

Succession Planning

SUCCESSION FOR SMALL TO MEDIUM ENTERPRISES



intro to succession planning

Succession planning is one of the most powerful tools for ensuring the long-term success of an organization, including small to medium-sized enterprises (SMEs).

Many organizations think they are planning for succession, when they are really engaging in what is called “replacement hiring.”

	Replacement Hiring	Succession Planning
Timing	Reactive	Proactive
Selection	Chooses the best person available at that time	Prepares the multiple strong candidates for each role
Candidate	Usually tries to replicate incumbent	Chooses best candidate, even if they are different from the incumbent
Process	Hiring done as needed	Hiring is integrated with recruitment, development, and diversity initiatives

succession in SMEs



Succession planning is especially important for SMEs as they look to build stability in their organization. However, there are also unique challenges that smaller companies may face when planning for succession:

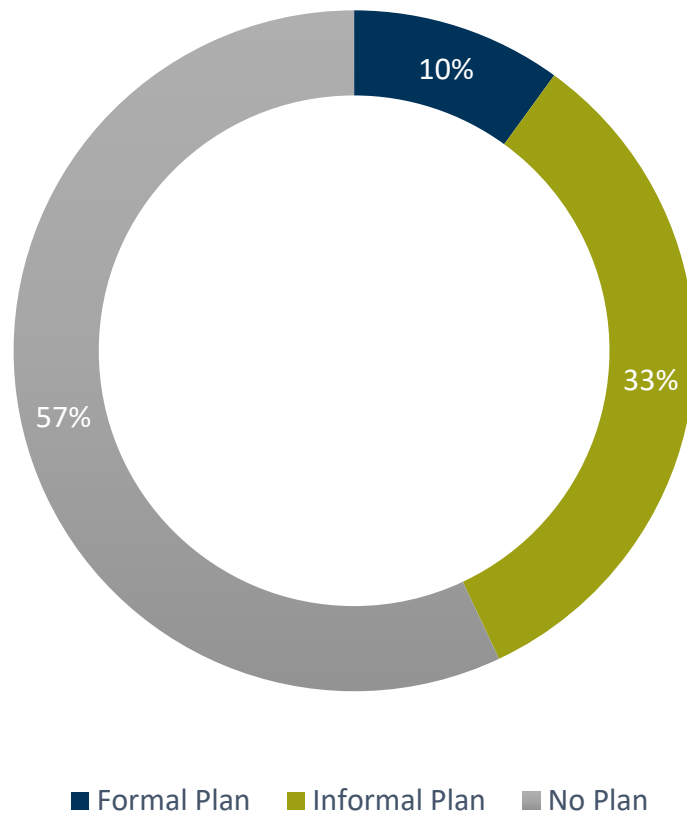
- fewer resources
- smaller internal talent pools
- flat hierarchies
- more complex role descriptions

When building a succession plan for a smaller organization, these unique circumstances need to be taken into consideration.

In this guide, we provide tips and tricks for how SMEs can customize the succession planning process to meet their needs and build long-term stability for their team.



SME Succession Planning



Did you know?

Although succession plans are especially important for SMEs, very few have one in place.

Studies have found that less than 50% of all organizations have a succession plan. What's more, Only 10% of all companies have a formal, documented plan in place.

Shore Consulting. (2018). Study on Succession Planning for Small and Medium Enterprises. *Shore Consulting*. Retrieved from <https://www.onebusiness.ca/sites/default/files/Study-on-Succession-Planning-for-SMEs-EN.pdf>.

the value of having a plan



Creating a formal, documented succession plan is important for a variety of reasons. Documented succession plans:

- reduce ambiguity
- are easier to scale
- can be communicated clearly
- ensure accountability during implementation

Regardless of company size, the benefits of having a documented succession planning process remain.

This workbook outlines 4 succession planning challenges specific to SMEs. We also provide solutions and resources to help you customize your plan and get the most out of the process along the way.



CHALLENGE 1: Role Complexity

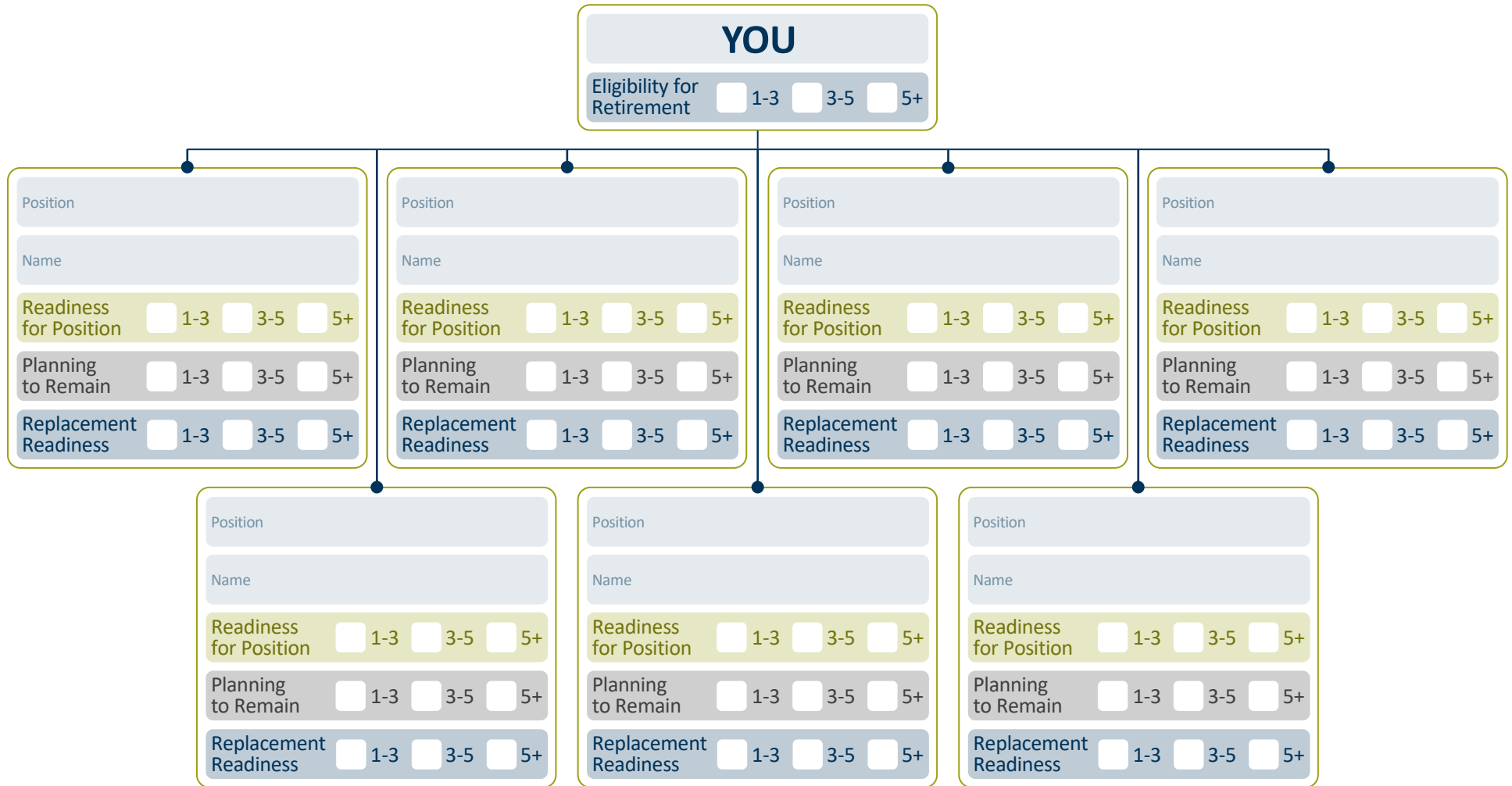
In smaller enterprises, roles tend to be more complex and fluid, with individual employees taking on multiple functions. This may present a challenge for defining and identifying critical roles, especially since traditional HR practices like job analysis may be tricky to implement in these cases.

Recommended Solution

If you don't already have one, start by mapping out your organizational chart. Even if your organizational structure is relatively flat or roles are not clearly defined, the organizational chart (org chart) can be a valuable tool for visualizing connections among your employees (see template on next slide).

As you create your chart, think about how each role influences the overall structure, whether the incumbent of each role is close to retirement, and how the role is going to evolve or change in the future. You can take note of these intricacies specific to the role in your SME using the Success Profile template on slide 7.

SIGMA Succession at-a-glance org chart



position description



Succession Position	Current Incumbent	Eligibility Year	Urgency
			☆☆☆☆☆

Position Demographics	
Location	
Level	
Area	

Position Criteria	
Edu	
Exp	
Exp	
Exp	
Know	
Skill	
Skill	
Skill	
Skill	
Duty	
Duty	
Duty	
Duty	
Duty	

Leadership Profile			
Leadership: Current Competencies			
Leadership: Future			



CHALLENGE 2: Loss of Talent = Loss of Knowledge

In smaller enterprises, each role possesses a large share of unique organizational knowledge. Roles often change to meet the needs of the organization, as well as the interests, strengths, and preferences of the incumbent, particularly when they have discretion over their day-to-day activities. Without formal knowledge sharing processes, this can make it difficult to fill roles with qualified, effective candidates.

Recommended Solution

Establishing a culture of knowledge translation is critical for SMEs. All employees, even those who plan to stay in their role for a long time, should be actively recording, storing, and disseminating knowledge. This is especially true if the information would otherwise be lost if the incumbent leaves the role for any reason. Documentation should be updated as roles change over time.



best practices for knowledge translation

Establishing strong practices for knowledge translation can help organizations identify and prepare candidates for succession. However, it's not enough to simply document and store knowledge - that knowledge must also be shared.

Knowledge Creation & Storage

Decide what new or existing knowledge needs to be recorded and circulated, then use tools and documentation to create an up-to-date, living record of that knowledge.

Tips & Tricks:

- In the planning stage, think about what knowledge, if quantified, would provide the greatest strategic advantage
- In the storage stage, the goal should be to create explicit documentation of knowledge that is easy to access and share
- Create step-by-step instructions or guidelines to formalize the process

Knowledge Sharing

Share knowledge across the organization using both formal and informal methods. This will support efforts to train new employees in key organizational processes and procedures.

Tips & Tricks:

- Encourage employees to share information by explaining the importance of knowledge translation, rather than forcing compliance
- Support knowledge sharing between peers (i.e., mentors, teams, "buddy systems")
- Remember that knowledge translation is not up to the knowledge keeper alone – all employees should seek out new information and have a desire to grow



CHALLENGE 3: Smaller Internal Talent Pool

Because SMEs have smaller internal talent pools, vacancies can be challenging to fill. As a result, personnel shifts can have a dramatic impact on day-to-day operations. Even short-term absences, such as illness, vacation, or a personal leave can disrupt the productivity of the organization, and sudden or extended vacancies may be even more detrimental.

Succession planning focuses on filling these vacancies with internal talent, but since SMEs have smaller internal talent pools, it may not always be possible to do so.

Recommended Solution

Because SMEs do not have as many internal options for succession, organizations can use a combination of internal and external talent to fill critical roles. Some positions are easy to fill with external hires, but others will require a qualified pool of internal candidates. To ensure you're ready for any change in personnel, identify in advance those roles that require an internal hire, versus those for which candidates can be found externally.



promoting internally vs. hiring externally

A good succession plan may incorporate both internal and external hiring. What is important is that organizations start early and identify those roles for which internal talent is available, and those for which external hires may be required or preferred.

Promote INTERNALLY when

- ✓ The position requires highly specialized knowledge specific to the organization
- ✓ Internal employees are motivated to take on the role and prepared to take part in talent development
- ✓ Operations are stable and the organization is looking to maintain a consistent course of action

Hire EXTERNALLY when

- ✓ The position requires skills that are not based on organizational knowledge (i.e., entry-level roles)
- ✓ The organization needs access to a larger talent pool of skills that does not exist within the company
- ✓ The organization is preparing for change or wants to bring a fresh perspective to the company



CHALLENGE 4: Training and Development Barriers

It may not always be feasible for SMEs to implement a formal training or development program. Smaller companies are more likely to face budget restrictions, limitations on the number of individuals available to coach or mentor others, and challenges with dedicating employee time to training. Not only that, traditional or ready-made training programs may not be well-suited to the unique environment of SMEs.

Recommended Solution

Many SMEs who train succession candidates use informal knowledge sharing and on-the-job training. Current incumbents should be encouraged to gradually share their specialized knowledge with direct reports and succession candidates. Furthermore, SMEs may want to encourage self-guided learning for employees looking to develop their skills and become more qualified future succession candidates. Leadership assessments can be a great tool for guiding that independent learning process.



assessments for training and development

- leadership assessments are great tools for independent learning as they increase self-awareness and can add structure to development plans
- we recommend using the [Leadership Skills Profile – Revised \(LSP-R\)](#) as it meets all the criteria of a strong assessment:
 - ✓ uses an evidence-based model of personality
 - ✓ measures traits that are relevant to the job
 - ✓ was created by experts with experience in psychometrics
 - ✓ has been validated on a sample similar to your candidate pool
 - ✓ shows evidence of strong predictive validity and reliability
- upon completion of the LSP-R, participants receive a **Focus Report** which succession candidates can use to understand their strengths and development opportunities (see sample on next slide)



assessments for training and development

	1	Business Acumen	page 9
	2	Decisiveness	page 10
	3	Strategic Planning	page 12
	4	Analytical Orientation	page 13
	5	Productivity	page 14
	6	Vision	page 15
	7	Emphasizing Excellence	page 17
	8	Dependability	page 18
	9	Emotional Control	page 19
	10	Independence	page 20
	11	Integrity	page 21
	12	Delegation	page 22
	13	Interpersonal Relations	page 23
	14	Active Listening	page 25
	15	Creativity	page 26
	16	Flexibility	page 28
	17	Prioritizing	page 29
	18	Organizational Spokesperson	page 30
	19	Communication	page 32
	20	Valuing Diversity	page 33
	21	Inspirational Role Model	page 34
	22	Attracting Staff	page 35
	23	Facilitating Teamwork	page 36
	24	Conflict Management	page 37
	25	Developing/Coaching Others	page 38

The competencies shaded in blue are competencies that represent your most immediate opportunities for development. They are areas where you likely demonstrate a degree of skill, providing a strong foundation for development. Focusing development efforts on these competencies is likely to result in your myZONE competencies becoming strengths in the future.



Strengths

Strengths are competencies in which an individual already demonstrates significant skill or ability.

myZONE

myZONE competencies are opportunities for immediate development. While these competencies are not yet strengths, they are ones in which the individual does show some skill, which makes them ideal first targets for development efforts.



Development Opportunities

Development opportunities are areas in which an individual shows less existing ability. These competencies may take more time to develop.

develop talent



- once assessments have been integrated into a succession plan, it's time to begin developing talent
- SIGMA has created a **Development Actions Form** that can be used with each succession candidate to draft a personalized development plan
- this worksheet is intended to help candidates brainstorm, organize, and select development activities that will help them build the necessary skills and knowledge required to take on critical roles
- wherever possible, candidates should focus on prioritizing development opportunities that will better prepare them for success in the organization long-term

development actions form



Succession Position	Candidate Name	Current Position

Top Development Areas	
1.	4.
2.	5.
3.	6.

Development Actions			
Development Area	Action	Timeline	Progress / Comments
3-6 Months			
6-12 Months			
12+ Months			

Notes

the big picture



- succession planning is an important tool that helps organizations prepare for their future
- understanding the unique challenges faced by SMEs can help organizations tailor their plan to suit the needs of their company and their team
- however, regardless of how customized a plan is, it must be integrated into a standardized succession process
- to learn more about what that process should look like, check out [SIGMA's Six-Step Succession Planning Process](#), or download the complete Succession Planning Guide below

[Download the Guide](#)



For more information about SIGMA's custom succession planning solutions, visit our [website](#) or [contact us](#) directly.

We're always happy to speak with you!

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