RICHTER
BUSINESS | FAMILY OFFICE

Succession Planning Checklist

Self Assessment

This checklist serves as an initial review of your Succession Readiness, based upon several personal factors as well as your positioning across the areas of financial reporting, organization procedures, growth, and management.

We have **highlighted in orange** commonly accepted **leading practices** that indicate a **high degree of succession readiness** – areas where your company may already be strongly positioned. Please note that this exercise requires an honest self-assessment as the other options should not be viewed as a negative but rather will inform where targeted actions may improve your positioning for a successful succession event.

Personal Planning

1. **Do you have a vision for how shareholder succession will look (i.e., timing, type of succession event)?**
   - ❑ Yes – Documented, aligned across all shareholders
   - ❑ Partial – Discussed a vision, but not documented
   - ❑ No – I am unsure what succession could / should look like
2. **Do you have a value expectation for your business?**
   - ❑ Yes – I have conducted a regular / recent valuation
   - ❑ Yes – I have an informal estimate of the business valuation
   - ❑ No – I am unsure what the business is worth
3. **Do you have a shareholder agreement that has been recently reviewed?**
   - ❑ Yes – It is comprehensive and has been reviewed
   - ❑ Yes – But I am unsure of its sufficiency
   - ❑ No – I do not have a shareholder agreement in place
4. **Do you have a fully established estate plan, including personal will and proper tax structuring (e.g., corporate, personal, trusts)?**
   - ❑ Yes – It has been recently reviewed
   - ❑ Yes – But I am unsure of its sufficiency
   - ❑ No – I do not have an estate plan in place

Management Team

5. **How reliant is your organization on the main shareholder / key executive?**
   - ❑ Shareholder has a limited operational role
   - ❑ Shareholder involvement within a key role
   - ❑ High shareholder involvement / reliance
6. **Does your organization have a developed / experienced management team?**
   - ❑ Yes – Management team is autonomous
   - ❑ Yes – Management team is very capable and has some decision-making autonomy
   - ❑ Yes – Management team is capable but has limited decision-making autonomy
   - ❑ Somewhat – Management has capability gaps and limited decision-making autonomy
   - ❑ No – Shareholder is the management team
7. **To what extent do you have a formalized employee incentive program based upon company profitability or value?**
   - ❑ Comprehensive incentive program (e.g., ESOP, STIP/LTIP)
   - ❑ Formalized cash bonus framework
   - ❑ Informal / ad hoc employee cash bonuses
   - ❑ No employee incentive program

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Financial Reporting

8. Are your financial statements reviewed externally annually?

- ❑ Yes – Audited
- ❑ Yes – Reviewed
- ❑ Yes – Compilation
- ❑ No

9. How timely is your organization's month end financial reporting (i.e., how long after the end of the month are statements ready)?

- ❑ The following week
- ❑ Within 1-2 weeks
- ❑ Within 3-4 weeks
- ❑ Within 2 months
- ❑ Longer than 2 months
- ❑ N/A – No monthly reporting

10. Do you track monthly budget-to-actuals?

- ❑ Yes
- ❑ No – Do not track
- ❑ No – Do not have a budget

11. Can you segment your gross margin reports by different dimensions (e.g., by product / SKU, product categories, sales channel, customer geography, customer, etc.)?

- ❑ Yes – Significant gross margin segmentation
- ❑ Yes – Some gross margin segmentation
- ❑ Partial – Only sales segmentation, not gross margin
- ❑ No – Just aggregate sales and gross margin

Organizational Procedures

12. To what extent are critical processes and procedures documented?

- ❑ Significant documentation
- ❑ Some documentation
- ❑ Limited documentation
- ❑ No documentation

13. To what extent are critical processes and procedures automated?

- ❑ Significant automation
- ❑ Some automation
- ❑ Limited automation
- ❑ No automation

Growth Planning

14. How has your organization grown over the past three years?

- ❑ Strong Growth (7%+)
- ❑ Modest Growth (2-7%)
- ❑ Stagnant (0-2%)
- ❑ Decline (0-10%)
- ❑ Significant Decline (10%+)

15. What level of growth do you expect for your organization over the next three years?

- ❑ Better than the last three years
- ❑ Same as the last three years
- ❑ Worse than the last three years

16. Do you know what will drive growth at your organization over the next three years?

- ❑ Defined and documented initiatives with formal plan
- ❑ Defined initiatives, but not formally documented
- ❑ No defined initiatives