



## Beyond Governance: Understanding Continuity Through Family Involvement. The Governance-Involvement Matrix for Family Business Continuity

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**Abstract.** Family business continuity is often discussed through the lenses of governance structures, succession planning, or family commitment. However, experience shows that none of these dimensions alone is sufficient to explain why some business families successfully transition across generations while others struggle despite efforts. Drawing on observations from fourteen family business and years of professional practice in family governance and continuity processes, this article proposes the Governance-Involvement Matrix as a practical framework for understanding the interaction between family involvement and governance structures. The framework identifies four recurring configurations: the Emotional Control Trap, the Professionalized Disconnection, the Governance Vacuum, and Aligned Continuity. Each configuration reflects a different balance between family commitment and governance maturity, generating distinct risk and opportunity for continuity. The article argues that long-term continuity depends less on the strength of either dimension in isolation and more on their alignment over time. Building on this perspective, the Family Constitution is reinterpreted not as a rulebook, but as a strategic alignment mechanism that helps synchronize family aspirations, ownership intentions, and governance structures. The Governance-Involvement Matrix offers family business owners, advisors, and governance practitioners a simple diagnostic tool for understanding their current situation and identifying pathways toward sustainable continuity across generations

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### PALABRAS CLAVE

Continuidad de la empresa familiar, Gobierno, Involucramiento familiar, Constitución familiar, Riqueza socioemocional, Alineación de la gobernanza.

**Más allá de la gobernanza: la continuidad de la empresa familiar desde la perspectiva de la implicación familiar. La matriz Gobernanza-Implicación**

**Resumen.** La continuidad de las empresas familiares suele analizarse a partir de las estructuras de gobernanza, la planificación sucesoria o el compromiso de la familia con la empresa. Sin embargo, la experiencia demuestra que ninguna de estas dimensiones, por sí sola, explica por qué algunas familias empresarias logran mantener la continuidad generacional mientras que otras enfrentan dificultades a pesar de sus esfuerzos. A partir de la observación de catorce empresas familiares y de años de experiencia profesional acompañando procesos de gobernanza y continuidad, este artículo propone la Matriz Gobernanza-Involucramiento como marco práctico para comprender la interacción entre el involucramiento familiar y las estructuras de gobierno. La matriz identifica cuatro configuraciones recurrentes: la Trampa del Control Emocional, la Desconexión Profesionalizada, el Vacío de la Gobernanza y la Continuidad Alineada. Cada una refleja un equilibrio diferente entre el compromiso familiar y la madurez de la gobernanza, generando riesgos y oportunidades particulares para la continuidad. El artículo sostiene que la continuidad de largo plazo depende menos de la fortaleza aislada de cada dimensión y más de su alineación a lo largo del tiempo. Desde esta perspectiva, la Constitución familiar es reinterpretada no como un conjunto de reglas, sino como un mecanismo estratégico de alineación capaz de sincronizar las aspiraciones familiares, la visión de propiedad y las estructuras de gobierno. La Matriz Gobernanza-Involucramiento ofrece a las familias empresarias, asesores y especialistas una herramienta diagnóstica simple para comprender la situación actual e identificar caminos hacia una continuidad sostenible entre generaciones.

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## 1. Why Do Some Family Businesses Endure and Others Do Not?

Despite the growing adoption of family governance mechanisms, many family businesses continue to struggle with continuity across generations. Evidence for practice and research suggests that governance structures alone do not fully explain why some family business endure while others fail. This observation led to a fundamental question: What truly explains continuity in family businesses?

Family businesses operate at the intersection of two systems that rarely evolve in harmony: the family, with its emotional bonds, identity, and informal norms, and the business, with its need for structure, discipline, and strategic clarity (Mattart et al., 2025). Continuity depends less on the strength of either system alone and more on the interaction between them, how family participation shapes governance, and how governance structures, in turn, shape family behavior. This interaction is where cohesion, conflict, or strategic drift emerge. As Ward (1987, 2008) notes, the family's shared values can be a source of resilience, but only when they are aligned with the firm's governance needs.

Over the years, we observed families investing significant resources in governance structures only to discover that continuity challenges persisted. The issue was rarely the absence of governance. More often, it was the absence of alignment.

Families with strong emotional cohesion but weak governance tended to rely on intuition, hierarchy, or tradition. Those with sophisticated governance but low affective endowment often achieved efficiency but struggled to sustain commitment across generations (Arteaga & Basco, 2023). These patterns echo the dual lenses offered by Agency theory, which highlights the risks of informal, centralized decision-making (Jensen & Meckling, 1976; Madison et al., 2016), and Socioemotional Wealth (SEW), which emphasizes the role of identity, belonging, and legacy in shaping family decisions (Gómez-Mejía et al., 2007, 2011).

This is precisely where governance artifacts, such as the Family Council, the Family Assembly, the Board of Directors, and especially the Family Constitution<sup>1</sup>, are expected to play a role. Yet in practice, what many families call a "Family Constitution" is not a strategic instrument at all. It is often a non-formal written agreement, a compilation of rules covering a wide range of matters, drafted to prevent conflict rather than to guide the future. As Lucero Bringas et al.,

(2019) observes, these documents frequently regulate behavior but do not articulate ownership strategy, succession pathways, or the long-term vision of the family as a collective owner (Gómez-Mejía et al., 2020).

This gap between what families think the Constitution is and what it could be lies at the heart of many governance failures. Families invest significant effort in drafting documents that clarify norms but do little to clarify direction. Others rely on emotional cohesion and shared history, postponing formalization until conflicts or generational transitions force reactive measures. Both paths lead to the same outcome: governance that regulates conduct but does not sustain continuity.

In this article, we argue that a sustainable family enterprise depends on maintaining a coherent balance between family involvement and governance structures (Bartholomeusz & Tanewski, 2006). When these dimensions evolve in harmony, families can combine emotional commitment with professional discipline. It is precisely within this balancing act that the Family Constitution plays its most strategic role. Rather than being understood as a mere set of regulations, the Constitution should function as a bridge—a mechanism that connects the family's identity, values, and aspirations with the governance architecture that guides decision-making. When conceived as a living process, it becomes a tool for aligning expectations, clarifying roles, and integrating the emotional dimension with formal structures. Conversely, when treated simply as a list of rules, it reinforces the very fragmentation and misalignment it was intended to prevent.

Ultimately, the challenge for family businesses is not choosing between participation and professionalization. The real challenge is learning how to synchronize them so that the family's involvement becomes a source of strategic strength rather than a source of tension. The Family Constitution, when reframed as a strategic alignment process, becomes one of the most powerful tools to achieve that balance.

## 2. Empirical Foundations of the Perspective

This article draws on evidence from a qualitative multiple-case study exploring how family involvement and governance structures interact to influence continuity in family businesses (Arteaga & Basco, 2023).

1. Family Protocol, widely used in Latin America and Europe; emphasizes rules and agreements among family members. Family Charter, common in Europe; highlights shared principles and commitments. Family Pact, often used in Spain and Italy; conveys a binding agreement among family branches.

The research analyzed 14 Latin American family businesses from second to fourth generation ownership. All firms remained family-controlled and represented different levels of family involvement and governance maturity. As Nordqvist et al. (2014) emphasize, governance in family firms is inherently relational and formal structures cannot be understood without considering the family system that surrounds them. To contextualize the empirical foundations of this perspective, Table 1 provides an overview of the 14 family businesses included in the study. It summarizes the main characteristics of the cases, including generational stage, ownership structure, governance mechanisms, and the profile of the interviewees (Table 1).

Data were collected through semi-structured interviews with CEOs, shareholders, top management team members, project leaders, and family business owners. These interviews were complemented by governance documents, consulting observations, and field notes accumulated throughout continuity and government advisory processes.

Thematic coding (Suess, 2014) identified two dimensions that consistently characterized differences across the cases: family involvement and governance structure. Rather than treating these dimensions independently, the cross-case analysis revealed that their interaction provides a useful lens for understanding the diverse continuity patterns observed among family businesses. This insight forms the basis of the Governance-Involvement Matrix presented in the following section.

**Table 1.** Overview of the family business cases

|    | Company | Family generation | Family Ownership | Family Management | Interviewee    |
|----|---------|-------------------|------------------|-------------------|----------------|
| 1  | A       | 2nd               | 100%             | 20%               | Ceo            |
| 2  | B       | 3rd               | 100%             | 100%              | Coo            |
| 3  | C       | 2nd               | 100%             | 100%              | Ceo            |
| 4  | D       | 3rd               | 100%             | 100%              | Ceo            |
| 5  | E       | 2nd               | 100%             | 100%              | TMT            |
| 6  | F       | 4rd               | 100%             | 100%              | TMT            |
| 7  | G       | 2nd               | 100%             | 100%              | TMT            |
| 8  | H       | 2nd               | 100%             | 100%              | TMT            |
| 9  | I       | 2nd               | 100%             | 100%              | Ceo            |
| 10 | J       | 2nd               | 100%             | 100%              | Project Leader |
| 11 | K       | 4th               | 100%             | 100%              | Ceo            |
| 12 | L       | 3rd               | 100%             | 100%              | Shareholder    |
| 13 | M       | 2nd               | 100%             | 100%              | Shareholder    |
| 14 | N       | 2nd               | 100%             | 100%              | Ceo            |

### 3. The Governance-Involvement Matrix: A New Perspective on Family Business Continuity

The Governance-Involvement matrix conceptualizes family business continuity through the interaction of two dimensions identified across the cases. Rather than considering governance structures and family involvement as independent drivers of continuity, the framework highlights that it is their alignment—or misalignment—that shapes different continuity trajectories in family businesses.

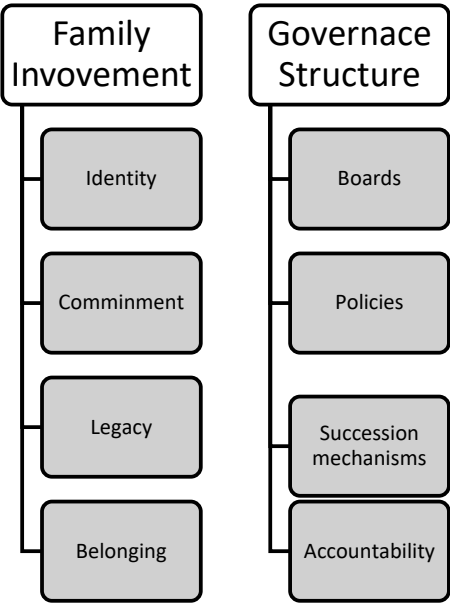
The first dimension, **Governance Structure**, captures the degree to which the business has formalized its decision-making processes through clear roles, transparent policies, functioning boards, defined succession pathways, and accountability mechanisms. Strong governance does not eliminate family influence; rather, it provides structures that channel it toward long-term continuity.

The second dimension, **Family Involvement**, reflects the emotional, relational, and identity-based connection that family members maintain with the business. It encompasses affective endowment, shared values, commitment to

legacy, and the willingness of family members to participate constructively in ownership and governance roles (Berrone et al., 2012; Ward, 2008).

Figure 1 illustrates these two dimensions, which provide the conceptual foundation of the governance-involvement framework.

Figure 1. Family business dimensions of the governance-involvement framework



When these two dimensions are combined, they form the Governance-Involvement matrix (Figure 2). The matrix identifies four distinct scenarios,

each representing a different configuration of governance structure and family involvement, with its own logic, risks, opportunities, and implications for family business continuity.

Figure 2. The Governance-Involvement matrix: Four scenarios of family business continuity

|                                                 |                                                                                                                                                                                                                   |                                                                                                                                                                                                                         |
|-------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <div>(weak) GOVERNANCE STRUCTURE (strong)</div> | <div>Scenario II - Professionalized Disconnection</div> <div>Governance systems are formalized and efficient, but successors feel weak emotional attachment to the business and continuity becomes fragile.</div> | <div>Scenario IV – Aligned Continuity</div> <div>Strong emotional commitment combined with professional governance structures. Family involvement reinforces strategic clarity, continuity, and long-term vision.</div> |
|                                                 | <div>Scenario III – Governance Vacuum</div> <div>Lack of both governance structures and family cohesion. Decision-making is inconsistent, conflict is frequent, and continuity is highly vulnerable.</div>        | <div>Scenario I – Emotional Control Trap</div> <div>Strong emotional cohesion substitutes for governance. Decision-making is centralized, informal, and highly dependent on personal authority.</div>                   |
| <div>(low) FAMILY INVOLMENT (high)</div>        |                                                                                                                                                                                                                   |                                                                                                                                                                                                                         |

The 14 family businesses examined in this study can be positioned within these four governance-involvement configurations according to the patterns identified during the cross-case analysis. Specifically, Cases B, C, I, and N correspond to Quadrant IV (Aligned Continuity); Cases D, F, G, J, K, and L to Quadrant I (Emotional Control Trap); Case M to Quadrant II (Professionalized Disconnection); and Cases A, E, and H to Quadrant III (Governance Vacuum).

#### **Scenario I - Emotional control trap (high family involvement + weak governance structures)**

This configuration is common in early-generation firms. Emotional unity is strong, and the family's identity is deeply intertwined with the business. However, decision-making is informal, centralized, and dependent on personal authority. As one interviewee noted, *"We make decisions collectively as a family. We want to professionalize because there are already many of us involved. I tend to give in to avoid conflict."* (Case K)

This quadrant can sustain early growth, but as the family expands, agency risks intensify (Chrisman et al., 2004). Without governance structures, involvement becomes a source of conflict rather than cohesion.

In many first and second-generation firms, family participation is intense, identity-driven, and emotionally charged. Decision-making is centralized, often around the founder, and legitimacy flows from loyalty rather than from clearly defined roles or competencies. While this configuration can be effective in the early years, it becomes fragile as the family grows and the business becomes more complex.

Agency risks such as executive entrenchment, blurred responsibilities, and informal decision processes intensify (Jensen & Meckling, 1976; Madison et al., 2016). One interviewee captured this dynamic succinctly: *"Strategic decisions are made by my father, who owns the company."* *"My father does everything; there are no limits to his power"* (Case E). *"My father doesn't know how to delegate; if employees don't know how to do something, he does it himself"* (Case F). Here, emotional cohesion substitutes for governance. The family's unity sustains the business, until it no longer can.

#### **Scenario II - Professionalized disconnection (weak affective endowment + strong governance structures)**

On the opposite extreme, some families invest heavily in professionalization, boards, policies, audits, external managers, but neglect the emotional and identity-based foundations that sustain long-term commitment. These firms often

perform well financially, yet successors feel little attachment to the business.

As one next-generation member told us *"My role is to manage the family's assets; my father made the effort. Professional managers are the ones who make the daily decisions, and their performance is the most important factor. We believe in separating family and business. We have hired the best professionals for this position and trust them to run the company, allowing our family to focus on shared values and a long-term ownership strategy"* (Case A).

In this scenario, the business is professionally managed, with clear structures and disciplined processes. Yet the emotional connection between the family and the firm is weak. Successors may respect the business but feel little attachment to it.

One successor expressed this bluntly: *"Currently, decisions are made by the board, while I remain involved in the company's operations. I believe that once my mother passes away, if an investor appears, the company will likely be sold."* (Case N)

This quadrant reflects a weakening of socioemotional wealth (SEW) Gómez-Mejía et al. (2007). While governance structure remains effective, the family's emotional attachment, identity and commitment to continuity diminish. Governance becomes efficient but disconnected from the family legacy, making continuity optional rather than intentional. (Gómez-Mejía et al. 2011).

#### **Scenario III - Governance vacuum (weak family involvement + weak governance structures)**

A third pattern emerged in families where neither emotional cohesion nor structural clarity was present. These firms lacked shared identity, clear expectations, and formal governance mechanisms. Decision-making was inconsistent, conflict was frequent, and strategic direction was unclear.

This configuration aligns with what Fama and Jensen (1983) describe as the "vacuum of control," where the absence of both monitoring and commitment leaves the organization vulnerable.

In these cases, successors often expressed disengagement or frustration: *"Family and business are constantly mixed. My brother and I no longer want to work there"* (Case H).

Without either affective endowment or professionalization, continuity becomes highly unlikely. This is the most vulnerable configuration. Neither emotional cohesion nor structural clarity is present. Decision-making is inconsistent, conflict is frequent, and successors often disengage. As one participant told us, *"My uncle*

*works in the company, and that creates conflict. I also brought my cousin into the business without consulting anyone, and my parents did not take it well” (Case G).*

#### **Scenario IV – Aligned continuity (strong family involvement + strong governance structures)**

The fourth pattern, less common but far more sustainable, appeared in families that managed to combine emotional commitment with professional governance. These firms had clear structures, defined roles, transparent processes, and a shared sense of identity and purpose.

As one interviewee explained, *“We always strive for excellence. We understand the business well and how to improve it. We have already become highly professionalized across all areas. Family-related matters within the company are addressed in the Family Council”*. *“We are constantly pursuing excellence. We have a deep understanding of the business and clear insight into how to strengthen and improve it. Over time, we have become significantly more professionalized, both as an organization and as a business family.”* (Case C). Another added, *“We only participate on the board of directors and make strategic decisions. We have compensation policies in place. As a business family, we make decisions within the family council”* (Case I)

This is the only configuration that consistently supports long-term continuity. Emotional commitment is matched by professional discipline. Governance structures channel family involvement into constructive roles, while involvement gives meaning and legitimacy to governance. This quadrant reflects the complementarity between SEW and professionalization (Habbershon et al., 2003; Ward, 2008). It is not a static destination but a dynamic balance that must be maintained over time.

This configuration reflects the complementarity between SEW and professionalization: emotional commitment sustains continuity, while governance structures ensure discipline and strategic clarity (Habbershon et al., 2003; Ward, 2008).

To summarize, these four scenarios illustrate that continuity is not determined by family involvement or governance structures alone, but by the interaction between them. When these dimensions evolve out of sync, predictable outcomes follow:

- Strong involvement + weak governance → unity without clarity.
- Strong governance + weak involvement → efficiency without legacy.
- Weak involvement + weak governance → disengagement and vulnerability.

- Strong involvement + strong governance → the only configuration that consistently supports long-term continuity.

When these dimensions evolve in harmony, they reinforce each other; when they drift apart, they create predictable vulnerabilities. To make sense of this interaction, we propose the Governance-Involvement matrix, a conceptual lens that helps families understand how their current configuration influences their strategic trajectory. This matrix is built on two well-established theoretical pillars. From Agency theory, we draw the importance of role clarity, monitoring, and professionalized decision-making (Jensen & Meckling, 1976; Madison et al., 2016). From the Socioemotional Wealth (SEW) perspective, we incorporate the emotional, identity-based, and legacy-driven motivations that shape family involvement (Gómez-Mejía et al., 2007, 2011). The matrix does not attempt to merge these theories; rather, it uses them to illuminate how governance structures and family involvement interact in practice.

The Governance-Involvement matrix helps families understand that neither dimension is sufficient on its own. Strong governance without involvement leads to disengagement; strong involvement without governance leads to conflict. Weakness in both dimensions leads to vulnerability. Only when both are strong does continuity become sustainable.

The matrix does not judge families; it helps them locate themselves. It provides a language for discussing where they are, why they are there, and what steps they might take to move toward a more sustainable configuration.

Figure 2 synthesizes this framework by bringing together the four governance-involvement scenarios into a single conceptual map. Rather than representing static categories, the matrix illustrates how different combinations of governance structure and family involvement shape distinct continuity trajectories, highlighting the logic, risks, and opportunities associated with each configuration.

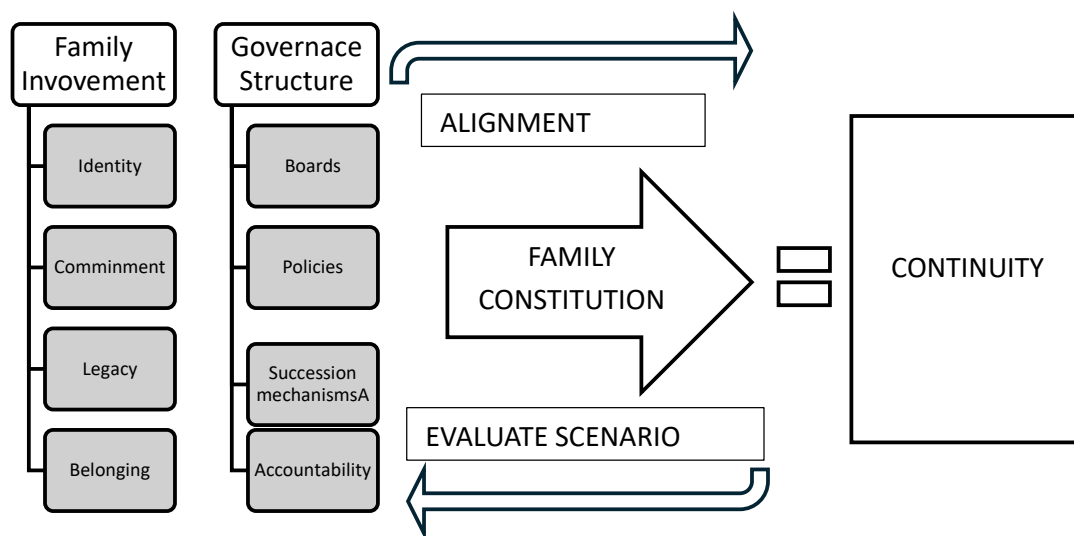
The Governance-Involvement matrix is not intended to classify family businesses as “good” or “bad.” Instead, it provides a diagnostic framework that helps families and advisors understand their current governance-involvement configuration and identify pathways toward greater alignment. In this sense, governance artifacts such as the Family Constitution can serve as strategic bridges between the family’s emotional dynamics and the formal governance structures that support long-term continuity.

#### 4. Rethinking the Family Constitution: From Rulebook to Strategic Alignment between Governance-Involvement.

The Governance-Involvement matrix not only provides a framework for understanding different continuity configurations in family businesses; it also offers a new lens through which to reconsider the role of governance artifacts. Among these, the Family Constitution stands out as one of the

most influential—and often most misunderstood—tools. Rather than being viewed simply as a document that regulates family behavior, it can be understood as a strategic mechanism for aligning family involvement with governance structures in support of long-term continuity. Figure 3 illustrates this perspective by positioning the Family Constitution as a strategic alignment tool that connects the family's identity, values, and long-term aspirations with the governance mechanisms needed to sustain continuity.

**Figure 3.** Family constitution as a strategic alignment tool



From this perspective, the Family Constitution becomes a strategic alignment tool: a living process that integrates family identity, governance, and long-term ownership vision. Its role, however, differs across the four governance-involvement configurations. In some scenarios, it risks becoming little more than a symbolic document or a rulebook that codifies dysfunction rather than resolving it (Lucero Bringas et al., 2019).

Within the Governance-Involvement matrix, the Family Constitution emerges as one of the most misunderstood, yet potentially most transformative, governance artifacts. In many of the families we studied, what was labelled a “Family Constitution” was, in practice, a non-formal written agreement: a compilation of rules, behavioral expectations, and conflict-avoidance clauses designed primarily to “keep the peace.” These documents often resembled internal codes of conduct rather than strategic governance instruments. As Lucero-Bringas et al. (2019) notes, many constitutions regulate behavior but fail to articulate ownership strategy, succession pathways, or the family’s long-term vision. This misunderstanding is not trivial. When the Family Constitution is reduced to a rulebook,

it reinforces the very misalignments that the Governance-Involvement matrix seeks to illuminate.

In Quadrant I (high family involvement, weak governance), it becomes a symbolic gesture, demonstrating that the family has “done something,” while decision-making remains informal and highly centralized. In Quadrant II (strong governance, weak family involvement), it often becomes a compliance document, drafted by lawyers or consultants but disconnected from the family’s identity and shared values. In Quadrant III (weak family involvement, weak governance), it is frequently absent altogether. Only in Quadrant IV, where both governance and family involvement are strong, does the Family Constitution fulfil its intended purpose by serving as a strategic alignment mechanism that integrates emotional commitment with professional governance and supports long-term continuity.

##### 4.1 The Family Constitution as a process, not a product

The most successful families approached the constitution not as a document to be drafted, but as a process of dialogue. This process required

the family to articulate:

- Their shared purpose as owners,
- The values they want to preserve,
- The roles they expect future generations to play,
- The boundaries between family, ownership, and management, and
- The mechanisms through which they will make decisions and resolve disagreements.

This aligns with the broader governance literature, which emphasizes that governance artifacts are most effective when they emerge from participatory processes rather than top-down imposition (Nordqvist et al., 2014; Carlock & Ward, 2010). The constitution becomes a vehicle for building shared understanding, not merely a repository of rules.

#### 4.2 What the Constitution should, and should not do

A strategically oriented Family Constitution does not attempt to legislate every possible scenario. Instead, it focuses on the areas where alignment is most critical:

- Ownership strategy: Who can be an owner? What does responsible ownership look like?
- Succession philosophy: How will leadership transitions be approached? What principles guide them?
- Governance architecture: How do the family council, board of directors, and management interact?
- Participation criteria: What are the expectations for family members who wish to work in the business?
- Conflict-resolution mechanisms: How will disagreements be addressed before they escalate?

These elements help families move toward Quadrant IV by ensuring that involvement is channeled through clear structures and that governance structures reflect the family's identity and aspirations.

What the constitution should not become is a rigid legal document drafted solely by external advisors. As one interviewee noted, we have had a family protocol in place for the past ten years, drafted by a consultant and signed by the two partners. It excluded the family from the business. It protects the company so much that it neglects the family members. It provided us with a clear vision, which was at least beneficial. However, it is so rigid that, in trying to avoid conflicts, it creates them. It does not allow for personal fulfillment within the company. It was written by consultants without the consensus of the younger generations. We are currently considering revising it, although we have not yet done so." (Case I). Documents created in this

way often lack legitimacy and fail to influence behavior.

#### 4.3 The Family Constitution as a bridge between family involvement and governance

The Family Constitution's strategic value lies in its ability to bridge the two dimensions of the Governance-Involvement matrix:

In families with high involvement, it introduces clarity, structure, and predictability.

In families with strong governance, it reintroduces meaning, identity, and emotional connection.

In families with weak involvement or weak governance, it provides a roadmap for strengthening both dimensions simultaneously.

In this sense, the Constitution is not merely a governance artifact—it is a mechanism for synchronizing the evolution of the family and the business. It helps families avoid the drift that occurs when one-dimension advances while the other stagnates.

#### 4.4 A living document for a living system

Finally, the Family Constitution should be understood as a living document rather than a one-time governance exercise. Families evolve, ownership structures change, and governance needs shift across generations. Consequently, a constitution that is drafted once and never revisited quickly loses its relevance. The most resilient family businesses institutionalize periodic reviews—typically every three to five years—to ensure that the constitution continues to reflect the family's evolving reality, ownership aspirations, and governance needs.

This adaptive approach is consistent with the view of family governance as a dynamic and developmental process rather than a static set of rules (Gersick et al., 1997). As the family and the business evolve, the constitution should evolve with them, preserving the alignment between family involvement and governance that underpins long-term continuity. In this sense, the constitution becomes more than a governance document: it becomes a narrative of the family's evolution, a record of its shared commitments, and a guide for future generations.

### 5. Implications for Families and Advisors

The Governance-Involvement matrix highlights a simple but often overlooked truth: continuity in family businesses is not the result of strong governance or strong family involvement alone, but of the alignment between the two. This insight carries several practical implications for families, advisors, and governance practitioners. These implications do not prescribe a single model; rather, they offer guidance for navigating

the dynamic relationship between emotional commitment and structural discipline.

### 5.1. Strengthening involvement early, before governance becomes necessary

Families often attempt to professionalize governance only when conflicts emerge or when succession becomes urgent. Yet our cases suggest that affective endowment must be cultivated long before governance structures are formalized. Early exposure to the business, shared narratives, and intentional socialization practices help build the identity and belonging that sustain long-term ownership (Gómez-Mejía et al., 2011; Ward, 2008).

In families where involvement was weak, even sophisticated governance mechanisms failed to prevent disengagement or the eventual sale of the business.

### 5.2. Professionalize governance before involvement becomes a liability

Conversely, families with strong emotional ties but weak governance often rely on intuition, hierarchy, or tradition. This works in early generations but becomes unsustainable as the family grows. Professionalization—clear roles, transparent processes, functioning boards, must begin before the family expands beyond the founder's direct influence (Jensen & Meckling, 1976; Madison et al., 2016).

Without governance, involvement becomes a source of conflict rather than cohesion.

### 5.3. Treat the Family Constitution as a strategic alignment process

The Constitution should not be drafted as a static rulebook or a legal artifact. Instead, it should be approached as a participatory process that aligns the family's identity, values, and long-term ownership vision with the firm's governance architecture (Lucero-Bringas et al., 2019; Nordqvist et al., 2014). This means:

- Involving multiple generations.
- Discussing aspirations rather than only rules.
- Articulating ownership strategy.
- Revisiting the document periodically.

A constitution created in this way becomes a bridge between involvement and governance, not a symbolic document.

### 5.4. Use governance bodies to channel, not suppress, family involvement

The family council, board of directors, and shareholders' assembly should not be seen as mechanisms to "keep the family out," but as arenas where involvement is channeled productively.

- The family council nurtures identity, cohesion, and communication.
- The board of directors ensures strategic discipline and accountability.
- The shareholders' assembly aligns ownership expectations and long-term vision.

When these bodies function coherently, they reinforce Quadrant IV—high involvement and high governance.

### 5.5. Diagnose the current quadrant before designing solutions

Families often adopt governance mechanisms without understanding the underlying dynamics. The Governance-Involvement matrix provides a diagnostic tool:

- Quadrant I families need structure.
- Quadrant II families need meaning and identity.
- Quadrant III families need both.
- Quadrant IV families must maintain balance and adapt over time.

This diagnostic approach prevents families from applying generic solutions to problems that require tailored interventions.

### 5.6. Recognize that governance is developmental, not static

Families evolve across generations, and governance must evolve with them. What works in the founder stage rarely works in the cousin consortium. As Gersick et al. (1997) argue, family enterprises are developmental systems; governance must be revisited and redesigned as ownership, family composition, and strategic complexity change.

Periodic reviews of governance structures, and of the Family Constitution—are essential to maintaining alignment.

## 6. Conclusion

The analysis presented in this article underscores a central insight: continuity in family businesses emerges not from governance alone, nor from family involvement alone, but from the alignment between the two. When these dimensions evolve in harmony, they reinforce each other; when they drift apart, they create predictable vulnerabilities. The Governance-Involvement matrix provides a simple yet powerful way to understand this interaction, offering families and advisors a language for diagnosing their current configuration and anticipating the challenges that accompany it (Canale et al., 2024).

Across the 14 cases we examined and more than twenty years of experience, the same pattern repeated itself. Families with strong emotional bonds but weak governance struggled

with informality, concentration of power, and intergenerational tension, dynamics long described in the agency literature (Jensen & Meckling, 1976; Müller & Lucero-Bringas, 2024; Madison et al., 2016). Families with sophisticated governance but weak affective endowment faced a different risk: successors who respected the business but felt little desire to continue it, reflecting the erosion of socioemotional wealth (Gómez-Mejía et al., 2011). And families lacking both involvement and governance found themselves in a vacuum of control, where neither identity nor structure was strong enough to sustain continuity (Fama & Jensen, 1983).

Against this backdrop, the Family Constitution emerges as a uniquely valuable, but frequently misunderstood, governance artifact. When treated as a static rulebook or a legal formality, it reinforces misalignment. But when approached as a strategic alignment process, it becomes a bridge between involvement and governance: a mechanism for articulating shared purpose, clarifying roles, and synchronizing the evolution of the family and the business (Lucero-Bringas et al., 2019; Nordqvist et al., 2014). In this sense, the constitution is not merely a document, it is a developmental tool that helps families move toward the only quadrant that consistently supports long-term continuity: high involvement and high governance.

Ultimately, the future of family businesses depends on their ability to balance emotional commitment with structural discipline. This balance is not achieved once and for all; it must be renewed as families grow, ownership structures change, and new generations assume responsibility. The Governance-Involvement matrix offers a way to navigate this evolution with clarity. And the Family Constitution—when understood as a living, participatory process—provides the means to translate that clarity into shared commitments and sustainable governance. Family businesses endure when they learn to integrate head and heart, structure and identity, discipline and belonging. The challenge is not choosing between these forces but learning how to hold them together. The opportunity lies in recognizing that governance is not the opposite of family, it is the framework that allows the family to remain meaningfully, constructively, and sustainably involved across generations. Continuity is not built when governance replaces the family, nor when the family dominates governance. Continuity emerges when both evolve together.

## 7. Looking Ahead: Implications for Research and Practice

The Governance-Involvement matrix should be understood as a conceptual framework designed to stimulate reflection, guide governance practice, and open new avenues for research on family business continuity. By emphasizing the alignment between family involvement and governance structures, the framework offers advisors, family business leaders, and governance practitioners a practical lens for diagnosing continuity challenges and identifying pathways toward long-term renewal.

As with any perspective grounded in qualitative evidence, this framework has important limitations. It builds on insights from 14 Latin American family businesses and therefore should not be interpreted as a universally validated typology. Rather, it represents an exploratory framework whose broader applicability remains to be examined across different institutional, cultural, and generational contexts.

The framework also opens several promising avenues for future research. In particular, future studies could explore questions such as: How does family involvement evolve across generations? Which governance-involvement configurations are most prevalent at different generational stages? Under what conditions can the Family Constitution facilitate movement toward aligned continuity? How does socioemotional wealth influence transitions across governance-involvement configurations? Which governance mechanisms are most effective in strengthening both family involvement and governance quality? To what extent can the Governance-Involvement matrix predict long-term continuity and transgenerational success?

## 8. Concluding Remarks

This article began by asking why some family businesses endure while others do not. We argue that continuity depends not simply on governance structures or family involvement in isolation, but on their alignment. From this perspective, the Family Constitution should no longer be viewed as a rulebook, but as a strategic process that continuously bridges the family and governance systems. By reframing the Family Constitution in this way, this perspective contributes to a more dynamic understanding of governance and continuity in family businesses.

More broadly, we hope this perspective encourages scholars to move beyond viewing governance structures and family involvement as separate drivers of continuity, and instead to examine how

their alignment shapes the long-term evolution of family businesses.

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