

# How to Shape Successful Successors

Follow these important succession planning strategies.

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Based in Clayton, Moneta Group is consistently ranked among the top Registered Investment Advisory firms in the country.



Most businesspeople think about the future of their firm on a daily basis: Where will the next dollar come from? What opportunities will be next? What strategy is best?

But many businesses overlook one vital part of their future: their succession plan.

A succession plan is important for savvy business owners; it ensures that when they choose to retire or unexpectedly pass, what they've built will not be compromised. Having a succession plan can determine whether a business outlasts its founder.

There are many approaches to building a solid succession plan. Often, the plan depends on the type and size of the business in question. That being said, no matter what industry or size, businesses with a solid plan in place can rest easy knowing that they are secure for many years to come.

Missouri Chamber member Moneta Group, a wealth management firm in the St. Louis area, knows something about maintaining stability; it's been in business since 1869. The independent Registered Investment Advisory firm is also strongly focused on succession planning.

Moneta's approach to succession planning is to select young advisors from within their teams and devote resources toward their development and promotion. This is just one potential option for succession planning. Other options include passing along the family business to a spouse or other members of the family and predetermining an outside hire.

No matter what plan is best for a business, choosing the right successor is key. That may sound like a basic assumption, but it is one of the most important parts of succession planning.

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### Choose the Right Successor

According to Gene Diederich, CEO of Moneta Group, the key is to find a younger partner who not only has the technical and planning skills but also has the ability to continue growing the business.

"A big factor is the successor's desire to be an entrepreneurial owner instead of a salaried employee," he says.

This person is in it for the long haul and is interested in both pursuing new business and developing what has been established.

"Usually these are people with self-confidence, good communication skills, a competitive personality, and the ability to handle rejection," Diederich says.

They should also be someone who you trust implicitly to both uphold your standards and work to enhance your business in ways you would have chosen.

Selecting a successor in advance provides a business owner with the ability to provide formal coaching for the heir.

### Provide Formal Coaching

For a smaller company, this kind of formal coaching may be one-on-one tutoring or on-the-job training.

"I can't emphasize this enough," Diederich says.

At Moneta Group, formal coaching consists of a training program for younger associates who aim to become principals. The five-year program includes extensive instruction from current principals on business development and other topics. These lessons are delivered in a classroom-like setting.

For instance, the principals role-play as prospective clients and have younger advisors in the program do mock interviews. These interviews are videotaped and reviewed in order to help provide real life observations.

It's more than acceptable to place high expectations on your successor.

"Participants in our program are required to bring in 20 new clients that generate more than \$10,000 in annual fees over the five-year period," Diederich says.

Course work is part of the plan for Moneta Group, too, and their ideas can be adapted to fit any organization. Set measurable goals that will help determine whether someone is truly suited to be your successor.

Once that person is selected, the final key to success is allowing yourself to be totally open and honest about all the ins and outs of your business.

### Share Knowledge and Clients

A key component in the foundation of a succession plan is allowing junior advisors to tap clients for referrals. This gives younger employees practice and connects them with clients, a helpful strategy for any type of business.

It's imperative that your successors understand completely what your business is today and where you hope to take it down the road, whether you're present to see it happen or not. A seamless transition can be aided by being transparent with your successor. Set boundaries and expectations as you allow them to engage your clients, but be open to sharing information. After all, this person is going to be an extension of yourself and represent the business you built.

Sharing information can be a source of anxiety for many, but it will ensure a succession plan's success in the long run.



### Family Matters: Succession Planning for the Family Business

Succession planning for family businesses presents its own set of special considerations. A *Forbes* article notes that the mean average age of modern family businesses is 60 years and that most family businesses are primed for the third generation of leadership. Those trends emphasize the importance of succession planning for family businesses.

*Forbes* also outlined a few strategies for CEOs of family businesses who are planning for the future:

- **Keep it Professional:** Succession planning should be a formal endeavor and integrated into official meetings and not something casually mentioned at family gatherings.

- **Give it time:** It takes at least a few years to weave a succession plan into a business strategy. Give special consideration to the transition process and the future plans, goals, and direction of the company.

- **Share your plans:** CEOs at public companies typically serve for six years, while those at family operated ventures last for more than two decades, according to *Forbes*. Consequently, the departure of a CEO from a family business will be far-reaching to those at the company, especially to employees who are outside of the family. Those at the top should share their succession plans with the entire operation.

Source: *Forbes*, "Succession Planning is Your Family Business Parachute"

One piece of advice that Diederich suggests is creating a safeguard by including a non-compete agreement to guarantee that selected successors won't obtain knowledge only to leave the firm.

This and a formalized succession plan help everyone fully understand how their actions today can create a sustainable business for many years into the future. **MB**