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Utilization of Corporate Governance in Succession Planning for Sustainable Family-Owned SMEs in Uganda's Central Region

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Abstract: *The study examined how Corporate Governance Strengthens Succession Planning to promote Sustainability in Family-Owned Small and Medium Enterprises in Central Uganda. Objectives were: to explore how Human Resource policy, organizational culture, and employee engagement influence succession planning for sustainable family-owned SMEs in the Ugandan central region, a case of selected family-owned Enterprises. A mixed-methods research methodology was employed, and data were collected using structured questionnaires from 166 respondents, complemented by key informant interviews held with enterprise owners and managers, to survey governance practices, succession planning, and sustainability indicators. Cronbach's Alpha measured reliability while expert review ensured validity. Correlation and Regression analyzed quantitative data, while qualitative data were thematically analyzed using structural equation modelling. Findings revealed that Human Resource policies significantly predicted successor identification ($\beta = 0.228$, $P = 0.004$) and training ($\beta = 0.121$, $P = 0.027$). While organizational culture supported ethical behavior and transparency, it showed a lower direct influence on sustainability ($\beta = 0.047$, $P = 0.515$). Employee engagement positively predicted successor identification ($P = 0.242$, $P = 0.015$), training ($\beta = 0.425$, $P = 0.001$), and sustainability ($\beta = 0.258$, $P = 0.003$); however, a weak influence on communication of succession intent was noted. Corporate Governance indicated a strong positive effect on sustainability ($\beta = 0.492$, $P = 0.001$) while communication of intent emerged was a key predictor ($\beta = 0.209$, $P = 0.001$). Implications for theory and practice indicate that structured HR policies, inclusive governance, and transparent communication are essential for integrating sustainability in family-owned SMEs.*

Keywords*:* *Family-owned businesses (FOBs), Small and Medium Enterprises (SMEs), Corporate Governance, Succession Planning and Sustainability.*

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1. Introduction

Globally, the majority of enterprises are family-owned businesses (FOBs), accounting for over 75% of Gross Domestic Product (GDP) and employment. This is reflected through the household family enterprise names like Tata, Ford, Walmart, and Samsung (Owusu, Boeteng, & Mensah, 2024). These household names lie in the family legacy, values, and a long-term vision, a distinction from most profit-making firms. (Eisenbeiss, Van Knippenberg, & Boerner, 2021) FOBs have remained central to commerce and trade, reliably sustaining livelihoods and industrial growth in Africa. However, they have suffered challenges of informality and succession gaps. (Chaundhry, 2024). According to Eisenbass et al. al, while these FOBs globally compete, they blend tradition with innovation, enabling continuity across generations.

Owusu et al. al (2024) highlight that in Uganda, family-owned SMEs dominate in employment creation and anchor economic resilience. Their ability to survive through generations is through structured governance, transparent succession, and employee engagement reforms. Once the above practices are strengthened, FOBs are sure to evolve into resilient enterprises that fuel Uganda's long-term growth. Corporate governance, according to Abor and Adjasi (2018), refers to the system of structures and practices that leverage accountability, transparency, and long-term viability. This is guided by the quality of company policies and plans, the nature of employee engagement, and the status of organizational culture. Eisenbeiss et.al (2021) and Babington Ashaye (2022) define succession planning as a deliberate preparation for leadership transition across generations to safeguard sustainability. This practice emphasizes the likelihood of FOBs to endine and survive generation after generation while striking a balance between social, economic and cultural dynamics (Chrisman, Sharma, Steier, 2016; Aminda, Cristine & Edgar, 2021) Corporate Governance, Succession Planning and sustainability are interwoven deeply as effective governance provides a guide for orderly succession which in turn foster sustainability of FOBs under generational fragility and social cultural pressures, Chitoor & Das (2018).

In Uganda, FOBs are considered the backbone of the economy, contributing over 70% of Gross Domestic Product (GDP) and accounting for more than 80% of employment (UBOS, 2025). Uganda's commercial hub is found in Kampala and its surrounding districts, where the FOBs are deeply intertwined with kinship networks, cultural traditions and community development initiatives (Arminda et.al, 2021).

Nevertheless, their social economic importance is overwhelmed with high mortality rates across generations with only 30% surviving into the second generation, 12% into the third and 3% into the forth. Eisenbeiss et.al 2021). This critical gap in generational transitions underscores the failure of FOBs to drive industrialization, sustain livelihoods and their continuity is blocked by weak succession planning and disputed corporate governance structures (Eliot, 2021). Scholars like Arminda et.al (2021), Eisenbeiss (2021) and Eliot (2021) debate that family-owned businesses reveal three dominant strands. While succession planning is greatly recognized as a determinant of sustainability Mazzi (2021), and Babington Ashaye 2025) contend that the absence of structured succession strategies noting that the unwillingness to delegate decision making and lack of timely successor training and developing highly contribute to failure rates.

PWC (2018) adds that 55% of Uganda FOBs lack formal succession plans while 40% struggle with generational transition. In their studies, Mazzi (2021) and Babington and Ashaye (2023) emphasize that corporate governance is very important for sustainability of FOB, however, it is an underdeveloped pillar. As observed by Mutanda & Mutemwa (2019) and World Bank report (2020), 15% of FOBs, formalize corporate governance structures, wills and trusts, indicating a very big and significant need to work towards the same. Failures of FOBs in the central region of Uganda, such as Sembule Steel rolling mills, and WBS demonstrate how weak corporate governance fuels leadership transition disputes, poor financial management and eventual collapse.

However, the social-cultural under currents make the corporate governance debate very confounded (Luyombya, 2021), Lugya and Katamba (2023) fuel the same debate by emphasizing the influence of informal and unstructured systems within FOBs, cultural norms and total respect for elders as those that weaken FOB establishments over the years. According to Luyombya, (2021), while the mentioned undercurrents are meant to strengthen social legitimacy, they at the same time hinder professionalism and corporate governance integration,

The existing literature, therefore, reveals a disputed debate over whether corporate governance is a significant predictor of succession planning for sustainability. While scholars contend that corporate governance is indispensable to succession planning, pointing to evidence that enterprises with boards, policies and succession mechanisms exhibit greater resilience (World Bank, 2020). Others argue that cultural adaptation and successor grooming must be added to corporate governance to secure continuity of FOBs (Arminda et.al 2021). This Tension echoes a wide scholarly gap that point to corporate governance as a necessity for succession planning, though insufficient alone and whose predictive power is underexplored in central Uganda's social cultural context.

The contested problem of FOB generational transition does not affect the owners alone, but also their employees, households, as well as national development, since failed transitions erode tax revenues, job creation and innovation. World over the sustainability frameworks of Economic, Social and Governance (ESGs) as well as the Sustainable Development Goals (SDGs). Underscore that the quality of corporate governance once practiced will shape FOBs sustainability as they are a significant anchor for resilient enterprises (OECD, 2020; UNCTAD, 2021). Nevertheless, Uganda does not have empirical evidence on how corporate governance strengthens succession planning for sustainability of FOBs, thereby leaving a gap between global prescriptions and local realities.

Most importantly, three main gaps have continued to exist despite widespread documentation, in the following: how corporate governance strengthens succession planning outcomes within the central region of Uganda, scholars have many times ignored the role of kinship hierarchies, respect for elders and informal financing in determining the effectiveness of corporate governance, and finally, limited research has been carried out on how global corporate governance frameworks of EGG & SDGs can be leveraged in Uganda's informal, family owned businesses (OECD, 2020; UNCTAD, 2021). According to the Economic policy Research Centre (EPRC) (2025), these gaps are not simply academic. They directly challenge national development priorities which consequently result in unsustainable family business holdings.
According to Luyombya (2021), poor successor identification leads to leadership vacuums, inadequate training undermines managerial competence, weak communication fosters intra-family conflict and fragile corporate governance erodes trust and accountability. Luyombya (2021), further demonstrates the above statement by citing the collapse of Ssembule Steel Rolling Mills (1974-2000), WBS Television (1997-2016) and Zzimwe Construction Limited (1970-2010), each weakened by succession disputes, debts and governance failures.

This study therefore explored the role of corporate governance in strengthening succession planning and whether it can be considered a significant predictor of FOB sustainability in Uganda's central region. By thematically analyzing succession planning practices, governance structures, and sociocultural dynamics, the study sought to explore the significance of corporate governance in shaping continuity and resilience in FOBs. The purpose was to bridge the gap between normative corporate governance prescriptions and the lived realities of FOBs, thus adding to both theory and practice.
The research question that guided this study was: To what extent does corporate governance serve as a contested but highly significant predictor of sustainability in family-owned SMEs in Uganda's central region, and how does it interact with succession planning and social-cultural dynamics?

Luggya and Katamba (2023) point out that a quality human resource policy to foster fairness and competence during the succession planning process, a robust and structured organizational culture that conserves shared values that direct generational transitions, and effective employee engagement that leverages trust and commitment are crucial components for smooth succession and sustainable performance.

The above objectives are intertwined under the principle that governance structures must integrate people-centered strategies to secure continuity beyond the founders' tenure. Mazzi, (2021). Underscores that currently, FOBs in the central region of Uganda struggle with unstructured management systems that are weak and don't align corporate governance to human resource policies, organizational culture, and employee engagement, which are very important for growth and survival

2. Literature Review

Notwithstanding the social and economic importance in Uganda, the family-owned Small and medium enterprises face overwhelmingly high mortality rates across generations. Eisenbeiss et al. (2021). Josh and Rob (2021) contend that only 30% survive into the 2nd generation, 12% into the 3^{rd,} and only 3% into the 4th generation. Eiusebeiss et.al, (2021) justify this phenomenon, often referred to as the three generational rule, a proverb recorded in the 19th century expressed across various cultures as "shirtless to shirtless" in three generations" in the United States, "dogs to dogs" in the United Kingdom and "rice paddies to rice paddies" in Japan is an illustration that reflects how the 1st generation builds wealth through dedication and sacrifice, the 2nd generation consolidates it while the 3rd squanders it, consequently taking the family to its original state. (Eisenbeiss et.al, 2021). Family generational fragility is evidenced by Luyombya (2021), by citing examples of FOBs that collapsed during generational transitions, like Ssembule Steel Rolling Mills and WBS Television. Muriithi, (2017), notes that, supporters of the rule further argue that it is a clear demonstration of a recurrent pragmatic cycle reinforced by cultural sayings and statistics; critics contend that it overgeneralizes complex realities.

Abor and Adjasi (2018) underscore that many FOBs actually think beyond three generations once they leverage quality and robust corporate governance, invest in quality successor education, and incorporate stewardship values. Consequently, rendering the rule more descriptive than deterministic. This disputed landscape validates scholarly investigations into why generational transitions fail and whether this failure is significant enough to affect the owners/founders, their employees, households as well as national development through eroding tax revenues, job creation and innovation. OECF, 2021; UNCTAD, 2021) note that the global frameworks of ESG and SDGs underscores corporate governance and sustainability as strong pillars of resilience, nevertheless, Uganda does not have empirical evidence on the relationship between corporate governance and succession planning.

This study was underpinned by the Resource Based View (RBV) (Barney, 1991; Habbershon & Williams, 1999) that brings out the need to average intangible resources as competitive advantages and the stewardship theory (Madison, Holt, Kellermans, & Ranft 2021), which calls on family members to be collective stewards of continuity. These two theories contest the inevitability of the three generational rule while reinforcing the purpose: to critically examine whether corporate governance is a contested but critical predictor of family owned SMEs sustainability in Uganda (Abor & Adjasi, 2018).

The Resource-Based View as cited by Mirrithi, (2017) suggest that firms gain competitive advantage through unique, valuable and inimitable resources, counting on family coherency, governance structures and leadership continuity. Nevertheless, RBV in isolation bears a theoretical gap. It does not clarify the social and trust based dimensions of family firms. This is therefore complemented by the stewardship theory which in turn prioritizes collective responsibility of the stakeholders in FOBs, their trust as well as long-term orientation (Chrisman, Sharma & Steier, 2016). The study in addition aligns with SDGs on descent work, innovation and sustainable economic growth, thereby underscoring ESG principles for long-term survival. Therefore, the theories clarify on how corporate governance mechanisms integrated in succession planning to foster sustainability.

However, Bagington-Ashaye, (2022) note that, while FOBs in the central region of Uganda remain dominant, they continue to face challenges of informality with weak governance structures and generational succession fragility, often causing the FOB to collapse after the founders' exit. Abor and Adjasi, (2018). OECD, (2020) recognize corporate governance is a vital transparency and accountability. Nkundabanyanga et.al (2016) goes on to emphasize that family-owned SMEs operate with informal governance frameworks, often relying on trust and kinship ties rather than streamlined and codified structures and systems. Kamukama (2019) was in agreement by justifying that these informal structures, policies and systems undermine succession planning and sustainability especially in African communities where mostly family owned SMEs contribute o employment and GDP.

Miriithi (2017) noted that, human resources policies offer structured mechanisms for fairness, recruitment, training and accountability. A study by Kihoro (2020) indicates that family owned SMEs with well-structured structures were more likely to identify successors systematically whole investing in leadership development. However, Namatovu (2021) and Chittor & Das (2018) diverge with this revelation that in Uganda, FOB structured lack structured human resource founders, comparing with evidence from Asia and United States. Where structure human resource frameworks are leveraged to enhance and align with succession readiness.

Organizational culture as cited highlighted by Hofstede (20160, shapes values, norms and the behaviours that enhance sustainability outcomes among family-owned businesses. Hofstede's cultural dimensions theory demonstrated how collectivist cultures enhance resilience, often illuminating founder values which either back or block sustainability. According to Le Breton-Miller & Miller (2018) majority of studies carried out in Africa indicate that culture is prioritized to foster trust and kinship, however, this greatly undermines transparency and accountability, consequently weakening governance. Similarly, Kamukama (2019) and Nguyen and Smith (2020) emphasize that culture emphasize inclusivity while ethical conduct enhance sustainability.
Employee engagement as evidenced by Shuck & Wolland (2019) study, was revealed as a very crucial element in fostering organizational resilience, influencing succession planning and sustainability. Shuck et.al (2019) noted that engaged employees were more likely to partake on identifying successors, participate reforms. On the other hand, however, Mutebi (2020) summarizes that in family-owned SMEs, employee engagement is usually informal, driven by loyalty to founders compared to structured employee involvement a contested practice for unprepared successors under unstructured governance plans needed for sustainability.

All in all, succession planning continues to stand as a serious change for family owned SMEs (Le Breton-Miller et.al, 2017). They further revealed that poor succession planning was a number one cause of business failure. Sharma et.al, (2020), and Kamukama (2019) similarly noted that governance mechanisms and frameworks such as boards, human resource policies and structures, accountability systems and an environment that favored employee engagement are vital for quality and smooth transition from generation to generation. They further note that, succession planning amongst FOBs in Uganda is often ad-hoc, with founders very hesitant to hand over power and control, consequently leading to collapse after their exit.

Elkington (2018) highlights that, for FOBs succession planning to be done smoothly, it must be embedded in financial resilience, social responsibility and environmental stewardship. Chrisman et.al (2016 adds by indicating that family owned SMEs, always prioritize continuity and legacy, which intentions to align it to sustainability goals. However, Abor and Adjasi (2015) notes that in African contexts where the SMEs have limited resources, weak governance structures often undermine sustainability. In addition to the above, UNCTAD (2021) underscore that governance that has been well structured with quality human resource policies, organizational culture and enhanced employee engagement are quite inevitable in fostering sustainability.

Together, "the three generational rule" was considered a strong lens in family business studies with emphasis to what the 1st generation does in building the business, the second consolidating it and the 3rd squandering it. The above grounds the revelations by Eisnbeiss et.al (2021) that, while only 30% survive to the 2nd generation, 12% into the 3rd generation and only 3% to the 4th generation. Owusu et.al and Chandhury (2024) were in agreement, pointing out strong and robust corporate governance embedded in values can be leveraged to break this cycle across generations and thus sustain continuity.

Conceptual framework

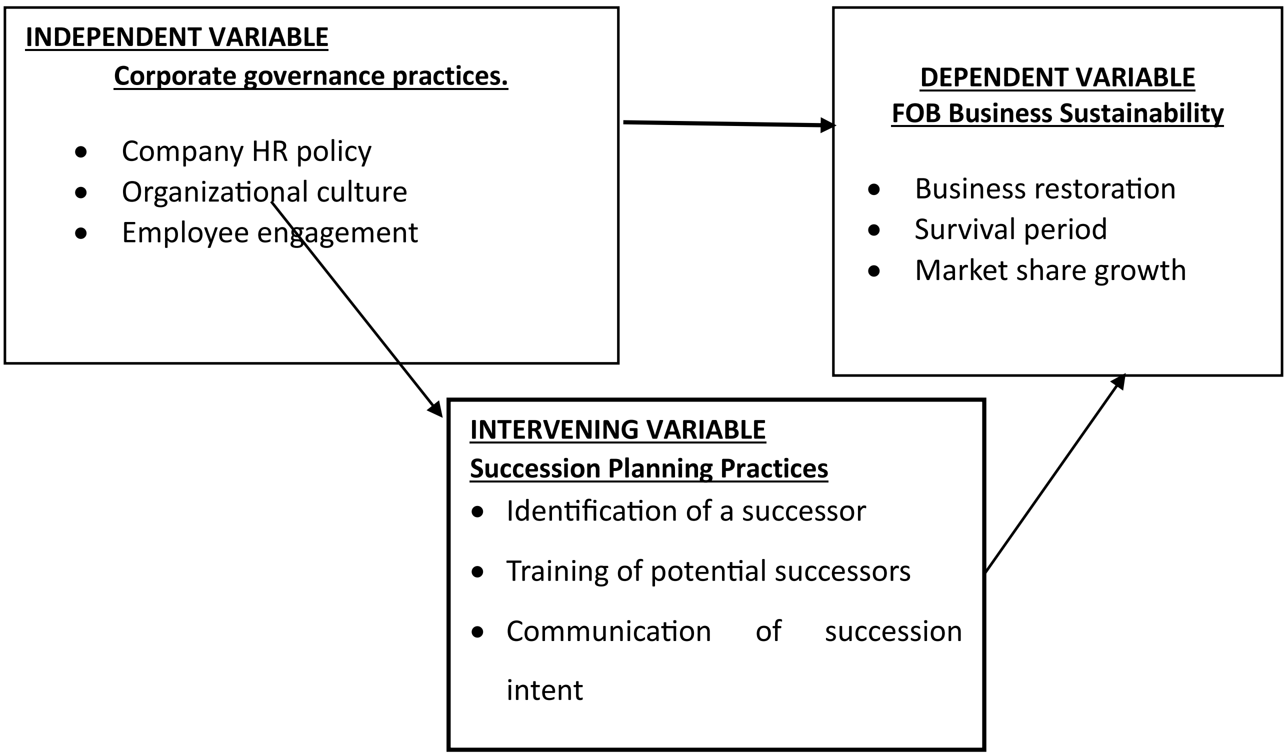

Figure 1: The conceptual framework showing how corporate governance strengthens succession planning to enhance sustainability for family-owned SMEs

Source: Abor and Adjasi (2018)

The framework is an illustration of the independent variable: corporate governance influences the intervening variable, succession planning, to enhance the dependent variable, sustainability of family-owned SMEs. Corporate governance was indicated by human resource policies, organizational culture and employee engagement, mainly fostering accountability and strategic direction. Succession planning was characterized by successor identification, training and communication of successor intent manifested through governance practices for leadership continuity. Sustainability of family owned SMEs was indicated by business restoration, survival period and market share growth: these together reflect long-term viability of family enterprises. In the diagram above, the arrows that move from independent to dependent reflects low corporate governance directly influences family owned SMEs sustainability, while the arrow moving from the intervening to both independent and dependent variable reflects how succession planning indirectly facilities sustainability of FOB. Incorporating corporate governance into succession planning allows family-owned SMEs to achieve continuity, restore, strengthen business growth, secure a longer survival period and secure a bigger market share, thus a timely and justified study.

3. Methodology

This study adopted a mixed research method, a research design that combined both quantitative and qualitative approaches. Data collection was done using self-administered Likert-scale questionnaires and structured interviews to capture both statistical relationships and contextual insights, attitudes, and opinions. Was carried out in the central region of Uganda due to its dominance in the concentration of family-owned SMEs, making it a diverse hub for business. The study population comprised family-owned SMEs registered with local business associations. A sample of 166 respondents was selected through stratified random sampling to ensure all sectors were represented. The structured questionnaires measured corporate governance practices, succession planning, and sustainability constructs, complemented by the key informant interviews (KIIs) held with business founders, managers, and generational successors in line of transition. The likert scale items assessed human resource policy, organizational culture and employee engagement, together with open ended questions for qualitative depths reliability and validity were confirmed through Cronbach's Alpha while validity was confirmed via expert review. Quantitative data were analyzed using Pearson Colleration, multiple regression and structural equation modelling (SEM) to test the relationships among the study variables. Qualitative data was thematically analyzed to provide contextual clarifications of corporate governance practices. The combination of the two methods allowed triangulation thus enhancing the robustness of findings. Ethical considerations and standards were adhered to by seeking approval from a university Research and Ethics Committee (REC) to review and approve all research instruments (questionnaires and interview guide), the informed consent form, and a detailed plan for data collection and storage compliant with ethical research principles. Participation in research was voluntary, and participants' well-being and privacy were ensured through accepting to sign the informed consent forms. All data collected and recorded interviews were anonymized, and data were stored securely with a password-protected device and the Uganda National Council for Science and Technology (UNCST) to ensure that research conducted in Uganda complies with national and international ethical guidelines.

The methodological approach guaranteed that the study justified the productive roles of corporate governance and succession planning on the sustainability of family-owned, SMEs as well as their lived realities in the central region of Uganda.

4. Results and Discussion

The results of the study were obtained in line with the objectives that examined how corporate governance enhanced succession planning for the sustainability of family-owned SMEs in the central region of Uganda. The items in Table 1 below measure the presence of fair HR policies, ethical culture, transparency, employee involvement, reporting mechanisms, leadership inclusiveness, and training on governance. These indicators provide insight into how governance structures and practices support accountability and ethical behavior, and ultimately contribute to the sustainability of family-owned businesses in Uganda.

Table 1: Respondents' perception of Corporate Governance

Corporate Governance	**n**	**Strongly Disagree**	**Disagree,**	**Not sure**	**Agree**	**Strongly Agree**	**Mean**	**Std. dev.**	**Interpretation**
My organization has a well-defined HR policy that promotes fair practices.	166	0.6	2.41	1.2	56.63	39.16	4.313	0.677	Very High
The corporate governance framework effectively addresses employee concerns.	166	0.6	3.01	2.41	77.71	16.27	4.060	0.600	High
Our organizational culture supports ethical behavior and accountability.	166	0	4.22	0.6	78.31	16.87	4.078	0.582	High
Employees feel their opinions are valued in the decision-making processes.	166	0.6	3.01	6.02	77.71	12.65	3.988	0.603	High
The organization promotes transparency in its operations.	166	0	2.41	5.42	72.89	19.28	4.090	0.581	High
There are clear guidelines for reporting unethical behavior within the organization.	166	0.6	1.81	0	72.29	25.3	4.199	0.585	Very High

Employee experience is prioritized in our corporate governance strategy.	166	1.2	2.41	7.83	75.3	13.25	3.970	0.646	High
Our leadership is committed to fostering an inclusive organizational culture.	166	0.6	3.61	9.64	79.52	6.63	3.880	0.591	High
The organization regularly assesses its governance practices for improvement.	166	1.81	4.22	5.42	78.31	10.24	3.910	0.695	High
There are training programs in place to educate employees about corporate governance.	166	1.81	10.24	4.22	73.49	10.24	3.801	0.826	High
Overall	166						4.029	0.431	High

Key: Likert Scale :5= Strongly agree (SA) , 4= Agree (A) , 3= Not sure (NS) , 2= Disagree (D) and 1= Strongly disagree (SD).

Likert Mean: less 3- Disagreement and greater than 3- Agreement. *Legend: Very high (4.24 – 5.00), High (3.43 – 4.23), Moderate (2.62 – 3.42), Low (1.81 – 2. 61), Very Low (1.00 – 1.80)*

Source: Primary data 2025

The study revealed that human resource policies were strongly appreciated across the SMEs, established with priority hinged on fairness and accountability, rated: (M= 4.313, SD = 0.0677). Regression analysis results confirmed that human resource policies were a strong predictor of successor identification (β = 0.228, P = 0.004), training (β =0.559, P<0.001), and communication of succession intent (β = 0.121, P = 0.027). The results confirm that succession planning is enhanced by the structured human resource frameworks, an indicator that the results are in agreement with the objective that examines whether corporate governance mechanisms predict the sustainability of family-owned SMEs.

The study revealed a positive association of organizational culture with ethical transparency (M = 4.078, SD = 0.582) but did not significantly predict successor identification or communication of intent. There was a weak effect of organizational culture on sustainability (β = = 0.047, P = 0.561). Although culture was positively related, the weak and insignificant effect on succession and sustainability suggested that founder driven values and norms are insufficient if the governance structures are not formally done while fostering ethics and transparency, a key indicator that organizational culture is a support system for sustainability but a rather non-decisive factor.

Employee engagement was revealed to be positive and significant effect on successor identification (β = 0.242, P = 0.015) and training (β = 0.425, P<0.001). However, the effect it had on communication of succession intent was revealed to be negative (β = -0.098, P= 0.148). Sustainability was significantly predicted by engagement (β = 0.258, P = 0.003), which revealed a contradiction: while loyalty-driven engagement may enhance resilience, it limits a transparent process for succession dialogue. This emphasizes the need for structured participation of employees in the process.

Corporate governance itself had a strong positive effect (β = 0.487, Z = 5.63, P<0.001). This emphasizes that strong governance practices directly influence long-term sustainability among the succession planning practices, only communication of succession intent significantly predicted business sustainability (β = 0273, Z = 4.72, P = 0.001), while identification of successor (β = -0.147, Z = -1.71, P = 0.088) and training (β = 0.070, Z = 0.98, P = 0.329) did not reveal any positive significance in this model. The above results are confirmation that succession planning practices, in particular successor identification and training strongly enhance governance, which in turn positively influence sustainability. On the contrary, communication of succession intent plays a key role in directly enhancing business sustainability.

Corporate governance overall had a strong and positive effect on sustainability (β =0.492, Z = 7.31, P = 0.001). In addition, the results further revealed that communication of succession intent also significantly predicted sustainability (β = 0.209, Z = 5.21, P = 0.001) emphasizing transparency as a critical governance mechanism.
A Pearson correlation analysis was conducted to examine the relationship between corporate governance and business sustainability in family-owned enterprises.

Table 2: Correlation analysis showing the relationship between corporate governance and business sustainability.

	Corpor~e	Busine~y
Corporate_~e	1.0000	
Business_S~y	0.6449 0.0000	1.0000

Source: Primary data 2025

Pearson correlation analysis in Table 1.2 above revealed a moderate positive relationship between corporate governance and business sustainability (r= 0.645, P<0.001), suggesting enterprises with robust governance practices, like a well-structured human resource policy, ethical culture, transparency, and clear reporting mechanisms were more likely to experience enhanced sustainability. The statistical significance confirmed that the observed relationship was unlikely to have occurred by chance.

Regression Analysis

A multiple linear regression was conducted to examine the predictive relationship between corporate governance and sustainability. Corporate governance was treated as the independent variable, while the sustainability of family-owned businesses was the dependent variable.

Table 3: Regression analysis showing the relationship between corporate governance and business sustainability

Source	SS	df	MS
Model	13.9189012	1	13.9189012
Residual	19.5493519	164	.119203365
Total	33.4682531	165	.202837898

Number of obs	=	166
F(1, 164)	=	116.77
Prob > F	=	0.0000
R-squared	=	0.4159
Adj R-squared	=	0.4123
Root MSE	=	.34526

Business_Sustainab~y	Coefficient	Std. err.	t	P>|t|	[95% conf.	interval]
Corporate_Governance	.674204	.0623926	10.81	0.000	.5510077	.7974004
_cons	1.272243	.2527988	5.03	0.000	.773083	1.771403

Source: Primary data 2025

Regression analysis in Table 3 above revealed that corporate governance is a strong and positive predictor of sustainability (β = 0.674, t = 10.81, P<0.001), accounting for 41.6% of the variance (R^2 = 0.416, Adj. R^2 = 0.412). The above results answer the research question: To what extent does corporate governance serve as a contested but highly significant predictor of sustainability in family-owned SMEs in Uganda's central region, and how does it interact with succession planning and social-cultural dynamics?

The intercept was 1.272 (P<0.001), representing the expected level of sustainability when governance is absent. The overall model was statistically significant [F (1,164) = 116.77, P<0.001] with a root mean squared error of 0.345, an indicator of good fit.

Qualitative insights

Interviews backed up the quantitative findings: the majority of respondents emphasized that transparent human resource policies, inclusive leadership, ethical culture, and structured governance frameworks strengthened succession planning. Without governance, it was noted, succession processes often lead to disputes, favoritism, and decline. On contrary, enterprises with structured governance reported smoother transitions, higher employee trust, and longer sustainability outcomes.

Table 4: Qualitative findings on corporate governance and sustainability of selected family – owned SMEs in the central region of Uganda.

Theme	Response	Impact on sustainability
Transparency in HR policies	"clear, fair and consistent HR policies that reduce favoritism and disputes)	Builds trust, confidence and stability
Inclusive leadership	"Leadership that values diverse voices and ensures smoother succession planning."	Minimizes conflicts and supports continuity
Ethical culture	: Integrity driven practices that foster accountability and fairness"	Improves reputation and resilience
Structured governance frameworks	"Formalized rules and processes that guide succession and decision making"	Prevents disputes and sustains growth

The research question, on whether governance significantly influences succession planning and strengthens sustainability, was therefore answered. From the above, it should be noted that governance is not just a predictor of sustainability amongst family-owned SMEs but also a lived practice that shapes trust, succession and resilience. Family-owned SMEs thrive when governance is embedded in everyday operations, ensuring continuity across generations.

Discussion

The findings presented in Tables 1 and 3 clearly demonstrate that corporate governance plays a significant role in influencing succession planning and the sustainability of family-owned SMEs in the central region of Uganda, similar to Muriithi (2017), Chittoor and Das (2018), and Nghyen & Smith (2020). In the study, Human resource policies emerged as the strongest predictor of successor identification and training, confirming earlier studies that emphasize the importance of structured HR frameworks in enhancing governance and continuity. (Muriithi, 2017; Chittoor and Das, 2018): organizational culture was positively associated with ethical behaviour and transparency but showed limited direct influence on sustainability, echoing debates from Nghyen & Smith, 2020) that culture alone cannot guarantee resilience without institutionalized governance mechanisms.

Employee engagement significantly contributed to successor identification and training and positively predicted sustainability, thereby aligning with global evidence that engaged employees foster resilience. This is in agreement with Shuck and Wollard (2019).

Corporate governance itself was strongly correlated with sustainability, reinforcing the argument that governance structures are indispensable for long-term resilience (OECD, 2020). Communication and succession intent also significantly predicted sustainability, highlighting transparency as a critical governance mechanism. These results address the identified gap in Uganda SME literature, which has overlooked the role of governance in succession planning.

Thus, sustainability in family-owned SMEs in Uganda's central region hinges on governance-driven succession, strong and resilient human resource policies that anchor structural culture provides ethical grounding, but require governance to translate into resilience, and employee engagement acts as the bridge that transforms succession into continuity.

The critical debate is clear: without embedding governance into succession planning, family businesses remain fragile and vulnerable to collapse after the founder's exit. With governance at the core, succession becomes not just a generational handover, but a strategic pathway to restoration, survival and market growth, turning fragility into resilience and ensuring long-term viability. However, this may suggest that while governance strengthens succession mechanisms, additional organizational or contextual factors may be required to translate these practices into measurable improvements in business sustainability.

5. Conclusion and Recommendations

5.1 Conclusion

The purpose of the study was to examine how human resource policies, organizational culture, and employee engagement strengthen succession planning to ensure the sustainability of family- owned SMEs in the central region of Uganda. Findings confirmed this purpose by demonstrating that HR policies and employee engagement significantly predict succession planning outcomes and sustainability, while corporate governance itself strongly influences these variables. Organizational culture, although supportive of ethical behaviour, showed limited direct impact, highlighting the need for institutionalized governance structures. By addressing the gap in Ugandan SME literature, the study contributes to understanding how governance influences succession planning to ensure sustainability. Therefore, embedding corporate governance into succession planning to achieve resilience, continuity and alignment with the frameworks of ESG and SDG's provides concrete evidence of the purpose of the study.

5.2 Recommendations

1. Human Resource Policy Reforms

The Ministry of Trade, Industry and Cooperatives and the Private Sector Foundation should work on codifying the recruitment processes by streamlining leadership pipelines and communicating the succession planning strategy early and clearly. In addition, an advisory board must be established comprising both family and non-family members for oversight in key departments of Human resources, finance, and legal.
The legislature of Uganda should revise the Succession Act of Uganda to incorporate provisions for family business succession planning and streamlined transitions within the domains of public law.

2. Organizational Culture

Through the Ministry of gender and Social Development, family-owned SMEs should be supported to balance founder influence with external expertise to embed transparency, accountability, and ethics while making decisions.

3. Employee engagement

Family-owned SMEs should introduce structured mechanisms succession workshops, communication forums, and leadership development programs. Structured engagement reforms will transform informal commitment into open dialogue to ensure employee participation drives transparent succession planning. This approach embeds engagement into governance, making it a catalyst across Uganda's family-owned businesses.

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