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NAVIGATING GOVERNANCE IN EMERGING MARKETS: A SYSTEMATIC REVIEW AND INTEGRATIVE FRAMEWORK FOR SMES IN UGANDA

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ABSTRACT

Small and Medium Enterprises (SMEs) play a crucial role in driving economic growth, generating employment, and alleviating poverty in developing nations. They account for a significant share of the workforce and make substantial contributions to the national GDP. However, despite their critical role, SMEs encounter various governance challenges, including institutional gaps and inadequate stakeholder representation and trust, which hinder their sustainability. This article presents a comprehensive systematic review of SME governance within the context of emerging markets, with a particular emphasis on Uganda. The resulting framework advocates for a multi-faceted approach to governance that includes: regulatory governance, particularly adherence to norms and business formalization; institutional governance that leverages informal networks like family and community ties along with a solid knowledge foundation to navigate formal requirements; stakeholder governance that fosters trust and transparent relationship management; and adaptive governance that emphasizes continual learning and the integration of technology to remain agile in a rapidly changing environment. This framework aims to facilitate a multi-tiered governance strategy essential for the evolution of both formal and informal governance systems to manage the intricate institutional landscapes of emerging economies. Additionally, it addresses significant policy and management challenges that Uganda and similar countries may face in the future, emphasizing the need for capacity building, regulatory reforms, and technological assistance to enable SMEs to expand and thrive in governance. This integrated model serves as a foundation for further empirical investigation and practical initiatives aimed at enhancing SME governance and is pivotal for the success of rural development in Uganda, ultimately contributing to the nation's long-term economic progress.

Keywords: Small And Medium Enterprises, Governance, Emerging Markets, Institutional Gaps, Uganda, Regulatory Compliance, Stakeholder Engagement.

1 INTRODUCTION

Small and medium enterprises (SMEs) play a crucial role in generating employment, fostering innovation, and promoting inclusive economic development, especially in emerging markets (OECD, 2017; Beck et al., 2008). Worldwide, SMEs represent about 90% of all businesses and account for 50–60% of total employment (Ayyagari et al., 2014). In Uganda, micro, small, and medium enterprises (MSMEs) make up over 90% of private-sector entities and are responsible for roughly 2.5 million jobs. Their estimated contribution to the gross domestic product (GDP) was around 20% in 2019/20 (Ministry of Trade, Industry and Cooperatives, 2021). Despite their significant economic role, these enterprises encounter ongoing governance and institutional challenges that hinder their growth and sustainability.

Effective governance is essential for ensuring accountability, transparency, risk management, managerial efficiency, and stakeholder involvement (Cadbury Report, 1992; Agyemang & Castellini, 2016). In the context of SMEs, governance involves the frameworks, procedures, and practices that guide decision-making, resource management, and accountability (Tricker, 2019). However, traditional corporate governance models may not fully capture the unique characteristics of SMEs, such as limited resources, family ownership structures, and informal operational frameworks (De Massis et al., 2016; Spence & Rinaldi, 2014). This highlights the necessity for governance frameworks that are sensitive to the specific organizational and institutional contexts of SMEs in emerging economies.

Within Uganda, the governance of SMEs functions in an institutional landscape marked by deficiencies in regulatory enforcement, financial intermediation, and market-supporting information systems. These institutional gaps can elevate transaction costs, introduce uncertainty, and create information asymmetries, complicating the governance processes (Khanna & Palepu, 2010; Peng et al., 2005). As a result, SMEs may depend on informal governance mechanisms, such as familial ties, social networks, and community standards, to either supplement or replace formal institutional frameworks (Mair & Marti, 2009; North, 1990). While these informal mechanisms can enhance trust and ensure business continuity, they may also perpetuate centralized decision-making and limit the formalization, growth, and access to external financing for these organizations (Peng et al., 2008).

The relationship between formal and informal governance mechanisms is therefore a significant analytical concern for SMEs in Uganda. Understanding how these mechanisms interact—either complementing or undermining each other—is vital for assessing governance effectiveness amid institutional uncertainty. A comprehensive governance framework that acknowledges both regulatory demands and relational practices may serve as a contextually relevant foundation for enhancing accountability, legitimacy, resource mobilization, and the sustainability of enterprises.

This paper investigates SME governance in Uganda through a systematic literature review. It specifically synthesizes existing research on formal and informal governance mechanisms, identifies the institutional and organizational limitations they face, and explores how these mechanisms interact to affect governance outcomes for SMEs. Based on this synthesis, the paper proposes an integrative governance framework aimed at guiding SME management and informing policy development. It contributes to the body of literature on governance in emerging economies by situating SME governance within Uganda's institutional context and highlighting key areas for improving governance practices and fostering sustainable enterprise development.

The interaction between formal and informal governance mechanisms presents a crucial analytical issue for small and medium-sized enterprises (SMEs) in Uganda. Understanding the ways in which these mechanisms either complement or obstruct each other is essential for a precise evaluation of governance effectiveness, particularly in contexts marked by institutional uncertainty. A well-rounded governance framework that recognizes both regulatory requirements and relational practices could provide a relevant basis for improving accountability, legitimacy, resource mobilization, and sustainability within these enterprises. This paper examines SME governance in Uganda through a systematic review of existing literature, consolidating research on formal and informal governance mechanisms, identifying institutional and organizational constraints, and investigating the interactions between these mechanisms that influence governance outcomes for SMEs. The findings from this review lead to the suggestion of an integrative governance framework designed to guide SME management and inform policy-making. This research contributes to the current body of literature on governance in emerging economies by framing SME governance within Uganda's institutional context and emphasizing critical areas for enhancing governance practices and fostering sustainable enterprise growth.

1.1 SME Landscape in Uganda

Since the early 2000s, Uganda has witnessed substantial growth in SME activities, driven by entrepreneurial enthusiasm, favorable demographic conditions, and proactive government initiatives. The National Micro, Small, and Medium Enterprises (MSME) Development Policy (2015) represents a key milestone towards fostering sector growth, job creation, and poverty reduction (Ministry of Trade, Industry and Cooperatives, 2015). SMEs in Uganda encompass a wide range of sectors, including agriculture, agro-processing, manufacturing, trade, education, and services (UBOS,

2022; Ali, Ali, & Najaf, 2018). Collectively, they constitute nearly 90% of all business entities and provide approximately 70% of the national workforce, making them a crucial part of Uganda's economic and social structure (UBOS, 2022).

Despite their variety, Ugandan SMEs encounter systemic challenges within the country's economic and industrial framework that limit their ability to fully leverage available wealth and profitability, even with the sector's significant diversity. Access to finance is a major barrier, as only a small proportion of businesses can obtain formal credit due to factors such as inadequate collateral, high interest rates, and strict lending standards, as reported by the World Bank (2023). Additional expenses and constraints on market access arise from infrastructural deficiencies, including unreliable electricity, poor transportation, and limited information and communication technology (African Development Bank, 2020).

Moreover, a shortage of skilled entrepreneurial and managerial talent hampers innovation and effective governance (Ssebunya, Akampurira & Namusonge, 2021). The intricacies of regulatory frameworks and inconsistent enforcement further complicate these issues. A significant number of SMEs operate informally or semi-formally, lacking structured frameworks, accounting practices, or mechanisms for statutory compliance (Musoke, 2021; World Bank, 2023). This unregulated governance often leads SMEs to adopt a flexible yet potentially precarious informal management approach that is vulnerable to external shocks and regulatory pressures (Agyemang & Castellini, 2016).

Institutional voids, as described by Khanna and Palepu (2010), denote the absence or inadequacy of formal institutions that facilitate efficient market functioning. This includes shortcomings in contract enforcement, reliable market intermediaries, transparent financial systems, and regulatory authorities. Such voids create substantial governance risks for SMEs, which must navigate unclear and unstable institutional environments without sufficient resources or negotiating power (Peng, Wang, & Jiang, 2008; Puffer, McCarthy, & Boisot, 2010). Research has shown that institutional voids can encourage opportunistic behavior, rent-seeking, and corruption, while also raising transaction costs and complicating resource allocation in emerging markets (Cuervo-Cazurra & Dau, 2009; Puffer et al., 2010). Ineffective property rights enforcement and judicial inefficiencies impede SMEs' capacity to engage in formal contracts, resolve disputes, and protect intellectual property (World Bank, 2023). Regulatory oversight is often erratic, with informal payments and bureaucratic delays being common, making formalization and compliance less attractive to many firms (Musoke, 2021).

To navigate ineffective formal governance structures, SMEs often depend on informal mechanisms based on social norms, trust-based transactions, and family networks (North, 1990; Mair & Marti, 2009). In the absence of formal legal options, these mechanisms frequently involve reputation-based contracts, kinship-based trust, and community sanctions that reduce transaction risks when legal recourse is unavailable (Peng et al., 2008). Family governance systems are particularly significant among Ugandan SMEs, profoundly affecting decision-making, ownership, control, and succession (Chrisman, Chua, Pearson & Barnett, 2012). Given the interconnectedness of formal and informal governance systems, there is a pressing need to create governance frameworks that are flexible, contextually relevant, and multidimensional to meet the needs of SMEs in emerging markets. Governance in these environments must strike a balance between adhering to formal regulations and leveraging the social capital inherent in informal networks (Agyemang & Castellini, 2016; Puffer et al., 2010). Additionally, technology-enhanced governance tools offer SMEs opportunities to improve transparency, accountability, and resilience in addressing institutional challenges (Kivihotan & Puumalainen, 2022).

2 LITERATURE REVIEW METHODOLOGY

This research employed a systematic literature review methodology, following the best practices and protocols set forth by Tranfield, Denyer, and Smart (2003) to ensure transparency, thoroughness, and replicability in synthesizing existing research. Systematic reviews are particularly useful for integrating findings from various studies and uncovering research gaps in emerging interdisciplinary areas, such as SME governance in developing markets (Petticrew & Roberts, 2006).

2.1 Search Strategy and Sources

An extensive and organized search was conducted across four major academic databases: Scopus, Web of Science, Google Scholar, and relevant institutional repositories, along with government portals, including reports from the World Bank and Uganda Bureau of Statistics. These databases were selected for their broad coverage of peer-reviewed literature, interdisciplinary relevance, and importance to business, management, and social sciences research.

The search strategy involved using keywords and Boolean operators to identify the most relevant literature while remaining within the research scope. Key search terms included:

- SME governance
- Institutional voids
- Emerging markets
- Uganda
- Corporate governance
- Informal institutions
- Stakeholder engagement
- Adaptive governance

Search queries integrated these terms using AND/OR operators (e.g., "SME governance" AND "institutional voids" AND "Uganda") to locate publications that address governance challenges for SMEs within the institutional contexts of emerging economies.

2.2 Inclusion and Exclusion Criteria:

This study included articles, working papers, and official reports published from 2000 to 2023 to encompass both foundational and contemporary insights. The selected start date reflects the progression of research in institutional theory and corporate governance within emerging markets over the past two decades. The selection criteria were as follows:

- **Relevance:** The publication must discuss SME governance, institutional impacts, or governance challenges/opportunities within emerging markets, especially in Uganda.
- **Rigor:** Only peer-reviewed articles, high-quality working papers, and credible information from leading institutions were included to ensure reliability.
- **Language:** Only English-language works were considered, acknowledging the limitations of regional literature.
- **Methodological Openness:** Studies employing quantitative, qualitative, or mixed methods were included to present diverse perspectives. Exclusions applied to editorials, opinion pieces lacking empirical or theoretical grounding, and non-contextual studies not applicable to emerging market SMEs.

2.3 Listing and Selection Process

Initially, 250 articles were identified through the keyword search. After screening titles and abstracts and removing duplicates, 85 studies remained for full-text examination against the inclusion criteria, resulting in the selection of 50 studies for in-depth analysis.

Data Extraction and Thematic Coding:

- The selected studies underwent thematic content analysis (Braun & Clarke, 2006), a qualitative method that facilitates the categorization of numerous papers into coherent themes. Data extraction focused on:
- Governance challenges encountered by SMEs in emerging markets.
- Institutional and contextual factors influencing governance.
- Governance mechanisms and practices utilized.
- Adaptive strategies such as technology adoption and learning.

These categories formed the thematic coding framework used in NVivo qualitative analysis software to systematically organize and retrieve relevant data (QSR International, 2023).

2.4 Synthesis and Framework Development

The thematic coding approach facilitated a narrative synthesis (Popay et al., 2006) that amalgamated findings from various studies to examine the governance dynamics of SMEs in Uganda and other emerging markets. This synthesis inspired the creation of a comprehensive governance model encompassing regulatory, institutional, stakeholder, and adaptive frameworks. By systematically deconstructing and analyzing interconnected themes, the review aimed to address knowledge gaps and provide a comprehensive perspective on SME governance within complex institutional contexts.

2.5 Regulatory Governance Challenges

Small and Medium Enterprises (SMEs) in numerous emerging markets, including Uganda, encounter considerable hurdles stemming from regulatory unpredictability and overly intricate bureaucratic procedures. According to the World Bank's Doing Business report (2023), Uganda is positioned in the lower middle tier regarding business ease, facing obstacles in business initiation, obtaining licenses, and tax compliance, among others. Regulatory amendments frequently occur without public consultation or debate, leaving SMEs unable to foresee compliance obligations or plan accordingly (Musoke, 2021). Compliance is inconsistent, and corruption at various institutional checkpoints can result in unequal treatment; thus, the uncertainty and high compliance costs hinder SMEs' capacity to invest in innovation (Agyemang & Castellini 2016; Ali, Ali & Najaf 2018).

These circumstances lead to substantial resources being diverted toward navigating bureaucratic hurdles, which proves detrimental for businesses. Additionally, the elevated costs and unpredictability of compliance processes complicate formalization, causing many firms to operate informally to escape regulatory pressures, limiting their access to financing, markets, and legal protections (World Bank 2023; Musoke, 2021). Consequently, this results in a sluggish governance system that stifles the growth and competitiveness of SMEs both domestically and internationally.

2.6 Institutional Voids and Informality

The institutional voids prevalent in emerging markets pose serious challenges for SME governance. Such voids refer to the lack or ineffectiveness of essential market-supporting institutions, including functioning judicial systems, reliable contract enforcement, transparent credit information bureaus, and market regulatory authorities (Khanna & Palepu, 2010). In Uganda, insufficient judicial enforcement prevents SMEs from taking legal action or enforcing contracts, increasing their exposure to transaction risks and opportunism (Peng et al., 2008; World Bank, 2023). As a result, SMEs often rely on informal social networks—such as family connections, ethnic groups, and community organizations—for governance alternatives instead of formal structures (North, 1990; Mair & Marti, 2009). While these informal institutions can foster trust, reduce monitoring costs, and provide access to resources rarely available through formal governance systems, they also carry long-term implications. Over-reliance on informality restricts business scalability, transparency, and institutional accountability, subsequently limiting SMEs' access to formal finance and markets (Cuervo-Cazurra & Dau, 2009).

Furthermore, patron-client relationships and informal power dynamics may lead to exclusionary practices and socio-political vulnerabilities (Puffer, McCarthy & Boisot, 2010). Thus, the lack of formal institutions and the prevalence of informality compel SMEs to navigate a dual governance system filled with risks and adaptation challenges.

2.7 Stakeholder Governance and Trust Building

In environments characterized by weak institutional frameworks and the absence of formal enforcement mechanisms, trust-based governance becomes a vital strategy for SMEs to thrive (Musoke, 2021). The active engagement of all stakeholders—suppliers, customers, employees, and local communities—is crucial for cultivating trust-based relationships founded on social capital, reciprocity, and legitimacy (Granovetter, 1985; Agyemang & Castellini, 2016). SMEs that establish trust with their stakeholders can mitigate uncertainties and opportunism while enhancing coordination and collaboration (Donaldson & Preston, 1995). Corporate Social Responsibility (CSR) initiatives, even if modest, contribute to reputation and social licenses that allow SMEs to operate, linking them to social networks that can shield them from external shocks (Agyemang & Castellini, 2016; Jamali, 2008). In Uganda, CSR is often community-driven and focuses on local welfare and goodwill, which is essential in environments where formal governance is lacking. Thus, stakeholder governance not only serves as a risk management tool but also acts as a strategic lever for enhancing market legitimacy and fostering long-term resilience.

2.8 Adaptive Governance through Technology

Technology is increasingly recognized as a vital component of adaptive governance for SMEs in emerging markets, facilitating improved management, transparency, and formalization (World Bank, 2023; Kivihotan & Puumalainen, 2022). In Uganda, mobile money applications like M-Pesa have transformed financial transactions, making them more transparent and improving SMEs' access to financial services (Mbiti & Weil, 2016). Digital record-keeping and cloud-based accounting software enable SMEs to meet regulatory demands and uphold internal governance (World Bank, 2023). Additionally, e-commerce platforms and digital marketplaces aid SMEs in acquiring customers, integrating supply chains, and expanding market reach, thereby diversifying their revenue streams (Kivihotan & Puumalainen, 2022). These technologies facilitate real-time data sharing and monitoring, crucial for promptly adapting to evolving regulations and market dynamics (Heeks, 2017). Despite ongoing challenges related to digital literacy, infrastructure, and affordability, the adaptive governance model underscores technology as a transformative approach for SMEs, empowering them to enhance resilience and competitiveness in a fast-changing and uncertain landscape (Folke et al., 2005).

2.9 Theoretical Perspectives

The integrative governance framework outlined in this paper is constructed on a foundation of multiple theoretical approaches to effectively address the distinctive and intricate governance challenges encountered by small and medium-sized enterprises (SMEs) in emerging markets, such as Uganda. This framework amalgamates insights from Institutional Theory, Resource-Based View (RBV), Stakeholder Theory, and Adaptive Governance Theory. The diversity of these theoretical lenses enables a more refined understanding of both external structural limitations and internal organizational dynamics within the governance of SMEs.

2.10 Institutional Theory

Institutional theory serves as a lens through which we can comprehend how governance structures are shaped by institutional conditions, which include formal laws, regulations, and informal social norms or cultural frameworks (Scott, 1995). According to this perspective, organizations are influenced by institutional forces—regulative, normative, or cognitive—that are essential for their acceptance and survival. In emerging markets, institutional voids are marked by inadequate systems for contract enforcement, credit reporting, and regulatory oversight (Khanna & Palepu, 2010). Consequently, SMEs often adopt hybrid governance models that integrate formal compliance with informal practices rooted in family, kinship, or community (Mair & Marti, 2009; Peng, Wang, & Jiang, 2008). Additionally, institutional theory posits that the governance behavior of SMEs is influenced not only by managerial choices but also by the broader institutional context, allowing for variations due to institutional entrepreneurship and adaptation (DiMaggio & Powell, 1983).

2.11 Resource-Based View (RBV)

The Resource-Based View emphasizes the assessment of internal capabilities as a crucial factor for effective governance and competitive advantage (Barney, 1991). RBV asserts that valuable, rare, inimitable, and non-substitutable (VRIN) resources—such as managerial skills, organizational knowledge, social capital, and technological expertise—are fundamental to effective governance in SMEs (Wernerfelt, 1984). In resource-constrained emerging market contexts, a robust internal governance framework enables SMEs to navigate institutional shortcomings. Moreover, strategic managerial skills in areas like compliance and stakeholder management, along with social capital derived from networks, play a significant role in mitigating information asymmetry and fostering trust and resource sharing within the enterprise (Newbert, 2007; Agyemang & Castellini, 2016). RBV underscores the necessity for SMEs to develop and leverage internal governance systems to flourish amid challenging ecosystems.

2.12 Stakeholder Theory

Freeman (1984) contends that stakeholder theory broadens the governance model beyond a focus solely on shareholders to include various stakeholders—such as employees, customers, suppliers, communities, regulators, and family members. This perspective is particularly relevant for SMEs in emerging markets, where diverse stakeholder groups are actively engaged. Governance, in this context, involves managing intricate stakeholder relationships through communication, negotiation, and balancing competing interests to secure legitimacy, collaboration, and a social license to operate (Jones & Wicks, 1999). In environments like Uganda, where formal institutions may be weak, relational governance founded on stakeholder engagement fosters trust and diminishes uncertainty by curbing opportunism (Musoke, 2021; Schott, 2004). Thus, the relational aspect of governance is crucial for the sustainable development of SMEs in complex settings.

2.13 Adaptive Governance Theory

Adaptive governance theory is grounded in resilience and systems thinking, emphasizing the capacity of governance systems to be flexible, learn, and rapidly adapt in the face of change and uncertainty (Folke et al., 2005; Olsson, Folke & Berkes, 2004). This approach does not rely on fixed rules but instead emphasizes continuous feedback, experimentation, and multilevel coordination to respond to evolving institutional and market dynamics (Pahl-Wostl, 2009). For SMEs in emerging markets, which often grapple with ongoing regulatory shifts, market disruptions, and institutional fragility, adaptive governance offers a conceptual framework for developing organizational learning processes, embracing technology, and fostering an innovative culture to enhance resilience and governance efficacy (Heeks, 2017; Kivihotan & Puumalainen, 2022). This theoretical perspective complements institutional theory by highlighting the agency and dynamism of SMEs within constrained structures.

2.14 Interdisciplinary Theoretical Synthesis

The integration of these theoretical paradigms facilitates the governance framework's reconciliation of structure and agency regarding SME governance in emerging markets. While institutional theory underscores the external pressures and structural environment SMEs confront, RBV and adaptive governance focus on their strategic responses and internal resource development. Stakeholder theory bridges these two theories by embedding governance within relational networks that extend beyond firm boundaries.

Thus, the integrative model presents a multidimensional governance framework dependent on evolving institutional structures, managerial competencies, stakeholder relationships, and adaptive capacities. By employing such comprehensive frameworks, the model not only enhances understanding but also strengthens the governance of SMEs in Uganda and similar emerging economies characterized by institutional voids, chaotic processes, and rapid transformations (Tranfield, Denyer, & Smart, 2003; Puffer et al., 2010).

2.15 Integrative Governance Framework for Uganda SMEs

The proposed framework for integrated governance considers the intricate and interconnected governance landscape in which SMEs operate in Uganda. It underscores the necessity for SMEs to strategically manage and coordinate four distinct yet interrelated governance dimensions, each with unique challenges related to institutional gaps or resource constraints and specific stakeholder considerations that require harmonious addressing. Collectively, these four pillars fortify SMEs, enhancing their credibility and resilience in volatile and uncertain emerging markets.

Regulatory Governance pertains to SMEs' ability to comprehend, adhere to, and, where feasible, influence the regulatory landscape and market demands, as well as the enforcement of these elements (Agyemang & Castellini, 2016). Given the complexity and dynamism of Uganda's regulatory framework (World Bank, 2023), SMEs benefit from legal literacy, engagement with government bodies, and advocacy for policy improvements (Musoke, 2021). Strengthening regulatory governance mitigates the risk of non-compliance penalties, facilitates market entry, and enables businesses to formalize their operations. SMEs can enhance this through training initiatives, community forums, and business associations. Institutional Governance involves leveraging informal social institutions and community-based systems to supplement formal governance mechanisms that may often be inadequate in emerging countries (North, 1990). Ugandan SMEs typically align with family governance frameworks (encompassing common ownership, succession planning, and familial trust), alongside community organizations and industrial groups that foster peer accountability, dispute resolution, and collective advocacy (Chrisman et al., 2012; Mair & Marti, 2009). Institutional governance not only addresses regulatory deficiencies and weak judicial enforcement but also offers informal support for business growth through mechanisms such as informal financing, mentorship, and networking.

Stakeholder Governance focuses on cultivating transparent and reliable partnerships with suppliers, customers, employees, regulators, financiers, and local communities (Freeman, 1984; Musoke, 2021). SMEs that engage stakeholders through consistent communication, ethical practices, and Corporate Social Responsibility (CSR) initiatives build social capital and enhance their legitimacy (Agyemang & Castellini, 2016). This relational governance diminishes transaction uncertainty, fosters cooperation during crises, and bolsters reputation and competitiveness within closely-knit market environments. In Uganda, incorporating CSR into community development and environmental stewardship initiatives further enhances the social license to operate.

Adaptive Governance relates to SMEs' ability to adopt technology-driven innovations and promote organizational learning to navigate the swiftly evolving regulatory, economic, and competitive landscapes (Folke et al., 2005; Kivihotan & Puumalainen, 2022). Tools such as mobile money, cloud accounting, digital supply chain management, and e-commerce platforms facilitate transparency, monitoring, and formalization. Furthermore, fostering a culture of continuous learning and innovation enables SMEs to anticipate institutional disruptions and seize new market opportunities, thereby continually enhancing governance practices (Heeks, 2017). This adaptive governance model is particularly vital in Uganda's unpredictable institutional context, allowing SMEs to navigate uncertainties effectively.

2.16 Interaction and Integration of Pillars

The four governance pillars are not discrete entities; they dynamically interact, as illustrated in Figure 1. Regulatory governance signifies compliance and professionalism, while stakeholder connections enhance institutional governance and community legitimacy through networks and digital communication. Adaptive governance strengthens regulatory responsiveness and stakeholder interaction, indicating that formal governance alone may not suffice, as it often lacks organization for efficacy. The informal institutional systems facilitate learning and community-based solutions that may otherwise be absent. For SMEs in Uganda, this integrated governance ecosystem enables them to bridge institutional gaps and resource constraints, thereby improving their sustainability, growth, and contributions to inclusive economic development.

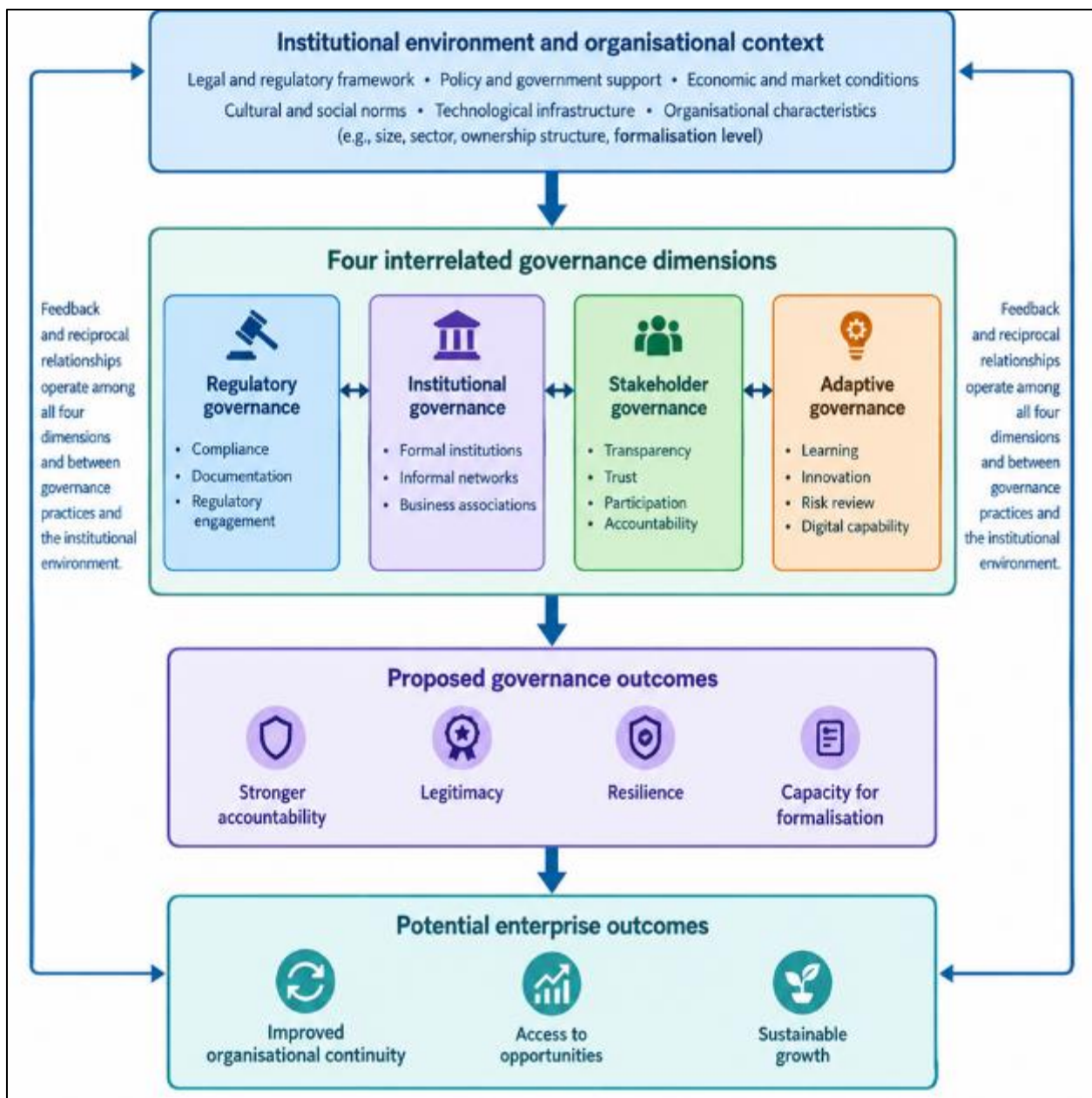


Figure 1: Proposed integrative governance framework for SMEs in Uganda

Note: The outcomes are propositions for empirical investigation, not effects established by this review.

3 DISCUSSION

The proposed integrative governance model of SMEs in Uganda and other emerging markets is a step forward for SME governance, reflecting its view as a multifaceted, multidimensional, and context-dependent process (Agyemang & Castellini, 2016; De Massis et al., 2016). SMEs are working in hybrid settings with formal and informal institutions that are integrated and co-existing, where governance is both multi-pronged and adaptable (Khanna & Palepu, 2010; North, 1990). Regulatory governance is necessary but not sufficient. While regulatory governance is still a key factor that drives the legitimacy of SMEs and access to formal markets, the review and framework in Uganda and similar contexts show that weak state institutions in the country's context considerably undermine the enforcement capacity and predictability (World Bank, 2023; Musoke, 2021).

Regulatory law enforcement as the central pillar of governance is not enough in a complex institutional context. SMEs are often subject to inconsistent application of rules and regulations, bureaucratic mismanagement, and policy changes that make it impossible to rely on formal governance channels for compliance (Ali et al., 2018). Therefore, regulatory governance should be accompanied by active capacity building and advocacy mechanisms that enable SMEs to meet and

communicate with the government and the politicians more effectively, and for formal governance to become more socially and politically embedded (Agyemang & Castellini, 2016).

Informal Governance: A Bridge to Open Up but Making Things Permanent. Informal governance mechanisms - family ownership, community norms, social capital, etc. - fill in the voids left by failing formal institutions (Mair & Martí, 2009; Peng et al., 2008). These mechanisms enable trust-based contracting, dispute resolution, and resource sharing that are vital to SME survival and market participation (North, 1990). But informal governance also can lead to informality traps in which firms are excluded from formal financial and business systems, are opaque, and under-productive (Puffer et al., 2010). The framework thus highlights the importance of formalization and institutionalization via informal governance as a complementary and not a replacement to formalization and institutionalization (Cuervo-Cazurra & Dau, 2009).

Governance and Trust Building as Steps towards Legitimacy. Stakeholder governance plays a crucial role in governance in which SMEs can build trust and social legitimacy if institutions are ineffective (Freeman, 1984; Donaldson & Preston, 1995). Given the socio-economic context that Uganda has today, relationships with suppliers, customers, community leaders, and employees lead to less transactional risk and more reliable formal institutions (Musoke, 2021; Granovetter, 1985).

CSR initiatives also enhance reputational capital, reinforcing social goodwill and the need to operate in local markets where information asymmetry and enforcement are prevalent (Agyemang & Castellini, 2016). This relational focus is the main difference between governance in emerging markets and is useful to SMEs for building resilience and competitive advantage. **Technology and Learning as Governance Enablers.** Adaptive governance theory's emphasis on flexible governance and feedback is compelling to understand how SMEs can retain good governance in volatile institutions (Folke et al., 2005; Pahl-Wostl, 2009). Technology adoption, including mobile money, cloud accounting, and e-commerce platforms, enables SMEs to increase transparency, improve record-keeping, expand the market, and respond quickly to regulatory changes (World Bank, 2023; Kivihotan & Puimalainen, 2022).

Organizational learning cultures allow for continuous improvement in governance processes and foster the innovation necessary to tackle new challenges (Heeks, 2017). Therefore, this structure views adaptive governance not as a luxury but as a necessity for SMEs' survival and growth in changing landscapes. **Managerial Agency: Proactive Navigation and Institutional Shaping.** A key feature of the integrative framework is the recognition of SME managers as active governance agents that do not just tolerate but actually take action to navigate around the institutional constraints and change them (Weick, 1995; Puffer et al., 2010). This agency perspective is consistent with institutional entrepreneurship literature, in which managers use social capital, advocacy, and innovation to adapt institutional structures and governance practices to meet the needs of their firm (Battilana, Leca, & Boxenbaum, 2009). Ugandan SME managers successfully meet formal regulatory compliance and informal relational governance, stakeholder engagement, and technology adaptation to improve governance capacity and business performance.

4 CONCLUSION

The proposed integrative governance framework in general builds upon the understanding of SME governance as a dynamic, relational and contextual process (Agyemang & Castellini, 2016; Scott, 1995). It takes into account the interplay between formal and informal institutions and the need for resource mobilization, multiple stakeholders engagement and continuous learning (Khanna & Palepu, 2010; Freeman, 1984; Folke et al., 2005). This holistic view is consistent with the current state of governance research that is not limited to static rules but is a social practice as a whole and as a result of a social system and the agency of actors (Puffer et al., 2010; Weick, 1995).

For SMEs in an emerging market in Uganda in the form of hybrid systems, formal regulation and informal community and family norms are mutually supportive of each other and allow and restrict behavior of firms (North, 1990; Peng et al., 2008). Such a society requires governance frameworks that are flexible and multi-dimensional and are adapted to the uncertainty and change of the society (Pahl-Wostl, 2009). Adaptive governance as a framework also demonstrates the importance of innovation, technological adoption and organizational learning as a means of ensuring the resiliency of SMEs in uncertain environments (Kivihotan & Puimalainen, 2022; Heeks, 2017).

Moreover, this framework provides an insight into the role of SME managers as proactive governance agents who can maneuver, negotiate, and change institutional limitations to support growth and legitimacy (Battilana, Leca, & Boxenbaum, 2009). This perspective promotes the importance of managerial skills, social capital and strategic stakeholder engagement for governance effectiveness (Agyemang & Castellini, 2016; Freeman, 1984). From a policy perspective, to improve SME governance in Uganda, multi-level, policy-based activities are needed - not only regulatory frameworks must be consolidated with capacity-building but also institutional strengthening, stakeholder networks, and digital inclusion (World Bank, 2023; Ministry of Trade, Industry and Cooperatives, 2015).

In light of the sector's complexity, such an integrated approach can facilitate a gradual process of formalization, enhance effectiveness of governance processes and support the long-term sustainability and economic development of SMEs. In summary, such an integrative framework offers a detailed, contextually relevant lens for researchers, practitioners, and policymakers working to improve SME governance systems in Uganda and other emerging markets with institutional vacuums and resource constraints (Khanna & Palepu, 2010; Puffer et al., 2010). By capturing the relational dynamics and adaptive processes of governance in complex settings it is a basis for designing practical interventions and further research.

4.1 Policy and managerial implications.

The integrative governance framework of SMEs in Uganda provides a number of actionable recommendations for policymakers, government agencies, managers, and international actors to consider. They recognize that governance problems for SMEs are more complex in nature and that policies should be put in place in a partnership to build an inclusive, sustainable ecosystem in order to bring about the development of these businesses.

Recommendations for policymakers.

As per Uganda and other emerging markets, governments and regulators must focus on streamlining the regulatory environment to address bureaucratic uncertainty and complexity and reduce regulatory complexity in Uganda and other countries that are currently placed on SMEs in the way they do to reduce the problem of bureaucracy and uncertainty, which are currently the main reasons why they are at a disadvantage for SMEs (World Bank, 2023). In particular, business registration, licensing, and tax compliance processes can be simplified so that the entry barriers are lower and formalization opportunities can be made easier for businesses (OECD, 2017). Building and expanding the SMEs' support programs (targeted training programs, advisory services, and incubation programs, etc.) and the system for SMEs can thus be more effective in improving their governance capacity and knowledge of the institutions in the sector (Ministry of Trade, Industry and Cooperatives, 2015; Ayyagari, Demirguc-Kunt & Maksimovic, 2014). In practice, effective regulation means that SMEs are a significant part of policy development so that these are not only involved in policy-making, but also take part in the policy-making process to make sure that the regulations are grounded in reality, and that they are more in line with the needs and requirements of the industry and that they meet the sector (Ali et al., 2018; Puffer et al., 2010). This is where a participatory approach is required to make policy legitimacy and compliance rates and help SMEs to navigate the regulatory environment.

4.2 Institutional development agencies.

Government bodies and non-governmental organizations, as well as the private sector, are also at the core of the development of local institutions which shape SME governance (e.g., business associations, credit rating bureaus, dispute resolution bodies— Khanna & Palepu, 2010; North, 1990). Institutional development agencies can help SMEs develop community networks where the best practices are shared, voice is gathered, and cooperation is fostered (Mair & Marti, 2009; Musoke, 2021). They can also foster greater accountability and transparency and lead SMEs to move from informality to formalized and well-governed organizations (Cuervo-Cazurra & Dau, 2009). 8.3 Strategic actions for SME managers. SME managers must invest in relationships with suppliers, customers, financiers, employees, and local communities in advance to build trust and legitimacy (Freeman, 1984; Musoke, 2021). It is building these relationships that will save costs, open resource access, and protect the organization from institutional uncertainties (Granovetter, 1985). Digital governance tools such as mobile financial services, digital accounting systems, and online marketplaces can also improve operational transparency, improve decision-making efficiency, and enable agile operations in response to market and regulatory realities (Kivihotan & Puumalainen, 2022; Heeks, 2017). Digital adoption is an integral part of adaptive governance, helping SMEs to scale and remain competitive in a dynamic environment. 8.4 Support from international organizations and donors.

The participation of multilateral bodies, donor agencies, and international development partners in learning cooperation and capacity-building in the field of integrative governance should be a strong force in the future (OECD, 2017; World Bank, 2023). Specific interventions can be regional workshops, online training programs that are intended to be designed for the diverse governance needs of SMEs that face institutional gaps. Funding and technical assistance to develop innovative ecosystems and digital infrastructure are also required for SMEs to have the skills to adapt in a more agile governance framework (Heeks, 2017). Transnational collaboration in regulatory reform and institutional capacity development is also important in order to build sustainable SME ecosystems in developing countries.

Limitations and directions for future research. Although this systematic review and integrative approach provide a comprehensive understanding of the SME governance issues and strategies in Uganda, there are limitations to the present study. First and foremost, the study is based on secondary data, scholarly literature, and theoretical arguments without data collection. Therefore, a better understanding of the governance model proposed for Uganda in practice (Tranfield, Denyer, & Smart, 2003) and context is important in order to assess its validity and applicability based on empirical evidence (Petticrew & Roberts, 2006). Studies with long-term and mixed-methods approaches should be

considered to capture the dynamics of governance and the interaction of formal and informal institutions over time (Creswell & Plano Clark, 2017).

Given SMEs' heterogeneity across sectors and regions, future research is required to address sector-specific and regional variation in governance practices and challenges (Ayyagari, Beck, & Demircug-Kunt, 2003). For example, manufacturing SMEs might face different regulatory and institutional challenges as compared to agriculture and services firms, which would influence the relevance and the importance of governance dimensions in the integrated model (Musoke, 2021). Finally, urban SMEs in Kampala may have different stakeholder engagement and governance processes in place and will be able to respond to changes in nature as opposed to rural ones where informal institutions are more active and have greater influence (UBOS, 2022). The context will therefore be more sensitive with the outcome of the policy interventions. Digital technologies are transforming SME governance worldwide yet the impact in emerging markets is uneven and under-researched (Kivihotan & Puumalainen, 2022; Heeks, 2017).

An analysis of digital governance tools in Uganda on transparency and resource mobilization and governance capacity development in Uganda's SMEs has the potential to lead to future research addressing such questions and to provide mechanisms of the kind. Another important question that deserves further research is how gender and youth entrepreneurship intersect in the governance system as well. As women and young entrepreneurs are central to Uganda's SME sector, it is critical to understand how gender and age influence governance challenges, relationships, resources, and technology adoption (ILO, 2018; Bosma & Kelley, 2019). This can be used to help develop gender-responsive and youth-friendly governance support policies to promote inclusivity and empowerment. Lastly, longitudinal case studies and ethnographic research approaches could provide deep insights into the micro-foundations of governance agency among SME managers, and how they navigate, reinterpret, and reshape institutional constraints in real time (Battilana, Leca, & Boxenbaum, 2009; Weick, 1995).

4.3 Conclusion

In order to thrive in Uganda's complex emerging market environment, SMEs should adopt integrative governance models that integrate formal regulatory compliance with active participation in informal institutional arrangements, trust-building, and technological and organizational adaptation (Khanna & Palepu, 2010; Agyemang & Castellini, 2016; Folke et al., 2005). This holistic approach recognizes the complex nature of the institutional voids and resource constraints in SMEs and the importance of dynamic and context-specific governance systems in order to survive and grow. The integrative governance model developed in this study offers a more holistic view of the SME governance process as it considers regulatory, institutional, relational, and adaptive aspects of governance (Scott, 1995; Freeman, 1984; Pahl-Wostl, 2009). By integrating the relational and adaptive aspects of governance and traditional compliance in a way that goes beyond reductionist frameworks, the framework can be conceptualized in a way that is more applicable to the real-world context of SMEs in Uganda and other emerging markets (De Massis et al., 2016; Musoke, 2021). This framework also allows for the formation of more resilient and sustainable SMEs to develop with the aim of inclusive economic growth and poverty reduction as per international development goals and Uganda's MSME policies (Ministry of Trade, Industry and Cooperatives, 2015; World Bank, 2023). The integration of theory and practice is a positive approach to this research, which can help practitioners and policymakers empirically and improve SME governance in institutional void settings, and to create strategies and programs for the upliftment of SMEs in such environments (Tranfield, Denyer, & Smart, 2003; Puffer et al., 2010). Integration in the context of SMEs is necessary to bring the potential of these organizations to life by integrating structural and social governance and to promote economic transformation and sustainable development in emerging countries.

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