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SUCCESSION PLANNING PRACTICES IN SMALL AND MEDIUM ENTERPRISES: A THEMATIC LITERATURE REVIEW

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Abstract

This thematic literature review synthesizes studies on succession planning in small and medium-sized enterprises (SMEs), focusing on publications from 2015 to 2025. The review aims to identify common succession planning practices, examine their impact on business continuity, and reveal research gaps. A thematic review approach, supported by selected systematic procedures, was used to review literature on succession, leadership transition, successor development, business continuity, SME sustainability, governance, and family business succession. Findings show that SMEs often use successor identification, mentoring, coaching, leadership development, talent management, training, knowledge transfer, communication, governance mechanisms, and early involvement of successors. In family-owned SMEs, succession planning is shaped by trust, family ties, informal mentoring, apprenticeship, and gradual exposure to business tasks. Across studies, succession planning helps maintain leadership stability, preserve institutional knowledge, reduce transition disruption, sustain employee confidence, and strengthen long-term sustainability. However, gaps remain in informal succession practices, longitudinal and mixed-method studies, SME-specific models, and Philippine-based research. The study concludes that succession planning should be treated as a strategic mechanism for continuity and recommends developing formal, practical, and context-sensitive frameworks for SMEs, especially in developing and Philippine contexts.

Keywords: succession planning; small and medium enterprises; business continuity; leadership transition; SME sustainability; successor development.

Introduction

SMEs play a major role in the economy, especially in communities where small businesses provide jobs, income, and services. In developing economies, they sustain local livelihoods and broaden business participation. Yet many struggle with survival, competitiveness, and continuity (Naradda Gamage et al., 2020). In many SMEs, key decisions, business knowledge, and leadership tend to rest with the founder, owner-manager, family, or a few trusted individuals. This makes them vulnerable if a leader retires or leaves suddenly.

Succession planning helps organizations prepare for leadership transitions by identifying and developing future leaders. It is linked to leadership development, mentoring, coaching, training, talent management, successor identification, knowledge transfer, and early involvement of potential successors (Bibi et al., 2023; Salau, 2022). Studies emphasize that effective succession planning preserves institutional knowledge and maintains leadership continuity, especially when experienced leaders leave (Anos, 2025; Azmi et al., 2025).

In SMEs, succession planning may be formal or informal. Some use structured approaches such as documented succession plans, governance mechanisms, training programs, and leadership development systems. However, many rely on informal practices like family mentoring, observation-based learning, trust-based selection, apprenticeship-style preparation, and gradual exposure to business roles (Magambo et al., 2024; Okeke, 2025). In family-owned SMEs, succession decisions are shaped by family relationships, founder preferences, cultural expectations, emotional ties, and a desire to preserve the family legacy (Lee et al., 2023; Li et al., 2024).

A growing body of literature demonstrates that succession planning supports business continuity by minimizing transition disruptions, enhancing employee confidence, protecting organizational knowledge, and ensuring long-term survival (Korang et al., 2021; Monyei et al., 2021; Nosike & Egbunike, 2024). Notably, studies show that when successors are trained and included in pre-transition decisions, they manage operations more effectively, sustain key stakeholder relationships, and uphold strategic direction (Olubiyi et al., 2022; Ononye et al., 2025).

Despite these contributions, several gaps remain in the literature. Many studies of succession planning still focus on family-owned firms, large organizations, or specific countries. This leaves gaps in understanding how succession planning works in various SME types (Al Jahwari & Alwi, 2023; Topić et al., 2022). Research is also limited in terms of long-term studies, mixed-method approaches, effective measurement, and SME-specific theory (Magambo et al., 2024; Tracey & Spillane, 2025). Even though business continuity has been examined in Philippine micro and small enterprises, succession planning for SMEs in the Philippines remains underexplored, especially in provincial or resource-constrained firms (Ali & Ali, 2023).

Given these gaps, this study examines succession planning practices in SMEs through a thematic literature review. It aims to identify common succession planning practices, analyze how these influence business continuity and sustainability, and determine research gaps. By reviewing current studies, this work seeks to clarify succession planning as a strategic process that supports leadership development, knowledge transfer, governance, continuity, and sustainability. The findings may help SME owners, managers, policymakers, educators, and researchers develop practical, context-sensitive succession planning approaches suited to SMEs, especially in developing and Philippine business settings.

Literature Review

Theme 1: Succession Planning as Leadership Preparation in SMEs

In the SME literature, succession planning is generally treated as a way of preparing the business before an expected or unexpected leadership change. Rather than focusing solely on naming a replacement, the process involves recognizing the need for a transition, identifying potential successors, developing their capabilities, and assessing whether they are ready to assume larger responsibilities. Al Jahwari and Alwi (2023) identify these stages as need recognition, candidate selection, candidate development, and final assessment. Magasi (2016) also connects succession planning with ownership and leadership transfer, emphasizing its role in helping the business continue when the current owner or leader exits.

Several studies emphasize that leadership development, mentoring, coaching, training, job shadowing, and early involvement are common practices for preparing successors. Bibi et al. (2023) found that SMEs use recruitment, selection, training, mentoring, coaching, and performance management to strengthen successor readiness. Salau (2022) also highlights talent management, training, development, and relay succession as important strategies for preparing future leaders. In the same way, Ogbonna et al. (2021) identify mentoring and training as key tools for leadership succession planning because they help transfer knowledge, skills, and experience to potential successors.

These studies show that succession planning is not only about naming a replacement. It is also about building the abilities, confidence, and readiness of future leaders through continuous exposure and development.

Theme 2: Mentoring, Knowledge Transfer, and Early Successor Involvement

Another major idea in the literature is that succession planning depends on how effectively business knowledge is transferred from current to future leaders. In many SMEs, the founder or owner-manager holds much of the organization's practical knowledge, including customer relationships, daily routines, decision-making habits, and problem-solving experience. Because of this, succession planning becomes more effective when knowledge is intentionally shared before a leadership change happens. Anos (2025) links succession planning with leadership development and organizational memory, showing that leadership transition can affect whether important knowledge is retained or lost.

Studies also show that potential successors become more prepared when they are involved early in business operations. Olubiyi et al. (2022) explain that early involvement helps successors gain confidence, understand business responsibilities, and earn the respect of employees. Ononye et al. (2025) similarly found that involving successors in management and decision-making strengthens successor preparedness and supports organizational survival. These findings suggest that succession planning becomes more effective when successors gain practical experience before formally taking over.

Mentoring also helps transfer tacit knowledge, or practical knowledge gained through experience. This includes customer relationships, decision-making habits, operational routines, and leadership judgment. Because these forms of knowledge are not always written down, direct guidance from the founder, manager, or senior leader becomes especially important in SMEs.

Theme 3: Family Business Dynamics and Informal Succession Practices

Many studies on SME succession focus on family-owned businesses because leadership transfer often happens within the family. In these firms, succession planning is shaped not only by business needs but also by trust, family relationships, emotions, cultural expectations, and the desire to preserve family legacy. Lee et al. (2023) and Li et al. (2024) both show that family business succession is influenced by sustainability goals, family control, and the continuation of organizational values.

Informal succession practices are also common in family-owned SMEs. Okeke (2025) explains that succession in many African family businesses may rely on informal authority, relational trust, and unwritten arrangements. Pang et al. (2023) and Yaakop and Othman (2023) also show that successors are often prepared through early exposure, family-based learning, work experience outside the business, and gradual involvement in business operations. These practices can help successors become familiar with the business over time.

However, informal succession can also create problems. Ferrari (2023) discusses postponed succession, where family firms recognize the need for leadership transfer but delay formal planning. This shows that family relationships, emotions, and avoidance of conflict may prevent clear succession decisions. While informal mentoring and family-based preparation can be useful, the lack of clear roles, timelines, and written plans may create uncertainty during leadership transitions.

Theme 4: Succession Planning and Business Continuity

The literature strongly connects succession planning with business continuity. SMEs are vulnerable when leadership, knowledge, and decision-making are concentrated in one person. When that person leaves, the business may experience disruption, employee uncertainty, weak decision-making, or even decline. Korang et al. (2021) found that succession planning supports SME growth and continuity by preparing businesses for leadership change. Monyei et al. (2021) also found that succession management contributes to SME sustainability.

Succession planning helps continuity by preserving institutional knowledge, maintaining leadership stability, reducing transition disruption, and supporting employee confidence. Nosike and Egbunike (2024) emphasize that succession planning supports SME sustainability by ensuring leadership continuity and preparing capable successors. Azmi et al. (2025) also argue that mentorship, communication, and training help organizations survive leadership transitions.

These studies suggest that succession planning should be understood as a continuity strategy. It helps SMEs avoid sudden disruption and allows the business to continue operating even when a founder, owner-manager, or key leader exits.

Theme 5: Formalization, Governance, and Structured Succession Systems

Although many SMEs rely on informal practices, the literature increasingly emphasizes the need for more formal, structured succession planning. Formal practices may include written succession plans, defined roles, clear timelines, talent pools, governance structures, communication systems, and performance monitoring. Bano et al. (2022a, 2022b) emphasize individual development plans, talent pools, and systematic identification of key roles as useful succession planning practices.

Governance mechanisms are also important, especially in family-owned SMEs. Shahzad et al. (2025) discuss the value of family councils, advisory boards, and shared responsibility between outgoing and incoming leaders. Magambo et al. (2024) also highlight documented succession plans, clear development paths, and formal communication forums as useful practices in family-owned SMEs. Tracey and Spillane (2025) further emphasize the importance of aligning succession planning with organizational strategy, knowledge management, leadership development, and performance monitoring.

These studies suggest that formalization can reduce confusion and conflict during leadership transition. While SMEs may not have the same resources as large firms, they can still benefit from simple but clear succession systems.

Theme 6: Digital Readiness and Modern Succession Planning

Recent literature also connects succession planning with digital transformation and modern business adaptation. SMEs today must not only prepare successors to continue existing operations but also equip them to respond to technological and market changes. Mzera (2024) emphasizes the role of information and communication technology in supporting succession planning through knowledge sharing, staff training, and continuity practices. Pöschl and Freiling (2020) also show that new leaders may influence digitalization after succession, especially when external successors introduce new systems and strategies.

Other studies show that digital transformation, innovation, and strategic leadership are becoming more important for SME sustainability. Putra et al. (2025) discuss how digital transformation leadership can improve SME performance, while Suljic (2025) highlights the need for ethical governance, innovation management, and future-ready strategies. These findings suggest that future successors should be prepared not only to maintain the business but also to modernize it.

This theme expands succession planning beyond leadership replacement. It shows that succession planning must also consider digital skills, innovation, adaptability, and the ability of future leaders to guide SMEs through changing business conditions.

Theme 7: Research Gaps in SME Succession Planning

Despite the growing literature, several gaps remain. Al Jahwari and Alwi (2023) note that succession planning research still needs more empirical testing, stronger theoretical grounding, and more attention to implementation effectiveness. Magambo et al. (2024) identify gaps in longitudinal research, qualitative approaches, cultural influences, and context-specific studies. Wang and Kondoh (2018) also highlight the need for more SME-specific succession research in China, particularly because many SMEs grow under a founder and later disappear, leaving insufficient long-term succession data.

Other studies identify gaps in gender, diversity, and informal succession practices. Topić et al. (2022) show that succession decisions in SMEs may favor cultural fit and existing organizational norms, thereby limiting diversity. Klugah et al. (2025) also argue that succession planning should not be studied only as a direct predictor of performance, because transition problems, family influence, successor attributes, and relational issues may affect outcomes.

In the Philippine context, succession planning in SMEs remains underexplored. Although Ali and Ali (2023) examined business continuity among micro and small enterprises in Cotabato City, there is still limited local research directly focused on succession planning practices among Philippine SMEs. This shows the need for more context-sensitive studies that consider local business realities, family influence, resource limitations, and informal management practices.

Methodology

This study used a qualitative thematic literature review to examine how succession planning is discussed in relation to small and medium enterprises (SMEs), business continuity, leadership transition, and sustainability. A thematic review was appropriate because the study aimed to identify recurring ideas, patterns, and gaps across existing literature rather than test numerical relationships.

The review was guided by three research questions: (1) What succession planning practices are commonly used in SMEs? (2) How does succession planning influence business continuity and sustainability? and (3) What gaps remain in the existing literature on SME succession planning?

Relevant literature was gathered from scholarly databases, academic platforms, institutional repositories, journal websites, and other peer-reviewed or research-based sources to ensure that the review was grounded in credible academic literature. The search focused mainly on studies published from 2015 to 2025 to reflect recent discussions on succession planning and SME sustainability. Keywords and search combinations included “succession planning in SMEs,” “SME succession planning,” “successor development,” “leadership transition,” “business continuity,” “family business succession,” “knowledge transfer,” “talent management,” “SME sustainability,” and “succession planning in family businesses.”

The selection process followed the inclusion and exclusion criteria. Studies were included if they discussed succession planning in SMEs or closely related business contexts, examined practices such as mentoring, coaching, training, successor identification, leadership development, knowledge transfer, governance, or early successor involvement, and connected succession planning with business continuity, sustainability, organizational survival, or leadership stability. Sources were excluded if they focused only on large corporations, discussed general leadership development without linking it to succession planning, were not research-based, or came from non-academic sources such as blogs, promotional articles, opinion pieces, or commercial websites.

After screening the available sources, 36 studies were included in the final review. These studies were examined using a thematic matrix that recorded the author and year, country or context, type of business, succession planning practices discussed, connection to business continuity, and research gaps or limitations. The extracted information

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was then coded and grouped into recurring themes. These themes included successor identification and development, mentoring and knowledge transfer, family business dynamics, leadership continuity, governance and formalization, digital readiness, SME sustainability, and research gaps.

A narrative synthesis was used to compare and interpret the findings across the reviewed studies. This allowed the study to identify areas of agreement, differences in emphasis, and gaps in the literature. Through this process, the review developed a structured synthesis of succession planning practices in SMEs and their relationship to business continuity and long-term sustainability.

Conceptual Framework

The conceptual framework of this study is anchored on the assumption that effective succession planning practices influence business continuity and long-term sustainability in small and medium enterprises (SMEs). It identifies succession planning practices as the independent variable, while business continuity and SME sustainability serve as the dependent variables. It also recognizes that organizational context, leadership readiness, and external support systems may influence the effectiveness of succession planning implementation.

Conceptual Framework Diagram (Figure 1)

Succession Planning Practices (Independent Variable)

- Successor Identification
- Mentoring and Coaching
- Leadership Development
- Talent Management
- Early Successor Involvement
- Communication and Governance
- Training and Knowledge Transfer

↓

Business Continuity and Sustainability (Dependent Variable)

- Leadership Stability
- Organizational Survival
- Preservation of Institutional Knowledge
- Reduced Transition Disruption
- Employee Confidence
- Long-Term SME Sustainability

↓

Moderating/Contextual Factors

- Organizational Culture
- Family Business Dynamics
- SME Size and Resources
- Government and Policy Support
- Philippine Business Context
- Founder Readiness to Transfer Leadership

The conceptual framework illustrates the relationship between succession planning practices and business continuity in SMEs. It assumes that structured succession planning practices—such as mentoring, leadership development, successor identification, effective communication, and early involvement of successors—directly enhance sustainability and continuity. Specifically, these practices develop capable future leaders, preserve essential institutional knowledge, and minimize operational disruptions, thereby maintaining stability during leadership transitions. As a result, SMEs with effective succession planning mechanisms are more likely to survive and remain sustainable in the long term than those without formal planning.

The framework recognizes that succession planning does not operate alone. Its effectiveness may be shaped by internal and external factors, such as organizational culture, the owner's willingness to prepare successors, family issues, available resources, and support from external institutions. These factors can support or limit the success of succession planning. For Philippine SMEs, cultural expectations, informal management, family involvement, and limited institutional support can strongly influence succession planning. Therefore, the framework shows that business continuity depends on both succession planning and the environment in which it is applied.

Findings

The thematic analysis of the reviewed literature revealed several recurring patterns in succession planning practices in small and medium enterprises (SMEs). Across the studies, succession planning was presented not only as a leadership replacement process but also as a strategic activity that supports continuity, knowledge transfer, and long-term sustainability. The findings are organized according to the major themes that emerged from the reviewed literature.

Theme 1: SMEs commonly use both formal and informal succession planning practices.

The review found that SMEs use a range of succession planning practices to prepare future leaders. Common practices include successor identification, mentoring, coaching, leadership development, training, talent management, knowledge transfer, communication, governance mechanisms, and early involvement of successors in business operations. However, these practices are not always formalized. Many SMEs prepare successors through informal mentoring, observation, apprenticeship-style learning, and gradual exposure to business responsibilities. This shows that succession planning in SMEs often exists in practice, even when it is not documented as a formal plan.

Theme 2: Family relationships and trust strongly shape succession planning in family-owned SMEs.

The findings show that family-owned SMEs approach succession planning differently from larger or non-family organizations. In these businesses, succession decisions are often influenced by trust, family ties, founder preferences, cultural expectations, emotional attachment, and the desire to preserve family legacy. These factors can support succession by encouraging early exposure and long-term preparation. However, they can also create uncertainty when successor roles, timelines, and decision-making authority are not clearly defined.

Theme 3: Mentoring, training, and early involvement improve successor readiness.

A strong pattern across the literature is the importance of preparing successors before the actual leadership transition. Mentoring, coaching, training, job shadowing, and direct involvement in business operations help potential successors develop leadership skills, operational knowledge, confidence, and familiarity with the organization. Early involvement also allows successors to understand employees, customers, suppliers, and internal systems before assuming full responsibility. This finding suggests that succession planning is more effective when viewed as a gradual development process rather than a sudden transfer of authority.

Theme 4: Succession planning supports business continuity and sustainability.

The review found that succession planning contributes to business continuity by reducing disruption during leadership changes. Effective succession planning helps preserve institutional knowledge, maintain leadership stability, protect employee confidence, and sustain daily operations. It also supports long-term sustainability by ensuring that capable individuals are prepared to continue the business when founders, owner-managers, or key leaders leave. This shows that succession planning is not only an internal human resource activity but also a continuity strategy for the survival of SMEs.

Theme 5: Many SMEs still rely on reactive and undocumented succession practices.

Although succession planning is important, the reviewed literature shows that many SMEs still lack formal succession systems. Some SMEs only consider succession when a crisis occurs, such as the illness, retirement, death, or sudden exit of a key leader. Others depend heavily on the owner-manager and lack written plans, clear succession criteria, or structured leadership development processes. This reactive approach increases the risk of confusion, conflict, operational disruption, and loss of important business knowledge.

Theme 6: Governance and documentation help reduce uncertainty during transition.

The findings indicate that more structured succession practices can improve transition outcomes. Documented plans, clear roles, defined timelines, family councils, advisory boards, communication systems, talent pools, and performance monitoring help make the succession process more transparent. These practices reduce ambiguity and support better coordination among owners, successors, employees, and other stakeholders. For SMEs with limited resources, even simple written guidelines and clear communication can strengthen succession planning.

Theme 7: Research gaps remain in SME succession planning.

The reviewed studies also reveal that the field still has several weak areas. A large portion of the literature is centered on family firms, specific national settings, or narrow industry groups, making it difficult to apply the findings to all types of SMEs. There is also a need for studies that follow succession planning over a longer period and combine different research methods, since succession is a gradual process rather than a one-time event. Other areas, such as informal preparation, gender and diversity in successor selection, digital readiness, and cultural influence, still need deeper investigation. For the Philippine setting, the available literature remains limited, particularly for SMEs in provincial areas and businesses with fewer resources.

Overall, the review shows that succession planning is a key mechanism for maintaining leadership continuity, preserving knowledge, and sustaining SMEs. The most common practices involve identifying and developing successors, mentoring and training them, gradually involving them in business operations, and improving communication and governance during transition. However, many SMEs continue to practice succession planning informally and reactively. These findings highlight the need for more practical, formalized, and context-sensitive succession planning frameworks that fit the realities of SMEs, especially in developing and Philippine business contexts.

Discussion

Critical Analysis and Synthesis

The findings of this thematic literature review show that succession planning in SMEs functions both as a leadership development process and as a business continuity strategy. Across the reviewed studies, succession planning is not limited to appointing a replacement for the founder, owner-manager, or key leader. Instead, it involves preparing future leaders, transferring knowledge, clarifying responsibilities, and reducing disruption during leadership transitions.

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A major point of agreement in the literature is that successor preparation is central to effective succession planning. Studies consistently identify mentoring, coaching, training, leadership development, job shadowing, and early involvement as important practices for improving successor readiness. These practices are especially important in SMEs because much of the organization's knowledge is often held by the founder or owner-manager. When this knowledge is not transferred before a transition, the business may experience operational delays, employee uncertainty, or loss of strategic direction.

However, the literature differs in how succession planning is expected to take place. Some studies emphasize formal practices such as documented succession plans, talent pools, governance structures, advisory boards, and performance monitoring. These approaches provide clarity and reduce confusion during transition. Other studies, particularly those focused on family-owned SMEs, highlight informal practices such as family mentoring, apprenticeship-style learning, trust-based selection, observation, and gradual exposure to business responsibilities. This shows that SME succession planning can be effective through both formal and informal pathways, depending on the business's size, resources, ownership structure, and culture.

The review also shows that succession planning contributes to business continuity by preserving institutional knowledge, maintaining leadership stability, strengthening employee confidence, and preparing the organization for leadership change. However, these outcomes are not automatic. Succession planning becomes more effective when successors are given enough time to understand the business, build relationships with employees and stakeholders, and participate in decision-making before formally taking over. This suggests that succession should be treated as a gradual process rather than a single event.

One weakness in the existing literature is that many studies recommend formal succession systems without fully considering the limitations of smaller firms. Practices such as advisory boards, structured talent pipelines, and formal performance monitoring may be useful but difficult for resource-constrained SMEs to implement. This creates a gap between ideal succession planning models and the actual conditions of many SMEs. Future studies should therefore develop simpler and more practical models that small businesses can realistically apply.

Another limitation is that succession planning is sometimes presented as a rational, planned process, even though succession in SMEs is often shaped by emotional, cultural, and family factors. In family-owned SMEs, succession decisions may be influenced by trust, founder preferences, family expectations, conflict avoidance, and the desire to preserve family legacy. These factors can support succession when they encourage long-term preparation, but they can also delay planning when families avoid difficult conversations about leadership transfer.

The review also reveals methodological and contextual gaps. Many studies examine succession planning at a single point in time, even though succession unfolds across several stages, including successor identification, preparation, leadership sharing, authority transfer, and post-transition adjustment. More longitudinal research is needed to understand how succession planning affects SMEs before, during, and after leadership transition. There is also a need for more qualitative and mixed-method studies to explain the personal, relational, and cultural factors behind succession decisions.

In the Philippine context, the gap is especially important. Many Philippine SMEs operate through family ownership, informal management practices, strong relational cultures, and limited institutional support. These conditions may shape succession planning differently from firms in larger or more formalized economies. Therefore, future research should examine how Filipino SME owners prepare successors, how family and cultural expectations influence leadership transfer, and what practical support systems are needed to improve succession planning among provincial and resource-constrained SMEs.

Overall, the literature supports the view that succession planning can strengthen the continuity and sustainability of SMEs. At the same time, the review shows that succession planning must be understood in the context of SME realities. Effective succession planning is not only about adopting formal systems; it is also about preparing

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successors early, intentionally transferring knowledge, managing family and cultural dynamics, and developing practical approaches suited to the business's resources and context.

Research Gaps and Future Directions

This review identified several gaps that need further investigation. First, informal succession practices require deeper study. Many SMEs do not have formal written plans, but they still prepare successors through mentoring, observation, apprenticeship, family exposure, and gradual involvement in business operations. These informal practices may be useful, especially in small and family-owned firms, but they can also create confusion when expectations are unclear. Future studies should examine when informal succession practices are effective and when they become risky.

Second, more longitudinal research is needed. Succession planning does not happen in one moment. It develops across stages such as successor identification, preparation, leadership sharing, transfer of authority, and post-transition adjustment. Future studies should follow SMEs over time to examine how succession planning affects business continuity before, during, and after the leadership transition. This would provide stronger evidence on whether succession planning truly contributes to long-term survival and sustainability.

Future studies should also make greater use of qualitative and mixed-method designs. Although quantitative research can show trends and relationships, it may not fully explain the personal and relational experiences behind succession planning. Methods such as interviews, case studies, and focus group discussions can help reveal why founders delay succession, how successors feel about taking over, how families manage conflict, and how employees build trust in new leaders. Combining qualitative and quantitative methods would enable future research to examine both the broader patterns and the deeper reasons behind succession planning outcomes in SMEs.

Fourth, there is a need for SME-specific succession planning models. Many existing recommendations are based on large organizations or general family business theories. Future research should develop practical frameworks that reflect SME realities, including limited resources, informal systems, owner dependence, family influence, and the lack of professional human resource structures. These frameworks should be simple enough for SMEs to apply but strong enough to guide leadership development, knowledge transfer, communication, and continuity planning.

Fifth, gender, diversity, and successor selection need more attention. Some succession practices may favor family expectations, cultural fit, or traditional inheritance patterns. This can limit opportunities for women, younger leaders, non-family employees, or professionally qualified candidates. Future research should examine how SMEs choose successors and whether selection practices promote fairness, capability, and long-term business sustainability.

Digital capability is another area that needs closer attention in future studies on SME succession. New leaders are expected not only to continue existing operations but also to guide the business through changes in technology, customer needs, and competition. Existing studies suggest that ICT, digital transformation, and innovation can help SMEs improve documentation, knowledge sharing, training, and continuity processes (Mzera, 2024; Pöschl & Freiling, 2020; Putra et al., 2025; Suljic, 2025). Future research should therefore examine how simple and affordable digital tools can support succession planning, especially for SMEs that lack formal systems but need better ways to preserve knowledge and prepare future leaders.

Finally, more Philippine-based research is needed. The Philippine SME context has unique realities, including family ownership, informal management, provincial business environments, limited resources, and strong relational cultures. These factors may shape succession planning differently from other countries. Future studies should examine how Filipino SME owners prepare successors, how family dynamics affect leadership transfer, and what support systems are needed to improve succession planning. This study addresses these gaps by synthesizing the existing literature on common succession planning practices, their impact on business continuity, and the current

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research gaps. By focusing on SME realities and highlighting the Philippine context, the review contributes to the development of practical, formalized, and context-sensitive succession planning approaches for small and medium enterprises.

Conclusion

This review focused on how succession planning is discussed and applied in SMEs, particularly in relation to leadership preparation, business continuity, and gaps in prior studies. Based on the reviewed literature, succession planning should not be understood only as choosing someone to replace an outgoing founder, owner-manager, or key leader. Rather, it involves preparing capable successors, transferring critical business knowledge, reducing potential disruption during leadership transitions, and helping SMEs remain stable and sustainable over time.

This review adds to the discussion of SME succession by bringing together the main ideas from the selected studies. The literature shows that SMEs prepare future leaders through different practices, including identifying possible successors, providing mentoring and coaching, offering training, building leadership skills, managing talent, sharing knowledge, improving communication, creating governance structures, and involving successors early in business activities. In family-owned SMEs, the process is also influenced by personal and relational factors such as trust, family ties, founder influence, cultural expectations, and learning through direct experience. This suggests that succession planning in SMEs does not follow only one pattern. It may be structured and documented in some firms, while in others it may happen through informal preparation shaped by the business's size, resources, ownership style, and local context.

The review also shows that effective succession planning supports business continuity by maintaining leadership stability, protecting business knowledge, sustaining employee confidence, and preparing the organization for leadership change. However, the study also identified important gaps in the literature. These include limited longitudinal and mixed-methods research, a lack of SME-specific succession-planning models, limited attention to informal succession practices, and insufficient Philippine-based studies. These gaps highlight the need for more practical, context-sensitive research that reflects the actual conditions of SMEs, especially in developing economies.

This study has limitations. Since it is based on a thematic literature review, it relies on existing studies and does not include primary data from SME owners, successors, employees, or other stakeholders. The review also focused mainly on available academic and research-based sources, which may not fully capture informal practices used by SMEs that are not documented in published literature. In addition, the findings may be limited by the geographic and sectoral focus of the reviewed studies.

Overall, the study implies that SME owners, managers, policymakers, educators, and future researchers should treat succession planning as an essential part of business continuity and sustainability. Practical frameworks should be developed to help SMEs prepare successors, transfer knowledge, clarify roles, improve communication, and reduce uncertainty during leadership transitions. Future research should further explore succession planning in Philippine SMEs, particularly among family-owned, provincial, and resource-constrained businesses.

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