




# Exploring the role of family governance mechanisms in family business succession planning



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**Orientation:** Family businesses contribute significantly to economic growth; yet, they face succession-planning challenges stemming from the interplay between family and business dynamics.

**Research purpose:** This study investigates the role of governance mechanisms in the succession planning of family businesses.

**Motivation for the study:** Governance mechanisms are known, but their role in family succession planning is underexplored. In addition, such research is lacking in developing countries with unique institutional settings.

**Research design, approach and method:** Using a qualitative methodology, 12 semi-structured interviews were conducted with founders of family enterprises. These interviews provided in-depth insights into how governance structures and succession planning processes are navigated in family businesses.

**Main findings:** The study contributes to agency theory by demonstrating that humaneness is a central governance mechanism that reduces agency costs, particularly in succession planning, where formal contracts are unavailable. The findings also show that power dynamics are implicit assumptions in the agency theory, which affect family interactions; however, existing governance mechanisms can reduce their impact, thereby strengthening succession planning. Lastly, the constellation of governance mechanisms facilitates consensus, which is instrumental in succession planning.

**Practical/managerial implications:** The findings demonstrate that, while formal agreements are essential, practitioners should also focus on informal governance mechanisms that guide succession planning.

**Contribution/value-add:** The study addressed a gap in the literature by applying and extending the agency theory to examine the functionality governance mechanisms in family business succession planning.

**Keywords:** family business; developing country; succession planning; governance mechanisms; ubuntu; agency.

## Introduction

Research on the succession dynamics of family enterprises has attracted increasing attention from scholars in recent years (Ahmad, Najam & Mustamil 2025; Owusu-Acheampong et al. 2024) because of their role in driving economic growth (Porfírio, Felício & Carrilho 2020). Succession in a family business is the process of transferring management and ownership to the next generation (Kidwell et al. 2013). Scholarly research has examined whether successive generations in family enterprises share similar attitudes, adhere to established business cultures, and uphold inherited social norms (Ferrari 2021). These attitudes, if aligned with the family business intent, could contribute to successful succession. On the other hand, previous studies have outlined the primary factors contributing to failed succession in family firms (Binz Astrachan et al. 2021; Ferrari 2023; Sathé, Enrione & Finley 2022). While many factors are listed, challenges in identifying capable and willing family members to assume leadership roles are often compounded by the owners' reluctance to relinquish control (Mokhber et al. 2017). These challenges raise the question about the governance mechanisms in family businesses.

In more recent studies, scholars emphasise the pivotal role of governance mechanisms in regulating affairs in family businesses to mitigate conflicts and facilitate amicable ownership transitions (Binz Astrachan et al. 2021). The definition of governance is 'the system by which firms

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are regulated and monitored. This includes the relationships between owners, the board of directors, and the decision-making process' (Roth, Tissot & Gonçalves 2017:98). Encouragement for the introduction and embracing of governance mechanisms in family businesses emerges as a frequent theme, with their potential to alleviate succession-related conflicts and foster a shared vision among family members before the actual succession event (Parada et al. 2020; Umans et al. 2020).

While governance is important, Teixeira and Carvalho (2024) state that family businesses were unlikely to have the governance mechanisms in their succession plans. Existing literature has documented governance mechanisms, including family meetings, structures, agreements, and protocols (Matias & Franco 2021). Although these formal protocols are well-known (Arteaga & Escribá-Esteve 2021; Jayantilal, Jorge & Alcarva 2024), their functioning in family business succession remains underexplored (San Martin Reyna et al. 2025; Thakur & Sinha 2024). Given that the types of governance mechanisms are known, our primary objective is to investigate how these mechanisms function during leadership transitions. Our curiosity aligns with the call for research on the role of specific governance structures and their relationship to the performance of family businesses, particularly those operating in uncertain environments in emerging markets (San Martin Reyna et al. 2025). Because organisational performance is a broad concept, we have simplified our underexplored research question to: What role do governance mechanisms play in family business succession planning (Thakur & Sinha 2024)? Understanding the role of governance mechanisms in succession planning is vital, as these frameworks aim to build mutual consent, manage expectations, and foster a collective vision that supports a successful leadership transition (Umans et al. 2020).

Our secondary objective, which is contextual, is to investigate how governance mechanisms function in the succession planning of family businesses in a developing country context (Owusu-Acheampong et al. 2024). As San Martin Reyna et al. (2025) explain, it is essential to explore family business in developing countries characterised by uncertainty. Furthermore, these under-theorised contexts offer valuable insights given their social norms (Orole, McKenna & Härtel 2025). Our focus on such a context is South Africa, whereby social norms and values such as spiritual beliefs, ethical principles, and cultural traditions, including Ubuntu (humaneness), could enhance our understanding of organisational governance (Kupangwa, Farrington & Venter 2025). Values of humaneness, which anchor governance mechanisms, have the potential to minimise agency costs. However, power struggles, particularly those experienced by women in South African family businesses (Kinnear & Ortlepp 2016; Urban & Nonkwelo 2022) may increase agency costs during succession planning.

Our study is anchored in agency theory, which examines how principals and agents interact to minimise agency costs

(Eisenhardt 1989; Jensen & Meckling 1976). In the context of family businesses, the founder is the principal, while immediate and extended family members are agents (Kidwell et al. 2024). Our study departs from the usual application of agency theory, which typically adopts a bleak perspective on conflict and associated costs, by demonstrating governance mechanisms that enable successful succession planning (Kidwell et al. 2024). Furthermore, we argue that social norms shape the success of governance mechanisms in agency theory. These social norms have the potential to redistribute agency costs, thus leading to positive outcomes. Our contribution to agency theory is to show how context-specific social norms, such as humaneness, can serve as antecedents of successful governance mechanisms for succession planning.

We interviewed managers from 12 family businesses that have succession plans and governance mechanisms in place. Our focus was on the South African context, where active family businesses often lack succession plans (PwC 2023). Surprisingly, studies on governance in South Africa have focused quantitatively on listed companies (Dos Santos, Viviers & Venter 2024; Urban & Nonkwelo 2022). However, such a deductive approach does not fully capture the contextual nuances involved in family businesses. Through our exploratory approach, the study made several contributions to family business research and agency theory.

Firstly, the study demonstrates that humaneness is a key governance philosophy that can guide succession planning in the absence of formal contractual agreements. Humaneness, demonstrated through treating one another with integrity, trust, and respect, becomes a noteworthy aspect of functioning and reinforcing agency. Secondly, our study showed that, while family business accounts for principal-agent interactions, agency theory should also be expanded to emphasise agent-agent (which later develop into principal-principal) interactions, which are instrumental in succession planning. These agents are the family members designated for succession. Thirdly, the study showed that the agency theory contains implicit assumptions about power, which are offset by existing contractual agreements. Lastly, the study showed that a constellation of governance mechanisms (humaneness, minimising power dynamics, and agent-agent interactions) builds consensus decision-making, which is required for succession planning. These findings not only advance family business research but also enhance the application of agency theory in different contexts.

The study provides practical insights for family business owners and practitioners to guide succession planning. Succession in family enterprises is, at its core, an act of entrepreneurial renewal. Each transition requires re-envisioning the business's purpose, adapting to changing markets, and empowering a new generation to act on opportunity. In this way, governance mechanisms do more than preserve control; they sustain the entrepreneurial momentum that originally gave rise to the enterprise. This perspective highlights succession planning as

both a governance imperative and a vehicle for long-term entrepreneurship in South Africa's evolving economy.

## Literature review

### Family businesses

A family business is an enterprise in which members of the same family participate in management and contribute capital, with the intention of transferring the business to subsequent generations (Mahomed & Mtembu 2021). The literature largely agrees on this definition; however, in some African and Asian cultures, the concept of what constitutes a family is more extended, whereas in Western cultures, the meaning of family is mostly limited to the immediate family (Aladejebi 2021). In this study, the family business includes extended family members, such as uncles, aunts, nephews and in-laws, who work in the business and some of whom hold ownership.

The inclusion of and focus on extended family members as a collective aligns with the principles of Ubuntu (Mangaliso 2001). Ubuntu is seen as 'humaneness – a pervasive spirit of caring and community, harmony and hospitality, respect and responsiveness – that individuals and groups display for one another' (Mangaliso 2001:24). These value-based interactions shift family business research from the immediate family members to extended family members as a unit of organisation. These social norms that explain how people engage explain why extended family members matter in the African contexts. More recently, there have been calls to examine how the principles of Ubuntu can enhance our understanding of governance mechanisms (Kupangwa et al. 2025). Although this study does not aim to examine the role of Ubuntu in its entirety, its influence is acknowledged as key in guiding interactions among family members.

### Succession planning

Succession planning is a proactive measure undertaken by founders in anticipation of future leadership transitions, rather than a reactive response to an unforeseen event necessitating immediate management changes (Bell & Pham 2021). Succession is characterised as an extended, ongoing process, rather than a singular occurrence (Baltazar et al. 2023). Research indicates that founders make concerted efforts to establish and grow family businesses, often demonstrating strong entrepreneurial spirit (Muigai, Mungai & Velamuri 2022). A key part of succession is the transfer of skills and knowledge from one generation to the next regarding the entity (Siebels & Zu Knyphausen-Aufseß 2012). For this transfer to be effective, the generations involved in the succession must function as a team and actively share their insights. Therefore, succession planning is an ongoing process that requires the engagement of both the founder and the incumbent (Makiwane et al. 2017).

The phase involving succession and ownership transfer is often insufficiently considered by business founders (Bell & Pham 2021). There is a widespread lack of planning

and preparation by business founders regarding succession (Bell & Pham 2021). The literature on family business views a succession plan as successful when both the continuity and commercial sustainability of the firm are secured, while simultaneously, family relationships are maintained (Calabrò et al. 2018). Many families are unable to achieve successful business continuity because of internal disputes, conflicts, differences of vision, or power struggles, rather than because of the economic viability of the underlying business (Mahomed & Mtembu 2021). While many studies have adequately focused on succession planning, the continued failure to implement it in practice demonstrates the need to contextualise the challenges faced by family businesses. Therefore, it is deemed necessary to examine the business practices and family dynamics that shape succession planning across diverse contexts (Ringo & Kibambila 2025). One of the business practices of specific interest in this study is governance mechanisms and their role in succession planning.

### Family governance

Governance is the system established to direct and control the business. This includes controlling the relationships between owners, the board of directors, and the decision-making process (Roth et al. 2017). The literature highlights various guidelines to ensure the continuity of the family firm (Bham 2024). These include shareholder agreements, family charters, family constitutions, family gatherings, and family councils (Jaffe & Lane 2004; Matias & Franco 2021). The implementation of the relevant corporate governance mechanisms by family firms is likely to influence relationships between family members, and ideally, thereby avoiding, or reducing conflicts and facilitating successful ownership transfers (Pindado & Requejo 2015; Umans et al. 2020). Sound corporate governance mechanisms established in advance of an event also help to manage expectations across all parties and avoid misunderstandings or disagreements (Matias & Franco 2021).

A robust corporate governance framework ensures that decisions are made through formalised processes, rather than informally, thereby aligning actions with the organisation's long-term objectives (Roth et al. 2017). Basic governance mechanisms, such as written agreements, a board of directors, and family charters, or a family council, can be used to regulate relationships and ensure transparency (Matias & Franco 2021). Shareholder agreements, which govern shareholder affairs, are a vital document in family businesses for managing interactions between family members and generations (Umans et al. 2020). On the other hand, some of these governance mechanisms, such as the board of directors, are established to meet legal requirements without affecting the business's performance (Blanco-Mazagatos et al. 2016). While these governance mechanisms have been identified in academic research, their effectiveness in achieving organisational outcomes beyond the financial outcomes (San Martin Reyna et al. 2025) remains understudied (Thakur & Sinha 2024), which motivated this research.

## Agency theory as an anchor

The governance mechanisms were examined through the agency-theoretical lens. Given our focus on succession planning, the agency theory is well-suited to explaining the interactions between the owner and managers, as they prepare to hand over to the next generation (Jensen & Meckling 1976). The agency theory focuses on the relationship between the principal and the agent (Jensen & Meckling 1976). The agent performs work as delegated by the principal. During the process, agency problems can arise, including conflicting goals between the agent and the principal, as well as difficulties the principal encounters in verifying the agent's work (Eisenhardt 1989). In family businesses, the founder is the principal, and agents are family members, who serve as managers (Chrisman et al. 2024). The relationship between the principal and agents is significant in governance processes and succession planning. When tensions arise between the principal and agents, external consultants may be called in to resolve the conflict (Chrisman et al. 2024).

Other studies also confirm that succession planning is challenging in family businesses because of conflicts between principals and agents (Mahomed & Mtumbu 2021), thereby increasing agency costs (Kallmuenzer 2015). While it is known that external auditors or stakeholders are appointed to mitigate agency conflicts (Corten, Steijvers & Lybaert 2017), more research is required to understand how governance mechanisms function to reduce agency costs that impede on successful succession planning. This focus on the governance mechanisms to guide the principal and agents' interactions during the succession planning deviates from the norm of examining the agency theory from a pessimistic view of family businesses (Kidwell et al. 2024). Governance mechanisms, grounded in the values of humaneness, could serve as a buffer to minimise power struggles between principals and agents during the succession-planning process.

## Succession planning and governance mechanisms

Scholars argue that effective governance mechanisms can play a defining role in regulating family members' relationships and expectations during succession, thereby significantly reducing conflicts (Binz Astrachan et al. 2021). Families are more likely to avoid conflicts over succession and ownership transfer, if they adopt governance mechanisms (Parada et al. 2020). Governance mechanisms, for example family protocols, structures and agreements (Matias & Franco 2021), could strengthen family bonds and advance a common goal and mutual understanding (Umans et al. 2020).

Studies have identified that governance mechanisms can aid in addressing succession planning, but the details of the individual stakeholders' roles remain poorly understood (San Martin Reyna et al. 2025; Thakur & Sinha 2024). For example, a quantitative analysis found that corporate governance, including the board of directors, positively influences succession planning, ultimately resulting in better

organisational performance (Li et al. 2025). In addition, a deductive approach in previous research indicates that government structures frequently influence management succession planning and the succession process, but the nature of this relationship remains unknown (Renuka & Marath 2023). Therefore, given emerging gaps in the literature, this study examines the role of corporate governance mechanisms in guiding the succession process (Owusu-Acheampong et al. 2024). The subsequent section shows how the research question was answered.

## Research methods and design

Our research employed an interpretivist approach, as reflected in the researcher's emphasis on analysing real-world events or scenarios in their contextual circumstances and background (Pervin & Mokhtar 2022). We used an interpretivist philosophy to enable participants to construct their own experiences of governance and succession planning in family businesses (Bham 2024; Saunders & Lewis 2018). The target population from which the sample was drawn comprised family businesses in Gauteng, specifically those located in Johannesburg, South Africa. Johannesburg is one of South Africa's economic hubs, and home to reputable family businesses. We limited the study to Johannesburg to obtain insights into the phenomenon under study, rather than intending to generalise the findings, which can be addressed in future research. While quantitative studies in this context have focused on businesses listed on the Johannesburg Stock Exchange (Urban & Nonkwelo 2022), the focus of this study was on unlisted companies. The focus on unlisted companies was chosen to enhance our understanding of how these businesses, sometimes facing resource constraints and uncertainty, navigate complex succession and governance mechanisms. We planned to access the participants through business associations.

However, the authors lacked access to the target population because of regulations governing the protection of personal information. Therefore, the researchers relied on personal networks, business groups, and forums to recruit participants. Our initial contacts referred some of the participants. Purposive sampling was used to select the participants, based on predetermined criteria (Taylor, Bogden & DeVault 2016). Firstly, the participants were selected based on their managerial engagement in family businesses that had been in existence for longer than 10 years (see Table 1). Secondly, the selected businesses had some form of business governance and succession planning in place. Thirdly, participants needed to have had real-life experience with succession planning. After screening potential participants from local business organisations, 12 family businesses with existing succession plans were identified for selection as the final sample. Considering that the study focused specifically on companies with existing succession plans, the sampling frame for the final sample was limited, as only a few qualifying companies exist in the chosen geographic area. However, the sample was deemed adequate, although limited in its capacity to make generalisations (Saunders & Lewis 2018). The companies were represented by

**TABLE 1:** Demographic details of participants.

Participant code	Industry	Business duration (years)	Generation of current control	Participants' years of business control	Age of the participant (years)
P1	Consulting	21	First	21	50–60
P2	Retail – fashion	22	First	22	> 60
P3	Construction	50	Second and third	37	> 60
P4	Food processing	31	Second	11	50–60
P5	Retail – shoes	35	First and second	35	> 60
P6	Fast food restaurants	22	First	22	50–60
P7	Furniture stores	19	Second	11	40–50
P8	Financial and estate planning	25	First and second	25	> 60
P9	Property development and management	43	Second	28	> 60
P10	Retail – appliances and electronics	40	Second	22	> 60
P11	Cash and carry	18	First and second	18	40–50
P12	Agri-processing	74	Third	12	40–50

individuals engaged in management. Table 1 presents the list of participants who met the study's inclusion criteria.

The participants who were included in the final sample operated in three primary industries: retail, manufacturing, and services. Although the study did not focus on racial dynamics, the sample was diversified with Indian, African, and white participants. The sample comprised individuals who owned the business and those who held leadership positions. The individuals' participation in management activities enabled them to discuss governance and succession-planning matters. According to these participants, their businesses were at distinct stages of the succession-planning process. The commonality across these cases was that succession planning discussions had already begun, while the implementation levels varied. Some companies had family members appointed to ownership roles, whereas in others, participants had not yet assumed the executive leadership roles.

### Data gathering process

The interview guide was developed based on existing literature (Orole et al. 2025; Thakur & Sinha 2024; Umans et al. 2020) and subsequently submitted for ethical clearance at the local university. Upon receipt of the clearance certificate, a formal interview was scheduled with the identified participants. The ethical conditions of participation and the request to record were presented to the participant before the individual interviews. The interview format was consistent throughout, adhering to the interview guide. Conducting semi-structured interviews can alter the data collection trajectory, but the interviewer ensured that the interview guide was followed consistently. Each interview lasted approximately 50 min. The study approached saturation around the 12th interview, at which point the information obtained began to be repeated (Saunders, Lewis & Thornhill 2009). One of the challenges was the limited sample available for retesting the saturation. However, the insights gathered, notably when the themes were repeated, indicated that the study had approached saturation. In addition, as this study did not focus on industry-specific themes, similar interview questions were asked across all businesses. After the interviews were completed, the recordings were transcribed and prepared for thematic data analysis.

### Data analysis

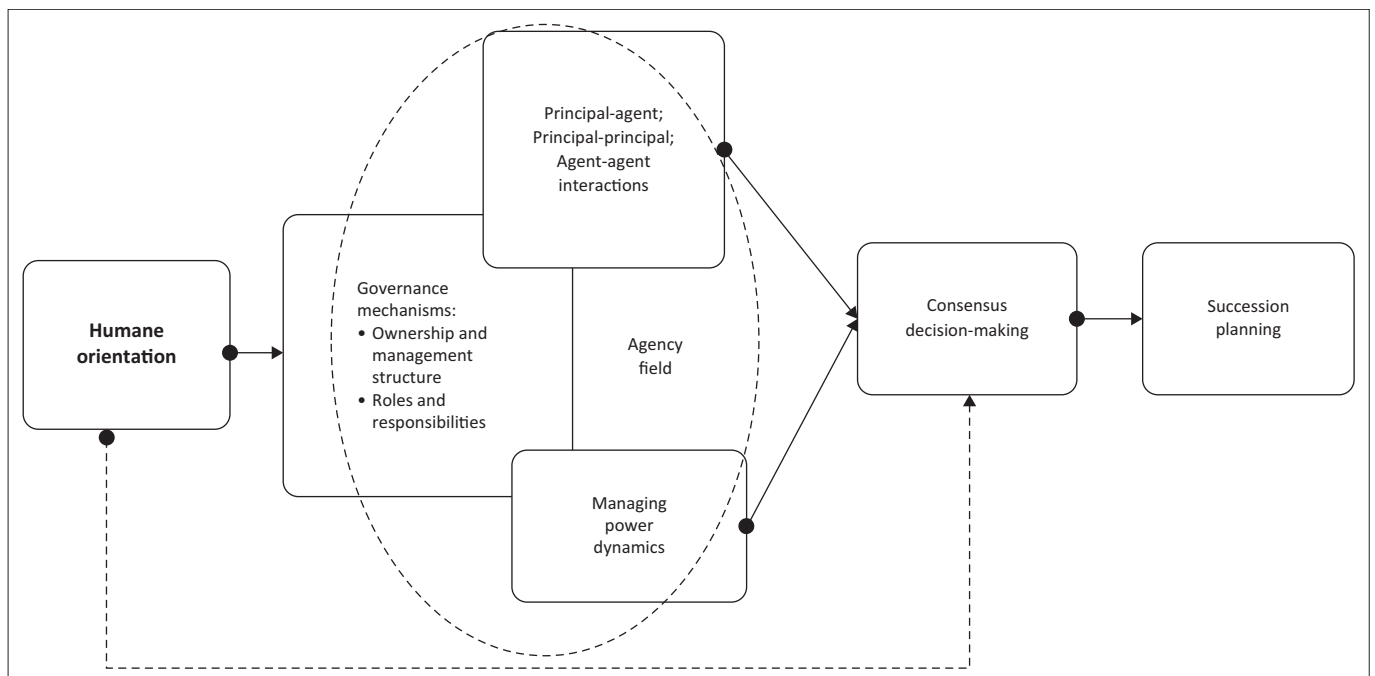
Before data analysis could begin, the transcribed interviews were loaded into ATLAS.ti, a computer-assisted software program used to analyse qualitative data (Bham 2024). The tool helped the researchers organise the transcripts and code the data. A conventional content analysis was used to analyse the data, whereby the raw data were converted into codes, categories and themes. No preconceived themes were used in the initial data analysis (Hsieh & Shannon 2005). Therefore, the first step was to develop and review the interview responses and assign codes to phrases that addressed the interview questions.

After the coding process was completed, the related codes were grouped into categories. For example, codes such as a committed team, a board of directors, and an external management team, were grouped into 'a strong management team'. Codes that were not part of answering the research questions, for example, referring to the detailed steps of succession planning, were not included in the development of categories. Once all the categories were formed, the next step was to formulate the themes that would provide theoretical insights into the research questions. Categories, such as strong management team, assignment of roles and responsibilities, and reporting structure, were labelled 'business structure for inclusive participation in succession planning'. This process is also referred to as finding the common thread (Thorne 2000). We ensured that the information presented in Table 2 can demonstrate the connections between the themes, ultimately resulting in a conceptual framework for the study (see Figure 1).

Data reliability was ensured by thoroughly documenting all data and detailing the procedures used for data collection (Morse et al. 2002). Using ATLAS.ti enabled us to track the data analysis steps and maintain consistency throughout the process. To enhance the quality control, the researchers avoided leading questions and asked open-ended questions that allowed the participants to narrate their own experiences (Morse et al. 2002). The findings are presented in the next section.

**TABLE 2:** Data structure.

Codes	Categories	Themes
Committed team, having a board of directors, and involvement of external management or non-family members	Strong management team	Business structure for inclusive participation in succession planning
Assignment of roles and responsibilities, defining the structure, introducing systems for accountability, developing a common goal, and involving everyone in decision-making	Assignment of roles and responsibilities	
Establishing reporting and communication challenges, managing family dynamics, and engaging professional structures to enhance reporting	Reporting structure	
Documented agreements about shareholders' roles to deal with power challenges	Shareholder agreements	Documented ownership agreements to minimise power struggles
Introducing agreements on financial planning mechanisms and decision-making processes for financial matters	Financial control agreements	
Ensuring adherence to the signed agreements and respecting the rules governing the board to minimise power challenges	Compliance with rules and regulations	
Having written minutes on the decisions taken by the board regarding the ownership structures and agreements	Written minutes as a point of reference	
Establishing the governance mechanism, based on good ethical behaviours, hard work, honesty and transparency	Humane ethical values	Humane governance values for succession planning interactions
Praise to the almighty for the provision and success in the leadership transition and relying on external religious leaders for direction	Religion as a social governance mechanism in succession planning	
Separation of family and business decisions and a consensus-based decision-making process	Consensus decision-making processes	

**FIGURE 1:** Illustration summarising the findings.

## Ethical considerations

An application for full ethical approval was made to the Gordon Institute of Business Science Ethical Clearance Committee and ethics consent was received on 02 August 2024.

## Results

This section presents the three themes that demonstrate the role governance mechanisms play in succession planning.

### Theme 1: Business structure for inclusive participation

The first theme highlighted that governance mechanisms enable inclusive participation by establishing a strong management team, assigning roles and responsibilities, and establishing a reporting structure.

### Instituting a strong management team

Most of these family businesses had a formalised board of directors comprising family members. In a select few cases, non-family members were also included to serve on the board. Including external members was seen as a way to enhance managerial skills and guidance during transitions. Businesses with non-family board members reported that they contributed positively to the company by providing unbiased views:

‘A board in place would define rules, define values ... they have a vision, mission, value statement.’ (P1)

‘Our exco [*board*] structure would decide on the strategy, and then obviously follow the process to ensure that it is being implemented.’ (P4)

The collective role of family and non-family directors, supported by those with ownership in the company, served as an oversight

mechanism to ensure accountability, proper reporting, and guidance of the strategic instrument for successful succession. The use of such a governance mechanism was believed to be instrumental in ensuring business longevity and facilitating the transfer of knowledge. The participants emphasised the role of establishing structures:

*'As a business grows, you need strong people in different parts of the business to drive it, and ... that's what we've understood. We have to place them and integrate them.'* (P7)

Part of having a strong management team is ensuring that ownership challenges are addressed. In Participant 6's case, their father assigned different roles, but all were part of equal partnerships. The siblings had to discuss among themselves how they would develop the business, for example:

*'My father said, you have to be equal partners, irrespective of who started first, who is stronger ... to be equal partners. We discussed it among ourselves and decided to remain partners and build this business.'* (P6)

*'So my brother and I were partners in the business, fifty-fifty.'* (P5)

In some cases, individuals appointed to the ownership structure deviated from the business objectives:

*'Two cousins ... You hear them say, I'm a shareholder. I should be invited to the golf days. He hasn't worked like Prince.'* (P12)

### Assignment of roles and responsibilities

The data indicated that assigning roles to senior family members should be approached with caution, as it may lead to conflict. Family members in management should be assigned distinct roles to avoid conflict and duplication of effort, even when they hold equal shares. However, the assignment of such tasks depends on the succession-planning processes. Each member must be trusted to perform autonomously and report their decisions to the family members independently and be accountable to the family for their actions. Activities such as financial management, operations management, and marketing should be allocated to family members separately. Having distinct roles reduces the likelihood of ongoing tensions or confrontations that could affect the intergenerational transition. To assign roles appropriately, family businesses must identify the strengths, personalities, and expertise of all family members. The participants elaborated:

*'... making sure each family member has demarcated roles and then making sure that everybody understands that if they're going to get involved in the other person's role, it needs to be done with approval from that person.'* (P5)

*'I'm not looking over everyone, asking them "what are you doing," because you start to create antagonism between each other.'* (P9)

*'Governance model from day one is that we wouldn't interfere in each other's operational style.'* (P4)

### Reporting structure

The participation of family members in the business calls for clear reporting structures. Unanimous agreement was observed in the data, indicating that 'there can be only one

captain of the ship', signalling the importance of establishing a hierarchy in the family business structure. Family members and other directors are expected to report in accordance with that established structure as having multiple individuals participate in the decision-making processes could lead to disorganisation. At the same time, opaque structures could lead to independent decision-making that conflicts with the company's strategic direction, potentially affecting the succession process:

*'There must be one captain on the ship. There's got to be a captain, because if you've got two, three different captains, then obviously, they're going to pull the ship in different directions ...'* (P8)

However, installing such a clear hierarchy can be seen as bureaucratic and a display of power, especially when the founder demonstrates their privileged position in making those final decisions:

*'My philosophy is, on a ship, there's only one captain. Yes, I consult, but I make those decisions, whether anybody accepts it or not. That decision-making is crucial. And I think in any business, there should be only one captain, because if there isn't one captain, you're going to have people pulling in different directions.'* (P2)

## Theme 2: Shared agreements to minimise power struggles

The data showed that the presence of shareholder agreements, financial control agreements, compliance with written rules and regulations, and written minutes as a point of reference were mechanisms that govern succession planning.

### Shareholder agreements

Most of the participants interviewed reported having shareholder agreements in place that specify the ownership structure. These contracts stipulate the roles and responsibilities of shareholders in advancing the businesses' objectives. These agreements are relatively detailed, including clauses that provide guidelines for leadership exit, planned retirement, and unforeseen circumstances such as death. In other words, the agreements also provide a high-level view of succession planning. Upon the death of a decision-maker, governance mechanisms are intensified to ensure that the successor assumes the leadership of the business. Formulating these agreements through consensus reduces confrontations and power dynamics that can arise during the succession process. Examples of shareholder agreements were as follows:

*'The shareholder agreement is a dynamic document, which gets updated when circumstances change. The agreement covers shareholding, roles and responsibilities, as well as what would happen in the case of an exit or death of a shareholder.'* (P3)

*'In our organisation, everything is documented per file, so an individual knows. For example, you know the direction profile. So, if a person has to part ways or passes away, the next person can pick up the file and continue, because there's always direction.'* (P1)

When discussing the shareholder agreement, one participant realised that the agreement with his brother was oral and never written formally:

'But now that we have mentioned it, I'd actually love to just sit down and formalise it. I think that's a wise thing to do.' (P6)

In addition, other participants lacked a shareholders' agreement and did not regard it as a key governance mechanism. They perceived their relationship as grounded in trust and their years of shared experience and understanding, without needing any written documents:

'No. Nothing, no written agreement. It's all just about understanding. It's based on trust, and if anything happens, I will consult with my brother, and we will decide on things together.' (P9)

'It's just my father and me, we don't have a written agreement, we just evolved and have ended up, where we are. We try not to be too formal; my father doesn't like that.' (P11)

The shareholder agreement is essential for governing ownership, relationships, and decisions in the organisation. This agreement is a contract that promotes adherence to the rules set by shareholders and is designed to be straightforward to avoid misinterpretation:

'Governance is a proper shareholders' agreement, or some shared family agreement. This is how we behave. These are the values: honesty, integrity, and this is how this business is going to be run.' (P9)

### Financial control agreements

The data demonstrated unanimous agreement on the inclusion of financial control agreements. Proper financial controls include the recording and management of financial transactions and cash flow. Participants explained that contentious issues arise when family members withdraw company funds for their personal use. Such perceived or assumed entitlement can be detrimental to the business's longevity and succession planning. Participants shared these insights:

'I, for example, the one thing that I don't do is touch money in this business. None of my kids touch any of the cash in this business. It's all handled by external people, and they're accountable.' (P1)

'We can't draw money when we want; we have a fixed structure, and we all follow the process. So, we have a specific structure, where we are all on the same structure.' (P4)

### Compliance with laws and regulations

The essence of good governance is to ensure that family businesses also comply with external regulatory requirements. Compliance with applicable business laws, taxes, and regulations is essential to ensure the company's legal authority to operate. To hand over the business to the next generation in good standing, decision-makers must ensure that the firm maintains compliance with applicable laws and regulations, holds up-to-date licences and certifications, and

has filed accurate tax returns. Lastly, the data showed that failing to comply with the regulations could leave successors with unresolved challenges. Participant 7 emphasised structure and compliance:

'As a business grows, you need governance, you need structure, you need a rule book.'

### Minutes of meetings

Participants (9 out of 12) explained that the challenges discussed at the meetings, decisions, and agreements must be recorded for future reference. Documenting the agreements is one way of protecting family members from potential disputes. These minutes record the consensus reached between the participants in the meeting. If disputes emerge soon, the family members and their directors can always utilise what is reflected in the minutes of previous meetings. Participant 3 emphasised:

'Put everything in writing. If it wasn't for a written agreement signed by my brothers and me, I don't think we would be in business today.'

This was substantiated by Participant 6, who stated:

'Many people have selective memories, that's why everything must be recorded.'

## Theme 3: Humane governance values for succession planning interactions

The last theme identified humane ethical business values as core governance mechanisms that drive consensus decision-making in succession planning.

### Humane ethical business values

The data highlighted that governance values are essential to family interactions and succession planning. While some companies had an agreement in place, others reported having to rely more on their established values. Those who did not have some formalised agreements relied on their family's and business values. These humane values included integrity, mutual trust, and respect between family members. Their absence poses a threat on the strength of the governance mechanisms:

'Trust is an invisible contract that holds more weight, when you have those discussions, than actual paper, something that you have to hold very close and dear to your heart and respect.' (P7)

Another value of engagement is ensuring transparency. Family members must hold open discussions about the decisions to be made, and those decisions must be shared with all relevant actors. This approach lessens uncertainty and misunderstanding by clearly articulating decisions. In some firms, the intergenerational succession process was transparent, thereby fostering trust and confidence between family members and ultimately reducing the likelihood of disputes and conflicts:

'Transparency and fairness. Within our business, in our succession-planning initiatives, we maintain clear communication across generations to ensure alignment. Everybody must know where they stand, and the same rules apply to everyone, including myself.' (P1)

### Religion as a guiding social norm

In other cases, participants were grateful to the almighty for guiding them through the succession activities. Some even referred to religious principles guiding their succession decisions. For example, if a deceased husband was a partner, the partnership ends, but the co-leader has discretion to invite the wife into the ownership structure:

'According to our religious law, the partnership terminates when one dies. I believe he [*brother*] co-owned the four stores when he passed away. I said to his wife: From these four stores, tell me which store you want.' (P5)

Despite the role of religious beliefs, some regard them as a threat. This occurs when family members receive external assistance from religious leaders. One family member argued that the advice is at times in conflict with the family business's intentions:

'They got a very religious scholar who came in and said: You know what, if you do not do X, Y and Z, based on this, your dad will not rest well in his grave. In the meantime, when they came back to us, I would say it was utter nonsense, because this is what religion says.' (P1)

These findings demonstrated that religion mattered in relation to the individual's meaning-making.

### Consensus based decision-making process

It is important to observe that some businesses have established policies to separate the private family dynamics from business decision-making. This move was based on the premise that family and business processes differ; therefore, they require distinct mindsets for effective decision-making. One participant found that separating family from business meant even the eldest child or most respected individual was not always the key decision-maker:

'We have a separate family council, and if there is a family matter, it gets dealt with there, and business remains business.' (P12)

In addition, two participants recommended involving a trusted and impartial non-family member to help mediate sensitive decisions and build consensus objectively.

'We have X, who's not a family member. If we need his input, he is quite impartial, so we'd invite him to any decision-making.' (P4)

Most participants found that meetings and open communication between key stakeholders are essential in achieving consensus. In some family businesses, the objective was to build consensus during decision-making. Participant 6 stated:

'We also have an unwritten rule that says that to get consensus, we both need to have buy-in.'

This approach ensured that everyone participated in the decision-making process. However, writing the decisions was vital for establishing agreement, maintaining continuity, and creating a record of the decisions made. The following section discusses the findings against the existing literature and articulates significant theoretical contributions.

## Discussion

The primary research question examined the role of governance mechanisms in the succession planning process of family businesses in South Africa. The study makes several contributions to family business research and expands the application of the agency theory. Figure 1, grounded in agency theory, shows that humaneness is a core philosophy that drives governance mechanisms in the agency field, specifically the family business environment. The emergence of governance mechanisms shapes consensus in decision-making, ultimately influencing the succession process.

The first contribution addresses the antecedent that explains how the agency theory operates in a given context. The contribution is that humaneness, as a core philosophy of the governance mechanisms, guides succession planning, especially when formal structures are weak or absent. Our findings demonstrate that humaneness, as expressed through integrity, trust, respect, transparency, and accountability, plays a significant role in complementing formal governance mechanisms, such as contracts and written agreements. This humaneness, known as Ubuntu, is the essence of social interaction in sub-Saharan Africa (Karsten & Illa 2005). Embracing humaneness as a core governance value enables the family to navigate the complexities of succession with clarity and mutual respect, ultimately supporting the sustainability of the family business across generations (Gilding, Gregory & Cosson 2015).

In addition to humaneness, the findings showed the contentious role of religious beliefs in governance. Religion was found to empower succession when practised by family members, but when external religious leaders are involved, the impact is not significant, in fact opposite. Our findings help to explain why, in some cases, religion supports succession planning and, in others, has unintended consequences (Abaddi 2025). These findings add to the governance literature the need to focus on contextual, culture-specific practices, such as religion, that function as institutions when existing family ones are weak.

Building on the agency theory, the second contribution expands the classification of agency relationships. In family business research, the agency theory has been used to explain the principal-agent, principal-principal, and behavioural aspects of the principal (Chrisman et al. 2024). Our study examined how governance structures enable principals and agents to navigate succession planning and the study showed that governance structures facilitated the clarification and assignment of roles to the different family members (Parada et al. 2020; Thakur & Sinha 2024). Furthermore, the

involvement of the non-executive members was seen to act as a potential buffer, ensuring a smooth transition. Contrary to the view that the traditional board of directors may not be of assistance in the business performance, as they hold their positions to meet a legal obligation (Blanco-Mazagatos et al. 2016), the findings demonstrated that they played a role in helping the business make key decisions.

Our study further identified that when the appropriate governance mechanisms are in place, they can direct agent-to-agent interactions during the succession process. The agent-agent interactions involve family members being prepared for succession planning by the principal. The agent-agent interactions determine whether the succession process will succeed, before family members become the principals, with shareholding. Participants observed that although many family businesses have successful succession models and remain competitive, they often fail because of internal conflicts and subjective decision-making, driven by individuals' personal interests, rather than objective business logic (Binz Astrachan et al. 2021; Ferrari 2023; Sathe et al. 2022). While the existing literature focused mainly on the engagement between the founder and the successor, there was a noteworthy need to explore how the governance mechanisms in place guide the agent-agent engagement, because family rivalry has been shown to impede succession planning (Mahomed & Mtambu 2021). These agent-agent relationships will transition to principal-principal interactions, once family members assume ownership through succession. Such a transition warrants exploration in future studies.

This study's third contribution is that strong governance mechanisms mitigate power struggles during succession planning. This finding is instrumental, especially in agency theory, which has been driven by informal asymmetries, but implicitly assumes power dynamics (Saam 2007). As argued in Saam (2007), the principal always has power over the agent. Even in a family business, a founder who is the principal can reward good agents with succession, while withholding it from those who do not pass the succession test. Furthermore, the power is evident in the principal's ability to influence the successor's behaviour. Display of such power was seen when Participant 2 said: '... I make those decisions, whether anybody accepts it or not'.

Our findings showed that while power dynamics exist in the principal-agent relationship and agent-agent interactions, these are minimised by the appropriate governance mechanisms, such as formalised written agreements. The use of meetings (Binz Astrachan et al. 2021) and written shareholder agreements has been listed in numerous literatures as a key governance mechanism in family businesses (Binz Astrachan et al. 2021; Matias & Franco 2021; Parada et al. 2020; Umans et al. 2020) but power dynamics can limit the efficacy of meetings that do not lead to written agreements. Power dynamics can lead to different coalitional constellations between and among family members (Ben-Shahar et al. 2023), thereby affecting the succession process. Therefore, future research is needed to

examine the interplay between governance, power dynamics, and succession in family businesses.

The final contribution is that the constellation of governance mechanisms enables consensus-based decision-making during succession planning. Singh (2025) argues that the primary role of the agency theory is to convert conflicts into consensus. Our results expand the findings by stating that while acknowledging agent-agent interactions, humaneness, and balancing power dynamics will enable consensus in decision-making for succession planning.

These findings are essential, as they demonstrate the mediating role of consensus-building in the discussions about family business succession process (Bham 2024). Future research could examine how consensus-building occurs in family businesses. These contributions provide theoretical and practical explanations of the agency's role in family businesses.

## Conclusion

This study examined the role of governance mechanisms in succession planning in family businesses in South Africa. By grounding the phenomenon in the agency theory, the study demonstrated how the unique setting of family business research can empirically extend the theory's applicability and assumptions. We have shown that the contextual setting, especially the norms and cultural practices, have the potential to strengthen the agency relations, when formal institutions are compromised. While the existing literature gravitates towards stakeholder orientation (Löhde, Campopiano & Calabrò 2021), we believe that family business is a laboratory for the improvement of the agency theory by explaining how power balances, agent-agent interactions and humaneness contribute to consensus-building. Another contribution to business practice is that governance extends beyond contractual agreements. Our study demonstrated that trust and integrity are core elements of governance that enable succession planning.

While some of these formalised agreements are there to meet the legal requirements, a humane orientation should also be central to corporate governance in succession planning. A contribution to policymakers is to engage with family business owners to incorporate a humane orientation into policy development and entrepreneurial support. For example, governance policies should incorporate integrity and fairness in the treatment of individuals. Lastly, these findings can help practitioners to advise family businesses and develop appropriate corporate governance training interventions and mentorship programmes.

As no research is free of drawbacks, several limitations influenced this study. As this study relied on a purposive sample of 12 participants, all located in Johannesburg, Gauteng, the data had limited generalisability. Therefore, future research should use larger samples across various geographic regions. Future research should also compare governance and succession planning across demographic

groups, such as gender, racial groups, and industry sectors. Because the study was based on cross-sectional data, a longitudinal study is needed to establish how succession planning and governance unfold over time. Such data will also demonstrate businesses that have failed in the succession process, highlighting another limitation of this study, as it did not include failed family businesses. Another limitation was that our study could not examine the relationship between the progression of generations, the current control generation, governance and succession planning process. Therefore, future research should examine how generational progression influences governance mechanisms.

We focused only on businesses that have already implemented governance and succession mechanisms. More insights are required from businesses that have failed to establish whether they had included succession planning and governance mechanisms. We also did not delve further into the outcomes of succession planning, an area for future exploration. Our study found that some results were limited in their ability to extend the agency theory. Future studies should explore the agent-agent interactions and how they influence the success of the business, instead of focusing on the identified conflicts between siblings and family members.

Furthermore, future research should examine how interaction dynamics change, when one agent becomes the principal, or both agents become principals, in equal partnership arrangements. Also, our study showed that power is another implicit assumption of the agency theory. However, our study did not provide detailed dimensions of power asymmetries in family business succession. It would be interesting to examine the various aspects of power across different types of family businesses. Lastly, our research showed that humaneness, grounded in Ubuntu philosophy, influenced engagement with succession planning, particularly when formal mechanisms were absent or deficient. Future research should examine how informal governance mechanisms, grounded in norms and values, address institutional inadequacies in family businesses. Such norms could also include religious beliefs and their influence on the behaviour of principals and agents.

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## CRedit authorship contribution

Muneer Bham: Conceptualisation, Data curation, Formal analysis, Investigation, Methodology, Project administration, Software, Validation. Anastacia Mamabolo: Conceptualisation, Data curation, Formal analysis, Funding acquisition, Supervision, Validation, Writing – original draft, Writing – review & editing. Steven Zwane: Conceptualisation, Data curation, Formal analysis, Funding acquisition, Writing – original draft, Writing – review & editing. All authors reviewed the article, contributed to the discussion of results, approved the final version for submission and publication, and take responsibility for the integrity of its findings.

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## Data availability

The data are not publicly available due to confidentiality agreement.

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