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THESIS TO OBTAIN THE DEGREE OF

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Dedications

To my parents, for their unconditional love and support. Also for their effort to give me a high quality education.

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Abstract

Equiports was created in 2007 as a family-owned company that specializes in the rental, sales and after-sales of container handling equipment for the Peruvian port industry. The company plays in a high competitive industry in which both the relationship with customers and a highly technical experience are important to represent exclusively foreigner brands.

The key problem identified within the company is that Alejandro Sarria, the General Manager and co-owner at Equiports, will soon need to leave his position as CEO at Equiports in order to be focused on another family-owned company. However, as a result of the conducted analysis, there are internal issues that could jeopardize the success of the company in the future. The firm is facing this challenge due to the degree of importance that Alejandro has had in Equiports. As a small company, Equiports did not understand the need to develop proper knowledge management, and being a family-owned company, it failed to develop a succession plan and groom internal talent that could replace the CEO position when needed.

A problem-solving process was conducted to ensure that the firm will not struggle without the presence of its central and ever present leader, Alejandro. A six months plan is recommended to apply at Equiports to cope with the key problem. The plan has four initiatives: (a) to develop training and shadowing, (b) to review the KPIs, (c) to develop a resource management tool, and (d) to improve knowledge management. This implementation plan for the succession of CEO position can be adapted with minor alterations for any succession the company has in the future.

Resumen Ejecutivo

Equiports es una empresa familiar creada en 2007 que se especializa en el alquiler, venta y post-venta de equipos de manipulación de contenedores para la industria portuaria peruana. Esta industria es altamente competitiva, siendo muy importante para la distribución exclusiva de marcas extranjeras tanto la relación con los clientes como la alta especialización técnica.

El principal problema identificado dentro de la empresa es que Alejandro Sarria, el Gerente General y cofundador de Equiports, pronto tendrá que dejar su puesto como CEO con el fin de centrarse en otra empresa familiar. Sin embargo, como resultado del análisis realizado, hay retos internos que podrían poner en peligro el éxito de la empresa en el futuro. El problema se debe debido al alto grado de importancia que Alejandro ha tenido en Equiports. Como pequeña empresa, Equiports no ha desarrollado una adecuada gestión del conocimiento, y al ser una empresa familiar, no desarrolló un plan de sucesión que prepare talento interno para que pueda reemplazarlo cuando sea necesario.

Se realizó un proceso de solución de problemas para asegurar que la empresa no perderá competitividad sin la presencia de su líder central, Alejandro. Se propone un plan de seis meses a ser implementado en Equiports para hacer frente al problema principal. El plan posee cuatro iniciativas: (a) desarrollar capacitación, (b) revisar los KPIs, (c) desarrollar una herramienta de gestión de recursos, y (d) mejorar la gestión del conocimiento. Este plan de sucesión para la posición de CEO puede ser adaptado con menores cambios para cualquier sucesión que la empresa tenga en el futuro.

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Chapter I: General Situation of the Organization

1.1 Presentation of the Organization

Equipos Portuarios SA (Equiports) was created in 2007 by Alejandro Sarria. Equiports is a company that specializes in the rental, sales and after-sales of heavy equipment machinery for port industry companies. This machinery is specifically designed to facilitate the transportation of containers in ports. The company consists of highly experienced technical staff, each of whom offers quality and efficiency in their services. Equiports has an administrative office in Miraflores, a shop in Breña which handles equipment maintaining and repowering, and operations near the Callao port in Lima, Peru. Equiports offers exclusive representation for European and Asian brands, such as CVS Ferrari, RAM Spreaders, Mantsinen, Phoenix, etc. The company has five direct competitors, each of them representing exclusive brands as well.

In Peru, Equiports is one of the leading service providers of port related equipment within the industry. The firm's philosophy is based on providing effective solutions for their customers, while maximizing the productivity of their operations at the lowest possible cost. The company specializes in providing companies with solutions in the technical and operational leasing of equipment. Knowing the demands of the industry, Equiports has mobile units which are constantly monitoring the entire area of Callao, offering a standard response time of less than 60 minutes.

Equiports has a warehouse in Callao and a logistic system designed to reduce delivery types and satisfy the client with regards to price, quality and service. The company has stock and factory direct logistics with the most recognizable world brands including Dana, Spicer, Clark, Kessler, Linde, Perkins, Cumings, Terex and Rotttwell.

1.1.1 Vision and mission

The vision and mission of the company were defined in 2009 as follows:

Vision. Being the leading company in specialized technical service, sales and rental of new and used equipment, and parts' distribution in the port industry. (Sarria et al., 2016, p.11)

Mission. Provide the best technical service and experience in the port industry, supporting our offer with the equipment with the most prestige and quality for the sales and rental of port equipment. At the same time, providing our customers with our best technical expertise to develop efficiencies based on the latest technologies and best practices in the field (Sarria et al., 2016, p.11).

1.1.2 Competitive advantage

According to Sarria et al. (2016), Equiports' competitive advantages are as follows:

1. Exclusive equipment, developed with the latest technology, and which is leader in the international market.
2. Flexibility in the establishment of long-term agreements for port cargo handling equipment maintaining and repowering.
3. Technical specialization of the Equiports staff that allows it to provide the market's high quality.

1.1.3 Corporate culture

Equiports is aware of the needs and responsibilities that are necessary for a global company. It is due to this reason that the company has an environmentally responsible business culture that includes continuous improvement and training of staff. Equiports has liability, accident and health insurance for their employees at the local and regional level. This helps both their customers and employees to have full confidence in the company.

1.1.4 Products

Equiports has a varied portfolio to improve the container handling in different situations. They also sell containers. As it was mentioned above, Equiports are exclusive representatives of the manufacturers of these products, being the most important ones for CVS Ferrari and RAM Spreaders (see Appendix A). The portfolio includes the following products:

1. Reach stackers (CVS Ferrari)
2. Spreaders (RAM spreaders)
3. Empty Container Handler (CVS Ferrari)
4. Forklift Trucks (CVS Ferrari)
5. Lighting (Phoenix Lighting)
6. Containers (ISG)
7. Straddle Carrier (CVS Ferrari)
8. Tractor (CVS Ferrari)
9. 2700, 2900 and 3500 Ram Spreaders
10. Revolver Ram Spreaders

1.1.5 Company's strategic goals

Sarria et al. (2016, pp. 77-78) defined the company's strategic goals as follows:

1. The first long-term goal of Equiports is to increase the service level it currently has when it comes to the spare parts market. By 2025, they would like to raise the service level from 20% to 65% in the South Pacific.
2. The second objective of the company is to increase its turnover. Equiports currently has an annual turnover of 4.5 million soles and hopes to raise it to 20 million soles by the year 2025. The company wants to achieve this while still being able to maintain a net margin of no less than 10% per year after tax.
3. The third objective at Equiports is to increase the quantity of equipment they have in their heavy machinery fleet for rentals. They want to raise the current number of

different machines available from 6 to 25 by 2025, with a placement no less than 90% in the South Pacific.

4. The fourth long-term objective for Equiports is to develop the market of equipment renewal and repowering services. In fact, they have already renewed an entire machine and are now renting it to another customer. However, it is the only machine they have repowered so far. The process of buying old machines, refurbishing them completely and then re-marketing them as new ones is a profitable opportunity. Therefore, this is the reason why Equiports wants to increase the number of refurbished machines it possesses in stock and that it can rent to customers, targeting to 6 units per year by 2025.

Overall, the strategic priorities of Equiports is to place the company in the equipment rental market with a unique price policy and reduced margins that allow them to broaden their customer portfolio. Moreover, the company wishes to establish a new market niche in equipment renewal and repowering services.

1.2 Industry Analysis

Maritime transport is a means of transportation that is mostly used due to its ability to generate economies of scale in the transport of goods, with sustainable growth worldwide (see Figure 1). This in turn has generated a steady demand for the development of seaports, the technological innovation of transports and the necessary infrastructure to facilitate trade. Within this context, Peru has seen an increase over recent years with regards to its level of maritime international trade (see Figure 2). This has led to the sustainable development of the national port market, not only limited to seaports, but across the logistics chain, that require specialized machinery.

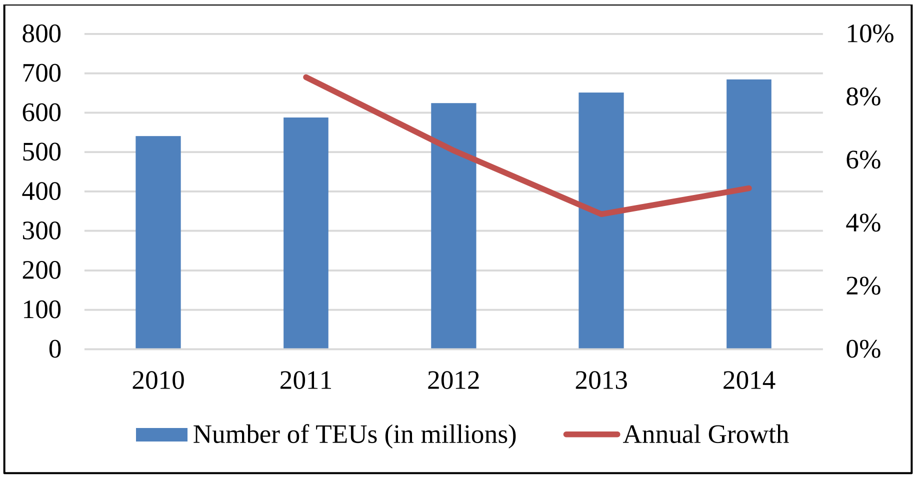

Figure 1. Global container port throughput (2010 - 2014).
Data are from "Maritime transport indicators", United Nations Conference on Trade and Development, 2016
(http://unctadstat.unctad.org/wds/ReportFolders/reportFolders.aspx)
Note. TEU stands for Twenty-foot Equivalent Unit

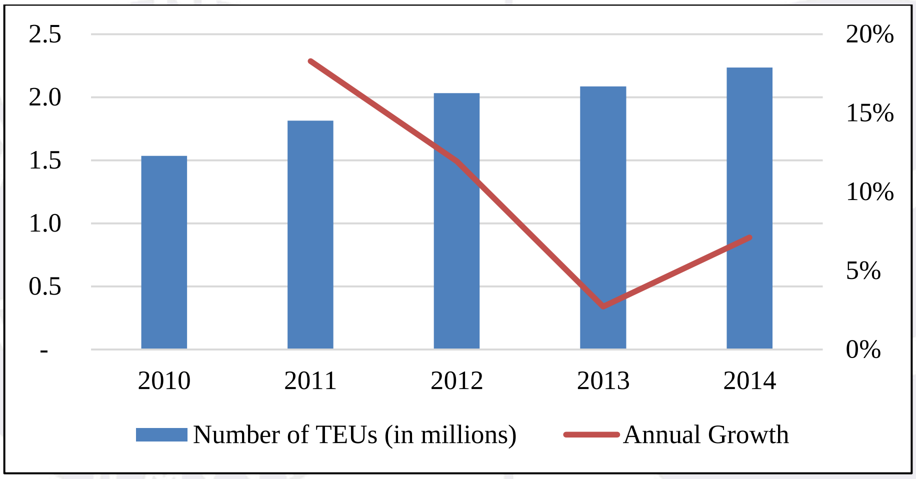

Figure 2. Peru's container port throughput (2010 - 2014).
Data are from "Maritime transport indicators", United Nations Conference on Trade and Development, 2016
(http://unctadstat.unctad.org/wds/ReportFolders/reportFolders.aspx)
Note. TEU stands for Twenty-foot Equivalent Unit

Equiports belongs to the industry of container handling equipment in the Peruvian market. This industry covers the areas of (a) sales of foreign equipment, (b) assembly, and (d) after sales services. According to Sarria et al. (2016), the Peruvian port equipment market presents an important potential growth opportunity mainly due to: (a) a privileged geographic country location, (b) poor situation of most national ports, and (c) an increasing demand for port machinery.

Peru is located in the central western area of South America in the Pacific Ocean basin. This direct access to the Pacific Ocean provides a comparative advantage for Peru due to the proximity of geographical facilities for international trade activities. Peru is a natural hub for South America due to its location, as it provides easy access to several surrounding countries in the region. Thanks to this, Peru has the capacity to be a logistics center for South America in the maritime freight industry. The industry has little differentiation between companies based on their price strategies regarding cost competition. Most of the customers are container depots, who are not all certified or have high quality standards. Therefore, Equiports has to deal with both informal competitors and informal customers.

The industry in which Equiports is operating in is a specific one. In fact, the equipment is so specialized and customized that very few companies are present on the competitive stage. The industry has five direct competitors, each of them representing exclusive brands as well. Nevertheless, the firms that are present compete for an equally narrow target market. As one can imagine, the number of ports per country that receive those kinds of deliveries is not huge.

Moreover, the shape of the competitive landscape is complex and governed by multiple rules and regulations when it comes to the relationship between manufacturers and sellers, as well as country regulations. This is why Alejandro Sarria, the General Manager, has a very high focus on relationship management in order to maintain their existing customers. A primary way of selling for Equiports is through follow-up meetings almost every month with customers.

1.2.1 Porter's five forces

The industry analysis will be held according to the model of the five competitive forces that Porter proposed (1979). These serve to analyze the characteristics of the following factors: (a) rivalry among existing competitors, (b) bargaining power of suppliers, (c) bargaining power of buyers, (d) threat of new entrants, and (e) threat of substitutes. A summary of this analysis is shown in Figure 3.

Rivalry among existing competitors. According to Sarria et al. (2016), rivalry between competitors is very high due to the low demand for new equipment in the Peruvian port market. There is a price war competition between them which reduces the margins even more. Moreover, Peru has few ports and container depots with high standards of operation and safety. Many of the companies look for acquiring cheap labor, instead of focusing on the supplier's level of quality service and experience. This situation provoked competitors to seek strategic alliances with leading market customers, basing its sales in personal relationships and historical service.

Bargaining power of suppliers. The suppliers of this industry are divided in two groups: (a) the machinery manufacturers and (b) the manufacturers of components and parts. The machinery manufacturers set the price of the equipment to the local representative partner with no price differentiation among countries. However, the market value of the equipment is subject to the market strategy and negotiation that local representatives make with their clients. These suppliers have a relative bargaining power because companies in the industry cannot negotiate prices, unless they have bulk purchases which is not common in the industry; however, this bargaining power is also limited because manufacturers need a local representative distributor, who acts as its partner. Due to this relationship and the market knowledge required in the different ports, suppliers rely on the industry to keep growing.

With regard to the manufacturers of components and spare parts, they have exclusive and non-exclusive distributors depending on the market and the type of component or spare part. Therefore, their bargaining power is higher because they can be both suppliers and competitors within the industry. The volume purchase of spare parts is also higher, hence there is the possibility to negotiate in prices.

Bargaining power of buyers. According to Sarria et al. (2016), due to the high installed production capacity worldwide for this kind of equipment and the diversity of manufacturers, buyers have a high level of bargaining power. In many cases, they establish global contracts with manufacturers to get prices with very low margins. It proposes a challenge in the market of sales of the container handling equipment, which in turn suggests a market opportunity for Equiports in the differentiation of their specialized after sales service.

Threat of new entrants. To compete in this market, companies must have a brand to represent exclusively in the country or territory in which they operate. Moreover, these companies need to have the financial backing to support the investments in maintenance of the equipment and the low margins that are handled. Similarly, having a low demand for new equipment makes it even more difficult to achieve economies of scale. This makes the market look very unattractive. For these reasons, the threat of new entrants is low.

Threat of substitute products or services. According to Sarria et al. (2016), the port machinery industry is characterized by highly specialized equipment. Depending on the type of operation and the volume of it, there are different types of equipment depending on the capacity and efficiency needs. According to this context, there are no existing machines nor technology that can be considered as substitutes in the market. Equiports should not worry about substitute products but about their direct competitors, being at the forefront of the various equipment and technologies aimed at this market.

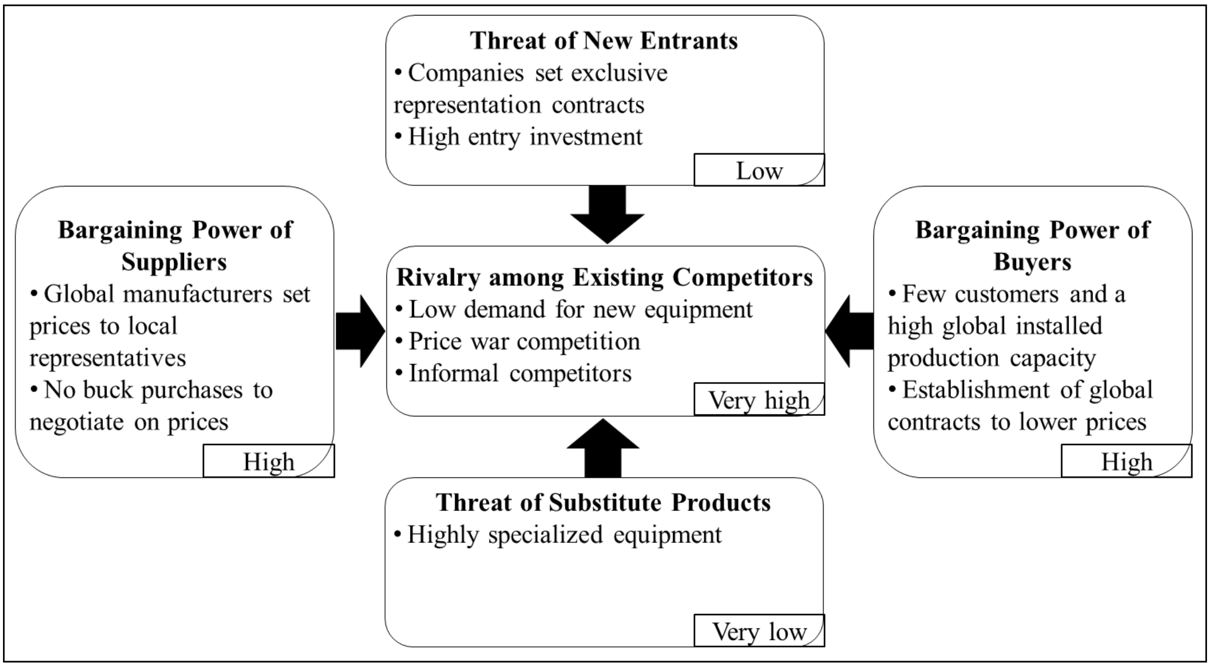

Figure 3. Porter's analysis of the Peruvian industry of container handling equipment. Adapted from "How Competitive Forces Shape Strategy", by M.E. Porter, 1979, *Harvard Business Review, 57 (2),* pp. 137–145.

1.2.2 Key success factors of the industry

According to Sarria et al. (2016), there are 11 key success factors in Peru for the port equipment industry:

1. High quality of technical service
2. Awareness of brand represented
3. Availability of equipment for rent
4. Exclusive parts in represented machines
5. Experience in the market
6. Financial strength
7. Geographical location
8. Market share
9. Strength in the organizational structure
10. Access to spare parts in other machines

11. Operational advisory capacity

In the Competitive Profile Matrix developed by Sarria et al. (2016, p. 56), Equiports ranks in the second position over five competitors assessed. The factors that the company should improve on are as follows: (a) geographical location, (b) financial strength, and (c) awareness of brand represented. In comparison with the best players of the industry worldwide, the firm has still a considerable gap in different factors. Equiports has the opportunity to grow by improving its brands' positioning and the quality of their service.

1.3 External Analysis

The external analysis of the industry will be examined with the PESTE analysis which identifies the opportunities and threats that the industry faces. This framework takes into consideration five dimensions: (a) political, (b) economic, (c) social, (d) technological, and (e) environmental.

1.3.1 Political

Peru's next president will be the center-right economist Pedro Pablo Kuczynski, who has the responsibility to revive the current slow economic growth (see Figure 4). However, his party will struggle due to the fact that the Congress is led by Fuerza Popular, a party from the opposition which has the majority of votes. According to the World Economic Forum (2015), Peru is ranked 69 in the Global Competitiveness Report (see Figure 5). Regarding the industry, Peru stands out for its performance in the macroeconomic environment, goods market efficiency and financial market development; however it needs to improve its performance in infrastructure, technological readiness, business sophistication and innovation.

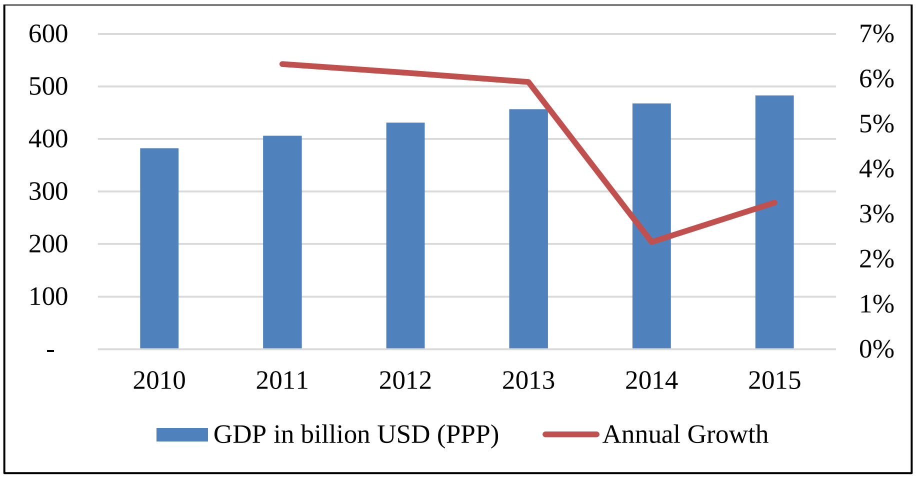

Figure 4. Peru's GDP (PPP) in billion USD (2010 - 2015).
Data are from "Producto Bruto Interno Total y por Habitante 1950-2015", Instituto Nacional de Estadística e Informática (INEI), 2016 (https://www.inei.gob.pe/estadisticas/indice-tematico/economia/)

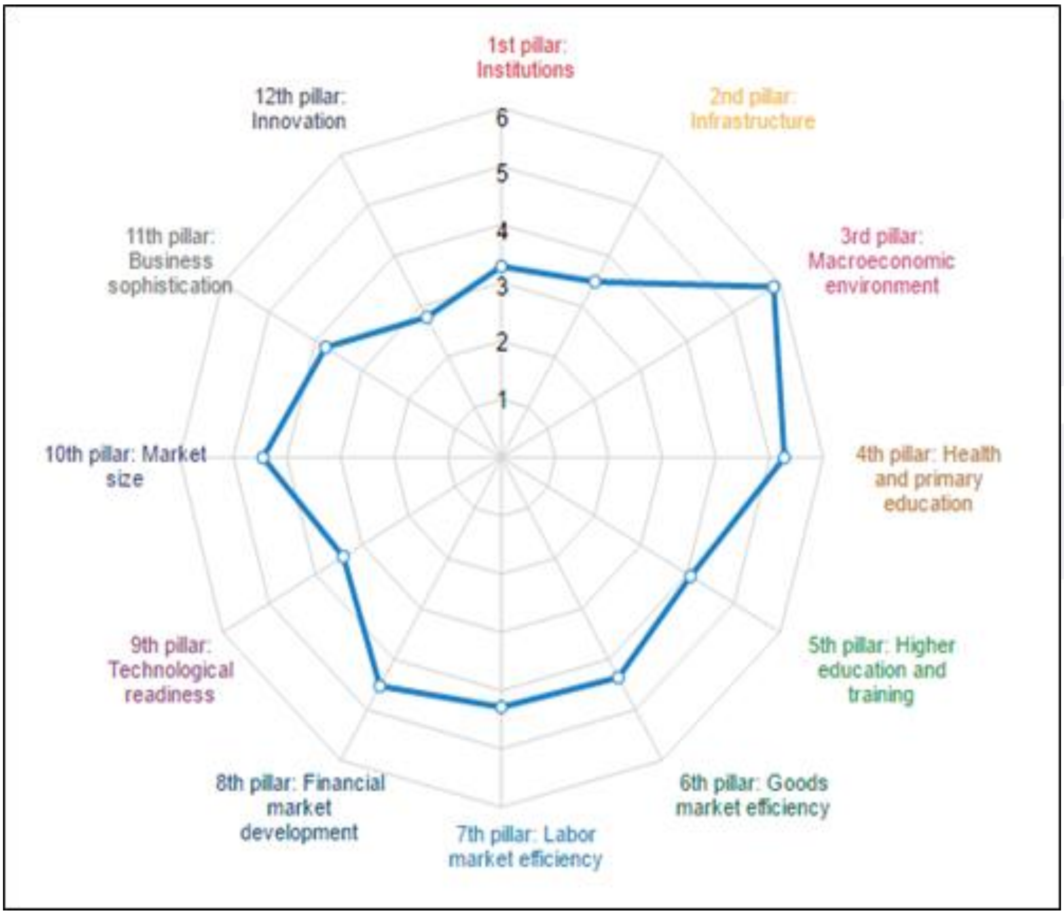

Figure 5. Peru's performance overview 2015.
Taken from "The Global Competitiveness Report 2015", World Economic Forum, 2016 (http://reports.weforum.org/global-competitiveness-report-2015 2016/economies/#economy=PER)

To tackle the main challenges of the Peruvian Port Industry, the Ministry of Transport and Communications approved in 2012 the National Port Development Plan (PNDP, by its initials in Spanish), which is updated each year and involves the Government in promoting investments in ports for improving their efficiency and modernization (Autoridad Portuaria Nacional, 2012). The most important strategic objectives set in 2015 relating to the industry are (a) to enhance the modernization of infrastructure and connectivity, (b) to promote the competitiveness of port services, and (c) to promote the integration of port logistics-value added activities as a part of supply chain. The container handling equipment industry will have more opportunities to grow as long as there is a serious commitment of the Government to enlarge and modernize the infrastructure of ports as well as to promote the formalization of all the companies in order to improve the competitiveness of the Peruvian port industry as a whole.

Regarding the international trade, Peru has free trade agreements with various countries and commercial blocs which boost bilateral trade, the most important ones being (a) MERCOSUR (b) APEC, (c) FTA with the USA, and (d) TPP, recently signed. There are also pending agreements being negotiated which will require a greater infrastructure in the short and medium term to expand the volume of imports and exports. These pending agreements are as follows: (a) DOHA Program, (b) TISA, (c) El Salvador, and (d) Turkey. The more international trade occurring by the country, the more prosperity for the port industries.

1.3.2 Economic

Peru is a primary exporting country that is heavily dependent on exports as a driver of economic growth. However, exports have suffered a slowdown in recent years (see figure 6), mainly due to the slowdown in China. On the other hand, the increase in GDP per capita (see figure 7) has been the driving force for imports to not fall as exports, which has generated a negative trade balance.

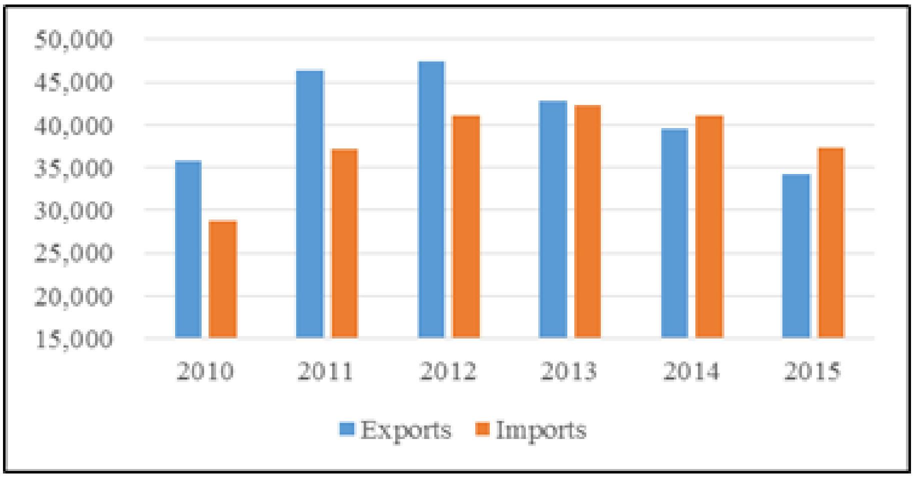

Figure 6. Peruvian exports and imports in millions of USD (2010 - 2015).
Data are from “Balanza comercial (1980 – 2015)”, INEI, 2016
(https://www.inei.gob.pe/estadisticas/indice-tematico/economia/)

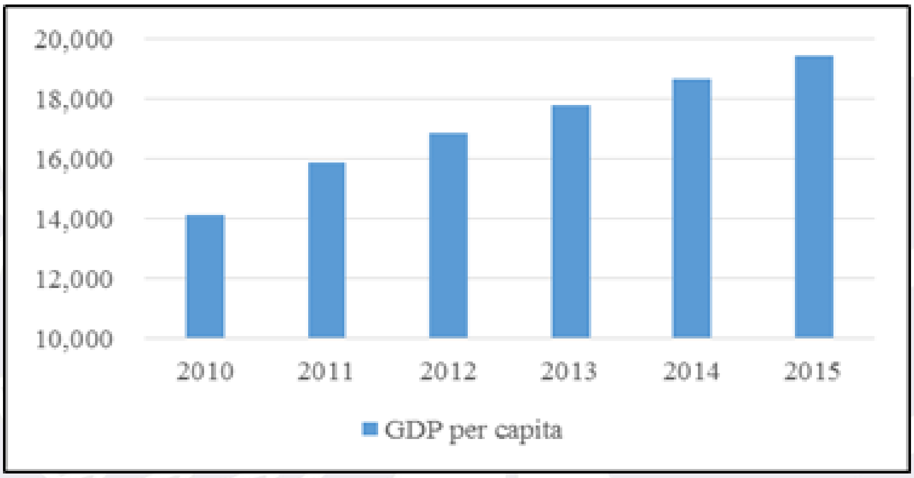

Figure 7. Peru’s nominal GDP per capita in PEN (2010 - 2015).
Data are from “Tipo de cambio promedio anual (1980 – 2015)”, INEI, 2016
(https://www.inei.gob.pe/estadisticas/indice-tematico/economia/)

The exchange rate is also an important index for all sectors involved with foreign trade, either as exporters or importers. In the case of the equipment industry for container handling in Callao, a rise in the exchange rate is detrimental because the companies are importers. Figure 8 shows how the price of the Peruvian currency has depreciated in the last year.

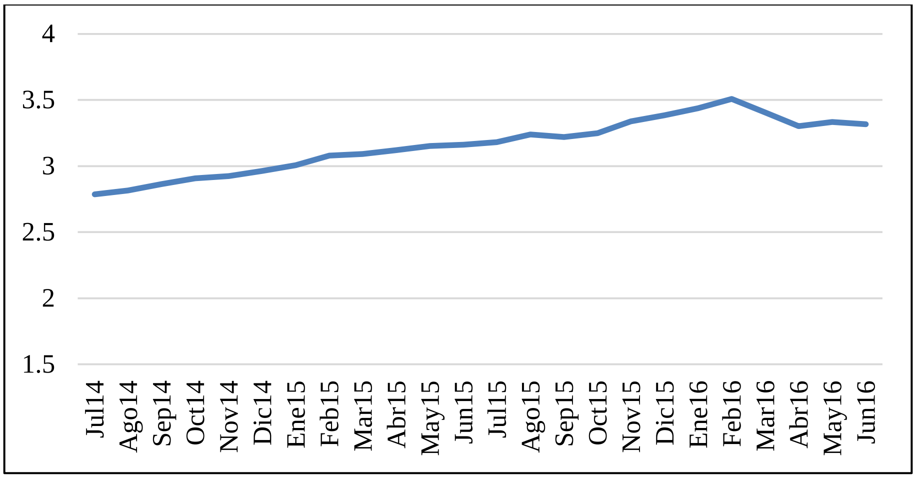

Figure 8. USDPEN nominal exchange rate (Jul '14 - Jun '16).
Data are from "TC nominal interbancario promedio mensual", Banco Central de Reserva del Perú (BCRP), 2016
(https://estadisticas.bcrp.gob.pe/estadisticas/series/mensuales/resultados/P00267PRM/html)

1.3.3 Social

According to Sarria et al. (2016), the main problems associated with the activity of the Peruvian port industry are collective agreements and the presence of unions, who often have conflicting interests, generating damages and operating cost overruns. This kind of problems directly affects port and container depots, but has less of an impact on companies such as Equiports, which is a supplier of equipment. Access to technical manpower is scarce, generating a cost overrun due to the high demand for skilled labor in the port industry. This problem is driven by economic inequality in the country, which unleashes social conflicts that might paralyze projects with large investments involved directly or indirectly with port development.

1.3.4 Technological

According to Sarria et al. (2016), technological development in the port machinery is very limited, using the same technological breakthroughs with some improvements since the 1980´s. Recently, machinery has been developed that can use natural gas to reduce operating costs for specific markets, which have access to natural gas. Technological changes taking place in the Peruvian ports, according to the PNDP 2015, are aimed at technological improvement in other aspects unrelated to the activity of Equiports.

1.3.5 Environmental

According to Sarria et al. (2016), climate change is drastically affecting maritime activity. The increase in port activity is directly related to the activity of the company Equiports. Equiports contributes to the increase in greenhouse gas emissions, hence it requires the improvement of technology in ships and ports. Currently there is no law in Peru with respect to emissions and the operation of machinery sold by the company Equiports.

Anyway, managers within the industry need to measure the environmental impact of all production operations and propose half-environmental strategies in order to be social responsible. Subsequently, they have to identify the opportunity costs associated with unused resources. At the same time they must innovate in process improvements to reduce costs and unwanted products resulting pollutants. Therefore, eco-efficient strategies will lead the sector to seize opportunities and be in a competitive position internationally.

1.3.6 Opportunities and threats

Given the PESTE analysis, the following opportunities and threats for Equiports have been identifiedin Table 1:

Table 1

Opportunities and Threats of Equiports

Opportunities	Threats
• PNDP and international trade agreements	• Peruvian economic reliance on exports to China
• Create potential for the growth of the port industry within Peru	• Potential environmental laws in the port industry
• Preemptive sales of “green” equipment	• Volatility of the Peruvian currency
• Decentralization of port warehouses	• Political instability

1.4 Internal Analysis

The internal analysis of Equiports will be examined with the AMOFHIT analysis which identifies the strengths and weaknesses that the company possesses. This framework takes into consideration six dimensions: (a) administration, (b) marketing and sales, (c) operations, (d) finance, (e) human resources and organizational structure, and (f) information and technology.

1.4.1 Administration

The Administration of Equiports is run by one person: Magali Deza Ubillús, who manages cash flows and invoicing along with taking care of accounts receivables and accounts payable. Moreover, the Administrator completes paperwork related to bank loans, licenses and documentation for several countries.

Currently, Equiports has arranged to have two bank accounts under the same main account, one which is the savings account for administrative relations and the other is a savings account for operations. By doing this, the two departments are allowed to withdraw 1,000 USD per week for their daily tasks. However, at times there is a greater need for more cash. Therefore, the operations team has to ask administration directly for more cash. Administration manages cash flows, hence whenever Operations needs money, Administration is reluctant to do give them any based on their overall assessment of cash flows. This has led to tension and arguments across the two teams in the past.

1.4.2 Marketing and sales

The General Manager, Alejandro Sarria, is the person in charge of all general managerial related duties in the company along with taking care of sales responsibilities. Sales related tasks occupy most of his time during his day to day activities. More effort is put into this area in order to increase sales for Equiports. Alejandro has put a lot of effort into building and maintaining relationships with all of the company's clients. These relationships have been an integral part of Equiports survival within the industry. Alejandro usually tries to have two or three meetings with the clients per week in order to generate more sales and build the reputation of the company. After initial meetings with clients have concluded, follow ups with the customers are handled through phone calls and direct conversations if needed.

Alejandro is the legal representative for the company and is required to sign every document when and where it is necessary. Notably, Equiports does not have a dedicated marketing team. Instead, they place an emphasis on sales and building relationships with their customer. Therefore, marketing is done more through word of mouth.

1.4.3 Operations

Operations is considered to be the largest part of the company which also includes maintenance of equipment. Equiports takes care of both preventive and corrective maintenance of the equipment in order to prevent issues with the machines from occurring. To provide immediate solutions, the operations department also forecasts the needs of the company including spare parts. The Operations Manager has the responsibility to schedule technicians and equipment while also supervising all the technicians. As seen in Appendix B, there are three groups of technicians for three different clients. There is also a separate group consisting of individuals who handle the remaining clients and the urgent needs for any of the three most important clients.

Another significant aspect of the Operations team is that they make their own decisions when it comes to scheduling and make important decisions regarding the equipment. Usually, Alejandro the General Manager does not interfere in such decision-making duties of the Operations Manager but provides sufficient suggestions when asked for. Additionally, there are some specific tasks performed by both Administration and Operations when it comes to certain client relationships; working directly with clients on these tasks is allowed by Alejandro. The clients usually call the Operations Manager directly in case of any maintenance issues or problems.

The Operations team reports the number of hours that each machine runs. Additionally, Administration manages the purchase of equipment or spare parts through the administration service sheets. The biggest problem the operations team is currently facing is the lack of understanding and communication with the administration team. However, there is a link between Operations and Administration. The Operations and Administration are inter-connected in the form of an Assistant who shares a dual role, being both the Administration assistant and the Logistics assistant. The following includes the list of duties that are all taken on by one employee.

1. Logistical Duties:

- Issuing purchase orders
- Quoting for operation needs
- In charge of Warehouse (spare parts)
- Control of spare parts

2. Administration Duties:

- Responsible for invoicing
- Sends the payment receipt to customers
- Assists with the imports (paperwork and legal activities)
- Receives inventory and discharges it when needed

1.4.4 Finance

Equiports fiscal year runs from January 1st to the end of the year, December 31st. There is an accounting department within the company which consists of an Accounting Manager and an Assistant who both take care of the financial responsibilities of multiple companies including Tecport and Equiports. Tecport is a related company to Equiports that is headquartered in Brazil and is managed by Alejandro's brother.

The Financial statements for the year 2015 are quite impressive considering the company achieved sales of nearly 4.5 million soles. After expenses and taxes, the company has seen a net income of 427,993 soles in the year 2015 which is a considerable amount for a small growing company (see Appendix C).

Even though there has been a decrease in the return on equity, it has been relatively solid in the past 4 years. As shown in Appendix D, the company has current assets of 2.6 million soles and non-current assets of nearly 5.8 million soles which comprise all the equipment that the company has bought and used for rent. So, overall the total assets of Equiports assets is approximately 8.5 million soles. Meanwhile, the liabilities of the company are around 6.23 million soles, of which 3.46 million soles represent long term debt that was obtained from banks for the procurement of equipment and other uses. Equiports had strong retained earnings at the end of 2015 which is due to the net income that was earned during 2015.

1.4.5 Human resources and organizational structure

As seen in Appendix B, Equiports is a small organization with few members. Everyone works very closely and employees have easy access to members of different departments. The General Manager, Alejandro Sarria takes care of the managerial activities and also manages the responsibilities of sales and procurement. There are three individuals, the Administration person in charge, Operations Manager and Accounting Manager, all of whom report to Alejandro directly. The Operations Manager is the second most important member of the company as he has more responsibilities including supervising the technicians working under him and also dealing with the maintenance. There is also an assistant manager who takes care of the spare parts alone. More details about the Operations department are provided under Operations section.

Due to the fact that Equiports is such a small company, they do not have a dedicated Human Resources Management team. Instead, the General Manager Alejandro manages the hiring process within the company. These are the members at Equiports:

- General Manager: Alejandro Sarria De La Cotera
- Chief Operations Officer: Pierre Silva Estela
- Administrator: Magali Deza Ubillús
- Accountant: Paola Ortega Tenorio
- Administrative Assistant: Irvin Buendía
- Advisor of Parts and Services: Andres Cruz
- Head of After Sales Service: Franklin Gutierrez
- Assistant Accountant: Sandra Castaneda
- Supervisor: Angel Guerra
- Welder: Cesar Hernandez
- Welder and Operator Assistant: Jeremy Morales
- Technician A: Bernabe Sarmiento and Jimmy Montes
- Technician B: Jorge Cruz, Ruben Rodriguez and Carlos Bojorquez

1.4.6 Information and technology

Equiports does not have any particular software technologies that can be used to maintain the databases of its clients or financial accounts. However, the company uses a single server. Alejandro is the main person who has knowledge on how to solve server issues and technological troubles that may arise. So, whenever an IT problem arises, the employees ask Alejandro for help. Alejandro has stated that this occupies a lot of his time. He believes he would be more productive helping the companies in areas where he is needed more, instead of spending his times trying to solve IT problems. Even though they have an external IT support, that support is not very knowledgeable and are not readily available.

1.4.7 Strengths and weaknesses

Given the AMOFHIT analysis, the following strengths and weaknesses for Equiports have been identified in Table 2:

Table 2

Strengths and Weaknesses of Equiports

Opportunities	Threats
• Strong relationships with primary customers • Preemptive forecasting and scheduling of operations • Unique player with repowering services • Operations team can work autonomously • Low turnover of the technical staff • Financially stable	• Highly reliant on the first-hand knowledge of CEO Alejandro Sarria • Lack of communication between admiwenistration and operations teams • Marketing is purely word of mouth • The sales distribution is concentrated in reach stackers

1.5 Conclusions

The industry of container handling equipment in the Peruvian market projects a sustained growth due to global market trends. The development of the national port industry supported by the National Port Development Plan represents a huge opportunity for Equiports to ensure its growth and consolidation in the market. The Peruvian port industry has a significant growth potential because of the privileged geographical position of the country, the precarious situation of most national ports, the growing demand for port machinery by local customers and the port infrastructure projects in the north and south of Peru.

Other external conditions that will be important for the company to maintain its growth rate will be the recovery of the Peruvian economy and the stability of the USDPEN nominal exchange rate. The company should also take into consideration the high rivalry among competitors which is carrying out a price war, and the threat that represents the bargaining power of buyers as there are few. Within this industry, Equiports is a small company with nearly 20 employees managed by Alejandro Sarria, which specializes in the rental, sales and after-sales of heavy equipment machinery for port industry companies where the equipments can be mainly used for transportation of containers. The company achieved sales in 2015 of 4.5 million soles which is mostly dependent on the rentals and maintenance of equipment. Equiports has exclusive representation for big brands such as CVS Ferrari and RAM Spreaders and at the same time, it maintains good relationship with all its clients by providing best quality and service in the current market.

Chapter II: Key Problem

The purpose of the project is to help Equiports figure out a way to successfully transfer managerial functions from Alejandro, the current CEO, to a new manager who will be taking over the main managerial responsibilities at the company, and to ensure that the firm will not struggle without the presence of its central leader. Other secondary problems have been identified which are related in part with the primary problem.

2.1 Identified Problems

The main problem was reported by Alejandro through personal interviews. After a couple of meetings, there was an agreement of the scope of the key problem to be tackled by the consultancy project. This key problem is linked to the fact that the current CEO and general manager, Alejandro Sarria, is soon going to be more focused on another company (Tecport), which is looking to expand in Chile. Therefore, the amount of time he currently dedicates to Equiports will be reduced in the coming months. This decision is especially important for the future of the company because Alejandro is the central figure at Equiports. Apart from the sales processes, most of his knowledge has never been written down in any form. This makes it extremely difficult for his potential replacement to fulfill the required duties, as neither tacit, nor explicit knowledge is readily available. As a result of his departure, the structure of the company may need to change. Clearer roles and responsibilities will need to be better defined internally in order to have a smooth transition between management roles.

However, secondary problems were identified through more interviews with Alejandro and interviews with the administrative staff at the company's main office and having seen how the firm operates. The first secondary problem is the fact that there are some communication issues present between Operations, and Administration. Moreover, another source of tension between the Operations and Administration staff is the fact that the

Operations department is dependent on the Administration department when it comes to financial resources. Operations is granted a small budget every months in order to cover for general expenses. However, every time an event happens that requires a larger amount of money, the Operations manager needs to ask for this money to Magali (head of Administration), who might in turn need to check with Alejandro that the money can be granted. This seems to be a rather inefficient process, as both the exaggerated need of communication and over-communication are wasting time that could be spent acting on the problem or task at hand. Greater efficiency could be achieved if the head of Operations had a more direct access to budget for those needs.

Another secondary problem occurring at the company is that Alejandro is not always dedicating his own time to what really matters. One example is the time he spends inappropriately by taking care of IT issues in the firm. As he is the one who designed the display of the office, he knows how the IT system operates and ends up being the person who is called when an IT related problem occurs. During our interviews, Alejandro argued that calling the IT company and having someone on the spot rapidly would take longer than him trying to fix the problem himself. Even though this is a valid point, someone else, who is constantly in the office, could learn about the IT system and become the expert when it comes to solving related issues.

The last secondary problem is the fact that clear roles and responsibilities are not yet 100% present at Equiports. Despite the ISO certification, which helped define the boundaries within certain jobs, employees are still spending an unnecessary amount of time on additional tasks or overlapping the tasks among them. In addition, Alejandro is currently facing pressures from his brother with regards to hiring a new General Manager. On the opportunity side, there is a lot of potential for Equiports to make a better track of their resources, and therefore a better use of them.

2.2 Key Problem

The main problem has arisen because of the weakness detected in the AMOFHIT analysis, which is the fact that the organization at Equiports is highly reliant on the first-hand knowledge of Alejandro. The description of the key problem will be held considering five factors: (a) ownership, (b) substance, (c) location, (d) timing, and (e) magnitude.

2.2.1 Ownership

In more detail, Alejandro is currently the General Manager and founder of Equiports. He is entirely responsible for the sales and rentals realized by the company. He is in charge of bringing in new customers and to build and maintain relationships with his clientele. Therefore, he possesses most of the knowledge related to Equiports including its values, roles and responsibilities of each employee, paperwork and server system in the office. Most of this knowledge has not been codified and is only present when Alejandro is there to talk about it. Therefore, there is an urgent need for his knowledge to be, at least partially, codified and properly documented in order to be transferred successfully to his successor. Explicit knowledge is one that can be written down in a database, where it would be retrieved by employees when they need to find particular information. However, tacit knowledge cannot be easily transferred to someone new to the company. This would require Alejandro to spend time with the new recruit in order to teach him/her about all of his most relevant tacit knowledge about the company.

Other key members of the company could also play a role in the transfer of knowledge. In addition, they could assist with the transition of supporting a new manager as Alejandro focuses on Tecport. Below Alejandro, on the next level of responsibility, are the Operations manager (Pierre Silva Estela), the Administration manager (Magali Deza Ubillús), and the Account Manager (Paola Ortega Tenorio). Including Alejandro, the four of them currently possess most of the knowledge related to Equiports when it comes to the management of the company. However, once again, just some of this knowledge is available in documents.

2.2.2 Substance

Should a new employee enter the organization and take over Alejandro's role as the General Manager, there will be a need for a long-lasting initiation process which will require sophisticated organizational interactions and activities. The substance of the key problem is related with knowledge management, which addresses how an organization can effectively manage the knowledge that is embedded in its systems, and contained in the heads of its employees. Knowledge transfer has always been a challenge for organizations, which Equiports is now facing. Knowledge transfer is only valuable when it is integrated effectively into a set of policies for knowledge generation. Therefore, Equiports must determine how to effectively train, integrate and effectively transfer knowledge to a new employee who may replace most of Alejandro's management responsibilities in the company.

2.2.3 Location

There may be arising problems in the transfer of knowledge within small firms like Equiports include expressing tacit knowledge and the need to absorb new knowledge. In addition there are also issues of governance in the management of relational risks and knowledge spillovers. Therefore, even though the problem is focused on specifically transferring the knowledge from Alejandro to his successor, it may have a larger impact on the firm and become more widespread. The knowledge transfer process needs to not only be applied for the General Manager position but also throughout the organization. For instance, when the Operations Manager retires or leaves the company, there has to be a transfer of knowledge to the person who takes over the position. So, there is an increased need for creating an efficient knowledge transfer process that can be utilized throughout the organization. Therefore, it is important that the problem is managed in the most effective way possible.

2.2.4 Timing

There is a sense of urgency to solve this problem within the upcoming months as Alejandro is planning to take on a managerial role at Tecport Chile. Therefore, soon he will not have the time to properly manage Equiports. It is important that the new hired manager be trained and provide within the tools to help him succeed in his position.

The problem of transferring knowledge successfully arose once Alejandro made the decision to leave his primary role at Equiports and focus his time being the main Branch Manager at Tecport Chile. This move is due to the fact that there is a bigger market in Latin America than Peru and therefore it is highly important that Alejandro dedicates his time to developing this new company. Alejandro's presence at Tecport is believed to be urgent as the company is insistent on recruiting a new person for Equiports as soon as possible. Therefore, there is a time limit regarding hiring a new General Manager who can perform tasks as similar to Alejandro at Equiports, while also ensuring the knowledge is transferred smoothly.

This problem needs to be addressed soon and recommendations will be provided on the next steps required in order to ensure success. Moreover an effective knowledge and change management solution needs to be outlined in order to ensure a successful transition between management. Alejandro needs to make sure that his company is going to continue growing without him and that best practices will be demanded from the successor. In other words, he must prepare the ground in order to facilitate the transfer of management functions in an efficient way, minimizing the risks in the process.

2.2.5 Magnitude

In addition, the magnitude of this problem is absolute to the situation and the decision Alejandro has to make on whether or not he will find a person who will replace him as the general manager and take over his current and pending duties. If Equiports is not able to successfully transfer the knowledge and performing as if Alejandro would not be leading the company, this could result in an organizational failure. Resistance to change may occur among employees who do not understand the need for change management. Employees may turn against the company and management by not performing to their full potential. Moreover, it is critical that the suppliers and clients of Equiports are informed and offer support regarding the change in management. It is important for Alejandro to ensure that the new General Manager has the same access and relationships with key suppliers and clients. Not doing so, may create constraints between the clients and suppliers with the company.

Chapter III: Literature Review

This chapter will review literature to give background on the keywords of the thesis. There exists a substantial body of literature regarding problem-solving, small and medium-sized enterprises (SME) and succession planning. However, the study of succession planning in SMEs appears to be rather scarce in quantity. This situation is surprising considering the large number of SMEs in every country and economic impact they produce.

The review focused on academic research in English from 2007 to 2016 in the documentation center of CENTRUM Graduate Business School. It considered the following international databases: EBSCOhost, ProQuest, and JSTOR Emerald. Complementarily, some documents were also consulted on the Internet to research about SMEs in Peru due to the fact that there is a lack of information in academic papers. The research included all the keywords and their derivations, as well as some relationships between them.

3.1 Literature Mapping

Through the mapping technique, the most relevant ideas and concepts were identified from the information gathering. Having as base the central topic "Succession planning for a small Peruvian family-owned business", the most important concepts are (a) succession planning, (b) SMEs, and (c) succession planning in SMEs. However, as the thesis has been developed from a consulting perspective, it is important to consider also a fourth concept of problem-solving. By selecting this concept, the focus on succession planning is as a managerial issue which needs to be tackled as a problem-solving process. These concepts were structured as it is shown in Figure 9. As it was mentioned before, succession planning in SMEs has less related topics in the literature.

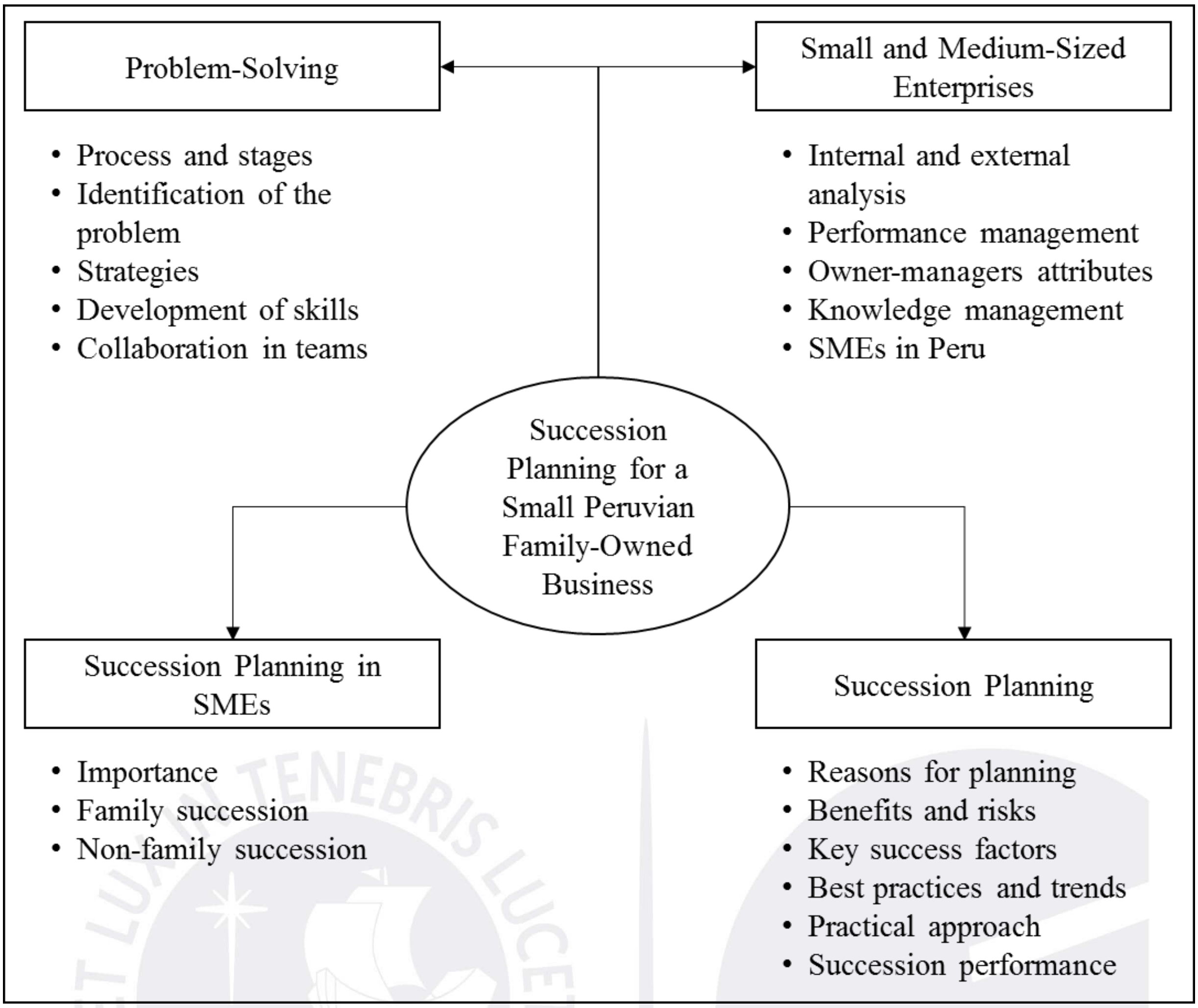

Figure 9. Exploration of literature.

For a better understanding of the problem on which the thesis has been developed, only some concepts of the keywords were selected to make a literature review in-depth. These concepts are shown in Figure 10 as well as the specialized authors found in the literature. The literature mapping shows that there are concepts more studied by academics. For instance, performance management in SMEs is a widely developed topic in different countries with different factors associated to performance. On the other hand, there are some concepts in which only one author was found among the databases used.

Succession Planning for a Small Peruvian Family-Owned Business	Problem-Solving	• Process and stages	He (2015); Ranieri (2002); Daft (2014); Garrett (2014)
		• Strategies	Sexe (2015); Szarucki (2013)
		• Development of skills	Cavaleri, Firestone & Reed (2012)
	Small and Medium-Sized Enterprises	• Challenges and performance management	Bahri, St-Pierre & Sakka (2011); Spillan, Li, Totten & Mayolo (2009); Ates, Garengo, Cocca & Bititci (2013); Agus, Isa, Farid & Permono (2015); Costa & Carvalho (2013); Racolta-Paina & Burca-Voicu (2013)
		• Owner-managers attributes	Schlosser (2015) Spillan, Li, Totten & Mayolo (2009).
		• Knowledge management	Durst & Edvardsson (2012); Costa, Soares & de Sousa (2016); Ceptureanu (2015)
		• SMEs in Peru	PRODUCE (2015); Vásquez & Doloriert (2011)
	Succession Planning	• Importance	Harrison, McKinnon & Terry (2006); Barnett & Davis (2008)
		• Benefits and risks	Valentine (2011); Kemp (2014)
		• Key success factors	Hart (2011); Trustee (2015)
		• Practical approach	Barnett and Davis (2008); Garman & Tyler (2004)
	Succession Planning in SMEs	• Importance	Hannonen (2013); Schlosser (2015)
		• Family succession	Motwani, Levenburg, Schwarz & Blankson (2006); Duh, Tominc & Rebernik (2007)
		• Non-family succession	Durst (2014); Sambrook (2005)

Figure 10. Literature mapping with authors.

3.2 Literature Review

The objective of the literature review is to obtain a deep and extensive knowledge of the variables described above and the relationships between them. A review of the existing literature on (a) problem-solving, (b) SMEs, (c) succession planning, and (d) succession planning in SMEs is included in the following section. The research developed about problem-solving will allow to understand the definition, process, strategies and skills related to the topic. The research developed about SMEs will provide information about the challenges, the owner-managers attributes, knowledge management in SMEs and an overview regarding SMEs in Peru. The research developed about succession planning will allow to understand the importance, the benefits and risks, the key success factors and a practical approach to develop this strategy. Finally, the research developed about succession planning in SMEs will link the two previous concepts and will provide literature about family and non-family succession planning.

3.2.1 Problem-solving

Problem-solving is one of the most important skills that a company needs to develop for its effective functioning. Many organizations struggle with the uncertainty in decision making due to rapidly changing business environments. As it plays an important role in daily decisions, "many companies provide problem-solving skill training to their managers and self-managed teams" (He, 2015). According to Ranieri (2002), problem solving needs to be aligned to the needs of 21st-century organizations. Due to the fact of more dynamism in industries, companies often face changes in work structures, multicultural team interaction and adaptation to new technological advances. Therefore, problem-solving needs to be studied to provide guidelines for an effective and holistic model.

Stages. This thesis has been developed with the classical problem-solving process, which has six steps as follows (Daft, 2014):

1. Identification of the problem: The objective of this step is to define the problem to be solved. This step could be considered as the most important one due to the fact that a good decision could only be made out of a right problem definition. Therefore, it is a check-step in which decision makers need to ensure that they will tackle the major problem identified and not the one that is most easy to solve.
2. Analysis of causes: This step aims to analyze the problem and identify the real root causes. It generally starts with a brainstorming of possible causes which are then prioritized and ordered to present relationships of causality. Causes can be tracked back to root causes with the "5 Whys" technique, which determine the root cause of a problem by repeating the question "why?" five times to resolve the problem. After

this analysis, it is recommendable to step back to reconfirm that the problem definition is still valid.

3. Development of alternatives: This step pretends to generate a number of possible solutions. It is a creative step in which the ideas should not be evaluated yet, as long as they cope with the major problem. In that sense, decision makers must think thoroughly about alternative solutions to the specific problem identified, considering the causes diagnosed.
4. Selection of desired alternatives: After comparing and evaluating the alternatives under a set of criteria (e.g. feasibility, risk, pros-and-cons, cost-effectiveness, etc.), decision makers must decide which solutions to keep and which to disregard. The criteria must be thought about and talked through. Solutions should also be prioritized into what would work the best.
5. Implementation of chosen alternatives: This is a “do” stage. Decision makers will need to decide how they will make the solutions happen. Therefore, they need an implementation plan, which develops subsequent actions in detail. The plan must reflect the cons, costs and risks evaluated in the previous step.
6. Evaluation and feedback: This step aims to observe what is going on with the solution of the problem. The decision maker must register if the solution worked, and if not, what went right and what went wrong. Adjustments can be made with the information gathered to improve upon the chosen solutions, hence the problem is either solved or better under control.

There are other reduced models in the literature with just four steps but with the same objectives in essence. For instance, Ranieri (2002) defined the “diagnostic approach” with four steps: (a) description, aimed to collect data through observation and interviews, (b) diagnosis, aimed to identify influential factors, (c) prescription, aimed to propose solutions, and (d) action, aimed to evaluate and implement solutions. Another four-step model proposed by He (2015) for case studies, consists on the following steps: (a) identifying the problem, (b) diagnosing the causes, (c) generating potential solutions, and (d) making a decision and its implementation plan.

According to Garrett (2014), “the true business issue is commonly referred to as the root cause, and without it, problem solving becomes a game of chance”. Many problem-solving processes in companies fail due to the fact that solutions or improvement efforts are applied to causes opposed to the root cause of the problem. Therefore, there is a big challenge in the root cause identification process because they are not always obvious. For instance, in the case of this thesis, the first direct root cause to come up with is related to the degree of Alejandro’s importance. However, it was identified another underlying issue beyond Alejandro’s position and more referred to an organizational challenge which is to change the small company mentality. Doing so, the problem-solving process not only challenges to solve a small and short-term issue but it also copes with greater and long-term challenges for the company to succeed in this and others succession plans.

Strategies. According to Sexe (2015), problem-solving strategies provide several advantages to organizations due to the fact that (a) it reduces the mental workload and the problem complexity by providing a clear and automated process, (b) it reduces cognitive errors by providing visual aids in mapping the problem-solving process, and (c) it increases the confidence of problem solvers. Individuals solve problems in different ways based on their experience and knowledge of facts related to the problem. According to Sexe (2015), the following problem-solving strategies are more frequently used:

- Lucky guess strategy: When the problem solver directly recognized the symptom of a problem and is ready to test the assumption due to his/her ability to apply previous experience to the problem. There is a high level of risk because simple problems will have a high success rate whereas more complex problems might not be as successful.

- Symptomatic search strategy: It is based on observations as a set of symptoms in order to detect the root causes of the problem. The symptoms are then documented to build up a library of known symptoms and causes for future problems. This strategy relies on problem solver's ability to effectively describe symptoms.
- Topographic search strategy: This strategy occurs when the problem solver has a mental model of the problem-solving and compares to the observed problem to understand potential causes. These topographic maps can be either mental or physical.

Strategies in problem-solving should lead to better solutions. Currently, there is a need for managerial competences in order to deal successfully with problem-solving. Managers and decision-makers in an organization need to select a method or a problem-solving tool in order to identify and solve a broad variety of problems and the problem environment (Szarucki, 2013).

Skills. According to Cavaleri, Firestone and Reed (2012), problem-solving processes are an ideal source for improvement processes, organizational learning and knowledge management. Companies can capitalize on problem-solving to create knowledge in order to develop more highly effective solutions in the future. These authors propose to shift toward a more collaborative and knowledge-based working style in teams when dealing with business problems. Every takeaway from problem-solving processes must be integrated into lessons learned to develop more agile knowledge and create higher quality solutions. Doing so, problem-solving shifts from an individual passive event to a more open, active and systemic process.

When problem-solving recurs into organizational configurations and human interactions it becomes a pattern. Problem-solving patterns (PSP) are designed to support a team in seeking and formulating problems, developing alternatives, and implementing the chosen alternative (Cavaleri et al., 2012). These patterns include factors such as individuals, teams and projects. PSP provides a framework to employees when problems arise and facilitate the team capacities to learn, communicate and create new knowledge to improve team performance.

3.2.2 Small and medium-sized enterprises

Nowadays, SMEs play an important role in modern economies due to the generation of wealth and employment. Governments increasingly recognize their importance as a source of economic growth by creating institutions and developing economic policies that favor their training and competition. Sustain their performance in the long-term is a big challenge as SMEs tend to be more focused on internal and short-term planning (Ates, Garengo, Cocca, & Bititci, 2013). Therefore, there is a clear need to develop managerial capabilities in SMEs. They generally are characterized by limited and low specialized resources, although with a high degree of adaptability. Despite the heterogeneity of SMEs, they share certain characteristics.

Challenges. Regarding the internal analysis (human and financial resources, internal processes, organizational climate and culture, etc.), one of the main problems is the lack of resources such as the right staff required, technological solutions and financial stability. However, managerial skills and practices are developed by the owner or the senior employees in response to the internal operational needs (Bahri, St-Pierre, & Sakka, 2011). Although the size of the company represents a setback because of the scarcity of human resources, it also represents an advantage because it favors a flat organizational structure, which positively impacts flexibility, adaptability and quick reaction to market changes. This market orientation helps SMEs in the selection of an attractive product assortment and provides them high potential for innovation to meet new requirements of its customers (Spillan, Li, Totten, & Mayolo, 2009).

Regarding the external environment (market and customers), these companies operate in highly competitive markets over which they have no control or influence. Therefore, they are considered as players who react and adapt to market changes. External orientation is associated with improving long-term performance in SMEs (Ates et al., 2013). Their demand is composed of a small portfolio of clients with whom they can create closer business relationships. If they are weaker than their customers in terms of business, it implies difficulties in negotiating payments of commercial debts and, consequently, there are cash flow fluctuations causing a lack of control over future decisions.

Accordingly, these type of companies face problems due to both internal and external factors. SMEs owners and managers are increasingly concerned of the company performance due to growing competition, the increasing bargaining power of customers and the need to become more agile to reduce response times. Therefore, they should set strategic objectives translated in financial terms and develop business practices carried out by the firm's employees to improve performance management (Bahri et al., 2011). As a big company, SMEs must identify competitive advantages to achieve growth and profitability. This situation reveals the need for efficient management processes that can be applied within the strategies of these organizations to achieve better performance. Different exploratory studies focused on the competitiveness of SMEs, demonstrate through statistical analysis that there are positive relationships between competitiveness and certain factors such as innovation, internationalization and business strategy (Agus, Isa, Farid, & Permono, 2015; Costa & Carvalho, 2013; Racolta-Paina & Burca-Voicu, 2013).

Owner-manager attributes. SME owners are mostly the CEO of the company. They are entrepreneurs who have the vision of the firm. Due to the fact that there is a small and horizontal structure at SMEs, CEOs have better visibility of the business processes and the opportunity to influence directly their employees. Depending on their management skills, SMEs can be a success or an organizational failure. Their decisions are usually based on intuition and business experience rather than analyzing information (Schlosser, 2015). Moreover, they tend to follow a philosophy of reaction and adaptation focusing on the short term, dismissing a strategic long-term planning.

Regarding human resources practices, SME owners must commit to build good relationships with employees. In fact, employees value a respectful and fair CEO, who listens to ideas and provides a fun and interesting place to work (Schlosser, 2015). Retention of employees in SMEs depends on the CEO, as well as the development and training of less effective employees. Regarding the internationalization of SMEs, CEOs play an important role. According to Spillan et al. (2009), as the CEO is the central decision-maker within a firm, he/she needs "to have attributes (e.g. tolerance for ambiguity) and skill sets (e.g. a greater information processing capability) that enable them to function effectively in the more complex international environment". CEO attributes are key factors to produce greater market orientation and better internationalization performance.

Knowledge management in SMEs. Knowledge management represents one of the most important factors for the success of a company. Knowledge is the basis on which any business strategy is built. Therefore, companies must identify and develop knowledge that will strengthen their competitive advantages and improve their effectiveness. In SMEs, knowledge management generally lies on few people who are in charge of the following processes:

- Information acquisition: It means to acquire technological capabilities or develop relationships with the market through e.g. attendance at fairs, meetings with experts, cooperation with other entities, gathering information about economic, social and technological trends, etc.

- Information transfer: It seeks to share knowledge to individual and organizational level. It is important to create a culture that fosters communication.
- Information storage: It creates efficient storage of all knowledge used in an organization, allowing the access for people who require.
- Information use: The use of knowledge creates value for the company, generating more knowledge which restarts the cycle from the acquisition.

The insufficient time for strategic issues and the lack of expertise frequently results in most knowledge being kept in the minds of the owner-manager and some key employees rather than physically being stored or shared (Durst & Edvardsson, 2012). SMEs usually do not have sufficient financial resources to get the technology and the human capital needed for knowledge management. The challenge for SMEs regarding knowledge management is to overcome informal processes and start applying correctly the acquisition, transfer, storage and use of information in order to improve the firm's ability to address business challenges such as succession planning for expansion purposes.

According to Costa, Soares and de Sousa (2016), knowledge management is a key resource for improving the internationalization of SMEs. This knowledge can be related either to market knowledge regarding the specific country on which the company wants to expand, or related to internal knowledge or technological knowledge that might do easier the internationalization process. IT solutions have become more affordable for SMEs, which has given them the opportunities to seize information and knowledge management (Ceptureanu, 2015).

SMEs in Peru. SMEs account for 99.5% of productive units in Peru, which account for 81% of employment and 40% of GDP (Ministerio de la Producción del Perú [PRODUCE], 2015). According to PRODUCE (2015), the number of SMEs in Peru were roughly 5.5 million by the end of 2015. The majority are informal (83%), since they are not registered in the Superintendencia Nacional de Registros Públicos (SUNARP, by its initials in Spanish), hence they do not tax nor comply with other formalities. Regarding the formal ones, 35% of them access to the regulated financial system. All these figures are related to micro, small and medium-sized enterprises, due to the fact that the Government is focused in all these productive units under the name of MIPYME (micro, small and medium-sized enterprises, by its initial in Spanish). Both the centralization of the number of SMEs and the centralization of credit are in Lima. This is a very dynamic segment considering their creation and closure rates, but it is equally diverse in their characteristics and performance.

Legislative Decree No. 30056 specifies the classification to which companies belong depending only on the value of their sales, represented by the number of tax units (UIT, by its initial in Spanish). Considering Table 3, Equiports is a small-sized company because its sales were roughly S/. 4.6 MM in 2015. The Peruvian State has the following institutions for the integral promotion of SMEs:

- Vice Ministry of SMEs and Industry: Through the portal CRECEPYME, it offers information services, training and technical assistance for growing SMEs and entrepreneurs. It also promotes formalization, productivity improvement, strengthening the institutional environment and the association of companies in productive chains.
- COFIDE: It is state-owned company that is part of the National Financial System and performs financial intermediation operations, complementing the work of the private financial sector, towards the export sector and SMEs.

- PROMPERU: It is a commission for the promotion of Peruvian exports and tourism. It seeks to provide SMEs a comprehensive overview of the opportunities the international markets provide, approaching companies to the use of IT and new tools of virtual management.
- "*Mi Empresa*" Program: The Ministry of Labor and Promotion of Employment of Peru developed this Program to be a quick, easy and efficient alternative for the development and formalization of SMEs. It also seeks to improve management capabilities and the production process, providing training and technical assistance.

Table 3

Definition of Micro, Small and Medium-Sized Enterprises in Peru

Enterprise size	Annual Revenues (S/.)	Number of UIT	Distribution of formal companies
Micro	< 592,500	<150	94.9%
Small	592,500 – 6'715,000	From 150 to 1700	4.9%
Medium	6'715,000 – 9'085,000	From 1700 to 2300	0.2%

Data are from "Las MIPYME en cifras 2014", PRODUCE, 2015, Lima, Peru: Publi Industria.

According to Vásquez and Doloriert (2011), Peruvian SMEs are confronted with increased competition and new entrants in the domestic market due to the economic market orientation and the free trade policies in Peru. This situation has led Peruvian companies to expand their products overseas. Therefore, these companies are concerned about both the domestic market and the process of internationalization. Other challenges are the access to funding and limited managerial skills of the owner-manager.

3.2.3 Succession planning

According to Harrison, McKinnon, and Terry (2006, p. 22), succession planning "refers to a systematic process of developing individuals to fill an organization's key roles". These key roles could be limited to the most senior executive positions or could involve a broader management level within the organization. Succession planning accomplish to identify the leadership talent in the organization to facilitate them learning and development within the organization. By doing so, more qualified people are prepared to assume leadership positions.

According to Barnett and Davis (2008), there are five reason for succession planning: (a) the need to develop and retain talent, (b) generational differences towards values and attitudes at work, (c) the need to retain and transfer knowledge from employees' know-how, (d) the requirement of global leaders who have common organizational values, and (e) the accelerating change in markets, technologies and customer preferences. Succession planning allows organizations to maintain stability and anticipate changes to ensure a steady growth in the future.

Benefits of succession planning. The greatest benefit of succession planning is that it enables a leader to prepare his successor for future challenges of the organization. According to Valentine (2011), most new CEOs do not have the experience or knowledge of their predecessors in several functions and departments, hence they are not familiar with the practices and problems that may arise within the organization. In that sense, succession planning ensure leadership continuity. Other benefits include the reduction of turnover in senior management, an increasing retention of key employees and somehow it ensures the business continuity.

Even the culture can be continued over time when an organization plans for leadership succession because the cultural DNA of the company remains intact. When a top executive grooms a successor for a leadership role, the existing culture, values and best practices of an organization are more likely to be maintained (Valentine, 2011). On the other hand, the risks of not having a succession plan include forcing leadership on a staff member who might be unprepared and uncertain times among employees due to changes in the style of leadership. Another risk is that the business could be sold at an undervalued price (Kemp, 2014).

Key success factors. For a company to develop succession planning successfully, all leaders in the organization need to work together to communicate the goals and execute the process across the organization. Doing so, they recognize that maintain leadership matters and that said succession planning process can directly strengthen leadership in the company. According to Hart (2011), another key success factor is that roles and responsibilities must be clearly defined to participants to engage them with the process. Moreover, executive leaders need to deliver feedback of the effectiveness of the plan to be reviewed regularly. Organizations must clearly identify the leadership competencies required to fulfill higher level positions and develop mechanisms for measuring employees.

Another key success factor is that succession planning should look beyond the family or origin because recruiting from the outside might bring a fresh perspective (Trustee, 2015). When looking for internal talent, top management can identify gaps in expertise or experience among potential internal candidates. If it is not the right timing or there is not enough time for mentoring an employee in this situation, or the progress is not as expected, then leaders must look at the market and assess high-potential candidates.

Practical approach in succession planning. Succession planning should be part of the business culture. Barnett and Davis (2008) proposed a systematic and repeatable process which should be managed as other strategic processes with a company. This practical approach is also simple and flexible to continuous improvement. It is a cyclical five-step process which integrates the best practices in the literature:

1. Preliminary planning: Executives are engaged to discuss the purpose and objectives of succession planning. They need to design the process and define the criteria on which participants will be evaluated. They also develop tools to be used in the subsequent steps.

2. Preparing for succession planning: Executives identify participants in a talent review meeting and communicate the process to those who will be included. Human Resources need to make sure that participants understand clearly the evaluation criteria.
3. The talent review meeting: Through a talent review meeting, each participant is discussed in-depth. In this meeting, executives also prepare the ground for the next round.
4. Feedback and individual action planning: Executives deliver feedback to participants and initiate development planning for participants nominated for a second round of talent review.
5. Measuring effectiveness: Human Resources evaluate satisfaction and effectiveness (e.g. increased number of internal promotions, reduced turnover, etc.) and present them to decision-makers. Executives identify and implement process improvements for future succession planning.

The CEO's succession planning is one of the most important responsibilities of the board of directors. According to Garman and Tyler (2004), the first question to answer in this situation is what kind of leadership the organization needs in the future. Therefore, what the board needs to picture is the leadership competency the new CEO needs to have rather than specific people in mind. In addition, core capabilities should be defined and doing so, a sense of the ideal CEO will begin to emerge.

3.2.4 Succession planning in SMEs

Succession planning in SMEs is a relevant topic as only 30% of these businesses survive their founder (Hannonen, 2013). Furthermore, they represent the vast majority of productive units in all the countries in the world, hence unsuccessful succession has a great economic impact in nations. As mentioned above, SMEs fail to prepare for the future as they have short-term priorities on agenda. Therefore, they do not think on succession planning as a critical issue. In fact, the cost of losing someone in a key role has a greater impact in a smaller company, which carries out different risk for the organization (Hannonen, 2013).

Schlosser (2015) recommended that succession planning in SMEs should include the following steps: (a) define the critical roles, (b) analyze the existing capabilities in them, and (c) identify the potential successors. If there is not succession planning, it creates a greater risk as the company grows. SME owners must identify key employees (family or non-family) because they have the characteristics and capabilities to be the successors. Identification of key employees depends on the competencies of the organization. According to Schlosser (2015), these employees (a) are in charge of the business key success factors, (b) are willing to take a moderate level of risk, and (c) have a higher education and experience from the rest of employees. Behind successful SME owners or entrepreneurs, there are indeed key employees they trust.

Family succession. A large majority of enterprises in most countries have a significant impact of "family" in them. In family-owned business, succession planning is more important "within larger SMEs, as well as within firms in which there are comparatively more family members employed full-time within the firm" (Motwani, Levenburg, Schwarz, & Blankson, 2006). When it comes to family businesses, succession has great importance since it does not only ensure the business future, but it also privileges the relations of the family itself.

According to Duh, Tominc and Rebernik (2007), one of the major problems SMEs face is the transfer of ownership and/or management to the next family generation, as they want to retain the family control. In most SMEs, the transfer of ownership goes hand-in-hand with the transfer of the management function. The failure represents not only a problem for the future of the family business but also for the health of the economy. Therefore, success of

SMEs depends on the successful transfer of ownership and/or management. Nevertheless, the majority of owner-managers are not aware of the importance of succession planning and those who have not started planning the succession yet, state that it is not necessary as they will not plan their retirement in the next five years (Duh et al., 2007).

For any family succession planning in a SME, an approach with five factors in proposed in the literature to the success of the succession (Motwani et al., 2006). This approach aims to avoid the high failure rate that exists in the market. The factors are as follows: (a) the design of a sequence, as the succession planning process described above, (b) the right timing for the succession depending on the business environment, (c) the baton passing technique which includes transferring not only the management but also the motivation and leadership style, (d) the clarity of communication, and (e) the family influence of the founder.

Non-family succession. As mentioned above, succession planning of internal key employees allow companies to review internal candidates' development and performance over an extended period of time. These participants have a thorough knowledge about the organization, therefore it reduces the training efforts and the post-succession adjustment period (Durst, 2014). The successor training mostly consists on transferring the owner's relationships with customers, suppliers, and other contacts. It is important to take the necessary time for knowledge transfer through a step-by-step process with increasing task responsibility (Durst, 2014). By doing so, the process is less stressful and is minimizes the risks in the process. Knowledge transfer should be developed also with real experiences such as business meetings with customers and suppliers.

It is important to involve other employees during the process to avoid resistance from the organization in the post-succession scenario. By including them, they also feel valued by the company (Durst, 2014). After the succession, financial and non-financial performance measurement systems must be applied in order to assess the successor's performance. The suggested key performance indicators are net margin, customer satisfaction and employee satisfaction (Durst, 2014). Non-family successions have a higher survival rate than family successions because there is more satisfaction with the process within the organization and the succession has more impact (Sambrook, 2005).

3.3 Conclusions

The literature review has provided several findings, insights and reasons to develop succession planning in a small Peruvian family-owned business. All six-steps of the problem-solving process have been considered for this thesis and several concepts related to succession planning in SMEs have been taken into account, as well. Furthermore, literature related specifically to SMEs in Peru has covered the challenges confronted by Equiports considering the key problem.

Internationalization of SMEs is a trend that occurs also in Peru as part of globalization; however, succession planning is not a common process developed among these kind of companies. The CEO at Equiports faces both challenges at the same time as he has to expand to Chile another small family-owned company and prepare in the short-time an external non-family succession planning process. Despite Alejandro is a leader in the company with different managerial skills and capabilities, he did not develop properly knowledge management, hence there was not the right internal talent when necessary. Obviously, it is also related with the lack of succession planning as an extensive practice in Peruvian SMEs.

Succession planning in every type of organizations is no longer an option, but it is an obligation to ensure the permanence of the business. It is important to note that one of the reasons for the failure of SMEs is the lack of succession planning, especially in family businesses. It depends on the founders or leaders to make the company to transcend to the next generations, and to do so successfully. Previously, family businesses were passed from one generation to another but nowadays, as there is a need to develop businesses rapidly in this competitive world, extra help is always needed and succession plans should always be in place. Equiports should look forward to developing succession planning for future changes in the organizational structure or for future plans for internationalization. This practice has to be aligned with the strategic objectives of the company.

Chapter IV: Qualitative/Quantitative Analysis

As described in the previous chapter, the potential departure of Alejandro from Equiports will require a critical knowledge transfer process to the potential replacement. This transfer will impact the organizational knowledge, the structure of the company, the roles and responsibilities to assume, how operations are run and the existing relationships with suppliers, customers and other contacts. However, appointing a new General Manager without analyzing whether the company is ready or not for said change can result in an organizational failure.

The problem faced by Equiports means there is an opportunity to analyze how well the company is doing in different aspects. First, it is important to understand the opportunities for improvement and the challenges faced by Alejandro's position. Second, the roles and responsibilities must be evaluated in place in order to determine if the functions in each position are well defined and there is a clear reporting structure within the organization. Third, financial and non-financial measurements need to be assessed in order to comprehend how well the company is performing. Overall, this chapter aims to analyze whether or not it is the right timing for the succession to occur.

4.1 Qualitative Analysis

The qualitative analysis was held comparing the information captured during the interviews with Alejandro and the administrative staff, and the information registered in processes and manuals provided by the company. Gaps and opportunities for improvement were identified for the CEO position and for the organizational structure in general.

4.1.1 Analysis of the General Manager position

As mentioned previously, Alejandro Sarria, as the founder and CEO of a small Peruvian company, is in charge of the following functions:

1. Alejandro sells and rents the heavy equipment machinery for port industry and develops customer relationships through follow-up calls and one-on-one meetings with current and potential customers. He defines the margins and prices, and in case of price adjustments, he approves changes in invoices. He also evaluates new business opportunities that may be developed in the market. For example, the selling of container handling equipment to a mining company.
2. Alejandro develops the manufacturer's' relationship through follow-up calls and adds products to the portfolio by attending fairs promoting the company. He also is in charge of the procurement of equipment after confirming a contract with a customer.
3. Alejandro manages the general duties of the company such as approving financial transactions, signing bank checks and documents, and reviewing administrative and legal documents. He also oversees the interaction and coordination between the departments of the company.
4. Alejandro also manages other activities which should be managed by someone else such as administration. However, since the company is small he is usually the go-to guy for any urgent problem as he has the most experience and knowledge about the company. For instance, when the network is not working due to technical issues in the centralized server or the phone server, Alejandro is the one who steps in and solves it. Indeed, there is an outsourced company for IT support but it takes more time than necessary in order to solve some problems. As mentioned by Alejandro the company is too small to have a dedicated person in charge of IT.

According to Alejandro, 80% of his time is dedicated to sales and procurement activities, whereas 20% of his time is dedicated to the general management activities of the company. Despite that, Alejandro recognizes that he would like to have more time to dedicate to sales, especially in new markets and with existing customers. Moreover, he wants to implement a Customer Relationship Management tool to exploit more business opportunities and to develop more reports for performance tracking. Opportunities for improvement will be discussed in the next section.

Alejandro has extensive knowledge about the company which has not been properly documented or has not been completed in the right manner. Furthermore, Alejandro is very occupied and at times he feels overwhelmed with the amount of work that needs to be completed. This is a key problem for Alejandro's potential succession. Should the transfer of knowledge occur between roles without necessary changes it would result in a highly time consuming, stressful and not efficient process. The new recruit would face a fast and steep learning curve and Alejandro would need to strive for transferring his management functions while maintaining the focus on the daily activities.

4.1.2 Analysis of the roles and responsibilities within the organization

Equiports has a manual outlining the primary roles and responsibilities within Equiports (see Appendix E) supporting the ISO 9001 Certification that was issued in January of 2016 for the processes of sales, rent and after-sales services for machines and spare parts. Regarding other departments, there are few documents about processes and procedures. After analyzing the manual and the processes described, gaps were identified when comparing to what was said in the interviews with the client:

1. CEO position: According to the processes certified by the ISO 9001, the Chief Operations Officer and the Advisor of Parts and Services are in charge of the rent and after-sales services of the heavy equipment machinery, and the sales of spare parts. However, as it was described in the previous section, in reality Alejandro is the person in charge of all the sales processes and has all the knowledge about it. Moreover, price negotiations should be done directly by the Chief Operations Officer and the Advisor of Parts and Services, according to the prices given by Alejandro,

notwithstanding, he intervenes in the process defining different conditions for certain customers. For instance, when it comes to invoicing for rental services, machines are supposed to be used for at least a certain numbers of hours, and if the machines fail to make the number of hours the customers is still required to pay the minimum number of hours for each machine. However, in reality Alejandro invoices the customer only for the hours the machines have actually been used, even if this number is below the minimum.

2. Administration and the Chief Operations Officer: Through the interviews with Alejandro, some miscommunication were discovered between the Administrator and the Chief Operations Officer, despite the fact that there is a subordinate who is in charge to perform both logistics and administrative duties. This miscommunication has occurred due to the fact that there are tasks than can be performed by both the Administration and Operations, such as the stocks control of goods necessary for the operation of the technical-operational services or the disbursements for operational expenses. For example, every week there are internal negotiations between both positions because each department has its own budget for regular weekly expenses. However, often times the Operations Office runs out of money has to request a money transfer from the Administrator. This has led to disagreements in the past where Alejandro has needed to step in and approve the transfer.

Problems arise in organizations when roles and their functions are not clearly defined and there are gaps or overlaps in the processes. Alejandro is bypassing some roles and responsibilities from his subordinates because he is the only one who possesses the required knowledge, especially when it comes to sales and the issues with customers. Delegation and empowerment on sales should be tackled in order to improve the performance of the organization. Indeed, Alejandro realized that he needs to hire someone for sales before thinking on the succession of his position. Due to the current context, Alejandro has expressed the urgent need to hire a new Sales manager. Currently, Alejandro is overwhelmed with the amount of tasks and responsibilities that need to be completed, where is in the only knowledgeable and capable person to complete the job. Some activities should be delegated or empowered. For example, IT support should be provided by someone else along with shared responsibilities regarding the sales and rentals of equipment.

In general, the roles and responsibilities need to be reinforced in order to have a clear understanding of who does what within the organization. For instance, Alejandro has to set the pricing policy and the Chief Operations Officer should apply it, with no further consultation with Alejandro. The level of rigidity in sensitive topics as the pricing policies with customers should be respected as he is going to demand that from the successor. And thinking about the business growth in the Peruvian market, new duties will appear, therefore the delegation of functions will need to be consistent and fair. According to this analysis, it will be harder for a new recruit to understand why at Equiports they make some decisions in the way that they do. The lack of documentation regarding the processes on sales, also make it more difficult to understand.

4.2 Quantitative Analysis

Being and organizational problem, the quantitative analysis aims to consider figures of the company from financial and non-financial measurements to explore if there are issues in the company with these aspects, which might harm the performance of the company in the near future. It is also relevant because financial and non-financial measurements will be adopted by the new recruit in order to clarify goals after the transfer process.

4.2.1 Analysis of financial measurements

According to Sarria et al. (2016), Equiports has presented a consistent 30% annual growth rate in sales since its foundation, ending 2015 with a total turnover of over 4.5 million new soles. The company expects to reach 10 million soles by 2019 and 20 million soles by 2025, according to its strategic plan. As shown in Table 4, Equiports has struggled somewhat with liquidity problems. This is a regular issue in the industry due to the high cost of imported machinery and the low margins expected. The general liquidity ratio over 1 indicates that part of the current assets are being financed by long term liabilities. In fact, the long-term debt accounted for 56% of the total liabilities in 2015. In 2015, the debt ratio was 2.75 (see Table 4), the highest ratio at Equiport's history; however, in the case of Equiports the sales are linked to the long-term debts including the interests, hence there are no major concerns about a financial risk.

According to information given by the client, access to short and long-term capital is viable. Therefore, Equiports prefers to leverage on liabilities to grow as they are backed by sales contracts. In fact, in 2016 the company has high positive cash flows due to the extension of rentals of equipment and the completion of leasing contracts for the acquisition of its current fleet. This will give the company a strong injection of cash every month in order to have their own capital to future high value funds.

Regarding the profitability of the company, the return on sales (ROS) was 9.4% in 2015 (see Table 4) and as mentioned in Chapter I, the objective of the company is to maintain a net margin of no less than 10% per year. As a benchmark, one of the biggest players worldwide called Cargotec, just did 3.8% of net margin in 2015 over sales of 3,729 EUR (Cargotec, 2016). According to Sarria et al. (2016), the net margin in sales, rentals and maintenance is, respectively, 3%, 10% and 30%. The return on assets (ROA) has reduced over time due to an increasing investment in inventories through leasing contracts for more than 7.6 million soles (see Appendix D). Regarding the return on equity (ROE), it shows a recovery in 2015 reaching 18.9% (see Table 4). Overall, Equiports is accomplishing their profitability targets with a low financial risk.

Table 4

Evolution of Financial Ratios at Equiports

Ratio	2012	2013	2014	2015
General Liquidity	1.27	0.85	1.13	1.21
Acid test	0.94	0.67	0.68	0.85
Inventory turnover (days)	151	86	203	156
Debt ratio	0.50	0.62	1.87	2.75
ROS	10.3%	8.5%	7.0%	9.4%
ROA	10.5%	7.0%	4.8%	5.0%
ROE	20.9%	18.6%	14.7%	18.9%

Note. Data are from “Estado de Ganancias y Pérdidas por el periodo terminado el 31 de diciembre del 2015” and “Balance General: ejercicio al 31 de diciembre del 2015”, Equiports, 2016, Lima, Peru: Paola Ortega.

4.2.2 Analysis of non-financial measurements

Equiports has a Balanced Scorecard (BSC, see Appendix F) that was developed in October 2015 with the following objectives: (a) to improve the competences of employees, (b) to ensure the continuous improvement of the Quality Management System (QMS) performance, (c) to maintain a high level of customer satisfaction and (d) to manage successfully the legal and internal requirements of the QMS. The KPIs are tracked monthly, however there are some that have not been measured or tracked properly in months. There are also some KPIs that were just measured once when the company implemented the strategy performance management tool. For instance, the customer satisfaction index has been just measured once despite the firm only having 12 clients. It is worrying that the company targets continue to maintain a high level of customer satisfaction but do not properly track the index to take commercial actions. Due to the few clients that Equiports has, whenever something wrong happens, Alejandro is notified about the incident and takes personal action to solve the problem. However, it is critical to track the overall satisfaction of customers in order to know that the customer relationship has been maintained, especially when Alejandro has the opportunity to talk with all his clients once a week.

Regarding the technical service indicators, Equiports should track the KPIs daily and not monthly, as it is too late to react when all the problems during the month have occurred. Alejandro has recognized that the company still has too few KPIs related to this field and that they will develop more KPIs in order to improve the service level. Equiports should look for solutions to systemize the measurements of these KPIs in order to have the figures daily.

Overall, Equiports has the opportunity to be more aggressive in the definition of targets because they already exceeded all of the company's goals by March 2016, just two months after they received the ISO certification. The lack of challenges might create a state of complacency among the employees, which would not be convenient to keep the steady growth as expected. Gaps in the BSC during past months should also be completed in order to get a history in the figures and to be able to make future decisions.

4.4 Conclusions

Equiports has great growth potential, although there is a growing need for the company to be more efficient in their operations and have better management of customers while driving growth within the company. The analysis identified potential problems related to the main problem, regarding the challenges and opportunities for improvement of the CEO's position, the roles and responsibilities of the internal structure, and the financial and non-financial performance of the company. Equiports needs to be prepared in order to face upcoming challenges of maintaining a sustainable growth with financial stability. For doing so, Alejandro needs to clarify the goals after the succession considering financial and non-financial performance measurements (Durst, 2014).

There are internal issues and risks within the company, related to the management, organization and performance; which make the succession and transferring of knowledge between roles difficult at this moment. Therefore, it would be risky for Alejandro to leave the position in the short term. As reviewed in the literature, a factor to consider for the success of any succession is the right timing for the succession depending on the business environment (Motwani et al., 2006). At the moment, Alejandro should stay as the General Manager, in order to organize the company and then leave to go work at Tecport once everything is under control. Once improvements are made and Equiports is functioning well, then Alejandro can think about transferring his position. He can hire a person in the meantime to help him with sales, which is the core activity of the company and where, in words of Alejandro, there is an opportunity to put in more effort.

The current expansion plan of the other family-owned company makes an unavoidable future transfer of the CEO position at Equiports. Consequently, Alejandro must be prepared in order to facilitate the transfer of management functions in an efficient and less stressful way, minimizing the risks in the process. Taking the necessary time to transfer the knowledge correctly will reduce the post-succession adjustment period and will also avoid resistance from the organization and the new recruit in the post-succession scenario (Durst, 2014). Equiports must also consider succession planning for the future challenges, which are to grow in the Peruvian market and to open subsidiaries abroad. According to the literature review, a process to manage is the one proposed by Barnett and Davis (2008), which is simple and flexible to continuous improvement.

Chapter V: Root-Cause Analysis of the Problem

5.1 Identified Causes

After doing the analysis, two main root causes are identified for the problem: (a) the degree of Alejandro's importance, due to the fact the Equiports is a family-owned business, and (b) the small company mentality, which is a characteristic feature of SMEs. Both root causes will be analyzed in-depth in the following section in order to identify other main causes related to them.

5.2 Main Causes of the Problem

The main causes of the key problem were identified through a brainstorming session. The use of the Fishbone diagram allowed to sort the different ideas into two categories, which were described in the previous section. The diagram is shown in Figure 11 and explores all the main causes encountered, which will be discussed in the chapter.

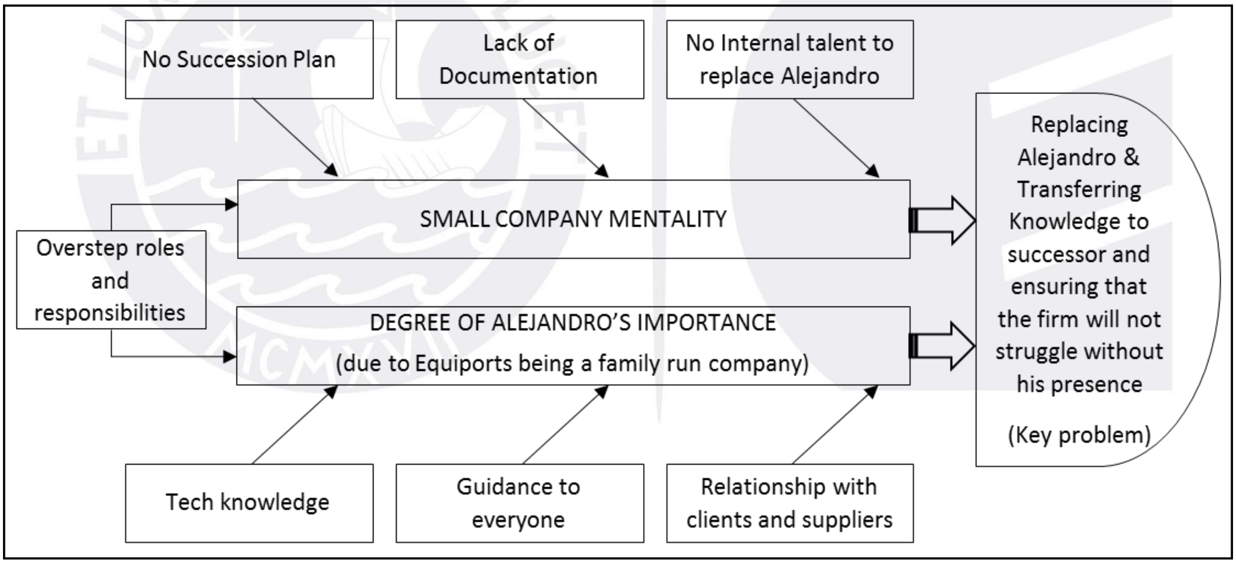

Figure 11. Fishbone diagram of the main root causes of the key problem.

The primary cause of the problem deals with the CEO and general manager, Alejandro Sarria. As the founder and brainchild of the corporation, Alejandro has always taken it upon himself to be immensely involved in every aspect of the company's operations. His role dealt primarily with sales and management, but he often went beyond his role assisting wherever he was needed. Alejandro embraced an additional role as a generalist, spending much of his time assisting in day to day activities such as IT rather than focusing purely on his own role as a CEO.

The relatively small size of Equiports allowed Alejandro to take a hands on approach to his management role, and in turn, this caused him to embrace tasks which were beyond what was required of him. The size of the company and Alejandro's vast knowledge of the firm allowed these practices to continue with little to no recoil, but should Alejandro be replaced or the size of the company increase, this would create a significant bottleneck to the company's growth. Alejandro's departure from Equiports could leave the new manager with an unclear concept of what he needs to do, as well as a workforce that is overly dependent on their manager.

Alejandro's management style needs to be overhauled. The tasks he completes on a day to day basis need to be restructured in a way where his time is not wasted undertaking trivial tasks. For example, when the company has technical problems with their servers, only Alejandro understands how the servers function and knows how to fix them. He takes time out of his schedule to ensure the maintenance of trivial tasks which do not require his expertise to complete. Alejandro's unimportant tasks should be explained and delegated to other employees.

The biggest problem Equiports faces is the degree of importance Alejandro holds within the company. Alejandro has become an integral part of not only the day to day activities within Equiports, but also the largest roles. Equiports relies heavily on the customer and supplier relationships, most of which are currently managed personally by Alejandro. Alejandro has been the sole face of Equiports in the past, and with his inevitable departure, the company will be forced to shift his responsibilities to a new manager.

The problem is increasingly complicated by the lack of detailed documentation of sales history within Equiports. In the past, Alejandro has been able to keep track of all sales and relationships on his own, as he was solely responsible for them. This knowledge has not been put into tangible data, and so the transfer of Alejandro's knowledge would be a complicated ordeal.

Alejandro has an increased level of importance within the company because Equiports is a family company which means that the family members are in the top management and key positions based on the trust factor. This usually gives them a high level of importance in the company. Alejandro is a core member in a family run company where he has a high degree of importance which cannot be avoided completely.

When a person starts a business and is in a leadership role, there are possibilities that new opportunities may arise and the person might want to move onto other things or expand the business. Family businesses often have members who observe everything ranging from small clerk duties to handling customer relations. That is one of the reason why Alejandro has more than one role in Equiports, allowing him to go and do things beyond his managerial duties. Previously, family businesses were passed from one generation to another but today, as there is a need to develop businesses rapidly in this competitive world, extra help is always needed and succession plans should always be in place.

The knowledge transfer process is also problematic in that Alejandro is operating under a time constraint to transfer power to a new hire. Alejandro, under pressure from his brother, is planning a move to Chile to develop the company presence internationally. The pressure has the potential of rushing the hiring and knowledge transfer process, increasing the uncertainty of the hiring process.

The hiring process itself is complicated in that there is a lack of suitable internal talent to replace Alejandro. The inability to hire internally, paired with the short time period only increases the severity of the problem. An internal promotion would provide the company with a manager who is already familiar with how the company functions as well as the general responsibilities of the manager. This would greatly decrease the learning curve involved in the transition of power. Rather than grooming in internal employee for the position, Equiports is forced to search for a suitable candidate externally and transfer the necessary knowledge to him instead.

Despite its optimistic international expansion strategy, Equiports still finds itself trapped within the mentality of being a small company. Although the company is still in its early stages of expansion through Latin America, this mentality has been a key factor in hindering its ability to grow. By operating like a small business rather than developing “big business” practices, Equiports has created a series of problems that need to be accounted for in order to continue to develop. The lack of proper paperwork is one example of how something seemingly insignificant in a small business can be a major issue as it grows. Should Equiports have maintained a more comprehensive filing system early on, the knowledge transfer process would be much easier to implement.

The financial responsibilities lie with the current General Manager. The manager has to sign every legal document when needed and also provides the necessary financing to the administration when the monthly or weekly limit has been exceeded. Such tasks have not been allocated to the accounting nor the administration teams within the organization and the probability of Alejandro trusting the new manager on financial and legal tasks is an issue.

Moreover, the roles and responsibilities of each employee within Equiports have not been properly developed. While the roles of most employees have been developed, the size of the company has led to many employees ignoring the boundaries put in place. For example, the operations manager has the role of quoting prices for customers, but his task is often deferred to Alejandro. Should Alejandro feel a discount should be given to the customer, he will go through with this task, which would normally be taken by the operations manager. This becomes problematic when considering the relationship between the new manager and the operations manager. The roles would likely require redefining or restructuring.

The aforementioned issues are the primary causes of the problem identified in Chapter II. Each of these topics needs to be addressed when perusing an efficient knowledge transfer process. Rather than simply providing the new manager with the information Alejandro possesses, the deeper roots need to be dealt with to both ensure a smooth transition, and to prevent future problems. The core problem that needs to be resolved is the fact that Equiports always had the mentality that they are still a small company. As the company continues to grow, changes need to be made to ensure continued success.

Chapter VI: Assessed Solution Alternatives

Alejandro will need to continue being the General Manager of Equiports in addition to taking on his new responsibilities at Tecport in Chile. Doing so, Alejandro will need to delegate a majority of his work to a new employee, a Sales Manager, who would be responsible for sales, rentals, and customer relationships. As mentioned in Chapter III, Equiports has internal issues related to management, organization and performance that make the succession and knowledge transfer between roles difficult at this moment. Therefore, it would be risky for Alejandro to leave the position in the short term.

The possible solutions described in this section are intended to cope with the root causes identified in the previous section. Table 5 presents a summary of the key problem and the main root causes, and how the alternatives proposed fit to tackle them.

Table 5

Key Problem, Main Root Causes and Alternatives Proposed

Key Problem	
Alejandro will need to leave his position as CEO at Equiports to focus on another company (Tecport), which he is looking to expand into Chile. However, as discovered in the analysis, there are internal issues that could negatively impact the company, jeopardizing the success of the organization.	
Main Root Causes	
• Small company mentality: ▪ Overstep roles and responsibilities ▪ Lack of documentation ▪ No succession plan ▪ Lack of aggressive targets	• Degree of Alejandro's importance: ▪ A lot of knowledge not documented ▪ Micromanager, overstep functions ▪ No added value tasks on him
Proposed Solutions	
• Training new hire (mentoring and shadowing): to create a talent to take over the CEO position. • Resource Management Tool: to organize the roles and responsibilities, letting know Alejandro and the managers about the activities of each position. • Review of KPIs: to track the performance of the company properly. • Knowledge Management Tool and Database: to store and share all the procedures and	

processes of the firm.

- Intranet Development: to foster the communication and collaboration among employees

6.1 Alternatives to Solve the Problem

6.1.1 Training new hire (mentoring and shadowing)

The first alternative would consist of having the new recruit to shadow Alejandro for a determined period of time. Work shadowing consist of having the trainee follow the person he/she is going to replace in their day-to-day operations. This will allow the recruit to get hands-on experience. One of the most important part is that this process is going to allow the trainee to meet all the people that he/she will interact with in the future. Those people include both fellow employees and clients, or even external individuals that have a role to play in the functioning of the organization, such as suppliers. The role of Alejandro will be the one of a mentor during that period of time. In this particular case, it is important to realize that the shadowing process will need to be ongoing in order for the trainee to be able to fully replace Alejandro once he will go abroad to Chile.

Advantages of this alternative are numerous. First of all, it shows the person recruited what kind of relationships Alejandro possesses with the staff of the company and with the clients. As it is a relatively small firm, it is important that the recruit learns to know everyone present on the ground. More importantly, as repeat customers are key to Equiports, being able to introduce himself/herself to them with the presence of Alejandro is beneficial, as it shows some credibility. Another advantage is that Alejandro will be able to show actions he does on a daily basis, and how he performs the job, which is often more valuable than just mentioning to someone how to do something. The trainee will also be able to take his own notes and ask for questions, which could potentially enhance his/her learning experience. Overall, this method is more useful than having documents describing the role of Alejandro, as the hire can see it directly by himself.

Despite obvious advantages, this process also possesses disadvantages. Firstly, it might not be convenient at all times for Alejandro to have someone following him and observing what he does. He might also feel like some of the tasks he performs might not be relevant to the new hire and that it is a loss of time to explain him those actions. Secondly, a potential negative effect of mentoring/shadowing is that the new recruit will watch Alejandro's actions and might stick to his methods thinking it is the best and only way to proceed. Therefore, Alejandro's replacement might just imitate him instead of contributing to the processes himself/herself and making them more efficient and effective thanks to his/her own knowledge.

6.1.2 Resource management tool

Resource management is about having a clear understanding who on your team is busy and who is not. This information can be then be used by Equiports to make informed decisions. A resource management tool allows for a company to have an interactive schedule which contains a dynamic timeline that visualizes the work plan for an organization. This could be highly beneficial for Equiports in order to have better management over their resources. A resource management tools is a more consistent and effective resource allocation, minimizing the peaks and dips in a team's utilization. Having a resource management tool allows for a flexible planning interface, project and resource matching, and in and out board management. Resource management tools are also a balancing act between increasing storage utilization and the increasing risk of actual downtime. Overall, a resource management tool is extremely valuable and an important asset to have. However, it does take time and money to implement it.

Resource management tools have many advantages including the fact that they are available 24 hours a day 7 days a week. The tool is accessible to employees whether at work or at home and allows for standardization. Moreover, it can help Equiports better manage their time and resources thus increasing efficiency by streamlining processes. However, the disadvantages are that you lose direct interaction with employees, it takes time to implement and can be costly. If not managed properly, it could lead to compliance issues. Initial training time and resources will be needed in order to get employees to start using the system, who may be hesitant to use a resource management tool and might not keep it up to date.

6.1.3 Review of KPIs

A KPI is a Key Performance Indicator which is a measurable value that demonstrates how effectively a company is in achieving their business objectives. KPIs should be the most important measures used by the company in order to track their progress against strategic goals. KPIs should help provide individuals with an understanding of daily levels of performance.

KPIs help measure how well a company like Equiports is doing in terms of delivering their key goals and strategic objectives. The data that is generated through KPIs should then be used in order to make informed decisions that lead to positive actions. Therefore, the main purpose of a KPI is to inform by providing information and data. However, KPIs can go wrong when they turn from being a measure to a target.

6.1.4 Knowledge management tool and database

Installing a knowledge management tool or database is another alternative that could highly benefit the organization. A knowledge management system is "any kind of IT system that stores and retrieves knowledge, improves collaboration, locates knowledge sources, mines repositories for hidden knowledge, captures and uses knowledge, or in some other way enhances the KM process" (Frost, 2010). The main goal of knowledge management systems is to increase organizational effectiveness by bringing knowledge from the past to impact present activities (Maier & Hadrich, 2011). Of course, in the case of Equiports, there would be no need for a highly complex system, as it would not fit the needs of the company.

Nevertheless, a comprehensive system, in which documents could be stored and retrieved by employees whenever they need them would increase efficiency and would require less internal communication in order to access knowledge that only one person possesses. For example, Equiports could document procedures that it follows to accomplish certain actions. Having a knowledge management system in place would help in the succession of Alejandro because his replacement could retrieve information from the database and use it to perform the job better. The company is currently storing a few documents on Microsoft Dynamics. However, the documents are rarely retrieved in the system. This might be due to a lack of communication concerning the fact that documents are present to help in day to day operations, or it might be due to an unclear classification of the information. Therefore, the platform needs to be improved. First by increasing the amount of information present, and secondly by creating a user-friendly classification allowing each employee to retrieve the information he/she might need.

The primary advantage of this alternative is the fact that the knowledge, once inserted in the database or system, is available for an unlimited amount of time. This is something that Equiports needs because right now, Alejandro is the first key person to leave the company with the knowledge he has acquired. In the future, other employees are susceptible to leave as well, or even retire. Therefore, it is crucial for Equiports to have a way to retain the knowledge of those workers, who have been there since the beginning and know everything about the processes they are in charge of. By making sure that this information is sorted and made easily retrievable, new workers coming in twenty years from now will still be able to get some insight about the way things are done in the company.

A disadvantage of knowledge management system is the time and effort required to create such a database. Right now at Equiports, the amount of files available is very limited and not stored in a proper manner, which means that there is a very small amount of documents that could start up the database. Moreover, Alejandro is going to have to convince his employees that their effort is required in order to document the procedures and processes they follow daily. This is especially difficult because it is sometimes hard for employees to see the benefits they would have in spending time doing that, as they already master the knowledge they are going to write down. Also, some of them could see that as a threat that someone could come and replace them in the near future.

6.1.5 Intranet development

Intranets are an integrative part of the knowledge management family. However, they do not focus on the same process as the one present in a knowledge management system. An intranet is a network that is private within the company, and allows access only to employees within the firm. The main purpose of intranets is to foster the communication and the collaboration of workers, which in turn could lead to higher productivity. In order to properly function, intranets need to possess certain characteristics. For example, an intranet should be an open tool to communicate at all levels. This means that the intranet should provide individuals with the opportunity to contact people in a bottom-up, top-down or peer-to-peer manner. More precisely, the top management should be able to post company-wide messages and in return, get the thoughts and concerns of employees at every level in the firm. The general manager could also use the platform to communicate about the values, and objectives of the company as a whole.

Another aspect of the intranet should be to facilitate the transfer of knowledge. Not necessarily by writing it all down, but for example by creating employee profiles describing what each person possesses as critical knowledge. In this way, a colleague searching for information about a particular process would not need to visit each worker to find what he/she is looking for. Finally, and most importantly, it is a tool that should have an impact on the way every employee works. Meaning that, if the intranet were to be removed, it would negatively impact performance (Phillips, 2011). Having an intranet could be an advantage in the case of a succession because it is a tool that would allow Alejandro's replacement to communicate easily with anybody in the organization.

One of the advantages of having an intranet is the fact that it is a private tool dedicated solely to the company. On a security level, all the information are available only to the members of the company and cannot be dispersed to external individuals. Another advantage is that it is a more direct way to communicate within an organization, making conversations happen faster, and involving all the parties that have a stake in the problem at hand.

A potential disadvantage is that the intranet would not necessarily have a database of documents written down. If the company uses it primarily as a way to foster collaboration, as well as communication, a database would not be put in place. Therefore, the intranet would be more useful for day-to-day operations, but would not serve as a repertory for specific knowledge. Moreover, another disadvantage is that, if employees are not used to such a system, they might be reluctant to use it if they do not see directly the potential benefits for them. Therefore, some training might be required to show how the intranet can add value to the daily work of employees.

6.2 Assessment of Alternatives

To determine which alternatives should be implemented by Equiports, each alternative was evaluated based on four criteria: importance, feasibility, added value and risk. Our alternatives were ranked against one another to determine the overall necessity of the alternatives. The importance of an alternative is a measure which deals with how likely the company is to struggle should the alternative not be put into place. A higher value indicates higher importance. The shadowing processes was ranked the highest in importance due to the inability of a new manager to take over Alejandro's position without guidance and the transfer of client relationships. Knowledge management was given a value of four, as the new manager would be unable to perform role without company information being transferred to him. The reviewing of KPIs was given a value of three as they would provide a means of measurement for the performance of the new manager, as well as the company as a whole. The creation of a resource management tool or intranet were given values of two and one respectively, as they are not imperative to the function of the company.

The feasibility of each alternative is a measure of how easily it can be implemented. A high value in the feasibility column shows that there would be little to no resistance in implementation. A resource management tool and the reviewing of KPI’s were given values of five and four respectively as they could easily be implemented with minimal investments from Equiports employees. Knowledge management was given a value of three as it requires a respectable time investment from both the new hire and Alejandro to transfer knowledge properly. The training and shadowing of the new employee was given a value of two because it would require Alejandro to spend a substantial amount of time in Peru rather than Chile, and in turn, is much more difficult to implement. The development of an intranet was given a value of one as it requires the creation of the intranet, transfer of knowledge into the intranet, and training for each employee on how to use the intranet.

Value added is a measure of what the alternative brings to the company. An alternative with high value added would create the most value for Equiports. Value of five and four were given to training and shadowing and knowledge management. These two alternatives directly influence the performance of the new employee. Should the employee not be trained properly, the company would see a significant drop in productivity as the company revolves around the performance of the general manager. Reviewing the KPIs was given a value of three as it would help monitor the performance of the company and provide feedback on what needs to be improved. Values of two and one were given to the resource management tool and intranet, as they provide some value through increasing the efficiency of work, but would not provide as much as the other alternatives.

The final evaluation criteria of risk is that one which measures the potential of each alternative to impede the succession process. A high value in the risk column conveys a “safe” alternative, or one which has little to no negative implications on the task at hand. A value of five was given to the implementation of a resource management tool, and a four to the KPIs. The management tool as well as the KPIs can provide value by providing information to employees and management, but would not harm the knowledge transfer processes as the worst case scenario is simply that the tools would simply not be used. The Intranet development tool was given a value of three as it requires investments of both time and money to implement. Knowledge management was given a value of two as the improper transfer of knowledge would greatly impede the ability of the new manager perform his role at a high level. With a value of one, the training and shadowing is seen as the highest risk, as potential clashes in management style, improper training, or the lack of training would all be detrimental to the ability of the new manager to fulfil his duty in the future.

After analyzing each component based on the four criteria, an average value was given to each, taking into consideration the same weight for each criteria. The possible solutions of training and shadowing, knowledge management, reviewing of KPIs, and the resource management tool all scored similar average values. The intranet development scored a significantly lower value, and is not seen as important as the other alternatives. Therefore, this alternative will be discarded as part of the solution for the key problem. The results of this assessment are shown in Table 6.

Table 6

Comparison of the Proposed Alternatives

Possible solutions	Criteria				Total score
	Importance	Feasibility	Added value	Risk	
Training and shadowing	5	2	5	1	3.25
Knowledge management tool	4	3	4	2	3.25
Review of KPIs	3	4	3	4	3.5
Resource management tool	2	5	2	5	3.5
Intranet development	1	1	1	3	1.5

Note. The rating goes from 1 to 5, in which 5 is the best rate.

Chapter VII: Proposed Solution

Taking into consideration the different alternatives mentioned above, one needs to realize that implementing only one of the recommended alternatives would not be optimal to solve the problems Equiports is currently facing. However, implementing all of the provided alternatives would not be feasible due to timing, effort, and cost. Therefore, it is recommended that some but not all of the provided alternatives be implemented.

The first alternative for Equiports is to implement is the training and shadowing/mentoring of the new recruit. The new recruit will shadow Alejandro in the short-term in order to gain insight into the daily tasks that Alejandro performs. Moreover, having Alejandro introduce the new recruit directly to other employees, suppliers, as well as the customers of the company would help build the new recruit's credibility within Equiports. Therefore, Equiports needs to find the right candidate for the position of general manager.

Afterwards, the priority would be for the new recruit to be able to take over the sales part of the company, which would allow Alejandro to focus on important problems that need to be solved before his final departure from the company. As many of Equiports customers are returning clients, the new sales manager would need to be in contact with each of them personally via meetings that Alejandro does with them.

Once the recruit feels comfortable as sales manager, the shadowing could continue in order for the candidate to observe how Alejandro proceeds in his relationship with suppliers, and of course, how he operates the firm as a whole. In order for a smooth general management transition to happen, the candidate will also need to clearly understand his role, as well as the culture of the organization he/she is going to take over. This shadowing would help the new recruit to assimilate some of the knowledge that Alejandro has not been able to document in a tangible manner.

The second part of the proposed solution is to make better use of the KPIs in measuring the company's performance. At the moment, the measurement of the KPIs is lacking and is not being done in a consistent manner. Therefore, no real conclusions can be derived from those measurements, and it does not add value to the firm. As a result, Equiports needs to decide which KPIs are the key ones to focus on and track. They need to assign someone the responsibility of tracking those KPIs on a daily, weekly, or monthly basis depending on the KPI's need.

Finally, in order to review and follow up on the indicators, monthly meetings would need to be organized to check whether the numbers are aligned with the objectives and to see if any improvements are required. Making better use of the KPIs will help refocus the company before the departure of Alejandro and establish clearer metrics that his successor will be able to track overtime in order to assess the performance of the firm. This will provide more clarity when it comes to the management of Equiports and the necessary targets that need to be attained.

The third alternative that needs to be implemented is the creation of a better knowledge management tool. This will require more time and effort from the team. In fact, the documentation of processes and activities will take a long time to complete, as there is an opportunity for improvement to complete the documents created so far by the company. Therefore, the first step of this process is to clearly identify the procedures, and information that need to be documented. Next, it needs to be determined which employees will be responsible for the creation of which documents. Finally, the person responsible for the improvement of the shared platform (Microsoft Dynamics) needs to organize it to be more user friendly. The goal is to arrive to a tool in which all the necessary processes and information are presented accordingly. The platform needs to be user friendly and easy to navigate.

This part of the proposed solution needs to be implemented as soon as possible. Some of the information in the database will be useful for the succession of the general management position. Therefore, even though the creation of documents will be an ongoing process for the company, the key documents need to be created as soon as possible. Similarly to the mentoring/shadowing part of the solution, the main objective here is to turn Alejandro's knowledge (as well as the knowledge of other workers) into tangible documents that will be available to the successors of the current managers (across every position in the company).

The proposed solution comprises a final element of developing a small scale resource management system will help the company organize the necessary changes. At the moment, implementing a full resource management tool program would not be necessary, due to the small size of the company. However, using Excel to track down the progress of projects could help solve the lack of clear roles and responsibilities. By creating a shared document on Excel, Alejandro could better manage his resources and have an improved overview of the tasks that are performed by each employee and their roles and responsibilities. Alejandro would also be able to see the level of completion for each task. The Excel file would provide a general overview of the work performed by each employee. Linked to the KPIs, this tool will assure a smoother transition in the general management role, as the new recruit will be able to follow the current projects and evaluate whether more resources or time is required.

The logic behind the non-implementation of a full resource management tool also applies to the reasoning of not creating an intranet. At the moment, even though communication needs to be improved, the creation of an intranet is not necessary due to the relatively small size of the company. Therefore, the creation of such a tool should not considered in the short-term at Equiports. The current communication tools should continue to be used, while at the same time ensuring all people who have a stake in the project are included. If the company were to grow significantly in the future, the creation of an intranet would be an opportunity for the firm to combine the different tools they use.

Chapter VIII: Implementation Plan and Key Success Factors

The implementation plan for Equiports consists of three “quick wins” initiatives and one medium-term initiative, which is the training and shadowing of Alejandro’s successor. The latter will start in the first month as Alejandro plans this person to start working in early of that month. This initiative will last at least six months, considering the importance for the whole project. In the case of the quick wins, they will be implemented in phases in order to not generate work overload for the employees involved, and will be implemented until the end of the six months plan. Afterwards, all of these quick wins will need to be integrated successfully across the company’s culture and its core activities. For instance, the development of a resource management tool will require the support of employees to use it after the implementation to ensure this good practice of organizing the roles and responsibilities, letting know Alejandro and the managers about the activities of each position.

8.1 Activities

8.1.1 Training and shadowing

Training and shadowing are both extremely important in order to ensure the successful transfer of knowledge from Alejandro to his successor. The new recruit will begin working for the company since the first month. After having been hired by Equiports, he will firstly become the new Sales manager of the company. In order to become comfortable with his new position, he will shadow Alejandro over the next month in order to gain hands-on experience and develop core relationships with customers. During this period, Alejandro will be taking on the role of a mentor in order to ensure a smooth transition across roles. Throughout the first month, Alejandro will show the new hire what he does on a daily basis and how he performs his job.

Afterwards, starting in the second month, the new hire will start taking on managerial responsibilities regarding sales and begin integrating them into his new position. During the time that the new hire is working and is not shadowing Alejandro directly, he can slowly take on new tasks involving sales and learn about Equiports processes. Alejandro will need to follow up directly with the new recruit in order to ensure that he is feeling comfortable and is successfully integrating himself as a Sales manager. The new recruit will have one-on-one meetings with the administrator, the operations manager, and the spare parts salesperson in order to gain a better perspective on how the company is run. This training period will continue for at least three months until the new hire has successfully been transferred all of the necessary knowledge to be an effective head of Sales and potential CEO. It is important that the new hire feels empowered by the end of the shadowing and training in order to ensure that he can take over the new CEO position in the next year.

Overall, it is important that Alejandro takes the necessary amount of time to find a new hire that is fit for the job and train him accordingly (the new hire was found during the second week of August). Only then can the transferring of knowledge be successful. Moreover, it is important for the new recruit not to just imitate Alejandro’s style of working but also to contribute to more efficient and effective processes themselves by providing his own knowledge.

8.1.2 Review of KPIs

Equiports needs to review the KPIs that are currently present on its BSC in order to redefine the targets, the measurement frequency, the measuring process and which people will be responsible for it. This initiative will help to assess how well the KPIs are doing when it comes to tracking the progress of the key goals and strategic objectives. Should a KPI not be measured with the right frequency or with the right process, new specifications will be written down in order to deliver the proper company’s performance. It could be also the case that new KPIs should be considered to provide another understanding of the levels of performance.

The assessment of the current KPIs and identification of opportunities to come up with new ones will be done during the first two weeks of the first month. During the next two weeks, the people responsible will be in charge of defining the best way to process the data and share the information in a daily, weekly, or monthly basis, depending on the KPI's needs. It is recommendable that the person responsible of tracking a KPI is not the person in charge of managing that indicator, otherwise, there could be conflicts of interests and it might lead to having some KPIs not being measured properly.

Once the KPIs are well defined, Alejandro must ensure that from month two onwards, the correct tracking of all the KPIs is in place. This is important in order to be able to make decisions in a timely manner (for example monthly decisions if the KPIs are tracked on a weekly basis). At the end of each month, the BSC should reflect a final measure for each KPI and the results should be discussed in monthly follow-up meetings between Alejandro and his three direct subordinates.

8.1.3 Develop a resource management tool

A resource management tool will benefit Equiports by providing managers with an ability to oversee and understand the current tasks and projects each team member is working on. This will allow them to maximize their resources and time to the best of their ability. Equiports will use the information from the resource management tool to make informed decisions relating the various projects. See Appendix G for an example of a simplified Resource Management Tool.

During the first few weeks of month one, the tool will be defined and created by Alejandro, the General Manager, and Magali, the Administrator of Equiports. A simplified version of a resource management tool that will be created in Excel to ensure it will be quick and easy to implement. After having developed the tool by mid-month one, it will be implemented and employees will begin using it. During the second month, the tool will be monitored in order to ensure that all employees are inputting the correct information in a timely manner. The resource management tool will be useful for managers to see which employees are assigned to current projects and to gain an overview of the tasks that are in the process of being completed.

Developing a resource management tool is a quick win for Equiports. It will allow the company to effectively manage its resource allocation and minimize the peaks and dips in its team's utilization. The tool will be used as a manual to ensure that roles and responsibilities of each team member are clearly defined with no overlapping of key functions. Within a short period of time, Equiports will have a supportive resource tool in Excel that can help increase the utilization of its staff members and value to the company. This Excel file will be accessible by employees through the centralized server within a few weeks and help Equiports increase efficiency by streamlining its processes. It is important, during the creation and implementation phase of the resource management tool, to have a designated manager who will create and oversee the tool in order to keep it up to date and make it effective.

8.1.4 Improve knowledge management

Improving knowledge management is also a quick win but is more time consuming due to the fact that there are many documents about manuals, procedures, processes or other kind of information that need to be created. However, it is the second most important initiative to cope with the key problem. It will help to create a repository of information to make a simpler and faster succession for any position in the future. For a potential replacement, it will be easy to access this user-friendly repository shared in the centralized server in order to retrieve information according to his or her functions.

This initiative will start in month two with the identification of opportunities for improvement, meaning a mapping of all the information that need to be documented somehow. Alejandro will need to lead this process during two weeks through meetings with each subordinate in order to identify the gaps in the existing stored information. In the next two weeks, people responsible and deadlines must be defined in order to create all the missing documents. The managers can rely on their subordinates and make them responsible for the creation of these documents. An employee should also be appointed to create a user-friendly classification in the centralized server, allowing each employee to retrieve the information he or she might need.

Finally, during months three and four, employees will work on the knowledge development and sharing. This work must be done considering formats and guidelines to accomplish a proper presentation and the same level of details in each position. They will also have to meet the promised deadlines and each new document should be communicated to all the organization in order to share any information that can be valuable for certain employees. By doing so, efficiency will increase due to the fact that it will require less internal communication in order to access knowledge that only one person possessed previously.

8.2 Implementation Gantt Chart

Figure 12 provides the implementation plan in a Gantt chart, considering the four initiatives that need to take place. This plan does not require a budget. The initiatives capitalize on current software and tools used by Equiports to not invest in IT solutions nor in training. The quick wins are just adjustments to current practices done at Equiports that need to be reviewed, completed or improved. They will be time consuming but considering the fact that Alejandro will lead the process, it will be easier to engage people to work.

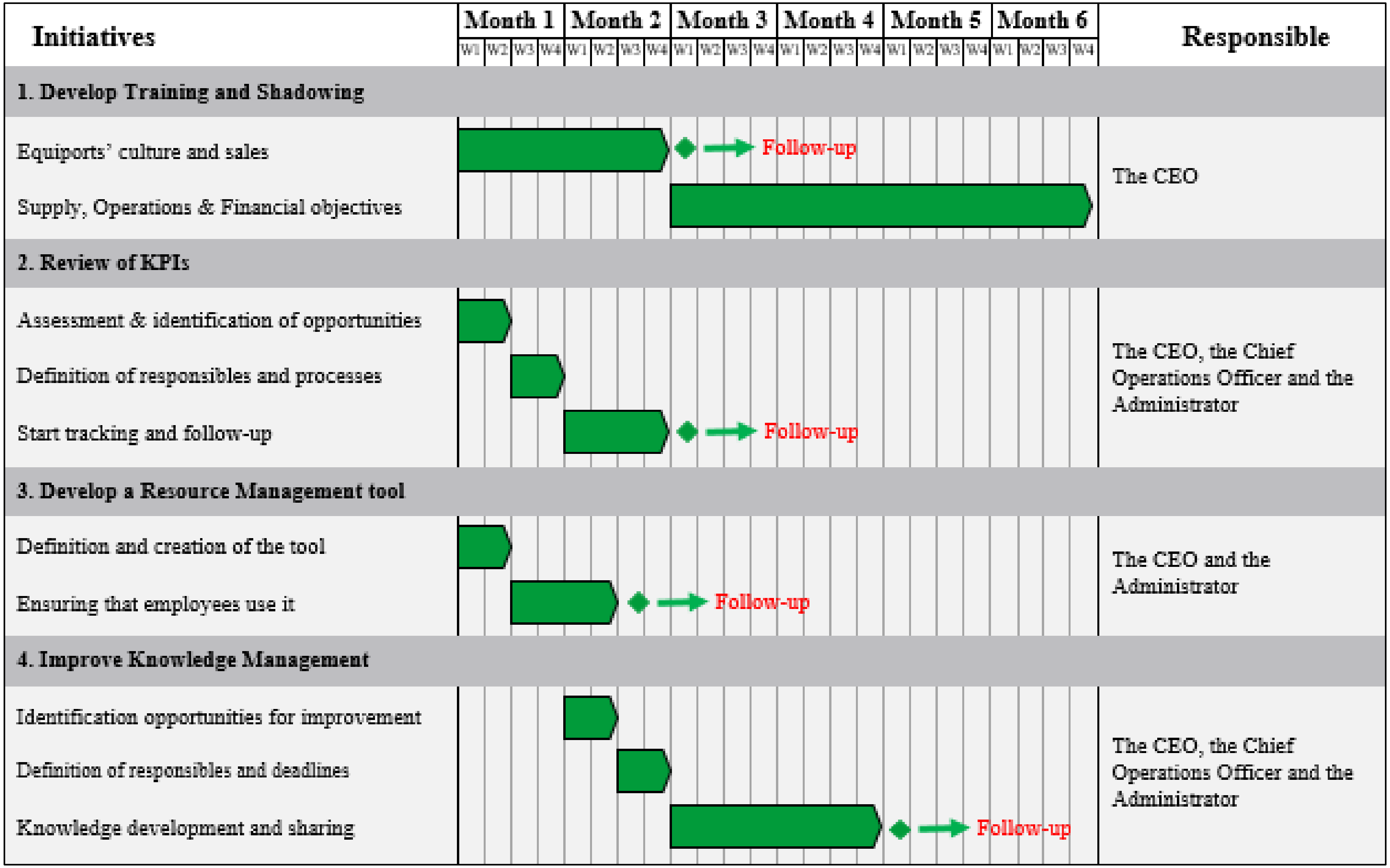

Figure 12. Implementation plan.

8.3 Key Success Factors

The key success factor for developing training and shadowing is the presence of Alejandro at Equiports for the duration of the process. Currently, Alejandro travels outside Peru regularly as part of his job, but will be unable to do so with the same frequency while mentoring the new hire. While mentoring the new employee, Alejandro needs to remain mindful that there will be a shift in management styles as power transfers from him to the new employee. He needs to allow the new manager to perform his role without strict controls over his management style.

The key success factor of the review of KPIs is the comprehensive knowledge of the business. The creation of KPIs should be developed with a particular goal in mind and should allow both Alejandro and the new manager to monitor the performance of the company. KPIs will also need to be maintained frequently. Falling behind on the measurements of KPIs would be detrimental to the integrity of the indicators. Therefore, the person responsible for each KPI will need to ensure the readiness of the information when needed in order to take action with the right timing and plan recommendations to improve the levels of performance.

The key success factor for developing a resource management tool is the buy-in of employees. The implementation of the tool adds an additional task to each employee workload and may encounter some minor resistance in the early stages. The tool would also need to be utilized properly by management. Management needs to be able to meet regularly to discuss the results provided by the resource management tool, and to use these to control and monitor the activities of employees. This could be done through weekly meetings in which management can discuss the activities being performed by the employees.

The key success factor to improve knowledge management is the mapping of the requirements for improvement of the company's documentation practices. This documentation needs to be readily available to the employees whenever needed. After the creation of the documentation, the knowledge needs to be updated and maintained to ensure its continued relevance. New documents need to be created for any positions created in the future, as well as continued adjustments to account for any alterations of current positions. Lastly, the employees need to be trained to use the knowledge management tool, and must buy into the practices as well as the maintenance of the tool.

8.3.1 Enablers

Alejandro’s presence during the implementation plan will be very important as he will lead all the initiatives. He is convinced that his leadership will be necessary to get all members of the organization committed with the accomplishment of all the initiatives. In the case of the new recruit, he will enter his position with high motivation because of the upcoming challenge that he will assume in the short-term, hence he will be looking to shorten his learning curve and quickly get used to the new working environment at Equiports. As long as Alejandro communicates the succession plan on time with the reason behind it, the support and commitment of most of the employees is expected. Other enablers are the facts that the implementation does not require a budget and that clear key success factors for all the initiatives will increase the likelihood to achieve the goals proposed with the succession plan.

8.3.2 Risks

Appointing a new General Manager and not putting the time and effort into the knowledge transfer process and the rest of the initiatives proposed above can result in an organizational failure after the succession of the CEO position. Therefore, Alejandro needs to prepare the ground properly in order to facilitate the transfer of his managerial functions and to ensure that the new recruit can take the lead of a more efficient organization.

The profile of the new recruit will need to be the "right fit" for the company. His managerial style needs to be aligned with that of the organization in order to avoid resistance from employees who are used to Alejandro’s style. Rushing the selection process can result in a person with inadequate knowledge, expertise or people management skills. Therefore, Alejandro should concentrate on hiring a person with the necessary skills and expertise.

Regarding the knowledge transfer process, it can result in gaps between Alejandro and the successor if it is rushed. The implementation plan proposed takes into consideration a considerable time for the shadowing and training; however, if Alejandro gets busier than expected due to the new affairs in Chile, he could not dedicate enough time to the new recruit. Communication and support between both of them will very important to have a smooth knowledge transfer process.

Chapter IX: Expected Outcomes

After having Equiports implement the proposed alternatives, which are (a) the training and shadowing, (b) review of KPIs (c) implementation of knowledge management tool, and (d) resource management tool; the expected outcome is not only an immediate result, but an outcome that would also benefit the future of the company. The efficiency of the workers and overall, the company, are expected to rapidly improve and continue to benefit from the implementation plan in the long run.

Thanks to the completion of the document database as part of implementing the changes, training employees will get much easier in the future. In fact, Equiports' future recruits will have some form of manuals and documents to look at when needed, and will get trained with the help of such documentations. The necessary processes and information will now be present in the platform which will help not only new recruits, but all other employees whenever needed. This effective knowledge management process will help the successors of the current managers in all managerial positions to know and have an understanding of the processes and work structure before they step into their roles.

Since there is no proper documentation at the current moment, shadowing and training for the new recruit is an absolute necessity. The successor would also be well trained and mentored by Alejandro and would be well connected when they have to come in contact with the clients and suppliers in the future. The successor would develop his relationships with all the people related to Equiports by attending meetings with Alejandro and getting introduced to everybody in the company. Such actions would allow the upcoming successor to have a healthy understanding of the roles of each worker involved in Equiports and provide a successful smooth transition into his roles and responsibilities.

When there is a change in top management and if the person who leaves is so influential in the company, employees may get reluctant to work under the new manager citing the difference in managerial styles and organizational culture differences. It is said that success in an organization depends on persuading the employees (individuals) to change the way they think and this task lies with the CEO or the top management. Such changes in the company can be dealt easily when the new person is recruited and present along with the current manager (in this case, Alejandro) for a certain amount of time. Alejandro being along with the recruit would help the person to understand the culture within the company and develop relationships with everyone much easily. The outcome would be that the employees would see the point of change and agree with it by understanding the needs of the company.

Making better use of the KPIs by eliminating the unwanted KPIs from the current process would allow the company to concentrate only on key KPIs that would really highlight the growth and success factors of the company. The key ones would allow the employees to assess the performance of the firm by analyzing it, according to the time basis needed by the company. The increase in efficient performance and decrease in time to obtain the results and meet the objectives can be witnessed soon if the proper KPIs are alone taken into consideration.

By creating a shared Excel document as a small scale resource management tool, Alejandro will be able to track the operations and the work done by resources easily from anywhere in the world. The Excel sheet not only allows Alejandro to track, it also allows the other employees to know how much the task has been done and how much is remaining. Such operations would allow the company to move forward efficiently without any heavy investment. The new manager would also be able to understand easily about the current projects and what are the roles and responsibilities of each employee just by looking at the shared document.

Equiports should expect with this succession to continue growing in sales according to the goals defined in the Strategic Plan 2025 (Sarria et al., 2016). The net margin should also be maintained over the target of 10% per year. Local companies do not release public information about their financial statements; however, as it was mentioned by the client, it is a good profitability for an industry with low margins. For 2017, the new recruit should be expected to achieve at least the same financial ratios for ROA and ROE of 2016, which are 4.8% and 18.9%, respectively. These figures should be part of the financial performance measurement system for the successor.

Chapter X: Conclusions and Recommendations

10.1 Conclusions

The National Port Development Plan and the increasing trade agreements represent a huge opportunity for Equiports to ensure its growth and consolidation in the Peruvian market due to the potential growth of the port industry within Peru. The government is committed to promote investments in infrastructure for improving the efficiency and modernization in ports in the north and south of Peru. Another opportunity for the company is the preemptive sales of “green” equipment as there is a trend to develop natural gas machinery in order to decrease greenhouse gas emissions. Regarding the strengths of the company, it has (a) strong relationships with primary customers, (b) preemptive forecasting and scheduling of operations, and (c) financial health.

The key problem is the fact that Alejandro Sarria, the CEO at Equiports, will need to leave his position to focus on another company (Tecport), which he is looking to expand into Chile. However, Alejandro is the central figure in the company and most of his knowledge has never been written down in any form. This makes it extremely difficult for his potential replacement to fulfill the required duties, as neither tacit, nor explicit knowledge is readily available. Secondary problems are related with (a) Alejandro being involved in activities that does not add value, (b) communication issues among departments, and (c) defining clearly the roles and responsibilities within the firm.

The root causes of the main problem deal with the highly reliance on the first-hand knowledge of Alejandro. As the founder and brainchild of the corporation, Alejandro has always taken it upon himself to be immensely involved in every aspect of the company’s operations. His role dealt primarily with sales and management, but he often went beyond his role assisting wherever he was needed. Another root cause of the problem is the small company mentality, which is a characteristic feature of SMEs. By operating like a small business rather than developing “big business” practices, Equiports has created a series of problems that need to be accounted for in order to continue to develop. The lack of documentation is one example of how something seemingly insignificant in a small business can be a major issue as it grows.

The literature review provided insights and reasons to develop succession planning in a small Peruvian family-owned business. Succession planning is not a common process developed among SMEs. Alejandro did not develop properly knowledge management, hence the company faces a big trouble when looking for internal talent to take over the CEO position. In this case, the company should also assess if it is the right timing to make the succession to an external candidate as there are internal aspects of the company which need to be improved in order for the transition to happen in a smooth manner. This situation makes Alejandro’s presence necessary for a few more months in the company.

The analysis identified potential problems regarding the challenges and opportunities for improvement of the CEO’s position, the roles and responsibilities of the internal structure, and the financial and non-financial performance of the company. Equiports needs to be prepared in order to face upcoming challenges of maintaining a sustainable growth with financial stability. The firm has great growth potential, although there is a growing need for the company to be more efficient in their operations and have better management of customers while driving growth within the company. Alejandro must lead the process to facilitate the transfer of management functions to the new recruit in an efficient and less stressful way, minimizing the risks in the process. Once the company is organized and under control, Alejandro can think about transferring his position.

Not prepare the ground properly in order to facilitate the transfer of management functions, can jeopardize the growth of Equiports and Alejandro’s expectations with the succession. Therefore, a problem-solving process was conducted to ensure that the firm will not struggle without the presence of Alejandro. A six months plan is recommended to apply at Equiports to cope with the key problem. The plan has four initiatives: (a) to develop training and shadowing, (b) to review the KPIs, (c) to develop a resource management tool, and (d) to improve knowledge management. These are “quick wins”, which capitalize on current software and tools used by Equiports to not invest in IT solutions nor in training.

Training and shadowing are both extremely important in order to ensure the successful transfer of knowledge from Alejandro to his successor. The new recruit will firstly become the new Sales manager of the company. In order to become comfortable with his new position, he will shadow Alejandro over the next month in order to gain hands-on experience and develop core relationships with customers. During this period, Alejandro will be taking on the role of a mentor in order to ensure a smooth transition across roles, hence his presence for the duration of the process is a key success factor.

The importance of KPIs was known and considered using the core KPIs that would be useful in tracking the progress of the company. KPIs are another tool which help management understand how well the employees are performing. Identifying the right key KPIs would not only help the successor to clearly understand the operations and performance in the company, it would also benefit the company as a whole. KPIs provide concrete data on how the company is performing, can be conveyed to employees to make alterations how business is done. The measurement and communication of these values is essential to their effectiveness.

Defining and establishing clear roles and responsibilities is very important within Equiports. What is meant by clear roles and responsibilities is that each person within the company needs to know what he/she is supposed to do as well as the boundaries of his/her job. This is highly beneficial as it avoids having overlaps or gaps between different roles. Overlaps can be negative for a company as they waste time and resources completing tasks which have already been done. When you have someone who steps outside their roles and takes on someone else's task, it can lead to confusion. Gaps are even less desirable, as it leads to having an unperformed task.

The creation and documentation of knowledge should be a high priority topic at Equiports in the near future. The efficient documentation and maintenance of the said documents is integral to current and future employees understanding their roles. It provides a means through which management can clearly define the roles of employees, altering them whenever they see fit. This would require the continued communication between management and employees of what the current duties each individual takes are.

The underlying theme in each of the interactions with Equiports is that communication is key to the success in a team setting. Communication has proven to be integral to the proper functionality of any collaboration. Through this consulting project, the learnings firsthand are that the key to resolving issues in a business environment is opening the proper communication channels. With Equiports, the work directly with the founder, Alejandro, eased the process to diagnose and recommend solutions to the obstacle of succession planning. Through regular meetings with Alejandro, the identification of the primary problem was clarified by both parts, and they provided a set of recommendations to help alleviate the issue the company faced.

10.2 Recommendations

First, it is recommended that Equiports apply the plan developed for the succession of Alejandro's General Manager position and customize it for any managerial position across the company. Moreover, the steps and tools developed could be more generally applied to successions in any small scale, family-type of business. The new recruit should follow a step-by-step process with increasing task responsibility.

The senior leaders of Equiports must establish and promote a knowledge sharing culture. Ideally, this should occur at the top of the company, and be replicated down the management chain within Equiports. Additionally, it is important that every new hire within Equiports is integrated into the knowledge-sharing culture at Equiports. Knowledge creation should be identified as a top priority within the company.

In the near future, Alejandro will need to announce to all Equiports employees that the new Sales Manager will become the next Chief Executive Officer (CEO) of the company. The way the company choose to announce a new CEO can affect the success of the leadership transition. Due to the fact that the CEO has a very high-profile position, any changes in leadership will attract the interest of employees and the company's customers. Leadership change can impact people in different ways. The change can have an emotional impact, a direct impact or an indirect impact. Also, the news might have a minimal effect on other people. To deal effectively with the different responses, it is important to announce the new hire in different ways. Therefore, Alejandro must inform the rest of the Equiports team about the new Sales Manager eventually becoming the CEO of the company.

Senior Executives should be informed face-to-face about the changes in upper management due to the fact that they have a close working relationship directly with Alejandro, the current General Manager. Holding meetings with Senior Executives and top management before any formal public announcement can help the relationship from the outset. For the employees, it is important for the CEO to inform all employees regarding the upcoming change in management. Similarly, the senior executives, employees will be concerned about the future direction of the company and would like to be made aware. Alejandro should introduce the new CEO directly to each employee and answer any questions they might have.

Furthermore, it is important to inform the customers so they can have confidence in a company and its management team. The sales team should contact important customers directly to inform them of the change in management. Alejandro should outline the new CEO’s credentials, including any major achievements or experience that will strengthen Equiports capabilities.

Equiports should ensure proper Corporate Governance is implemented across the organization after Alejandro leaves his position as General Manager, by involving the interests of the company’s stakeholders, such as shareholders, management, customers, suppliers, financiers, government and the community. It is important for Alejandro, the new Sales Manager and the other employees not to withdraw themselves from daily operations once the succession has been completed. They need to define clearly the Corporate Governance of the company to set the mechanisms and processes by which Equiports will be controlled and directed.

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Appendix A: Equiports' Main Products

Figure 13. Equiports' main products.
Data are from *Planeamiento estratégico para la empresa equipos portuarios SAC* (p. 6), by Sarria et al., 2016.

Appendix B: Organizational Chart

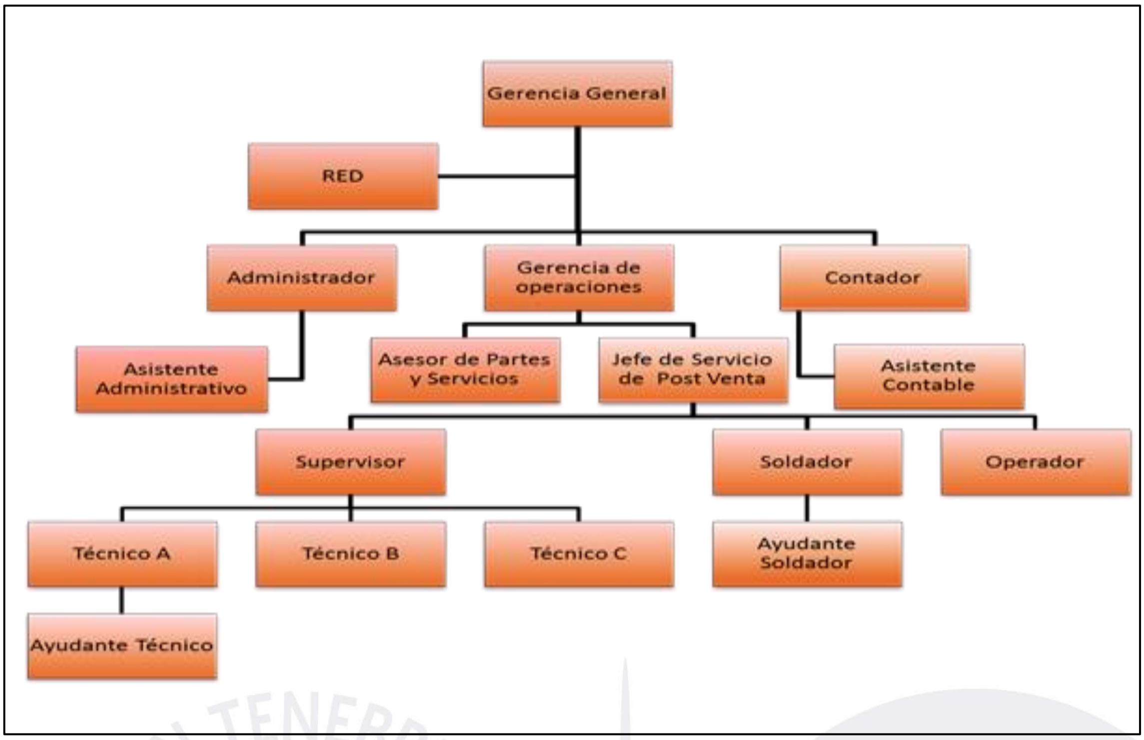


Figure 14. Equiports' organizational chart.
Adapted from *Planeamiento estratégico para la empresa equipos portuarios SAC* (p. 8), by Sarria et al., 2016.

Appendix C: Income Statement

equiports

EQUIPOS PORTUARIOS SAC
ESTADO DE GANANCIAS Y PÉRDIDAS
Por el periodo terminado el 31 de Diciembre del 2015
(Expresado en nuevos soles)

INGRESOS		
Ventas netas (ingresos operacionales)		4,568,642
Costo de Ventas		(1,818,073)
	UTILIDAD BRUTA	2,750,568
Gastos operacionales		
Gastos administrativo		(878,352)
Gastos de venta		(774,730)
	UTILIDAD OPERATIVA	**1,097,487**
Otros ingresos (gastos)		
Ingresos financieros		168,841
Gastos financieros		(661,562)
UTILIDAD DEL EJERCICIO ANTES DE IMPUESTOS		**604,765**
Impuesto a la Renta		(176,772.00)
Utilidad Neta		**427,993.31**

ALEJANDRO SARRIA DE LA COTERA
Equipos Portuarios S.A.C.
GERENTE GENERAL

Paola Ortega Tenorio
Contadora General
C.P.C. 38315

Figure 15. Income statement of Equiports (2015).
Taken from "Estado de Ganancias y Pérdidas por el periodo terminado el 31 de diciembre del 2015", by Equiports, 2016b, Lima, Peru: Paola Ortega.

Appendix D: Balance Sheet

EJERCICIO AL: 31/12/2015
RUC: 20517256031
RAZON SOCIAL: EQUIPOS PORTUARIOS SAC

equiports

BALANCE GENERAL

ACTIVO	
ACTIVO CORRIENTE	
Caja y Bancos	250,805.53
Valores Negociables	
Cuentas por Cobrar Comerciales (neto)	879,282.16
Cuentas por Cobrar a Vinculadas	262,245.66
Otras Cuentas por Cobrar diversas (neto)	91,769.46
Gastos Pagados por Anticipado	301,236.57
Existencia (neto)	775,474.69
Activo Diferido	47,635.22
TOTAL ACTIVO CORRIENTE	**2,608,449.29**
ACTIVO NO CORRIENTE	
Inversiones Permanentes (neto)	
Inmuebles Maquinarias y Equipos	1,337,402.34
Activos adquiridos en arrendamiento financiero	7,635,998.07
Activos Intangibles (neto)	58,924.94
Depreciacion Inm, act arren fin. E IME acum	(3,143,237.95)
Otros activos no corrientes	
Total	**5,889,087.40**
TOTAL DE ACTIVO	**8,497,536.69**

PASIVO Y PATRIMONIO	
PASIVO CORRIENTE	
Sobregiros Bancarios	
Tributos y aport sis pen y salud por pagar	108,605.38
Remuneraciones y Participaciones por pagar	67,070.92
Ctas por pagar comerciales	201,525.51
Ctas por pagar comerciales relacionadas	310,869.86
Ctas por pagar diversas - terceros	262,627.23
Obligaciones Financieras Corto Plazo	1,174,638.20
Provisiones	23,682.49
TOTAL PASIVO CORRIENTE	**2,149,019.59**
PASIVO NO CORRIENTE	
Obligaciones Financieras Largo Plazo	3,465,420.26
Ingresos Diferidos (netos) PERU RAIL	619,296.30
TOTAL PASIVO NO CORRIENTE	**4,084,716.56**
TOTAL PASIVO	**6,233,736.15**
PATRIMONIO NETO	
Capital	1,811,400.00
Capital Adicional	
Acciones de Inversion	
Resultados Acumulados	3.66
Excedente de revaluación	
Reservas Legales	24,403.58
Otras Reservas	
Resultados Ejercicio	427,993.30
TOTAL PATRIMONIO NETO	**2,263,800.54**
TOTAL PATRIMONIO NETO	**2,263,800.54**
TOTAL PASIVO Y PATRIMONIO NETO	**8,497,536.69**

ALEJANDRO SARRIA DE LA COTERA
Equipos Portuarios S.A.C.
GERENTE GENERAL

Paola Ortega Tenorio
Contadora General
C.P.C. 38315

Figure 16. Balance sheet of Equiports (2015).
Taken from "Balance General: ejercicio al 31 de diciembre del 2015", by Equiports, 2016a, Lima, Peru: Paola Ortega.

Appendix E: Roles and Responsibilities of the CEO

Roles and responsibilities of the CEO:

- Exercise the legal and procedural representation of the organization.
- Direct the execution of institutional activities and coordinate the actions of the bodies that constitute it.
- Issue resolutions of General Management in administrative matters within its competence and act as a notary of the institution.
- Perform the interdepartmental coordination when needed.
- Delegate specific functions to other officers for the best performance of the organization.
- Manage all economic-financial activities in its extended sense and in accordance with the powers contained in the bylaws of the company.
- Evaluate new business opportunities that may be developed in the market.
- Authorize hiring or liquidations of contracts, monitors the performance of staff.

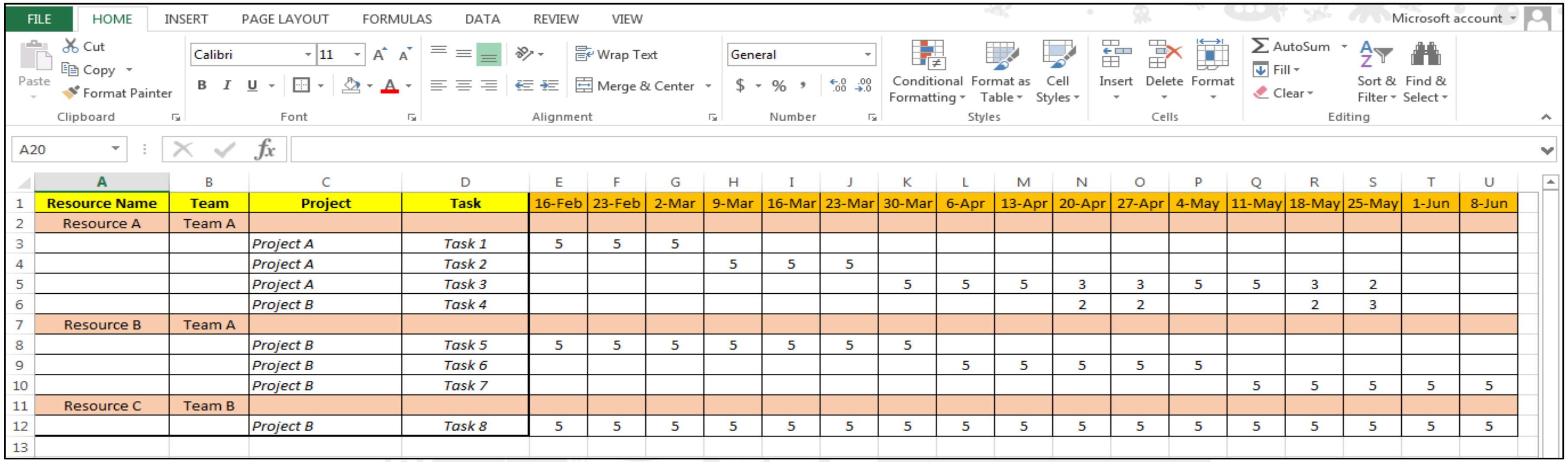
Data are from “Manual de organización y funciones (p.6)”, by Equiports, 2016c.

Appendix F: Balanced Scorecard of Equiports – March 2016

Objective	KPI	Calculation	Target	Progress	People Responsible
Improve the competences of employees	Percentage of compliance training	(Performed training / Scheduled training) *100	>= 90%	**100%**	Direction representative
	Skill level of employees	Overall average skills assessment	>=3.5	**3.58**	Administrator
Ensure the continuing improvement of the QMS performance	Suppliers performance	Overall supplier evaluation	>=3.0	**3.2**	Administrator
	Percentage of compliance with scheduled activities	(Performed Activities / Scheduled Activities) *100	>=90%	**100%**	Direction representative
Maintain a high level of customer satisfaction	Medium time between failures (MTBF)	(Number of effective working hours / Total number of failures in the month)	>=50	**79.52**	Head of After Sales Service
	Medium time to repair (MTTR)	(Number of hours of corrective maintenance + Number of hours of emergency maintenance) / Total number of failures in the month	<=5	**8.50**	Head of After Sales Service
	Claims attention	(Total number of claims made by customers and answered in <=2 days / Total number of claims) * 100	100%	**0%**	Direction representative
	Customer satisfaction index	Overall average customer evaluation	>= 3.8	**4.02**	Direction representative
Manage successfully the legal and internal requirements of the QMS	Level of compliance procedures	Number of non-conformities identified for breach of procedures documented in the quarter	<=3	**1**	Direction representative
	Level of compliance with legal and customer requirements	(Number of performed requirements / Number of identified requirements)* 100	100%	**67%**	Direction representative

Note. Data are from "Balance Scorecard", Equiports, 2016, Lima, Peru: Equiports.

Appendix G: Resource Management Tool Excel Sample



Resource Name	Team	Project	Task	16-Feb	23-Feb	2-Mar	9-Mar	16-Mar	23-Mar	30-Mar	6-Apr	13-Apr	20-Apr	27-Apr	4-May	11-May	18-May	25-May	1-Jun	8-Jun
Resource A	Team A																			
		Project A	*Task 1*	5	5	5														
		Project A	*Task 2*				5	5	5											
		Project A	*Task 3*							5	5	5	3	3	5	5	3	2		
		Project B	*Task 4*										2	2			2	3		
Resource B	Team A																			
		Project B	*Task 5*	5	5	5	5	5	5	5										
		Project B	*Task 6*								5	5	5	5	5					
		Project B	*Task 7*													5	5	5	5	5
Resource C	Team B																			
		Project B	*Task 8*	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5	5

Figure 17. Excel sample of a resource management tool.