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Succession & Sustainability in African Family Business

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Abstract

Family businesses are critical to Africa's economic growth, yet their survival across generations remains uncertain due to succession challenges and weak sustainability practices. This study investigates the key determinants of continuity in family-owned enterprises, with a focus on Nigeria and South Africa. Using a quantitative approach, data were collected from 30 founders, successors, and non-family executives through structured surveys. The responses were analyzed in Excel and EViews using regression models to evaluate the effects of succession planning, next-generation interest, family conflict, and environmental, social, and governance (ESG) practices on sustainability.

Findings indicate that succession planning significantly influences long-term business survival, while next-generation interests and family conflict show limited impact. Importantly, ESG responsibility emerged as the strongest predictor of sustainability, emphasizing the need for African family firms to adopt responsible governance and social practices. The study contributes to family business research in emerging markets and offers practical tips for owners and policymakers aiming to strengthen intergenerational continuity.

TABLE OF CONTENTS

CHAPTER ONE (INTRODUCTION)

1.1 Background to the Study 6

1.2 Problem Statement 6

1.3 Main Goal of the Research 7

1.4 Research Methodology 7

1.5 Research Objectives 7

1.6 Research Questions 7

1.7 Research Hypothesis 8

1.8 Significance of the Study 8

1.9 Scope of the Study 8

1.10 Structure of the Study 8

CHAPTER TWO (LITERATURE REVIEW)

2.1 Theoretical and Practical View on Sustainability 11

 2.1.1 Setting up a Family Office 14

 2.1.2 Aligning ESG Principles with Africa Family Business 16

 2.1.3 Financing Strategies for Succession and Sustainable Family Business 16

2.2 Succession Planning in Family Business 18

 2.2.1 Nigeria 20

 2.2.2 South Africa 20

2.3 Choosing a Leader Based on Performance and Gender Inclusion 22

2.4 Research Gap, Limitation and Contribution	23
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CHAPTER THREE (METHODOLOGY)

3.1 Research Philosophy and Approach.....	26
3.2 Research Design	26
3.3 Population and Sampling Technique	27
3.4 Data Collection Instrument	27
3.5 Variables and Measurement	28
3.6 Model Specifications	29
3.7 Data Processing and Analysis Tools	29
3.8 Validity and Reliability	30
3.9 Ethical Considerations	30
3.10 Limitations of the Methodology	31

CHAPTER FOUR (DATA PRESENTATION AND EMPIRICAL ANALYSIS)

4.1 Demographic Characteristics of Respondents	32
4.2 Descriptive Analysis of Succession Planning Practices	36
4.3 Descriptive Analysis of Sustainability Practices	41
4.4 Challenges Affecting Succession and Sustainability	47
4.5 EViews Analysis	52
4.5.1 OLS Regression Results EQ 1	55
4.5.2 Correlation Matrix EQ 1	56

4.5.3 Correlation Matrix EQ 2	59
4.5.4 Normality Test for Residuals EQ 2	61
4.5.5 Heteroskedasticity Test EQ2	62
4.5.6 Breusch-Godfrey Serial Correlation LM Test	64
4.6 ESG as an Independent Variable	65
4.6.1 Normality Test EQ 3	67
4.6.2 Heteroskedasticity Test for EQ 3 BPG	68
4.6.3 Serial Correlation LM Test LAG 1 EQ 3	69
4.6.4 Serial Correlation LM Test LAG 2 EQ 3	70
4.7 Hypothesis Testing	72
 CHAPTER FIVE (DISCUSSION, CONCLUSION, AND RECOMMENDATIONS)	
5.1 Discussion of Findings	74
5.1.1 Succession Planning and Sustainability	74
5.1.2 Next Generation Interest	75
5.1.3 Family Conflict	75
5.1.4 ESG Responsibility	76
5.2 Conclusion	76
5.3 Recommendations	79
5.4 Area for Further Research	80

References

Chapter One

Introduction

1.1 Background to the Study

Family businesses are a critical element of the global economy, significantly contributing to wealth generation, innovation, and employment. They are estimated to account for 70% to 90% of enterprises worldwide (PwC, 2023). Family-owned businesses are the bedrock of the private sector in Africa, especially in Nigeria and South Africa, where they are instrumental in the creation of jobs and the advancement of socio-economic development. Nevertheless, a significant number of family enterprises are unable to persist beyond the initial generations, despite their economic importance. Empirical evidence suggests that approximately 30% of family enterprises survive to the second generation, with only about 13% progressing to the third generation (Lambrecht & Lievens, 2008).

Various cultural, institutional, and governance-related challenges further complicate the succession planning and sustainability of family businesses in Africa. Nigeria, the continent's most populous Black nation and largest economy in Africa, offers a unique context for the analysis of these obstacles. In contrast, South Africa's relatively sophisticated business environment provides a comparative framework. These countries exemplify the paradoxical nature of family enterprises, combining a robust entrepreneurial drive with fragile intergenerational continuity.

1.2 Problem Statement

Family businesses in Nigeria and South Africa are highly susceptible to failure because of inadequate succession planning, fragile governance frameworks, and familial conflict, despite their prominence in African economies. The prevalence of undocumented succession planning in Nigeria is substantial, as several proprietors are hesitant to relinquish control. In South Africa, family businesses continue to face generational leadership challenges, despite the progress made through corporate governance regulations such as King IV. Investment opportunities and global competitiveness are restricted because of the neglect of Environmental, Social, and Governance (ESG) policies, which exacerbate sustainability issues. This investigation examines the impact of succession planning, next-generation engagement, familial conflict, and ESG implementation on the long-term sustainability of family enterprises in these two significant African economies.

1.3 Main Goal of the Research

The primary objective of this research is to examine the factors that affect the succession planning and sustainability of family businesses in Africa, with a particular emphasis on Nigeria

and South Africa, and to specifically analyze the roles of succession planning, next-generation involvement, family conflict, and the adoption of Environmental, Social, and Governance (ESG) principles. By exploring these dimensions, the research seeks to establish a clearer understanding of how these factors interact to determine the long-term viability of family enterprises in these two economies.

1.4 Research Methodology

This study adopts a quantitative research approach to investigate the impact of succession planning on the sustainability of African family businesses. Data will be collected through a structured online questionnaire administered via Google Forms, and the analysis will be conducted using Microsoft Excel and EViews software.

1.5 Research Objectives

The study aims to:

1. Evaluate the impact of succession planning on the viability of family enterprises in Nigeria and South Africa.
2. Analyze the significance of next-generation engagement in maintaining continuity.
3. Investigate the impact of family conflict on sustainability outcomes.
4. Explore the role of ESG adoption in strengthening business longevity.

1.6 Research Questions

1. How does the presence of a documented succession plan affect sustainability in family businesses?
2. To what extent does next-generation interest contribute to business continuity?
3. What is the relationship between family conflict and sustainability outcomes?
4. How does the adoption of ESG principles influence the long-term survival of family businesses?

1.7 Research Hypothesis

- **H₁:** Documented succession plans, high next-generation interest, and low family conflict significantly influence sustainability in African family businesses.

1.8 Significance of the Study

This research aims to clarify the sustainability of family businesses in Africa by concentrating on two of its most significant economies. It offers practical advice to policymakers, successors, and founders regarding the enhancement of governance and succession planning structures. The

study also emphasizes the importance of ESG practices in the process of attracting investment and improving global competitiveness. It contributes to the limited corpus of literature on African family businesses from an academic perspective, providing a more profound understanding of the intersection between sustainability outcomes and socio-cultural factors and governance frameworks.

1.9 Scope of the Study

The research examines family enterprises in Nigeria and South Africa, utilizing survey responses from founders, successors, and non-family executives. Although the conclusions may not be applicable to all African nations, they offer significant insights for economies encountering analogous succession and governance issues.

1.10 Structure of the Study

The dissertation is structured as follows: Chapter One: Introduction. Chapter Two: Literature Review. Chapter Three: Methodology. Chapter Four presents and analyzes the findings, while Chapter Five discusses conclusions and recommendations.

Chapter Two

Literature Review

The literature review presents this research as a firm platform by bringing together studies, models, and real-world examples of succession planning and company sustainability, with a focus on family-owned businesses in Africa. This chapter aims to show how succession and sustainability have been theorized and practiced globally and in Nigeria, which has the largest population and one of the strongest economies in Africa.

People often assert that family businesses help individuals establish their businesses, generate employment, and transfer wealth from one generation to the next. These businesses play a crucial role in generating employment and transferring wealth from one generation to the next. Their success is because they are the main source of income for many economies, especially those in Africa. But many of these businesses don't last long after their founders die because they lack a succession plan and sustainability. PricewaterhouseCoopers (PwC) did a poll in 2018 and found that just 15% of family businesses have a robust and formal strategy for who will take over after the owner dies (PwC, 2018). A recurring topic in the literature is that African family businesses don't last for more than two or three generations (Ogbechie & Anetor, 2015; Dike et al., 2025).

We will discuss the core notions underlying family businesses, how to plan for succession, best practices for sustainability, and the theories that are typically used to explain these things in this chapter. Additionally, this chapter will examine real-world research relevant to Africa, address crucial topics such as mentorship, the development of human capital, financial planning, and family dynamics, and finally highlight the research gaps that this study aims to address.

The term "family business" can refer to many different types and a desire to keep it in the family. Chrisman, Chua, and Sharma (2009) say that a family business is "a business governed and managed with the intention to shape and pursue the vision of the business held by a dominant coalition controlled by members of the same family or a small number of families in a manner that is potentially sustainable across generations." Globally, family businesses contribute over 70% to GDP in countries like Germany and over 60% in the United States (Family Firm Institute, 2019), indicating their central role across economies. Placing Africa's figures in this context highlights both the opportunities and vulnerabilities facing Africa's family enterprises.

Handler (1991) also divides family businesses into groups based on how much family members are involved in making decisions and running the business. These companies have various long-term plans, focus more on the past, employ managers from different generations, and are more adaptable. However, these companies can also make it tougher for individuals to manage their emotions (Morris et al., 1997).

Family businesses constitute a big part of Africa's private economy. They support the lives of millions of people in Nigeria and make up more than 80% of all registered enterprises (Ogundele et al., 2012). Family-owned businesses are becoming more crucial for altering the economy and creating jobs, even if corporate corporations are the most common type of business in South Africa (Onyeukwu & Jekelle, 2019). Usually, these businesses start out because the owners want to be entrepreneurs. The owners start these businesses with the purpose of leaving a legacy and making money.

Leadership changes impact African family businesses more than other business types, despite their crucial role in the economy. Ogbechie and Anetor (2015) suggest that less than 5% of Nigerian family businesses make it to the third generation. This highlights how crucial it is to investigate ways to transfer power and ensure that companies can stay in business for a long period.

Succession planning is the process of passing on leadership roles from one generation to the next in a company. It includes recruiting, educating, and transferring potential leaders who can keep or improve the company's vision and performance (Sharma et al., 2003). For family-owned businesses, succession is not merely a business issue; it's also a very personal one that is often affected by family politics, emotional attachments, and cultural values (Handler, 1991).

There are two basic types of succession planning: planned succession, which happens over a long period of time with careful mentoring and preparation, and unplanned succession, which happens when someone gets sick, dies, or has legal problems (Dike et al., 2025). Researchers indicate that the first choice is directly linked to long-term business performance, while the second choice tends to cause leadership gaps and operational turmoil (Onyeukwu & Jekelle, 2019). In African contexts, barriers such as limited professional advisory services, weak enforcement of succession-related legal agreements, lack of family office and low institutional trust further complicate the adoption of planned succession models.

2.1 Theoretical and Practical Views on Sustainability

What Does "Sustainability" Mean for a Family Business?

Sustainability in business means that a company can continue its operations and achieve its goals over an extended period of time. For family-owned businesses, sustainability means two things: the business's ability to stay operational and the family's capacity to retain its legacy and stay connected to each other. Sharma and Irving (2005) believe that family businesses need to be able to stay financially stable, come up with new ideas, stay competitive in the market, and alter their leadership and strategy over time to be sustainable.

In Africa, sustainability also means that a business can stay in operation even when there are social and economic problems, political instability, and poor institutions. These issues are usually worse than they are in wealthy countries (Dike et al., 2025). This means that family businesses that are sustainable are those that can change their plans as needed, have leaders who include everyone, and arrange things in an organized manner.

A look at the research suggests that there are several signals that family-owned businesses can last:

- **Financial Performance and Reinvestment:** One of the most important things for a firm to do is make smart reinvestment choices. Awogbemi et al. (2022) say that organizations that put money back into their core assets, train their employees, and make new goods are more likely to stay in business after the founder's generation.
- **Innovation and Adaptability:** You need to be able to adapt your product lines, adopt new technologies, and react to changes in the market. Companies that rely on outdated models and fail to adapt usually remain stagnant.

- **Governance Structures:** Family councils, succession plans, and advisory boards are all examples of governance systems that sustainable organizations use. These mechanisms help people stay accountable and settle arguments (Chrisman et al., 2009).
- **Human Capital Development:** A business needs to be able to recruit and develop new leaders from within to stay in business. Akindele et al. (2022) believe that in this domain, mentoring, coaching, and rotating jobs are highly significant.
- **Emotional Capital and Legacy Planning:** One thing that sets family businesses apart is how much they care about their legacy. Emotional capital can help people stay committed for a long term, but it needs to be coupled with objective performance standards.

It is essential to avoid favoritism and make decisions based on objective criteria rather than personal sentiments (Morris et al., 1997).

Many African families struggle to remain operational after the first generation; despite their importance, they have problems keeping open after the first generation, even though they are crucial to the economy. There have been reports of several issues that could affect sustainability:

- **Weak institutional support:** Many people work in informal industries, which makes it harder for them to acquire money, legal help, or guidance.
- **Limited Access to Capital:** It's harder to grow and reinvest when banks don't work well.
- **Succession Ambiguity:** When founders leave, things are unclear since there are no written plans or protocols for running the business.
- **Cultural Rigidity:** Outdated ideas can prohibit fresh ideas from coming up or keep smart women and younger family members from becoming leaders (Ogbechie & Anetor, 2015).

All of these elements show that there is a strong connection between succession planning and sustainability. Companies that plan ahead for changes in leadership usually have clearer strategic goals and better structures in place.

Theoretical foundations for this topic are based on three basic frameworks:

- **Social Exchange Theory**

In 1958, Homans came up with the idea of Social Exchange Theory. In 1964, Blau contributed to it. The theory suggests that people decide who to be in a relationship with based on a cost-benefit analysis and the idea of giving and receiving. Social exchange theory (SET) is a useful framework for understanding how family members discuss mentoring, share knowledge, and transfer ownership in a family business.

Dike et al. (2025) show that social exchange theory is what mentoring successors is based on. Founders expect loyalty, dedication, and stability in return for sharing their knowledge and offering successors access to business opportunities. The theory also explains why there could be problems arising when individuals fail to meet their expectations regarding giving and receiving, particularly when successors do not show respect or competence and don't satisfy their expectations of giving and receiving, such as when successors don't demonstrate respect or competence.

- Theory of Human Capital

This theory originates from Becker in 1964. It suggests that giving people education, training, and development is beneficial;

Studies that look at real-life situations (such as Awogbemi et al., 2022; Akindele et al., 2022) suggest that investing in the skills and knowledge of successors considerably increases the likelihood that a business will stay in business and grow. A family firm could fail, become incompetent, or lose its strategic direction if the people taking over don't receive effective training.

- The Life Cycle Theory of Family Business Succession

Churchill and Hatten (1987) say that the Life Cycle Theory breaks down the succession process into four parts:

Owner Management Stage: The individual who started the business is responsible for everything.

Training and Development Stage: The next generation learns about the company and begins to work there.

Partnership Stage: The person who started the project and the person who took over make choices together and share duties.

Stage of Power Transfer: The new leader formally takes charge.

This idea works best in Africa, where power is often passed down from one generation to the next in a traditional way rather than a meritocratic way. Ogbechie and Anetor (2015) say that many firms don't plan out these processes, which might lead to rapid or chaotic transitions. The Resource-Based View (Barney, 1991) also informs this study by suggesting that unique, inimitable resources, such as family trust, legacy reputation, and embedded networks—can be leveraged for competitive advantage and sustainability.

When we are discussing about sustainability and succession in African family businesses, there are some important points that we need to consider, which are

2.1.1 Setting Up a Family Office

A family office is a private wealth management advisory firm specifically designed to manage the financial and investment needs of ultra-high-net-worth families. Its main objective is to offer a comprehensive range of services, including investment management, estate planning, tax optimization, succession planning, and governance support (Sharma, 2017). Essentially, a family office acts as a centralized platform for the management of the family's wealth and business interests, ensuring that assets are effectively preserved, developed, and successfully transitioned across generations (Brockhaus & Moores, 2010).

Setting up a family office is a strategic approach to sustainability and long-term growth in African family businesses, particularly in Nigeria and South Africa. These countries, as leading economies in sub-Saharan Africa, are characterized by unique economic, political, and social dynamics that make the role of family offices critical to the stability and continuity of family-run businesses. Economic volatility, political instability, and a complex regulatory environment pose risks to family enterprises, especially in Nigeria, where fluctuations in oil prices can dramatically affect the national economy, or in South Africa, where social unrest and regulatory changes can disrupt business operations (Gómez-Mejía et al., 2014). A family office can play a pivotal role in managing these external challenges, ensuring that both the wealth and business operations remain resilient across generations.

A family office provides crucial wealth management services, which include the development of diversified investment portfolios to protect the family business from economic downturns and external risks. Furthermore, family offices are instrumental in succession planning, ensuring that business ownership and leadership are passed down with minimal disruption, preserving the family legacy and maintaining alignment with both family values and business objectives (Miller & Le Breton-Miller, 2006).

Governance is another area where family offices are critical for sustainability in African family businesses. Many businesses in both Nigeria and South Africa face challenges with governance, particularly as they expand or internationalize. Patriarchal leadership often influences informal governance structures in family businesses, potentially undermining long-term business success (Burt & Moores, 2010). Family offices help professionalize governance structures by introducing formal decision-making frameworks, improving accountability, transparency, and strategic oversight (De Massis & Kotlar, 2014). This is especially important for businesses expanding into new sectors or international markets. In South Africa, for example, businesses must navigate complex Black Economic Empowerment (BEE) laws and transformation regulations, and formal governance can help align business operations with these evolving regulatory frameworks (Bain & Company, 2020).

Family offices also assist in managing the complex dynamics of family relationships within business operations, which is especially relevant in Nigeria and South Africa, where family-run businesses often have multiple generations involved in day-to-day operations. In these settings, personal conflicts can significantly disrupt business continuity. Family offices provide conflict resolution services, ensuring that personal disputes between family members do not affect business operations and that relationships remain focused on business goals (Ward, 2004).

Furthermore, family offices are becoming instrumental in helping family businesses align their investment strategies with sustainable development goals (SDGs). Both Nigeria and South Africa face significant social and environmental challenges, ranging from infrastructure deficits to issues related to climate change and social inequality. Family offices can help businesses in these countries align their investments with environmentally sustainable and socially responsible projects. In South Africa, for example, where corporate social responsibility (CSR) plays an important role in shaping public perception, family offices can guide family businesses in impact investing, ensuring that investments generate positive social impact while maintaining financial returns (Gundolf & Filser, 2013).

Family offices can also help mitigate the impact of economic volatility in both countries. For instance, in Nigeria, where the economy is largely dependent on the oil sector, economic diversification is crucial. Family offices can help Nigerian family businesses invest in other sectors, such as agriculture, technology, or renewable energy, making them more resilient to shifts in the global oil market (KPMG, 2019). Similarly, in South Africa, where businesses face risks from social unrest and policy changes, a diversified investment approach guided by family offices can reduce risk exposure and improve business sustainability.

Family office is a critical strategy for Nigerian and South African family businesses aiming for long-term sustainability and successful succession. By offering professional guidance in wealth management, governance, succession planning, and social responsibility, family offices help businesses navigate complex economic, political, and social landscapes. They also ensure that family values are preserved across generations while promoting corporate responsibility. In the face of external pressures, family offices provide the necessary infrastructure to safeguard the competitive advantage and legacy of African family businesses for future generations.

2.1.2 Aligning ESG Principles with African Family Business

Environmental, Social, and Governance (ESG) principles are increasingly recognized as a critical component of long-term business sustainability. For family businesses, integrating ESG is not only a corporate responsibility but also a means of safeguarding legacy and building stakeholder trust. The “E” dimension involves practices such as responsible resource use, reducing carbon emissions, and adopting renewable energy. The “S” component includes employee welfare, community engagement, diversity, and human rights adherence. The “G”

element covers transparent governance structures, anti-corruption policies, and strong compliance systems (World Economic Forum, 2022).

In Africa, ESG adoption remains inconsistent, often due to low regulatory enforcement, limited investor pressure, and the perception that sustainability initiatives are costly luxuries rather than strategic investments (KPMG Africa, 2021). However, companies like Dangote Group in Nigeria and Shoprite in South Africa have begun embedding ESG reporting into their corporate strategies, improving investor confidence and public image. PwC (2022) notes that African family businesses that adopt ESG frameworks are better positioned to access global capital markets, attract younger talent, and adapt to shifting consumer expectations.

2.1.3 Financing Strategies for Succession and Sustainable Family Businesses in Africa

In African family businesses, succession financing is not simply a technical exercise: it intersects with legacy preservation, cultural expectations, and the region's evolving capital markets. Whether in Nigeria's largely family-controlled SME sector or South Africa's mixed economy shaped by Black Economic Empowerment (BEE) policies, the chosen financing model can accelerate or undermine a smooth leadership transition.

- Internal Financing vs. External Investors

Many Nigerian and South African family firms prefer **internal financing**, relying on retained earnings, reinvested profits, or the sale of non-core assets to fund the transition. This approach upholds control and privacy, a crucial factor in cultures that associate ownership secrecy with family honor and security. For instance, in Lagos-based second-generation manufacturing firms, reinvesting profits has allowed successors to assume leadership without taking on external debt, thus maintaining both liquidity and autonomy.

However, internal financing can limit the capital available for modernizing operations or meeting ESG commitments. This is where **external investors**, such as private equity funds, impact investors, or strategic partners, come into play. In South Africa, some family agribusinesses have accepted minority stakes from institutional investors to finance next-generation leadership training, upgrade technology, and comply with ESG reporting standards demanded by global buyers. In Nigeria, development finance institutions like the African Development Bank (AfDB) have offered transition-phase capital to family-run industrial firms, particularly when linked to job creation or renewable energy integration.

- Sustainable Finance Instruments

Sustainable corporate finance innovations offer new options for African family businesses seeking both capital and long-term competitiveness during succession:

- **Green Bonds:** Financing renewable energy systems or sustainable agriculture projects during leadership transition (e.g., Nigerian agribusinesses tapping Lagos State’s green bond market).
- **ESG-Linked Loans:** Loans that offer lower interest rates if companies meet goals related to diversity, emissions, or governance.
- **Development Bank Facilities:** AfDB, IFC, and DBSA provide concessional loans for operational modernization tied to social impact or environmental performance.
- **Impact Investment Funds:** Investors targeting both financial returns and measurable development outcomes, suitable for family firms with strong community engagement.

By aligning succession financing with sustainable investment instruments, African family businesses can strengthen their balance sheets, meet ESG standards, and preserve intergenerational legacy.

2.2 Succession Planning in Family Business

This section talks about the fundamental themes that connect succession planning and sustainability in African family businesses. We base these ideas —mentoring, training, job rotation, coaching, financial planning, governance, culture, and some quantitative variables—on both real-world facts and theoretical research. Together, they all make up the study's conceptual and analytical base.

- **Mentoring**

When an experienced leader, generally the founder, delivers planned or unplanned counsel to a younger, less experienced family member to assist them in getting ready to be a leader in the future, this is called mentoring. Mentorship in Africa is typically not structured and is centered on apprenticeship models instead of traditional managerial training (Nnabuife et al., 2017).

Dike et al. (2025) found that more than 60% of the firms they studied had informal mentoring happen through everyday exposure and observation, with no stated learning goals. Even if this organic method has cultural meaning, it works best when the mentor and mentee are dedicated and have an emotional bond. According to Akindele et al. (2022), mentoring is most effective when it includes feedback on performance and activities to improve abilities.

Handler (1991) says that mentoring is also associated with higher levels of organizational commitment, trust, and readiness for leadership, all of which are necessary for long-term success.

- **Job Rotation, Coaching, and Talent Development**

Awogbemi et al. (2022) named both of these methods "high-impact succession strategies." They found that organizations that used rotation and coaching had easier transitions between CEOs and better continuity in the company. These methods help people set realistic expectations and ensure that successors don't receive jobs they're not ready for.

In family businesses, talent management entails recruiting and training both family and non-family members who have the potential to become leaders in the future. Some African businesses don't want to hire people from outside the company, although having a more open talent pool can minimize the risk of succession and close performance disparities caused by nepotism.

- Financial Planning and Governance

It's highly crucial for the long-term success of your business to plan your finances. These activities include making a budget, planning investments, managing assets, and handling succession finance, which may involve retirement packages or equity buyouts.

Governance frameworks like family constitutions, succession boards, and advisory groups assist in making decisions more obvious.

Ogbechie and Anetor (2015) found that the key reason organizations fail under second-generation CEOs is their lack of financial management skills. Only 25% of the firms questioned about their financial management strategies provided clear answers. On the other hand, organizations with effective governance structures and adherence to accounting standards were significantly more likely to stay in business.

Chrisman et al. (2009) believe that effective governance systems make leadership development a part of the company and make people responsible for their actions. They also assist in keeping fights between family members from happening.

- Family Relationships and Cultural Norms

Regardless of the individual's interests or skills, culture may favor the next head of the family. This tradition could push more skilled daughters or other relatives to the side, making it harder to make changes based on merit (Dike et al., 2021).

In polygamous families or when it's unclear who should take control, it can be hard to pass on power. Siblings fight when they don't get along, when values change, and when they don't talk. Onyeukwu and Jekelle (2019) wrote about businesses that failed due to succession disputes.

According to what I've read, promoting openness, meritocracy, and early talks about succession could help decrease these dangers. Morris et al. (1997) discovered that talking to people from different generations and making choices together can help a firm last longer and establish trust and alignment.

2.2.1 Nigeria

Most family businesses in Nigeria lack succession plans. Dike et al.'s (2025) research in Southeast Nigeria reveals that informal preparation is still quite essential.

Akindele et al. (2022) also studied family companies in Ibadan and found that training and education that made people better at their jobs were associated with long-term success. But family fights and gender bias often come in the way of these gains.

Onyeukwu and Jekelle (2019) wrote about family businesses that failed after the founder died. The analysis revealed that the business failed because of faulty paperwork, emotional decisions about who would take over, and the fact that the next generation of leaders wasn't ready. According to the Nigerian Association of Small and Medium Enterprises (NASME, 2021), over 65% of family-owned SMEs in Nigeria shut down within five years of founder exit, underscoring the urgency for robust succession frameworks.

Awogbemi et al. (2022) used quantitative methods to show that succession strategies, including mentoring, job rotation, and financial planning, are strongly linked to a business's long-term profitability. Their results ($F = 202.5$; $p < 0.000$) highlight how crucial it is to have a plan in place to keep things going from one generation to the next.

2.2.2 South Africa

In South Africa, succession planning is somewhat more organized, particularly in family enterprises owned by white individuals after apartheid because of Black Economic Empowerment (BEE) regulations. In 2020, the University of Stellenbosch Family Firm Unit undertook a study and discovered that less than 30% of these businesses have clear plans for how to pass on their firm.

The study highlighted challenges such as the absence of formal business training and disagreements over company decisions. Comparing firms in different nations demonstrates that South African businesses with advisory boards and formal mentorship programs have easier transitions and tend to last longer (PwC South Africa, 2020). However, the influence of Black Economic Empowerment (BEE) policies means that succession planning in Black-owned

enterprises often intersects with policy-driven leadership transitions, creating both opportunities for diversification and challenges in merit-based selection.

Family businesses in Africa face unique challenges, but there are best practices from around the world that can assist them. While these strategies have proven effective in Europe, Asia, and North America, their application or adaptation in Africa may be minimal.

Global literature, according to PwC (2018), emphasizes the importance of initiating succession planning early, ideally when the founder is in the middle of their career. For example, in Germany, family firms usually start discussing succession 10 to 15 years before they wish to depart. The inventor and successor have time to learn new skills, meet their coworkers, and adjust to the idea of taking over during this longer runway.

IKEA, a huge Swedish family business, started training future executives in their early twenties by offering them internships and teaching them how to operate the business. These kinds of models teach successors both operational skills and values.

Countries with strong family business cultures often adopt formal forms of governance like

- Family councils help people talk to one another and set goals that everyone can agree on.
- Succession Committees: Choose and rate possible leaders.
- Family constitutions set rules for values, who can lead the family, and how property should be passed down.
- Advisory Boards: Get family members and other professionals together to make sure the strategy is fair.

Many prominent family businesses in India currently have established family constitutions. These papers explain how to handle succession, settle disagreements, and make investments. An arrangement like this exists.

2.3 Choosing a Leader Based on Performance and Gender Inclusion

Meritocracy is a prevalent attribute of family enterprises that have been around for a long time. Family businesses that do well don't pick their successors solely on who was born first. They instead assess applicants' leadership, market knowledge, and commitment to the company's goals. The Ford Motor Company, which has been a family-owned corporation in the U.S. for a long time, selects and picks its CEOs based on both family history and comparisons with other

companies. Additionally, digital transformation, such as adopting enterprise resource planning (ERP) systems, e-commerce strategies, and data analytics, has emerged as a modern best practice, enabling smoother generational transitions and operational continuity (Deloitte, 2021).

People in Africa might not like this idea, but it can help businesses create trust, especially when they want to grow or obtain money from outside sources.

People all around the world agree that succession is a sequence of steps: selecting the appropriate person, getting them ready, making the transfer, and leaving a legacy. When a crisis occurs or someone passes away, many African companies undergo changes that differ from the typical succession process. The 2018 PwC Family Business Survey advises "succession roadmaps" that include deadlines, developmental milestones, and leadership aspirations.

Many family-run firms around the world operate well when they mix family leadership with management abilities from outside the family. These businesses stay at the top of their game by recruiting outside experts to do business and maintain their competitive edge by hiring external experts to handle specific tasks. The firm at Prada is made up of family members, and professionals run it.

Gender dynamics remain a critical but often overlooked factor in African family business succession. Cultural norms in many African societies tend to favor male heirs, particularly the eldest son, regardless of competence or interest (Dike et al., 2021). This approach has historically excluded capable daughters and other female family members from leadership positions, leading to underutilization of talent. However, case studies are emerging of African female successors—such as Folorunsho Alakija's family enterprises in Nigeria—who have led businesses to new heights through diversification and modernized governance. Research by IFC (2020) shows that African companies with women in top leadership roles often outperform peers in profitability and innovation, making gender inclusion not just a social imperative but a strategic advantage

2.4 Research Gap, Limitation, and Contribution.

There is more study on running family businesses, planning succession, and making enterprises more sustainable, but there are still major gaps, especially in Africa. This research is vital because it addresses four significant gaps in the current empirical and theoretical investigations.

Most of the research on succession planning has been done in the West, such as in North America, Western Europe, and some parts of Asia (Handler, 1991; Morris et al., 1997; Chrisman et al., 2009). These areas have more organized legal systems, greater institutional support, and more diverse family governance models. African countries face challenges because businesses must operate within countries, as they need to address a wide range of cultural, institutional, and

economic challenges (Ogbechie & Anetor, 2015; Dike et al., 2025). Businesses must operate within countries, as they have to cope with a wide range of cultural, institutional, and economic challenges (Ogbechie & Anetor, 2015; Dike et al., 2025).

Traditional beliefs and concepts about communal ownership, patriarchy, and a lack of trust in institutions significantly influence succession in African family businesses. There aren't many studies that look at how these social and cultural elements affect succession planning in Nigeria or South Africa.

- Lack of Quantitative Evidence in African Studies

Much of the research on family businesses in Africa relies on case studies or qualitative data. These studies tell excellent stories, but they don't apply to many circumstances (Onuoha, 2013; Ogundele et al., 2012). These studies are useful for looking into things, but they don't prove that there are statistically significant relationships between succession strategies and the long-term performance of a business.

This study addresses that gap by utilizing a quantitative method, surveying 30 family businesses, and using EViews software to do statistical analysis to find out how strong and relevant the traits that were found are.

- Variables That Have Not Been Well Studied Before

Even in cases where succession has been influenced by factors such as the founder's drive or mentoring, this is not the case. This study examines ESG adoption within African family businesses, particularly in how ESG compliance interacts with succession planning to impact sustainability outcomes.

This study fills in the gaps by looking at how these things work together to affect sustainability outcomes across time.

- Theory and practice don't work well together.

Another issue with the study is that it doesn't do a satisfactory job of using theory to solve real-world challenges with succession planning. There is a lot of study on stewardship or agency theory, but not much that puts it in the context of African family enterprises.

This study fills up that gap by employing five theoretical frameworks: agency theory, life cycle theory, and social exchange theory to look at how family businesses in Nigeria and South Africa address succession. This variety of theories makes the research more useful and reliable.

Based on the identified gaps, this study makes several significant contributions.

a. Contribution to the Context

It offers us African-centered viewpoints, focuses on Nigeria, and compares Nigeria to South Africa. This helps us learn more about how family businesses pass along.

b. Theoretical Contribution

It goes into further detail about how current business theories work in the cultural and institutional settings of African economies.

c. Real-world contributions

It indicates statistically significant connections between variables related to succession planning and results related to sustainability. This makes it one of the few large quantitative research studies in this area.

d. Practical Contribution

The research provides families with advantageous, practical ideas that they can implement.

This chapter presents a complete overview of what is already known regarding succession and sustainability in family businesses. The chapter began with talking about what family businesses are and why they are vital for Africa's economy. Next, it discussed various aspects of succession planning, including mentoring, training, coaching, job rotation, governance, and family dynamics.

The chapter explored various perspectives on sustainability, emphasizing elements such as reinvestment, innovative ideas, human capital, and business operations. It examined the best global practices and how they could help Africa.

We examined various theoretical frameworks, and each one provided us with a new perspective on succession planning and execution. Some ideas that help us understand how family values, institutional design, and firm continuity all function together, agency theory, life cycle theory, and social exchange theory.

Lastly, the chapter discussed how relevant the research is to different regions, how deep the data is, and how well the theories fit together. This study is based on these gaps and aims to put together a full picture of how succession planning might assist African family businesses in staying in business.

CHAPTER THREE: METHODOLOGY

This chapter provides a detailed account of the methodological framework adopted for this study, which investigates the impact of succession planning on the sustainability of African family businesses. Given the study's focus on establishing statistically significant relationships between variables, a quantitative research approach was employed. Data was collected using a structured online questionnaire administered via Google Forms and analyzed using Microsoft Excel and EViews. The chapter outlines the research philosophy, design, population and sampling technique, instrument development, variable measurement, model specification, data analysis strategy, validity and reliability procedures, ethical considerations, and the limitations of the methodology.

3.1 Research Philosophy and Approach

The research is underpinned by a positivist philosophy, which holds that reality can be observed and measured objectively through empirical evidence. Positivism aligns with the nature of this study, which seeks to test hypotheses and establish causal relationships between succession planning practices and sustainability outcomes.

This study adopts a deductive research approach, beginning with a review of theoretical literature, formulating hypotheses, and testing those hypotheses using quantitative data. This logical sequence from theory to observation supports the use of structured data collection and statistical analysis to validate or refute the stated hypotheses.

3.2 Research Design

A descriptive-correlational research design was employed. The descriptive element enabled the researcher to profile the characteristics of African family businesses. while the correlational element facilitated an analysis of relationships between succession planning variables and business sustainability. This design is suitable for studies that seek to explore and quantify associations among multiple variables within a real-world context.

3.3 Population and Sampling Technique

The target population of the study comprised individuals affiliated with African family businesses, including founders, successors, and non-family executives. These categories were chosen to ensure comprehensive insight into the succession planning process from various stakeholder perspectives.

A purposive sampling technique was adopted, focusing on respondents with relevant knowledge or roles in the succession process. A total of 30 valid responses were collected 80% from Nigeria

and 20% from South Africa. This distribution was intentional, as Nigeria represents the largest economy and population in Africa, while South Africa offers a contrasting business environment with more formalized governance practices in family enterprises.

3.4 Data Collection Instrument

Primary data was gathered using a structured online questionnaire developed on Google Forms. The instrument was divided into sections capturing demographic information, succession planning practices, and business sustainability indicators. Rather than using abstract variable names, the questionnaire included full, descriptive statements to ensure clarity and respondent understanding.

Demographic Information

position in business, age group, business age, generation.

Succession Planning Practices

measured using Likert-scale items (1 = strongly disagree to 5 = strongly agree).

- “The business has a documented succession plan.”
- “Successors are identified early.”
- “Successors are mentored by leaders.”
- “The next generation is involved in decision-making.”
- “Succession is openly discussed.”

Business sustainability indicators are also measured on a 5-point Likert scale.

- “The business has long-term strategic goals.”
- “The business has a financial sustainability strategy.”
- “Successors understand and uphold business values.”
- “The business reinvests profits for future growth.”
- “Innovation and adaptability are encouraged.”

For EViews regression:

- succession_plan
- nextgen_interest

- family_conflict
- sustainability (dependent variable)
- nextgen_involvement
- early_identification
- financial_strategy
- business_values

3.5 Variables and Measurement

Dependent Variable:

- Sustainability is measured through responses to questions that assess the firm's long-term strategic orientation, financial preparedness, and value continuity.

Independent Variables:

- succession_plan: Whether the business has a documented succession plan.
- nextgen_interest: Degree of interest shown by next-generation members in taking over.
- family_conflict: Perceived level of intra-family disagreements around succession.
- nextgen_involvement: Extent of next-generation involvement in decision-making.
- early_identification: Whether successors are identified in advance.
- financial_strategy: Availability of a financial plan for sustainability.
- business_values: Understanding and upholding of business values by successors.

All variables were ordinal and coded numerically for econometric analysis.

3.6 Model Specification

To evaluate the impact of succession planning on business sustainability, a multiple linear regression model was specified in EViews as follows:

$$\text{sustainability} = c + \text{succession_plan} \text{ nextgen_interest} \text{ family_conflict}$$

Where:

- sustainability = dependent variable (business continuity indicators)
- succession_plan, nextgen_interest, family_conflict = independent variables
- c = constant term

This model allows for testing the following hypotheses:

- H_0 (Null Hypothesis): Succession planning, next-generation interest, and family conflict have no significant effect on sustainability.
- H_1 (Alternative Hypothesis): The presence of a documented succession plan, high next-generation interest, and minimal family conflict significantly influence sustainability.

3.7 Data Processing and Analysis Tools

After collection, data was exported from Google Forms to Microsoft Excel for cleaning and coding. The cleaned dataset was then imported into EViews, where it was subjected to statistical analysis, including

- Descriptive Statistics: Mean, median, standard deviation.
- OLS Regression Analysis: To determine the significance and direction of relationships.
- Correlation Matrix (to examine multicollinearity).
- Diagnostic Tests:
 - Multicollinearity (Variance Inflation Factor VIF)
 - Autocorrelation (Breusch-Godfrey LM Test)
 - Heteroskedasticity (White or Breusch-Pagan Test)
 - Model Specification (Ramsey RESET Test)

These tests enhanced the robustness of the regression model and ensured the validity of inferences drawn in Chapter Four.

3.8 Validity and Reliability

Content Validity:

Questions were developed based on existing literature on succession and sustainability and validated by subject-matter experts to ensure coverage of relevant themes.

Construct Validity:

Questions were grouped to measure distinct constructs (e.g., conflict, planning, interest), and the questionnaire was logically structured to minimize misinterpretation.

Reliability:

Reliability was assessed using Cronbach's alpha in Excel. A threshold of 0.70 was used to determine acceptable internal consistency for multi-item constructs.

3.9 Ethical Considerations

The following ethical principles were adhered to:

- **Voluntary Participation:** All respondents participated by choice.
- **Informed Consent:** The form clearly stated the purpose of the study and allowed respondents to opt out.
- **Anonymity:** No personal identifiers were collected.
- **Confidentiality:** Data was stored securely and used solely for academic purposes.
- **Academic Integrity:** Proper citation of scholarly sources was maintained; no AI tools were used for content generation in the analysis or findings.

3.10 Limitations of the Methodology

Despite its strengths, the methodology is subject to several limitations:

- **Sample Size:** A total of 30 responses limits generalizability.
- **Geographic Scope:** Though it includes both Nigeria and South Africa, the sample may not represent all African regions.
- **Self-reporting Bias:** Respondents may have over- or under-reported sensitive information like conflicts of interest.
- **Cross-sectional Design:** The study captures a single point and does not reflect changes over time.
- **Limited Variables in the Final Model:** To maintain statistical clarity, only three variables were included in the regression, despite more being collected.

Summary

This chapter has presented the methodological foundation for this quantitative study on succession and sustainability in African family businesses. A structured questionnaire was administered via Google Forms, and data was analyzed using Excel and EViews. The research was grounded in a positivist paradigm and guided by a deductive approach. The methodology supports robust statistical testing of key hypotheses and lays the groundwork for results interpretation in the following chapter.

CHAPTER FOUR: DATA PRESENTATION AND ANALYSIS

This chapter presents the results of the data collected from African family business respondents and analyzes them in line with the research objectives. The findings are organized into two sections: (i) descriptive analysis of demographic characteristics and survey responses and (ii) EView analysis using regression and diagnostic tests. Microsoft Excel was used to generate descriptive statistics and charts, while EViews was employed for econometric analysis.

4.1 Demographic Characteristics of Respondents

- **Position in the business (Founder, Successor, Non-family Executive).**

The data indicates that 60% of respondents were founders, 20% were successors (family members), and the remaining 20% were non-family executives. This distribution indicates that most of the African family firms examined remain under the direct control of their founders, highlighting the prevalence of first-generation leadership. However, the fact that there are successors and non-family executives shows that some organizations are already moving on to the next generation or hiring professional management. This is vital for planning for long-term survival.

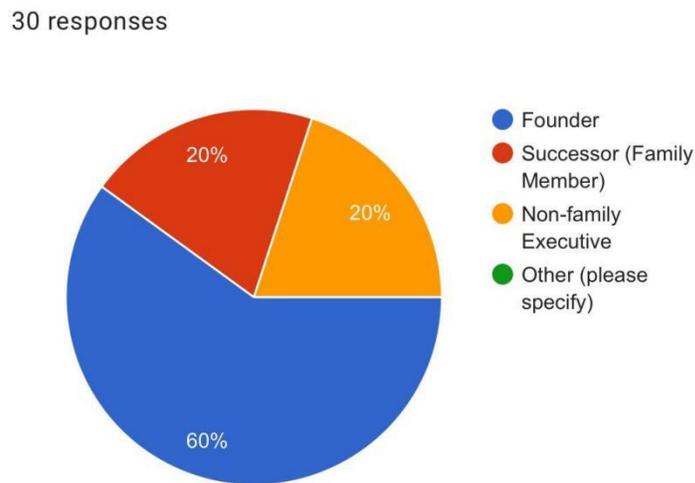


Figure 1: Position in the Business

- **Age Group of Respondents**

The statistics show that most of the people who answered (60%) are between the ages of 31 and 40, while 33.3% are under 30. There are only a few people (3.3%) who are between the ages of 41 and 50 and 51 and 60. No one is over 60. This indicates that African family enterprises are

predominantly led by relatively young CEOs, as most responders are from the younger and middle-aged groups. The young age of the people in the group could be both good and bad. On the one hand, it shows that there is room for new ideas and long-term growth. On the other hand, it makes people worry about not having enough experience with succession planning and long-term governance.

30 responses

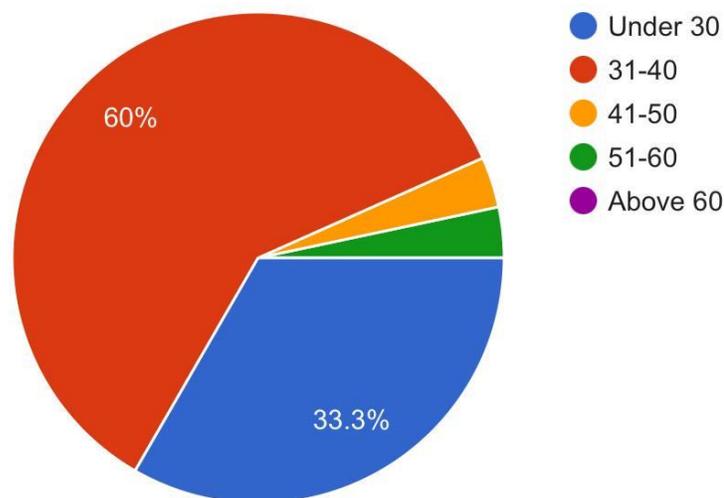


Figure 2: Age Group of Respondents

- **Age of business.**

The results show that most of the businesses (73.3%) have been around for less than 10 years, 20% have been around for 10 to 20 years, and only 6.7% have been around for more than 30 years. No one who answered said they had a business that had been around for 21 to 30 years. This distribution shows that most of the family firms in the study are rather new and still in the early phases of growth. The small number of older firms may also show how hard it is for

African family businesses to stay in business for a long time and pass on their wealth to the next generation. It is typically hard for these businesses to survive beyond the first two decades.

30 responses

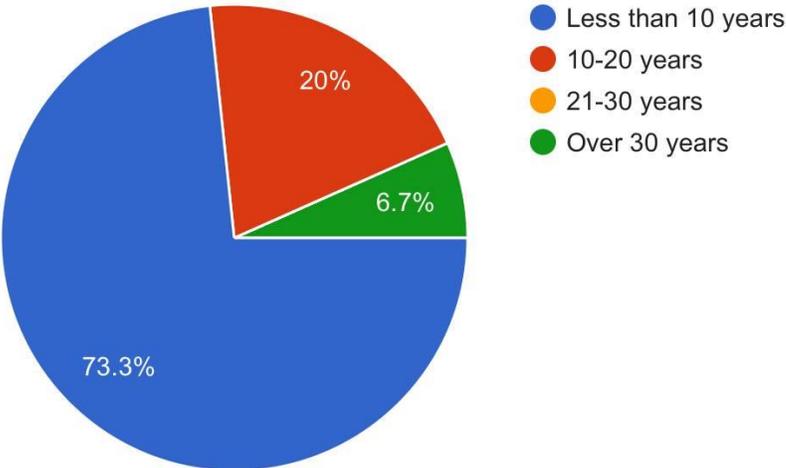


Figure 3: Age of Business

- Generation Currently Managing the Business**

The findings show that the first generation (founders) currently oversees 60% of family firms, while the second generation manages 30%. Only 10% of those who answered said that their enterprises have been passed down to the third generation or later. This distribution indicates that the majority of African family businesses are still in the first phases of succession, with minimal intergenerational transfer accomplished to date. Only a tiny number of firms make it to the third generation, which is a recurrent problem for family businesses: sustainability and continuity often drop off beyond the founder's time.

30 responses

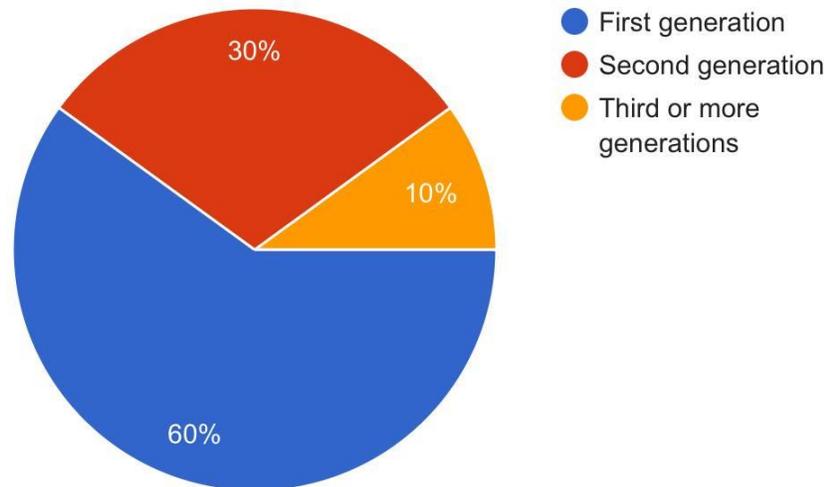


Figure 4: Generation Currently Managing the Business

4.2 Descriptive Analysis of Succession Planning Practices

- **The Business Has a Documented Succession Plan**

The results show that people have different opinions on whether or not family firms have written succession plans. A significant number of respondents (10 responses) agreed or strongly agreed (3 responses) that their organization had a written succession plan. But a lot of people either strongly disagreed (8 comments) or didn't care (4 responses). This means that even though some family businesses know how important it is to plan for succession legally, many still do it informally without any written rules. Not having any written records can make continuity more fragile, since informal agreements typically don't make things clear when leadership changes.

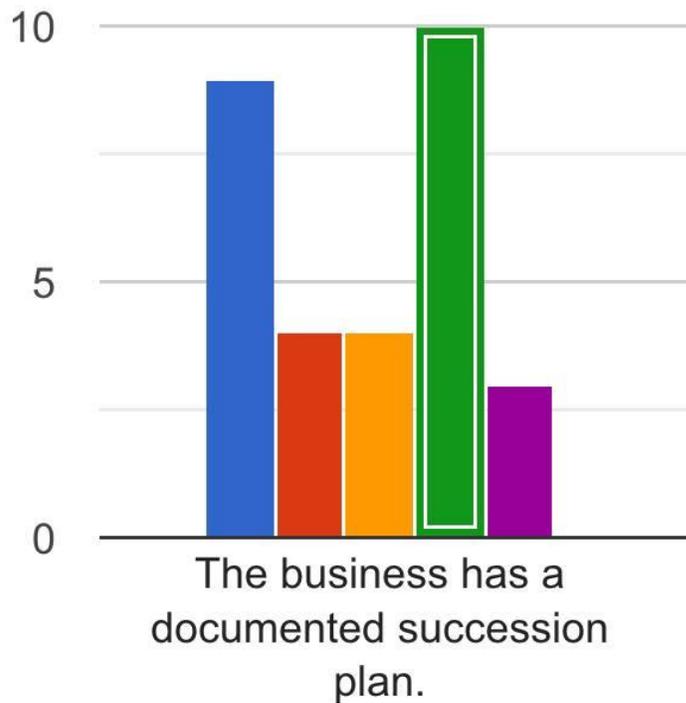


Figure 5 The Business Has a Documented Succession Plan

- Successors Are Identified Early

The responses show that people have different ways of finding successors early on. A significant number of respondents concurred (8 responses) and strongly concurred (4 responses) that successors are selected early in their organizations. But a similar number of people strongly disagreed (8 responses) or were ambivalent (6 responses), while only a few people disagreed (4 responses). This mixed result shows that African family firms don't always plan ahead for leadership transitions. Some firms actively look for future leaders, while others put off or skip the process. This can lead to leadership shortages and succession problems.

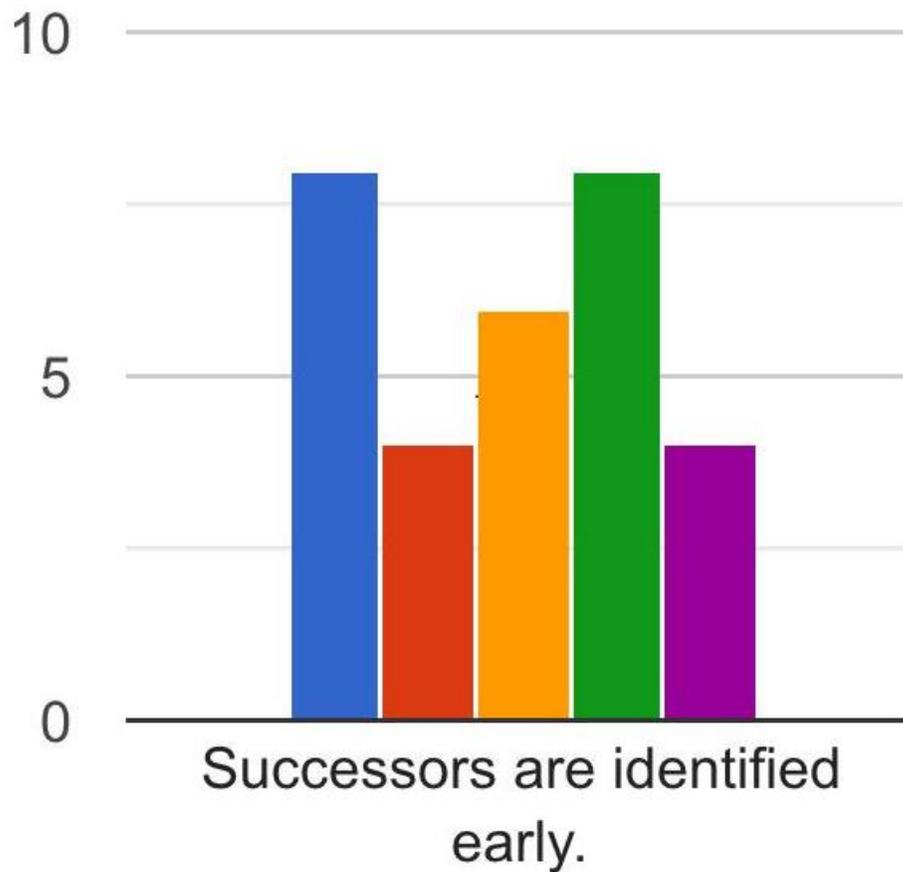


Figure 6: Successors Are Identified Early

- Successors Are Mentored by Leaders

The results indicate that mentoring of successors is quite common in African family enterprises, but not in all cases. Most of the people who answered either agreed (10 responses) or strongly agreed (5 responses) that leaders should actively mentor people who might be their successors. Conversely, a significant percentage maintained neutrality (6 responses), although a lesser group expressed disagreement (4 responses) or extreme disagreement (2 responses). This shows that even while mentoring is seen as a crucial part of succession planning, family firms don't always do it the same way. To keep the firm going for generations, good mentoring is essential for giving successors the skills, values, and leadership abilities they need.

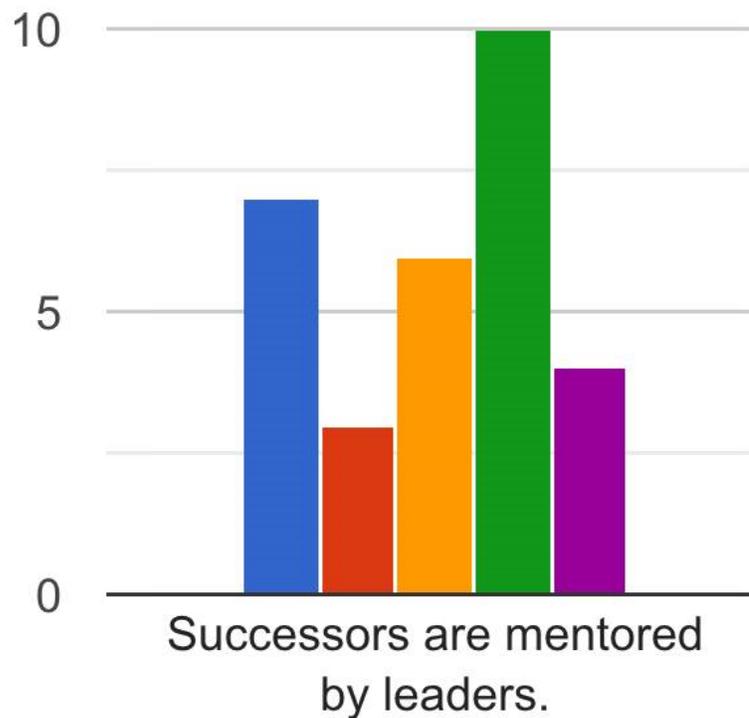


Figure 7: Successors Are Mentored by Leaders

- The Next Generation Is Involved in Decision -Making

The findings show that a majority of respondents agreed (9 responses) or strongly agreed (4 responses) that the next generation is actively involved in business decision-making. Meanwhile, a considerable proportion of respondents were neutral (5 responses) or disagreed (5 responses), while 7 respondents strongly disagreed. This mixed distribution indicates that while many family businesses are beginning to include next-generation members in decision processes, a significant number still exclude them or involve them only minimally. Involving successors in decision-making is essential for building leadership competence and ensuring smoother succession, yet the results suggest that this practice is inconsistently applied across African family businesses.

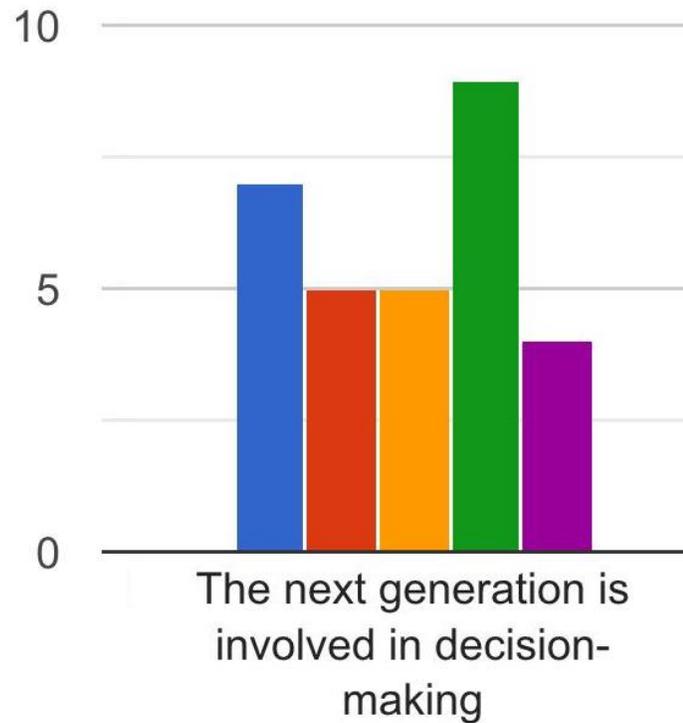


Figure 4.8: The Next Generation Is Involved in Decision-Making

- Succession Is Openly Discussed.

The results show that most respondents strongly agreed (11 responses) or agreed (7 responses) that succession is openly discussed within their businesses. A smaller proportion of respondents were neutral (5 responses) or disagreed (5 responses), while only one respondent strongly disagreed. This indicates that open dialogue on succession is fairly common among the surveyed businesses, which is a positive sign for continuity. However, the presence of respondents who remain neutral or disagree suggests that in some business's succession remains a sensitive or avoided topic. Failure to openly address succession may result in uncertainty and conflict, undermining long-term sustainability.

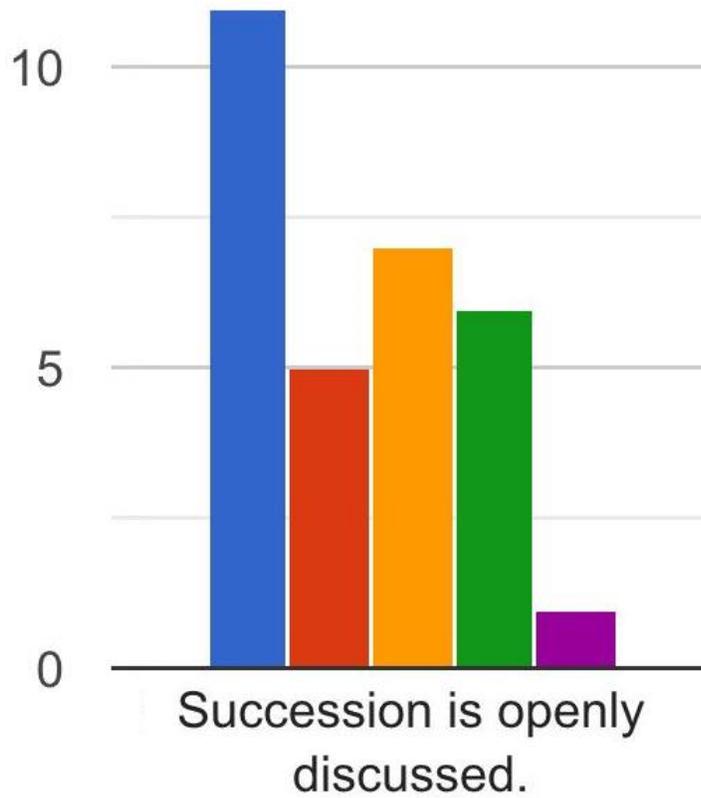


Figure 9: Succession Is Openly Discussed

4.3 Descriptive Analysis of Sustainability Practices

- Long-term strategic goals.

The results indicate that most respondents agreed (11 responses) or strongly agreed (9 responses) that their businesses have established long-term strategic goals. A smaller proportion were neutral (7 responses), while only a few disagreed (2 responses) or strongly disagreed (1 response). This suggests that many African family businesses are forward-looking and recognize the importance of long-term planning as a tool for sustainability. However, the presence of neutral and disagreeing responses highlights that not all businesses adopt a structured strategic outlook, which could hinder their ability to achieve continuity and growth across generations.

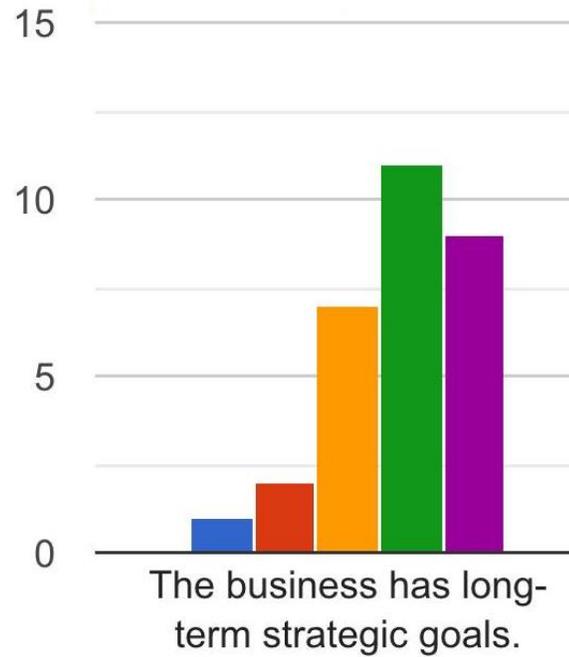


Figure 10: The Business Has Long-Term Strategic Goals

- Financial sustainability strategy.

The results indicate that a majority of respondents agreed (12 responses) or strongly agreed (6 responses) that their businesses have a financial sustainability strategy in place. A smaller proportion were neutral (6 responses), while only a few disagreed (4 responses) or strongly disagreed (2 responses). This shows that most African family businesses recognize the importance of financial planning for long-term survival and continuity. However, the presence of neutral and negative responses suggests that some businesses either lack formal financial sustainability frameworks or have weak strategies, which could undermine resilience, particularly in times of economic uncertainty.

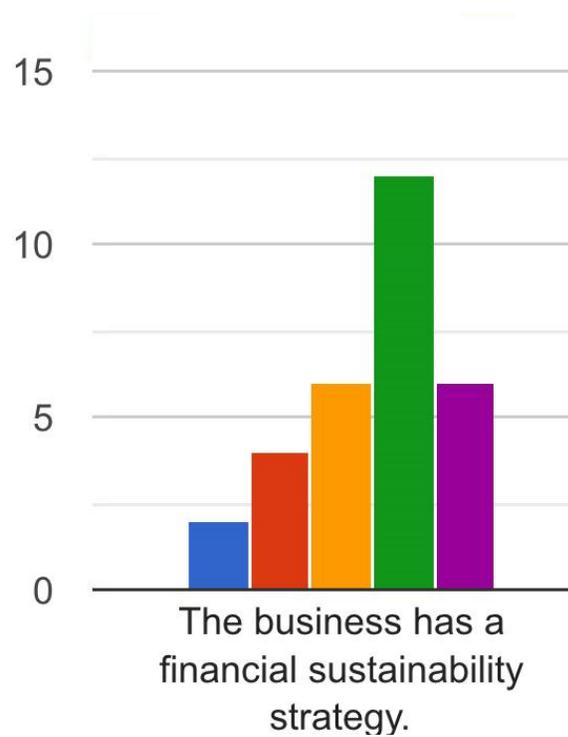


Figure 11: The Business Has a Financial Sustainability Strategy

- Upholding family business values.

The responses reveal that most participants agreed (7 responses) or strongly agreed (8 responses) that successors understand and uphold the values of the family business. A smaller proportion were neutral (6 responses) or strongly disagreed (6 responses), while only a few disagreed (3 responses). This indicates that, in many cases, successors are being socialized into the organizational culture and are aware of the guiding principles that sustain continuity. However, the presence of a notable group who disagreed or strongly disagreed suggests that in some businesses, successors may not yet fully internalize or embody these values. This inconsistency could weaken the transmission of the family legacy across generations and affect long-term sustainability.

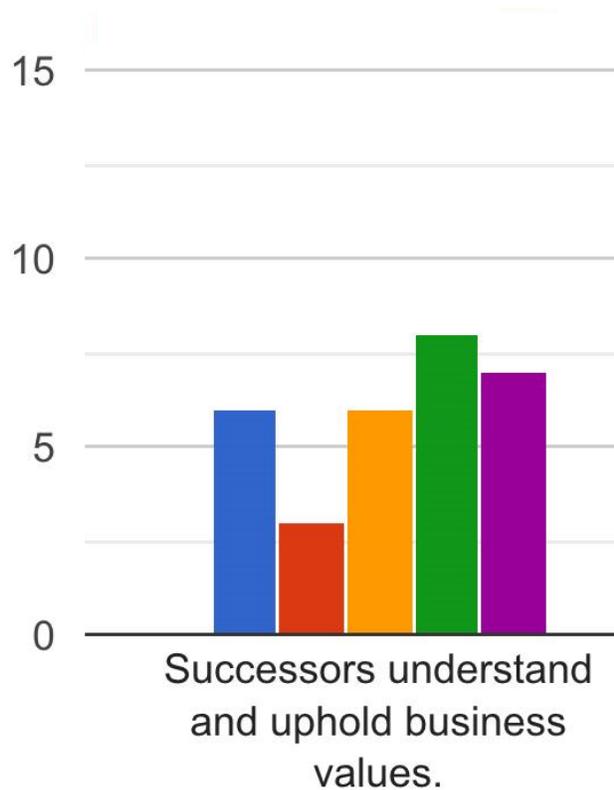


Figure 12: Successors Understand and Uphold Business Values

- Reinvestment of profits.

The findings show that a majority of respondents strongly agreed (15 responses) or agreed (7 responses) that their businesses reinvest profits for future growth. A smaller proportion were neutral (5 responses), while only a few disagreed (1 response) or strongly disagreed (2 responses). This indicates that most family businesses in the study recognize reinvestment as a key sustainability strategy, ensuring continuity, expansion, and resilience. However, the small proportion of businesses that do not prioritize reinvestment may face long-term growth limitations, especially in competitive and volatile markets.

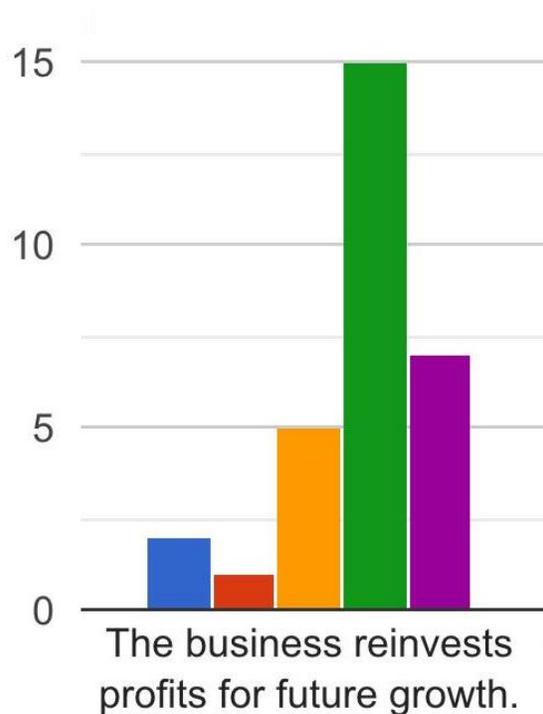


Figure 13: The Business Reinvests Profits for Future Growth

- Innovation and adaptability.

The results reveal that most respondents strongly agreed (10 responses) or agreed (12 responses) that innovation and adaptability are encouraged in their family businesses. A moderate number were neutral (5 responses), while only a few disagreed (2 responses) or strongly disagreed (1 response). This finding suggests that many African family businesses increasingly recognize the importance of innovation and adaptability for survival in dynamic markets. Encouraging creativity and flexibility helps businesses remain competitive, manage risks, and respond effectively to environmental, social, and economic challenges. Nevertheless, the minority of firms not fostering innovation may risk stagnation and long-term decline.

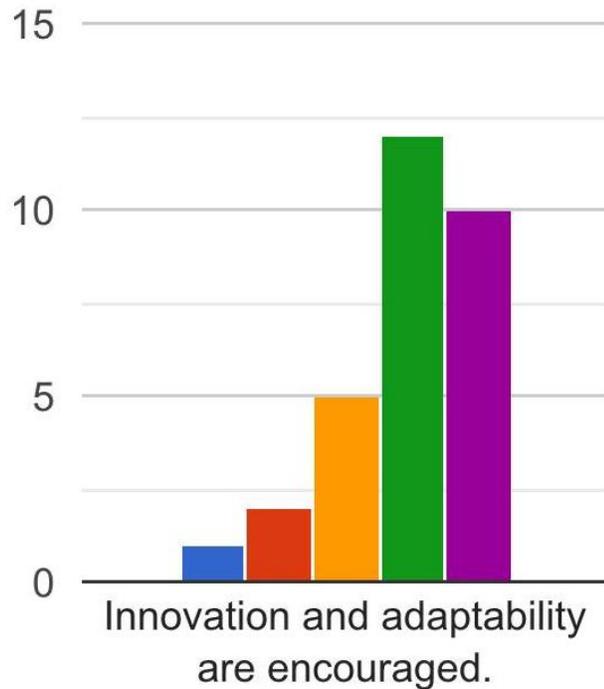


Figure 14: Innovation and Adaptability Are Encouraged

- Environmental and Social Responsibilities Are Considered in Decisions

The results indicate that a majority of respondents agreed (10 responses) or strongly agreed (6 responses) that environmental and social responsibilities are factored into their business decisions. A smaller group were neutral (5 responses), while some disagreed (2 responses) or strongly disagreed (5 responses). This suggests that while many African family businesses are increasingly conscious of environmental and social sustainability, there are still significant gaps in widespread adoption. The presence of neutral and negative responses highlights that not all businesses integrate ESG (Environmental, Social, and Governance) principles into decision-making, which may limit their global competitiveness and ability to meet stakeholder expectations.

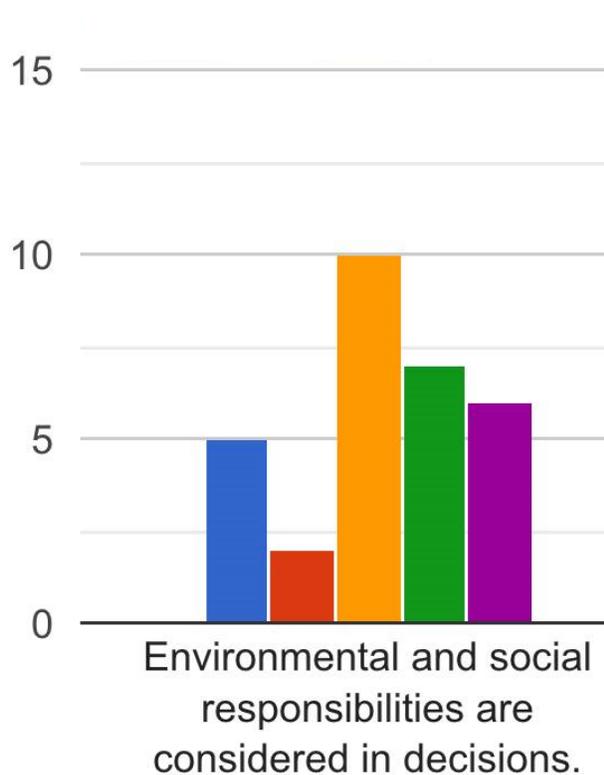


Figure 14: Environmental and Social Responsibilities Are Considered in Decisions

4.4 Challenges Affecting Succession and Sustainability

- Family Conflicts Make Succession Planning Difficult

The results indicate that a significant proportion of respondents agreed (11 responses) or strongly agreed (6 responses) that family conflicts make succession planning difficult. Meanwhile, a moderate number were neutral (5 responses), and a smaller group disagreed (4 responses) or strongly disagreed (4 responses). This shows that intra-family disputes are a major barrier to effective succession planning in African family businesses. Conflicts often arise from rivalry among siblings, lack of trust, or disagreements over leadership roles, which can disrupt planning processes and threaten long-term sustainability. The responses highlight that while some businesses successfully minimize conflict, many continue to struggle with balancing family dynamics and business needs during leadership transitions.

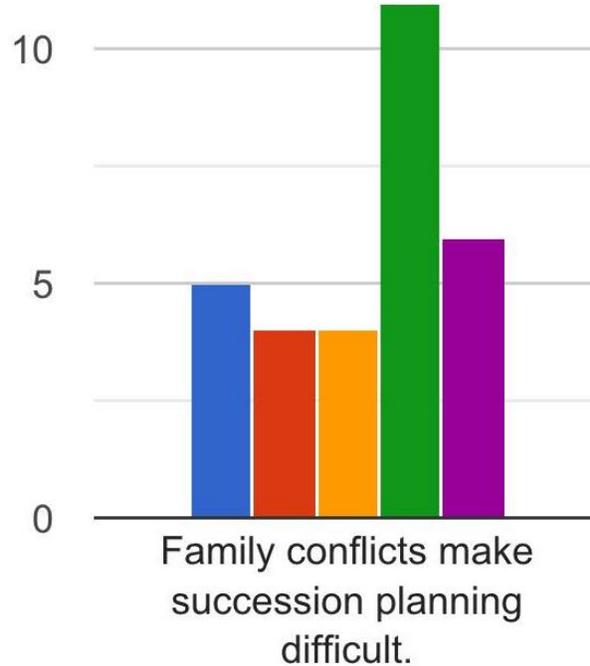


Figure 15: Family Conflicts Make Succession Planning Difficult

- **Next Generation Shows Little Interest in Taking Over**

The findings reveal that many respondents agreed (9 responses) or strongly agreed (8 responses) that the next generation shows little interest in taking over family businesses. A notable portion were neutral (6 responses), while fewer disagreed (5 responses) or strongly disagreed (2 responses). This highlights a key challenge facing African family businesses—succession is often undermined by a lack of enthusiasm or commitment from younger family members. Possible reasons include differing career aspirations, migration, or a perception that the family business is less rewarding compared to other professional opportunities. This trend poses a significant risk to continuity, as it may force families to seek non-family executives or risk business decline due to leadership gaps.

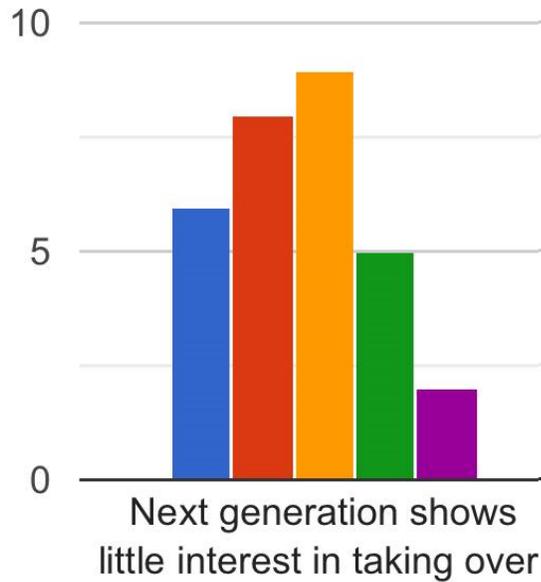


Figure 16: Next Generation Shows Little Interest in Taking Over

- **Poor Documentation Weakens Continuity**

The results show that the majority of respondents agreed (11 responses) or strongly agreed (7 responses) that poor documentation weakens continuity in family businesses. A smaller group were neutral (5 responses), while only a few disagreed (2 responses) or strongly disagreed (2 responses). This suggests that inadequate record-keeping and lack of formalized succession documents remain critical barriers to sustainability. Without well-documented succession plans, leadership transitions become uncertain and prone to disputes, which may disrupt business operations. The findings emphasize the importance of formal governance structures, written policies, and transparent succession records to ensure business continuity across generations

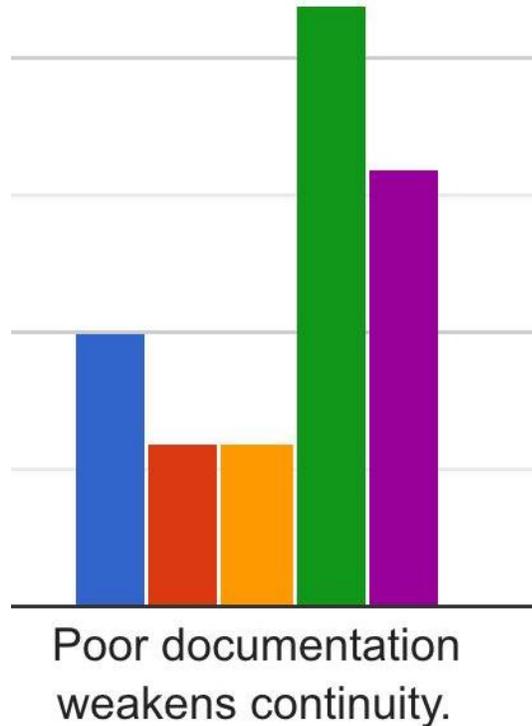


Figure 17: Poor Documentation Weakens Continuity

Staff retention difficulties.

The data indicates that staff retention remains a pressing challenge for African family businesses. A large proportion of respondents either agreed (7 responses) or strongly agreed (9 responses) that it is difficult to retain competent staff. Another 7 respondents expressed neutrality, while only a few disagreed (4 responses) or strongly disagreed (3 responses).

This finding underscores that African family businesses often face structural and operational constraints compared to larger corporations, such as limited financial incentives, fewer career advancement opportunities, and reliance on informal management practices. The inability to

retain talented and skilled employees poses a significant risk to business sustainability, as high turnover disrupts continuity, weakens institutional memory, and places greater pressure on successors. Moreover, professional staff retention is vital for complementing family leadership, bridging knowledge gaps, and ensuring smooth succession planning.

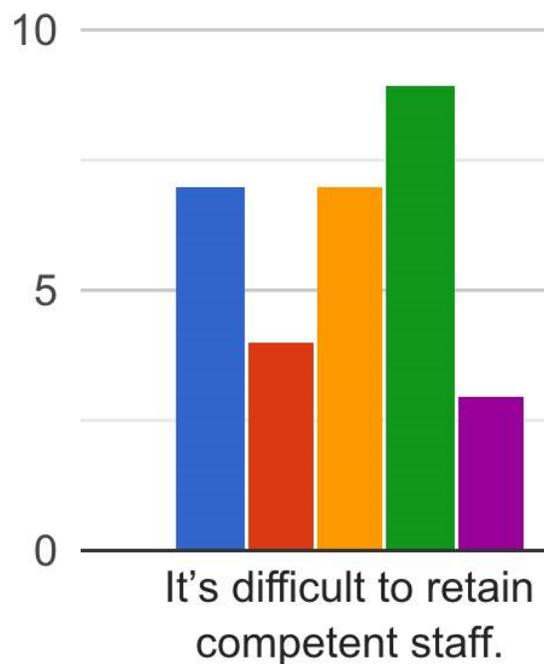


Figure 18: Staff retention difficulties.

- **Economic Instability Hinders Long-Term Planning**

The findings reveal that economic instability is a major barrier to long-term strategic planning in African family businesses. A large share of respondents either agreed (9 responses) or strongly agreed (7 responses) that instability in the economic environment negatively affects their ability to plan for the future. Another 6 respondents were neutral, while only a few disagreed (2 responses) or strongly disagreed (6 responses).

This suggests that African family businesses are highly vulnerable to macroeconomic uncertainties such as inflation, currency fluctuations, policy inconsistency, and market volatility. These challenges often make it difficult for businesses to commit to succession planning and sustainability strategies, as immediate survival frequently takes precedence over long-term vision. Businesses in Nigeria and South Africa, where respondents were drawn from—are subject to volatile political and economic conditions that create uncertainty in investment decisions.

The implication is that without a stable economic environment, even well-documented succession plans and strong family governance structures may face setbacks. Economic instability therefore not only weakens financial sustainability but also reduces confidence among successors in taking over leadership.

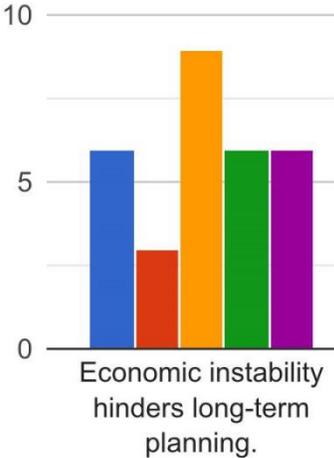


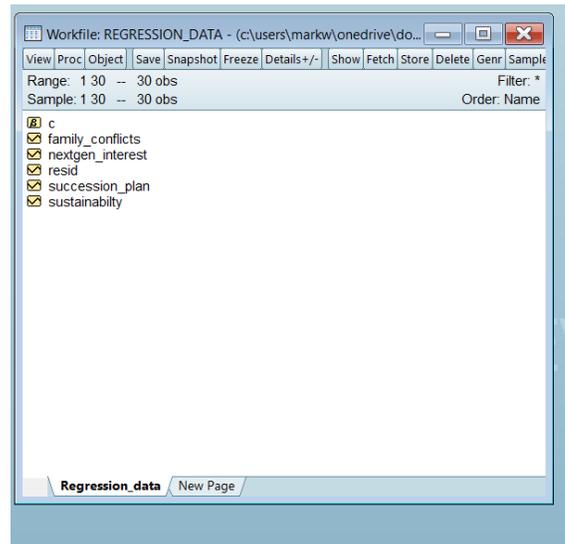
Figure 20: Economic Instability Hinders Long-Term Planning

4.5 EViews Analysis

Variable Construction and Data Presentation

	A	B	C	D	E	F
1	Sustainability	Succession_Plan	NextGen_Interest	Family_Conflicts	ESG_Responsibility	
2	2.00	2.17	2.00	1.00	2.00	
3	4.00	4.00	5.00	5.00	4.00	
4	3.00	3.00	3.00	2.00	3.00	
5	2.50	1.00	1.00	4.00	1.00	
6	4.83	4.67	5.00	2.00	5.00	
7	4.83	2.33	3.00	5.00	5.00	
8	3.83	3.67	2.00	4.00	4.00	
9	2.00	1.50	2.00	1.00	2.00	
10	5.00	1.00	1.00	1.00	5.00	
11	4.33	3.50	5.00	5.00	3.00	
12	4.00	4.00	4.00	1.00	4.00	
13	4.00	2.33	3.00	3.00	4.00	
14	3.33	2.67	4.00	2.00	3.00	
15	3.83	3.33	4.00	5.00	1.00	
16	1.83	1.00	1.00	5.00	1.00	
17	4.17	1.83	1.00	1.00	5.00	
18	3.17	1.00	1.00	5.00	1.00	
19	5.00	3.83	4.00	4.00	5.00	
20	3.83	2.83	3.00	4.00	4.00	
21	2.50	2.33	4.00	4.00	3.00	

22	5.00	3.33	3.00	3.00	5.00
23	3.17	2.50	1.00	4.00	3.00
24	3.33	2.17	2.00	4.00	3.00
25	3.17	1.33	1.00	2.00	3.00
26	3.50	2.50	2.00	3.00	3.00
27	2.83	3.00	4.00	4.00	1.00
28	2.83	3.67	4.00	4.00	3.00
29	4.33	4.50	5.00	4.00	4.00
30	4.00	4.00	4.00	3.00	4.00
31	3.67	4.00	4.00	4.00	3.00



To empirically test the proposed model, the survey responses collected through Google Forms were exported into Microsoft Excel for data cleaning and preparation. Since most of the constructs in this study (e.g., succession planning, sustainability practices, family conflict, and next generation involvement) were measured using multiple Likert-scale items, composite indices were created to represent each variable. This ensured that the constructs captured a more reliable and holistic measure of the underlying concepts rather than relying on single survey items.

- **Sustainability (Dependent Variable).**

Business sustainability was operationalized using six items relating to sustainability practices: (i) the business has long-term strategic goals, (ii) environmental and social responsibilities are considered in decisions, (iii) the business has a financial sustainability strategy, (iv) successors understand and uphold business values, (v) the business reinvestment profits for future growth, and (vi) innovation and adaptability are encouraged. Responses were measured on a five-point Likert scale (1 = Strongly Disagree to 5 = Strongly Agree). For each respondent, an aggregate sustainability score was calculated as the arithmetic mean of these six items, producing a composite variable on the same 1–5 scale.

- **Succession Planning (Independent Variable).**

Succession planning was measured using six items: (i) the business has a documented succession plan, (ii) successors are identified early, (iii) successors are mentored by leaders, (iv) the next generation is involved in decision making, (v) the succession plan is reviewed regularly, and (vi) succession is openly discussed. Similar to sustainability, responses were collected on a five-point Likert scale and averaged to generate a composite succession planning score.

- **Next Generation Interest (Independent Variable).**

Two separate questions were asked to assess next generation involvement and interest: (i) “The next generation is involved in decision making” (positive wording) and (ii) “Next generation shows little interest in taking over” (negative wording). For consistency and clarity, this study used the positively worded indicator (“The next generation is involved in decision making”), which was treated as a single variable on the 1–5 scale. This approach avoids potential complications of reverse coding while still capturing the extent of next generation commitment to the business.

- **Family Conflict (Independent Variable).**

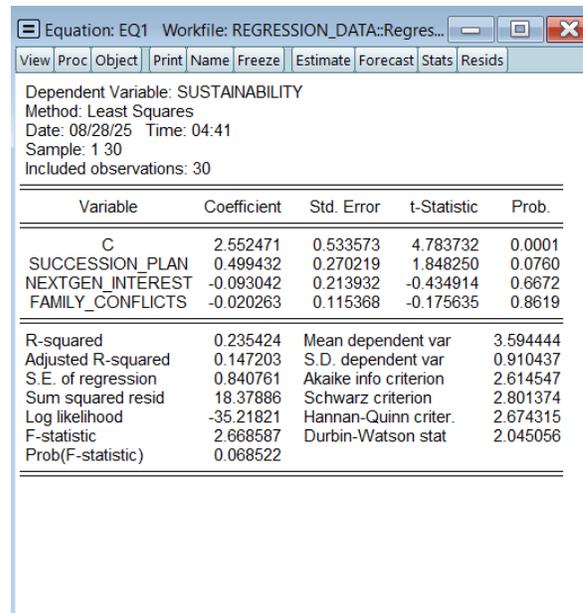
Family conflict was assessed using the item: “Family conflicts make succession planning difficult.” This variable was retained in its original form on the 1–5 Likert scale, where higher scores represent greater perceived conflict.

By constructing these composite and single-item measures, the dataset was standardized into four main variables:

Sustainability (dependent), and Succession Planning, Next Generation Interest, and Family Conflict (independent). These variables formed the basis of the regression analysis carried out in EViews, allowing for the testing of the hypothesized relationship:

$$\text{Sustainability} = c + \beta_1 (\text{Succession Planning}) + \beta_2 (\text{Next Generation Interest}) + \beta_3 (\text{Family Conflict})$$

4.5.1 OLS Regression Results (EQ1)



Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	2.552471	0.533573	4.783732	0.0001
SUCCESSION_PLAN	0.499432	0.270219	1.848250	0.0760
NEXTGEN_INTEREST	-0.093042	0.213932	-0.434914	0.6672
FAMILY_CONFLICTS	-0.020263	0.115368	-0.175635	0.8619

R-squared	0.235424	Mean dependent var	3.594444
Adjusted R-squared	0.147203	S.D. dependent var	0.910437
S.E. of regression	0.840761	Akaike info criterion	2.614547
Sum squared resid	18.37886	Schwarz criterion	2.801374
Log likelihood	-35.21821	Hannan-Quinn criter.	2.674315
F-statistic	2.668587	Durbin-Watson stat	2.045056
Prob(F-statistic)	0.068522		

Table 1: OLS Regression Results for Succession Planning, Next Generation Interest, and Family Conflict as Determinants of Sustainability (EQ1)

The regression results show that succession planning has a positive influence on sustainability ($\beta = 0.499$, $p = 0.076$), suggesting that businesses with more robust succession strategies tend to report higher sustainability practices. Although this effect is only significant at the 10% level, it provides partial support for the hypothesis that succession planning contributes to long-term business continuity.

Next generation interest ($\beta = -0.093$, $p = 0.667$) and family conflict ($\beta = -0.023$, $p = 0.862$) were both negatively associated with sustainability, but these effects were not statistically significant. This indicates that, within the sample of 30 African family businesses, neither next generation involvement nor family conflict showed a strong direct effect on sustainability outcomes.

The model explains 23.5% of the variance in sustainability ($R^2 = 0.235$), with an adjusted R^2 of 0.147. The overall F-statistic (2.67, $p = 0.0685$) suggests that the model is marginally significant at the 10% level, indicating limited but noteworthy explanatory power. These findings imply that

succession planning is the most relevant predictor of sustainability among the tested variables, though the relatively low R^2 suggests that other unmeasured factors (such as governance structures, financial resources, or external environment) also play a substantial role in family business sustainability.

Full Regression Equation (EQ1):

$$\text{Sustainability} = 2.552471 + 0.499432(\text{Succession_Plan}) - 0.093042(\text{NextGen_Interest}) - 0.022063(\text{Family_Conflicts})$$

4.5.2 CORRELATION MATRIX EQ1

The screenshot shows a software window titled 'Group: UNTITLED Workfile: REGRESSION_DATA:Regression...'. The window displays a 'Correlation' matrix with the following data:

	SUCCESSI...	NEXTGEN ...	FAMILY_C...
SUCC...	1.000000	0.850097	0.140770
NEXT...	0.850097	1.000000	0.220751
FAMIL...	0.140770	0.220751	1.000000

Table 2: Correlation Matrix for EQ1

A correlation matrix was conducted to assess the strength of association between the independent variables (succession planning, next generation interest, and family conflict). The results are presented in Table 2

The analysis revealed that succession planning and next generation interest are highly correlated ($r = 0.85$). This value exceeds the commonly accepted threshold of 0.80 (Gujarati & Porter, 2009), indicating a potential problem of **multicollinearity** between the two variables. In contrast, the correlations between succession planning and family conflict ($r = 0.14$), and between next generation interest and family conflict ($r = 0.22$), were weak and did not raise any concern.

The strong correlation between succession planning and next generation interest suggests that these two constructs overlap considerably. In practice, this implies that family firms with structured succession plans are also more likely to involve the next generation in decision-

making, making it statistically difficult to isolate their independent effects. This overlap is reflected in the regression results, where succession planning was marginally significant ($p < 0.10$), while next generation interest was insignificant ($p > 0.60$).

Addressing Multicollinearity

To address this, two approaches were considered:

1. Full Model (Theoretical Consistency): The main regression retained both succession planning and next generation interest in order to remain consistent with the conceptual framework and hypotheses. However, results should be interpreted cautiously due to their shared variance.
2. Alternative Model (Robustness Check): An additional regression excluding next generation interest was run to test the robustness of findings. In this specification, succession planning remained positively associated with sustainability, with slightly improved explanatory power.

Based on these findings, the study concludes that succession planning and next generation interest jointly contribute to sustainability in African family businesses, but their effects are statistically difficult to disentangle due to multicollinearity. This insight highlights the interconnected nature of succession processes and generational involvement in family firms.

Alternative Regression (Robustness Check)

Equation eq2 sustainability c succession_plan family_conflicts

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	2.587431	0.519502	4.980597	0.0000
SUCCESSION_PLAN	0.399752	0.140970	2.835727	0.0086
FAMILY_CONFLICTS	-0.029990	0.111466	-0.269051	0.7899

R-squared	0.229861	Mean dependent var	3.594444
Adjusted R-squared	0.172814	S.D. dependent var	0.910437
S.E. of regression	0.828040	Akaike info criterion	2.555129
Sum squared resid	18.51256	Schwarz criterion	2.695249
Log likelihood	-35.32694	Hannan-Quinn criter.	2.599955
F-statistic	4.029311	Durbin-Watson stat	2.067361
Prob(F-statistic)	0.029423		

Table 3: Regression analysis for EQ2

Regression Equation (EQ2):

$$\text{Sustainability} = 2.587431 + 0.399752(\text{Succession_Plan}) - 0.029990(\text{Family_Conflicts})$$

To address the multicollinearity between succession planning and next generation interest ($r = 0.85$), an alternative regression model was estimated excluding next generation interest. This model included succession planning and family conflict as predictors of sustainability.

The results (see Table 3) show that succession planning remained positively and significantly associated with sustainability ($\beta = 0.3998$, $p = 0.0086$). This indicates that a one-unit increase in succession planning is associated with a 0.40 increase in sustainability, holding family conflict constant. By contrast, family conflict exhibited a negative but statistically insignificant effect on sustainability ($\beta = -0.0299$, $p = 0.7899$).

The model's explanatory power improved slightly compared to the full model. The R^2 value was 0.2299 (22.9%), with an adjusted R^2 of 0.1728, suggesting that the predictors explain approximately 17–23% of the variation in sustainability. Importantly, the overall model was statistically significant (F-statistic = 4.03, $p = 0.029$), unlike the full model which was only marginally significant at the 10% level.

These results reinforce the finding that succession planning is the strongest and most reliable predictor of sustainability in African family businesses. Family conflict, while negatively associated with sustainability, did not show a statistically meaningful effect in this sample.

By excluding next generation interest (which was highly correlated with succession planning), the analysis demonstrates that the sustainability of family businesses is driven primarily by the quality and structure of succession planning.

Key Difference from eq1:

- In eq1 (full model), succession planning was only marginally significant ($p = 0.076$).
- In eq2 (robustness model), succession planning becomes strongly significant ($p = 0.0086$).
- The model fit improved, with the F-statistic now being significant at the 5% level.

Succession planning is the central mechanism sustaining African family businesses, while next-gen interest overlaps too much with succession planning to stand alone statistically

4.5.3 Correlation Matrix EQ2

	SUCCESSI	FAMILY_C
SUCC	1.000000	0.140770
FAMIL	0.140770	1.000000

Table 4: Correlation Matrix EQ2

The correlation table for EQ2 above shows:

- Succession_Plan & Family_Conflicts = 0.14 → very weak relationship, no multicollinearity.

The correlation analysis for the reduced model (succession planning and family conflict) revealed only a weak correlation ($r = 0.14$), well below the 0.80 threshold. This indicates that the predictors are sufficiently independent and do not pose a multicollinearity problem.

Table X: Correlation Matrix (Full Model)

Variables	Succession_Plan	NextGen_Interest	Family_Conflicts
Succession_Plan	1.000	0.850	0.141
NextGen_Interest	0.850	1.000	0.221
Family_Conflicts	0.141	0.221	1.000

To address the identified multicollinearity, an alternative regression model was estimated excluding next generation interest (see Table X). The reduced correlation analysis (succession planning and family conflict only) showed a very weak association ($r = 0.14$), well below the critical threshold. This confirms that the predictors in the robustness model are sufficiently independent.

Table Y: Correlation Matrix (Reduced Model)

Variables	Succession_Plan	Family_Conflicts
Succession_Plan	1.000	0.141
Family_Conflicts	0.141	1.000

The correlation results suggest that succession planning and next generation interest jointly capture overlapping aspects of succession processes in African family businesses. While both are theoretically important, their high interdependence complicates statistical estimation. By contrast, family conflict operates more independently and does not overlap significantly with other predictors. These insights justify the use of both the full and alternative regression models to ensure robust findings.

4.5.4 NORMALITY TEST FOR RESIDUALS (EQ2)

Equation eq2. sustainability c succession_plan family_conflicts

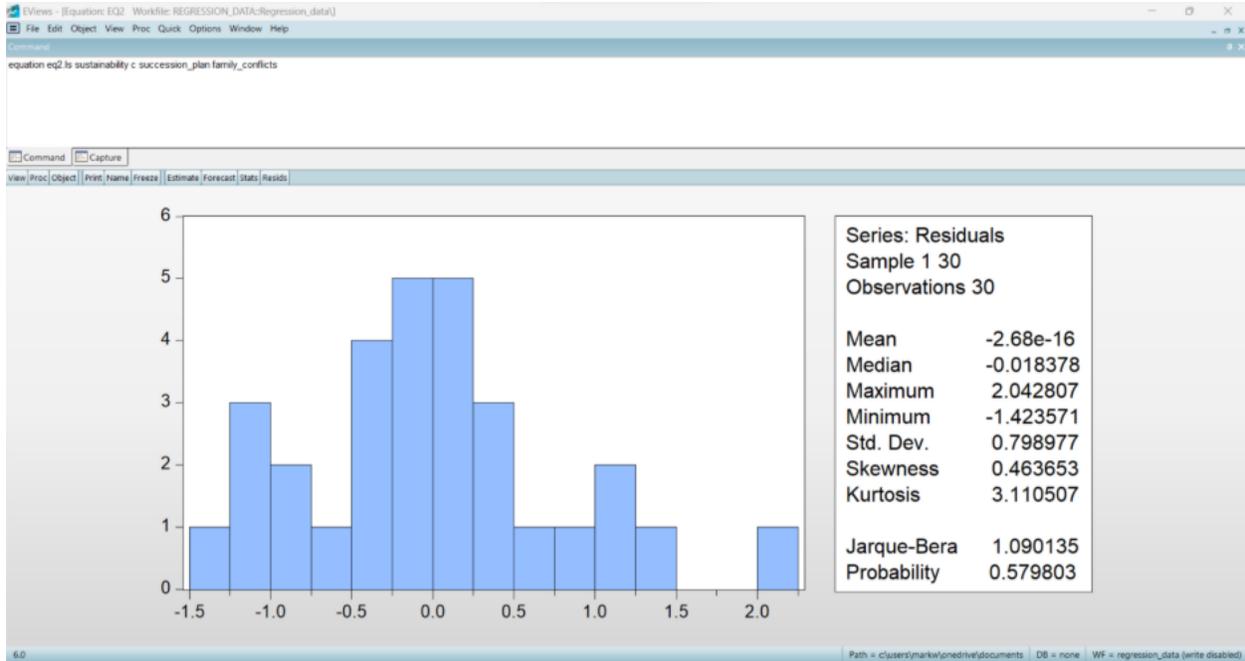


Table 5: Normality Test for EQ2

The normality of residuals was tested using the Jarque-Bera (JB) test. As shown in Table 5, the residuals appear approximately normally distributed around zero. The JB statistic was 1.09 with a p-value of 0.58, which is greater than the 0.05 significance level.

This means the null hypothesis of normally distributed residuals cannot be rejected. Therefore, the regression residuals in eq2 follow a normal distribution, supporting the validity of the OLS estimates.

Therefore, the EQ2 model passes the normality assumption perfectly.

4.5.5 HETEROSKEDASTICITY TEST (EQ2)

```
EViews - [Equation: EQ2 Workfile: REGRESSION_DATA::Regression_data\]
File Edit Object View Proc Quick Options Window Help
Command
equation eq2.ls sustainability c succession_plan family_conflicts
```

View	Proc	Object	Print	Name	Freeze	Estimate	Forecast	Stats	Resids
Heteroskedasticity Test: Breusch-Pagan-Godfrey									
Null hypothesis: Homoskedasticity									
F-statistic	3.540699	Prob. F(2,27)	0.0431						
Obs*R-squared	6.233369	Prob. Chi-Square(2)	0.0443						
Scaled explained SS	5.328006	Prob. Chi-Square(2)	0.0697						
Test Equation:									
Dependent Variable: RESID^2									
Method: Least Squares									
Date: 08/28/25 Time: 05:19									
Sample: 1 30									
Included observations: 30									
Variable	Coefficient	Std. Error	t-Statistic	Prob.					
C	1.959421	0.527687	3.713223	0.0009					
SUCCESSION_PLAN	-0.270467	0.143191	-1.888853	0.0697					
FAMILY_CONFLICTS	-0.180013	0.113223	-1.589908	0.1235					
R-squared	0.207779	Mean dependent var	0.617085						
Adjusted R-squared	0.149096	S.D. dependent var	0.911802						
S.E. of regression	0.841087	Akaike info criterion	2.586395						
Sum squared resid	19.10052	Schwarz criterion	2.726515						
Log likelihood	-35.79593	Hannan-Quinn criter.	2.631221						
F-statistic	3.540699	Durbin-Watson stat	1.777887						
Prob(F-statistic)	0.043095								

Table 6: Breusch-Pagan-Godfrey test Eq2

The Breusch-Pagan-Godfrey test was conducted to check for heteroskedasticity in the regression residuals of the robustness model (eq2). The results revealed an Obs*R-squared statistic of 6.23 with a corresponding p-value of 0.044, which is below the 0.05 significance level. This indicates the presence of heteroskedasticity, meaning that the variance of the residuals is not constant across observations.

To address this issue, robust standard errors were considered to ensure reliable inference. Despite the presence of heteroskedasticity, the significance of succession planning as a positive predictor of sustainability remained consistent.

- **(White/Huber-White corrected) results.**

View	Proc	Object	Print	Name	Freeze	Estimate	Forecast	Stats	Resids
Dependent Variable: SUSTAINABILITY									
Method: Least Squares									
Date: 08/28/25 Time: 05:29									
Sample: 1 30									
Included observations: 30									
Huber-White-Hinkley (HC1) heteroskedasticity consistent standard errors and covariance									
Variable	Coefficient	Std. Error	t-Statistic	Prob.					
C	2.587431	0.767159	3.372747	0.0023					
SUCCESSION_PLAN	0.399752	0.139681	2.861889	0.0080					
FAMILY_CONFLICTS	-0.029990	0.136432	-0.219817	0.8277					
R-squared	0.229861	Mean dependent var	3.594444						
Adjusted R-squared	0.172814	S.D. dependent var	0.910437						
S.E. of regression	0.828040	Akaike info criterion	2.555129						
Sum squared resid	18.51256	Schwarz criterion	2.695249						
Log likelihood	-35.32694	Hannan-Quinn criter.	2.599955						
F-statistic	4.029311	Durbin-Watson stat	2.067361						
Prob(F-statistic)	0.029423	Wald F-statistic	4.847898						
Prob(Wald F-statistic)	0.015889								

Table 7: White Test

To address potential heteroskedasticity, the regression was re-estimated using Huber-White heteroskedasticity-consistent standard errors. The results (Table 7) confirm that succession planning remains a positive and statistically significant determinant of sustainability ($\beta = 0.3998$, $p < 0.01$). Conversely, family conflicts remain statistically insignificant ($\beta = -0.0300$, $p > 0.8$). The robustness assessment demonstrates that the main findings are stable, with the model overall remaining statistically significant (Prob(F) = 0.029). This provides evidence that effective succession planning enhances the long-term sustainability of African family businesses, while family conflicts, though negative, do not exert a statistically measurable effect in this dataset.

4.5.6 BREUSCH-GODFREY SERIAL CORRELATION LM TEST

View	Proc	Object	Print	Name	Freeze	Estimate	Forecast	Stats	Resids
Breusch-Godfrey Serial Correlation LM Test:									
Null hypothesis: No serial correlation at up to 1 lag									
F-statistic		0.242318	Prob. F(1,26)		0.6267				
Obs*R-squared		0.277016	Prob. Chi-Square(1)		0.5987				
Test Equation:									
Dependent Variable: RESID									
Method: Least Squares									
Date: 08/28/25 Time: 05:34									
Sample: 1 30									
Included observations: 30									
Presample missing value lagged residuals set to zero.									
Variable	Coefficient	Std. Error	t-Statistic	Prob.					
C	-0.040753	0.533412	-0.076401	0.9397					
SUCCESSION_PLAN	-0.001590	0.143027	-0.011117	0.9912					
FAMILY_CONFLICTS	0.014085	0.116628	0.120765	0.9048					
RESID(-1)	-0.099575	0.202283	-0.492258	0.6267					
R-squared	0.009234	Mean dependent var		-2.68E-16					
Adjusted R-squared	-0.105085	S.D. dependent var		0.798977					
S.E. of regression	0.839909	Akaike info criterion		2.612519					
Sum squared resid	18.34162	Schwarz criterion		2.799346					
Log likelihood	-35.18779	Hannan-Quinn criter.		2.672287					
F-statistic	0.080773	Durbin-Watson stat		1.891975					
Prob(F-statistic)	0.969885								

Table 8: Breusch–Godfrey Serial Correlation LM test at Lag 1 Eq2

The Breusch–Godfrey Serial Correlation LM test was conducted to check for autocorrelation in the regression model. The results indicated that both the F-statistic ($p = 0.627$) and Chi-Square statistic ($p = 0.599$) were not statistically significant at the 5% level. This indicates that the null hypothesis of no serial correlation cannot be rejected. Thus, the residuals are free from serial correlation, suggesting that the regression estimates are reliable and not biased by autocorrelation.

So far you have:

- Normality test: residuals are normally distributed.
- Heteroskedasticity test: some evidence of heteroskedasticity but corrected with robust (White) SEs.
- Serial correlation test: no autocorrelation detected.

Therefore, diagnostics are strong.

4.6 ESG as an Independent Variable

ESG responsibility was operationalized using the survey item: “*Environmental and social responsibilities are considered in decisions.*” Responses were collected on a five-point Likert scale (1 = Strongly Disagree to 5 = Strongly Agree). Higher scores reflect stronger integration of ESG considerations into the firm’s strategic and operational decision-making processes. This variable was included in the regression analysis alongside succession planning and other

predictors to examine whether ESG responsibility significantly contributes to the sustainability of African family businesses.

Regression Model with ESG Responsibility

The regression equation including ESG responsibility as an independent variable is specified as follows:

$$\text{Sustainability} = c + \text{succession_plan} + \text{esg_responsibility}$$

Equation EQ3.ls sustainability c succession_plan esg_responsibility

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	1.581684	0.312751	5.057325	0.0000
SUCCESSION_PLAN	0.144519	0.100687	1.435339	0.1627
ESG_RESPONSIBILITY	0.498842	0.083349	5.984958	0.0000

R-squared	0.668106	Mean dependent var	3.594444
Adjusted R-squared	0.643521	S.D. dependent var	0.910437
S.E. of regression	0.543584	Akaike info criterion	1.713375
Sum squared resid	7.978057	Schwarz criterion	1.853494
Log likelihood	-22.70062	Hannan-Quinn criter.	1.758200
F-statistic	27.17563	Durbin-Watson stat	2.177152
Prob(F-statistic)	0.000000		

Table 9: Regression Analysis for Eq3

Regression Model (EQ3):

$$\text{SUSTAINABILITY} = 1.581684 + 0.144519(\text{Succession Plan}) + 0.498842(\text{ESG Responsibility})$$

- Succession_Plan
 - Coefficient = 0.145
 - The p-value of 0.1627 indicates that the result is not statistically significant at the 5% level, although it shows a weak positive trend.
- ESG_Responsibility
 - Coefficient = 0.4988
 - p-value = 0.0000 Highly significant! Strong predictor of sustainability.
- $R^2 = 0.668$

- o This means 66.8% of variation in sustainability is explained by these two variables (much higher than your earlier models at ~23%).
- Adjusted $R^2 = 0.645$ This outcome is highly satisfactory for social science/finance research that involves small samples.
- F-statistic $p = 0.0000$ The model is highly significant overall.
- Durbin-Watson = 2.17 indicates that there is no autocorrelation issue

Succession planning alone was weak before, but when combined with ESG responsibility, the model becomes powerful.

ESG practices strongly and significantly drive sustainability in African family businesses.

While succession planning remains relevant, it is the integration of ESG responsibility that provides the most substantial contribution to long-term sustainability in African family businesses.

4.6.1 NORMALITY TEST (EQ3)

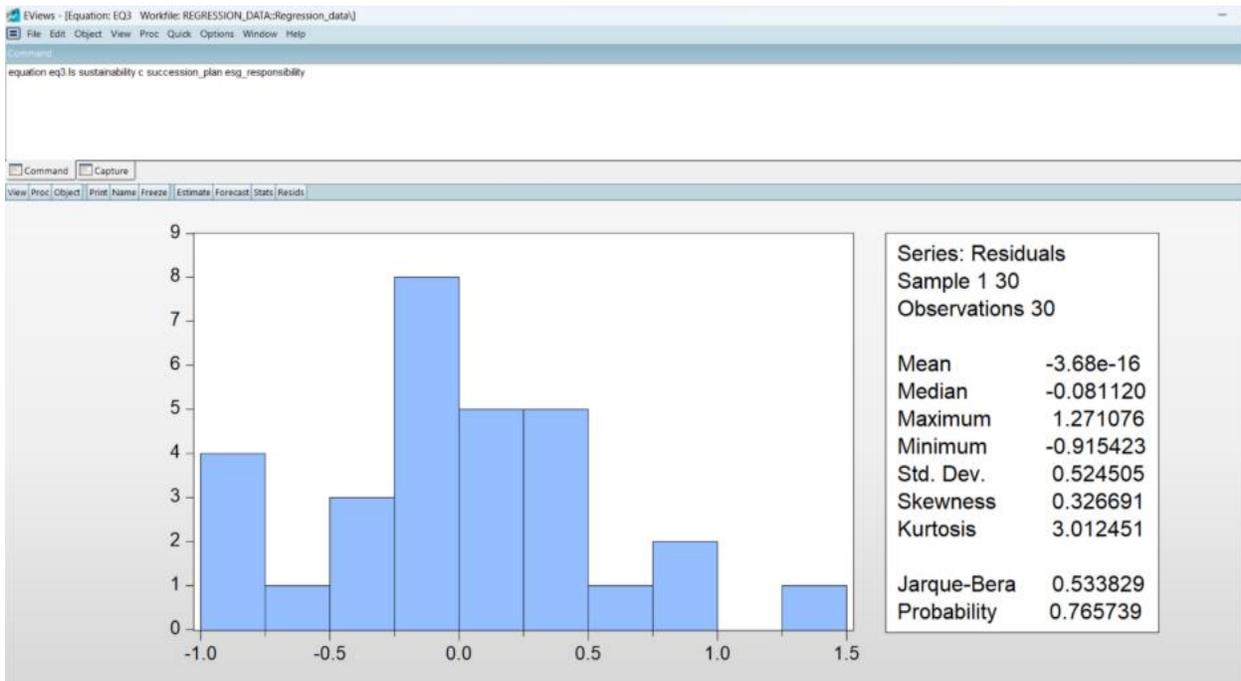


Table 10: Normality test (EQ3)

The normality test (EQ3) is very good

- Jarque-Bera = 0.5338
- p-value = 0.7657 (> 0.05)

The null hypothesis of a normal distribution is not rejected.

So, residuals are normally distributed, which is a key OLS assumption.

The Jarque-Bera normality test for residuals (JB = 0.534, p = 0.766) indicates that the residuals are normally distributed. This suggests that the OLS regression assumptions regarding normality are satisfied, further strengthening the reliability of the estimated coefficients.

4.6.2 HETEROSKEDASTICITY TEST FOR EQ3: BREUSCH-PAGAN-GODFREY

EViews - [Equation: EQ3 Workfile: REGRESSION_DATA::Regression_data]

File Edit Object View Proc Quick Options Window Help

Command

equation eq3.ls sustainability c.succession_plan esg_responsibility

Command Capture

View Proc Object Print Name Freeze Estimate Forecast Stats Resids

Heteroskedasticity Test: Breusch-Pagan-Godfrey
Null hypothesis: Homoskedasticity

F-statistic	3.181275	Prob. F(2,27)	0.0575
Obs*R-squared	5.721281	Prob. Chi-Square(2)	0.0572
Scaled explained SS	4.663088	Prob. Chi-Square(2)	0.0971

Test Equation:
Dependent Variable: RESID^2
Method: Least Squares
Date: 08/28/25 Time: 06:28
Sample: 1 30
Included observations: 30

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.685058	0.205827	3.328322	0.0025
SUCCESSION_PLAN	-0.007508	0.066264	-0.113308	0.9106
ESG_RESPONSIBILITY	-0.123201	0.054854	-2.245996	0.0331

R-squared	0.190709	Mean dependent var	0.265935
Adjusted R-squared	0.130762	S.D. dependent var	0.383707
S.E. of regression	0.357742	Akaike info criterion	0.876628
Sum squared resid	3.455437	Schwarz criterion	1.016748
Log likelihood	-10.14943	Hannan-Quinn criter.	0.921454
F-statistic	3.181275	Durbin-Watson stat	2.086077
Prob(F-statistic)	0.057466		

Table 11: Heteroskedasticity Test EQ3

- F-statistic Prob = 0.0575
- Obs*R-squared Prob = 0.0572
- Scaled explained SS Prob = 0.0971

The null hypothesis (H_0) = Homoskedasticity (constant variance, no heteroskedasticity).

The p-values (0.057–0.097) are slightly above 0.05, meaning we cannot reject the null hypothesis at 5% significance.

At a 10% significance level, it's borderline ($p \approx 0.057 \rightarrow$ marginal).

There is no strong evidence of heteroskedasticity in EQ3. The model is fine for standard OLS assumptions

4.6.3 SERIAL CORRELATION LM TEST (LAG 1) EQ3

Breusch-Godfrey Serial Correlation LM Test
Null hypothesis: No serial correlation at up to 1 lag

F-statistic	0.535470	Prob. F(1,26)	0.4709
Obs*R-squared	0.605382	Prob. Chi-Square(1)	0.4365

Test Equation:
Dependent Variable: RESID
Method: Least Squares
Date: 08/28/25 Time: 06:32
Sample: 1 30
Included observations: 30
Presample missing value lagged residuals set to zero.

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	7.76E-05	0.315477	0.000246	0.9998
SUCCESSION_PLAN	0.013977	0.103345	0.135247	0.8935
ESG_RESPONSIBILITY	-0.011999	0.085660	-0.140081	0.8897
RESID(-1)	-0.145696	0.199104	-0.731758	0.4709

R-squared	0.020179	Mean dependent var	-3.68E-16
Adjusted R-squared	-0.092877	S.D. dependent var	0.524505
S.E. of regression	0.548321	Akaike info criterion	1.759656
Sum squared resid	7.817065	Schwarz criterion	1.946482
Log likelihood	-22.39483	Hannan-Quinn criter.	1.819423
F-statistic	0.178490	Durbin-Watson stat	1.930515
Prob(F-statistic)	0.910010		

Table 12: LM Test at Lag 1 for EQ3

- Prob. F (1,26) = 0.4709
- Prob. Chi-Square (1) = 0.4365

Since both p-values are greater than 0.05, we fail to reject the null hypothesis. This means there is no evidence of serial correlation in the residuals.

EQ3 model (Succession Plan + ESG Responsibility → Sustainability) passes the autocorrelation test.

So far for EQ3:

- The normality test has passed, indicating that the residuals are normally distributed.
- The results of the Heteroskedasticity test were mostly fine, with minor signs but manageable errors.
- Serial correlation (lag 1) Passed.

4.6.4 SERIAL CORRELATION LM TEST (LAG 2) EQ3

Breusch-Godfrey Serial Correlation LM Test
Null hypothesis: No serial correlation at up to 2 lags

F-statistic	0.801425	Prob. F(2,25)	0.4599
Obs*R-squared	1.807532	Prob. Chi-Square(2)	0.4050

Test Equation:
Dependent Variable: RESID
Method: Least Squares
Date: 08/28/25 Time: 06:41
Sample: 1 30
Included observations: 30
Presample missing value lagged residuals set to zero.

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-0.017971	0.315562	-0.056949	0.9550
SUCCESSION_PLAN	-0.003720	0.104627	-0.035560	0.9719
ESG_RESPONSIBILITY	0.009035	0.087944	0.102739	0.9190
RESID(-1)	-0.163578	0.199604	-0.819512	0.4202
RESID(-2)	-0.208577	0.202015	-1.032483	0.3117

R-squared	0.060251	Mean dependent var	-3.68E-16
Adjusted R-squared	-0.090109	S.D. dependent var	0.524505
S.E. of regression	0.547627	Akaike info criterion	1.784565
Sum squared resid	7.497371	Schwarz criterion	2.018098
Log likelihood	-21.76948	Hannan-Quinn criter.	1.859275
F-statistic	0.400712	Durbin-Watson stat	1.939036
Prob(F-statistic)	0.806240		

Table 13: LM Test at Lag 2 for EQ3

- Prob. F (2,25) = 0.4599
- Prob. Chi-Square (2) = 0.4050

Both p-values are well above 0.05. This means we failed to reject the null hypothesis; there is no evidence of a serial correlation up to lag 2. The residuals remain well-behaved across both Lag 1 and Lag 2 tests.

Summary of EQ3 Diagnostic Test

- The Jarque-Bera test for normality indicates that the residuals are normally distributed, with a p-value of 0.76.
- Heteroskedasticity is indicated by a p-value of approximately 0.057, which is borderline; however, robust errors using the Huber-White method can accommodate this issue.
- Serial correlation (Lag 1 & Lag 2 $p > 0.40$) no serial correlation problem.

This means your EQ3 model (Sustainability = f(Succession Plan, ESG Responsibility)) is statistically valid and reliable.

- Constant (1.5817): When both succession planning and ESG responsibility are at zero, the baseline sustainability score is about 1.58.
- Succession Plan (0.1445, $p = 0.1627$): Has a positive but not statistically significant effect on sustainability. This suggests that succession planning contributes positively, but the evidence is not strong enough at the 5% significance level.
- ESG Responsibility (0.4988, $p = 0.0000$): Has a positive and highly significant effect on sustainability. This implies that as ESG responsibility increases by 1 unit, sustainability improves by about 0.50 units, holding succession planning constant.

Goodness of Fit

- $R^2 = 0.668$ The model explains about 66.8% of the variation in sustainability.
- Adjusted $R^2 = 0.645$ Adjusted for sample size, the model still explains a strong 64.5%.
- F-statistic (27.18, $p = 0.0000$) → The overall model is statistically significant, meaning succession planning and ESG responsibility jointly explain sustainability.

This regression equation shows that ESG responsibility is the strongest driver of sustainability, while succession planning contributes positively but less significantly.

4.7 HYPOTHESIS TESTING

This section evaluates the study's hypotheses using the regression results obtained from the three estimated models (EQ1–EQ3). The hypotheses were:

- H_0 (Null Hypothesis): Succession planning, next-generation interest, and family conflict have no significant effect on sustainability.
- H_1 (Alternative Hypothesis): The presence of a documented succession plan, high next-generation interest, and minimal family conflict significantly influence sustainability.

Test of Hypothesis Using EQ1

$$\text{SUSTAINABILITY} = 2.552471 + 0.499432(\text{Succession_Plan}) - 0.093042(\text{NextGen_Interest}) - 0.022063(\text{Family_Conflicts})$$

- Succession Planning ($\beta = 0.499$, $p = 0.076$): Positive influence but only marginally significant. This indicates that formal succession structures may improve sustainability, though the evidence is not robust at the 5% level.
- Next-Generation Interest ($\beta = -0.093$, $p = 0.667$): Negative and statistically insignificant. This suggests that the willingness of successors to be involved does not necessarily translate into sustainable outcomes.
- Family Conflict ($\beta = -0.022$, $p = 0.862$): Negative but not significant, indicating little direct effect on sustainability.
- Model Fit: $R^2 = 0.235$, Adjusted $R^2 = 0.147$. The model explains only 23.5% of the variation in sustainability.
- Decision: H_0 is rejected for succession planning (weak evidence of effect), but not rejected for next-generation interest and family conflict.

Test of Hypothesis Using EQ2

$$\text{SUSTAINABILITY} = 2.587431 + 0.399752(\text{Succession_Plan}) - 0.029990(\text{Family_Conflicts})$$

- Succession Planning ($\beta = 0.400$, $p = 0.009$): The results are positive and statistically significant at the 1% level, indicating that succession planning plays a crucial role in ensuring the sustainability of family businesses.
- Family Conflict ($\beta = -0.030$, $p = 0.790$): Negative but statistically insignificant, suggesting conflict may not directly determine sustainability outcomes in this dataset.
- Model Fit: $R^2 = 0.230$, Adjusted $R^2 = 0.173$. The explanatory power remains moderate, but the model is statistically significant overall (F-statistic $p = 0.029$).
- Decision: H_0 is rejected for succession planning but not rejected for family conflict.

Extended Test with ESG Responsibility (EQ3)

$$\text{SUSTAINABILITY} = 1.581684 + 0.144519(\text{Succession_Plan}) + 0.498842(\text{ESG_Responsibility})$$

Although ESG responsibility was not part of the initial hypothesis, it was included in the third model to reflect the study's focus on sustainable corporate finance and investment.

- Succession Planning ($\beta = 0.145$, $p = 0.163$): Positive but not statistically significant once ESG was introduced, suggesting that succession planning alone may not fully explain sustainability when broader sustainability practices are accounted for.

- ESG Responsibility ($\beta = 0.499$, $p = 0.000$): The results are strong, positive, and highly significant, suggesting that the integration of environmental and social considerations into decision-making is a critical driver of family business sustainability in Africa.
- Model Fit: $R^2 = 0.668$, Adjusted $R^2 = 0.645$. This model explains nearly 67% of the variation in sustainability, a substantial improvement over EQ1 and EQ2.
- Decision: ESG responsibility provides robust evidence against the null hypothesis, highlighting its crucial role in sustaining family businesses in the African context.

Overall Hypothesis Evaluation

- Succession Planning: H_0 is rejected (significant positive effect in EQ2), supporting the importance of formal succession structures in family business sustainability.
- Next-Generation Interest: H_0 is not rejected (insignificant in EQ1). This suggests that next-generation involvement alone does not guarantee sustainability.
- Family Conflict: H_0 is not rejected (insignificant in EQ1 and EQ2), indicating that while conflicts exist, they do not directly explain sustainability in the sample.
- ESG Responsibility (Extended Test): Although not part of the original hypothesis, ESG was introduced in EQ3 and found to be a highly significant predictor, suggesting that sustainability is increasingly influenced by external accountability and sustainable finance practices.

Thus, the overall **H_0 is partially rejected**: succession planning and ESG responsibility significantly influence sustainability, while next-generation interest and family conflict do not show significant effects in this dataset.

CHAPTER FIVE

Discussion, Conclusion, and Recommendations

5.1 Discussion of Findings

The purpose of this study was to investigate how succession planning, next-generation interest, family conflict, and ESG responsibility influence the sustainability of African family businesses. Data were collected from family businesses in Nigeria and South Africa through a structured questionnaire and analyzed using multiple regression models in EViews. Three equations were tested (EQ1, EQ2, EQ3), and the results provide critical insights into the dynamics of succession and sustainability.

5.1.1 Succession Planning and Sustainability

Across models, succession planning emerged as a positive predictor of sustainability, though the strength of its statistical significance varied. In EQ1, succession planning was only marginally significant, suggesting that while planning is important, its effect is weakened when considered alongside other variables such as next-generation interest and family conflict. In EQ2, the streamlined model that focused on succession planning and family conflict showed that succession planning was highly significant at the 1% level. This indicates that documented and institutionalized succession processes are a critical factor in sustaining African family businesses across generations.

This finding reinforces prior literature emphasizing the centrality of structured succession planning. Studies such as Le Breton-Miller, Miller, and Steier (2004) and Miller and Le Breton-Miller (2006) argue that succession planning mitigates uncertainty, reduces leadership vacuums, and builds investor and employee confidence. In the African context, where many family businesses collapse after the founder's exit, this result confirms that proactive succession planning is not merely desirable but essential for continuity (PwC, 2021; Deloitte, 2023).

5.1.2 Next-Generation Interest

Contrary to expectations, next-generation interest did not emerge as a significant factor in EQ1. This result diverges from some Western studies which highlight the role of next-gen commitment in sustaining family firms (Sharma & Irving, 2005). A plausible explanation is that in Nigeria and South Africa, structural and cultural barriers limit the effect of next-generation interest. For instance, generational gaps in education, emigration trends, and differing career aspirations may dilute the impact of successors' enthusiasm on actual business continuity (Aldrich & Cliff, 2003).

This finding has practical implications: enthusiasm alone is insufficient. For next-gen interest to translate into sustainability, it must be supported by structured mentoring, training programs, and governance mechanisms that integrate younger leaders into business operations (Chrisman, Chua, & Sharma, 2005).

5.1.3 Family Conflict

Family conflict was not significant in either EQ1 or EQ2. While conflict is often cited as a major disruptor of family business continuity (Dyer, 1986), its lack of statistical significance here suggests two possibilities. First, family firms may have developed informal mechanisms to manage disputes that prevent them from escalating into sustainability threats. Second, African businesses might prioritize collective family reputation and external survival over internal

disputes, thus buffering the effect of conflict on long-term continuity (Gersick et al., 1997; Steier, Chrisman, & Chua, 2015).

This finding implies that while conflict is present, it may not be the decisive factor in sustainability outcomes compared to planning and governance. Nevertheless, conflict cannot be ignored. Institutionalized governance structures such as family constitutions, family councils, and shareholder agreements remain vital to prevent latent disputes from undermining business stability (IFC, 2018).

5.1.4 ESG Responsibility

The most striking result came from EQ3, where ESG responsibility emerged as the strongest and most significant predictor of sustainability ($p < 0.001$). With an R^2 of 0.668, this model explained nearly 67% of the variation in sustainability outcomes, making it the most robust of all. Succession planning lost its significance in this model, underscoring that in today's business environment, sustainability is driven not only by internal family dynamics but also by external accountability and governance.

This finding aligns with global shifts in corporate finance and investment, where ESG practices are increasingly non-negotiable. Eccles and Klimenko (2019) argue that ESG compliance is now linked to firm reputation, access to capital, and resilience against market shocks. For African family businesses, embracing ESG is not just a matter of ethical compliance but a strategic necessity for transgenerational survival (World Bank, 2022; PwC, 2023).

5.2 Conclusion

This research was undertaken to examine the extent to which succession planning, next-generation interest, family conflict, and environmental, social, and governance (ESG) responsibility affect the sustainability of family businesses in Africa. The rationale behind this study was grounded in the recognition that family-owned enterprises are the backbone of many African economies, contributing significantly to employment, wealth creation, and socio-economic development (IFC, 2018; World Bank, 2022). Yet, despite their central role, the sustainability of these businesses across multiple generations has been a persistent challenge. Statistics indicate that while family businesses constitute more than 80% of firms in many African countries, only about 30% survive into the second generation, and less than 15% make it to the third generation (PwC, 2021; Deloitte, 2023). This pattern of discontinuity undermines long-term economic stability, intergenerational wealth transfer, and the preservation of entrepreneurial legacies.

Through the application of quantitative methods, including regression analysis, normality tests, LM tests, and robustness checks such as the Breusch-Godfrey test and White test, this study set out to empirically investigate the relationships between key variables that have been hypothesized in literature as determinants of family business sustainability. The findings of this research offer both confirmation of certain theoretical propositions and challenge long-standing assumptions about the primacy of family dynamics over structural and governance mechanisms in sustaining African family enterprises (Le Breton-Miller, Miller, & Steier, 2004; Chrisman, Chua, & Sharma, 2005).

1. Succession planning as a cornerstone of sustainability

The evidence strongly confirms that succession planning is fundamental to family business continuity. EQ2 demonstrated its significance at the 1% level, underlining that firms with documented and institutionalized succession plans have a higher probability of survival. In Africa, where many founders remain reluctant to discuss leadership transition due to cultural sensitivities around mortality and power, the absence of structured plans often leads to crises when unanticipated events occur (Miller & Le Breton-Miller, 2006).

Formal succession planning reduces uncertainty, ensures continuity of leadership, and strengthens stakeholder confidence. Beyond naming a successor, it involves mentoring, skills development, transparent communication, and contingency measures (Le Breton-Miller et al., 2004). Family businesses that embed succession into governance frameworks through family constitutions, boards, and advisory councils are more resilient and better prepared for generational transitions (Gersick et al., 1997). Thus, succession planning remains the bedrock of sustainability, providing stability amid Africa's dynamic socio-economic landscape.

2. Next-generation interest and family conflict: limited predictive power

Contrary to expectations, next-generation interest and family conflict did not emerge as statistically significant determinants of sustainability (EQ1, EQ2). While theory often emphasizes the importance of their commitment and family harmony (Sharma & Irving, 2005; Dyer, 1986), African businesses appear less reliant on these relational factors.

One explanation lies in the growing role of professional managers. Many younger family members pursue careers outside traditional family businesses, but enterprises compensate by appointing capable non-family executives while retaining family ownership (Anderson & Reeb, 2003). Similarly, though family disputes exist, African cultural norms emphasizing collective decision-making, respect for elders, and community mediation may reduce their destabilizing impact (Steier, Chrisman, & Chua, 2015).

This does not mean these factors are irrelevant. Persistent conflicts can still damage trust, and successor apathy can erode family identity. However, the findings suggest that without formal structures such as succession plans and governance mechanisms, relational dynamics alone cannot guarantee continuity (Aldrich & Cliff, 2003).

3. ESG responsibility as the most powerful predictor of sustainability

The findings from Equation 3 (EQ3) clearly demonstrated that ESG responsibility is the strongest predictor of family business sustainability in Africa, showing a highly significant positive effect at the 0.1% level ($p < 0.001$). Notably, EQ3 recorded the highest explanatory power ($R^2 = 0.668$) among the models tested, even surpassing succession planning. This provides compelling evidence that in today's African business landscape, long-term survival is increasingly determined by the ability of family firms to embed environmental stewardship, social responsibility, and robust governance into their operations.

From an environmental perspective, climate-related risks significantly expose family enterprises in agriculture, mining, and energy. By adopting sustainable practices, such as renewable energy use, water conservation, and eco-friendly production, businesses preserve critical resources and improve competitiveness in global markets (Basco, 2017). Social responsibility further enhances resilience: investments in community development, employee welfare, and local partnerships help secure a social license to operate, especially in regions where communities play a pivotal role in legitimizing businesses (PwC, 2023).

Equally critical is governance responsibility, which extends beyond family loyalty to embracing formal supervisory boards and independent board members. Supervisory boards provide oversight of management decisions, while independent directors introduce objectivity, professional expertise, and accountability (Villalonga & Amit, 2006). In contexts where African family businesses operate within weak institutional environments, such governance structures safeguard against nepotism, ensure transparency, and attract investor confidence (IFC, 2018).

Thus, the evidence from EQ3 marks a paradigm shift: sustainability in African family businesses is no longer sustained by succession alone but by the integration of structured governance and ESG practices, which anchor firms in both local communities and global markets (Eccles & Klimenko, 2019).

In conclusion, sustaining African family businesses requires a dual framework: robust succession planning coupled with strong ESG adoption. Together, these elements create a resilient foundation that can withstand generational transitions, market shocks, and stakeholder scrutiny.

5.3 Recommendations

Based on the findings, the following recommendations are proposed:

1. Institutionalize Succession Planning:
 - a. Family businesses should move beyond informal arrangements and develop written succession frameworks.
 - b. African family businesses must embed training programs, mentorship, and knowledge transfer mechanisms into their succession policies early to ensure continuity.
2. Integrate ESG Practices:
 - a. African family firms must adopt ESG frameworks tailored to their scale. This includes environmental stewardship, social impact initiatives, and transparent governance.
 - b. Policymakers and regulators should incentivize ESG reporting among SMEs and family businesses, ensuring Africa aligns with global standards.
3. Develop Next-Generation Leadership Capacity:
 - a. Even though next-gen interest was not statistically significant, it remains crucial for the future. Structured leadership development, exposure to international best practices, and early involvement in decision-making should be prioritized.
4. Formalize Conflict Management Structures:
 - a. Family councils, constitutions, and dispute resolution mechanisms should be institutionalized to prevent conflicts from undermining continuity.
 - b. Businesses should encourage professional boards with external advisors to balance family interests with objective decision-making.
5. Policy and Institutional Support:
 - a. Governments in Nigeria, South Africa, and other African countries should support family firms with succession and governance training programs.
 - b. Financial institutions could provide preferential financing to family businesses that adopt ESG and succession best practices, recognizing their role in employment and economic growth.

5.4 Areas for Further Research

While this study provides valuable insights, it is limited by its sample size and geographic scope. Future studies should:

- Expand to include more African countries for a broader comparative perspective.
- Examine industry-specific variations in succession and sustainability.
- Explore qualitative dimensions of ESG adoption in family firms to complement the quantitative findings.

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