The Impact of Generational Differences on Succession Planning

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In a previous article we looked at the importance of planning early and adequately for business succession, including having the right management team in place that will be ready to lead the company into the future after you have stepped aside. With so many Baby Boomer owners set to retire in the coming years, succession planning is taking on a new sense of urgency.

One factor that many owners fail to consider when putting their successor management team in place is how different generational attitudes could affect their succession plan. There are key differences between Baby Boomers, Generation X and Millennials in their core values and work ethic. Not taking these attitudes into consideration when forming your successor management team could lead to unforeseen problems down the road.

Generational Core Values and Attributes

The following are some of the core values that are usually attributed to members of each generation[1]:

1. Baby Boomers (born between 1946 and 1964) — Involvement, optimism, personal gratification and growth, team orientation, hard work, and the desire to make a difference. From a business standpoint, Baby Boomers' primary focus is on working long hours to achieve success. To Baby Boomers, their work is a career and an exciting adventure. Their main work assets are that they are good team players, they are good at seeing the big picture, and they are mission-oriented, while their main work liabilities are that they often do not like change and they can sometimes put process before results.

2. Generation X (born between 1965 and 1980) — Balance, diversity, independence, informality, pragmatism, self-reliance, skepticism, and technological literacy. From a business standpoint, Gen Xers' primary focus is on maximizing productivity. To Gen Xers, their work is a job or a contract and a difficult challenge. Their main work assets are that they adapt well to change, they are eager to learn and they thrive on flexibility, while their main work liabilities are cynicism, skepticism and a short-term outlook.

3. Millennials (born between 1981 and 2000) — Achievement, confidence, diversity, high morals, tolerance, self-confidence, realism, street smarts, and civic duty. From a business standpoint, Millennials' primary focus is on *making* a positive contribution. To Millennials, their work is fulfillment and a means to an end. Their main work assets are that they are goal-oriented, technologically savvy and good at multitasking, while their main work liabilities are that they often can be impatient and they sometimes lack discipline.

When you consider these broad generational differences in terms of core values, career perspectives and work assets and liabilities, it is easy to see how they could disrupt even the best-laid succession plan. For example, a Baby Boomer business owner may have done a good job of building a strong successor management team but, with a change in leadership, some of these differences between Baby Boomer, Gen X and Millennial members of the team could cause significant disruptions that threaten the ongoing viability of the company.

For example:

- Baby Boomer managers might not respond well to a new Gen X or Millennial CEO who has more of a focus on work/life balance or who wants them to adapt to new work processes rather than simply work long hours.
- The new Gen X or Millennial CEO might have an increased focus on optimizing the use of technology that might require Baby Boomer managers to learn new skills they are not comfortable with.
- A new Baby Boomer CEO might find it difficult to work with managers who have more of project orientation, leave the office at 5 o'clock every day and don't expect to stay in their job for the long term.

The conflicts that can arise on a successor management team due to situations like these can lead to a number of negative impacts on a business, such as:

- Key executives and managers becoming frustrated and resigning, thus leaving a large leadership void.
- Deterioration of production quality or customer service due to a distracted and dissatisfied workforce.
- High turnover at all levels of the company, leading to costly efforts to recruit and train new employees.

One way to avoid problems like these is to hire an outsourced CFO services provider to help in your succession planning efforts. An outsourced CFO will work with you to help identify management challenges that can result from generational differences. He or she can also help you revise your management and staff structure to maximize workforce effectiveness, establish policies and procedures that take generational differences into account, and create compensation and other reward programs that will offer the right kind of motivation to all staff members, regardless of their generational attitudes.

Concluding Thoughts

With so many Baby Boomer owners set to retire in the coming years, succession planning is taking on a new sense of urgency. One factor that many owners neglect to consider when putting their successor management team in place is how different generational attitudes could affect their succession plan. Not considering the differences in the core values and work ethic of the generations when formulating a succession plan could lead to unforeseen problems down the road. An outsourced CFO can help you identify and solve management challenges that can result from generational differences.

1 Generational Differences Chart, Mike Allen & Renee Allen
http://www.wmfc.org/uploads/GenerationalDifferencesChart.pdf

About CFO Edge

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