



# Succession Planning Is More Important Today Than Ever

By Richard P. Higgins | Wednesday, June 10, 2020



It is important for every business to have a succession plan. The novel coronavirus pandemic is an unfortunate reminder that it is necessary to have a contingency plan in place in case something happens to the company's leadership team.

Generally, a succession plan dictates how to transfer ownership of the company. Basically, a succession plan provides guidance on how to conduct business and transition the company to someone or a group of people who will take on a leadership role(s).

## **CONTINUITY OF OPERATIONS**

During a situation like the COVID-19 pandemic, it is possible that all or part of the leadership team could be incapacitated. This would, of course, disrupt the management and daily operations of the business. Contractors should develop a written succession plan that identifies successors and their roles and responsibilities. Interim personnel and their duties should also be selected in case the owner(s) and other key individuals become sick or must care for a family member that has COVID-19. A plan must be in place that addresses how the company will continue to operate. Decide who will have financial and

contract authorizations, check signing privileges, access to key data and the contact information for the company's banker, surety, insurance agent, accountant, lawyer and other advisers.

Discuss the written plan with successor(s) and key advisers. The succession plan should be reviewed by a lawyer and accountant to ensure it will hold up in court if challenged.

## **FAMILY AND BUSINESS RELATIONSHIPS**

In a family-owned business, a succession plan is particularly important. It could save family and business relationships, especially in a situation where the timing of the owner's departure is unexpected. For example, if the owner dies without a succession plan in place, a spouse could have the right to take on a leadership role in the company. He or she might not be suited for the job and, if there are partner(s), they might not want to work with the spouse. Or it could cause disputes within the family if the spouse, children, siblings or other relatives work for the company. Any one of them could feel that they have the right to take over the company even though they might not have the ability or skill set to do so.

Avoid choosing a successor just because he or she is a relative. If that person is not qualified, they should not be considered for the job. Do what is best for the company, not the family because ultimately it is a business decision, not a family decision.

## **AVAILABLE TALENT**

The first step in developing a succession plan is to take a hard look at the talent in-house. If no one can lead the business inside of the company, look for another alternative, such as merging with another entity or selling the business.

In an ideal situation, a capable person or people will be identified in-house. This may be a family member or not. When making this decision, it is important to match the temperament and skill set to the job.

## **IMPACT OF THE COVID-19 PANDEMIC**

The pandemic has most likely had a financial impact on the business. Many jobsites were forced to either shut down or slow down during the crisis due government-imposed restrictions and shortages of material and labor. Maybe adhering to those restrictions has been too much of a financial burden, or employees had to be laid off or furloughed. Regardless, realistic expectations need to be set. It could be that the business is no longer attractive to the chosen successor(s).

Take a hard look at the financial reports to determine if the overall business is still viable, stable, sustainable and profitable. Use these same metrics for each job and contract. Then have an honest conversation with the designated successor(s) to determine if the plan is still feasible. If not, develop another viable succession plan.

## **About the Author**



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