



Emergency Succession Planning For Closely Held Businesses

Purpose

The purpose is to create a plan to ensure the viability of a closely-held business that has an owner/operator and lacks an independent board of directors. Common characteristics of this type of business are often a few key employees but few or no executives within the employees. Certainly there is no executive team. The result is a business that is highly dependent on the owner/operator for its continued viability. The temporary or permanent loss of the owner/operator puts the business at risk. The goal of this plan is to preserve the business after the death or disability of the owner/operator.

Building the Plan

Below are ten steps to building an Emergency Succession Plan for a Closely Held Business.

One--Determine Whether a Plan is Needed

This determination is based on this question: Is the company dependent on the owner/operator in the short to medium term? That is, does the owner play a significant role in business operations? If yes, then the business is imperiled by the death or disability of the owner.

Two—What Functions Does the Owner/Operator Perform?

The functions performed by the business owner/operator need to be listed. Essentially, this is a job description for the owner/operator.

Three—Which of These Functions Can be Delegated to Existing Staff?

Existing employees should be assigned various tasks that they are capable of assuming from the owner/operator. This can be discussed with these employees or not at the owner's discretion. More importantly, this is an opportunity to delegate tasks to employees proactively and reduce reliance on the owner/operator. Why wait for an emergency?

Four—Which Functions Remain that Can't be Delegated to Staff?

If the business does not have an executive team, it is likely that there are duties that cannot be delegated to staff. These are the truly "CEO level" functions. In the event of the death or disability of the owner/operator, someone will need to be found to perform these duties.

Five—What are the Owner's Intentions?

One of the most important steps in building an Emergency Succession Plan is learning what the intentions are in the case of their own death or disability. These intentions are probably different if the owner is temporarily disabled or permanently disabled or deceased. Both cases need to be considered. In the case of a temporary disability, the Interim CEO will likely be charged with maintaining the status quo until the owner is able to return. In the case of a permanent disability or death of the owner, the Interim CEO will likely be a transitional person until the business finds a new CEO or the business is sold or liquidated. Knowing the owner's intentions is critical.