

Determinants of Effective Succession Planning for Generation Z Employees in Vietnamese SMEs: Beyond Leadership Commitment

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Abstract: This study examines the determinants of succession planning effectiveness in small and medium-sized enterprises (SMEs) in Vietnam in the context of Generation Z entering the labor market. Drawing on Human Capital Theory, Resource-Based View, Social Exchange Theory, Transformational Leadership Theory, and Generational Cohort Theory, the study develops and tests a model linking seven organizational factors to succession planning effectiveness: top management commitment, strategic talent alignment, data-driven assessment, technology and artificial intelligence application, communication transparency, personalized learning pathways, and empowerment and flexibility culture. A mixed-method design was adopted. Qualitative expert consultation was first used to refine the measurement scales, followed by a quantitative survey of 268 Generation Z employees working in SMEs in Ho Chi Minh City. The data were analyzed using reliability analysis, exploratory factor analysis, Pearson correlation, and multiple linear regression.

The results confirm the reliability and validity of the measurement model. Cronbach's alpha values for the independent constructs ranged from 0.799 to 0.859, while the adjusted dependent construct reached 0.727 after removing two weak indicators. Exploratory factor analysis yielded seven independent factors explaining 66.801% of total variance, with KMO = 0.877 and Bartlett's test significant at $p < .001$. The regression model explained 50.0% of the variance in succession planning effectiveness (adjusted $R^2 = 0.500$; $F = 39.123$; $p < .001$). Communication transparency emerged as the strongest predictor, followed by empowerment and flexibility culture, personalized learning pathways, AI application, and strategic talent alignment. Data-driven assessment showed a marginal positive effect, while top management commitment did not show a direct significant effect.

The findings suggest that succession planning for Generation Z in SMEs is less about formal leadership declarations and more about visible, experience-based mechanisms: transparent communication, empowerment, personalized development, and digitalized talent systems. The study contributes to succession planning and talent management literature by integrating Generation Z expectations and AI-enabled HR practices into an emerging-market SME context. Practical implications are provided for SMEs seeking to develop internal leadership pipelines in a more transparent, data-informed, and employee-centered manner.

Keywords: Succession Planning; Generation Z; SMEs; Artificial Intelligence; Talent Management; Vietnam.

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I. INTRODUCTION

Succession planning has become a strategic issue in human resource management because organizations can no longer assume that leadership continuity will occur naturally through seniority, informal mentoring, or family-based transfer. In volatile and technology-driven markets, the departure of a founder, key manager, or technical specialist can create serious disruption, especially in small and medium-sized enterprises. Unlike large corporations, SMEs

often operate with limited managerial layers, informal human resource systems, and high dependence on a small group of core decision-makers. This makes succession planning not merely a human resource technique but a mechanism for organizational resilience.

The issue is particularly important in emerging economies where SMEs account for the majority of enterprises and employment. In Vietnam, SMEs are central to economic dynamism, local employment, entrepreneurship,

and the growth of private-sector capabilities. However, many SMEs still rely on owner-centered management and relationship-based promotion. Such practices may work in early-stage business development but become increasingly risky when organizations expand, digitalize operations, or face generational change in the workforce. When no internal successor has been prepared, vacancies in key positions may lead to operational delay, loss of tacit knowledge, employee uncertainty, and weakened strategic execution.

At the same time, Generation Z is entering the labor market and gradually becoming a critical talent pool for future leadership. Compared with previous cohorts, Gen Z employees are often described as digital natives who value transparency, career growth, flexibility, fairness, continuous feedback, and meaningful work. They are familiar with digital platforms, learn quickly, and may be comfortable with data and technology. Yet they are also more willing to change jobs when they perceive limited opportunities, unclear career paths, or unfair organizational processes. This creates a paradox for SMEs: Gen Z can be a valuable source of future leadership, but only if firms can provide credible, transparent, and development-oriented succession systems.

The traditional model of succession planning tends to emphasize leadership endorsement, seniority, and the identification of a small number of high-potential employees. While these elements remain relevant, they may not be sufficient in the Gen Z context. For younger employees, a succession program must be visible, explainable, and connected to their own development experience. They need to understand how potential is assessed, what competencies are expected, what learning opportunities are available, and how their performance is linked to future advancement. Moreover, digital transformation has introduced new tools such as HR analytics, talent dashboards, learning platforms, and AI-assisted recommendations, which may help SMEs overcome resource constraints and reduce bias in talent identification.

Despite the growing importance of these issues, research on succession planning still has several limitations. First, much of the existing literature focuses on large organizations or family businesses, leaving non-family SMEs in emerging economies underexplored. Second, many studies examine succession planning as a general leadership continuity practice without considering the expectations of Generation Z. Third, technology and AI have rarely been integrated into succession planning models, although digital HR systems increasingly shape talent identification and development. Fourth, empirical evidence from Vietnam remains limited, especially using quantitative data to test multiple predictors simultaneously.

This study addresses these gaps by examining the factors influencing succession planning effectiveness in Vietnamese SMEs from the perspective of Generation Z employees. The research focuses on seven factors: top management commitment, strategic talent alignment, data-driven assessment, technology and AI application, communication transparency, personalized learning

pathways, and empowerment and flexibility culture. The central research question is: Which organizational factors influence succession planning effectiveness in SMEs in the context of Generation Z entering the labor market?

The study offers three contributions. Theoretically, it extends succession planning literature by combining human capital, resource-based, social exchange, transformational leadership, and generational cohort perspectives. Empirically, it provides evidence from 268 Gen Z employees working in SMEs in Ho Chi Minh City. Practically, it identifies the most important levers SMEs should prioritize when building succession pipelines under limited resources. The study is especially timely because succession planning is no longer only about replacing leaders; it is about retaining, developing, and engaging young talent capable of leading digital and flexible organizations.

II. LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

➤ *Succession Planning in SMEs*

Succession planning refers to a deliberate and systematic process through which organizations identify key positions, assess high-potential employees, develop future leaders, and ensure continuity when vacancies occur. It differs from replacement planning because replacement planning is reactive and short term, while succession planning is proactive, developmental, and strategic. In a mature succession system, the organization does not wait until a position becomes vacant; instead, it continuously builds a pipeline of individuals who can assume critical roles when needed.

In SMEs, succession planning is both more necessary and more difficult than in large corporations. It is more necessary because SMEs are vulnerable to managerial discontinuity: a few individuals often hold critical knowledge about customers, suppliers, operations, and strategy. It is more difficult because SMEs usually have limited HR resources, weaker formal systems, and less structured talent development. The absence of succession planning may lead to loss of organizational memory, interruption of customer relationships, and conflict over authority. Therefore, succession planning in SMEs should be seen as a strategic capability that protects the firm's human capital and preserves continuity.

The resource-based view provides a strong logic for this argument. Valuable and rare human capabilities, especially tacit knowledge and leadership judgment, can become sources of sustainable advantage when they are difficult to imitate and embedded in organizational routines. Succession planning helps transform individual knowledge into organizational continuity by identifying successors, transferring experience, and institutionalizing learning. Without such a process, SMEs remain dependent on a few individuals and face greater risk when they leave.

➤ *Generation Z as a Succession Talent Pool*

Generation Z employees represent an emerging pool of future leaders. They grew up in a digital environment and are accustomed to online communication, rapid access to information, and technology-enabled learning. This makes them potentially valuable for SMEs undergoing digital transformation. They can help organizations adopt new tools, interact with digital customers, and learn emerging skills faster than previous generations.

However, Gen Z also brings different expectations to the workplace. They often value transparent communication, fairness in performance evaluation, autonomy, work-life balance, and rapid career development. These preferences matter for succession planning because succession is not only a technical HR process; it is also a psychological contract. If employees believe that promotion and development opportunities are opaque, biased, or based mainly on personal relationships, they may not commit to the firm long enough to become successors. In contrast, when they perceive that the organization communicates openly, invests in development, and provides meaningful autonomy, they may respond with stronger engagement and lower turnover intention.

Generational cohort theory suggests that shared formative experiences shape work values. For Gen Z, digital connectivity, economic uncertainty, and social media transparency may have increased sensitivity to fairness and explainability. This does not mean all Gen Z employees are identical, but it does imply that succession systems designed for older generations may require adaptation. A succession system for Gen Z should emphasize visible criteria, frequent feedback, individualized learning, and flexible career experiences.

➤ *Theoretical Foundations*

Human Capital Theory argues that education, training, experience, and skill development are forms of capital that generate value for individuals and organizations. In succession planning, personalized learning pathways, mentoring, job rotation, and leadership development programs are investments that increase the readiness of successors. This theory supports the expectation that development-oriented practices improve succession planning effectiveness.

The Resource-Based View explains why strategic talent alignment is important. When succession planning is linked to the firm's long-term strategy, the organization develops capabilities that match future competitive needs. A succession plan disconnected from business strategy may produce successors who are available but not strategically relevant. For SMEs operating in volatile markets, succession planning must be aligned with digital transformation, customer changes, and future competency requirements.

Social Exchange Theory provides a psychological mechanism explaining why transparency, empowerment, and development opportunities influence employees' attitudes. When employees perceive that the organization invests in them and treats them fairly, they are more likely to

reciprocate through commitment, loyalty, and participation in developmental programs. For Gen Z, transparent communication and personalized development may be especially meaningful signals of organizational support.

Transformational Leadership Theory emphasizes the role of leaders in articulating vision, supporting individual growth, and encouraging innovation. Top management commitment is often assumed to be critical for succession planning because leaders allocate resources and legitimize talent decisions. However, this commitment may not always be directly perceived by employees; it may influence succession effectiveness indirectly through communication, culture, or development systems.

Finally, Generational Cohort Theory explains why a succession model should consider Gen Z's work expectations. A purely hierarchical and opaque succession model may weaken Gen Z engagement, while a transparent, flexible, and technology-enabled model may strengthen it.

➤ *Hypotheses*

Top management commitment is frequently identified as an enabling condition for succession planning. Senior leaders determine whether succession planning receives budget, time, and strategic attention. When leaders visibly support successor development, employees may perceive the succession system as more credible. Therefore, H1: Top management commitment positively influences succession planning effectiveness.

Strategic talent alignment refers to the degree to which succession planning is connected with business goals and future competency needs. If succession planning is integrated with strategic planning, recruitment, performance management, and leadership requirements, it is more likely to produce successors who fit future organizational challenges. Therefore, H2: Strategic talent alignment positively influences succession planning effectiveness.

Data-driven assessment refers to the use of objective criteria, competency models, performance indicators, potential assessment, and evidence-based tools to identify high-potential employees. Such systems may reduce bias and increase fairness, which is particularly relevant for Gen Z. Therefore, H3: Data-driven assessment positively influences succession planning effectiveness.

Technology and AI application refers to the use of digital platforms, HR databases, analytics, and AI-supported tools to monitor development, predict leadership gaps, and recommend learning pathways. These tools may allow SMEs to manage succession planning more systematically despite resource limitations. Therefore, H4: Technology and AI application positively influences succession planning effectiveness.

Communication transparency concerns the clarity of criteria, feedback, procedures, and career information related to succession opportunities. Transparent communication can reduce uncertainty and strengthen trust, especially among

younger employees who expect openness and fairness. Therefore, H5: Communication transparency positively influences succession planning effectiveness.

Personalized learning pathways include individual development plans, mentoring, coaching, job rotation, and learning programs tailored to the strengths and weaknesses of employees. Such practices build human capital and signal organizational investment in the employee’s future. Therefore, H6: Personalized learning pathways positively influence succession planning effectiveness.

Empowerment and flexibility culture refers to autonomy, participation, innovation encouragement, and support for work-life balance. A flexible and empowering culture can make succession opportunities more attractive to Gen Z and allow potential successors to develop leadership capabilities through practice. Therefore, H7: Empowerment and flexibility culture positively influences succession planning effectiveness.

III. METHODOLOGY

This study adopted a mixed-method design. The qualitative phase was used to refine the measurement scales through expert consultation and contextual adaptation. The quantitative phase tested the research model using survey data. This design was appropriate because succession planning, Gen Z expectations, and AI-enabled HR practices are context-sensitive constructs; qualitative refinement helped ensure that the questionnaire was understandable and relevant to Vietnamese SMEs, while quantitative analysis allowed empirical testing of the proposed hypotheses.

The population consisted of Generation Z employees working in SMEs in Ho Chi Minh City. After data screening and removal of invalid responses, 268 valid observations were retained for analysis. The sample included 116 male respondents (43.3%), 141 female respondents (52.6%), and 11 respondents identifying as other gender (4.1%). In terms of education, 60.4% held a university degree and 15.7% had postgraduate education. Regarding tenure, 41.8% had worked

for one to three years and 28.0% for three to five years. The sample also included employees at different organizational levels: 51.9% were staff, 32.5% were team leaders or supervisors, and 13.1% were middle managers. Most respondents worked in firms with fewer than 150 employees, and the dominant sectors were services/trade and manufacturing/industry. Notably, only 28.4% of respondents reported that they were included in a high-potential or succession list, while 71.6% answered “no” or “unclear.” This indicates a practical gap in the communication and implementation of succession planning in SMEs.

The questionnaire used a five-point Likert scale. Seven independent constructs were measured: top management commitment (MP), strategic talent alignment (SA), data-driven assessment (DA), technology and AI application (AI), communication transparency (CT), personalized learning pathways (PL), and empowerment and flexibility culture (EF). Succession planning effectiveness (SP) was initially measured by six items. After reliability analysis, two items (SP1 and SP2) were removed because their corrected item-total correlations were below the recommended threshold. The adjusted SP scale retained four items measuring retention of Gen Z talent, achievement of successor competencies, rapid adaptation of internally promoted employees, and overall practical value of succession planning.

Data analysis was conducted using SPSS logic and independently verified using Python-based statistical procedures. The analysis included descriptive statistics, Cronbach’s alpha, exploratory factor analysis, Pearson correlation, multiple linear regression, multicollinearity diagnostics, and assumption tests. The criteria for retaining measurement items included Cronbach’s alpha above 0.60 for exploratory research and corrected item-total correlation above 0.30. For EFA, KMO values above 0.50, significant Bartlett’s test, eigenvalues above 1, factor loadings above 0.50, and explained variance above 50% were considered acceptable. Multiple regression was used to estimate the relative influence of the seven predictors on succession planning effectiveness.

Table 1. Sample Profile

Profile	Frequency	Percentage
Gender: Male	116	43.3%
Gender: Female	141	52.6%
Gender: Other	11	4.1%
Education: College/Intermediate	48	17.9%
Education: University	162	60.4%
Education: Postgraduate	42	15.7%
Tenure: Under 1 year	55	20.5%
Tenure: 1-3 years	112	41.8%
Tenure: 3-5 years	75	28.0%
Position: Staff	139	51.9%
Position: Team leader/Supervisor	87	32.5%

Company size: Under 50 employees	108	40.3%
Company size: 50-150 employees	101	37.7%
Sector: Services/Trade	113	42.2%
HIPO list: Yes	76	28.4%
HIPO list: No/Unclear	192	71.6%

Source: Authors' analysis of the survey dataset (N = 268).

IV. RESULTS

➤ Reliability and Measurement Validation

The reliability results show that all independent constructs achieved satisfactory internal consistency. Cronbach’s alpha values ranged from 0.799 for strategic talent alignment to 0.859 for communication transparency. These values indicate that the items within each construct measure the same underlying concept. The initial dependent variable, succession planning effectiveness, had a Cronbach’s alpha of 0.643. However, two items showed weak item-total correlations. SP1, which asked whether the company always had available candidates for key positions, had a corrected item-total correlation of only 0.068. SP2, which measured whether operations were never disrupted during leadership transition, had a corrected item-total correlation of 0.244. These two items may represent an idealized expectation that is difficult for SMEs to achieve. After removing them, the adjusted SP scale reached a Cronbach’s alpha of 0.727, meeting the reliability criterion for further analysis.

Table 2. Reliability Analysis

Construct	Description	Items	Cronbach alpha
MP	Top management commitment	4	0.810
SA	Strategic talent alignment	4	0.799
DA	Data-driven assessment	4	0.833
AI	Technology and AI application	4	0.829
CT	Communication transparency	4	0.859
PL	Personalized learning pathway	4	0.830
EF	Empowerment and flexibility culture	4	0.817
SP initial	Succession planning effectiveness (SP1-SP6)	6	0.643
SP adjusted	Succession planning effectiveness (SP3-SP6)	4	0.727

Source: Authors' recalculation from the Excel dataset.

Exploratory factor analysis for the independent variables confirmed the factorability of the data. The Kaiser-Meyer-Olkin value was 0.877, indicating meritorious sampling adequacy. Bartlett’s test of sphericity was significant ($\chi^2 = 3223.856$, $df = 378$, $p < .001$), showing that correlations among items were sufficient for factor analysis. Seven factors with eigenvalues greater than 1 were extracted, explaining 66.801% of total variance. The rotated factor matrix showed that all observed items loaded on their intended theoretical constructs, with factor loadings above 0.50 and no serious cross-loading. For the dependent variable, KMO was 0.741, Bartlett’s test was significant ($\chi^2 = 209.115$, $df = 6$, $p < .001$), and one factor explained 55.054% of total variance. These results support the convergent and discriminant validity of the measurement model.

Table 3. EFA Summary

Scale	KMO	Bartlett χ^2	df	p	Factors extracted	Cumulative variance
Independent variables	0.877	3223.856	378	< .001	7	66.801%
Dependent variable SP	0.741	209.115	6	< .001	1	55.054%

Source: Authors' recalculation from the Excel dataset.

➤ Correlation and Regression Analysis

Pearson correlation analysis showed that all independent variables were positively correlated with succession planning effectiveness. Personalized learning had the strongest bivariate correlation with SP, followed by communication transparency and empowerment/flexibility culture. The correlations among independent variables were below 0.80, indicating that multicollinearity was unlikely to distort the regression model.

Table 4. Regression Model Summary

Indicator	Value
R	0.716
R ²	0.513
Adjusted R ²	0.500
Std. error of estimate	0.40808
F-statistic	39.123
Sig. F	< .001
Durbin-Watson	1.926

Source: Authors' recalculation from the Excel dataset.

The regression results show that the model has strong explanatory power. The adjusted R² was 0.500, meaning that the seven organizational factors jointly explained 50.0% of the variance in succession planning effectiveness. In behavioral and human resource management research, this level of explained variance is substantial because employee perceptions are influenced by many unobserved individual and contextual factors. The ANOVA test was significant (F = 39.123; p < .001), confirming that the regression model fit the data. The Durbin-Watson statistic was 1.926, indicating no serious autocorrelation of residuals. Multicollinearity diagnostics were acceptable: VIF values ranged from 1.225 to 1.577 and tolerance values were all above 0.60.

Table 5. Regression Coefficients

Predictor	B	SE	Beta	t	p	Tolerance	VIF
MP	0.038	0.052	0.038	0.737	0.462	0.707	1.415
SA	0.134	0.052	0.132	2.571	0.011	0.711	1.407
DA	0.093	0.048	0.099	1.947	0.053	0.719	1.390
AI	0.141	0.041	0.165	3.454	< .001	0.816	1.225
CT	0.232	0.046	0.246	5.048	< .001	0.789	1.267
PL	0.194	0.051	0.205	3.773	< .001	0.634	1.577
EF	0.203	0.049	0.207	4.165	< .001	0.759	1.318

Source: Authors' recalculation from the Excel dataset.

Communication transparency had the strongest standardized effect on succession planning effectiveness ($\beta = 0.246, p < .001$). Empowerment and flexibility culture also had a significant positive effect ($\beta = 0.207, p < .001$), closely followed by personalized learning pathways ($\beta = 0.205, p < .001$). Technology and AI application had a positive and significant effect ($\beta = 0.165, p = .001$), while strategic talent alignment also contributed positively ($\beta = 0.132, p = .011$). Data-driven assessment showed a marginally positive effect ($\beta = 0.099, p = .053$). Top management commitment was not statistically significant ($\beta = 0.038, p = .462$). Thus, the findings support H2, H4, H5, H6, and H7; provide marginal support for H3; and do not support H1.

The standardized regression equation can be expressed as follows:

$$SP = 0.246CT + 0.207EF + 0.205PL + 0.165AI + 0.132SA + 0.099DA + 0.038MP + \epsilon.$$

V. DISCUSSION

This study investigated the determinants of succession planning effectiveness among Generation Z employees working in Vietnamese SMEs. The findings reveal that communication transparency, empowerment and flexibility culture, personalized development pathways, AI application, and strategic talent alignment significantly influence succession planning effectiveness. In contrast, top management commitment did not exert a statistically

significant direct effect, while data-driven assessment demonstrated only marginal significance.

The strongest predictor identified in this study was communication transparency. This finding suggests that Generation Z employees place substantial importance on understanding how succession decisions are made, what criteria are used to identify high-potential employees, and how career advancement opportunities are allocated. Consistent with Social Exchange Theory (Blau, 1964), transparent communication strengthens employees' perceptions of fairness and organizational trust, thereby enhancing their willingness to engage in long-term career development programs. In emerging economies such as Vietnam, where personnel decisions have historically been influenced by hierarchical structures and informal relationships, transparency becomes a critical mechanism for establishing legitimacy and trust in succession systems.

The second most influential factor was empowerment and flexibility culture. This result aligns with contemporary literature emphasizing that Generation Z values autonomy, flexibility, meaningful work, and participation in decision-making processes. Unlike previous generations, younger employees often prioritize developmental experiences and work-life integration over traditional hierarchical advancement. Consequently, succession planning systems that emphasize empowerment, experimentation, and flexible career paths are more likely to attract and retain future leaders.

Personalized development pathways also emerged as a significant determinant of succession planning effectiveness. This finding supports Human Capital Theory, which argues that investments in employee development enhance organizational capability and long-term competitiveness. More importantly, personalized learning pathways signal organizational commitment toward employee growth. Individual development plans, mentoring programs, job rotation, and customized learning opportunities provide Generation Z employees with clear evidence that the organization is investing in their future.

The positive effect of AI application further highlights the growing importance of digital talent management. AI-supported succession planning systems facilitate competency mapping, performance analytics, talent identification, and personalized development recommendations. Although AI was not the strongest predictor, its significance indicates that SMEs are gradually transitioning from intuition-based talent decisions toward evidence-based human resource management. This finding reflects the broader transformation associated with Industry 4.0 and HR Analytics adoption.

Strategic talent alignment also demonstrated a significant positive influence. This result supports the Resource-Based View (RBV), suggesting that succession planning should not be treated as a standalone HR activity but rather as an integrated strategic process linked to organizational goals and future capability requirements. Organizations that align succession planning with business strategy are better positioned to sustain competitive advantage through internal talent development.

One particularly interesting finding concerns the non-significant effect of top management commitment. Traditional succession planning literature frequently identifies leadership commitment as a critical success factor. However, the present study suggests that Generation Z employees may not directly perceive leadership commitment as influencing succession effectiveness. Instead, they evaluate leadership support through observable organizational practices, including transparent communication, empowerment mechanisms, personalized development initiatives, and digital HR systems. Therefore, leadership commitment may operate indirectly through these organizational mechanisms rather than exerting a direct influence.

Overall, the findings indicate that effective succession planning for Generation Z employees is increasingly shaped by employee experience, transparency, empowerment, and technological enablement rather than traditional hierarchical approaches. This transition reflects broader changes in workforce expectations and provides important insights for SMEs operating in highly dynamic labor markets.

VI. THEORETICAL CONTRIBUTIONS

This study makes several important contributions to the succession planning and talent management literature.

First, the study extends succession planning research by incorporating the perspectives of Generation Z employees, a workforce cohort that remains underrepresented in existing succession planning studies. While prior research has predominantly focused on organizational perspectives and senior management viewpoints, this study emphasizes employee perceptions regarding the effectiveness of succession systems.

Second, the study integrates Human Capital Theory, Resource-Based View, Social Exchange Theory, and Generational Cohort Theory into a unified framework. The findings demonstrate that succession planning effectiveness is shaped not only by organizational resources and developmental investments but also by employee perceptions of fairness, empowerment, and career opportunities.

Third, this study contributes to the emerging literature on digital talent management by demonstrating the significant role of AI-enabled human resource practices in succession planning. Existing succession planning models largely emphasize leadership development and talent pools, whereas the present findings suggest that digital technologies are becoming increasingly important in identifying, developing, and retaining future leaders.

Fourth, the non-significant effect of top management commitment challenges conventional assumptions within succession planning literature. The findings suggest that leadership commitment alone may be insufficient to influence employee perceptions unless translated into transparent processes, developmental opportunities, and supportive organizational cultures. This insight provides a more nuanced understanding of how leadership influences succession planning effectiveness in contemporary workplaces.

Finally, the study contributes empirical evidence from Vietnam, an emerging economy that remains underrepresented in international succession planning research. The findings therefore enhance the contextual diversity of succession planning scholarship and provide insights applicable to other developing economies experiencing rapid workforce transformation.

VII. PRACTICAL IMPLICATIONS

➤ *Implications for SME Leaders*

SME leaders should prioritize the development of transparent succession planning systems. Organizations need to communicate clearly about talent identification criteria, leadership competency requirements, and career advancement opportunities. Transparency can strengthen employee trust and increase engagement in succession programs.

➤ *Implications for Human Resource Managers*

HR managers should redesign succession planning practices around employee experience. Personalized development plans, mentoring programs, coaching initiatives, job rotations, and stretch assignments should become core components of succession management. Furthermore, organizations should foster empowerment-oriented cultures that provide employees with autonomy and opportunities to participate in strategic projects.

➤ *Implications for Digital Transformation Initiatives*

Organizations should invest in AI-enabled talent management systems capable of supporting workforce analytics, competency mapping, succession forecasting, and individualized learning recommendations. While advanced AI applications may remain challenging for resource-constrained SMEs, scalable digital HR platforms can significantly improve succession planning effectiveness.

➤ *Implications for Policymakers*

Government agencies and industry associations should provide support programs that help SMEs adopt modern talent management practices and digital HR technologies. Such initiatives may include training programs, technology adoption incentives, and best-practice guidelines that facilitate workforce development and leadership continuity.

➤ *Future Research Directions*

Future studies may employ Structural Equation Modeling (SEM) to explore mediating and moderating mechanisms within succession planning models. Researchers may also investigate industry-specific differences, cross-generational comparisons, and longitudinal changes in employee perceptions. Additionally, future research should examine the indirect role of leadership commitment through organizational culture, communication practices, and employee development systems.

VIII. CONCLUSION

This study examined the factors influencing succession planning effectiveness in Vietnamese SMEs in the context of Generation Z entering the labor market. Based on survey data from 268 Gen Z employees in Ho Chi Minh City, the findings show that communication transparency, empowerment and flexibility culture, personalized learning pathways, technology and AI application, and strategic talent alignment significantly improve succession planning effectiveness. Data-driven assessment has a marginal positive effect, while top management commitment does not have a direct significant effect.

The results indicate that succession planning for Gen Z should move beyond traditional, leader-centered and seniority-based approaches. SMEs need transparent, developmental, flexible, and technology-supported systems that help young employees understand their career opportunities and build the capabilities required for future leadership. In the digital era, succession planning is not only a mechanism for replacing leaders; it is a strategic talent

management process that connects employee experience, organizational learning, and business continuity.

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