Why does an emergency succession plan matter?

It’s easy for the day-to-day issues of running a business to dominate an owner’s agenda, leaving little time for planning, much less mapping out long-term strategies. Working extended hours and wearing multiple hats may keep the wheels turning, but what if you or your key managers have a family issue or a health problem? How about if you can no longer work at your current pace? Putting off planning for contingencies and choosing an emergency successor can be risky, leaving you, your family, your employees and other business partners exposed. An emergency succession plan creates peace of mind for everyone involved in your business, especially you.

Key actions to take:

Create a succession plan to ensure your business can continue to provide for your employees, customers and family.

- **Think the unthinkable**: Thinking about your health, accidents or even your mortality is rarely easy to do. As a business owner, you must put aside the emotions and take the time for a hard look at how your business will be maintained should something happen unexpectedly to you.

- **Identify emergency leadership options**: Unlike long-term succession planning where next-generation leadership has time to prepare for and go through a transition period, emergency leadership plans need to consider who can take over your business and continue to successfully run the operation immediately. Will it be your family? Could it be a long-term employee who understands the ins and outs of the business? How about an outside advisor or business acquaintance? Would selling the business outright make the most sense?

- **Ensure a smooth transition process**: Discuss the succession options with all parties involved to make sure everyone understands the emergency succession process. You need to gain consent from possible successors that they are willing to serve. You also need to prepare those who are excluded from the succession plan. Take the time to document any business direction or personal wishes for the business and how you would like to see the company run. Meet with your financial and legal advisors to make sure you have considered all necessary technical and legal issues for a smooth transition and to draw up any official documents as necessary.
• **Update your business ownership transition plan:** Most business owners confront company continuation at some point. Make sure that your ownership transition plan aligns with your management transition plan. Subsequent management teams or remaining business partners will need to work with the ownership team, which itself may change after you are gone. If the succeeding owners include family members who have no experience with the business, make sure you have provided advisors for your successors.

• **Consider business insurance:** Many financial institutions offer key person insurance — for death, disability or in some cases, when a key member leaves the business unexpectedly. Key person insurance can help your business cover lost revenues, productivity or transition costs. Discuss the value of protecting your business with your financial advisors and decide whether to fund key person or executive insurance.

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1 SunTrust conducted research with 532 small business owners ranging from $100,000 to $2,000,000 in annual revenue in the first quarter of 2018.

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