# Succession Planning

**TILSON | E-GUIDE**

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# Introduction

The success of a company is oftentimes contingent upon having a strong leader. Regardless of their background, small business owners and CEOs of large companies devote their time and effort into building the value of their organization. Ensuring the success of the company is a high-priority goal that motivates every leader. Despite this, many owners and companies overlook perhaps one of the most important elements of planning for long-term success—succession planning.

In simple terms, succession planning is the identification and development of potential successors for key positions in an organization. Succession planning can have a tremendous impact on an organization's longevity. Succession planning aims to ensure that a company will be able to carry out missions and meet company goals in the future—even after current key members are no longer with the organization. For a family-owned company, having a succession plan can also ensure that the business remains in the family. Additionally, having a succession plan can demonstrate to stakeholders, investors and employees that the organization is committed to the company even during transitional periods.

Despite the importance of having a succession plan, many companies are not properly prepared for what happens when it is time to plan their succession. Whether your organization is a small business with 10 employees or a large company with over 250 employees, this toolkit will help you gain a better understanding of what succession planning is, why it is important and how to create a detailed succession plan.

Keep in mind that this guide is meant to act as a collection of best practices rather than steadfast rules. If, at any point, you have questions regarding the content of this toolkit, contact Tilson HR for more information.

# Overview of Succession Planning

## The Basics

A succession plan is essentially an in-depth roadmap, explaining how and when leadership responsibilities will be transferred once an owner, CEO or other key staff member transitions out of his or her role. Many plans focus on the most senior managers, but key positions that are crucial for the operation of an organization that will be hard to replace need to be included in a succession plan. In the majority of succession planning cases, this process is one that should involve the outside assistance of a lawyer.

Succession plans, while primarily focused on *who* will succeed the current position's holder, should also include things like your company's mission and vision statement, future goals, preferred exit options and a business evaluation. Above all, succession plans are designed to help account for all of the "what-ifs" that can arise as you move away from your business. A strong business succession plan can ensure business continuity, help business owners prepare for retirement and minimize the tax impact related to the sale of a business.

**In general, a succession plan provides details related to:**

- Chosen successors
- Training
- Roles and responsibilities of your management team during the transition
- Logistics related to share purchasing and selling
- Distribution of ownership
- Financial, tax and legal considerations
- Retirement planning
- Contingency planning
- Communication planning
- A general timetable

In essence, business succession plans are designed to help you answer the following questions:

- Who can I trust to run my company after I am no longer involved?
- Will someone buy my company and who will it be?
- How do I identify and train potential successors before I leave?

While business succession planning can be a lot of work, it should be treated as a normal part of the business lifecycle—one that can make or break your business.

# FAST FACTS

## 37%

of all current firm owners plan to exit within the next 10 years.

## 27%

percent of publicly traded U.S. corporations have been negatively affected by poor succession planning.

***88%*** of current family business owners believe the same family or families will control their business in five years, but only ***30%*** of them have formal succession plans.

***59%*** percent of current business owners prefer internal succession, but only ***50%*** of firms agree that their staff has the skills and training to meet their objectives.

It can take up to ***FIVE YEARS*** to create an effective succession plan.

## The Importance of Succession Planning

It is not unheard of for a business to be sold off or close abruptly as a result of the untimely death of an owner or a poorly planned retirement. Succession plans are meant to help businesses avoid this sudden halt in production, ensuring a company's success well beyond an owner's years.

In addition, a succession plan builds trust with your existing employees—illustrating that you are not only committed to preserving your company's infrastructure, but the jobs of your current and future employees as well.

Your business should only cease when you say so, and not as a result of unforeseen circumstances.

## When to Start Planning for Succession

While many business owners tend to put off succession planning, the truth is that it is never too early to start. Unforeseen circumstances related to the physical or mental health of a business owner can be devastating to a company's workflow.

While some experts suggest creating a succession plan five years prior to the business owner's retirement or exit date, succession planning can be built into a startup plan. In this sense, succession plans should be looked at as more of a process than a one-off document.

When it comes to ensuring the permanence of a business, earlier is always better. Creating your succession plan ahead of time can help you achieve the following benefits:

1. Strengthen your company and prioritize overall goals.
2. Aid in transition periods, especially in times of crisis.
3. Guarantee the best deal if a buyout or sale occurs.
4. Minimize confusion and help avoid business disruptions.

Effective succession plans take time to develop. However, a little effort upfront can make all the difference when it comes to securing your business's future.

# Preparatory Planning Checklist

Once you understand the importance of business succession plans and are committed to creating one, the next, and arguably the most difficult, step is getting started. While it may seem daunting, building a business succession plan can be simplified by following three critical pre-drafting steps.

- [ ] **Step One: Assess your current situation.**

  To properly assess all of the necessary aspects required, business owners need to have a firm grasp on how their business is doing overall. This will not only help you get a fair price for your business if and when you decide to sell, but it will also help you determine what you need to do to get your company where it needs to be prior to your desired exit date.

  You will need to take into account how your business will evolve over time in addition to the following items:

  - Your current financial situation
  - The structure of your management team
  - Growth opportunities
  - Industry outlook
  - Legal risks

- [ ] **Step Two: Clearly define future goals.**

  Considering the future goals for yourself and your business can help you better establish your desired timeline for retirement. As it relates to future planning, some important questions you should ask yourself include the following:

  - What is your desired retirement income? How much do you need to sustain yourself?
  - Who should receive power of attorney after you've transitioned out of your leadership role?
  - Do you need to plan for shareholder agreements or beneficiaries?

  Before drafting your succession plan, ensure that you have considered your goals and what you'd like the future to hold for your business. One way to do this is to ensure that you have key dates in place for specific milestones, including the following:

  - When you plan to retire

- How and when you plan to transfer equity or ownership
- How and when you plan to transfer voting control

☐ **Step Three: Assemble your advisory team.**

It's important to remember that you don't have to build your business succession plan alone. A number of professionals can help ensure that you are making the right decisions and developing sound strategies.

In addition, these individuals will likely have experience helping other businesses develop succession plans. While you can develop a business succession plan on your own, this is not recommended, as the legal red tape can be difficult to navigate and you are likely to leave out key considerations that could prove costly later on.

The following are just a few candidates that could help bolster an advisory team, making your succession plan more efficient and less stressful:

- Accountants—Accountants can help develop financial statements and provide advice around taxation. In addition, they can aid in estate planning, if applicable.
- Lawyers—Lawyers can help draft any necessary documentation, such as shareholder, purchase and sale agreements. In addition, lawyers can provide advice around corporate restructuring if need be.
- Management—Not only will management help with continuity come transition time, but they can also relay operational and strategic advice to new owners.
- Family—If you plan to keep the business in the family, having them as part of your advisory board is especially critical.
- Business valuators—If selling your company is in your succession plan, a business valuator will help estimate a fair market value for your company. Using a valuator will provide credibility to your asking price as well as offer insights on ways to maximize your business's value in the future.
- Business broker—Business brokers can be invaluable when it comes to finding a buyer for your business. They are particularly helpful in providing market insights and determining ways to enhance the value of your business.

Once you have taken the time to complete these pre-drafting steps, it is time to begin your formal succession planning process.

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# Creating Your Succession Plan

While there is certainly no tried and true way to go about creating your succession plan, there are a number of critical steps you can take to organize the process. Keep in mind that these steps should be customized to fit your business's needs. Please see Appendix A for a streamlined checklist of this section.

## Identify Potential Successors

Often, business owners wait until it's too late to decide who will take over their business when they transition out. And, unless you plan to keep the business within the family, the choice of who is best suited to continue your legacy is not always clear.

Identifying the individuals who could eventually manage your business should be done early on, as this allows you to build your succession plan around them. Generally, it's important to look for a successor who has the following characteristics:

- Manages employees and resources successfully
- Works well with others and has impeccable people skills
- Understands the value of hard work and is trustworthy and honest
- Knows the ins and outs of your business or industry

It's a good idea to develop a leadership profile that outlines the specific traits you are looking for in a successor. You should also prepare a management development plan to help address any gaps in experience or training.

While choosing a successor may seem daunting given the number of potential candidates, business owners typically transition their company to one of six individuals:

1. Family members
2. Employees
3. Partners
4. Brokers
5. Competitors
6. Third parties

Regardless of who you decide to entrust your business's future to, it's always important to screen candidates ahead of time. This will not only ensure that the candidate is qualified, but it will also allow you to truly get to know the person you've selected. This is important, as it will instill within you a sense of trust that will make the difficult transition away from your business much easier.

It should be noted that, in some cases, you will not have the choice of who your business transitions to specifically. For example, if you were to sell your company to a competitor or third party, they are the ones who will have full reign over and train your eventual replacement.

## Determine the Value of Your Business

While the value of your business may shift over time, having a general sense of your company's worth is an important part of crafting an exit strategy. This is because business valuations help determine the fair market value of your company, helping you choose a fair selling price and find a buyer quickly.

A number of key components will influence your final valuation, including the following:

- Historical data on earnings and performance
- Future business outlook
- Accounts receivable
- Ongoing contracts
- Inventory, equipment, real estate and other assets
- Your company's reputation
- Industry outlook

### WHAT FACTORS DRIVE VALUE?

| POSITIVE | NEGATIVE |
|---|---|
| - Track records | - Limited clients |
| - Growth expectations | - Limited staff |
| - Business relationships | - Legal trouble |
| - Asset value | - Industry risks |
| - Proprietary technology and other intangible assets | - Economic risks |
| - Barriers to entry | - Poor reputation |
| - Leadership strength | |
| - Niche industries | |
| - Reputation | |

There are many ways in which the value of your business could be determined. The most common method is generally referred to as an earnings-based approach. This is when fair market price is calculated based on historical and future earnings.

Having a business valuation done early is important. This is because, if the value of your business is lower than desired, you have time to react and improve your financial outlook. Some tactics for improving your finances include, but are not limited to, exploring new markets, seeking out strategic acquisitions and disposing of non-operating assets.

## Create an Exit Strategy and Timeline

Choosing to move on from your business is a difficult decision. That's why knowing what your exit options are and selecting the one that best fits your situation is a critical component of business succession planning. There are generally two aspects of building a solid exit strategy:

1. Weighing your exit options
2. Building a retirement plan

As always, consulting your advisory team during this point of succession planning can help make this process considerably easier.

### Weighing Your Exit Options

The right exit option often varies depending on the type of business and personal preferences. Most often, business will choose one of the three following strategies:

1. Keep the Business in the Family
   Only about 30% of family-run companies succeed into the second generation as a result of poor business succession planning. If your business is family owned, it goes to reason that your exit strategy of choice will be to keep it within the family.

   In many cases, family business successions involve a spouse or children, as future training can begin early. However, this isn't always feasible, and you'll have to ask yourself a number of questions before committing to this exit strategy:

   - Do one or more family members want to take over your business once you've stepped down? Are they old enough?
   - Does the family member in question have the skills to run the business?
   - Would partners, employees, customers and other family members react positively to a family-based succession plan?
   - Can the family member in question finance the purchase price of your business? Is there a tax-efficient way of doing this?

- Will your business require an organizational restructuring following the transition?

2. **Sell the Business to a Manager, Partner or Employee Group**

A popular exit option is to sell the business to a manager, partner or group of employees. This is because these individuals have first-hand experience with your business and are already invested in it.

Like the previous exit option, it's important to ask yourself a number of questions before solidifying this as a viable choice:

- Do you have certain business partners or employees in mind?
- Would these individuals have enough funds to buy you out, or would additional financing be required?
- Do these individuals have the management expertise and strategic vision to keep your business profitable long term?

Selling a business to a partner has its advantages. For instance, there will only be minor interruptions to your business as you onboard a new owner. Additionally, any confidential information you have will not be made public, which can happen during a sale to a third party. If you go this route, it's important to work closely with your management team to develop a solid transition plan to ensure a smooth changeover.

3. **Sell the Business to a Third Party**

If you don't have a management team to sell to, selling to a third party is another option. When selling to a third party, consider the following questions:

- Are there any obvious candidates for a buyer?
- Would you sell to a competitor?
- Are you selling a part of the business or all of it?

Buyers can come from just about anywhere. It could be a supplier, customer or even a competitor. However, selling a business doesn't happen overnight. It's rare for the sale of a business to take less than a year.

You can expedite the process by enlisting the help of your advisory team. Specifically, a business broker can help you find a buyer. These buyers will generally fall under one of two categories:

- **Financial buyer**—A buyer that seeks a business that can provide solid assets, cash flow and a return on investment.
- **Strategic buyer**—A buyer that is typically more interested in how the purchase of a business would fit with long-term plans. Essentially, these

buyers look for acquisitions that strategically position them in the marketplace.

Knowing what type of buyer your business appeals to can help speed up the selling process.

It should be noted that it is generally unwise to put your business on the market if you aren't truly committed to selling. This is because selling a business puts a strain on resources, and changing your mind only complicates timelines and causes disruptions.

In the event that you are approached by a buyer, it's crucial that you have the proper financial, business valuation and legal documentation built into your business succession plan. That way you can act quickly on your selling decisions.

There are a number of financial, legal and tax impactions to consider when selling your business. While the situation may differ from business to business, it's important to ask the following questions:

- Will a loan be required to finance the transaction?
- Is your business a sole proprietorship, partnership or corporation? What are the tax implications for each?
- Are you eligible for a capital gains exemption?
- Are there ways you can minimize your tax bill?
- Have you completed the appropriate forms from the IRS?
- Have you contacted your state tax services office to ensure you have completed the appropriate steps for transition?

In the end, whatever your exit option, it's important to weigh each choice carefully. A financial expert on your advisory team should be able to provide additional assistance around the proper information, documentation and tax advice related to the sale of your business—saving you precious time and money.

## Building a Retirement Plan

You can't retire unless you have a way to support yourself and your family. However, some business owners never consider this fact, which, in turn, makes executing your exit option of choice difficult or seemingly impossible.

Stepping down can be a difficult decision, and predicting when you may be ready to do so is even more of a challenge. However, if you are unprepared, the transferring of ownership can be chaotic and unclear. In addition, undefined timelines can leave your chosen successor in a sort of transitional limbo, which can create unwanted tension.

The goal is to pick a timeline that you are comfortable with and one that makes sense for your personal goals. Consulting with loved ones can help you come to a decision that is best for you and your business.

Just remember that communicating your retirement plan to your company is important for both future planning and internal transparency. This can be done through internal emails, company meetings, etc.

Retirement plans will differ from person to person depending on finances and future goals. In any case, the objective of all retirement plans is to promote long-term financial stability after you are no longer running your business.

To avoid any costly financial planning missteps, speak to a financial planner. Financial planners will help you develop a strategy that will allow you to put enough money aside for retirement. The earlier you do this, the better.

## Develop a Written Succession Plan

Up until this point, much of the business succession plan process has related to preplanning—enlisting help, considering future goals, choosing a retirement date and ensuring you can support yourself during your transition. Now it's time to create a written succession plan that will help you construct a roadmap and execute the succession process.

Typically, succession plans account for the five to 10 years prior to the transfer of ownership.

The information and detail included in your business succession plan will differ depending on the type of business and your desired exit option. There is no one-size-fits-all approach to succession planning. Consulting with your advisory team can help identify and address potential gaps.

**YOUR WRITTEN PLAN SHOULD INCLUDE THE FOLLOWING:**

- ☐ Your strategic vision and plans for current and future operation
- ☐ Your personal and professional goals
- ☐ Details around your preferred exit option, including a list of potential successors
- ☐ A valuation of your business
- ☐ A personal retirement plan, including estate planning information, if applicable
- ☐ A transition timeline that highlights key transition dates
- ☐ A communication plan that accounts for advisors, family members, shareholders and key employees
- ☐ A transition and training plan for your successor
- ☐ A financial outline for your succession plan that details potential taxation, legal and logistics issues
- ☐ Contingency options that account for unexpected events, like injury or death of a business owner, key partner or an identified successor

## Begin the Observation Period

At this point in the succession plan process, you should have a list of potential successors in mind and have tentatively written them into your plan. Before selecting this individual, it's important to give yourself enough time to evaluate your decision.

While the length of time may vary, it's important to include this buffer in your succession planning as it builds confidence in your decision. In addition, an observation period could save you from embarrassment in the event that your original choice for a successor doesn't pan out. As such, information around your potential successor should be kept relatively secret and should only be shared with your advisory members or other key people.

Again, this step may not apply if you plan to sell your business to a third-party candidate, as you will have no control over the choice of leadership.

## Select Your Successor

When you are confident you have made the right choice for your successor and he or she has been properly trained, it's time to make it official. Clearly communicate your choice, as well as your decision to step down, to your business. This can be done in a variety of ways, but is most often accomplished via email, a press release or a post to a company portal.

When you decide to execute this stage of the succession plan can vary depending on preference, but is generally done two to three years prior to your transition.

Please note that, while your successor may have had some training up until this point, he or she should continue to shadow you. Often, companies will have a mentorship program to further groom leadership candidates. Forming a board of directors who are knowledgeable about how to successfully run your business can also help ease the transition.

## Take a Step Back

Whether you've decided to keep the company within the family or sell to a third party, it's important to remember that you've officially transitioned out of your ownership role. This means that you are no longer the decision-maker and that you must allow your chosen successor to take the reins, which can be a difficult adjustment to make.

Whatever your exit strategy, knowing that you took the proper precautions and followed a business succession plan should help give you the peace of mind needed to enjoy the next stage of your life.

# Small Family Business Succession Considerations

It is estimated that only 30% of family businesses make it through the second generation, 12% through the third generation and only 13% of family businesses remain in the family for over 60 years.

The lack of generational transition is only one of the five top issues commonly discussed with the future success of a family-owned business. Other common issues include the following:

- Alignment of family interests
- Balancing of financial returns
- Interfamily disputes
- Estate and inheritance issues

Recent studies suggest that the vast majority of these issues and business failures can be linked to poor—or no—succession planning. Although many of the previously mentioned strategies in this toolkit will be applicable for small businesses, there are a few nuanced strategies and special considerations to think about.

## General Tips for Handing Over Your Business

- **Be honest with yourself.** Think about what you truly want out of your succession planning experience, retirement and your successor.
- **Choose your successor.** This is explained in-depth below, but it is worth noting twice. Your successor will be primarily responsible for carrying out your vision and managing your company. Finding out who may be interested in the job and using your best judgement to choose who it will be is imperative.
- **Train, delegate and begin stepping back.** You can't expect your successor to know what to do overnight. It takes training, time and trust to effectively groom a successor.
- **Solicit input, but don't be pushy or overbearing.** It's important that you speak up when you see something being done incorrectly, but doing so too frequently can break the trust between you and your successor and damage his or her confidence.

## Choosing a Successor

One of the most common misconceptions about family business succession is that a successor will simply be ready when the current owner is ready to step down. It isn't that simple. Establishing a successor means that the person to whom the business will be transferred is not only identified, but is also trained to run the company.

An important consideration with family-focused succession is that any disputes over business will permeate into your personal life. To help reduce stress, form a family council. Meeting on a regular basis, gives family members an avenue to speak about any issues they may be having. In addition, family council meetings give you an opportunity to cross-train your chosen successor early and often.

If you do go with this option, you will also need to finalize your will and power of attorney in the event of sudden death or injury. That way, your chosen successor has the mobility he or she needs to make and execute business decisions in your absence.

When choosing a successor, be sure to ask yourself the following questions:

- Does the successor love your business?
- Does the successor share similar business values?
- Does the successor believe in your company's mission?
- Is the successor capable of and willing to work long hours?
- Can the successor manage critical relationships with customers, vendors and employees?
- Is the successor's immediate family supportive of the transition?
- Can you trust handing over your company to the successor?
- Will the successor be open to learning the most tedious of tasks?

Your involvement as an owner should follow this general model:

## Planning Your Retirement

Although planning an owner's retirement is essential in all succession planning endeavors, it is even more important in family-run business succession planning. Many business owners view a succession plan as one that relinquishes both their control over the business and their income. With careful succession planning, however, this does not have to become a reality.

# Factors for Success

## The following are 10 proven strategies used in effective succession planning of family-owned businesses.

**ACKNOWLEDGE PAST HISTORY.** Learn, grow and appreciate the past, but always do so while looking forward to the future.

**APPRECIATE AND RECOGNIZE ACCOMPLISHMENTS AND PEOPLE.** Share your gratitude and give credit where it is due.

**FORGIVE—BUT DON'T FORGET—AND MOVE FORWARD.** Tackle conflict head-on, but don't hold grudges. Accept your decisions and then move forward from the issue.

**BE HONEST.** Keep an open mind, but don't hide your feelings. After all, it was your business at one point and you worked hard to cultivate your brand.

**BE OPEN TO CHANGE.** Instead of fighting and being fearful of the imminent transition, keep an open mind. Your positive attitude will transfer to your successor and employees.

**SHARE CONTROL.** Stepping down from your role as owner and relinquishing executive control can be difficult, but is necessary for successful leadership transitions.

**SEE DIFFERENCES AS A STRENGTH—NOT AS A WEAKNESS.** Instead of seeing differences as a downfall, use them as an asset for growing your company.

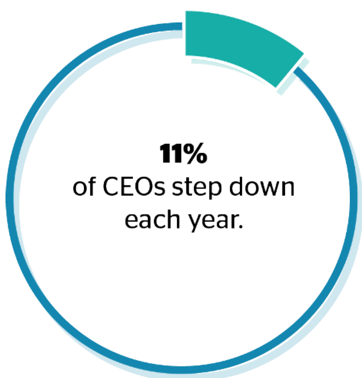
**SEPARATE THE ISSUES FROM THE PEOPLE.** In many cases, your successor may be family. When dealing with familial issues, emotions tend to run high, which can be detrimental to your succession plan. Think clearly to avoid hurting others' feelings or taking steps backward.

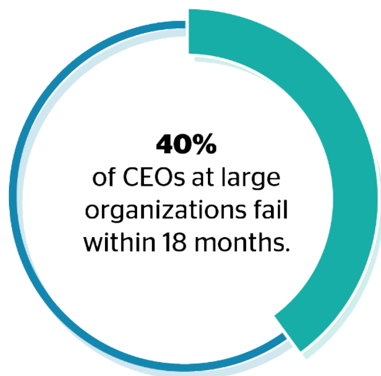
**DON'T FEEL ENTITLED.** All employees should be treated fairly and equally during this time.

**COMMUNICATE DIRECTLY AND TACTFULLY.** Failing to communicate your plan with employees can lead to high anxiety levels, distrust and hurt feelings. Be direct and tactful when communicating information.

# CEO Succession Planning Considerations

Planning the succession of a CEO is arguably one of the most important decisions an organization can make. It is crucial that an organization finds and selects a leader who can drive bottom-line results and motivate employees to encourage them to want to stay at the company. Similar to how there are succession planning considerations unique to family-owned businesses, there are considerations unique to CEO succession planning.





In large organizations, succession planning groundwork is often done by HR. Some of the most important steps HR should take when preparing for CEO succession include the following:

- Figuring out who is next in line to fill executive positions
- Creating a process for choosing the best possible successor
- Defining roles and ensuring that people adhere to these roles and fulfill their responsibilities

A CEO succession plan should also include the following elements to increase the odds of a successful and prosperous transition:

- Vision statement of the company's direction
- Profile detailing the skills and experience qualifications for the next CEO
- List of top internal talent and a career growth plan for each individual
- Mentorship opportunities for promising senior executives

The succession plan should be regularly updated and revised to ensure that it is useful down the road.

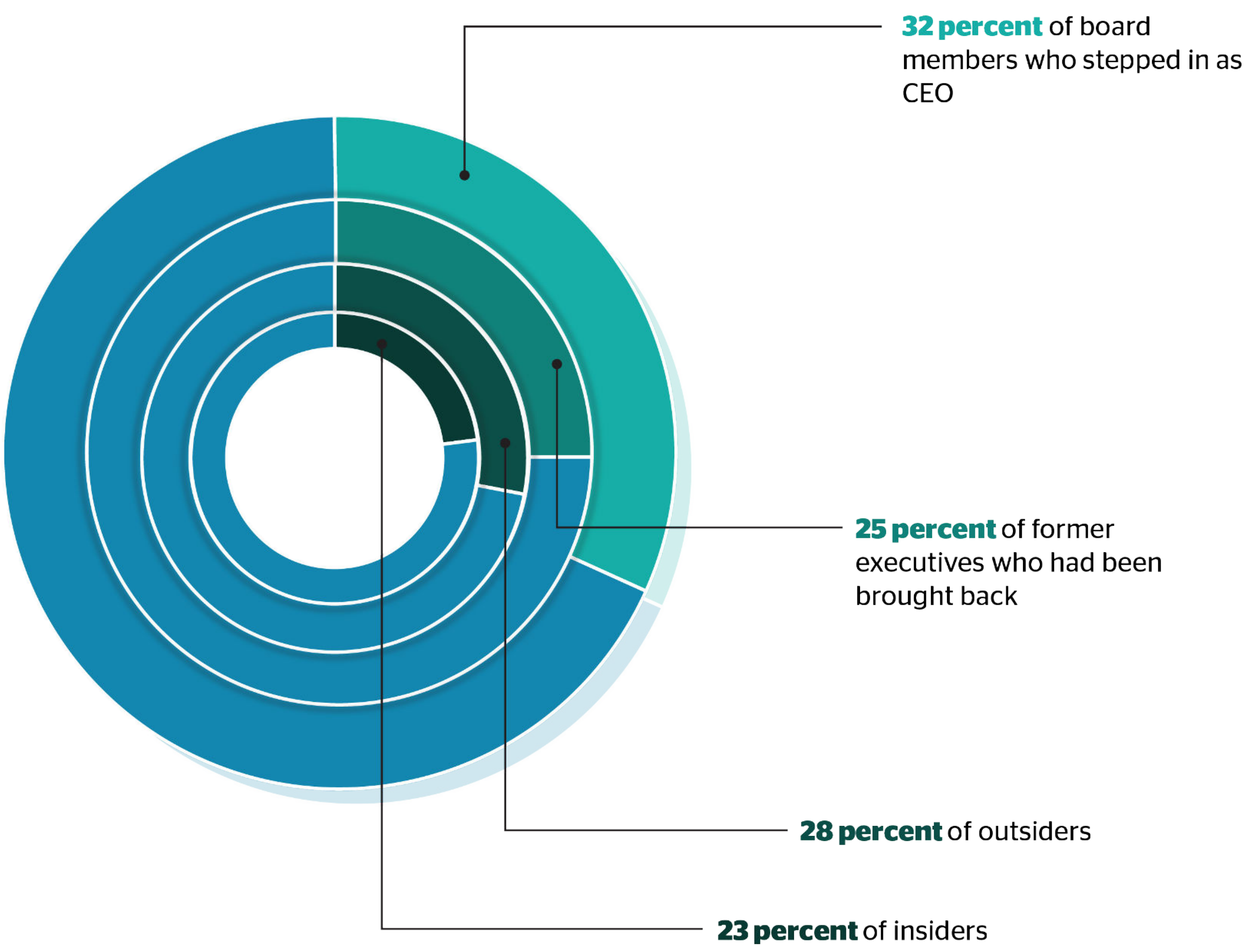
## Choosing a Successor

As previously mentioned, planning a CEO's succession and selecting a new CEO is one of the most important decisions an organization will make. When considering a successor, you should keep the following questions in mind:

- Who would be ready to step in today in the event of an emergency?
- Who would be ready in one to five years?
- Who would be ready in five or more years?

The answer to all three of these questions obviously might not be the same. However, taking note of these three pivotal stages and identifying successors for each scenario is good practice.

As your organization reaches the step of choosing a successor, you will have many things to consider when evaluating candidates. One thing to consider is performance potential. A recent study of 300 CEO transitions at Standard & Poor's 500 companies ranked different kinds of successors based on their performance within 18 months of the transition. Performance was rated outstanding for the following characteristics:



# 60%

of recent executive hires who were promoted to the CEO position within 18 months performed poorly in the new position.

## Grooming a Successor

Whether your successor is a former internal executive or a recent executive hire who was promoted to the CEO position (also known as an insider-outsider), you should prepare for a lengthy onboarding process. Proactively preparing for a hands-on training approach for the first 100 days following initial transition and allowing anywhere from six to 18 months for integration is crucial for success. A succession transition should not be considered completed until this time period has been reached.

## 5 Phases of a Successful Transition

**According to Russell Reynolds Associates, a good CEO transition plan should span a year and be comprised of five phases.**

**1.** Intensive knowledge sharing

**2.** Communication between exiting CEO, incoming CEO and stakeholders

**3.** Developing a written transition plan

**4.** Sharing the transition plan

**5.** Relationship building with new CEO and board members

# Role of Younger Generations

One successor option that is often overlooked, especially in CEO succession planning, is looking to hire younger generations to succeed an owner or CEO. CEOs who are not near retirement age should look ahead and consider evaluating employees from younger generations to be their successor. Finding a talented millennial or Generation Z employee who is a recent college graduate may not be as scary as it seems at first thought.

## Millennials (1982-1994)

Millennials now make up the majority generation of the U.S. workforce. According to a recent study conducted by WorkplaceTrends, 91% of millennials aspire to be leaders. And, they possess the traits to do so. Below are some of the most common attributes of millennial workers:

- **Work Ethic:** Ambitious, tenacious and prefer to multitask
- **Preferred Work Environment:** Collaborative, creative and continuous feedback
- **Leadership Style:** Achievement
- **Interactive Style:** Participative
- **Motivated By:** Autonomy and trust

## Generation Z (1995-2012)

The first birth years of Generation Z are beginning to enter the workforce. Similar to millennials, the members of this generation possess skills that would be an asset to any organization. Below are some of the most common attributes of a millennial worker:

- **Work Ethic:** Intense, pragmatic and project-oriented
- **Preferred Work Environment:** Collaborative, fun, flexible and a clearly-defined chain of command
- **Leadership Style:** Ambitious
- **Interactive Style:** Entrepreneurial, face to face and teamwork
- **Motivated By:** Opportunity for advancement, participatory decision-making and being involved

The younger generations are the face of the future, so don't rule them out due to lack of formal experience or age. This is important to remember as succession planning focuses on the long term rather than the short term. For CEOs that are not near retirement, this is especially true as they may find success in grooming a younger employee as their successor over a long period of time.

# Conclusion

As you may have inferred from this toolkit, business succession planning accomplishes more than simply finding a beneficiary of your business. A more subtle benefit is how business succession planning can help preserve your legacy and pass on your values and knowledge.

Leaving the workforce is something everyone has to do at some point, and succession plans are meant to make this process easier. That said, thinking critically about your personal goals and the future of your business is no easy task.

However, using the best practices from this toolkit, you will not only secure the smooth transition of your business, but also its vitality. In that regard, succession planning is not only important, it's essential.

Contact us for more information succession planning and to request additional resources on these and other important organizational and hiring topics.

## Let Tilson get to work for you *today*.

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