



Research Insights

The six pitfalls of succession planning

How to leverage flow theory to prepare for a successful transition

The financial advisor industry currently stands at a precipice of change.

- Over the coming decade, 37% of financial advisors—representing 40% (or \$10.4 trillion) of the industry’s assets—plan to retire.¹
- Yet nearly 40% of advisors say they have no succession plan in place—including a quarter of those over 60 and roughly a fifth of those planning to retire in the next six years.²
- This so-called “silver tsunami of advisor retirements” creates a genuine risk to the trusted advisor-client relationship and, therefore, clients’ ongoing objectives.
- It also fuels a scenario in which large players capitalize on the opportunity to acquire smaller practices, or can put firms not acquired at risk of experiencing a downturn in the ultimate valuation of their practice.
- Succession planning alone is not enough to ensure a smooth and successful transition in providing continuity and retaining clients’ trust. It also helps firms to proactively sustain a book of business.
- However, failure to effectively progress from *succession planning* to *succession* can have serious repercussions for financial advisors, their clients, and the industry as a whole.
- Therefore, understanding “flow theory” can help identify and develop the potential successors required to ensure the advisor-client relationship remains trusted and effective—while ensuring business continuity.

In this paper, we explore how firms can navigate from succession planning to succession; how flow theory can help protect the advisor-client relationship and, therefore, business continuity; and the steps needed to successfully implement a plan.

What is flow theory?

Flow theory states that **three conditions** must be met to achieve a successful transition—or “flow.” When applied to succession planning, this means:

- 1 The succession plan must have clear goals and progress to establish structure and direction.
- 2 The plan’s action steps must provide clear and immediate feedback to help negotiate any changing demands—and allow for adjustment of performance to maintain a “state of flow.”
- 3 Continuous review of real-time challenges, a skill-set match, and consistent training and development are required to ensure confidence in completing the task.³



An effective succession plan should emerge if these three conditions are present and applied to the advisor-client relationship. By providing the successor advisor with clear goals and a record of progress toward achieving these goals, the structure and direction needed to be *in the flow* with the client is supported and can help reinforce the role of a trusted advisor.

Maintaining balance in the advisor-client relationship necessitates that a successor advisor possesses the core competencies to complete the task required and rise to the challenge of continuing to fulfill the client’s financial goals – which, when confirmed by client feedback, helps to *maintain the flow*.

The demand for succession planning—and flow

Good governance

Every board of directors has a fiduciary duty to have a succession plan in place for the CEO. Therefore, if good governance of a business requires a succession plan, it makes sense that good governance of a financial advisor's business (or a broader advisory team) would also require a succession plan. Therefore, what has been documented as the long-term value of succession planning at the board level would also apply to financial advisor/advisory team succession planning.

Advisor succession creates long-term value by:

- Generating an exceptional pipeline of internal and external advisory talent
- Positioning the business for sustained growth
- Benchmarking the advisory talent against the competition
- Attracting and retaining high-potential advisory talent⁴

Beyond governance

Recent research demonstrates a need for more effective financial advisor succession planning—beyond simply satisfying good governance.⁵ Our network analysis of online articles referring to “succession planning” over the past three years has revealed some of the key drivers behind that demand—as well as existing gaps and a lack of connectedness.

“Succession planning is built on the premise that an organization needs to have the bench strength to maintain its momentum.”

—William M. Klepper,
Columbia Business School



Identifying connections through network analysis

Mining news articles by applying network analysis, and using natural language processing (NLP), helped us identify and visualize connections between the succession planning theme and associated topics. We found that organizations can gain a holistic understanding of the various aspects of any theme and its corresponding topics by identifying gaps or opportunities yet to be exploited.

For example, when focusing on succession planning as a theme, we found insightful links between corresponding topics such as leadership development and talent management. Given how closely related these two topics appear to be in our analysis, this is an excellent example of why we would suggest an organization might want to prioritize the inclusion of these two areas simultaneously when thinking more broadly about succession planning.

Additionally, by incorporating network analysis, organizations can detect potential blind spots by identifying weak or disconnected topics associated with a given theme. Addressing blind spots, or gaps, can help highlight topics prone to controversy or negative sentiment and allow organizations to address potential issues proactively—thereby enabling the organization to mitigate risks to ensure a more comprehensive strategy.

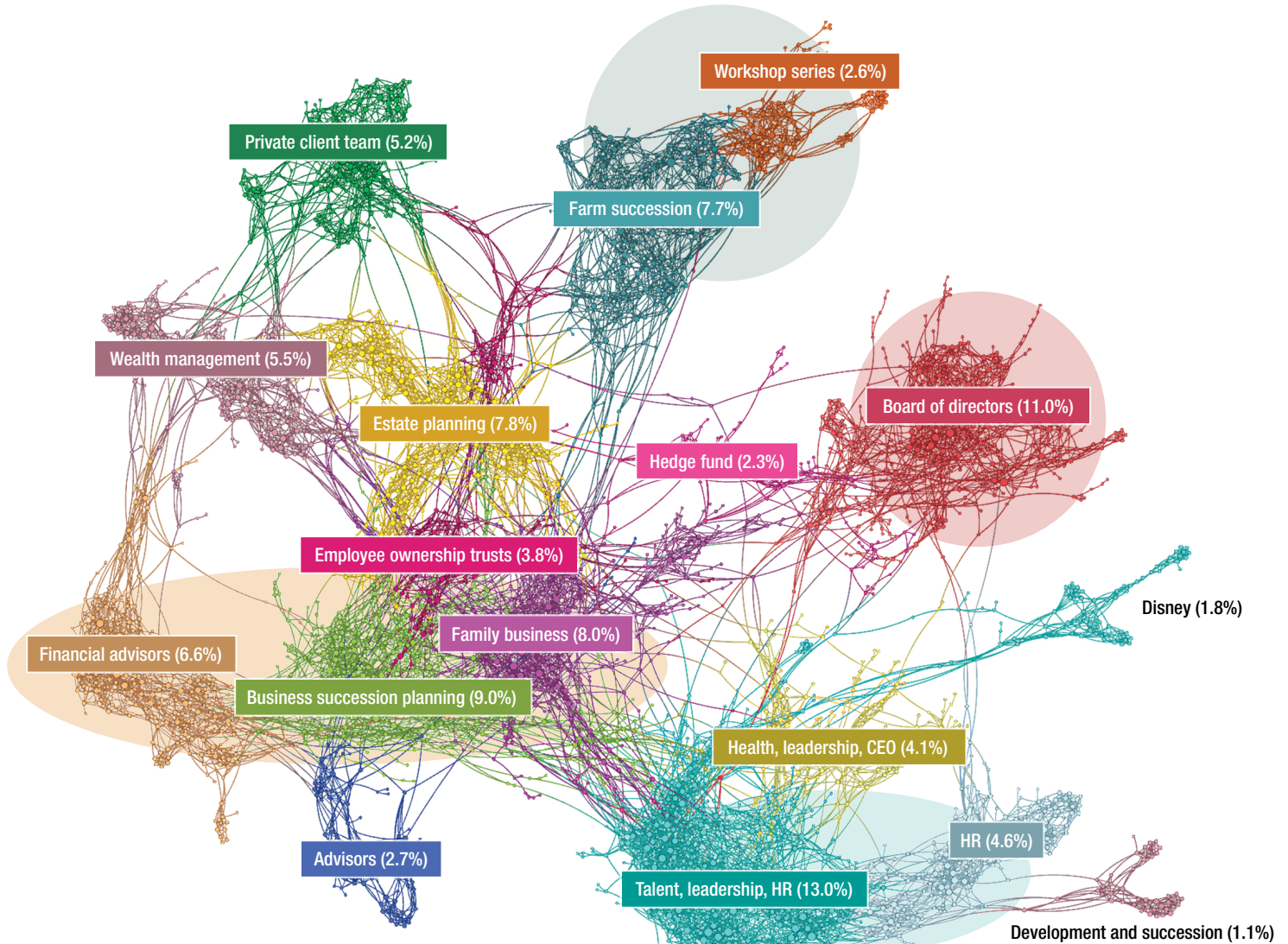
Leveraging network analysis and NLP to analyze news articles can be a powerful tool for visualizing the relationships between broader themes and their underlying topics. Doing this can help an organization better understand the complex landscape of the theme, identify emerging trends, make strategic decisions, and mitigate risks—thereby enhancing the effectiveness of a succession planning strategy, in this case, through a data-driven, comprehensive view of the subject matter.

How to read a network analysis chart

The following illustration highlights the results of the network analysis performed around the given theme of succession planning. Within the network results, you will see circles or dots displayed, which are referred to as “nodes.” These nodes help visualize the interconnectivity between the various topics brought to light through this analysis. When nodes appear near one another, it means the topics are more closely linked based on the similarity in the language found within the respective articles. When a node does not appear to be linked to anything else in the chart, it means that topic is unique since the language used in those topical articles does not match any other documents—thereby rendering them niche topics within their own domain. However, when we see nodes *bridging different clusters* within the network analysis, we deem those connections worthy of further investigation and dig deeper into the respective similarities to uncover any noteworthy insights.



Network analysis of three years of online articles mentioning “succession planning”



- Our analysis revealed that the densest interconnections were around topics such as **financial advisors, business succession planning, and family business**—indicating a strong focus on the continuity of business management and ownership. These topics are likely to share many common terms and concepts—suggesting they are frequently discussed together in the context of succession planning.
- The **board of directors** topic appears to be relatively isolated from the core **human resources (HR)** strategy topics—suggesting discussions about *board composition* and *governance* may not be closely linked to the operational HR strategies within firms.
- The **talent, leadership, and HR** topics appear to be significant in size—indicating their importance. However, they are not centrally located within the network. This suggests that while talent development programs are important, they may not be as frequently connected to other succession planning topics—presenting an opportunity to “own” the domain or become a thought leader in this area.
- Workshops do appear to be connected to **farm succession**, but not to other business and advisor clusters—which could imply that workshops are more tailored to the unique needs of farm succession rather than general business succession planning. The farm succession

cluster, located outside the main network analysis, indicates that the farming community is actively arranging workshops to address their specific needs for succession planning. However, given how disconnected “workshops” are from the broader network suggests other business communities are less proactive and could take a lesson from farmers (as a community).

The network analysis referenced above also appears to note that topics such as **Disney** and **hedge funds** are discussed, but do not seem to be central to the main discussions around succession planning. This divergence indicates that these are niche areas within the broader topic that are not as heavily discussed or are emerging areas of interest. In recent years, several prominent companies—including Disney—have faced challenges with CEO succession planning. According to a report in 2023 by consultancy firm Challenger, Gray, and Christmas, there were 774 CEO exits in the first six months of 2022. This increase in turnover, and the difficulty of finding suitable CEO replacements, has brought the issue of succession planning to the forefront—often resulting in a negative impact on a firm’s share price and market sentiment. As a result, the lack of a formalized succession planning process for critical roles is a common issue, with only 35% of organizations having such a process in place.

Succession-planning gap analysis: Six common pitfalls

If we know the value of succession planning, the question becomes: **why is there a gap between the current state of financial advisor succession planning and the desired future state of moving from succession planning to succession?**

It was determined from our analysis that there are six common pitfalls currently causing the gap between current state and the desired future state:



Pitfall #1: The ostrich syndrome—acting as though succession planning will not be necessary.



Pitfall #2: A disconnect between the demographics of advisors and their existing clients and potential wealth holders.



Pitfall #3: Too narrow a pool of potential succession candidates.



Pitfall #4: Failing to test for advisor-client fit with the successor.



Pitfall #5: Falling behind technologically—what got you here won't necessarily get you where you want to go.



Pitfall #6: Failing to connect talent development spend with succession spend.

These pitfalls are related to an advisor's unwillingness to acknowledge what Rita D. McGrath, Columbia Business School, calls the "transient advantage" phenomenon—a state in which the characteristics that provided a competitive advantage under one set of circumstances fails to do so as situations change.

In the past, competitive advantages were assumed to be enduring. You could situate yourself in an attractive position in a lucrative sector, establish barriers-to-entry, and defend your position for a significant period. However, as barriers-to-entry have vanished due to digitization—and information has become democratized—previous advantages now last for increasingly shorter periods of time.

Therefore, to be competitive, advisors need to continually refresh their advantages to better scale, exploit, and transform their businesses as old advantages fade and new ones take their place.

To illustrate this point, let's look at an example of cutting-edge technology that can capture, analyze, and present views of client holdings in a manner that renders the traditional spreadsheet format obsolete. In this scenario, our prototypical "new money" entrepreneur seeks a solution that enables her to readily pull data and review account holdings in real time; track alternative investments (such as private equity); have her art collection valued and incorporated; as well as provide automated insights.

Within the first two weeks of using the software, she was able to upload information about her art collection—including the latest valuations—found errors in her fund reporting that showed she was being overcharged, connected all her primary bank and brokerage accounts, and updated the private equity portion of her investment portfolio when she brought on an experienced venture capitalist.

With this new software available, imagine how quickly our "new money" entrepreneur would abandon her established advisor—even one with a great track record—for a solution that offers so much deep value at her fingertips.



Navigating the six pitfalls—practical steps for progressing your succession journey

Here we explore the six common pitfalls currently causing the gap between current and the desired future state in greater detail—along with practical steps you can take to begin filling the gaps needed to advance your *flow* journey.



#1 The ostrich syndrome

At the onset of this paper, we stated that over the coming decade 37% of financial advisors, representing 40% (or \$10.4 trillion) of the industry's assets, plan to retire. Yet nearly 40% of advisors have no succession plan in place.

Research shows that senior financial advisors who have not developed a succession plan are most likely in denial of their own transition.

When a senior financial advisor is in denial that a successor is needed, it becomes even more imperative to acknowledge that the advisor's clients require a smooth transition—so the senior advisor can address this as a primary responsibility.

In the case of a larger team environment, where there may be multiple senior advisors, this responsibility must be part of the senior advisor's performance review.

Then, if client feedback shows that succession has been addressed proactively, the senior advisor can be rewarded—*what gets measured gets done, what gets rewarded gets done repeatedly*. However, if proactive client discussions about succession have not taken place, then the senior advisor should be confronted—and a succession plan encouraged and/or incentivized.



#2 The disconnect between the demographics of advisors and their existing clients and potential wealth holders

The financial planning profession is still facing challenges in achieving diversity. According to the Certified Financial Planner (CFP) Board of Standards, the profession is predominantly white and male. Their data showed that 23.6% of CFPs are women, fewer than 3% are Hispanic or Latino, and less than 2% are Black. While there have been some improvements, such as a 10% increase in black, 15% Hispanic, and a 4.2% increase in women CFPs in 2021,⁶ the industry still has a long way to go to achieve a more diverse representation.

Efforts to increase diversity in the financial planning profession are ongoing, with a focus on attracting young people to the field—particularly from underrepresented groups. Despite these efforts, the profession continues to lag behind broader demographic trends in the U.S.

As the demographics of wealth holders is shifting from predominately white males to include women and people of color, it makes sense that the financial advisor profession also reflects these demographics to avoid any potential future client disconnect. Therefore, a solution may be to recruit and develop a diverse cohort of advisors who possess the perspective to comprehend their clients' needs.

To prepare for the coming seismic shift, financial services firms do not have the option of tweaking practices here and there. Time is running out. To make change happen at the necessary speed, you need structural changes—mechanisms that are not at the mercy of individual managers or the goodwill of decision-makers. In a recent paper from New York Life Investment Management's Advisor Advancement Institute entitled *The Mother of all Blind Spots: Financial Advice and the Looming Gender Inflection Point*, Rita McGrath of Columbia Business School shares six practices to accelerate diversity. If your firm truly wishes to broaden its diversity, these practices will help demonstrate your commitment and are much more likely to yield results quickly.

Practice #1: Broaden the pool of candidates you attract and measure the results

Practice #2: Rethink your team structures and succession planning practices

Practice #3: Assign plum stretch assignments by lottery

Practice #4: Create compensation transparency

Practice #5: Experiment with non-traditional career paths, such as lattices and tours of duty

Practice #6: Add a social dimension to your interactions with employees and clients



#3 Too narrow a pool of potential succession candidates

For succession to be successful it requires a successor advisor who can match up with the distinctive profiles of the business' clients. So, how do you find the right successor advisor? Current financial advisors need to identify and mentor their potential successors. Mentoring provides successor advisors with professional training and development opportunities, including participation in industry events to build a knowledge base and network that are essential assets to client service.

When it comes to advisory teams, successful succession requires a bench of financial advisor successor candidates. So, how do you build a broad bench? Apply the same identification and mentoring process stated above. But to begin the process of building a broad bench of successor advisors within a team environment, it is important to start by having the senior advisor/team leader speak to the team's clients to determine the key competencies they want instilled in their advisor to help maintain an effective advisor-client relationship. Then, assess the core competencies of the advisory team members relative to the team's clients' financial planning needs. An example of a baseline assessment can be found later in this paper under the section entitled *Evaluate Key Advisor Competencies*. Once the assessment is complete, the senior advisor/team leader would then seek to match the client list of prioritized key competencies desired to the assessed competencies of the individual advisory team members to ensure the alignment needed to maintain a successful advisor-client relationship. Thereby ensuring a win-win relationship between the client and the successor advisor.

Team dynamics play an integral role in this approach. By assessing each member of the team, strengths and weaknesses can be determined, addressed, and developed to achieve full competency. However, it is also important to recognize that it is the

collective competencies of the entire team that provide the winning way. This means that a win-win culture is established—the way the team does things collectively—and is the means to a cordial, professional, and positive client experience.



#4 Advisor-client fit

Financial advisors looking to align with a client must first understand where the client is in their lifecycle. We all travel along a lifecycle journey, encountering highs and lows. The inflection points on that cycle are key periods at which an advisor should apply the appropriate leadership strategy, practice, and style in serving the needs of a client. The correct alignment of these factors with the client's needs makes for the right partnership.

So, how does an advisor align or achieve advisor-client fit?

The team leader's starting point

The senior advisor/team leader must first determine where clients are on their financial lifecycle journey. For example, a client's financials could be at a low, rising, growing, or peak success phase—so an advisor needs to develop an agenda appropriate for each lifecycle phase.

- At a **low success phase**, the strategy is to accept a mandate to change.
- With this change mandate, an advisor can begin to experiment by incorporating new ideas/suggestions to help drive the client toward the **rising phase**.

- As success rises to **greater growth**, the strategy would need to continue to reinforce the ideas/suggestions that are working.
- Finally, at **peak success** the strategy would converge on the status quo while the current circumstances prevail.




Remembering that what goes up eventually goes down, the financial advisor must be agile enough to think in the present, while preparing a client for overcoming future challenges to continued success by adjusting the financial plan accordingly.

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The senior advisor's/team leader's leadership requirements

The senior advisor/team leader must apply the respective leadership agenda, practice, and style to align with each client's financial lifecycle.

Advisor leadership requirements

Client's financial lifecycle	Advisor agenda	Advisor practice	Advisor style
 Low success/ beginning timeframe	Responding to a mandate to change	Challenge status quo	Change leadership/ driver
 Rising success/ early timeframe	Experimenting, trying new things	Inspire the future	Visionary leadership/ expressive
 Growing success/ middle timeframe	Enduring, doing what works	Enabling others	Team leadership/ amiable
 Peak success/ late timeframe	Converging on the status quo	Model the way	Strategic leadership/ analytical

Identifying the appropriate leadership practice for the advisory team

J. Kouzes and B. Posner, in their publication *Leadership Challenge: How to Make Extraordinary Things Happen in Organizations*, set out key leadership practices for each client's wealth lifecycle stage:

- **Low success** requires the advisor to challenge the status quo (the way we do things today).
- **Rising success** is the time for the advisor to be inspirational about the future.
- **Growing success** allows the advisor to enable others on the advisory team to increase their involvement and subsequent trust with the client.
- At the **peak of success**, an advisor provides their team members with a model/template for continuing a prosperous client relationship—including a transition that may occur due to retirement, departure, or unforeseen events.

The senior advisor/team leader must exercise individual and team leadership practices as they work with their clients. The "low success" category requires the senior advisor/team leader to be a change leader by challenging the status quo and offering new recommendations for managing the client's portfolio. Once the decline has been stabilized, the senior advisor/team leader changes their practices to those of an inspirational or visionary leader proposing a new financial plan for those in the next phase category—"future success." When the third phase category is achieved, where "success is occurring and growing," the advisor can lead by encouraging others on the team to increase their involvement and develop trust with the client. At "peak success," the final phase category—when it doesn't get any better than it is right now—the senior advisor/team leader should lead by offering a model for the future. The future must include a succession plan for the advisement of the client.

Identifying the leadership style for the senior advisor/team leader and advisory team

Research from D. Merrill and R. Reed's publication, *Personal Styles and Effective Performance* (1981), delved into behavioral styles—the Social Style Model advanced by TRACOM, a provider of research-based learning solutions—matches the different phases of the client's financial lifestyle journey to social styles.

- A **driving style** is defined as a characteristic of a tell-assertive and emotionally controlled leader who can *challenge the current status quo*—an *early-stage* requirement for change.
- The **expressive style** is another characteristic of a tell-assertive leader, but one who is a more emotive leader who inspires a desired future state—a *rising stage* calling for a vision of the future.
- The **amiable style** is more ask-assertive and emotive as they look to build relationships and a team culture of success—a *growing stage*.
- The **analytical style** is ask-assertive and controlled, which ensures that the facts are well documented before decisions are made—considered a strategic role model for enduring at *peak stage*.

Identifying the appropriate behavioral style

A financial advisor is capable of adjusting their behavioral style to fit with their clients, but advisors have a primary style of their own that can overtake their client's need and orientation. Aligning how the client prefers to get things done (need) and how they perceive their financial world (orientation) is the starting point of a productive advisor-client relationship.

Adjusting to the client's need and orientation is the focus of working with others. Today, we know this alignment requires emotional and social intelligence. This is a primary area for an advisory team's training and development—making the following a list of key ingredients for helping to achieve a *successful fit* formula:

- **Know yourself:** Know your style, need, and orientation.
- **Control yourself:** Control against first satisfying your own need and orientation.

- **Know others:** Know your client's style need and orientation.
- **Do something for others:** Align your behavioral style with how the client prefers to get things done (need) and how they perceive their financial world (orientation).

Understanding and adapting to behavioral styles your clients relate to is important. An alignment in styles will help ease the transition from advisor to a successor advisor.

Style awareness can also be applied to achieve a successful fit between senior advisors/team leaders and their team members in developing a succession plan. The ideal succession plan would include a senior advisor/team leader who has a behavioral style similar to the client—along with a diverse advisory team consisting of advisors with individual style strengths that complement the various stages of the financial lifecycle journey.

Having diversity among the advisory team offers greater flexibility so a client can benefit from these individual advisor style strengths as they move through their financial lifecycle

■ Low success/driver

■ ■ Rising success/expressive

■ ■ ■ Growing success/amiabile

■ ■ ■ ■ Peak success/analytical

However, regardless of a client's stage in the financial lifecycle, the fit formula—*know yourself, control yourself, know others, and do something for others*—must be part of the firm's culture.



#5 Falling behind technologically

The speed of technological innovation is outpacing the capacity of advisors to apply it in real time. For instance, if your client is using ChatGPT to learn about your practice and performance before your meeting with them, and you are unaware of their findings, you are at a distinct disadvantage in establishing your advisor-client relationship.

Rather than be reactive to this speed of change, embrace it to augment your advisor-client relationship. In the succession plan, the *technology utilization* competency will become more of a priority in the advisor-client relationship in the future. The example referenced earlier pertaining to technological solutions is evidence that the future is approaching faster than you may think.

Columbia Business School is proactively alerting its faculty to the Artificial Intelligence (AI) evolution. Relative to the advisor-client relationship, the days of sitting around the kitchen table for a discussion is material for the archives. During the COVID pandemic, we learned that Zoom meetings were the alternative to face-to-face meetings. However, even though this alternative was a viable substitute at the time, we've learned that it is not ideal for client communications—especially when it comes to complex discussions. Additionally, Zoom meetings often require a written follow-up summary to assist clients in understanding and retaining the full meaning of a conversation—thereby creating an inefficiency in the communication process. Fast forward to today's AI world and what is now in play. The Institute for the Future (ITF) recently

conducted a ten-year forecast in 2023, *Working Through the Future of AI*, showing how individuals and leaders can pre-respond to the generative AI revolution. The program provides an exclusive first peek at ITF's ten-year technology forecasts, which outline AI's potential long-term impacts on human abilities, jobs, and organizations. Additionally, they present an AI "digital twin" simulation, with ITF Distinguished Fellow Bob Johansen—offering participants a first-hand experience of a variety of alternative AI futures.

The question is, how many years are you thinking ahead when it comes to your use of technology? Are you anchored to the past or anticipating the future of technology in advancing your advisor-client relationships beyond Zoom meetings from the kitchen?





#6 Failing to connect talent development spend with succession spend

Even though money is being spent on talent development, not enough time and money is being spent on consistent training and development to make succession an inherent part of the business strategy. Or, it has not been holistically integrated into an organization's strategy as much as it should be.

This is a good starting point for advisor talent development programs. However, if there is not an intentional effort to develop the knowledge and skills of the advisory team members, the advisor-client relationship will never develop to its long-range

potential—and ultimately will dissolve. There is tacit foundational knowledge each member of the team needs to have as their core competency to maintain a successful advisor-client relationship, which includes:

- Knowing the client's financial goals and progress.
- Knowing any life changes or updates affecting the client's financial situation.
- Documenting client information to facilitate a seamless transition and trust.

Open-source intelligence provides a comprehensive list of competencies to be possessed or acquired to achieve a rich relevance in the advisor-client relationship. In developing advisory team talent, the senior advisor/team leader needs to prioritize the competencies that will address the greatest deficits of the team members.



Evaluate key advisor competencies⁷

Better align with client demands by assessing your team’s collective key competencies.

Key competencies	Scale: 1 = Needs to be developed 5 = Our core competencies				
	1	2	3	4	5
Market and economic research					
Financial planning updates					
Investment portfolio review					
Regulatory compliance					
Client communication					
Technology utilization					
Risk management					
Team collaboration					
Documentation and record keeping					
Financial analysis and reporting					
Monitoring clients’ financial goals and progress					
Acknowledging life changes or updates affecting a client’s financial situation					
Obtaining client information to facilitate a seamless transition and foster trust					
Identifying and grooming potential successors within the team					
Networking (e.g., industry events)					
Marketing and branding: Maintaining a strong online presence and attracting new clients					

Professional development: ongoing training and development

List three of your “1” assessed competencies that you would focus your team’s development:

- a) _____
- b) _____
- c) _____

When—and how—to get started

As with any aspect of a business continuity strategy, it is never too early to start. Even if a firm believes that succession is still a long way off, starting at the earliest opportunity allows for a smoother succession when it is eventually needed.

Below are several strategic timing considerations that can help optimize the process:

1. Kick-start the process when the advisor-client relationship reaches the “growing success” stage and the firm is at a point of strength in the relationship and, therefore, trusted.
2. Ensure the bench of successor advisors are ready to be introduced to the client during the “growing success” stage—so you do not over-promise and under-deliver. Under-prepared successors can cause harm to the relationship rather than providing an opportunity to enhance the trust that has been established between the firm and the client.
3. Perform an assessment of the core competencies of the bench of successor advisors—followed by training and development to close any gaps between their current competencies and the competencies needed to serve the existing client needs.
4. Once those gaps are closed, it can be beneficial to add the new advisor to the team in the “growing success” stage—as an added player. That shows increased commitment to the client and enables the successor advisor to establish trust before completely taking over.
5. Of course, as with any internal change, firms may need to overcome the natural resistance to altering the way advisor succession is currently being planned. The formula for successfully overcoming the resistance is **(D) x (V) x (P) > (C)**.
 - The organization must be Dissatisfied (D) with the current state,
 - Must be provided a clear and compelling Vision (V) of the desired future state, and
 - Have an actionable Process (P) for getting from the current to the desired future state for constructive change to occur.
 - Finding the missing component (D, V, or P) is where organizational leadership must start their change (C) effort.⁸



The risk of failing to act

Failure to effectively progress from *succession planning* to *succession* can have serious repercussions for financial advisors, their clients, and the industry as a whole.

- **For clients**, not having a succession plan can create a genuine risk to the smooth transition of the trusted advisor-client relationship—thereby impacting clients’ ongoing financial objectives.
- **For firms**, not having a succession plan can fuel a scenario in which larger advisory teams capitalize on the opportunity to acquire smaller practices. An acquisition may also cause clients to seek another advisory team and take their assets elsewhere.

- **Advisory practices not acquired** can face the risk of being devalued, jeopardizing the futures of employees and clients.
- **At the industry level**, failure to manage the ongoing succession of advisors not only risks a considerable rise in consolidation, it generates a loss of client choice and confidence in the industry—from clients, customers, and everybody else.

Furthermore, expenses related to recruiting and training new leaders, lost productivity and revenue, and increased risk of legal liability can also rise. Therefore, ensuring that the right advisor is in place for succession—by adopting *flow theory*—is crucial.

“Large players are capitalizing on an opportunity to acquire smaller practices—as more than 40% of industry assets are set to change hands over the next decade.”

—Fundfire, “Silver Tsunami of Advisor Retirements to Accelerate Wealth Management Consolidation,” 9/7/23

A roadmap for success

With the wave of senior financial advisor retirements expected in the near future, and the lack of succession planning, our research took a closer look at this challenge and what is needed to sustain a book of business throughout the

“**planning-to-flowing**” process in the advisor-client relationship—so that advisory practices can avoid being swallowed up by larger teams, be better fiduciaries for clients, and achieve sustained growth.

Here are ways to overcome the pitfalls that undermine a successful advisor-client succession

Pitfall #1: The ostrich syndrome—acting as though succession planning is not going to be necessary.

Recommendation: The organizational leadership must overcome the natural resistance to changing the way advisor succession is being planned and currently flowing.

Pitfall #2: A disconnect between the demographics of advisors and their existing clients and potential wealth holders.

Recommendation: Develop a demographic profile of the wealth holders that are currently in the existing client portfolio and match that up with the existing advisors to serve those clients.

Pitfall #3: Too narrow a pool of potential succession candidates.

Recommendation: Current senior financial advisors/team leaders need to identify and mentor their potential successors.

Pitfall #4: Failing to test for advisor-client fit with the successor.

Recommendation: The advisor-client alignment requires emotional and social intelligence. This should be a primary area for an advisory team’s training and development.

Pitfall #5: Falling behind technologically—what got you here won’t necessarily get you where you want to go.

Recommendation: Advisors need to “augment” their knowledge with artificial intelligence (AI) and stay ahead of the technological curve as much as possible.

Pitfall #6: Failing to connect talent development spend with succession spend.

Recommendation: The spend on talent development can only be distinguished, but not separated from what is needed to be spent on succession planning. Think about this as a “hand and glove” situation—*where the fit is the key*.

We offer this guidance with the encouragement to first focus on the development of the financial advisor bench within your own team. The conclusion is that a financial advisor succession plan cannot continue to flow in a relationship without collectively developing the core competencies of the advisory team. Therefore, start with a self-evaluation of the core competencies of your team members and focus on the development in the areas most needed.



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1. Source: "Silver Tsunami of Advisor Retirements to Accelerate Wealth Management Consolidation." *Fundfire*, September 7, 2023.
2. Source: *FA-IQ*, December 2023.
3. Source: C. Mainemelis, "When the Muse Takes It All: A Model for the Experience of Timelessness in Organizations." *The Academy of Management Review*, 2001.
4. Sources: William M. Klepper, Adjunct Professor, Columbia Business School, and *Korn-Ferry International Presentation* (Redacted), 2019.
5. Source: Chandler T. Wilson, 2023. Open-source intelligence (OSINT) involves gathering data from various sources, such as news articles, government reports, academic papers, books, social media activity, and economic data. The data used for this network consists of three years of news articles clustered together by language similarity. The closer the topics are to one another, the more similar. The further apart they are from one another, the less topically similar they are.
6. Sources: Chandler T. Wilson, CFP Board, "Looking to Speed Up Diversity Efforts." *FA-Mag.com*, 2023.
7. Source: William M. Klepper, Adjunct Professor, Columbia Business School, "Assessment of Financial Advisors Key Competencies." 2023.
8. Source: William M. Klepper, Adjunct Professor, Columbia Business School, "The CEO's Boss: Tough Love in the Boardroom." 2023.

IMPORTANT DISCLOSURES

This material has been developed to meet the needs of financial intermediaries.

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