businesses have key employees, without whom the business would undoubtedly suffer. Which statement most closely reflects the steps you have taken to protect your business in the event of a key employee's death or disability?

- We have no key employees other than owners.
- We have key employees,
  - but are not concerned with regard to their potential loss.
  - but we do not have a plan to protect the company against their potential loss.
  - and we have a plan to protect the company against their potential loss.

## FINANCIAL INDEPENDENCE

1. Approximately what percentage of your total wealth does the business represent?

- Less than 20%       Between 61% and 80%
- Between 20% and 40%       More than 80%
- Between 41% and 60%

COMMENTS

2. Approximately what percentage of your personal annual income is provided by the business?

- Less than 20%       Between 61% and 80%
- Between 20% and 40%       More than 80%
- Between 41% and 60%

COMMENTS

COMMENTS

3. What impact does the business have on your lifestyle and financial security?

- I could not support my lifestyle without the business.
- I could support my lifestyle without the business,
  - but it would be difficult.
  - only if I were paid fair-market value for my ownership interest.
  - only if I were paid \$\_\_\_\_\_ for my interest.

## LIFE AFTER WORK

1. Major life changes often generate fear. In that regard, what are your greatest fears as you think about your future retirement from the business? *Check all that apply.*

- |  |  |
|--|--|
| <input type="checkbox"/> I do not plan to retire.                          | <input type="checkbox"/> I am concerned about finding new passions.                              |
| <input type="checkbox"/> I have no concerns at all.                        | <input type="checkbox"/> I am concerned about losing my mental edge.                             |
| <input type="checkbox"/> I am concerned about where to go every day.       | <input type="checkbox"/> I am concerned about financial insecurity.                              |
| <input type="checkbox"/> I am concerned about a loss of self-respect.      | <input type="checkbox"/> I am concerned about loss of industry friends.                          |
| <input type="checkbox"/> I am concerned about a loss of respect by others. | <input type="checkbox"/> I am concerned about the future of the business without my involvement. |
| <input type="checkbox"/> I am concerned about too much leisure time.       |  |

COMMENTS

2. Major life changes often generate opportunities. In that regard, please describe the single greatest opportunity that would result from leaving the business.


COMMENTS

COMMENTS

3. Please describe the planning that you have done to transition from active business owner to successful "unemployed" investor?


IN CONCLUSION

COMMENTS

1. One potential outcome from The Legacy Business Optimization System is a written Legacy Business Philosophy. Should this result, how would you envision using this document? *Check all that apply.*

- I would use this document as a personal guide for my/our business planning decisions.
- I would share this document with my/our children.
- I would share this document with other family members.
- I would share this document with key management.
- I would share this document with each of my professional advisors.
- I would share this document with some of my professional advisors.
- Other \_\_\_\_\_  
\_\_\_\_\_



## ADDITIONAL THOUGHTS AND COMMENTS

1. Describe any additional thoughts or comments you have regarding your business or any other issue.

Please print and sign your name.

Print Your Name

Signature

Date

COMMENTS



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