The sudden death of McDonald's CEO Jim Cantalupo, and the naming of his successor within six hours, underscores that every business, large or small, must have a plan in place for the retirement or death of the leader. Ideally, a business' succession plan will allow the company to run smoothly in the event of the leader's unexpected departure. In most cases, that is far easier said than done.

Simply put, a succession plan answers the question: What should happen if the CEO or owner dies, is disabled, or resigns suddenly? In reality, what often happens is not what should have happened. King Solomon observed, "A prudent person foresees the danger ahead and takes precautions. The simpleton goes blindly on and suffers the consequences" (Proverbs 27:12, nlt). Many businesses and personal legacies are destroyed by poor succession planning.

First, the owners or directors should assess in advance whether any other person on staff has the ability to lead the organization should the boss be "hit by a bus." If not, is there a person who can be set up as the interim leader until a permanent replacement is determined? Responsible organizations continually evaluate their staff to determine who should lead the organization in the sudden absence of the current leader, and whether that leadership should be temporary or permanent. The McDonald's board had already decided that Charlie Bell, the chief operating officer, would be the long-term leader, and thus they were able to move quickly and confidently to fill the void left by Mr. Cantalupo's death.

Smaller organizations may not have a qualified replacement leader on staff, but they still need a succession plan, although it may differ from that of other organizations. For example, a fifty-year-old doctor died suddenly, leaving his medical practice to his family. With no contingency plan in place, the family tried to preserve the practice by hiring a new doctor. Unfortunately, the practice went downhill over time and was eventually forced into bankruptcy. Advance planning might have led the family to sell the practice shortly after the doctor's death, or the doctor may have written a more effective plan to continue operation.

When the owner of a small accounting practice died suddenly in an automobile accident, his foresight in developing a succession plan protected his family and his business. Not only had he prepared a list of client data, and an index of all key office information, he had also identified three reputable accountants who might be interested in taking over the practice, and even included an approximate valuation for the business. As a result, his family was able to sell the practice quickly and profitably. The difference was the advance preparation.

Several key steps will help a business establish an orderly process when the leader is suddenly out of the picture. First, commit to developing a plan. Think through what would happen if you were to die suddenly, and then determine how you could improve the situation for your business and your family. Can, and should, the business be continued? If so, who should lead the organization and what changes would be needed? If the business cannot carry on, should the business be closed and its assets liquated, or can a buyer be found?

After a sudden death, the family trauma is intense, and decisions made under pressure are usually not the best. Time is not your friend in that situation. Generally, the quicker a business or practice can be sold, the better the return. If the family is indecisive or unprepared, often the business will decline in value and its assets will be squandered. It's better for the business leader to make these critical decisions in advance, rather than for the grieving family to make decisions under pressure.

When a successor is available from within the company, the appointment can be made quickly. However, the terms of that agreement should be worked out clearly in advance. Will the new leader receive a share of ownership? What will be his or her new salary? What will the new reporting structure look like?

In addition to working through the tough issues of how your business would operate, be sold, or closed in the event of your death, you should also consider acquiring some term life insurance. In one instance, a marginally profitable retail store was forced to close after the owner's death. Unfortunately, the landlord sued to collect $150,000 in payments due on the broken lease, which was money the family didn't have. Effective planning will help to bridge gaps like these in the event you are ever hit by that bus.

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