

The 90 Question Test

THE BUSINESS HEALTH CHECK-UP for BUSINESS OWNERS

The following questionnaire was developed to assess a business' general health and to predict its future. These questions are intended to suggest the keys for long term success of the privately owned enterprise. The questions will hopefully provide a "principles of management" review for business owners as well as an opportunity to evaluate their business situation. If privately held businesses had active, meaningful Boards of Directors, these are the questions the Board would ask.

The following may serve as a useful scoring summary:

90 - 100% "yes"	Excellent condition
80 - 100% "yes"	Good condition
70 - 100% "yes"	Fair condition
60 - 100% "yes"	Poor condition
Less than 60% "yes"	Critical condition

Most importantly, use this questionnaire to help identify goals for the future, to discuss business priorities with key managers or family, and to check progress from one year to the next. Remember, business' need a health check-up every year for the same reason individuals do - to stay healthy.

OVERALL SITUATION ANALYSIS: the Company's Long-Term Outlook

Is the company well organized for the long-term?

Item	Question	Yes	No	N/A
1.	Does the Company have a written business plan?			
2.	Does the Company have a written internal control document?			
3.	Does the Company have a written owner succession plan?			

Overall situation analysis total yes, no, and n/a answers

INDUSTRY ANALYSIS: the Outside Environment

Does management understand the Company's industry?

Item	Question	Yes	No	N/A
4.	Does the Company know its RMA SIC code?			
5.	Does management know the principal trade/professional associations for the industry?			
6.	Do key employees actively participate in the principal trade/professional associations?			
7.	Do key employees personally subscribe to publications of the principal trade/professional associations?			
8.	Has the Company obtained from the principal trade/professional associations business and financial analysis of members?			
9.	Do key employees know the Web address of the principal trade/professional associations and scan on at least a bimonthly basis?			
10.	Do key employees personally subscribe to at least two industry trade publications not associated with the principal trade/professional associations?			

Industry analysis total yes, no, and n/a answers

EMPLOYEE ANALYSIS: the Company's Vitality

Is the company positioned for the long-term?

Item	Question	Yes	No	N/A
11.	Does the Company have a complete, posted organizational chart?			
12.	Does the Company have a balance of people by ages--some older, some middle-aged, some younger?			
13.	Is management willing to replace and remove people--has it done so in the last few years?			
14.	Of those people who have come and gone recently, is management more satisfied with the new employees?			
15.	Are there 2 or 3 solid candidates for each top job including president?			
16.	Does the Company have a formal developmental plan for it's key people?			

Are employees fairly compensated?

Item	Question	Yes	No	N/A
17.	Compared to competitors and in the geographic areas of operations, are the employees at least above average in compensation?			
18.	Does the company have known pay standards that set upper limits for each position?			
19.	Does the company have clear and consistently applied retirement and pension policies--avoiding paying loyal employees out of operations after they retire?			

Does the Company actively seek outside resources for help?

Item	Question	Yes	No	N/A
20.	Does the Company have a formal training/education program using outside resources for all employees?			
21.	Does the Company seek excellent advisors; e.g. - accountants, lawyers, insurance agents and bankers who are at the top of their profession?			
22.	Does the Company formally review and competitively re-open bidding for advisory services (accountants, lawyers, bankers, insurance agents and especially directors) every 3-4 years?			
23.	Does the Company encourage employees to seek outside growth and stimulation via civic association involvement?			
24.	Does the Company encourage employees to seek outside growth and stimulation via trade association involvement and/or professional activities with their peers in other businesses?			

Employee analysis total yes, no, and n/a answers

CULTURAL ANALYSIS: *the Company's Purposefulness*

Is the organization "alive"?

Item	Question	Yes	No	N/A
25.	Are employees genuinely willing to try things, make mistakes and even disagree with management?			
26.	Do the facilities look more like a busy, mature place of work than an art gallery or a sterile laboratory or a sweatshop?			
27.	Does management lead by example and actively promote ethics and honesty among all employees?			
28.	Does the company recognize birthdays or special events for employees?			
29.	Does the Company provide awards and recognition to top performers?			
30.	Does the Company have an employee newsletter and/or annual party?			
31.	Does the Company occasionally have a Company celebration of a major success or tough task finally done?			
32.	Does the Company require that each employee establish at least one "manageable problem statement" for a micro key factor they have control over?			
33.	Are employees evaluated on regular basis against specific, measurable results more than by their style?			
34.	Do employees feel that management hears well and considers openly and thoroughly the ideas they bring up?			

Do employees feel a part of the Company?

Item	Question	Yes	No	N/A
35.	Does the Company share financial statements and conclusions with all of it's employees so that they can contribute more to the success of the Company?			
36.	Do all employees know what are the Company's macro key factors and the expectations for those key factors?			
37.	Does the Company have occasional meetings for all employees to communicate progress and plans?			
38.	Does the Company have an employee manual?			

Cultural analysis total yes, no, and n/a answers

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FINANCIAL ANALYSIS: *the Company's Asset Leverage*

Is the balance sheet used as a management tool?:

Item	Question	Yes	No	N/A
39.	Is the balance sheet prepared in different formats to meet the needs of different users; e.g. - one format for management and one format for third party users?			
40.	Is the balance sheet used by management structured to highlight key factors and those items users are concerned about?			
41.	Does the balance sheet used by management compare actual current financial position with the financial position at the same date over the past 4-5 years?			
42.	Does the balance sheet used by management show components presented in terms of percentages so that they can be compared to competitors and/or industry standards?			
43.	Does management know the industry standards for the various components of the balance sheet?			
44.	Is the balance sheet absolutely accurate?			

Does management know if the Company is viable?

Item	Question	Yes	No	N/A
45.	Does management know how much equity the Company must have for given levels of sales?			
46.	Does management know the Company's average borrowing rate?			
47.	Does management know the rate of return on total assets using historical cost?			
48.	Does management know the rate of return on total assets using fair value?			
49.	Does management know how the rate of return on the Company's total assets compares with past performance and with industry standards?			
50.	Does management know the Company's return on equity?			
51.	Does management know how the return on equity compares with past performance and with industry standards?			

Does management understand the importance of asset leverage?:

Item	Question	Yes	No	N/A
52.	Does management know the Company's overall asset turnover rate?			
53.	Does management know the overall asset turnover rate for the Company's industry and it's competitors?			

Are receivables managed?:

Item	Question	Yes	No	N/A
54.	Does management monitor accounts receivable turnover rates?			
55.	Does management know what the Company's ideal accounts receivable balance should be given the current level of sales?			
56.	Does management know what the Company's ideal accounts receivable balance should be given various level of sales?			
57.	Does somebody independent of credit, sales and service analyze each past due receivable account to determine why a receivable is going (went!) bad?			

Is inventory managed?

Item	Question	Yes	No	N/A
58.	Does management monitor inventory turnover rates for major components and/or categories of inventory?			
59.	Does management know what the Company's ideal inventory balance should be given the current level of sales?			
60.	Does management know what the Company's ideal inventory balance should be given various levels of sales?			

Are fixed assets managed?

Item	Question	Yes	No	N/A
61.	Does management know what the Company's ideal investment in fixed assets should be given the current level of sales?			
62.	Has management reviewed the fixed asset ledgers within the last eighteen months to determine if non-productive assets have been reclassified or assets that are no longer in existence have been removed?			

Financial analysis asset leverage total yes, no, and n/a answers

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FINANCIAL ANALYSIS: *The Operating Leverage*

Is the income statement used as a management tool?:

Item	Question	Yes	No	N/A
63.	Is the income statement prepared in different formats to meet the needs of different users; e.g. - one format for management and one format for third party users?			
64.	Is the income statement used by management structured to highlight key factors and those items users are concerned about?			
65.	Is the income statement absolutely accurate so that it is most meaningful for managerial purposes?			
66.	Does management have monthly income statements by the 15th day of the following month to quickly compare actual performance against expectations?			
67.	Does the income statement compare actual current performance with performance for same periods over the past 4-5 years?			
68.	Does the monthly income statement include a comparison with budgeted sales and expenses to help guide and control operations?			
69.	Is there an income statement that clearly identify those items that are fixed and those that vary directly with volume?			
70.	Does the income statement reflect costs and expenses as a percent of sales			
71.	Is there an income statement that reflect the components in terms of labor hours?			
72.	Is there an income statement that reflect the components in terms of sales units and/or inventory units?			
73.	Does management receive a labor productivity report that analyzes labor hours; e.g. - total labor hours, overtime hours; employees on the payroll, actual hours worked, etc.?			
74.	Does management know what is the break-even sales amount?			

Financial analysis operating leverage total yes, no, and n/a answers

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MARKET ANALYSIS: *the Vital Signs*

Customers?

Item	Question	Yes	No	N/A
75.	Does management "know" the Company's major customers (e.g. – name of owners, key people, internet address, etc.)?			
76.	Does management track the volume of sales with its major customers (i.e. - top ten) over at least a five year time frame?			
77.	Are the new customers the Company is gaining more attractive in the long-term than those the Company is losing?			
78.	Has management clearly defined <u>who</u> the market is and <u>how big</u> (market potential) it is?			
79.	Has management clearly defined who are the key competitors?			
80.	Does management have a good sense for the market share versus the key competitors?			
81.	Is the Company gaining market share--gaining sales faster than key competitors?			

How well is the Company managing quality relative to competition?

Item	Question	Yes	No	N/A
82.	Has management attempted to identify and prioritize the benefits ("quality") potential customers most want from the Company and the competitors?			
83.	Has management clearly defined the competitive advantages and disadvantages versus key competitors?			
84.	Is management attempting to measure and to track over time how the Company's quality is changing?			
85.	Is the Company's quality position relative to key competitors improving?			

Does the Company have the right tools to market the business aggressively?

Item	Question	Yes	No	N/A
86.	Compared to key competitors is the Company offering new products and/or services faster than they are?			
87.	Are the salespeople actively seeking and bringing to management new customers in addition to maintaining and expanding their older, established accounts?			
88.	Does management ask for and get regular sales call reports from the salespeople?			
89.	Does management set sales targets including business gained from new accounts?			
90.	Does the Company reward people for gathering competitive intelligence-for example, competitors' catalogs, advertisements, credit reports, etc.?			

Market analysis total yes, no, and n/a answers

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GRAND TOTAL YES, NO, AND N/A ANSWERS

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