



Associated Industries Member Guest Column

## **BUSINESS CONTINUITY PLANNING: What Difference Does It Make?**

*by John Bjorkman*

None of us likes to think about what might happen to our businesses or our families if we were to die or become disabled. Owners who do may stay awake nights worrying about it, push the thought to the back of their minds or engage in serious business continuity planning.

Business continuity planning can protect your rights in a number of important ways. If you and your co-owner have a significant business dispute or if your co-owner becomes disabled, leaves the company due to retirement or termination, declares bankruptcy, dies or divorces, your business continuity agreement can dictate what you will pay for the departing owner's interest.

In addition, if you died or became disabled, the business continuity agreement could protect your family's right to its share of the company. If you do not have a co-owner, there are other ways to protect your company and your family.

Most owners live to see the day they leave their companies, but some do not. The purpose of business continuity planning is to make sure that if you are not there to run it, your company--and your family--will continue. For that important reason, we've designed a short list of questions— one for sole owners and one for co-owners— to help owners assess where they are on the business planning continuum.

In other words, in answering these questions, you can determine how prepared you and your company are, or are not, should the unexpected happen to you.

### ***The Exit Planning Review™***

#### **Sole Owners:**

1. Do you have a written plan for your business if the unexpected happens to you? \_\_\_ Yes \_\_\_ No
2. Have you identified a person who can operate the business in your absence? \_\_\_ Yes \_\_\_ No
3. Have you identified a person who can manage the finances of your business in your absence? \_\_\_ Yes \_\_\_ No

*(continued)*

4. Would your death jeopardize your company's ability to secure or maintain financing arrangements? \_\_\_ Yes \_\_\_ No
5. Is your plan for the disposition of your ownership at your death coordinated with your plans for an exit from the business during your lifetime? \_\_\_ Yes \_\_\_ No
6. Do you have a specific written strategy or plan to retain employees critical to the operation of the business if you cannot due to your death or disability? \_\_\_ Yes \_\_\_ No

**Co-Owners:**

1. Do you have a current buy-sell agreement in place? \_\_\_ Yes \_\_\_ No
2. Have you communicated your continuity plan to senior management? \_\_\_ Yes \_\_\_ No
3. Would your death jeopardize your company's ability to secure or maintain financing arrangements? \_\_\_ Yes \_\_\_ No
4. Is your plan for the disposition of your ownership at your death coordinated with your plans for an exit from the business during your lifetime? \_\_\_ Yes \_\_\_ No
5. Do you have business continuity insurance in place? \_\_\_ Yes \_\_\_ No

Additional important details that need to be discussed in business continuity agreements include such items as: fixing the method to value stock and setting the terms and conditions (interest rate, length of buyout period, and security) of the buyout *before* all parties are emotionally involved in the outcome.

The business continuity agreement is not a boilerplate document; a good one is an expression of the careful thought and wishes of the owners who sign it. If you have questions about your existing agreement or wish to craft one for your company, please give us a call.

– John Bjorkman, Certified Public Accountant  
LeMaster Daniels

*John Bjorkman offers unbiased information about what you may need to know — How To Run Your Business So You Can Leave It In Style™. For more information, contact John Bjorkman, LeMaster Daniels, 601 W Riverside, Suite 700, Spokane, WA 99201, Phone: 509.624.4315 Fax: 509.624.8874; email: [jborkman@lemasterdaniels.com](mailto:jborkman@lemasterdaniels.com) [www.lemasterdaniels.com](http://www.lemasterdaniels.com) ©John Bjorkman, Reprinted with author's permission, all copyrights reserved.*