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How Does Socioemotional Wealth in Business Families Contribute to Implementing Protocols? The Moderating Effect of the Generational Stage

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Family firm, Socioemotional wealth, Family protocol, Team theory

Abstract Drawing on team theory based on the input-process-outcome (IPO) perspective, this study analyses the impact of socioemotional wealth dimensions (input) on the implementation of family protocols (outcome) in business families. These protocols necessarily involve communication and decision-making processes. Specifically, the study examines the influence of family members' emotional attachment to and identification with the company through intrafamily succession on protocol implementation, considering the generational stage as a moderating factor. Based on a sample of 244 Spanish business families, the results reveal that the dimensions of socioemotional wealth contribute to the implementation of a protocol in second-generation business families.

CÓDIGO JEL
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PALABRAS CLAVE
Empresa familiar, Riqueza socioemocional, Protocolo familiar, Teoría de equipos

¿Cómo Contribuye la Riqueza Socioemocional de una Familia Empresaria en la Implementación de un Protocolo? El Efecto Moderador de la Etapa Generacional

Resumen Basado en la teoría de equipos desde la perspectiva input-process-output (IPO), este estudio analiza el impacto de la riqueza socioemocional de las familias empresarias (input) en la implementación de protocolos familiares (output), que necesariamente implican procesos de comunicación y toma de decisiones. En concreto, esta investigación analiza el efecto del apego emocional y de la identificación de los miembros de la familia con la empresa a través de la implementación de un protocolo, considerando la etapa generacional como un factor moderador. A partir de una muestra de 244 empresas familiares españolas, los resultados revelan que la riqueza socioemocional contribuye a la implementación de un protocolo en empresas de segunda generación.

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1. Introduction

Conflicts arise in family companies due to overlaps between the interests of the family, management and/or ownership (the well-known three-circle model of Tagiuri and Davis, 1996). To avoid and solve these conflicts, business families introduce family governing bodies and instruments, such as the family protocol (Blanco-Mazagatos et al., 2016; Corbetta & Salvato, 2012; Poza et al., 2004), also known as family constitution, family creed, family charter or family agreement. A family protocol is the most complete mechanism to improve family governance since it includes or stimulates other governing bodies and instruments (for example, Family Council or Family Assembly) and promotes effective communication in the business family (Arteaga & Menéndez-Requejo, 2017). However, it is essential to understand that the family protocol is not an isolated mechanism, but part of a broader family governance system that includes diverse and complementary instruments such as the Family Council, the Family Assembly or the Family Office (Suess, 2014; Suess-Reyes, 2017). These instruments, when aligned, help to formalize roles, reinforce values, and strengthen the transgenerational orientation of business families (Scholes et al., 2021). In this sense, the family protocol should be seen as a central, yet interconnected, tool within a cohesive governance architecture, whose overall effectiveness depends on the articulation and coordination of its components (Rodríguez-García & González-Cruz, 2024; Porto-Robles et al., 2022).

A family protocol is a written document, resulting from a communication process, where all family members who are involved in the company reach a series of agreements. This document is signed and ratified by all of them and contains procedures and rules to govern business family relationships (Arteaga & Menéndez-Requejo, 2017; Carlock & Ward, 2001; Montemerlo & Ward, 2005; Tàpies & Ceja, 2011). Family protocols are used to prevent conflicts in the business family and to guarantee family control, thus facilitating the continuity of the family firm (Berent-Braun & Uhlaner, 2012; Botero et al., 2015). Moreover, family protocols, at least in Spain, usually cover the history of the family firm and its future vision, and include rules and norms regarding succession planning, incorporation of family members in the business or the establishment of governance structures, such as the Family Council (Arteaga & Menéndez-Requejo, 2017).

Although the family protocol is a relevant instrument in practice to facilitate the continuity of family firms, and although studies have shown that its implementation has a positive effect on the performance of the family firm (Arteaga & Menéndez-Requejo, 2017), the number of business families that implement a protocol is small. According to the Instituto de Empresa Familiar and the Red Española de Cátedras de Empresa Familiar (2015), and Sociedad Española de Investigadores en Empresa Familiar (Fuentes Lombardo & Casillas Bueno, 2022), only eight percent of business families in Spain have a family protocol. In addition, a considerable number of business families that begin the process of implementing a protocol ultimately do not complete it. The signing and implementation of a protocol are the result of a long and complex process that includes effective communication and conflict management (Arteaga & Menéndez-Requejo, 2017). Therefore, it is of great interest to understand the factors that favour this process. This is particularly relevant given that most companies worldwide are family businesses, accounting for over 50% of a country's Gross Domestic Product (GDP) and workforce (Chaudhary et al., 2021; Gagné et al., 2019). However, literature focused on the family protocol is scarce (Arteaga & Menéndez-Requejo, 2017; Gallo & Tomaselli, 2006; Matias & Franco, 2018) and there are no studies that investigate the factors that contribute to its implementation.

Factors that could contribute to its implementation are the dimensions of the socioemotional wealth (SEW) (Rodríguez-García & Menéndez-Requejo, 2020), unique characteristics of business families. The SEW construct refers to the non-financial aspects of the firm that satisfy the affective needs of the family (Gómez-Mejía et al., 2007), and arise from the emotional attachment, the identification of family members with the firm, and the intention of handing the firm down to future generations (Gómez-Mejía & Herrero, 2022). These are aspects or dimensions that are interrelated (Swab et al., 2020), although the literature has not yet focused on these interrelationships (Brigham & Payne, 2019). The dimensions of SEW can play a key role in the implementation of a family protocol, as they foster emotional support, trust, cohesion, empathy, and mutual understanding among family members. These relational dynamics enhance the willingness to collaborate and work together toward shared goals, facilitating support and cooperation. As a result, families are better equipped to address problems and disagreements in an efficient and harmonious manner, resolve conflicts constructively, and face challenges with a collective commitment. This, in turn, contributes to more effective communication and conflict management (Cennamo et al., 2012; Chirico & Salvato, 2016; Dayan et al., 2019; Dutton et al., 1994; Fama & Jensen, 1983; Harris & Ogbonna, 2007; Miller & Le Breton-Miller, 2006; Ng et al., 2019;

Pieper, 2010; Razzak & Jassem, 2019; Schulze et al., 2003; Zellweger & Nason, 2008).

To bridge the research gaps identified above, this investigation takes the team theory based on the input-processes-outcomes (IPO) perspective developed by McGrath's (1984) to propose and test a model to analyse the effect of SEW dimensions (input) on the implementation of a family protocol (outcome), which necessarily involves a communication and decision-making process. More specifically, this paper studies how emotional attachment and identification of family members with the company, through the intention to renew family bonds through intrafamily succession, influence the implementation of a family protocol, examining the generational stage as a moderating factor. Team theory based on IPO provides a useful framework for explaining behavioural responses in the specific context of business families (Pearson et al., 2014). This perspective is especially pertinent when values, emotions, and desires need to be transformed into formalized collective actions, such as the implementation of a protocol. This study is also particularly relevant for a better understanding of SEW by delving into the interrelationships of its dimensions. Also, as business families are heterogeneous (García-Álvarez & López-Sintas, 2001), this research aims to contribute to the existing literature on the heterogeneity and uniqueness of business families (Cruz & Nordqvist, 2012) by examining the moderating effect of the generational stage.

Furthermore, the results of this study will allow us to formulate recommendations that can help business families, and their consultants, in the implementation of a family protocol. Recommendations for second-generation business families encourage the intention to renew family bonds through intrafamily succession, as well as emotional attachment and identification with the company, in order to promote effective communication and decision-making processes that require the implementation of a protocol.

This paper is structured as follows. Section 2 includes the theoretical framework and research hypotheses, focusing first on socioemotional wealth, followed by team theory, and finally on the generational stage of business families. Section 3 includes methodology. Section 4 presents the empirical results, and finally, Section 5 describes and discusses the main conclusions.

2. Theoretical Framework and Hypotheses

This research adopts the socioemotional wealth (SEW) framework to capture the distinctive characteristics of business families. Originating in the field of family business studies, the SEW construct emphasizes non-financial concerns—such as identity, emotional attachment, and the preservation of family legacy—which are central to business families (Berrone et al., 2012; Gómez-Mejía & Herrero, 2022).

In parallel, we draw on team theory and the IPO model (McGrath, 1984) to conceptualize the business family as a team (Pearson et al., 2014). Within this framework, inputs such as emotional attachment, family members' identification with the firm, and the intention to sustain family ties through intrafamily succession foster communication and decision-making processes. These, in turn, can lead to outcomes such as the development and implementation of a family protocol.

Finally, to better understand how SEW dimensions function across different family business settings, we examine the moderating role of the generational stage. This factor, widely acknowledged in the literature as a source of heterogeneity, helps explain variations in priorities, dynamics, and governance approaches within family firms (Nordqvist et al., 2014; Arteaga & Menéndez-Requejo, 2017).

2.1. Socioemotional wealth

The SEW construct refers to the non-financial aspects of a firm that satisfy the affective needs of the family, such as identity, attachment, and perpetuation of the family dynasty (Gomez-Mejia & Herrero, 2022). The literature offers different ways to define, and measure SEW and its dimensions (for example, Jiang et al., 2018; Zellweger, 2017). Nevertheless, the most well-known framework is the multidimensional construct FIBER (Berrone et al., 2012). FIBER takes the original SEW concept (Gómez-Mejía et al., 2007) and approaches it through a five-dimensional framework: (F) family influence and control; (I) identification of the family members with the family firm; (B) binding social ties; (E) emotional attachment of the family members, and (R) renewal of family bonds through intrafamily succession (Berrone et al., 2012). Recently, however, Gómez-Mejía and Herrero (2022) have reduced the FIBER model to three dimensions. According to these authors, socioemotional wealth arises from emotional attachment (E), identification of the family members with the family firm (I), and intention to renew family bonds through intrafamily succession (R).

First, the emotional attachment is related to the role of emotions in the context of the family business. The family business can become a space where the family members can satisfy their affective needs of security, cohesion and belonging (Berrone et al., 2012). Second, the identification of relatives with the company is a probable consequence of a tight bond among the company and the family. In a company, family ownership may extend oneself, since it promotes a sense of identity to relatives (Belk, 1988; Pierce et al., 2001). The family context, as well as a broader social context, drives perceptions of identity (Berrone et al., 2012). And third, the intention to renew family bonds within the company through intrafamily succession is related to the long-term vision of handing the company down to future generations (Berrone et al., 2012).

These dimensions, which characterize business families, are interrelated (Swab et al., 2020), although no study has empirically analysed such relationships. Scholars recognize the role of personal bonds in identity formation. Accordingly, they put the significance of social relations at the heart of organizational identification (Brickson, 2005; Sluss & Ashforth, 2007). The identification with the family business is based on family bonds (Gómez-Mejía et al., 2007). Moreover, the family's emotional attachment to the company can connect a person to a present self (me now), a desirable past self (for example, memories) or a future self (who I am becoming) (Kleine et al., 1995). On the other hand, family members without any identification or attachment with the firm are not likely to persist or be sufficiently committed to the challenges it may have to face (Björnberg & Nicholson, 2012). More specifically, the family's emotional attachment to the firm and the identification with the business foster the family's sense of legacy to the extent that, for most owners, the closure or sale of the business symbolizes a highly emotional occurrence (Matherne et al., 2017; Shepherd et al., 2009). Attachment and identification explain issues related to transgenerational control intentions and succession alternatives (Björnberg & Nicholson, 2012; Strike et al., 2015; Zellweger et al., 2012). Based on the aforementioned theory and model, this research aims to advance the understanding of SEW by providing empirical evidence of the relationships between its dimensions. In particular, the following hypotheses (H) are proposed:

H1: Emotional attachment positively affects the identification of family members with the firm.

H2: Emotional attachment positively affects the intention to renew family bonds through intrafamily succession.

H3: The identification of family members with the firm positively affects the intention to renew family bonds through intrafamily succession.

2.2. Team theory

The business family can be considered as a team (Pearson et al., 2014), defined as a distinguishable set of two or more individuals interacting in a dynamic, interdependent, and adaptive way toward a common and valuable objective or mission (Salas et al., 1992). In fact, "it is within this complex web of social involvement and interactions embedded in the social structure of the family that the advantages of the family firm can be identified" (Ensley & Pearson, 2005, p. 268).

Business literature provides recommendations for team development (Barnard, 1999). Furthermore, various models have been used (Campion et al., 1993) to understand team effectiveness. Many team models are based on the perspective of IPO developed by McGrath (1984). According to McGrath, inputs affect team processes, which in turn impact results (Stewart & Barrick, 2000). Specifically, inputs may encompass individual, team, and organizational characteristics (including, for instance, business family characteristics). Processes such as cohesion, coordination, communication, leadership, and decision-making essentially refer to how inputs are transformed into outputs, thereby enabling teams to take collective action (Brannick et al., 1992; Driskell & Salas, 1992; Foushee, 1984; Gersick & Hackman, 1990; Zaccaro, 1991). The outcomes are the results valued by the team or by the organization (Mathieu et al., 2000).

Following this theoretical perspective, in the context of the business family, emotional attachment, identification of family members with the firm and the intention to renew family bonds through intrafamily succession could be considered inputs that encourage a communication and decision-making process whose outcome could result in the implementation of a family protocol. In business family teams, emotional attachment, identification and a strong shared vision or purpose, such as the long-term vision of maintaining the business under family control for generations to come, foster the collective understanding necessary to carry out collaborative processes that facilitate the family team's performance in negotiating agreements for the implementation of a protocol (Zellweger et al., 2010). In a team, a shared vision promotes a process of communication, as well as the fusion of ideas among team members (Tsai & Ghoshal, 1998). In the business family, the vision makes it possible to endow it with meaning, in other words, to convey a profound explanation of the importance of the continuity of the business for the family (Lansberg, 1999). Moreover, emotional attachment and identification contribute to the shared purpose of the group (Pearson et al., 2008), that is, to the intention of renewing family bonds through intrafamily succession.

In business families, effective communication and conflict management are particularly relevant team processes. Family members often differ in their access to information and in their expectations (Schell et al., 2023), which can complicate consensus-building. The implementation of a family protocol requires a substantial communication process to formalize agreements and clarify the relationship between the family and the business. In practice, the development of a protocol often involves six to eight months of work—sometimes longer—and includes information gathering, individual and group meetings, and a thorough understanding of both family dynamics and the business context. This process, usually led by a consultant, also allows time for family members to build consensus and make commitments. A consultant must collect information, meet with family members, and understand the business. Additionally, it is essential to allocate sufficient time for family members to reach a consensus and make commitments regarding the family protocol. If the protocol implementation process is protracted, it often reveals challenges in reaching agreements, and the protocol may not be signed.

Generally, all family members involved in the company participate in the communication and decision-making process, and the document is endorsed and signed by all parties. However, it should be noted that the protocol is rendered obsolete unless the agreement is signed by all relevant parties (Arteaga & Menéndez-Requejo, 2017; Brenes et al., 2011). In matters of significant importance, such as succession (Corona, 2021), when there is a lack of consensus and commitment from all parties, the situation can have a negative impact not only on the family but also on the company (Rose, 1993).

Regarding outcomes, business families are often interested in improving performance, attitudinal and behavioural results. Behavioural outcomes encompass longevity-related behaviours such as transgenerational entrepreneurship, succession processes and decisions or, as proposed in this research, the implementation of a family protocol. Although all businesses (whether family-owned or not) face longevity-related decisions (for example, leadership succession), in family companies such decisions are especially relevant due to the existing family bonds, as well as the communication and conflict processes found within this type of business, where a shared vision is essential (Long & Chrisman, 2014).

In the light of the above, this research aims at advancing knowledge in protocol, considering factors that contribute to its implementation. And given that the ultimate objective of a protocol is to facilitate the continuity of the family firm by avoiding conflicts in the family and guaranteeing family control, we consider that the intention to renew family bonds through intrafamily succession will positively affect the implementation of a protocol, which requires an important prior communication process. That is, we consider that the business family is a team in which the intention of its members to renew family bonds through intrafamily succession (input) favours a communication and decision-making process that results in the implementation of a protocol (outcome). Therefore, the following hypothesis is proposed:

H4: The intention to renew family bonds through intrafamily succession positively affects the implementation of a family protocol.

2.3. Generational stage

The generational stage is a source of heterogeneity in business families (Nordqvist et al., 2014). First, specialized literature indicates that SEW evolves with the generational stage, so that SEW decreases as the firm passes from generation to generation (Gómez-Mejía et al., 2007). However, the dimensions of SEW evolve differently. As the company moves to the next generational stage, emotional attachment and sense of dynasty become less important, while identification gains importance (Gómez-Mejía et al., 2003).

While SEW dimensions may evolve with the generational stage, this research assumes that the *relationships* among these dimensions remain stable, as these dynamics are structurally embedded in the affective logic of business families (Gómez-Mejía et al., 2007). That is, the effect of emotional attachment on identification, as well as the impact of both on the intention to renew family bonds, remain constant regardless of the generational stage.

Second, in a business family, the generational stage affects the potential level of conflict within the family team. This is because conflicts may grow as next generations join the company regardless of the company's own characteristics (Arteaga & Menéndez-Requejo, 2017). The literature on family business in general indicates that conflicts are greater for business families in later generations (Miller et al., 2013) because of an increasing complexity in relationships between family members. While first-generation business families are often characterized by centralizing authority in the founder, a characteristic that minimizes possible conflicts (Miller & Le Breton-Miller, 2006); second-generation business families tend to be structured as sibling partnerships, leading to conflicts due to different interests and values between them (Eddleston et al., 2013; Lubatkin et al., 2005).

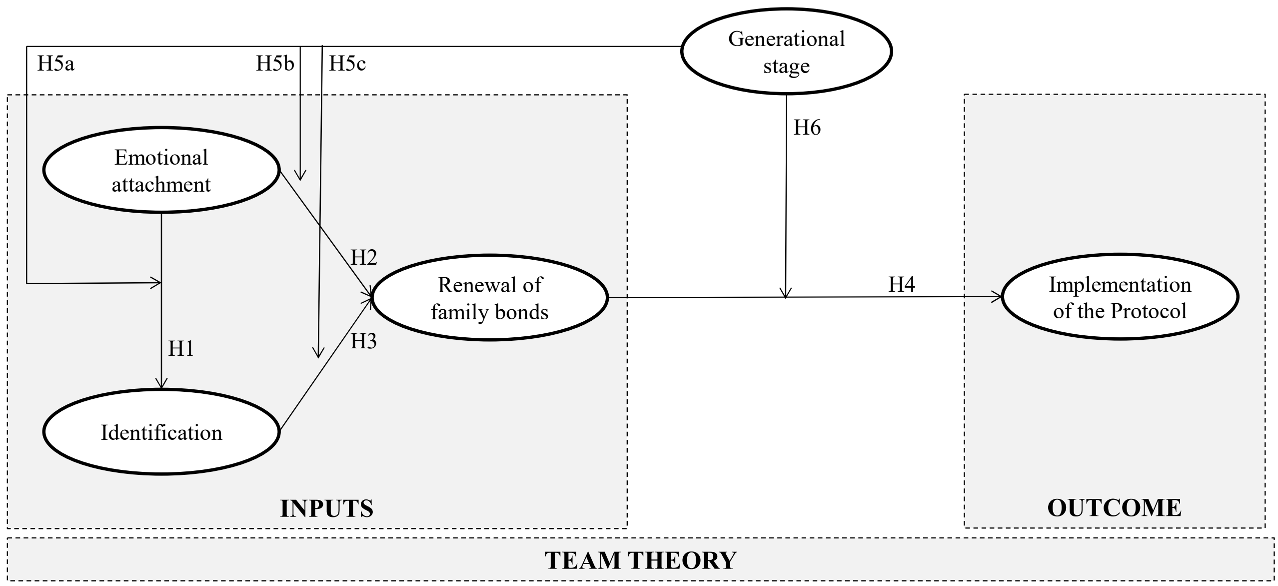
Literature emphasizes that increasing relational complexity (particularly in second-generation business families) drives the need to establish more formalized governance structures, such as family protocols (Jayantilal et al., 2024). In first-generation business families, the overlap between ownership and management often results in closer alignment among family members, and informal decision-making practices prevail (Matias & Franco, 2021). In contrast, second-generation business families face more fragmented leadership, differentiated roles, and greater risks of misalignment, which often requires greater formalization to support communication and coordination (Jayantilal et al., 2024). In fact, protocols are usually established by second-generation business families (Arteaga & Menéndez-Requejo, 2017; Matias & Franco, 2018; Suess, 2014). According to Arteaga and Menéndez-Requejo (2017), when later generations control the company, the positive relationship between the implementation of a protocol and the future performance of the firm is stronger.

This research aims to contribute to the literature on the heterogeneity and uniqueness of business families, both for the relationships between the dimensions of SEW and for the impact of the renewal of family bonds on the implementation of the protocol. Considering all of the aforementioned, the following hypotheses are proposed:

H5: The positive relationship among the SEW dimensions is maintained regardless of whether the business families in the first or second generation.
H6: The positive effect of the renewal of family bonds on the family protocol implementation is stronger for second-generation than for first-generation business families.

Figure 1 shows the proposed research model.

Figure 1. Proposed research model



3. Methodology

3.1. Questionnaire design

This research was carried out with business families operating in Spain. Scales for measuring SEW dimensions (emotional attachment of family members, identification of family members with the family firm and renewal of family bonds through intrafamily succession) have been validated in previous studies (Berrone et al., 2012; Hauck et al., 2016) (see Table 1). The three constructs were measured using a 5-point Likert scale (1 = "totally disagree"; 5 = "totally agree").

The implementation of a family protocol, the key dependent variable intended to be explained in our study, was evaluated through one item considering also a 5-point Likert scale (1 = "it has not been implemented and is not expected to be implemented"; 5 = "it has been implemented or has already been decided to be implemented"). After defining the measurement scales, a pretest was carried out with 15 surveys to business families to improve the reliability of the research. Lastly, the final questionnaire included some questions about basic data on these families and their firms, such as the generational stage (moderating variable), the size of the company or their activity.

3.2. Data gathering

The complexity of detecting business families that have implemented a protocol is a barrier to researching this topic (Arteaga & Menéndez-Requejo, 2017). In this study, the professional experience of one of the authors made it possible to contact many business families that had previously decided to initiate the process of implementing a family protocol. However, not all families that had decided to initiate such a process ended up with the implementation of the protocol.

Using a convenience sampling method, the questionnaire was administered face-to-face among these families in the period between 2016 and 2020. The questionnaires were completed by a single key informant per family (an owner or manager with deep knowledge of the business and family dynamics). Furthermore, in all cases, at least four family members were actively involved in the business. Finally, a total of 244 valid responses were obtained.

Most of the business families participating in the survey (63.9 percent) had implemented a protocol or had already decided to implement one. Specifically, half of the families participating in the survey (50.4 percent) were second-generation business families and, of these, the majority (54.5 percent) had implemented or decided to implement a protocol. In contrast, among first-generation business families (representing 49.6 percent of the sample), only 43.2 percent had implemented or had already decided to implement a protocol. Furthermore, all the family firms were SMEs, except for two large companies. 37.45 percent of the firms were related to commerce, 35.21 percent to the manufacturing industry, 15.36 percent to services, 6.37 percent to construction and 5.62 percent to agribusiness (Table 1).

Table 1. Sample characteristics

Variable	Category	%
Generational stage	First-generation business families	49.6
	Second-generation business families	50.4
Protocol implemented or planned	Yes	63.9
	No	36.1
Firm size	SME	99.2
	Large firm	0.8
Sector of activity	Commerce	37.45
	Manufacturing	35.21
	Services	15.36
	Construction	6.37
	Agribusiness	5.62

3.3. Data analysis

A structural model was proposed to test the hypotheses of this research. The structural model was evaluated using the PLS-SEM approach. Unlike the covariance-based approach (CB-SEM), PLS-SEM allows single-item constructs, and does not require normality of data nor large sample sizes (Hair et al., 2017). Furthermore, PLS-SEM is more appropriate when the aim of the research is to explore rather than to confirm. The software used for the analysis was XLSTAT/PLSPM.

4. Results

4.1. Model estimation

The analysis of models using the PLS technique has two stages (Hair et al., 2011): (i) evaluations of the measurement models and (ii) evaluations of the structural models.

4.2. Assessment of the measurement models

Reflective measurement models are assessed by examining the indicators' reliability and internal consistency reliability, as well as convergent validity and discriminant validity. In this research, the indicators' reliability is demonstrated, since all indicators show loading values greater than 0.7 (Table 2) (Hair et al., 2011). Therefore, each construct explains more than 50 percent of the variance of the indicators.

Table 2. Assessment of the measurement model

	Mean	Standard deviation	Loading	T-test(a)	Cronbach's α	Composite reliability	AVE
Emotional attachment of family members (E) (Berrone et al., 2012)					**0.8870**	**0.914**	**0.638**
□ In my family business, the emotional bonds among family members are very strong.	3.291	1.2152	0.8237	33.810			
□ Strong emotional bonds among family members help us maintain a positive self-concept.	3.873	1.0224	0.7836	25.271			
□ In my family business, affective considerations are often as important as economic considerations.	3.397	1.1916	0.8078	32.692			
□ In my family business, family members feel warmth for each other.	3.467	1.0495	0.8334	40.484			
□ Emotions and sentiments often affect decision-making processes in my family business.	3.938	1.0752	0.7448	20.819			
□ Protecting the welfare of family members is critical to us, apart from personal contributions to the business.	3.409	0.9166	0.7990	26.591			
Identification of family members with the family firm (I) (Hauck et al., 2016)					**0.7439**	**0.8546**	**0.662**
□ Family members are proud to tell others that we are part of the family business.	3.9549	1.0451	0.7487	19.832			
□ My family business has a great deal of personal meaning for family members.	3.4877	1.0460	0.8641	56.070			
□ Family members have a strong sense of belonging to my family business.	3.3689	1.1103	0.8237	29.871			
Renewal of family bonds through intrafamily succession (R) (Berrone et al., 2012)					**0.809**	**0.875**	**0.636**
□ Continuing the family legacy and tradition is an important goal for my family business.	2.9262	1.3500	0.7696	24.571			
□ Family members would be unlikely to consider selling the family business.	3.1230	1.2152	0.8239	40.057			
□ Successful business transfer to the next generation is an important goal for family members.	3.7541	1.0347	0.8159	28.467			
□ Family owners are less likely to evaluate their investment on a short-term basis.	3.8074	1.0596	0.7806	30.225			

Note: (a): $p<0.05$.

The internal consistency of each construct was confirmed with composite reliability values above 0.7, the threshold set for this test. The convergent validity of each construct was tested through Average Variance Extracted (AVE) values. All constructs showed an AVE value over 0.5, showing that the average of the construct explained more than 50% of the variance of its items (Table 2).

Finally, discriminant validity was also confirmed, as the square root of AVE for each construct was greater than the correlations between the construct and all other constructs (see Table 3, where the values of the square root of AVE are marked in bold in the main diagonal).

Table 3. Discriminant validity analysis: Correlations between constructs and AVE square roots

	Emotional attachment of family members	Identification of family members with the family firm	Renewal of family bonds through intra-family succession
Emotional attachment of family members	**0.799**		
Identification of family members with the family firm	0.721	**0.814**	
Renewal of family bonds through intrafamily succession	0.684	0.730	**0.798**

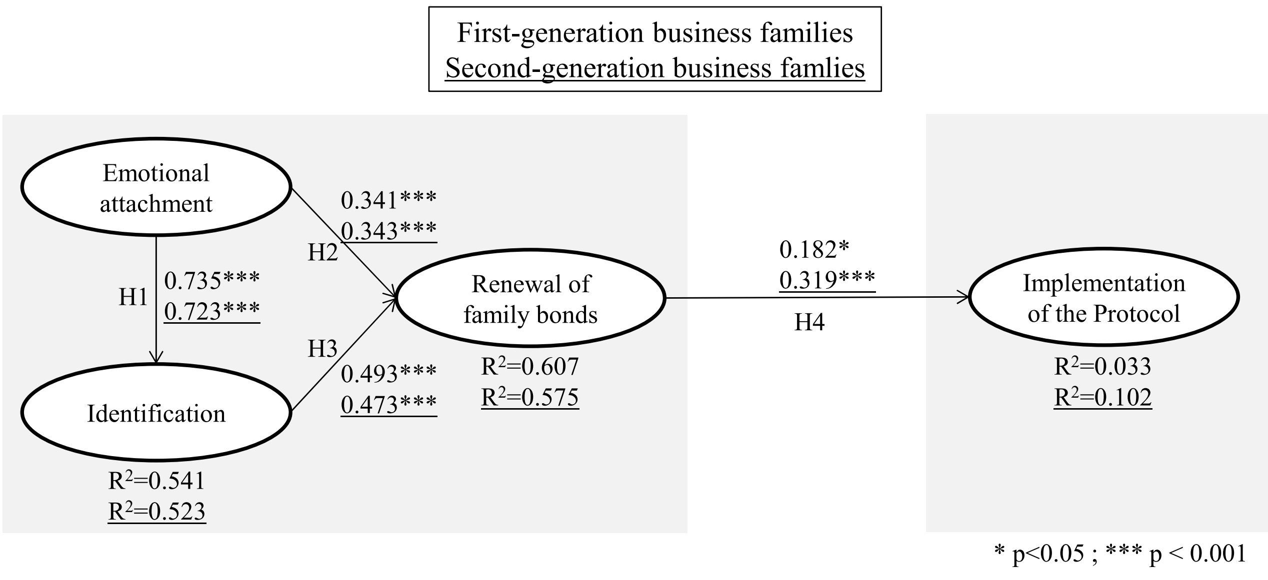
Note: Diagonal values (in bold): AVE square root.

Once the measurement model's reliability and validity have been examined and tested, the structural model can be assessed.

4.3. Assessment of the structural model

Considering the moderating effect of the generational stage, after examining the measurement invariance, the structural model was estimated using permutation-based multigroup analysis. To evaluate each structural model, the coefficient of determination (R^2) and the predictive relevance (Q^2) of each endogenous variable, as well as the significance of the paths, were analyzed (Hair et al., 2011). As shown in Figure 2, in the case of first-generation business families, the identification and renewal of family bonds show moderate to substantial R^2 (0.541 and 0.607, respectively) and suitable *Stone-Geisser* Q^2 values (Q^2>0). However, the implementation of the protocol presents a very weak R^2 (R^2 = 0.033), below 0.10 (Falk & Miller, 1992), although the *Stone-Gesisser* Q^2 value is suitable. Since the explained variance of protocol implementation is very low, the predictive power of the model is very weak.

Figure 2. Results of PLS analysis for each group (first-generation and second-generation business families)



In the case of second-generation business families, the predictive power of the model is acceptable. The explained variance of protocol implementation is greater than 0.10 (Falk & Miller, 1992) (R^2 = 0.102) and the *Stone-Geisser* Q^2 value is greater than 0. In addition, the identification and renewal of family bonds show moderate to substantial R^2 values (0.523 and 0.575, respectively), and suitable *Stone-Geisser* Q^2 values (Q^2>0).

Regarding path significance analysis, hypotheses H1 - H4 are confirmed. H1 is supported as emotional attachment positively affects the identification of family members with the firm (β=0.723; p<0.001). H2 and H3 are also supported, as both emotional attachment and identification positively affect the intention to renew family bonds through intrafamily succession ($\beta_{\text{Emotional attachment --> Renewal of family bonds}}$ =0.343, p<0.001; $\beta_{\text{Identification --> Renewal of family bonds}}$ =0.473, p<0.001). More specifically, if we analyze the total effect of attachment and identification on the renewal of family bonds, we find that although the direct effect of identification ($\beta_{\text{Identification --> Renewal of family bonds}}$: 0.473; p<0.001) is greater than that of attachment ($\beta_{\text{Emotional attachment --> Renewal of family bonds}}$: 0.343; p<0.001), the total effect of attachment is greater (total effect: 0.684). According to the procedure of mediation analysis (Hair et al., 2017), 50.00 percent of the effect of emotional attachment on the renewal of family bonds can be explained by identification. Therefore, this mediation is a partial mediation as the Variance Accounted For (VAF) is higher than 20 percent but lower than 80 percent.

H4 is also supported. The intention to renew family bonds through intrafamily succession positively and significantly affects the implementation of a family protocol (β=0.319; p<0.001). If we analyse the total impact of the SEW dimensions on the implementation of the protocol, the renewal of family bonds has the highest impact (0.319), followed by attachment (0.218) and identification (0.151).

Moreover, H5 is corroborated. When analysing the relationships between the dimensions of SEW, it is found that the path differences between the two groups (first-generation business families vs second-generation business families) are not significant ($\beta_{\text{Emotional attachment --> Identification, First-generation families}}$: 0.735 vs. $\beta_{\text{Emotional attachment --> Identification, Second-generation families}}$: 0.713, p = 0.876; $\beta_{\text{Emotional attachment --> Renewal of family bonds, First-generation families}}$: 0.341 vs. $\beta_{\text{Emotional attachment --> Renewal of family bonds, Second-generation families}}$: 0.343, p = 0.990; $\beta_{\text{Identification --> Renewal of family bonds, First-generation families}}$: 0.493 vs. $\beta_{\text{Identification --> Renewal of family bonds, Second-generation families}}$: 0.473, p = 0.875).

Finally, H6 is also confirmed. For the effect of the renewal of family bonds on the implementation of the protocol, the path difference between the two groups is significant ($\beta_{\text{Renewal of family bonds --> Implementation of the protocol, First-generation families}}$: 0.182 vs. $\beta_{\text{Renewal of family bonds --> Implementation of the protocol, Second-generation families}}$: 0.319, p = 0.045). Specifically, the positive effect of the intention to renew family bonds on the implementation of a protocol is stronger for second-generation business families than for first- generation business families.

5. Conclusions

Understanding the factors that influence the implementation of a protocol is critical to prevent and resolve conflicts arising from overlapping family, ownership and/or management interests; and, consequently, to improve the performance of the family firm and facilitate its continuity over time. This study, based on McGrath's (1984) IPO perspective of team theory, examines the role of SEW dimensions in the implementation of a family protocol. More specifically, we analyse the effect of emotional attachment and identification of family members with the company through the intention to renew family bonds by means of intrafamily succession on the implementation of a protocol, also considering the generational stage as a moderating effect.

This research has theoretical implications. First, our study contributes to a deeper understanding of SEW as one of the first studies to provide empirical evidence of the relationships between its dimensions. Although the literature acknowledges the interrelationships of these dimensions (Swab et al., 2020), no study had focused on them yet (Brigham & Payne, 2019). Our results show, in line with previous studies, that emotional attachment influences identification for both first-generation and second-generation business families (Dutton et al., 1994; Brickson, 2005; Kleine et al., 1995; Sluss & Ashforth, 2007). Moreover, both variables (emotional attachment and identification) have a direct effect on the renewal of family bond through intrafamily succession (Björnberg & Nicholson, 2012; Sharma & Manikuti, 2005; Shepherd et al., 2009). And, although the direct effect of identification is greater than that of attachment, the total effect of attachment is greater because of its indirect effect through identification.

Second, this study represents a new advance in the literature on protocol. Literature on protocol is scarce (Arteaga & Menéndez-Requejo, 2017; Matias & Franco, 2018), being this study the first attempt to consider factors that contribute to its implementation. Following team theory, the results of this research show that, in the case of second-generation business families, SEW dimensions favour communication and decision-making processes that would result in the implementation of a protocol. Particularly, the three dimensions of SEW favour the collective understanding required of family members to cultivate and preserve cooperative processes that facilitate the necessary agreement of the family team for the implementation of the protocol (Pearson et al., 2008; Zellweger et al., 2010). The dimension of SEW that has the greatest influence in favouring this process is the renewal of family bonds through intrafamily succession, followed by emotional attachment and, finally, identification. The strength of a shared vision of family members to keeping the company under family control for the generations to come seems to work as a cohesive mechanism that facilitates communication, as well as fusion of ideas, between relatives (Tsai &

Ghoshal, 1998). In addition, the literature points out that emotional bonding (attachment) leads to higher self-esteem on the part of family members, as well as collective harmony among them (Razzak & Jassem, 2019; Zellweger & Nason, 2008). Attachment favours union in the group, cooperation, and a positive attitude towards the rest of the members (Dutton et al., 1994).

The results of this study, however, indicate that SEW dimensions do not account for the implementation of a protocol in first-generation business families. One explanation is that first-generation business families tend to operate with more unified decision-making and fewer internal complexities, which reduces the perceived need for formal governance structures (Matias & Franco, 2021). The founder usually plays a dominant role, and family members often share aligned goals and close relationships. In contrast, second-generation business families are typically composed of siblings with potentially divergent perspectives, making the governance environment more complex and requiring more structured coordination mechanisms such as family protocols (Jayantilal et al., 2024). Therefore, the implementation of a protocol in these families may respond to their greater need to manage role differentiation, expectations, and potential conflicts.

These findings also contribute to the ongoing discussion on how business families approach the implementation of governance mechanisms such as family protocols. For example, this study builds upon prior research by Rodríguez-Zapatero et al. (2018), who examined factors influencing the intention to adopt protocols using the Theory of Planned Behaviour. Our study goes significantly deeper by investigating the actual implementation of the protocol.

Regarding practical considerations, this research has implications for family firms and their advisors. Particularly, for the implementation of a protocol in second-generation business families, our results underline the relevance of fostering both the intention to renew family bonds through intrafamily succession, as well as the emotional attachment and identification with the company, to favour the communication and decision-making processes it requires. For example, to foster identification with the family business, the organization's own values and culture should be promoted. Attachment could be stimulated by encouraging altruism as a mechanism to procure the good of all family members in a selfless way (Schulze et al., 2003), as well as group union, cooperation among all members or a positive view towards the other members of the family (Dutton et al., 1994). Fostering a strong emotional bond with the family business can also reinforce a sense of responsibility and commitment and enhance to the long-lasting success of the firm. Moreover, fostering identification and attachment can offer additional benefits, such as discouraging actions that could harm organizational performance. Furthermore, to encourage the desire to renew family bonds, it would be useful to encourage anchoring relationships, which are quality relationships that maintain the commitment of family members, especially in complex situations such as succession (Ragins et al., 2017).

Finally, this research has some limitations. First, the study was only conducted in Spain. Future research should replicate this study in other countries to validate our findings. Second, while this study adopts the IPO perspective of team theory, it focuses on analysing inputs and outcomes. The process is theoretically assumed to mediate the relationship between SEW dimensions and protocol implementation, but it is not directly captured and measured. Future research could incorporate mediating variables that represent team processes, to better understand how SEW dimensions translate into governance outcomes. Third, other moderating aspects, such as company size or sector, could also be considered in future research. Furthermore, future research should examine information on ownership and managerial structure (for example, the percentage of the company that is owned by the business family, whether the CEO is a family member, or the percentage of managers who are family members) to better understand the implementation of a protocol. In addition, a qualitative approach could provide an improved comprehension of the drivers of protocol implementation.

Once the influence of SEW dimensions on the implementation of the protocol is analysed, future research could further examine how the implementation of the protocol impacts SEW or whether certain protocol agreements (for example, those hindering family members from attaining managerial roles) undermine SEW (Rodríguez-García & Menéndez-Requejo, 2020). It is important to emphasize that SEW dimensions represent an intangible asset present within the family long before any formal governance mechanism, such as a protocol, is introduced. Although implementing a protocol may influence SEW dimensions, the origin of the protocol lies in socio-emotional issues. This research focuses on the prior role of SEW dimensions as a driver for protocol implementation. Favourable or unfavourable consequences are an additional outcome that could be explored in future research. In this research, the emphasis is on the initiation of a process driven by values, emotions, and desires already present within the business family.

Finally, future research could also examine the relationship and alignment between the family protocol and other family governance mechanisms, such as the Family Council or the Family Office, to better understand how these tools complement each other within a cohesive governance system.

Author contribution statement

All authors contributed equally to the work.

Conflict of interest statement

The authors declare no conflicts of interest.

Ethical statement

The authors confirm that informed consent was obtained from all participants involved in the study. *Data collection was conducted anonymously, and there was no possibility of identifying individual participants.*

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Data availability statement

The data supporting the findings of this study are available from the corresponding author [L.M. P.] upon reasonable request.

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Family Capital for Business Resilience during the COVID-19 Crisis

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Abstract Family firms are often regarded as more resilient than non-family firms, yet little is known about how this resilience develops from family-specific resources, particularly in emerging economies. This study explores how family capital—human, social, and financial—helped Indonesian family firms navigate the challenges of the COVID-19 crisis. Drawing on a multiple case study of four family-owned SMEs, we adopted an abductive approach, combining in-depth interviews with secondary data to build theory from context. The findings show that human capital, such as intergenerational learning and role flexibility, enabled firms to adapt quickly, while social capital, built on trust and long-term relationships, supported continuity and renewal. Financial capital acted as a buffer but was less central than expected. Overall, resilience emerged not from individual resources but from the interaction of these capitals. The study contributes to theory by reframing resilience as a relational capability embedded in family and cultural context, rather than as a static firm attribute. For practice and policy, the study highlights the importance of strengthening family members' commitment, intergenerational skills, and relational networks, while deploying financial capital strategically to ensure continuity.

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PALABRAS CLAVE
Resiliencia empresarial, Empresas familiares, Capital familiar, Capital social, Economía emergente

El Capital Familiar como Fuente de Resiliencia Empresarial durante la Crisis del COVID-19

Resumen Las empresas familiares suelen considerarse más resilientes que las empresas no familiares, pero se sabe poco sobre cómo se desarrolla esta resiliencia a partir de los recursos específicos de la familia, especialmente en las economías emergentes. Este estudio analiza cómo el capital familiar —humano, social y financiero— ayudó a las empresas familiares indonesias a superar los retos de la crisis del COVID-19. Basándonos en un estudio de múltiples casos de cuatro pymes familiares, adoptamos un enfoque abductivo, combinando entrevistas en profundidad con datos secundarios para construir una teoría a partir del contexto. Los resultados muestran que el capital humano, como el aprendizaje intergeneracional y la flexibilidad de funciones, permitió a las empresas adaptarse rápidamente, mientras que el capital social, basado en la confianza y las relaciones a largo plazo, apoyó la continuidad y la renovación. El capital financiero actuó como amortiguador, pero fue menos importante de lo esperado. En general, la resiliencia no surgió de los recursos individuales, sino de la interacción de estos capitales. El estudio contribuye a la teoría al replantear la resiliencia como una capacidad relacional integrada en el contexto familiar y cultural, en lugar de como un atributo estático de la empresa. En cuanto a la práctica y las políticas, el estudio destaca la importancia de reforzar el compromiso de los miembros de la familia, las habilidades intergeneracionales y las redes relacionales, al tiempo que se despliega el capital financiero de forma estratégica para garantizar la continuidad.

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1. Introduction

Family firms play crucial role in the global economy, contributing significantly to employment, innovation, and economic growth. In Indonesia, family firms account for approximately 95% of enterprises and contribute 82.44% to the country's gross domestic product (GDP) (Prayogo *et al.*, 2020). As the backbone of the private sector, these firms not only generate income but also preserve social and cultural values through traditions passed down across generations. Their deep roots in local communities make them essential to both economic and social stability.

The COVID-19 crisis created an unprecedented crisis for businesses worldwide, disrupting supply chains, constraining mobility, and reducing demand. In Indonesia, the pandemic had a disproportionate impact on small and medium-sized enterprises (SMEs), especially family-owned businesses. Government-imposed lockdowns, restrictions on public gatherings, and limitations on business activities led to declines in sales, widespread order cancellations, and severe operational challenges. According to the Ministry of Cooperatives and SMEs (2021), about 53,7% of Indonesian SMEs experienced a drop in revenue exceeding 50% during the first year of the pandemic (Kementerian Koperasi dan UKM, 2021). Family firms, which rely heavily on personal networks and often have limited access to external finance, were particularly vulnerable. Yet, many demonstrated remarkable capacity to adapt, sustain operations, and recover showing what is often referred to as *family firms resilience*.

Family firms resilience as a capability refers to the dynamic ability of family-owned firms to anticipate, adapt, and recover from external shocks while maintaining their core functions and values (Duchek, 2020). While the broader literature on family firms *resilience* is extensive, fewer studies have examined resilience specifically within the family firms context, where unique resource configurations such as *family capital* may play a decisive role. Family capital, encompassing human, social, and financial resources embedded in the family-business system, has been argued to influence how firms respond to crises (Danes *et al.*, 2009; Mzid *et al.*, 2019). However, the interplay between these capitals in shaping family firms resilience remains underexplored, particularly in emerging economies such as Indonesia

To examine family firms resilience, this study relies on the family capital framework, as highlighted by Mzid et al. (2019). This approach focuses on how human, social, and financial capital interact to enable resilience capabilities. By anchoring this research in the context of Indonesian family firms during the COVID-19 crisis, we aim to provide insights into how different forms of family capital influence the ability of businesses to adapt, renew, and maintain continuity during crises. The research questions guiding this study are as follows. Specifically, the study addresses the following research questions:

1. How does family capital (human, social, and financial) contribute to the family firms resilience of family firms during crises?
2. Which aspects of family capital should family firms strengthen to enhance resilience against future crises?

The subsequent sections of this article are organized as follows: Section 2 examines the literature about family firms resiliency and family capital. Section 3 delineates the research methodology, encompassing the case study technique and the data collection process. Section 4 delineates the findings, succeeded by a discourse on their consequences in Section 5. Ultimately, Section 6 culminates in recommendations for subsequent research and practice.

2. Literature Review

2.1. Resilience as a Capability

Resilience in the business context has increasingly been understood as a dynamic capability an organization's ability to anticipate, respond, and adapt effectively to disruptions while sustaining long-term viability (Duchek, 2020). This perspective emphasizes that resilience is not a static trait but a capability developed through organizational processes, resources, and learning. In the case of family firms, resilience often involves balancing the preservation of core values with the flexibility to innovate in response to environmental changes.

Scholars highlight that family firms resilience typically encompasses three interrelated components: **adaptive capacity** (the ability to adjust strategies and operations in response to change), **strategic renewal** (continuous transformation and innovation), and **appropriation capacity** (leveraging existing resources to maintain market position during crises) (Hadjielias *et al.*, 2022). While these dimensions apply broadly to organizations, family firms exhibit distinct patterns due to their intertwined family and business systems in response to environmental changes**.**

Recent studies conducted after the COVID-19 crisis have deepened understanding of how family firms build resilience. Harriott (2024) and Sandoval-Díaz *et al.* (2023) found that post-pandemic resilience often depended on generational collaboration, with older family members contributing crisis management experience and younger members driving digital adoption. Family-owned SMEs leveraged trust-based stakeholder relationships to secure resources quickly during the pandemic (Rahim *et al.*, 2024). These insights suggest that resilience in family firms is closely tied to the unique resources and relationships embedded in the family firms structure. In a European context, Diaz-Moriana *et al.* (2022) found that family involvement shaped how SMEs adapted their resilience strategies during the COVID-19 crisis, suggesting that the role of family capital in resilience is not only context-dependent but also dynamic.

2.2. Family Capital Framework

Family capital refers to the bundle of human, social, and financial resources embedded in the family-business system that can be mobilized to achieve business goals (Danes *et al.*, 2009; Mzid *et al.*, 2019).

(1) Human Capital

Human capital denotes the talents, knowledge, experience, and leadership abilities that individuals provide to a family firm (Becker, 1964). In family enterprises, human capital is developed via intergenerational learning, formal education, and mentorship (Salvato & Melin, 2008) emphasize that long-term commitment, skill transfer, and entrepreneurial focus augment the adaptive potential of family firms. Furthermore, robust human capital facilitates efficient decision-making and leadership succession planning, both essential for resilience (Danes *et al.*, 2009).

(2) Social Capital

Trust, networks, and relational ties within and beyond the family firm are essential in sustaining business continuity. Pearson *et al.* (2008) define social capital in family firms as encompassing structural, cognitive, and relational dimensions, which facilitate collaboration and knowledge sharing. Robust social capital enables firms to mobilize resources, build alliances, and access external support during crises (Sharma, 2008).

(3) Financial Capital

Although many family firms struggle to secure sufficient finance from external funding, those with well-structured financial management systems demonstrate more resilience. Danes *et al.* (2009) argue that the ability of a family firm to weather economic downturns is strengthened by diversification of financial resources and conservative fiscal strategies.

The interaction of these capitals can strengthen a firm's ability to withstand shocks, reallocate resources, and adopt adaptive strategies for long-term sustainability (Carrasco-Hernández & Jiménez-Jiménez, 2016).

2.3. Linking Family Capital and Resilience

The literature suggests that family capital serves as a foundation for developing resilience in family firms. Human capital supports adaptive capacity through strategic leadership and skills development; social capital underpins strategic renewal by opening channels for innovation and external collaboration; financial capital sustains appropriation capacity by enabling continued operations during downturns. For example, Aldrich and Cliff (2003) argue that social capital facilitates human capital development by providing access to new knowledge and opportunities. This interaction can be especially valuable during crises, when firms must quickly re-skill, innovate, and reorganize. Similarly, bridging social capital connections beyond the family can introduce external resources and market opportunities that enhance resilience. Yet, as Lorenzo-Gomez (2020) pointed out, the very same family attributes that provide strength can also become obstacles; emotional attachment and resistance to change often limit how quickly family firms can adapt in times of crisis.

2.4. Addressing The Research Gaps

Despite the fact that resilience has been extensively researched limited research examines how the interplay of family capital shapes resilience in emerging economies. Existing studies often analyse resilience separately from its resource base, overlooking the synergies between different forms of capital. Furthermore, empirical work on Indonesian family firms during crises is scarce, despite their dominance in the national economy. Dyer (2022) emphasized that ensuring the long-term future of family firms depends on building resilience capabilities that can be transferred across generations, a point that reinforces the relevance of examining how these processes unfold in emerging economies like Indonesia.

By framing resilience as a capability grounded in the family capital framework, this study addresses these gaps. It contributes to theory by clarifying the specific roles of human, social, and financial capital in resilience development and offers context-specific insights from Indonesian family firms navigating the COVID-19 crisis.

3. Methods

3.1 Research Design and Data Collection

This study adopts an **abductive multiple case study** design (Eisenhardt, 1991; Yin, 2003), which combines theoretical insights from prior literature with emerging patterns from empirical data. Abduction was chosen over a purely inductive approach because the research builds on established frameworks, specifically the family capital perspective (Danes *et al.*, 2009; Mzid *et al.*, 2019) while extending understanding of family firms resilience as a capability in the Indonesian context. This approach allows for iterative movement between theory and data, refining existing concepts in light of new empirical evidence (Steiner Saetre & Van de Ven, 2021).

3.2. Case Selection and Sample Characterization

Using purposive sampling, four family-run SMEs from East Java, Indonesia, were chosen. Firm longevity, direct family engagement in management, and proof of survival or adaptability throughout the epidemic were among the selection criteria. The companies represented a variety of industries, including food and beverage, apparel manufacture, catering, and wedding planning.

Initially, local SME directories and referrals from business networks were used to generate a larger list of possible situations. After eight companies were contacted, four were chosen based on their willingness to participate and the availability of data. The industrial profiles and features of the chosen examples, such as years of operation, staff size, and family member roles, are described in depth in Tables 1 and 2.

Table 1. Sample Description

Industry	Description
Wedding Organizer (Case A)	A family-run wedding organizer business that provides event planning and coordination services. The pandemic severely affected operations due to restrictions on gatherings, leading to widespread cancellations and financial losses. The firm relied primarily on family members, who adapted by retraining for digital services such as online wedding invitations..
Catering Services (Case B)	A family-owned catering business providing food and beverage services for events and gatherings. During the pandemic, the firm faced severe order cancellations due to restrictions on public gatherings, resulting in income losses of around 40% compared to pre-pandemic levels. Family members played central roles in operations and finance, enabling flexible adjustments to workforce arrangements.
Food & Beverages (Case C)	A small family-operated food and beverage company producing ready-to-eat meals. Despite the decline in offline sales during the pandemic, the owners maintained staff and pivoted to digital marketing and online sales channels. Family involvement was central, with members taking on additional responsibilities and even forgoing personal income to sustain operations.
Textiles manufacturing (Case D)	A family-owned textile and apparel manufacturer producing uniforms and clothing. The pandemic caused severe disruptions, including cancelled export orders and reduced domestic demand, leading to a 50% decline in sales. Family members directly managed production, marketing, and finances, accepting reduced pay and taking on extra tasks to maintain business continuity.

Source :Authors (2023)

Table 2. Sample Profiles

Case	Year Established	No. of Employees	Industry	Family Members Involved	Roles of Family Members	Reason for Industry Inclusion
Case A	2015	3	Wedding Organizer	2	Owner, Event Manager	Sector heavily impacted by gathering restrictions
Case B	2011	5	Catering Services	3	Owner, Operations Manager, Finance Officer	Faced severe order cancellations during restrictions
Case C	2018	2	Food & Beverage	2	Owner, Production Manager	Essential goods sector able to pivot to online sales
Case D	2019	5	Textile Manufacturing	3	Owner, Production Supervisor, Marketing Lead	Experienced export cancellations and domestic demand drop

Source :Authors (2023)

3.3. Data Collection

Data were collected through semi-structured, face-to-face interviews conducted between 5 and 10 November 2023 in Sidoarjo, East Java. Interviews lasted between 15 and 25 minutes and were conducted in Indonesian, then transcribed and translated into English. Key questions included:

1. How did your business adapt to the COVID-19 crisis?
2. What role did family members play in sustaining the business?
3. How did family involvement influence decision-making during the crisis?

To enhance validity, multiple sources of evidence were used, including field notes, company documents, and direct observation during site visits.

3.4. Data Analysis

All interviews were transcribed verbatim, reviewed multiple times, and coded using thematic analysis with an abductive approach (Gehman *et al.*, 2018). Initial codes were derived from both the literature on resilience and family capital, as well as from emerging insights in the data. Codes were iteratively refined through discussion among the research team, ensuring both theoretical alignment and empirical grounding.
Following individual case coding, a cross-case comparison was conducted to identify common and contrasting patterns across the four firms. Themes were then mapped onto the family capital framework to explain how human, social, and financial capital contributed to resilience.

Table 3. Family Firms Performance

Case	Sales (%) before pandemic (2019-2020)	Sales (%) in pandemic (2020-2021)	Sales (%) after pandemic (2021-2022)
Case A	80	40	70
Case B	85	45	75
Case C	90	70	95
Case D	70	50	60

Source:Authors (2023)

Table 4. Coding of The Data

Variables	Items	Sources
Human Capital	Firm owner education Weekly hours works Owner's experience Owner's knowledge Energy Value and believe, commitment	(Danes *et al.*, 2009; Ayala & Manzano, 2010)
Social Capital	Goodwill, trust and confidence family members or their firms	(Danes & Brewton, 2012)
Financial Capital	Money, credit, assets Action undertaken,	(Danes *et al.*, 2008)
Family Firms Resilience	implement new strategic orientation, capitalized on difficulties faces.	(Danes *et al.*, 2008)

Source:Mzid *et al.* (2019)

4. Findings

4.1. Resilience in Indonesia Family firms

This section presents the key findings from the four case studies, highlighting how human, social, and financial capital contributed to the resilience of Indonesian family firms during the COVID-19 crisis. Each case illustrates specific ways in which family resources were mobilized to adapt, sustain operations, and recover from the disruption.

4.2. Human Capital Resilience

Human capital emerged as a central driver of resilience, particularly through the willingness of family members to make personal sacrifices, adapt roles, and acquire new skills.

Case A
When large gatherings were banned, Indo WO reduced its workforce to core family members who accepted irregular pay and engaged in retraining for digital services such as online wedding invitations.

"During the pandemic, we relied only on family members who best understood the situation, while temporarily laying off non-family employees."

Case B

The firm temporarily reduced staff without formal layoffs, retaining family members who could be rehired quickly once demand returned.

"*Since it's a family firm, most staff were relatives, so we could adjust work arrangements without formal terminations.*"

Case C
The owners chose not to reduce staff, instead providing digital marketing training to reach customers online.

"*It is our own business, so as the manager and owner I even worked without pay during the pandemic. The most important thing was to keep the business running.*"

Case D
Production was scaled down, but remaining staff primarily family members accepted reduced pay without bonuses.

"*They understood the situation was difficult and were willing to do extra work for reduced pay.*"

4.3. Social Capital and Family Resilience
Social capital was equally critical, enabling firms to maintain customer loyalty, secure supplier flexibility, and leverage personal networks.

Case A
Strong vendor relationships provided flexibility on service terms, and loyal customers recommended the firm to new clients.

"*Good connections with vendors and customers gave us some work, even if small-scale.*"

Case B
Customer satisfaction from previous events generated word-of-mouth orders, even for smaller-scale gatherings.

"*Satisfied customers recommended us, which helped during the downturn.*"

Case C
Close coordination among family members and positive customer relationships supported sales through online channels.

"We supported each other and spent extra time finding solutions to boost sales."

Case D
Regular corporate clients continued to place uniform orders, providing a baseline income.

"*Our loyal customers kept ordering uniforms, which kept us going.*"

4.4. Financial Capital and Family Resilience
While important, financial capital played a supplementary role compared to human and social capital.

Case A
Limited reserves meant the business relied more on social and human capital than direct financial injections.

"We didn't have strong financial capital, so we depended on other resources."

Case B
The firm received financial support from suppliers and bank credit, alongside personal funds.

"Suppliers gave us extended payment terms, which helped us survive."

Case C
The owner forwent personal income to keep operations running.

"*During the pandemic, I set aside my personal income so that all available funds could be used to cover the business expenses.*"

Case D
Family members contributed funds when needed, and suppliers offered payment flexibility.

"Some suppliers helped us through payment delays."

4.5. Summary Findings

Tables 5 and 6 summarize how each form of family capital contributed to family firms' resilience across the four cases. Table 5 links each type of capital to resilience dimensions adaptive capacity, strategic renewal, and appropriation capacity while Table 6 presents selected respondent quotations, labeled by case.

Table 5. The Role of Family Capital in Resilience Across cases

Family capital	Adaptive capacity	Strategic Renewal	Appropriation Capacity
Human Capital	Family members working without pay during crises	Training in digital literacy	Learning from past crises to improve management strategies
Social capital	Strong family and community networks	Long-term partnerships with suppliers and customers	Trust-based relationships aiding long-term sustainability
Financial capital	Reliance on internal family funds	Limited investment in new strategies	Seeking external financial support during crises

Source:Authors (2023)

Table 6. Key Quotation From respondents

Theme	**Direct Quote**	**Case**
Human Capital	*"We trained our employees in digital skills so they could offer products that customers needed during the pandemic."*	Case A
Social Capital	*"Because of the trust and solidarity among us as family members, we could keep the business going. That trust was our valuable capital."*	Case B
Financial Capital	*"We managed our limited funds very carefully, prioritizing raw materials and operational costs so the business could keep running."*	Case C
Human Capital	*"Fortunately, this is a family firms, so the remaining employees were family members who took on extra tasks without bonuses, showing their responsibility and commitment during the crisis."*	Case D

Source: Authors (2023)

5. Discussion

This study set out to examine how family capital human, social, and financial contributes to the resilience of Indonesian family firms during the COVID-19 crisis. The findings confirm prior research that resilience is not a static trait but a capability shaped by available resources and adaptive processes (Duchek, 2020; Hadjielias *et al.*, 2022). At the same time, the evidence reveals nuanced ways in which family capital interacts to sustain business continuity under extreme disruption.

5.1 Human Capital as Foundation of Resilience. Across all four cases, human capital emerged as the most critical enabler of resilience. Family members' willingness to make personal sacrifices, assume flexible roles, and acquire new skills provided firms with adaptive capacity to withstand the shock. This aligns with Salvato & Melin (2008) who emphasize intergenerational learning as a driver of continuity, but extends the literature by showing how such learning also facilitates rapid reskilling during crisis conditions, As summarized in Table 7. In this sense, human capital underpinned the "anticipation and adaptation" stages of resilience (Duchek, 2020).

5.2 Social Capital as amplifier of resilience. Social capital strengthened firms' ability to sustain operations by leveraging trust-based relationships with customers, suppliers, and community networks. Consistent with Pearson *et al.* (2008), relational ties functioned as an informal safety net, reducing transaction costs and providing flexible terms during the downturn. Our cases demonstrate that social capital not only preserved existing relationships but also generated new opportunities, such as referrals from satisfied customers, as depicted in Table 7. Thus, social capital acted as an amplifier, enhancing the effectiveness of human capital and bridging resource gaps.

5.3 Financial Capital as a supplementary buffer. Although important, financial capital was less decisive than human and social capital. This contrasts with resource-based perspectives that place financial resources at the core of firm survival. In Indonesian family firms, conservative fiscal practices and limited reserves meant that financial capital primarily functioned as a buffer, enabling appropriation capacity rather than driving strategic renewal. This finding resonates with Danes *et al.* (2009) but highlights the need to re-conceptualize financial capital in emerging economy contexts as a supporting, rather than leading, resilience driver. As summarized in Table 7, how financial capital provided a stabilization but limited role across cased.

Table 7. Comparison with Prior Research

Findings	Supports Prior Research	New Contributions
Human capital (leadership adaptability & intergenerational knowledge)	Salvato and Melin, (2008) Role of human capital in decision-making	Expands on intergenerational crisis management and digital skills transfer
Social capital (trust-based networks & supplier relationships)	Pearson *et al.* (2008) Social capital perspective on familiness	Highlights informal safety net. providing flexible terms during crisis and generated referral.
Financial capital constraints & resourcefulness	Danes *et al.* (2009) Financial strategies in family firms	Shows reliance on self-financing over external financial aid in crises

Source: Authors (2023)

5.4. The Interaction of Capitals in Shaping family firms Resilience

The findings illustrate that family firms' resilience are not the product of a single type of capital but the *interaction* of all three. Human capital enabled families to reconfigure roles, social capital provided external support and trust, while financial capital offered minimum liquidity to sustain operations. As depicted in Table 8. This synergy confirms Aldrich and Cliff (2003) argument that capitals reinforce each other, but our study extends this by mapping these interactions directly to resilience dimensions adaptive capacity, strategic renewal, and appropriation capacity.

5.5. Contextual Contribution: Indonesia is An Emerging Country

A distinctive insight from this research is the role of context. In Indonesia, where access to external finance is limited and informal ties remain central to business operations, family resilience relies heavily on human and social resources. This reflects the broader cultural emphasis on collectivism, where family solidarity and community trust are prioritized over individual gain. As such, the Indonesian context highlights resilience as a socially embedded capability, shaped not only by firm-level resources but also by relational and cultural norms. This adds to recent calls for more context-sensitive studies of family firms resilience in non-Western economies (Krueger *et al.*, 2021).

Table 8. Cross-Case Comparison of Family Capital Contributions to Resilience

Family Capital type	Case (A) Indo WO	Case B Indo Catering	Case C Indo Food	Case D Indotex
Human Capital	Knowledge transfer, digital skills adoption	Leadership adaptation, strategic cost-cutting	Multi-generational crisis management	Entrepreneurial agility
Social Capital	Family teamwork, supplier relationships	Community support, supplier credit flexibility	Strong business networks	Customer trust, flexible partnerships
Financial Capital	Self-financing, reduced expenses	Cost-saving strategies, extended family loans	Personal savings, lean business model	Diversified revenue streams

Source: Authors (2023)

6. Conclusion

This study explored how family capital human, social, and financial shapes the resilience of Indonesian family firms during the COVID-19 crisis The findings indicate that human and social capital were the primary drivers of resilience, while financial capital was important but often insufficient on its own. The strong interpersonal trust, adaptability, and intergenerational knowledge transfer within family firms helped businesses navigate the uncertainties of the COVID-19 crisis more effectively than purely financial resources. Through multiple case analysis, the findings reveal that resilience is not an inherent trait but a dynamic capability enabled by the interaction of family resources and contextual conditions.

6.1. Theoretical Contributions

This research extends resilience literature by mapping how distinct forms of family capital underpin resilience dimensions. Human capital provided the foundation for adaptive capacity through role flexibility and intergenerational learning. Social capital amplified resilience by leveraging trust-based networks for continuity and strategic renewal. Financial capital functioned primarily as a supplementary buffer, ensuring appropriation capacity but less central than in non-family contexts.

Taken together, the findings show that resilience in family firms is best understood as a capability emerging from the interaction of human, social, and financial capital. Unlike prior studies that emphasize financial resources as the foundation of resilience (Danes *et al.*, 2008), this study shows that human and social capital are more decisive, with resilience emerging from their interaction rather than from financial strength alone. By highlighting these synergies, the study not only contextualizes Duchek's (2020) resilience framework within emerging economies but also reframes resilience from a static firm attribute into a relational capability embedded in the family and its cultural context, thereby advancing our understanding of how familiness translates into resilience.

6.2. Practical Implications

For family firms owners and managers, the findings highlight that resilience does not primarily depend on financial strength, as often assumed, but on the ability to mobilize human and social capital. Continuous learning, skill development, and intergenerational knowledge transfer are vital for adaptive responses to crises. Likewise, nurturing trust-based relationships with stakeholders can provide critical buffers during disruption. While financial capital remains necessary, it should be viewed as complementary rather than central. Unlike conventional approaches that prioritize liquidity, managers should focus on cultivating family members' commitment and building strong relational networks as the true drivers of long-term resilience.

6.3. Policy implications

For policymakers, the study emphasizes that strengthening family firms resilience requires more than financial assistance. While flexible credit schemes and crisis-support funds remain important, resilience in family firms is primarily enabled by human and social capital. Programs that facilitate capacity building, digital skill training, and intergenerational knowledge transfer can enhance human capital, while supporting local business associations and cooperatives can reinforce social capital by fostering trust-based resource exchange. Unlike conventional policy approaches that prioritize financial aid, a more balanced strategy that integrates financial, human, and social support will better ensure the continuity and sustainability of family firms in emerging economies

6.4. Limitations and future research

The study is limited by its qualitative, multiple-case design, which restricts generalizability. Future research could employ quantitative approaches to test the interaction of capitals across larger samples and multiple contexts. Moreover, resilience should be explored longitudinally to capture how family firms sustain adaptive capacity beyond crisis conditions. Comparative studies across cultures would further illuminate the role of collectivism and institutional environments in shaping resilience. Such studies would clarify whether the prominence of human and social capital, observed here in the Indonesian context, holds true in other emerging or developed economies.

Author contribution statement

Dian Novita: Conceptualization, Methodology, Investigation, Data Curation, Writing – Original Draft, Funding Acquisition.
Tanti Handriana: Validation, Writing – Review & Editing, Supervision.
Wulan Purnamasari: Resources, Project Administration, Writing – Review & Editing, Funding Acquisition.

Conflict of interest statement

The authors declare no conflict of interest.

Ethical statement

The authors confirm that data collection for this research was conducted anonymously, and participants could not be identified.

Declaration on the use of generative AI in the writing process

Generative AI (ChatGPT, developed by OpenAI) was used only to improve the language and readability of this paper. All ideas, analysis, and conclusions are the author's own. The authors carefully reviewed the text and took full responsibility for the final content.

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Data availability statement

Data supporting this study is available from the author upon reasonable request, with restrictions due to confidentiality of participants.

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Breaking the Mold: Traits That Shape Succession Success in Small Family Businesses

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Abstract This study examined how entrepreneurial personality traits influence perceived succession success, considering the daughter successor's willingness to lead as a mediating factor. This study targeted the daughter successors designated as chairwomen or managing directors in the small-family business (S-FB) retail sector. A purposive sampling technique was used, and the sample size was 236. Using trait activation theory, we induced two filter questions to determine the unbiased relationship of exogenous, endogenous, and mediating variables. The daughter successor's innovativeness traits have a positive significance, while internal locus of control and autonomy traits have non-significant associations with perceived succession success. Daughters with traits of innovativeness and a strong internal locus of control show a positive significance, whereas autonomy does not significantly relate to their willingness to take on leadership roles. Furthermore, the daughter successor's readiness to lead partially mediates the relationship between innovativeness and perceived succession success, fully mediates the connection between an internal locus of control and succession success, and shows no mediation between autonomy traits and perceived succession success in S-FB. The successor's unwillingness to lead results in succession failure and the closing down of family businesses. Through the support of trait activation theory, this study revealed that the allocation of job responsibilities and the provision of values, traditions, and cultural cues congruent with the successor's personality traits not only increase her interest in leading but also enhance the likelihood of succession success for her family business..

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PALABRAS CLAVE
Éxito percibido en la sucesión, Rasgos de personalidad, Disposición a liderar, Hija sucesora, Teoría de la activación de rasgos, Pequeña empresa familiar

Rompiendo moldes: rasgos que determinan el éxito de la sucesión en pequeñas empresas familiares

Resumen Este estudio examina cómo los rasgos de personalidad emprendedora influyen en la percepción del éxito de la sucesión, considerando la disposición de la hija sucesora a liderar como un factor mediador. La investigación se centra en hijas designadas como presidentas o directoras generales en pequeñas empresas familiares del sector minorista. Se empleó una técnica de muestreo intencional, obteniéndose una muestra de 236 casos. Los resultados indican que la capacidad de innovación de la hija sucesora tiene un efecto positivo y significativo, mientras que el locus de control interno y la autonomía muestran asociaciones no significativas con el éxito percibido de la sucesión. Las hijas que presentan rasgos de innovación y un fuerte locus de control interno exhiben una relación positiva con su disposición a asumir roles de liderazgo, mientras que la autonomía no se relaciona de manera significativa con dicha disposición. Asimismo, la disposición de la hija sucesora a liderar media parcialmente la relación entre la innovación y el éxito percibido de la sucesión, media completamente la relación entre el locus de control interno y el éxito de la sucesión, y no muestra un efecto mediador entre la autonomía y el éxito percibido en las pequeñas empresas familiares. La falta de disposición para asumir el liderazgo suele derivar en el fracaso del proceso sucesorio y, en consecuencia, en el cierre de la empresa familiar. A partir de la teoría de la activación de rasgos, este estudio revela que la asignación de responsabilidades laborales y la promoción de valores, tradiciones y señales culturales coherentes con los rasgos de personalidad de la sucesora no solo incrementan su motivación para liderar, sino que también aumentan la probabilidad de lograr una sucesión exitosa en la empresa familiar.

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1. Introduction

Succession transition is a critical phenomenon for family business longevity (Ahmad, et al., 2024). This phenomenon revolves around the attitudes and behaviours of the descendant entrepreneur, specifically their personality traits (Wijayati et al., 2021). A significant number of Small- Family Businesses (S-FBs) cannot survive during the succession transition phase. The survival rate of S-FB is alarmingly low, with nearly 70% of family-controlled small businesses facing challenges in continuing beyond the first generation. Furthermore, among the S-FBs that do make it to the second generation, 90% ultimately fail by the time they reach the third generation. The low survival rate is due to the selection of an inappropriate successor (Ahmad et al., 2023). Each potential successor possesses unique personality traits, which lead to different visions and cognitive abilities when resolving complex business issues like succession. Consequently, while some successors are equipped to successfully transition their S-FB to subsequent generations, others may not (Aboelmaged et al., 2024).

The successors, whether son or daughters, can play an equally important role in the family business's development and longevity. However, the role of a daughter successor has often been ignored in emerging economies. While there is increasing recognition of this issue, existing literature has predominantly focused on general succession processes and male successors. This has created a significant empirical gap in understanding daughter successors' unique challenges and contributions. In addition, many daughter successors were either denied the opportunity to be a successor or faced significant barriers, making them hesitant to lead their family business. Brundin et al. (2023) revealed that 15% of female owners leave their family businesses due to various psychological, social, and religious barriers. The ability to navigate these barriers are linked with an individual's personality traits (Z. Ahmad et al., 2022). However, there is still a critical void in empirically examining how specific entrepreneurial personality traits of female successors, particularly innovativeness, internal locus of control, and autonomy, affect succession success in S-FB.

Trait activation theory (TAT) supports that when assigned tasks or cultural cues align with the personality traits of the daughter successor, it can enhance their interest in achieving high performance (Ahmad et al., 2023; Tett et al., 2021). However, the existing literature lacks thorough understanding of how TAT specifically applies to family business succession, particularly regarding how environmental and cultural cues activate or suppress female successors' entrepreneurial traits. This study argues that successors use their capabilities, supported by their personality traits, to make calculated decisions that help them overcome the barriers (ideal situation). In reality, second-generation S-FBs often do not assign tasks or manage cultural cues in a way that aligns with the female daughter's successor's personality traits. This misalignment can lead to reluctance on the part of the daughter successors to lead their S-FBs, which can ultimately result in succession failure. Despite the grievous issues faced by the daughter successor, which contributed to this failure, the literature is still limited (Maseda et al., 2022).

Every S-FB faces various challenges (i.e., financial, economic, leadership, etc.). The impact of these ramifications can last from one to ten years. The consequences of irrational decision-making of successors, often influenced by their personality traits, can be severe and irreversible, affecting subsequent generations. As such, a successor with a diverse range of personality traits and successor with a strong/weak ability to rationalise the outcome of a decision may be better equipped to handle various crises, directly impacting the success or failure of their family business's succession (Ahmad et al., 2022). Given the critical role that the personality traits of daughter successors play in increasing the survival rate of S-FBs, the first research question is:

R.Q.1. Which personality traits of a daughter successor increase the perceived succession success of S-FB?

Family business researchers argued that the true outcome of personality traits on business performance should be investigated through a mediating mechanism. However, the existing literature lacks a comprehensive understanding of these mechanisms, particularly regarding how a successor's willingness to lead serves as a psychological bridge between personality traits and successful outcomes in succession. The successor's personality traits are not the only factor that influences the likelihood of a successful transition in S-FB; the successor's willingness to engage and handle business affairs responsibly is also crucial (Tang & Hussin, 2020). Furthermore, it has been noted that succession cannot be considered successful without the successor's willingness to handle the business diligently. Richards et al. (2019) pointed out that the higher the willingness to lead, the greater the probability of achieving set goals and subsequently perceived success in succession. Despite the undeniable importance of a daughter successor's willingness to lead in relation to personality traits, perceived succession success remained unexplored. This gap represents a significant area that needs further investigation in family business succession research, where the psychological mechanisms linking personality traits to performance outcomes have not been adequately addressed. Therefore, the second research question is:

R.Q.2. Does the daughter successor's willingness to lead mediate between the personality traits and perceived succession success of S-FB?

Task and organisational level situational cues of TAT help to explain the relationship between entrepreneurial traits such as innovativeness, internal locus of control, and autonomy, and willingness of daughter successor to lead, as well as their perceived succession success (Judge & Zapata, 2015). The alignment or misalignment of organisational level cues (i.e., values, traditions, customs) with the successor's entrepreneurial personality trait can activate or deactivate their specific trait and influence the success or failure of the succession. In addition, TAT provides a framework for understanding mediating mechanisms that predict how a person's personality traits can drive their behaviour and performance (Jayawickreme et al., 2019). When both the nature of tasks (task level cues) and values and traditions (organisational level cues) of S-FB align with the successor's personality traits, this combination attracts the successor to spend more time performing those assigned attractive tasks. In this scenario, aligning these situational cues instigates the daughter successor's willingness to lead and increases the likelihood of succession success across generations.

This study makes several key contributions. First, it examines the relationship between the entrepreneurial traits of daughter successors and perceived succession success. Second, it investigates how the successor's willingness to lead mediates this relationship. Third, it uses the TAT to explain the model in the context of S-FB. The sample size in this study consisted of 236 daughter successors designated as chairwomen and managing directors in the small-scale retail family business in Malaysia. Smart-PLS was used to do bootstrapping after evaluating common method biases, reliability, and validity. This study revealed that daughter successors' innovativeness traits have a positive significance, while internal locus of control and autonomy traits have non-significant associations with perceived succession success. Daughters with traits of innovativeness and a strong internal locus of control show a positive significance, whereas autonomy does not significantly relate to their willingness to take on leadership roles. Furthermore, the daughter successor's readiness to lead partially mediates the relationship between innovativeness and perceived succession success, fully mediates the connection between an internal locus of control and succession success, and shows no mediation between autonomy traits and perceived succession success in S-FB.

This study is important for the retail sector policymakers and predecessors as it offers insights on selecting a suitable successor for their S-FB. It emphasizes aligning successors' personality traits with their roles and ensuring compatibility with business operations and culture. By adopting such practices, predecessors can boost successors' interest in leadership and improve the chances of successful generational transitions, enhancing the survival rate of S-FBs.

2. Theoretical Framework and Literature Review

2.1. Theoretical framework

Several theories support the existence of personality traits in different contexts, including social investment theory, social cognitive theory, Jung's theory (Finn, 2011), and the personality-job fit theory (O'Reilly, 1977). Social investment theory posits that changes in personality traits over time are influenced by an individual's commitments to social roles and institutions (Roberts et al., 2005). In contrast, Social Cognitive Theory explains personality as a dynamic interaction among thoughts, behaviours, and the environment, emphasizing the roles of observational learning and self-efficacy. Unlike fixed trait theories, this approach highlights personality's adaptability to changing situations. Jung's theory categorizes personality types based on opposing attitude and function types (Kotsch, 2000). Personality-job fit theory suggests that individuals perform best when aligned with their firm's environment and culture. Although Jung's and personality-job fit theories have been applied in small to medium-sized enterprises, they don't fully explain the model of this study. Trait activation theory, however, is compatible and can effectively support the proposed framework.

This study employs TAT to clarify the proposed model by examining how individuals express their traits in response to environmental cues, which reveal those traits (Tett & Burnett, 2003). These cues can originate from organizational, social, and task contexts (Judge & Zapata, 2015). In Malaysia, these cues are complex, combining traditional values that emphasize collective decision-making and hierarchical respect with modern practices that prioritize individual leadership and innovation. For female successors, the role of TAT is crucial, as cultural gender norms can either suppress or activate entrepreneurial traits, leading to a unique interaction between personality expression and cultural expectations. Ultimately, these cues influence the traits relevant to job responsibilities and organizational outcomes, directly impacting job performance (Tett & Burnett, 2003). TAT suggests that work outcomes shaped by personality traits fall into two categories: (1) attitude and (2) performance. 'Attitude' reflects how well an individual aligns with their tasks, affecting their willingness to lead. In Malaysian family businesses, this alignment is influenced by cultural cues such as family honour (*mianzi*), respect for elders, and gender expectations, which can either enhance or inhibit a daughter successor's leadership traits. A stronger fit between personality traits and task requirements often leads to a greater willingness to lead. Additionally, a business's performance hinges on the successor's commitment to completing tasks, with personality traits predicting business performance and profitability. It follows that an individual's traits also influence their perceived performance and willingness to lead (Maier et al., 2019). Ultimately, effective performance indicates a successful transition of the family business across generations, linking personality traits to both willingness to lead and perceived succession success.

Researchers have differing views on the significance of the Big Five personality traits. Some argue that these traits fail to effectively distinguish between individuals with entrepreneurial qualities and other business executives. Additionally, the Big Five traits are not specific to situations or mechanisms, limiting their ability to explain entrepreneurial behaviour (Şahin et al., 2019). To address these limitations, our study focuses on three key entrepreneurial personality traits: innovativeness, internal locus of control, and autonomy. This selection is particularly relevant in the Malaysian context, where traditional family business structures can influence the expression of these traits in female successors, shaped by cultural factors like collective harmony and gender role expectations. The connection between innovativeness, locus of control, and autonomy is significant in family businesses. Individuals aiming for innovation must believe they can control outcomes and work independently (Burcharth et al., 2017). Those with a high internal locus of control are more likely to make independent decisions, believing their actions directly impact the firm's success and growth (Cobb-Clark, 2015).

Research indicates that individuals with an internal locus of control are more likely to use creative strategies in challenging situations due to their willingness to take risks (Hong et al., 2018). Autonomy is also vital for fostering innovation in family businesses; when given the freedom to make decisions, individuals can innovate without being hindered by tradition or external interference. Similarly, a successor's internal locus of control and inclination towards autonomy enhance their innovativeness (Ejiobi-Okeke & Samuel, 2021). Thus, autonomy, innovativeness, and internal locus of control are key factors that should be studied together, as these traits may increase a successor's willingness to lead and improve perceived succession success.

2.2. Literature review

2.2.1. Family business succession: A comprehensive overview

Family business succession represents one of the most extensively researched areas in family business literature, with scholars examining various dimensions of this critical organizational transition (Baltazar et al., 2023). Recent systematic reviews reveal that succession research has evolved from basic process models to sophisticated frameworks examining psychological, cultural, and performance outcomes (Ge & Campopiano, 2021). However, despite this extensive body of work, significant gaps remain in understanding the role of successor characteristics, particularly personality traits, in determining succession outcomes.

Succession research has traditionally focused on structural and procedural aspects, with limited attention to psychological factors that drive succession success (Gagné et al., 2021). Recent studies emphasize that motivation and individual characteristics of successors are critical determinants of succession effectiveness, yet empirical investigations remain scarce (Ramon, 2021). This gap is particularly pronounced when examining specific personality traits and their activation mechanisms in succession contexts.

Furthermore, existing succession literature predominantly adopts a gender-neutral approach, failing to recognize the unique challenges and contributions of female successors (Maseda et al., 2022). This oversight represents a significant limitation given the increasing participation of women in family business leadership and succession processes.

2.2.2. Gender and female succession in family businesses

Recent bibliographic analyses reveal that women's involvement in family firms has garnered increasing attention, yet female succession remains underexplored (Maseda et al., 2022). The literature indicates that female leadership in family firms can yield superior entrepreneurial outcomes compared to non-family firms, suggesting unique advantages that warrant investigation (Hernández-Linares et al., 2023). Systematic reviews of women entrepreneurship in family businesses identify female succession as a dominant emerging theme requiring further research (Bağış et al., 2022). Contemporary research highlights that daughters' succession intentions are significantly influenced by national gender inequality contexts, indicating the importance of cultural and institutional factors (Lyons et al., 2024). However, existing studies lack comprehensive frameworks examining how personality traits of female successors interact with these contextual factors to influence succession outcomes.

Recent conceptual work emphasizes the need for gender-perspective frameworks in understanding female succession processes (Franco et al., 2023). Empirical evidence from matrilineal societies suggests that female successors bring unique innovation capabilities to family businesses, yet the underlying personality mechanisms remain unexplored (Games & Sari, 2023). Additionally, research indicates that gender effects on organizational performance in succession contexts vary significantly, suggesting the importance of individual-level factors such as personality traits.

2.2.3. Research gaps and study positioning

Based on this comprehensive literature review, several critical gaps emerge that this study addresses:

Table 1. Literature gaps and study contributions

Gap	Existing Literature Limitations	Contribution
Succession Research Focus	Predominantly structural/procedural focus (Baltazar et al., 2023)	Examines psychological mechanisms through personality traits
Motivational Mechanisms	Limited empirical investigation of successor motivation (Gagné et al., 2021).	Empirically tests willingness to lead as mediating mechanism
Female Succession	Gender-neutral approaches dominate (Maseda et al., 2022).	Focuses specifically on daughter successors
Personality Traits	Lack of specific trait-performance relationships (Ramon, 2021)	Examines innovativeness, internal locus of control, and autonomy
Theoretical Framework	Limited application of TAT in succession contexts	Applies Trait Activation Theory to explain trait-performance links
Cultural Context	Insufficient attention to emerging economy contexts (Lyons et al., 2024).	Examines Malaysian small family businesses
Gender-Performance Link	Inconsistent findings on gender effects (Soost & Moog, 2021)	Provides trait-based explanation for female successor effectiveness

This positioning demonstrates that while succession research is extensive, critical gaps exist in understanding the psychological mechanisms through which female successors' personality traits influence succession outcomes. The application of Trait activation theory to explain these relationships in the context of small family businesses in emerging economies represents a significant theoretical and empirical contribution to the field.

2.3. Perceived succession success

Sharma et al. (2001) defined perceived succession success as "the actions and events that lead to the transition of leadership from one family member to another in family firms. The two family members may be part of the nuclear or extended family and may or may not belong to the same generation" (p.19). The succession process ensures the continuity, longevity, and sustainability of business through generations. Literature has shown that succession in family businesses is a complex and challenging process (LeCounte, 2022). It is perceived as successful when the successor can effectively manage business affairs, meet the needs of stakeholders, and achieve sustainable business performance (Georgiou et al., 2023).

2.4. Successor's willingness to lead

The success of a family business largely depends on the successor's readiness to take on leadership responsibilities (Wang et al., 2019). This readiness refers to a heir or family member's eagerness and motivation to manage and control the business affairs. Several factors contribute to this willingness, including successor's interest, passion, and a sense of obligation to preserve and advance the family legacy. The willingness of a potential successor is crucial, as they influence succession planning and overall transition in leadership. If a successor is not enthusiastic or dedicated to assuming leadership, it could pose challenges for the short-term stability and long-term growth of the family business (Marques et al., 2022).

2.5. Direct relationship

2.5.1. Innovativeness and perceived succession success

An individual's willingness and interest to seek new ways of performing tasks is termed 'innovativeness'(Salhieh & Al-Abdallat, 2022). Innovativeness is a fundamental component of entrepreneurship (Presenza & Messeni Petruzzelli, 2019). Ownership of family business influences the successor's potential and ability to innovate. Khaw et al. (2023) studied thirty-seven Malaysian family firms highlighted innovativeness as an essential factor in the success of family business. Family firms that exhibited higher levels of innovativeness achieved better

long-term business performance and were more competitive against non-family firm (Sherlock et al., 2022).

Similarly, Kubota and Takehara (2019) a study conducted on Japanese family firms found that innovativeness positively impacted the sales and profitability of family firms in a competitive market. However, some scholars argue that excessive focus on innovation can harm family firms' traditional strengths and stability (De Massis et al., 2018). Rondi et al. (2019) found that family firms often prioritize preservation of socioemotional wealth over innovative risk-taking, suggesting that innovativeness may not always align with family business objectives. Additionally, Calabrò et al. (2021) demonstrated that in specific contexts, family firms' conservative approach and resistance to change can contribute more to succession success than aggressive innovation strategies. Koentjoro and Gunawan (2020) Proposed a framework highlighting the importance of family firms leveraging their innovation management capabilities to drive competitive advantage and ensure long-term success. Lorenzo et al. (2022) stressed as essential for family firms to cultivate a culture of innovation and encourage family members to embrace new ideas to preserve the family firm's legacy and sustain growth. Therefore, it can be argued that a direct relationship exists between innovativeness and perceived success in succession planning within family businesses. Based on this, we proposed the hypothesis:

> *H1: Daughter successor's innovativeness is positively associated with the perceived succession success.*

2.5.2. Innovativeness and willingness to lead

McElheran (2015) found that a business leader's willingness to lead the market is based on their tendency to adopt innovative technologies. Debellis et al. (2021) suggested that while family firms possess superior innovation management abilities, they tend to be less willing to engage in technological innovations. However, contrasting findings by Kraus et al. (2012) indicate that family firms often exhibit innovation rigidity due to traditional mindsets and risk-averse tendencies, particularly when succession involves female heirs who may face additional resistance to innovative approaches. Organizations with an innovative culture are significantly associated with the willingness of employees with innovative traits to share new ideas. Literature has recognized the importance of innovativeness in family firms and its impact on the successor's support to take initiatives to achieve a competitive advantage (Cesaroni et al., 2021). However, there is still limited research specifically focusing on the relationship between the innovativeness traits of a daughter's successor and her willingness to lead in a family business (Mussolino et al., 2019). Conversely, some studies suggest that innovative traits may decrease willingness to lead in traditional family businesses. A study by Ali (2019) revealed that individuals with openness traits are more inclined to take on innovative job responsibilities. The lens of TAT further suggests that female successors demonstrate a greater willingness to lead the family business when a successor with an innovative trait is assigned innovative tasks. Building on this literature review, it can be hypothesised that a daughter successor with an innovativeness trait is more likely to join a family that values innovation and actively supports innovative practices. Thus, we proposed:

> *H4: Daughter successor's innovativeness is positively associated with their willingness to lead.*

2.5.3. Internal locus of control and perceived succession success

An individual's belief to have control over events in their life is termed as an internal locus of control (Rauch & Frese, 2007). Individuals dominating the internal locus of control trait believe in controlling their actions, fate, and future outcomes. Cirillo et al. (2022) investigated generational engagement and discovered that family members in top management spanned various generations. The majority of these individuals exhibited a strong internal locus of control and achieved significant entrepreneurial success. Vodă and Florea (2019) undertook multiple semi-structured interviews with UK family firms. They revealed that an entrepreneur's internal locus of control improves the family business's performance and legacy preservation. Galvin et al. (2018) suggested that people with a stronger internal locus of control than an external one are more adept at tackling complex and creative tasks. However, it can also lead to ignoring external advice and stakeholder input, overconfidence, and poor decision-making in uncertain business environments, which may hinder business performance.

Hsiao et al. (2016) found that family business owners with a greater internal locus of control were more likely to engage in higher levels of business planning. Tseng et al. (2022) found that ventures led by entrepreneurs with an internal locus of control performed better than those with an external locus of control. The concept of locus of control has been extensively studied in the SME context. Still, limited research focuses on the relationship between internal locus of control and family business performance (Hamzah & Othman, 2023). Still, no direct relationship exists between the daughter successor's internal locus of control trait and perceived succession success. So, this study proposes the hypothesis:

H2: Daughter successor's internal locus of control is positively associated with the perceived succession success.

2.5.4. Internal locus of control and willingness to lead

The literature has extensively examined entrepreneurs' internal locus of control. Research consistently indicates that individuals with a stronger internal locus of control are more inclined to seek leadership roles in organizations (Afsar et al., 2020). This is because individuals who possess an internal locus of control tend to believe they can influence their outcomes and shape their destinies. The planned behaviour support theory explains that students with a family business background and a high internal locus of control were identified as having strong succession intentions. Individuals with a relatively high internal locus of control are more willing to take financial risks, but buffering effects may vary across generations. However, some studies challenge this relationship, suggesting that excessive internal locus of control may lead to overconfidence and poor decision-making in leadership contexts (Chen & Silverthorne, 2008). Additionally Mueller and Thomas (2001) found that in certain cultural contexts, external locus of control individuals demonstrated higher entrepreneurial intentions, contradicting the conventional wisdom about internal control orientation. Qurrahtulain et al. (2022) compared that women have a low internal locus of control and are less likely to make critical decisions than men; thus, their willingness to take leadership roles in groups is lower. Earlier studies have indicated a favourable connection between self-efficacy and the willingness to lead, reinforcing the association between an internal locus of control and successors' readiness to lead. Consequently, this research aims to explore the direct correlation between internal locus of control and successors' willingness to lead within family business contexts. So, the proposed hypothesis is:

H5: Daughter successor's internal locus of control is positively associated with their willingness to lead.

2.6. Autonomy and perceived succession success

Autonomy is a trait that enables individuals to identify problems and opportunities, set priorities concerning those problems, and have the authority to take action to provide solutions (Seeber et al., 2020). Autonomy is an entrepreneurial personality trait essential for the growth of new enterprises. Despite this, the autonomy trait has received little attention in entrepreneurial studies (Ravenelle, 2019). However, the significance of autonomy in the light of entrepreneurial achievement is theoretically supported (De Clercq & Brieger, 2022). Conversely, some scholars argue that excessive autonomy can lead to isolation and poor decision-making in family business contexts, as successors may lack the collaborative mindset necessary for sustainable leadership (Santiago-Torner et al., 2025). Still, a gap exists in the literature that could be filled empirically by examining the relationship between the trait of autonomy, a successor's willingness to lead, and the perceived succession success in the context of S-FB.

Chen et al. (2025) showed that a successor should have managerial competence, and the predecessor must provide conducive conditions for the successor's development. Tang and Hussin (2020) suggested that a successor chosen by the first-generation owner has authority and control. Such successors with decision-making control contribute to excellent performance in their business. Succession is most likely to be successful when a successor possesses the autonomy to deal with the business's affairs (Chan et al., 2020). An individual's autonomy is essential for mitigating succession issues and the longevity of Australian family firms (Becerra et al., 2020). Literature indicates that autonomy influences the performance of family firms, but autonomy traits of the daughter successors contribute to the transaction of their S-FB, which needs investigation. So, the proposed hypothesis is:

H3: Daughter successor's autonomy is positively associated with perceived succession success.

2.7. Autonomy and successor's willingness to lead

Gao and Jiang (2019) developed a scenario among autonomous work teams that found valid and constructive reasons to link the autonomy trait with a leader's willingness to lead and yield improved performance. In contrast, Zarrouk et al. (2020) found that the autonomy trait may have diverse impacts on business performance if an individual shows their willingness to achieve set targets. However, excessive autonomy can lead to isolation and reduced willingness to take on leadership roles, particularly in collectivist cultures where interdependence is valued. Similarly, (Rodríguez-Cifuentes et al., 2020) found that high autonomy traits may decrease leadership motivation when individuals perceive leadership as constraining their independence. Previous studies indicate that an entrepreneur's autonomy trait is linked to a successor's willingness to lead. However, existing literature cannot answer the question of the relationship between the daughter successor's autonomy trait and her willingness to lead the S-FB. So, the derived hypothesis is:

H6: Daughter successor's autonomy is positively associated with their willingness to lead.

2.8. Successor's willingness to lead and perceived succession success

Successor's interest and willingness to lead the business are prerequisites for a successful succession transition (Ringo & Kibambila, 2025). Rautamäki and Römer-Paakkanen (2016) also revealed that, a successor's propensity to lead the business increases the likelihood of succession success. However, some scholars argue that willingness alone may not guarantee success, as external market conditions and organizational readiness play equally critical roles (Bornhausen & Wulf, 2024). A forced succession due to circumstances can sometimes yield better outcomes than voluntary succession, challenging the assumption that willingness is always beneficial. If a successor is reluctant to lead the family business (for whatever reason), the succession is unlikely to be successful. Thus, the deduced hypothesis is:

H10: A daughter successor's willingness to lead is positively associated with the perceived succession success.

2.9. Mediating mechanism

2.9.1. Daughter successor's willingness to lead between innovativeness and perceived succession success

Prasanna et al. (2019) highlighted that a willingness to lead a firm by adopting innovative approaches leads it towards success. Kagendo (2018) found that leaders who support innovation and creative activities in Kenyan firms enhance the willingness of employees to boost team performance and overall business success. Such business success results in the longevity and transition of family businesses to the subsequent generation. TAT explains that the successor's innovativeness traits activate and arouse her willingness to lead when the nature of the assigned work to the successor is related to creativity, adventurism, and innovativeness. This willingness is accentuated in S-FBs with a cutting-edge image and a diverse and cultured workforce. Thus, aligning a successor's innovative personality traits with the assigned tasks (creativity, innovative performance) increases her willingness to lead. However, the likelihood of a successful transition increases with willingness when innovation-related cultural cues (cutting-edge image, workforce diversity) also support her. On the contrary, the incongruence between the innovativeness trait of the successor and the nature of the assigned tasks and the cultural values of the S-FB may reduce the willingness to lead and, subsequently, the perceived succession success. The deduced hypothesis is, therefore:

H7: The relationship between innovativeness and perceived succession success is mediated by willingness to lead

2.9.2. Daughter Successor's Willingness to Lead between Internal Locus of Control and Perceived Succession Success

Hamzah and Othman (2023) proposed that a high internal locus of control is associated with motivated individuals, which results in better performance or higher success rates. Successful family firms are likelier to transact with subsequent generations (Sreih et al., 2019). TAT signals that daughter successors high in internal locus of control are willing to make decisions as they are judgmental and perceptive towards future events. Their willingness is accentuated in S-FBs, where the cultural cues and traditions support strategic planning projects or risky ventures. Thus, the internal locus of control trait daughter successor's willingness to lead increases when she has the freedom and support of her business to make decisions based on her own judgment and rationality. A positive outcome due to her vision instigates her to work hard and make decisions that preserve the family business's prosperity across generations. Based on these arguments, the proposed hypothesis is:

H8: The relationship between internal locus of control and perceived succession success is mediated by willingness to lead

2.9.3. Daughter successor's willingness to lead between autonomy and perceived succession success

Bergner (2020) investigated the differences among individuals based on their cognitive abilities and suggested that those who possess the autonomy trait are more willing to lead and able to achieve high performance based on their analytical skills and diversity of experience. Sørlie et al. (2022) found that the contextual aspects of an autonomous working environment positively influence a leader's willingness to lead and achieve excellent organizational performance. A high-performing firm is more likely to be able to transition to the next generation successfully. When seen through the lens of TAT, a successor possessing the autonomy trait is highly motivated to accomplish tasks (i.e., social welfare, architecture, leadership) more effectively. However, their willingness to lead the firm would emphasize the S-FBs whose values and traditions support the successor's autonomy in decision-making. The scenario mentioned above leads to the assumption that a succession process will be more effective if the successor is motivated and enjoys their work in the culture of S-FB that supports the autonomy provision. Thus, the proposed hypotheses is:

H9: The relationship between autonomy and perceived succession success is mediated by willingness to lead

2.10. Control variables

In family business succession, various factors have been identified as potential predictors. Among multiple factors, an important consideration is the level of education and generation-level involvement of the successor (Ahmad & Yaseen, 2018). Numerous studies have indicated that successors with higher levels of education are better equipped to take over the family business and navigate its challenges effectively. For example, Soares et al. (2021) found that successors with higher educational levels were more likely to engage in innovative practices and adopt new technologies, leading to better overall performance of the family business. In addition to education, the generation level of the successor also plays a significant role in predicting succession success. Li et al. (2020) suggested that second-generation successors are likelier to possess the necessary skills and knowledge for successful business succession. However, this relationship is not straightforward, as the research by López-Pérez et al. (2025) highlights that third-generation successors may face unique challenges and have different expectations compared to second-generation successors. Therefore, it is important to consider both the level of education and the generation-level involvement as control variables when predicting succession success in family businesses.

3. Method

3.1. Participants and procedure

This study used a pre-designed self-administered questionnaire based on prior personality traits and family firm research (Ahmad et al., 2023). This study selected Malaysia because it presents an ideal context for this research due to its unique blend of traditional family business structures and rapid economic modernisation, where female succession remains culturally sensitive yet increasingly necessary. The country's diverse ethnic composition (Malay, Chinese, and Indian) offers varied cultural perspectives on gender roles in business leadership. In contrast, its position as a developing economy with a strong family business presence provides substantial empirical ground for studying succession dynamics in emerging market contexts. This study focused on three cities of Selangor state, Malaysia: Shah Alam, Subang Jaya, and Petaling Jaya. These are the biggest revenue-generating states and contain a large number of S-FBs. The probability of S-FB failure is high in this city due to rapidly changing market trends and the entrance of expat entrepreneurs with international exposure and heavy investment (Abdul Hamid, 2013). The list of small and medium businesses was obtained from the Small Medium Enterprise Corporation (SME-Corp) Malaysia. Relying on the list, author sorted out S-FB based on the following criteria: (1) the business must be at least five years old (Faccio et al., 2016); (2) has 5 to 30 employees and an annual sale turnover between RM 300,000- RM 3 Million (Lim & Teoh, 2021) and (3) the business identifies itself as family-owned, and /or a single-family owns 50% or above shares (Chua et al., 1999). We chose to examine the retail sector because it accounts for 13.1% of Malaysia's GDP (Ahmed et al., 2024) and focusing on a single sector would offer better insight into that sector without complexities. Focusing on a single sector reduces industry-specific variability and allows for more precise analysis of succession dynamics within a homogeneous business environment. However, this sector-specific approach may limit the generalizability of findings to other industries with different operational characteristics, family involvement patterns, and succession challenges (Qalbia & Santoso, 2025).

We targeted female successors designated for key positions like chairwomen or managing directors, and their S-FBs belong to the 2nd generation and onwards. We set this criterion because family businesses start losing grip on their longevity from the 2nd generation or onwards (Tan et al., 2019). Moreover, vision and rationality, based on the personality traits of such key position-holding successors, can influence the succession process of S-FBs.

The lack of an accurate and updated sampling frame led us to use a non-probability purposive sampling (Isaga et al., 2015). We used TAT to explain the proposed model. According to TAT, the personality trait of an individual activates and urges her to achieve high job performance when the nature of the assigned task and the cultural cues of that firm match with her traits. Based on the TAT, the author asked two filter questions to assess personality traits on succession success accurately. These questions are: 1) Are you satisfied with the nature of the assigned task? 2) Are you satisfied with your S-FB's culture, values, and traditions? The answer "yes" proceeded to their further participation in the study.

A panel of three experts in the family business domain evaluated the content validity of the closed-ending questionnaire. In June 2021, the questionnaire was delivered to the targeted successors of S-FBs through Google Forms. One hundred thirty-eight responses were received; a response rate of 39%. Participants ranged in age from 26 to 63, M_{age} = 35.23. So, it can be deduced that family businesses are transitioning leadership to younger generations earlier in their careers. Of these participants, 64.2 % belonged to the 2nd generation, 29.5% to the 3rd generation, and 6.3% to the 4th generation. The dominance of second-generation successors indicates that most participating family businesses are still in their early generational phases, or these S-FBs are struggling to enter subsequent generations. We found no S-FB under the surveillance of the 5th generation. 13.2% had a postgraduate degree, 44.4 % had an undergraduate degree, 26.3% completed high school, and 16.1% completed secondary school. Based on these results, it can be deduced that educational attainment was notably high, with 57.6% of successors holding university-level qualifications (undergraduate or postgraduate), demonstrating the increasing emphasis on formal education in preparing successors for leadership roles. The substantial representation of highly educated successors suggests a shift from traditional experiential learning to more structured educational preparation in contemporary family business succession planning.

3.2. Common method bias

In the study, the daughter successor's personality traits, innovativeness, internal locus of control, and autonomy are treated as exogenous constructs, the successor's willingness to lead as a mediator, and perceived succession success as endogenous constructs. The data was collected at one point, so there was a chance of common method biases. We conducted Harman's single-factor test, which revealed that the factors accounted for 42.842% of the variance, falling below the 50% threshold typically associated with common method bias. In addition, this study found no significant differences between the respondents and non-respondents from our ANOVA and Mann-Whitney U tests, indicating that the non-response bias in this study is trivial (Ahmad et al., 2024). These findings suggest that common method bias is not a concern in the context of this study.

3.3. Measures and control variables

This study adopted scales to measure the constructs. A six-item succession success scale was developed (Cabrera-Suárez & Martín-Santana, 2012) with a reported Cronbach's alpha of 0.89, demonstrating strong internal consistency, and treated as a formative construct. The successor's willingness to lead is measured (Venter et al., 2005) five-item scale (α = 0.84) and treated as a reflective construct. The entrepreneurial personality traits, autonomy, innovativeness, and internal locus of control, were reflective measurement constructs validated by (Cuesta et al., 2018)with composite reliability scores ranging from 0.78 to 0.86, confirming adequate construct reliability. This study also used a nomological approach to decide whether specific constructs are formative or reflective, in addition to literature support (Finn & Wang, 2014) Each item of these constructs was recorded on a five-point Likert scale ranging from 1 (strongly disagree) to 5 (strongly agree).

Control variables*:* Previous research has shown that family members' priorities regarding the well-being of businesses shift to family well-being across generations (Parada et al., 2019). Every family business is at a different generation level, impacting its dynamics and decision-making processes. Literature indicates that family businesses' performance varies according to their generation. Therefore, we controlled the generation level of the family business. The responses were measured, ranging from

(1=2nd generation, 2=3rd generation, and 3=4th generation). Literature indicates that cognitive approach and capabilities to take calculated initiatives depend on the successor's level of education. Every successor has a different level of education, and it has varying effects on the succession. Literature also indicates that successors with postgraduate education either leave their S-FB or transform it into a large-scale enterprise (Ahmad & Yaseen, 2018). So, we also used the successor's education (1 = secondary school, 2 = high school, 3 = undergraduate, 4 = post-graduate) as a control variable.

4. Results

4.1. Measurement model analysis

The data were screened for outliers, and 2 participants were removed. Table 2 presents the descriptive statistics. The correlational estimates in Table 2 were consistent with this study. The convergent validity of multi-item reflective constructs (innovation, internal locus of control, autonomy, succession success, daughter's willingness to lead) was assessed by the loading and significant level of each item of its respective constructs. The factor loading of items of each construct (see Table 2) was between 0.60 and 0.956, except for 4 items. So those items were removed. Composite reliability and Cronbach's alpha value of all constructs were equal to or higher than 0.837, which indicates a suitable range of reliability and validity of constructs (Nunnally & Bernstein, 1994). Through the Q_B^2 statistical test (a cross-validated redundancy index), carried out by the blindfolding method (Santos-Jaén et al., 2022), the predictive relevance of the independent latent variables have been evaluated. The findings in Table 1 reveal that all Q_B^2 are positive, confirming the satisfactory explanatory qualities of the model (Evermann & Tate, 2016). Every variable exceeds the suggested threshold of 0.708, and Cronbach's alpha is greater than 0.7. The average variance extracted (AVE) is also greater than 0.5, indicating reliability and convergent validity (Ahmad, 2025).

Table 2. Factor loading of reflective constructs

Results of the Outer model for 37 elements, indicating five constructs

Elements	Loading	*t*-value	*p*-value	Q_B^2	α	CR	AVE
Innovativeness					0.946	0.954	0.975
INN.Q.1	0.827	16.569	0.000				
INN.Q.2	0.823	27.026	0.000				
INN.Q.3	0.879	36.862	0.000				
INN.Q.4	0.84	31.707	0.000				
INN.Q.5	0.805	19.760	0.000				
INN.Q.6	0.801	21.724	0.000				
INN.Q.7	0.845	32.305	0.000				
INN.Q.8	0.852	29.365	0.000				
INN.Q.9	0.746	15.994	0.000				
INN.Q.10	0.789	23.632	0.000				
Internal Locus of Control					0.859	0.892	0.542
ILC.Q.1	--	--					
ILC.Q.2	0.796	18.825	0.000				
ILC.Q.3	0.772	12.559	0.000				
ILC.Q.4	0.693	13.802	0.000				
ILC.Q.5	0.718	11.687	0.000				
ILC.Q.6	--	--	--				
ILC.Q.7	0.731	15.277	0.000				
ILC.Q.8	0.705	16.652	0.000				
ILC.Q.9	0.734	19.569	0.000				
ILC.Q.10	--	--	--				
Autonomy					0.879	0.902	0.508
AU.Q.1	0.796	28.094	0.000				
AU.Q.2	0.588	9.009	0.000				
AU.Q.3	0.76	28.339	0.000				

Elements	Loading	*t*-value	*p*-value	Q_B^2	α	CR	AVE
AU.Q.4	0.643	9.784	0.000				
AU.Q.5	0.603	10.871	0.000				
AU.Q.6	--	--	--				
AU.Q.7	0.721	12.602	0.000				
AU.Q.8	0.774	12.441	0.000				
AU.Q.9	0.788	13.256	0.000				
AU.Q.10	0.704	12.847	0.000				
Perceived Succession Success					0.968	0.974	0.861
PSS.Q.1	0.934	46.533	0.000	0.216			
PSS.Q.2	0.935	89.307	0.000	0.302			
PSS.Q.3	0.907	36.142	0.000	0.193			
PSS.Q.4	0.956	79.827	0.000	0.255			
PSS.Q.5	0.917	34.621	0.000	0.182			
PSS.Q.6	0.917	36.880	0.000	0.228			
Daughter's Willingness to Lead					0.837	0.878	0.592
DWL.Q.1	0.709	12.133	0.000	0.136			
DWL.Q.2	0.791	13.686	0.000	0.099			
DWL.Q.3	0.807	11.082	0.000	0.44			
DWL.Q.4	0.709	9.149	0.000	0.033			
DWL.Q.5	0.837	13.102	0.000	0.322			

QB^2: cross-validated redundancies index performed by a 7-step distance-blindfolding procedure. α: Chronbach's alpha; CR: composite reliability; AVE: average variance extracted; *: All loadings are significant at the 0.005 level. Source: Author's own calculation.

Regarding the reliability and validity of an endogenous reflective construct, Table 3 indicates that the indicators for the succession success construct do not exhibit collinearity issues, as each indicator's VIF value is below five (Sarstedt et al., 2021).

Table 3. Endogenous reflective constructs' reliability & validity

		Multi Collinearity	Convergent Validity			
			t-value	Outer loading	VIF	Redundancy Analysis
FBP	Indicators	Outer Weight	>1.96	>0.5	<5	>0.7
Perceived Succession Success	RCM	0.138	4.528	0.536	1.340	0.771
	EFF	0.264	13.75	0.877	3.210	
	ICP	0.216	9.704	0.726	2.591	
	ASI	0.283	10.265	0.811	2.341	
	SE	0.250	7.904	0.626	1.673	
	SESP	0.214	7.172	0.458	1.218	

Source: Author's own calculation

Table 4. Means, standard deviation and correlation of the latent model variables

	1	2	3	4	5	6	7
1.AU	0.686						
2. ILC	0.757	0.673					
3. INN	0.565	0.680	0.821				
4. Generation Level	0.198	0.232	-0.238	0.821			
5. Education	0.139	0.159	-0.358	0.750	0.792		
6. PSS	0.343	0.396	0.582	0.042	0.114	0.927	
7. DWL	0.462	0.565	0.607	0.070	0.132	0.621	0.772

	1	2	3	4	5	6	7
mean	4.376	4.329	4.105	3.793	4.157	4.641	1.261
SD	1.021	1.435	1.323	1.520	1.341	1.412	0.873

Note. n=236. INN= Innovativeness; ILC= Internal locus of control; AU= Autonomy; DWL=Daughter's willingness to Lead; PSS=Perceived Succession Success

After determining reliability and convergent validity, predictive relevance and discriminant validity (HTMT) are the last to be assessed in Table 5. According to Henseler et al. (2016), the threshold value for the HTMT is suggested to be 0.90. The path model with an HTMT value of 0.85 is presumed to be more distinguished. Each construct's HTMT values were within the acceptable range.

Table 5. Discriminant validity

Discriminant Validity	AU	DWTL	ILC	INN	SS
AU	0.718				
DWL	0.459	0.773			
ILC	0.713	0.573	0.736		
INN	0.567	0.607	0.684	0.821	
PSS	0.355	0.621	0.412	0.584	0.928

Note. n=236. INN= Innovativeness; ILC= Internal locus of control; AU= Autonomy; SS= Perceived Succession Success

4.2. Empirical analysis and results

4.2.1. Structural equation modelling

The results of the control variables reveal that the generation level of S-FB and the successor's education level significantly influence the succession phase of S-FB. Partial least squares-structured equation modelling (PLS-SEM) was implemented to examine the hypothesised relationship between the constructs using SmartPLS (Ahmad & Oon, 2025; Mhwise et al., 2025). The results (see Table 6) showed that innovativeness is positively related to succession success (ß = 0.386, p < 0.00), which indicates that, indicating that daughter successors with higher innovative traits are more likely to achieve successful business transitions. Moreover, successor willingness to lead (ß = 0.391, p < 0.00) demonstrates that creative and forward-thinking individuals are more motivated to take leadership roles.. Internal locus of control has no relationship with succession success (ß = -0.138, ns), which indicates personal control beliefs alone may not guarantee positive succession outcomes. However, it has a positive and significant relationship with daughter's willingness to lead (ß = 0.314, p < 0.013), showing that individuals who believe in their ability to control outcomes are more inclined toward leadership. Autonomy has no significant relationship with the daughter's willingness to lead (ß = 0.031, ns), indicating that preference for independence may not translate into leadership motivation and succession success (ß = 0.039, ns), implying that independent decision-making tendencies do not directly contribute to successful transitions. The daughter's willingness to lead is also associated with succession success (ß = 0.459, p < 0.00), confirming that motivated successors are more likely to achieve successful business transitions. Hence, hypotheses H1, H4, H5 and H10 are accepted, while H2, H3, H6 are rejected.

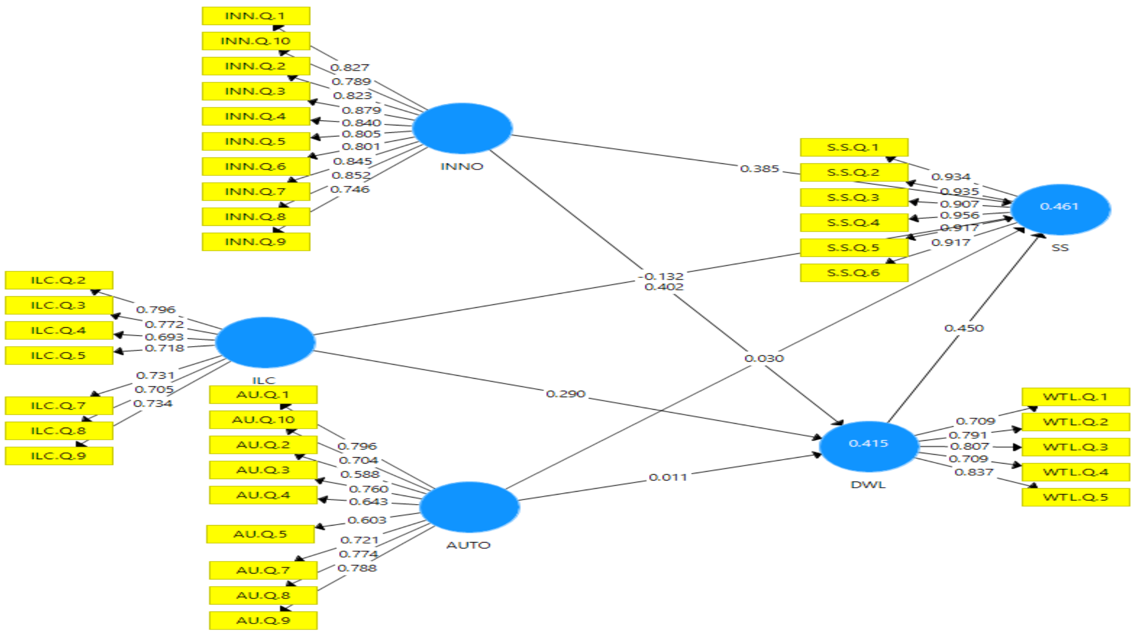
Table 6. Direct effect

Causal Path	Hypothesis	*Β-coefficient*	SD	T-Value	f^2	P-Value	VIF	Supported
H1	INN →PSS	0.386	0.074	4.499	0.143	0.000	1.82	Accepted
H4	INN→DWL	0.391	0.067	4.184	0.328	0.000	1.02	Accepted
H2	ILC →PSS	-0.138	0.072	1.321	0.012	0.187	1.32	Rejected
H5	ILC→DWL	0.314	0.061	2.501	0.362	0.013	1.18	Accepted
H3	AU→ PSS	0.039	0.073	0.359	0.018	0.720	2.98	Rejected
H6	AU→DWL	0.031	0.065	0.202	0.021	0.840	3.14	Rejected
H10	DWL→ PSS	0.459	0.019	5.863	0.251	0.000	2.31	Accepted

Generation level → PSS	0.362	0.035	4.381
Education → PSS	0.271	0.182	2.976

Note. n=236. INN= Innovativeness; ILC= Internal locus of control; AU= Autonomy; PSS=Perceived Succession Success. R^2 adjusted: DWL=daughter successor's willingness to lead: 0.418; Perceived succession success: 0.392. Standardized path values reported. SD: Standard deviation; f^2: effect size, (small=0.02), (medium=0.15) and (Large= 0.35); VIF: Inner model variance inflation factors. Significance, standard deviations. Only total effects are shown. Source: Author's own calculation.

Figure 1. Direct effect of exogenous variables on the endogenous variable



4.2.2. Mediation analysis

We employed the bootstrapped bias-corrected confidence interval method within structural equation modelling (SEM) to assess our mediation effects. (Tibbe & Montoya, 2022). To obtain confidence intervals, we used 2000 samples and the bias-corrected percentile method to generate 95% confidence intervals. The mediation effect is shown in Table 7. Regarding the mediating effects, the results show a significant indirect effect of innovativeness ($\beta = 0.183$, $p < 0.000$) demonstrating that, innovativeness enhances succession success primarily by fostering daughters' motivation and confidence to assume leadership roles, rather than directly impacting organizational outcomes and internal locus of control ($\beta = 0.150$, $p < 0.049$) on perceived succession success through the daughter successor's willingness to lead shows that, daughters with stronger internal locus of control are more likely to embrace leadership responsibilities, which subsequently translates into improved succession performance perceptions. While autonomy ($\beta = 0.013$, $p < 0.843$) does not influence succession success, the daughter successor's willingness to lead indicates that autonomy-oriented personality traits may influence succession outcomes through alternative pathways independent of leadership willingness, or may have limited relevance in family business contexts where interdependence is valued. So, H7 and H8 are accepted, while H9 is rejected.

Table 7. Indirect effect

Causal Path	Hypothesis	*B-coefficient*	T-Value	P-Value	Confidence Interval	
					CI-LL	CI-UL
H7	INN→DWL→PSS	0.183	3.995	0.000	0.099	0.281
H8	ILC→ DWL→PSS	0.150	1.985	0.049	0.027	0.269
H9	AU→DWL→PSS	0.013	0.198	0.843	-0.087	0.089

Note. n=236. INN= Innovativeness; ILC= Internal locus of control; AU= Autonomy; DWL=Daughter's willingness to Lead; PSS=Perceived Succession Success

Figure 2. Indirect effect of the mediating variable between exogenous and endogenous variables

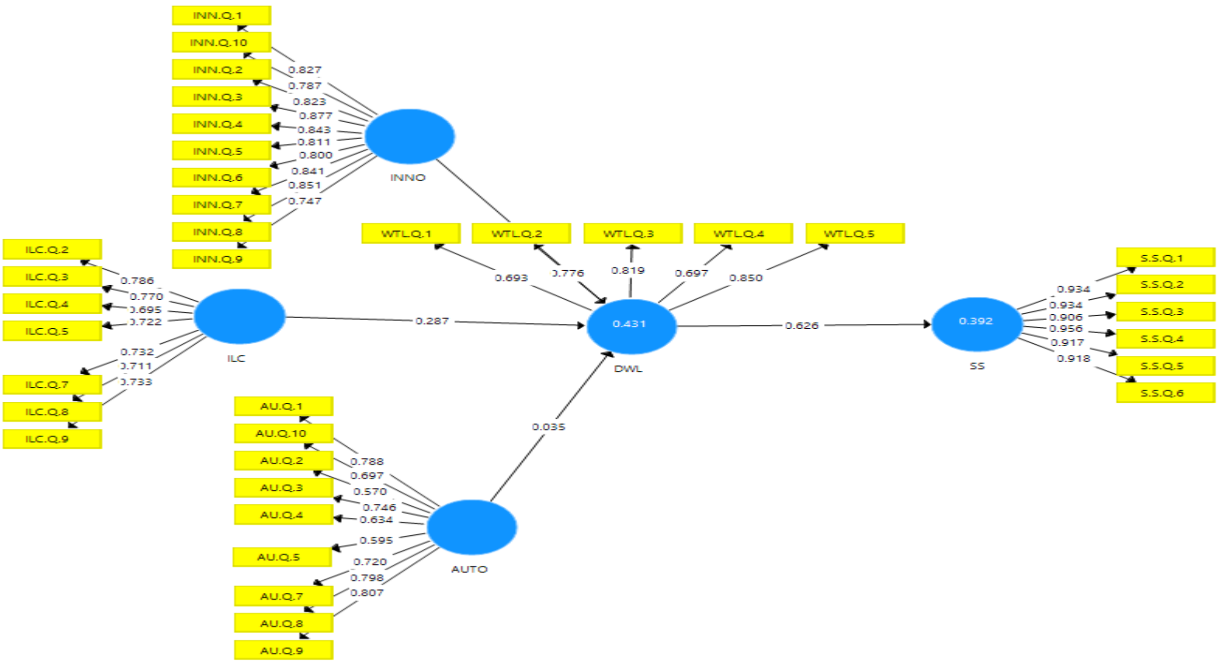
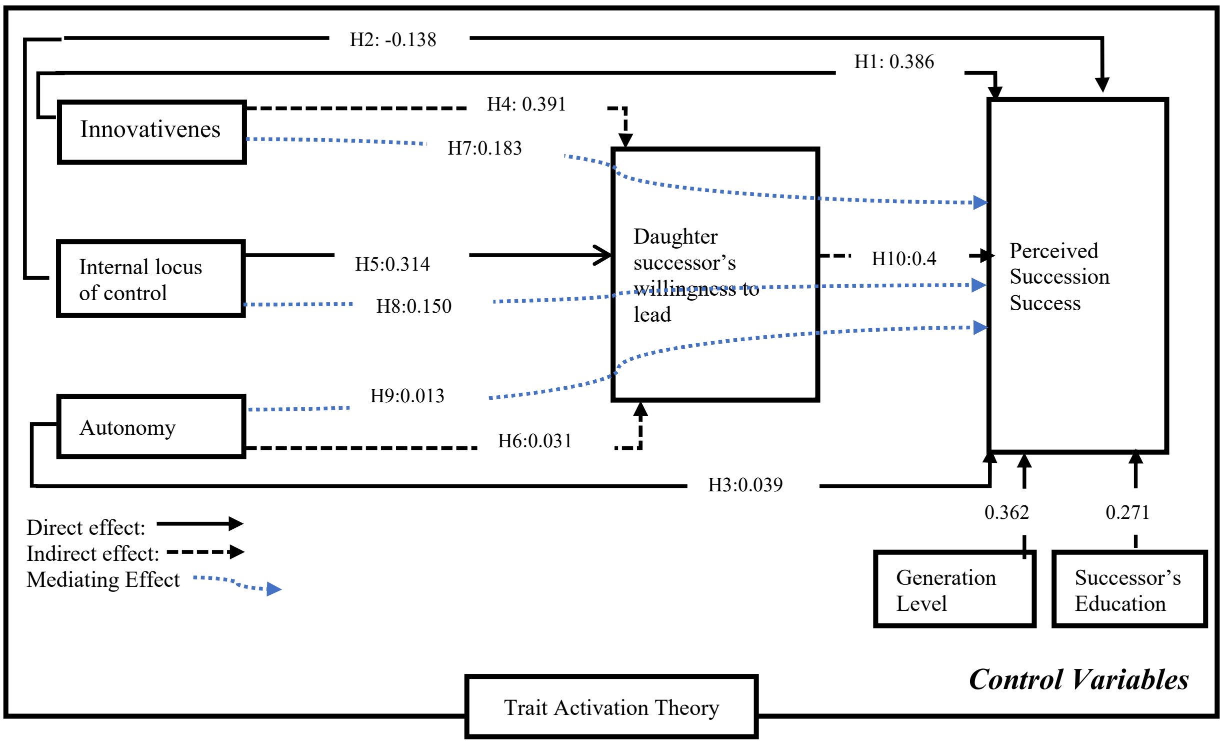


Figure 3. Statistical model



4.3. Evaluation of the predictive performance

A model's predictive performance reflects its capacity to produce new forecasts. Consequently, predictive validity (or out-of-sample prediction) shows how a specific outcome variable can be forecasted using a defined set of variable measures (Sharma et al., 2023). Table 8 shows the model's predictive power across all constructs, indicated by Q^2 values exceeding 0. A comparable conclusion emerges when examining the RMSE and MAE results of the PLS-SEM against those of the linear regression model (LM). PLS-SEM consistently yields minor errors and higher Q^2 in nearly all findings, reinforcing the model's predictive capabilities (Shmueli et al., 2019).

Table 8. PLS predict assessment

Construct Prediction Summary								
					Q^2_predict			
Daughter Successor's Willingness to Lead					0.371			
Perceived Succession Success Process					0.263			
Indicator Prediction Summary								
PLS-SEM					***Linear regression model***			
	RMSE	**MAE**	**MAPE**	**Q^2_predict**	**RMSE**	**MAE**	**MAPE**	**Q^2_predict**
DWL.Q.1	0.849	0.632	22.732	0.136	0.96	0.711	24.397	-0.106
DWL.Q.2	0.889	0.61	23.678	0.099	0.872	0.61	22.488	0.132
DWL.Q.3	0.688	0.554	17.933	0.44	0.655	0.466	13.768	0.492
DWL.Q.4	0.956	0.699	25.189	-0.033	0.89	0.626	22.037	0.105
DWL.Q.5	0.727	0.582	15.919	0.322	0.738	0.587	15.729	0.3
PSS.Q.1	0.623	0.465	12.345	0.216	0.692	0.475	12.168	0.033
PSS.Q.2	0.72	0.485	17.306	0.302	0.798	0.541	15.429	0.143
PSS.Q.3	0.666	0.523	13.825	0.193	0.727	0.503	13.055	0.039
PSS.Q.4	0.669	0.478	13.558	0.255	0.767	0.532	13.895	0.021
PSS.Q.5	0.658	0.477	12.896	0.182	0.745	0.496	12.661	-0.051
PSS.Q.6	0.627	0.437	11.94	0.228	0.709	0.471	12.007	0.015
PLS: Partial least squares path model; RMSE: Root mean squared error; MAE: Mean absolute error. Q^2: PLS-predict index performed with 2 k-fold and 10 repetitions. Source: Authors.								

5. Discussion

This study investigated two research questions: 1) whether there is a direct relationship between a successor's entrepreneurial personality traits (innovativeness, internal locus of control, autonomy) and perceived succession success. 2) Whether the daughter successor's willingness to lead mediates between exogenous and endogenous variables.

The results of the direct effect indicate that innovativeness has a positive relationship with perceived succession success. This suggests that innovative traits in daughter successors make them effective thinkers and tacticians. They can maintain their S-FBs' performance by using minimal resources. They effectively handle complex matters like succession planning, by offering out-of-the-box solutions. They believe in providing prompt and intelligent responses to various and evolving succession situations. Daughter successors who possess innovativeness trait are able to foresee the growth of their S-FBs. They proactively plan for succession by implementing innovative policies and strategies ahead of time. These innovative trait daughter successors are also willing to start new projects/ subsidiaries within their S-FBs and tackle challenges to ensure their business's sustainability and growth.

In line with TAT, assigning innovative tasks to an innovative trait daughter successor who is set to succeed increases her willingness to perform exceptionally well. She would like to spend more time on the growth of her family business. TAT also suggests that technological advancement and creativity reinforce cultural cues and values related to innovation. These values inspire the daughter's successors to work hard and improve their perception of success in the succession process.

A non-significant relationship between the internal locus of control trait and the perceived succession success indicates that reluctance of daughter successors to trust their abilities and efforts to manage the succession process successfully. This reluctance could stem from feelings of social powerlessness, insufficient familial support, and complexities in the operation of the business. As a result, these daughter successors may more to rely on luck (i.e., external locus of control) rather than endeavouring to overcome weaknesses, improve their learning capabilities, and explore new opportunities. Still, daughter successors with an internal locus of control in a Muslim country like Malaysia are willing to lead their S-FBs. Due to social and religious constraints, a daughter successor may be less likely to take bold initiatives compared to a male successor. On the other hand, TAT suggest that, if family businesses allocate adequate resources, the daughters may be empowered to take on leadership roles. In a Muslim country like Malaysia, the religious and conservative values of S-FBs may limit their ability to address critical issues professionally, leading to a perception of poor succession success.

The non-significant influence of autonomy on perceived succession success and daughter successors' willingness to lead reveals complex cultural and contextual dynamics that may override individual personality traits in family business settings. This finding contrasts sharply with Western studies, where autonomy consistently predicts leadership effectiveness (Ryan & Deci, 2000). This suggests that collectivistic cultural values in South Asian contexts may deactivate autonomy-oriented behaviours perceived as challenging family hierarchy and consensus-building traditions. The psychological and social barriers faced by daughter successors—including male family members' conservative attitudes and insufficient familial support—create structural constraints that neutralize the potential benefits of autonomous personality traits. This cultural specificity is further evidenced by research in individualistic societies where autonomy enhances succession outcomes (Lambrecht & Lievens, 2008), while studies in similar collectivistic contexts like China and India report comparable findings where relational harmony supersedes individual autonomy (Liu & Xie, 2023) . The prevalence of patriarchal values in traditional family businesses may systematically suppress autonomous decision-making among female successors, creating a paradox where the very trait that should enhance leadership effectiveness becomes a liability within existing organizational cultures, ultimately diminishing both leadership willingness and succession success perceptions

A partial complementary mediating effect indicates that a successor's willingness to lead may be increased by sharing constructive customs, traditions, techniques, and innovative working modes. This sharing contributes to the development and on-going progress of the S-FB. Daughter successors who possess the innovativeness trait are eager to listen to and act on new ideas proposed by their predecessors, experts, and siblings, all in an effort to enhance business sustainability and longevity across generations. They strive to find novel ways to fulfil required duties and take pride in their own achievements as well as those of the business. These achievements boost their enthusiasm for more progressive results and increase likelihood of succession success. The excitement of a daughter successor to achieve better performance establishes a competitive advantage. For example, the complicated situation precipitated by the COVID-19 pandemic has pushed many businesses to fight for survival. However, an innovative daughter successor will be willing to implement novel ideas and strategies for her business's survival across generations. Hence, successors with innovative traits are more capable of leading a business even during recessions and are likely to be able to manage successful succession transitions.

The full mediating effect of the daughter successor's willingness to lead indicates that the success of succession S-FB depends upon successor possessing an internal locus of control trait. Specifically, the daughter successor's satisfaction with her work and her pride in being part of S-FB motivate her to achieve goals and resolve problems to facilitate a successful succession transition. Thus, a developed sense of belongingness and self-confidence enhances her willingness to lead, contributing to the overall success of the succession. TAT explains that the provision of confidence, trust, and supportive values of S-FB activate the daughter successor's internal locus of control and enable her to take the necessary and progressive actions for her business's successful succession transition.

The insignificant mediating effect of the daughter successor's willingness to lead between the autonomy trait and perceived succession success reveals a complex paradox within the Malaysian family business context. While successors with high autonomy traits naturally welcome the opportunity to become their boss, which positively influences their willingness to take over the family business, translating this willingness into actual succession success becomes problematic due to deeply entrenched structural barriers. Unlike findings from Western contexts, where autonomy consistently predicts leadership effectiveness (Deci & Ryan, 2000), our results suggest that daughter successors in Pakistan may be constrained by religious obligations, cultural taboos, traditional gender roles, and competing familial responsibilities that limit their ability to exercise autonomous decision-making even when occupying prime leadership positions wholly. This cultural specificity contrasts sharply with studies from more egalitarian societies such as Scandinavian countries, where gender barriers in family businesses are significantly lower (Hytti et al., 2017). The disconnect between autonomy-driven willingness and succession outcomes may also reflect the collectivistic nature of Malaysian family businesses, where individual autonomy can conflict with collective family decision-making processes, undermining autonomous leadership styles' effectiveness. Consequently, daughter successors may resort to divesting their stakes or transferring control to male relatives despite possessing robust entrepreneurial capabilities. This highlights the need for systemic interventions that address cultural mindset shifts and institutional support mechanisms to unlock the full potential of female succession in family enterprises.

5.1. Theoretical implications

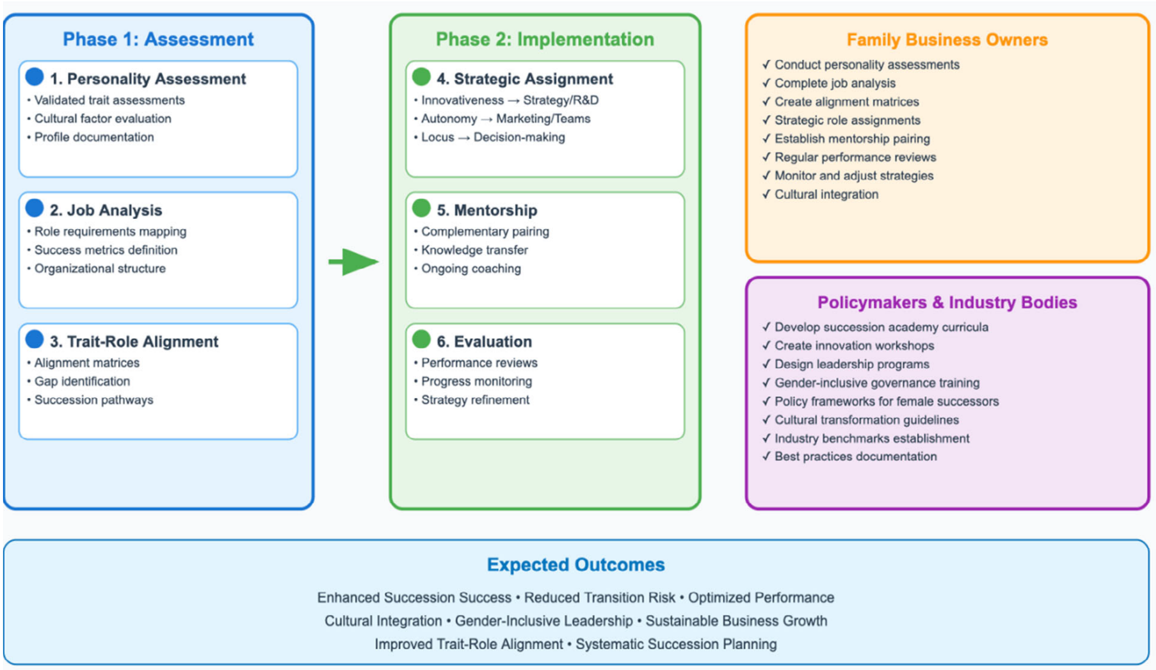
The findings of this study have important theoretical implications for understanding the relationship between entrepreneurial personality traits and the success of succession in family businesses. This study expands the understanding by emphasizing the importance of innovativeness, locus of control, and autonomy in family business succession. Previous research has highlighted the significance of these traits in entrepreneurial success in general, but their specific relevance in the context of family business succession has been relatively unexplored. The literature justifies innovativeness, locus of control, and autonomy in the context of family business succession. This study contributed to the literature by investigating the relationship between entrepreneurial personality traits (innovativeness, locus of control, and autonomy) in the context of S-FB. It highlighted which entrepreneurial traits have a significant impact on increasing the likelihood of succession success. It provided insights into the potential mediating role of the daughter successor's willingness to lead between entrepreneurial personality traits and perceived succession success. In addition, this study used TAT to explain the underlying mechanisms between these personality traits and perceived succession success through the mediating mechanism of the daughter successor's willingness to lead.

5.2. Practical implications

The personality traits of successors in S-FBs can have either productive or devastating effects that can be felt across generations. The present study has empirically highlighted the need to consider the personality traits of female successors and how they may impact successful succession transitions. To operationalize these findings, family business owners should implement a structured Trait-task assessment framework comprising: (1) validated personality assessments using established scales, (2) systematic job analysis to identify role requirements, and (3) alignment matrices matching traits to specific responsibilities. For instance, highly innovative successors should be assigned to strategic planning, new product development, or market expansion roles, while low innovativeness successors excel in operational management and quality control functions. Similarly, successors with strong autonomy traits should be directed to business functions such as marketing, customer liaising, running social events, or managing teams. In contrast, those with lower autonomy may provide outstanding outcomes in analytical tasks requiring structured approaches.

Policy recommendations include establishing formal succession academies offering differentiated training programs: innovation-focused workshops for creative successors, leadership development programs for autonomous individuals, and competency-building modules for those with a strong internal locus of control. Family businesses should implement mentorship pairing systems that match successors with mentors whose successful leadership styles complement their personality profiles. Additionally, cultural transformation initiatives are essential, particularly in traditional contexts, requiring family councils to establish gender-inclusive governance structures and challenge restrictive norms that may suppress beneficial traits like autonomy in female successors.

Figure 4. Trait-based implementable succession planning framework



Source: Sketched by the Authors

5.3. Limitations and future research directions

This research has several significant limitations that warrant careful consideration. The geographic scope is limited to three cities in one Malaysian state, restricting generalizability across Malaysia's diverse regional contexts and preventing broader population inferences due to potential sampling bias inherent in convenience sampling methods. The exclusive focus on daughter successors creates a gender-specific limitation that precludes understanding of succession dynamics across gender lines. At the same time, the cross-sectional design captures only a snapshot of succession processes, potentially missing the temporal dynamics and causal relationships that longitudinal studies could reveal. Cultural specificity presents another constraint, as findings from an Islamic and emerging economy context may not translate to secular or developed nations with different family structures, gender norms, and business practices. Self-report bias is particularly concerning given the sensitive nature of family business relationships and succession perceptions, potentially leading to socially desirable responses or inflated correlations between constructs. Future research should address these limitations through longitudinal designs that track succession processes over time, cross-cultural comparative studies spanning Islamic and non-Islamic contexts, and mixed-gender samples that enable comparative analysis of son versus daughter successors. Future studies should compare female and male successors to explore gendered differences in personality trait activation and successor commitment.

Additionally, research should examine how entrepreneurial legacy and transgenerational innovation shape the long-term impact of female leadership in family firms. Additionally, incorporating situational moderators within the trait activation theory framework and exploring the consistency of entrepreneurial traits across generational transitions would provide deeper theoretical insights and more robust empirical foundations for family business succession research. Future research should incorporate a dyadic research design, collecting data from successors, predecessors, and family stakeholders to provide a more holistic view of how successor traits and family expectations interact to shape leadership transitions.

Additionally, authors should explore how organisational-level cues, such as traditions, interact with individual traits. It is also essential to incorporate gender roles in congruity theory to explain how societal expectations influence trait activation in female successors. Furthermore, future studies should investigate whether family firms with strong patriarchal values suppress the trait activation process for female successors.

6. Conclusion

The current study offers valuable insights into the significant role that the personality traits of daughter successors play in achieving a successful succession transition. It is also important to acknowledge their willingness to lead S-FB. Additionally, TAT findings suggest that assigning job responsibilities and instilling values and traditions that align with their personality traits can enhance their motivation to lead and improve the chances of a successful succession transition. This study pointed out the importance of the personality traits of successors in improving the declining survival rate of S-FBs. In addition, this study pointed out that daughter successors should be assigned such tasks and provided with cultural cues that match their personality traits. Such initiatives will increase the daughter's successor's willingness to lead and the likelihood of a successful succession transition across generations.

Author contribution statement

The authors contributed equally to the work.

Conflict of interest statement

Declaration of interest: none

Ethical statement

The authors confirm that informed consent was obtained from all participants involved. *The authors confirm that data collection for the research was conducted anonymously and there was not possibility of identifying the participants.*

Declaration on the use of generative AI in the writing process

After the preparation of this work, the authors used Grammarly in order to proofread. After using this tool, the authors reviewed and edited the content as needed and take full responsibility for the content of the publication.

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Data availability statement

The data that support the findings of this study are available from the corresponding author, Zeshan Ahmad, upon reasonable request.

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Family Constitutions Regulating the Bright and Dark Sides of Family Involvement: Toward an Integrative Framework

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Abstract This article offers a conceptual analysis of an under-researched, yet widely used, family governance mechanism, namely the family constitution. It identifies what is understood by the term family constitution, reviews the existing literature, and highlights the major roles associated with it. Family constitutions appear to perform two main roles: avoiding conflicts and fostering a shared vision and commitment among family members. Using agency and stewardship perspectives, our paper anchors each role in a well-established theoretical framework. Furthermore, our conceptual analysis moves beyond this theoretical opposition and reconciles both views under the lens of regulatory focus theory (RFT). As such, this article offers a unifying integrative theoretical framework that provides a better understanding of the multiple roles played by family constitutions to unleash the full potential of this important family governance mechanism. Based on this integrative theoretical framework, we argue that effective family constitutions must regulate both the dark and bright sides of family involvement.

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PALABRAS CLAVE
Constitución familiar, Protocolo familiar, Gobierno familiar, Teoría del enfoque regulatorio, Teoría de la agencia, Teoría de la gestión

Cómo la Constitución Familiar Regula sus Claroscuros: Hacia un Marco Integrador

Resumen Este artículo ofrece un análisis conceptual de un mecanismo de gobierno familiar poco investigado pero muy utilizado: el documento de constitución familiar. En este trabajo se desentraña el significado del término, se revisa la bibliografía existente y destacan las principales funciones que se le atribuyen. Las constituciones familiares parecen desempeñar dos funciones principales: evitar conflictos y fomentar una visión y un compromiso compartidos entre los miembros de la familia. Utilizando las perspectivas de agencia y gestión, nuestro trabajo vincula cada función en un marco teórico bien establecido y reconcilia ambas visiones bajo la lente de la teoría del enfoque regulador (*regulatory focus theory*, RFT). De este modo, este artículo ofrece un marco teórico integrador y unificador que permite comprender mejor las múltiples funciones que desempeñan las constituciones familiares para liberar todo el potencial de este importante mecanismo de gobierno familiar. A partir de este marco teórico, argumentamos que para que los documentos de constitución familiar sean eficaces, estos deben regular tanto los aspectos positivos como los negativos de la participación familiar.

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1. Introduction

A defining feature of family firms is the overlap of two different systems, the family system and the business system, which are governed by different principles. Both systems can strengthen each other such as, for instance, when family loyalty and dedication increase firm resilience during times of crisis such as in the recent pandemic (Calabrò et al., 2021; De Massis & Rondi, 2020). However, both systems can also undermine the functionality of the other system, such as when poor firm performance incites family conflicts or when nepotism creates a negative organizational climate (Kubíček & Machek, 2020; Memili et al., 2015; Miller & Le Breton-Miller, 2006). To manage the complex interactions between family and business, good governance mechanisms are of critical importance (Parada et al., 2020). Similar to their nonfamily counterparts, family-owned firms benefit from professional corporate governance, such as boards of directors with outside directors (Bammens et al., 2011; Pieper, 2003). Yet, due to their heightened complexity, family firms require additional governance mechanisms centred on regulating the family system and its impact on the business, referred to as family governance (Mustakallio et al., 2002; Parada et al., 2020). Family governance encompasses structures and mechanisms aimed at discussing and managing the complexity that arises from family involvement (Botero et al., 2015). Family governance is thus dedicated to - and focused on - the family level within family firms, which is increasingly recognized as an area in need of further analysis (González-Cruz et al., 2021; Picone et al., 2021).

Research on governance has a long tradition in the family business field and still today constitutes a lively area of scholarly inquiry (Chrisman et al., 2018; Daspit et al., 2018; Mustakallio et al., 2002; Zellweger & Kammerlander, 2015). While corporate governance (esp. boards of directors) received most attention over the years (Bammens et al., 2011; Brenes et al., 2011; Brunninge et al., 2007; Corbetta & Montemerlo, 1999; Gnan et al., 2015; Pieper, 2003), several scholars underlined the need for family firms to develop proper family governance tools as a complement to traditional corporate governance (Botero et al., 2015; Gallo & Tomaselli, 2006; Miller & Le Breton-Miller, 2006; Mustakallio et al., 2002; Parada et al., 2020; Suess, 2014). The fact that family governance has thus far received relatively limited scholarly attention is surprising considering the important role it plays in the toolkit of family business consultants. With this paper, we intend to advance this important research stream by offering an in-depth conceptual analysis of such an under-researched family governance mechanism, namely the family constitution.

A family constitution is defined as a written document aimed at regulating the relationship between the family and the firm, in which the family writes out – and thus makes explicit – the rules and procedures governing its interactions with the business (Arteaga & Menéndez-Requejo, 2017; Botero et al., 2015; Montemerlo & Ward, 2011). Our choice to focus on family constitutions is warranted because of several reasons. First, the family constitution is one of the most widely used tools by family business consultants and practitioners, who perceive it as a highly useful tool to help family firms survive and prosper generation after generation (Arteaga & Escribá-Esteve, 2021; Matias & Franco, 2018). Second, this mechanism is particularly important and interesting as it stipulates and promotes the use of other governance mechanisms (Arteaga & Menéndez-Requejo, 2017). Third, several researchers have pointed out a lack of theorizing and in-depth work on family constitutions (Arteaga & Menéndez-Requejo, 2017; Botero et al., 2015; Fleisher, 2018). Our conceptual study aims to deepen the understanding of family constitutions and their major roles by developing an integrative theoretical framework while emphasizing the importance of considering the heterogeneity of business families.

Specifically, we first define and clarify the content and roles of family constitutions as a family governance mechanism. Following this, we discuss the main roles of family constitutions and anchor these in agency and stewardship theory, respectively. We then reconcile both perspectives using regulatory focus theory (Higgins, 1997) as an overarching framework. We argue that effective family constitutions must regulate both the dark and bright sides of family involvement and, thus, need to balance agency- and stewardship-based prescriptions. Our reconciliation of agency and stewardship views under a unifying regulatory focus framework enriches the family business governance field and offers a coherent multi-theoretic lens to analyse the multiple roles played by family constitutions. As such, this article answers calls for greater theoretical development on this topic (e.g., Rodriguez-Garcia & Menéndez-Requejo, 2020; Suess, 2014) by moving beyond a dialectical agency-stewardship approach to propose a novel and unified theoretical foundation for the analysis of family constitutions. Moreover, our integrative framework underscores the importance of considering the heterogeneity of families and their family governance mechanisms and guides the effective design and use of multi-function family constitutions by and for business families.

2. Key Concepts and Literature

2.1. Family governance mechanisms

Family governance refers to different structures and mechanisms - formal and informal - established voluntarily to discuss and manage family-induced dynamics and complexities in family businesses (Botero et al., 2015). It helps to maintain and reinforce the relationship between the family and the business while enhancing cohesion among the family members themselves (Arteaga & Escribá-Esteve, 2021; Chrisman et al., 2018; Jaffe & Lane, 2004; Rodriguez-Garcia & Menéndez-Requejo, 2020; Suess, 2014). As family governance is based on a relational component and applied voluntarily (Botero et al., 2015; Mustakallio et al., 2002), there is no "one size fits all" in terms of mechanisms and standards of application (Howorth & Kemp, 2019; Parada et al., 2020; Suess, 2014). Since there are no legal or defined standards related to family governance, these mechanisms can take various forms (Arteaga & Escribá-Esteve, 2021; Mustakallio et al., 2002). Among them, the most prevalent ones are family meetings, family councils and family constitutions (Suess, 2014). These mechanisms are deemed useful to regulate and supervise the dynamics of the overlapping family and business systems (Arteaga & Escribá-Esteve, 2021; Melin & Nordqvist, 2007; Pieper, 2010).

In the literature, the implementation of family governance mechanisms is associated with the degree of complexity of the family business (Howorth & Kemp, 2019; Lambrecht & Lievens, 2008; Montemerlo & Ward, 2011; Poza, 2010). Complexity among family businesses typically grows with the number of generations involved, the number of people involved, and the size of the business (Gimeno et al., 2006; Jaffe & Lane, 2004; Lambrecht & Lievens, 2008). Family governance mechanisms, especially the more formal ones, are thus mostly applied by multigenerational family businesses (Jaffe & Lane, 2004; Montemerlo & Ward, 2011; Poza, 2010; Suess, 2014).

While corporate governance seems to be implemented in a majority of family businesses (Pieper, 2003), a need has been identified for family governance mechanisms to complement the corporate governance system (Daspit et al., 2018; Schickinger et al., 2018). While this need to create family governance mechanisms, matching the complexities of the family and its business, is widely recognized among practitioners and consultants, the academic literature on this topic remains surprisingly underdeveloped (Chrisman et al., 2018; Gnan et al., 2015; Le Breton-Miller & Miller, 2018; Suess, 2014). This lack of research is certainly observable for family constitutions (Arteaga & Escribá-Esteve, 2021; Matias & Franco, 2018), which often form the foundation for other governance mechanisms by describing their design and use. We now turn our attention to the main subject of this paper, namely family constitutions.

2.2. Family constitutions

As stated by Montemerlo and Ward (2011, p. 84), "[a] family constitution synthesizes the family's hope, the owners' needs, and the business's requirements". Although their adoption rate among family firms still shows potential for growth, family constitutions are often portrayed as representing the cornerstone of an effective family governance system, especially when the family grows in complexity (Arteaga & Escribá-Esteve, 2021; Matias & Franco, 2018; Montemerlo & Ward, 2011). The fact that family constitutions, judged to be useful in helping family firms survive and prosper generation after generation, received limited scholarly attention constitutes a relevant research gap (Arteaga & Escribá-Esteve, 2021; Matias & Franco, 2018). Such consensus-based documents are particularly valuable in turbulent times, when the family and/or business system is subject to change and dynamism (e.g., death of a family blockholder, responding to crisis moments) where they serve as a common ground and solid starting point for coordinated action. Therefore, this paper focuses on this tool and aims to theorize its major roles and advance the scientific debate on it.

A family constitution is typically defined as a written document aimed at regulating the relationship between the family and its business, in which the family writes out the rules and procedures governing its exchanges with the family business (Arteaga & Menéndez-Requejo, 2017; Botero et al., 2015; Gallo & Tomaselli, 2006; Matias & Franco, 2018; Montemerlo & Ward, 2011). Specifically, family constitutions articulate the principles, collective values, strategy, identity, and expectations of the family with the firm (Botero et al., 2015; Fleisher, 2018; Gallo & Tomaselli, 2006; Suess, 2014). Family constitutions have also been described using a process perspective - i.e., as a process of communication and consensus-building among family members - rather than as a written document (Arteaga & Menéndez-Requejo, 2017; Matias & Franco, 2018; Rodriguez-Garcia & Menéndez-Requejo, 2020).

Several terms are used to designate this family governance mechanism: family protocol, family constitution, family charter, family creed, or family agreement (Arteaga & Menéndez-Requejo, 2017; Fleisher, 2018; Howorth &

Kemp, 2019; Montemerlo & Ward, 2011). The family constitution is, however, different from the shareholder agreement[1] as it only concerns family members (shareholders or not) and the constitution is typically considered as not legally binding, although it can be decided to give it a legal status (Fleisher, 2018). As the tool is mainly used and known by practitioners, and as there is no legal form of it, the content is inherently heterogeneous and has not yet been rigorously studied (Arteaga & Escribá-Esteve, 2021; Montemerlo & Ward, 2011). However, following different scholars, family constitutions seem mainly composed of the following sections (Arteaga & Escribá-Esteve, 2021; Arteaga & Menéndez-Requejo, 2017; Montemerlo & Ward, 2011):

- The preamble.
- The statement of family beliefs and/or values.
- The agreements regarding the family in management.
- The agreements regarding the ownership and succession plan related to family members.
- The agreements regarding the specific economic aspects and the employment of family members.
- The agreements regarding specific governance bodies and mechanisms.

Family constitutions cover central identity aspects related to the business family such as its history, values, beliefs, and vision, as well as more economic aspects such as liquidity, dividend and employment issues. As the document includes core family beliefs, values, and objectives, it helps (incoming) family members better understand their role and to adjust their intentions and expectations accordingly which, in turn, enhances family commitment to the business (Botero et al., 2015). Yet, as mentioned, few prior studies have explored the actual content of family constitutions (e.g., Gallo & Tomaselli, 2006; Montemerlo & Ward, 2011), which can be partly explained by the non-legally binding and heterogeneous nature of the tool, but also by the difficulty to access the document, which is highly confidential (Arteaga & Escribá-Esteve, 2021; Rodriguez-Garcia & Menéndez-Requejo, 2020). To integrate and build on insights from prior work, we conducted a narrative literature review (Baumeister & Leary, 1997; Snyder, 2019) covering the period 2010–2022 based on academic and practitioner sources relevant to the concept and implementation of family constitutions.[2] This approach enabled us to synthesize key insights from a fragmented literature. Based on this review (see Table 1), we identify two overarching roles typically performed by family constitutions.

1. “Shareholder agreements are contracts that govern the relationships among multiple shareholders in privately held and publicly traded companies, specifying details such as the circumstances under which each shareholder may sell, buy, transfer, pledge or encumber shares (Chemla et al., 2007). As a contract, they create an obligation to action (or inaction) in the future and are based on mutual acceptance of the contract parties (Rousseau & McLean Parks, 1993)” (Binz Astrachan et al., 2021, p. 2). The main differences with a family constitution are that members concerned are not chosen based on family relationships but based on the fact that they hold shares of the business, and that the shareholder agreement is legally binding while the family constitution is morally binding. Consequently, shareholder agreements contain more technical and legal points related to the functioning of shareholders while family constitutions are more oriented towards guiding principles.

2. Databases consulted include Scopus, Web of Science, JSTOR, and Google Scholar. We used a combination of keywords such as “family constitution,” “family protocol,” “family charter,” “family business governance documents,” “family governance,” and “family business governance practices.” The search and selection process included peer-reviewed academic articles, book chapters, and reputable practitioner outlets, while excluding purely practitioner-oriented documents lacking academic grounding or originating from non-verified sources.

Table 1. Major Family Constitution Roles

Role of a family constitution	Source	Illustrative quote
1. To avoid conflicts	Montemerlo & Ward (2011), p. 4.	"(…) preventing conflicts over unnecessary misunderstandings".
	Suess (2014), p. 14.	“Its basic aim [family governance] is to create a tight relationship between the family and the business and ensure a functioning business-owning family – one that (…) does not put the business at risk through destructive conflicts”.
	Botero et al. (2015), p. 219.	"Protocols enable family firms to regulate, manage, and prevent problems (…) The belief is that having guidelines that regulate areas for potential conflict will help family firms prevent and manage conflict situations (…)”.
	Arteaga & Menéndez-Requejo (2017), p. 322.	"The consultants agree that the main objectives of the Protocol are to avoid conflicts in the family business (…)”.
	Fleisher (2018), p. 16.	"In practice, family constitutions aim to (…) prevent conflicts between the various sub-systems of ownership, family and business and thus secure the long-term existence of the family firm".
	Arteaga & Escribá-Esteve (2021), p. 206	“Family protocols mostly revolve around anticipating potential conflicts related to succession processes and the incorporation of family members in managerial positions in the firm. They are intended to create policies to provide potential solutions to issues that may become conflictive, reducing family members’ interference in ownership and management (Gallo & Kenyon-Rouvinez, 2005).”
	Rodriguez-Garcia & Menéndez-Requejo (2020), online	“Family constitutions aim to reduce family conflicts and thus ensure the survival of the firm (…) The family constitution may implement mechanisms for the prevention or resolution of conflicts (…)”. “A family constitution can be useful in solving conflicts between shareholders since it promotes and establishes mechanisms of governance (Montemerlo & Ward, 2011). Thus, the protocol usually agrees rules for the inclusion of different family branches on the board of directors. In addition, disputes over transfer of ownership can be mitigated with typical family constitution agreements on testamentary limitations, marriage regimes, exit plans, and contractual deals such as tag-along and drag-along. »
	González-Cruz et al. (2021), pp. 7–8.	“The research underlines the role of the family regulatory framework, especially the family constitution, as a safeguard against conflicts, harmful decisions and destructive behaviours. This approach emphasizes the concept of mutual accountability but overlooks others that are equally important, such as understanding, acceptance and adherence. These concepts provide the required sense of shared principles and aspirations amongst family members, as well as a sense of consistency and fairness. Therefore, a family regulatory framework requires a set of institutions and processes for interpretation, amendment and adaptation to new realities and family members’ aspirations. Without the support of this family governance structure, family constitutions become a ‘blue law’ – a “monument’ to the founder generation (Tait, 2019, p. 15). » (p.7-8)

Role of a family constitution	Source	Illustrative quote
2. To enhance the affection familia[3] by maintaining unity in ownership and commitment	Montemerlo & Ward (2011), p. 4.	"To keep family ownership united and to forge a broad and strong owning family's commitment to the future of the family's business".
	Montemerlo & Ward (2011), p. 23.	"To reinforce family strength as family".
	Botero et al. (2015), p. 219.	"These family governance tools, in turn, enhance family, ownership, and business processes [i.e., family cohesion, trust between family members, understanding of roles in the business, understanding goals and objectives, (…)] that improve the quality of relationships between family members (…)".
	Fleisher (2018), p. 16.	"As with a shareholder agreement based on the affectio societatis, the family constitution serves the affectio familiae, the fostering of a feeling of belonging through shared values and rules of conduct".
	Matias & Franco (2018), online.	"The family protocol has led to creating a spirit of family unity and commitment, and it is a necessary condition for this firm's existence and continuity. »
	Arteaga & Escribá-Esteve (2021), p. 206	"Thus, the development of family protocols is meant to facilitate trust, goal alignment and family firm continuity (Berent-Braun & Uhlaner, 2012; Suess, 2014)."

First, family constitutions are described as a tool focused on the will to prevent potential negatives – such as family conflicts – among family members (Arteaga & Menéndez-Requejo, 2017; Gallo & Tomaselli, 2006; Rodriguez-Garcia & Menéndez-Requejo, 2020; Suess, 2014). In that sense, it can be seen as *a control-oriented mechanism* aimed at clarifying the rules and tempering the power of family members (Botero et al., 2015; Fleisher, 2018; Howorth & Kemp, 2019). Second, it also appears to be considered as a tool focused on the will to reinforce unity among family members and enhance their commitment to the family business. In that vein, it can be seen as *a support-oriented mechanism*, enhancing trust, fostering alignment to a shared vision, and creating a strong commitment to the continuity of the business (Arteaga & Escribá-Esteve, 2021; Botero et al., 2015; Fleisher, 2018; Montemerlo & Ward, 2011). In the following section, we analyse and offer a theoretical anchor for these control- and support-oriented roles. To do so, we rely on two theories which have dominated the family business governance field, namely agency and stewardship theory.

3. Agency and Stewardship Perspectives

To date, there is a lack of theorizing on the different roles that a family constitution can serve, which limits the advancement of this research area as a recognized scientific field. The previous section highlighted two main roles attributed to family constitutions in prior work. It is useful to note here that, next to directly serving these control-oriented (preventing negatives) and support-oriented (promoting positives) functions, family constitutions also lay the foundation for the use of other family governance tools such as family meetings or councils (Montemerlo & Ward, 2011; Rodriguez-Garcia & Menéndez-Requejo, 2020; Suess, 2014). To offer a stronger theoretical anchoring for both constitution roles, we sought inspiration from prior work on corporate and family business governance, in particular its reliance on agency and stewardship theoretic lenses (Bammens et al., 2011; Davis et al., 1997; Jensen & Meckling, 1976). To support the fact that these two theories have a major influence in the field, in 2018 Le Breton Miller and Miller showed that there were 107 family business publications, between 2000 and 2014, referencing agency and stewardship theories (Le Breton-Miller & Miller, 2018).

3.1. Agency theory

Agency theory hails from organizational economics and is the dominant paradigm in corporate governance research. Traditionally, agency theory assumes a divide between the ownership and management of firms and posits that principals (owners) and agents (managers) will not share the same interests (Lane et al., 2006; Corbetta & Salvato, 2004; Fama & Jensen, 1983; Hill & Jones, 1992). With individuals assumed to act in their own best interest, a conflict of interest between owners and managers is said to cause significant agency costs (Fama & Jensen, 1983; Madison et al., 2016); these agency costs are defined as "[t]he sum of the principal's monitoring

3. Latin term that can be understood as family affective commitment.

expenditures, the agent's bonding expenditures, and any remaining residual loss" (Hill & Jones, 1992, p. 192). Grounded in individualistic-opportunistic motivational assumptions, where humans are portrayed as being solely motivated to maximize their own interests, agency theory centres on the use of control mechanisms to mitigate potential conflicts of interest between owners and managers, which would otherwise undermine shareholder value (Chrisman et al., 2010; Corbetta & Salvato, 2004; Jensen, 1994; Sundaramurthy & Lewis, 2003). In such agency settings, governance mechanisms thus have as primary role the monitoring and controlling of agents to curb opportunistic behaviours (Bammens et al., 2011).

When looking at family firms, traditional principal-agent problems are expected to be less severe given the overlap of ownership and management in these firms. However, the agency debate on family firms has broadened, by recognizing that other agency problems exist in these organizations (Howorth & Kemp, 2019; Martin, 2001; Westhead & Howorth, 2006). One of these agency problems appearing in family businesses is known as "principal-principal agency costs" or "family blockholder conflicts", where controlling family owners exploit minority nonfamily shareholders (Cho et al., 2018; Miller et al., 2013; Morck & Yeung, 2003; Rodriguez-Garcia & Menéndez-Requejo, 2020; Zellweger & Kammerlander, 2015). Moreover, acknowledging that family bonds do not necessarily eliminate agency problems, scholars have described agency problems within owning families, for instance between different family members, family branches or family generations – indeed, different family parties may have divergent financial and socioemotional (e.g., nepotism[4]) priorities which create a conflict of interest (for a review, see Bammens et al., 2011). Recently, Zona and colleagues (2025) also explored "agent-agent conflicts" within the family business governance literature. These conflicts arise in family firms with shared leadership structures, such as when co-CEOs run the business, where multiple agents compete for the favour of dominant family owners, potentially in ways that undermine long-term firm performance. Such negative dynamics underscore the need for robust board oversight to mitigate harmful outcomes (Zona et al., 2025).

Applying an agency theoretic lens to family constitutions enables a better understanding of this mechanism as a tool to help family members prevent or minimize potential harm. In other words, from a "gloomy" agency perspective, the focus of governance mechanisms like family constitutions should be on avoiding negative events – such as avoiding destructive conflicts and harmful nepotism – which may hurt not only the business but also the long-term welfare of the family as a whole (Bammens et al., 2011; Botero et al., 2015). The family constitution is thus envisioned as a governance tool consisting of a monitored frame of objective procedures; this frame of written rules and practices is intended to avoid conflicts and minimize other agency costs among family stakeholders (Rodriguez-Garcia & Menéndez-Requejo, 2020; Young et al., 2008). For instance, family constitutions can stipulate strict conditions for family members' access to employment in family businesses or even prohibit members of the extended family from taking up managerial functions to avoid nepotism and strife between branches. Elements related to succession planning can also be specified to reassure the generation to be succeeded to be able to monitor this critical phase and avoid agency problems with future generations.

3.2. Stewardship theory

Contrary to agency theory and its "homo economicus" model of man rooted in economics, stewardship theory has its origins in sociological and psychological approaches, depicting organizational members as potentially pro-organizational and trustworthy (Davis et al., 1997; Le Breton-Miller et al., 2011; Madison et al., 2016). Stewardship theory accounts for socialization processes by which managers identify with, and internalize, organizational goals, such that their interests are aligned with those of the firm's principals (Corbetta & Salvato, 2004; Davis et al., 1997; Sundaramurthy & Lewis, 2003). As such, stewards value cooperative behaviours that allow the pursuit of common goals (Zahra et al., 2008). In relation to governance, the focus is thus on managing convergence rather than divergence, on social mechanisms like trust rather than formal control, and on supporting and empowering the management of the firm (Davis et al., 1997; Eddleston & Kellermanns, 2007). From a stewardship perspective, control is even seen as potentially counterproductive since

4. Nepotism can represent an intrapersonal self-control problem in which a family decision-maker acts on short-term altruistic tendencies to the detriment of the firm's and the family's (cf. spoiled kid syndrome) long-term interests, as well as an interpersonal agency problem when these nepotistic inclinations are not shared by all members of the owning family (cf. strife between family branches) (Bammens et al., 2011; Schulze et al., 2001).

it may undermine stewards' pro-organizational motives (Davis et al., 1997; Sundaramurthy & Lewis, 2003).

In the setting of family firms, family members are often depicted as attaching more importance to identity, inclusivity, commitment, history, values and other non-financial goals (Botero et al., 2015; Gómez-Mejía et al., 2011; Le Breton-Miller et al., 2011; Miller et al., 2008; Vincent Ponroy et al., 2019). Some researchers suggest that a stewardship model of governance, where stewards identify with organizational goals and governance mechanisms are centred on support and empowerment, is more aligned with the essential nature of most family firms (Bammens et al., 2010; Habbershon et al., 2003; Zellweger et al., 2010). Not only are organizational members generally more inclined to internalize nonfinancial objectives, but they are also more likely to identify with the owning family and to show a sense of loyalty and dedication to it (Bammens et al., 2010; Davis et al., 1997; Pastoriza & Ariño, 2011). Such stewardship dynamics are relatively less straightforward in nonfamily firm settings, characterized by a stronger focus on financial metrics, and transactional relationships, with often distant and faceless principals.

Using a stewardship lens enables us to envision family constitutions as being responsible for the upholding, across time and generations, of strong commitment among family members to core values, missions, and prosocial orientations (e.g. care for employees, care for community) (Le Breton-Miller & Miller, 2015). From this stewardship perspective, the focus of governance mechanisms like family constitutions should be on promoting positive factors (rather than avoiding negative factors as per agency theory) – such as building social cohesion and a shared family vision, strengthening the family's bond with the business, and transmitting the family's culture and values (Botero et al., 2015; Fleisher, 2018; Howorth & Kemp, 2019). Stewardship-oriented procedures – such as organizing social events for the extended family or initiating philanthropic activities that reflect shared family values – are then central to family constitutions, helping to strengthen family cohesion around the shared project of the family firm and its long-term objectives.

4. Regulatory Focus Theory to Move Beyond Opposition

In the previous sections, we discussed how an agency lens on family constitutions is associated with a focus on avoiding negative factors such as destructive conflicts and harmful nepotism; whereas a stewardship lens is associated with a focus on achieving positive factors, such as cohesion, commitment and a shared vision (Bammens et al., 2011; Botero et al., 2015).

From a theoretical perspective, agency and stewardship are often viewed as opposites, where people are said to adopt one or the other approach (Corbetta & Salvato, 2004; Davis et al., 1997). That is, a particular governance setting is typically depicted as being either centred around agency principles – where agents are viewed as untrustworthy with calls for strict control – or around stewardship principles – where stewards are viewed as trustworthy with calls for support. This theoretical opposition is anchored in opposing views of man, with agency theory representing the "homo economicus" view (pursuing self-interest) and stewardship theory being more in line with the "homo sociologicus" view (fulfilling social roles) (Bammens et al., 2011; Corbetta & Montemerlo, 1999; Davis et al., 1997).

In most real-life situations, however, effective governance mechanisms need to combine control and support – which is evident in corporate governance where board members combine the exercise of control over with the provision of advice to management (Bammens et al., 2011), as well as in family governance where both the bright and the dark sides of family involvement need to be addressed (Botero et al., 2015; Fleisher, 2018; González-Cruz et al., 2021). In this article, we propose that regulatory focus theory (Higgins, 1997, 1998) offers a unifying theoretical framework, which allows us to move beyond the agency-stewardship opposition and to analyse both governance roles (avoiding negatives and pursuing positives) under a coherent overarching framework.

4.1. Regulatory focus theory

Regulatory focus theory (RFT), which has its roots in social psychology, is a theory of goal pursuit centred on clarifying variance in people's attentional focus on avoiding losses versus attaining gains (Crowe & Higgins, 1997; Higgins, 1997, 1998). RFT suggests that goals can be pursued via two motivationally distinct strategies: a *promotion focus* where individuals tend to seek advancement by pursuing positive outcomes (matches), and a *prevention focus* where their proclivity is to ensure security by avoiding negative outcomes (mismatches) (Brockner & Higgins, 2001; Higgins, 1997). Rather than being opposite ends of a single continuum, these regulatory foci (prevention and promotion) are independent constructs and can both be highly considered by people, or people can choose to make one more dominant than the other (Angel & Hermans, 2019; Gamache et al., 2015; Higgins, 1998; Jiang et al., 2020). Given that this distinction between a promotion focus and a prevention focus closely resembles the opposing governance views (stewardship and agency, respectively), we posit that RFT offers a useful integrative framework to reconcile both governance perspectives when analysing family constitutions.

Approaching "matches" is related to a promotion focus and people's nurturance needs for growth and advancement (Brockner et al., 2004; Higgins, 1997). When operating under this regulatory focus, motivation is strategically driven by the presence or absence of positive outcomes, i.e., the strategic approach is oriented towards gain/non-gain situations. Therefore, a promotion focus deals with behaviours centred on advancements, accomplishments and growth where people are motivated to attain their ideals and aspirations (Brockner & Higgins, 2001; Higgins, 1998). Avoiding "mismatches" is related to a prevention focus and people's security needs for safety and survival (Brockner et al., 2004; Higgins, 1998). When operating under this regulatory focus, motivation is strategically driven by the absence or presence of negative outcomes, i.e., the strategic approach is oriented towards non-loss/loss situations. A prevention focus deals with behaviours centred on security, safety and strong "oughts" to avoid negative outcomes or prevent situations from worsening (Angel & Hermans, 2019; Higgins, 1997). Table 2 summarizes the main differences between promotion and prevention.

Table 2. Overview of Promotion and Prevention

Regulatory focus theory	*Promotion focus*	*Prevention focus*
Needs	Nurturance needs	Security needs
Outcomes	Potential gains	Potential losses
Strategies	Eager strategy of accomplishing hits and avoiding misses	Vigilant strategy of avoiding mistakes and accomplishing correct rejections

A strength of RFT resides in its recognition of the idea that both types of regulatory focus can be necessary to achieve success in particular fields (e.g., see Brockner et al., 2004 applying RFT to entrepreneurship). In relation to our focal topic of family governance and constitutions, this allows us to bring both prevention/agency and promotion/stewardship views together. Yet, when applying RFT to family governance, a note on the level of analysis is in order. As clarified by Johnson and colleagues (2015) in their review piece on multilevel regulatory focus, "the nomological network of regulatory focus spans individuals, groups, and organizations" (Johnson et al., 2015, p. 1501). Since we are interested in the design of family constitutions, the most relevant unit of analysis for our purposes will be the group level- which is the family in this case - because discussions about the content of constitutions typically take place within "the dominant family coalition". Indeed, prior evidence reveals that collective forms of regulatory focus can control behaviour in teams (for a detailed discussion, see Johnson et al., 2015).

As the above discussion illustrates, RFT can be connected to agency theory in explaining the control-oriented measures taken to prevent family-related negative outcomes. Specifically, a prevention focus can be linked with the agency perspective on family constitutions because this form of regulatory focus is directed toward potential negatives and how to prevent these from occurring (Angel & Hermans, 2019; Gamache et al., 2015; Higgins, 1997). This includes, for instance, provisions in the family constitution dealing with the possibility and resolution of paralyzing stalemates between feuding family factions, divergent preferences between active and passive family members, share transfers that might threaten family control, and procedures to avoid the employment of unqualified offspring (Arteaga & Menéndez-Requejo, 2017; Rodriguez-Garcia & Menéndez-Requejo, 2020).

The link between RFT and stewardship theory can be made when looking at the second form of regulatory focus. Indeed, a stewardship approach to governance proposes support-oriented measures, which can be linked to a promotion focus centred on achieving potential positive family-related outcomes (Brockner & Higgins, 2001; Gamache et al., 2015; Jiang et al., 2020). This includes, for example, provisions in the family constitution dealing with the fostering of family cohesion, the transmission of the family's culture and values, upholding family commitment to the firm, and fostering feelings of belonging and identity such that motivated and qualified family members find their way to the business (Bettinelli et al., 2021; Fleisher, 2018; Howorth & Kemp, 2019; Le Breton-Miller & Miller, 2015).

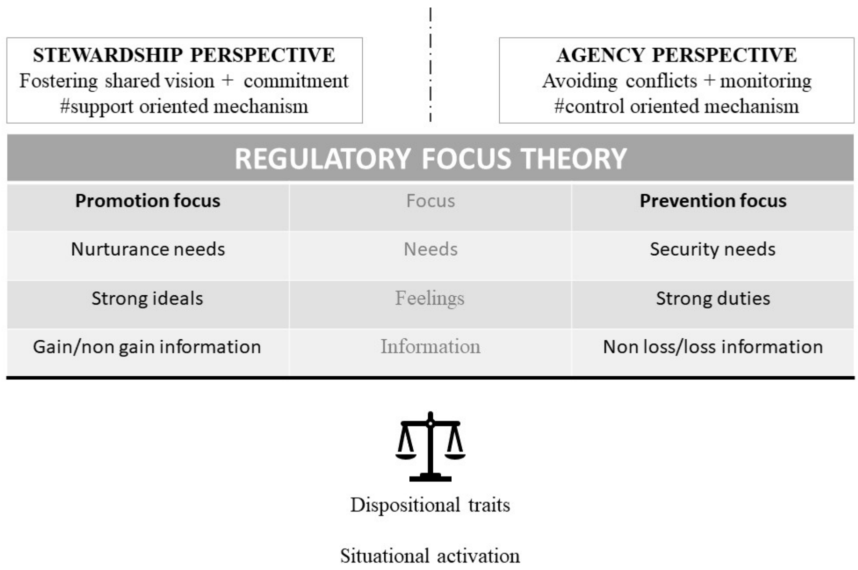
Therefore, the main contribution of RFT concerning the design of family constitutions lies in the fact that it offers a unifying framework to consider the balancing of a preventive agency and a promotive stewardship perspective. To further clarify this, we now turn our attention to the determinants of a prevention versus a promotion focus.

4.2. Antecedents

RFT differentiates between two broad categories of regulatory focus antecedents, namely *dispositional attributes* and *situational factors* (Brockner et al., 2004; Gamache et al., 2015). *Dispositional attributes* refer to relatively stable psychological traits which explain why, for instance, some people are more growth-minded or hopeful whilst others are more conservative or fearful. When the family coalition is heavily influenced by one or more members with a conservative stance (e.g., the founding father preoccupied with preserving his legacy), the family constitution may have a predominant preventive agency flavour, or vice versa (Jiang et al., 2020).

More interesting for our research purposes, however, is the RFT notion of *situational activation* since this allows us to account for combinations of preventive agency and promotive stewardship within a single-family constitution. Contrary to dispositional attributes, *situational activation* is contingency dependent. Indeed, specific situations can make one form of regulatory focus more dominant than the other, by signalling the extent to which a particular focus is meaningful or important, thereby causing situational variability in regulatory focus (Angel & Hermans, 2019; Higgins, 1998; Jiang et al., 2020). Generally speaking, according to RFT, situations that increase the salience of gain information, activate growth and nurturance needs, or elicit strong ideals, will encourage a promotion focus while, in contrast, situations that communicate loss information, activate security and protection needs, or elicit strong “ought” feelings, will stimulate a prevention focus (Higgins, 1997). This is summarized in Figure 1.

Figure 1. Balancing Promotion and Prevention



With this in mind, the question is not about choosing one theoretical perspective (agency or stewardship) or “model of man” (Corbetta & Salvato, 2004) to envision and analyse the role of family constitutions, but instead to acknowledge that both models coexist in most business families, in different ways as it is intrinsically related to family heterogeneity (Binz Astrachan et al., 2021; Chrisman et al., 2018; Picone et al., 2021).

5. Towards an Integrative Theoretical Framework

While RFT is applicable across multiple levels of analysis (for a discussion, see Johnson et al., 2015), it was originally developed in psychology at the individual level (Higgins, 1997). As such, some of its foundational concepts and tenets need to be translated when moving to higher units of analysis, such as groups like business families. This also applies to the RFT concepts of dispositional and situational factors, which can activate a collective promotive or preventive regulatory focus at the group level (Brockner & Higgins, 2001; Johnson et al., 2015). It is therefore useful to clarify how we interpret these concepts in the context of business families – specifically in relation to family governance and family constitutions.

At the individual level, dispositional tendencies in RFT refer to relatively stable or chronic traits, shaped in part by long-term socialization processes (Higgins, 1997). In the context of group-level family governance processes, collective dispositional tendencies reflect the relatively stable inherent traits of a business family as shaped by shared social elements such as their unique family history, traditions, and culture. For instance, often told family stories related to the celebration of "attaining accomplishments or fulfilling hopes and aspirations" (Higgins, 1997: p. 1282) foster a collective disposition toward promotion. Such tendencies thus reflect a general outlook of the business family, which may lean more toward a promotion focus (e.g., entrepreneurial families) or a prevention focus (e.g., more conservative families) (Miller & Le Breton-Miller, 2014). This is not to suggest that families' general regulatory stance is immutable – just as individuals can undergo dispositional changes over time (Johnson et al., 2015), so too can families evolve, for instance through the involvement of new generations that alter family structure and dynamics (Bammens et al., 2008; Gersick et al., 1997). The key point, however, is that a business family's general regulatory stance is a relatively enduring (though not necessarily fixed) inherent trait that characterizes the family as a group in general terms.

Situational factors, in contrast, are more transitory within the RFT framework – such as when people perform a particular task that is framed in a specific way, or when responding to certain environmental circumstances (Bammens et al., 2022; Brockner & Higgins, 2001; Higgins, 1998). These situational factors can temporarily activate a regulatory focus that diverges from one's general dispositional stance (Higgins, 1998), thereby creating greater scope for combinations of prevention and promotion – and thus a more integrative perspective – across domains and periods. In the context of our study, we focus on specific family governance topics as situational triggers embedded within family constitutions. Indeed, family constitutions address a variety of issues (Arteaga & Escribá-Esteve, 2021; Arteaga & Menéndez-Requejo, 2017; Montemerlo & Ward, 2011), and we posit that specific topics can elicit different emphases on promotion or prevention which can deviate from a family's general regulatory stance. This aligns with the core RFT notion that situational activation accounts for intra-subject regulatory variance across conditions and instances (Higgins, 1997, 1998). Thus, even if a business family is commonly promotion-oriented based on chronic stewardship-like family attributes, it may adopt a prevention-focused agency approach for a given situational topic based on prior topic-specific experiences. For instance, due to a recent offspring free-rider incident (cf. Schulze et al., 2001, 2003), a generally promotion-minded business family may nevertheless adopt a strict prevention focus on family constitution provisions dealing with family employment, in an effort to prevent future issues.[5]

Overall, our approach – extending the original individual-level RFT framework to the setting of business families devising family constitutions – allows us to account for both differences in dominant focus across families (inter-family heterogeneity, based on their general stance) as well as differences in focus across sections or provisions within a single family's constitution (intra-family heterogeneity, based on specific topics).

The bright sides of family involvement are typically associated with elements such as cohesion, vision, and commitment – qualities that families seek to promote, and which align with the support-oriented stewardship perspective (Davis et al., 1997; Miller & Le Breton-Miller, 2014). Conversely, the dark sides are linked to elements like nepotism, conflicts, and jealousy – dysfunctions that families seek to prevent and which are consistent with the control-oriented agency perspective (Schulze et al., 2003). RFT provides a unifying framework to integrate these two perspectives and a theoretically grounded way of analysing how families manage both the bright and dark sides of their involvement through the design of their family constitution – as opposed to having a focus on one or the other as per traditional stewardship and agency lenses (Bammens et al., 2011). As said, variation can occur both across family constitutions (e.g., some families being more guided by nurturance than by security needs) and within constitutions (e.g., across sections and provisions). Framing family constitutions through an RFT lens with topic-based situational variation suggests that both perspectives – preventive agency and promotive stewardship – can coexist in an "and/and" manner across the document. Yet, at the level of specific provisions of a family constitution, an "either/

5. It is worth noting that topical situational activation can occur even in the absence of prior family experiences related to a given topic. For example, sections concerning vision and mission may inherently invite a promotion-focused orientation, while provisions addressing sensitive financial matters – such as the role of in-laws in ownership – may more readily trigger a prevention focus aimed at pre-empting potential conflict.

or" orientation is likely to prevail, depending on which attentional focus is situationally activated by the provision's content, with the general regulatory stance being the default in the absence of situational activation (Higgins, 1997). In other words, while constitutions will often apply both regulatory logics across sections (and/and), individual sections and provisions are expected to lean more explicitly toward one regulatory focus over the other (either/or).

Moreover, the RFT framework can accommodate temporal variation in business families' regulatory focus within family governance design, thereby introducing a dynamic perspective to the analysis of family constitutions. A family's regulatory orientation is not fixed but may evolve over time, as "the strength or accessibility of a regulatory focus, like any other kind of procedural knowledge, can vary chronically or momentarily" (Higgins, 1998, p. 20). Above, we already referred to chronic family-related variation – for instance, when later generations enter the family business, often altering family structure and the balance between agency and stewardship in an enduring way (Bammens et al., 2008; Le Breton-Miller et al., 2011). Such generational transitions can shift the family's general or dispositional regulatory stance, potentially necessitating amendments to the constitution to avoid dissonance with the family's evolving orientation. Whether these shifts intensify a promotion or prevention focus depends on the specifics of the generational change and the parties involved. For example, if later generation involvement introduces greater potential for conflict (Bammens et al., 2008), a prevention-oriented stance may emerge; conversely, if younger family successors champion ideals of innovation and renewal, a promotion focus is reinforced. This evolving regulatory orientation underscores the importance of viewing family constitutions as living documents intended to be revisited periodically considering changing family priorities.

Temporal variation can also be more momentary, such as when external shocks (e.g., a firm-level crisis or a macroeconomic downturn) activate a situational promotion or prevention focus (Bammens et al., 2022; Higgins, 1997). The point is not that family constitutions should be continuously updated to reflect such temporary external conditions. By design, they are rather stable, enduring documents meant to provide consistent guidance through transient crises, not to be rewritten in response to every short-term fluctuation. Still, temporary circumstances can leave an imprinting effect (Marquis & Tilcsik, 2013), shaping the content of provisions drafted during those periods in ways that outlast the conditions themselves. This helps explain why otherwise similar families, with comparable topic-related experiences, may nonetheless display different regulatory flavours in their family constitution depending on the period and transitory context in which it was written. Importantly, different family constitution sections may have been drafted or added at different points in time, introducing the possibility of regulatory variation across sections because of distinct external conditions or situational triggers. Also, certain family constitution provisions may have been more strongly shaped by prevailing external circumstances than others. For instance, clauses relating to the economic aspects of family involvement are more sensitive to the influence of economic crises than other sections. These dynamics provide a further explanation for intra-constitutional variance in regulatory focus – this time attributable to the external context at the time of writing.

Each of the determinants of variation discussed thus far – namely, enduring family-level attributes, specific governance topics, and transitory external conditions – can be linked to a corresponding regulatory focus in family governance design through the regulatory drivers identified in RFT as outlined in Figure 1 above: (a) nurturance/security needs, (b) ideals/duties, and (c) gain/loss information (Bammens et al., 2022; Higgins, 1997, 1998). Extended family-level socialization processes are reflected in a family's shared history, narratives, values, and the like. The development of collective regulatory dispositions within families parallels the individual-level mechanisms described by Higgins (1997), whereby group-level mechanisms – such as emphasizing the pursuit of family aspirations (or "dreams and visions"; Litz & Kleysen, 2001) vs. the duty of preserving the family legacy – can shape a business family's general regulatory focus, and its associated agency versus stewardship orientation (Le Breton-Miller et al., 2011; Miller & Le Breton-Miller, 2014). While this general stance may be reflected throughout the family constitution, it is likely to be particularly salient in sections such as the preamble or the articulation of shared family values and beliefs.

In terms of intra-family variation across governance topics within a single constitution – i.e., topical situational activation – the families' past functional or dysfunctional experiences with specific issues (e.g., ownership by in-laws) may trigger a topic-specific regulatory focus that either aligns with or deviates from their general orientation. For instance, based on a prior negative experience involving in-laws, a generally promotion-focused business family may adopt restrictive, prevention-oriented provisions concerning in-law ownership participation, as this governance topic heightens the salience of loss-related information (Higgins, 1997). Likewise, if a family previously experienced a negative instance of nepotism – in which unqualified family members harmed the firm's climate or performance (Bammens et al., 2011; Schulze et al., 2003) – the family employment section of the constitution will heighten the salience of loss information and activate a prevention focus in that domain (Higgins, 1998).

Finally, transitory external conditions – such as firm-level bankruptcy risk – can activate heightened security needs among family members (Bammens et al., 2022), which may steer families toward a prevention-focused stance if the constitution is drafted during such periods, with the possibility of imprinting effects (Marquis & Tilcsik, 2013). This is particularly likely to influence provisions of the family constitution related to the economic dimensions of the family's involvement in the firm. Similarly, with the recent heightened frequency of macro-level shocks (e.g., global financial crisis, Covid-19 recession), many business families have resilience high on the agenda (Bernard & Fayolle, 2016; Calabrò et al., 2021; De Massis & Rondi, 2020). Therefore, when discussing and designing family constitution sections related to the family's stance on dividend policy or employment stability, security needs have likely intensified, thereby increasing the salience of a prevention focus when writing out these sections (Higgins, 1997). Overall, the RFT framework – through its clearly defined antecedent factors of nurturance vs. security, ideals vs. duties, and gains vs. losses (see Figure 1) – provides a robust and coherent conceptual lens for analysing regulatory variation both across and within family constitutions.

6. Implications, Limitations and Future Research Paths

6.1. Academic implications and integrative research framework

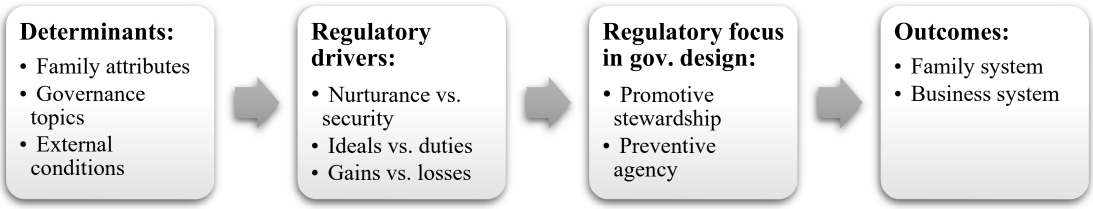
Our integrative theoretical framework enables family business scholars to engage with both primary functions of the family constitution in a more balanced and analytically nuanced manner. Specifically, agency and stewardship perspectives can be meaningfully combined – allowing both orientations and their associated governance roles to coexist within the same document ("and/and" at the document level), while recognising that one perspective may dominate in certain sections or provisions and the other in others ("either/or" at the section level).[6] This conceptualisation of balanced or hybrid family constitutions is made possible through our theoretical integration of agency and stewardship logics under an overarching RFT framework (Higgins, 1997), which foregrounds the business family's general regulatory orientation alongside the role of situational activation across governance topics and external conditions.

In terms of guiding future research, our unifying framework offers several clear avenues for empirical inquiry (see Figure 2). A core starting point would be to examine how (a) enduring family characteristics (e.g., family history and culture), (b) the specific subject matter of constitution sections – possibly interacting with families' prior experiences on that particular topic – and (c) broader external conditions (e.g., firm-, industry-, or country-level), shape the key antecedents of a promotion- versus prevention-focused regulatory stance. To reiterate, RFT identifies three principal drivers of regulatory focus: the salience of nurturance versus security needs, ideals versus duties, and gain- versus loss-framed information (Higgins, 1997, 1998). Given the variability across business families in terms of inherent traits and topic-specific experiences, it will be interesting to investigate how different business families construct their family constitutions overall, and how this varies across sections and provisions.

While our conceptual discussion has primarily focused on antecedents of constitutional content, an equally fruitful line of inquiry concerns the outcomes of this family governance mechanism – both at the family level (e.g., cohesion) and at the firm level (e.g., resilience), as well as where these intersect. One particularly relevant outcome to explore is the willingness and enthusiasm of next-generation family members to engage in the business – an important issue many family firms currently struggle with (Cherchem, 2017; Kotlar & Chrisman, 2019; Pittino et al., 2020).

6. This approach shows resemblance with earlier work by Bammens and colleagues (2011) on family business boards: based on the trust literature, they introduced the notion of bounded trustworthiness to argue that boards need to exercise control in some decision domains of family managers and display trust (as antecedent of effective support) in other decision domains ("either/or" in particular domains, "and/and" across domains).

Figure 2. Integrative Research Framework



6.2. Managerial implications

This paper offers practical insights for business families and consultants involved in the design or evaluation of family constitutions as governance tools. Our integrative framework provides a structured lens – rooted in regulatory focus theory as well as agency and stewardship perspectives – to assess the motivational tone of constitutions. It highlights how constitutions can reflect both promotion and prevention logics; a combination that may occur across the document's provisions depending on the governance topic at hand and the broader context. Relatedly, the framework can serve as a diagnostic tool. It encourages reflection on the family constitution's dominant tone and helps business families determine whether its current structure reflects the appropriate balance between promotion and prevention. Furthermore, our framework helps guide decisions about which regulatory orientation may be most appropriate for different parts of the constitution. For instance, vision and mission statements may benefit from a promotion focus, fostering shared aspirations and long-term commitment. Conversely, provisions addressing sensitive issues – such as the role of in-laws or succession in the event of illness or death – may be more naturally aligned with a prevention focus aimed at pre-empting potential conflict. (Brenes et al., 2006; Rodrigues & Marques, 2019; Vozikis et al., 2012).

6.3. Limitations and further research paths

While this research advances a novel theoretical perspective with an integrative research framework, it is necessarily bounded by conceptual assumptions and choices that delimit its scope and suggest potential avenues for complementary research. In this study, we primarily examined regulatory focus at the group level – that is, the business family as a collective – in exploring family governance design. Yet, individual-level processes, particularly those shaped by dominant family figures, may operate in parallel. The personality, values, and vision of founding figures (e.g., the pater familias) can leave a distinctive imprint on the content and tone of a family constitution. Future research could therefore investigate how such individual-level influences interact with group-level dynamics, and whether possible early individual-level framings established by founding figures persist as enduring templates across generations or, alternatively, become adapted and reinterpreted over time.

Regarding external contingencies, our analysis focused on transitory factors such as firm-level performance and economic crises. We argued that family constitutions should not be continually adapted to such temporary shifts, but that these conditions may nevertheless exert an imprinting effect when constitutions are drafted or revised during these periods. However, we did not address external shifts of a more enduring nature – such as changes in cultural or institutional norms; nor did we examine how enduring macro-level differences in these factors across contexts may influence family governance design. Future research could therefore explore how such persistent external conditions shape business families' regulatory focus in governance. These conditions may operate as situational activators, or possibly even as forces that recalibrate families' own underlying dispositions. Examples include the role of professional norms in governance and societal expectations surrounding sustainability (e.g., Bammens & Hünermund, 2023; DiMaggio & Powell, 1983). As regulatory orientations are likely shaped by national norms, legal traditions, and regional governance models, comparative studies could offer valuable insights into how the promotion/prevention balance manifests differently across settings. Particularly intriguing is the potential incompatibility between broader institutional logics – such as agency-oriented professional standards – and families' own, possibly stewardship-oriented, regulatory focus (Greenwood et al., 2011). Examining how such tensions are resolved – whether through genuine internalization or through ceremonial conformity with symbolic family constitutions decoupled from practice – represents a promising direction for future inquiry.

Another limitation of our framework lies in our choice to concentrate on the two main roles of family constitutions – as rooted in agency and stewardship theory - to ensure conceptual clarity. These are two motivational-lens theories that offer explanatory paths for the tensions families face in balancing control and support mechanisms. Yet, family constitutions may also perform other roles that go beyond this. Future research could therefore complement preventive agency and promotive stewardship perspectives by drawing on other theoretical lenses, such as the resource- or knowledge-based view (Barney, 1991; Grant, 1996), that emphasize resources and capabilities rather than motives. For instance, family constitutions may also serve to structure family learning routines and next-generation competency development. In this respect, integrating complementary theoretical perspectives would enrich our understanding of the broader functions of family governance and constitutions.

While our RFT lens explicitly accommodates an "and/and" orientation across constitution sections and provisions, we argued that within any given provision an "either/or" logic - namely, either prevention-oriented agency or promotion-oriented stewardship - is likely to prevail (cf. Bammens et al., 2011). Yet, this assumption may oversimplify the complexity of underlying motivational structures. Hybrid or nuanced approaches at the provision level are, in principle, possible - for instance, when dispositional tendencies and situational triggers exert opposing yet balanced influences. Likewise, we implicitly made the simplifying assumption that a family's general regulatory stance tends primarily toward either prevention or promotion. However, if families have been shaped by a mix of regulatory drivers - such as strong nurturance needs alongside pronounced duties - through long-term socialisation, hybrid general orientations may emerge. Future research could examine how these mixed logics are expressed, negotiated, or even contested within family governance processes. A related research direction involves exploring perceptual differences among family members regarding the potential mix of motivational tones in specific provisions. Such work could illuminate how constitutions are differentially interpreted and experienced within families, and whether misalignment in perceptions affects the constitution's effectiveness as a governance tool. Moreover, further conceptual work is needed to more fully integrate RFT with stewardship and agency perspectives. At an abstract level, promotion (pursuing gains) aligns naturally with a supportive stewardship orientation, whereas prevention (avoiding losses) resonates with a controlling agency orientation. Yet, when examining specific RFT elements, seeming inconsistencies may emerge. For example, while "oughts" and duties are central to prevention (Higgins, 1997), a strong sense of duty can also be associated with stewardship behaviour. This suggests that the mapping between RFT and agency-stewardship theory is not always straightforward and that, for instance, prototypical "stewards" (Davis et al., 1997) may be predominantly but not exclusively promotion-minded. Additional theoretical refinement is therefore required to disentangle these tensions, and clarifying such apparent inconsistencies and more nuanced perspectives promises to be an interesting avenue for future research.

Finally, the RFT framework of family governance and constitutions developed here remains to be empirically validated. Future research could employ textual analysis to examine the presence and dominance of regulatory focus markers within existing family constitutions, and to compare these patterns across families, governance topics, and external conditions. Such analyses would allow for a systematic investigation of, for instance, family-based drivers of regulatory variation - such as family history, culture, or generational composition - and their implications for outcomes such as family cohesion or firm resilience. Given the dynamic nature of family constitutions, longitudinal or process-oriented empirical studies could offer valuable contributions by deepening and empirically testing our temporal understanding of governance evolution within family firms.

7. Conclusion

Answering the call to advance insight on family constitutions as an under-researched yet widely used governance mechanism, our conceptual paper is a first attempt at theorizing their major roles in an integrative manner. Based on a literature review, we defined the tool, its content, and its purposes. We discerned two main roles for this mechanism: avoiding negative family-related factors such as conflicts and nepotism as a control-oriented mechanism and achieving positive family-based factors such as a shared vision and commitment among family members as a support-oriented mechanism. We offered a theoretical foundation for each of these roles, using agency and stewardship perspectives, as these theories are well established in the family business field. Importantly, we then moved beyond the classical theoretical opposition between agency and stewardship views and used them in an integrative and complementary manner (Hoon & Baluch, 2020).

Our major theoretical contribution lies in the reconciliation of agency and stewardship views under the lens of regulatory focus theory, which offers a new comprehensive way of envisioning and analysing family constitutions' major roles. We clarified the dispositional and situational determinants of a promotive stewardship versus preventive agency approach and explained how these can be used to account for variance across and within family constitutions regarding the adopted focus, allowing both bright and dark sides of family involvement to be managed and considered.

This paper answers the call by Chrisman and colleagues (2018) to further analyse governance mechanisms using multi-theoretic frames to provide new inputs to the field. It also gives expression to a much needed yet challenging orientation toward combining theoretical perspectives in coherent and complementary ways to enrich debates in the family business field. Finally, by emphasizing the role of variance in family attributes, it further explains and advocates the need to take heterogeneity into account and makes it more tangible for practice. We hope that our theorizing on family constitutions will stimulate future multi-theoretic research on family governance mechanisms, and that the developed insights will prove helpful for business families and their consultants when designing and using such mechanisms. More broadly, the proposed framework may serve as a conceptual foundation to explore how business families manage dualities not only through constitutions, but also across other governance arrangements, such as shareholder agreements or family councils.

Author contribution statement

Raphaëlle Mattart: writing - Yannick Bammens: conceptualization - Fabrice Pirnay: supervision.

Conflict of interest statement

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The Emotional Value Breakdown in Family Firm M&A: Economic *versus* Institutional Dimensions

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Abstract This paper challenges the traditional view of firm valuation, positioning the family firm, rather than the non-family firm, as the cornerstone of economic theory. We present a new theoretical framework to explain the formation of value in family firms during mergers and acquisitions (M&A), thereby addressing the long-standing valuation puzzle in this context. Drawing on institutional theory and the socioemotional approach, we argue that the emotional value embedded in ownership has two distinct yet complementary dimensions: the economic dimension, which influences cash flows through the impact that family ownership and family management have on the firm's strategy, and the institutional dimension, which reflects the appreciative aspects that family members hold regarding the firm, such as identity, legacy or sense of belonging. This dual structure redefines the interaction between value and price in both intra-family and sell-out M&As, offering a new perspective on negotiation dynamics and deal outcomes. By integrating emotional and financial logic, our proposal takes valuation theory beyond the rational paradigm and provides a basis for future empirical research and practical applications.

CÓDIGO JEL
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PALABRAS CLAVE
Valor emocional, Dimensión económica, Dimensión institucional, Empresa familiar, Fusiones y Adquisiciones

La descomposición del valor emocional en las fusiones y adquisiciones de empresas familiares: dimensiones económica e institucional

Resumen Este artículo cuestiona la visión tradicional de la valoración de empresas, posicionando a la empresa familiar, en lugar de la no familiar, como la piedra angular de la teoría económica. Presentamos un nuevo marco teórico para explicar la formación de valor en las empresas familiares durante las fusiones y adquisiciones (M&A), abordando así el antiguo dilema de la valoración en este contexto. Basándonos en la teoría institucional y el enfoque socioemocional, argumentamos que el valor emocional inherente a la propiedad tiene dos dimensiones distintas pero complementarias: la dimensión económica, que influye en los flujos de caja a través del impacto que la propiedad y la gestión familiar tienen en la estrategia de la empresa, y la dimensión institucional, que refleja los aspectos apreciativos que los miembros de la familia tienen respecto a la empresa, como la identidad, el legado o el sentido de pertenencia. Esta doble estructura redefine la interacción entre valor y precio, tanto en las M&A intrafamiliares como en las realizadas a terceros no familiares, ofreciendo una nueva perspectiva sobre la dinámica de la negociación y los resultados de estas operaciones. Al integrar la lógica emocional y la financiera, nuestra propuesta lleva la teoría de la valoración más allá del paradigma racional y sienta las bases para futuras investigaciones empíricas y aplicaciones prácticas.

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1. Introduction

Mergers and acquisitions (M&A) are one of the principal ways to implement growth strategies (Feito Ruiz & Menéndez Requejo, 2009; Hossain, 2021), being the current manner of gaining size and competitiveness (Diéguez-Soto et al., 2025; López-Delgado et al., 2024). In practice, value lies at the heart of M&A strategies (Cumming et al., 2023; Riad & Daellenbach, 2019), with both academics and practitioners agreeing that what drives a firm's fundamental value is primarily its assets and future earnings (Bancel & Mittoo, 2014; Mazzariol & Thomas, 2016). However, empirical evidence shows that the price paid for a firm often differs from the calculated value (Riad & Daellenbach, 2019), which is most often assessed according to the expected profit theory (Mongin, 1997).

Economic subjects tend to identify with the assets they own. Moreover, economic subjects find some kind of reward in their assets that are not strictly monetary (Zellweger & Astrachan, 2008). Accordingly, when selling their assets (e.g. their businesses), they expect to obtain an amount that meets both their financial expectations (associated with the asset they own, and the income derived from it) and their non-financial expectations (associated with emotional issues related to asset ownership). The consideration of both financial and non-financial expectations gives rise to various types of discounts (Alonso-Cañadas & Rojo-Ramírez, 2012) and premiums (Mazzariol & Thomas, 2016) in economic transactions, such as M&A.This is particularly the case for family firms, which constitute the vast majority of firms worldwide (De Massis et al., 2018).

Despite the importance of M&A transactions and the predominance of family firms globally, little research specifically focuses on M&A in the context of family firms (Worek, 2017). Furthermore, there are hardly any studies that specifically address the valuation puzzle of M&A (Hossain, 2021). Therefore, this research, based on the institutional theory (Friedland, 1991; Leaptrott, 2005) and the socio-emotional approach (Gómez-Mejia et al., 2007), seeks to cover this gap by providing a theoretical framework for the value of family firms that can be used to explain their owners' behaviour in the context of M&A transactions.

The present research covers three interlinked objectives. First, it deals with the fundamental question arising when applying the valuation theory. That is, what sort of value is calculated when assessing a firm, the family firm or the non-family firm value? Second, admitting that firm valuation should be focused on family firms, our research addresses the nature of emotional value, which is inherent to any firms' owners, but is particularly deep-rooted in family firms. Although different types of emotional value (Ruiz-Roqueñi, 2022) influence family firms' value and price, there are two dimensions of interest in this context: the economic and the institutional dimensions. Third, we distinguish among those M&A transactions carried out between family members (i.e., in-family M&A) and those transactions between the family and outsiders (i.e., sell-out M&A). In this regard, we consider the role played by emotional value as a guide that helps to explain why some family owners are more biased than others when assigning a value to their ownership stake (Zellweger & Dehlen, 2011). Accordingly, we adopt a configurational approach (Meyer et al., 1993) to help investors to take M&A decisions in family firms.

The adopted methodology goes beyond the dominant economic paradigm, based on abstract-deductive models, and is derived from observed reality, seeking to explain the phenomena that this reality offers us and that can be inferred from it (Dembinski, 2010). The system followed allows us to form a theoretical and conceptual framework on value formation in family firms that serves as a basis for advancing the study of M&A (Hossain, 2021), offering a synthetic analysis capable of capturing the limits and dynamics of the evaluation process with a transversal and interdisciplinary vision.

This research contributes to the current literature in different ways. First, it answers the call for research on the need to build a theoretical framework for family firm valuation (Astrachan & Jaskiewicz, 2008; Martínez-Romero & Rojo-Ramírez, 2016; Rojo-Ramírez & Martínez-Romero, 2018), as the study of firm value must be focused on the most prevalent firms worldwide, i.e., family firms. This theoretical approach not only affects the valuation process in M&A, but also provides a new practical perspective for the study of family firms and for reorienting existing theories and empirical studies. Second, it contributes to the emotional value theory (Zellweger & Astrachan, 2008) by differentiating for the first time between the two dimensions of emotional value, namely the economic dimension and the institutional dimension. This differentiation allows financial value to be approached from a more realistic perspective, turning it into a theoretical and practical instrument for analysing the reality of M&A. Indeed, the split of emotional value leads to a taxonomy of family firm values that can serve as a valid starting point for future research (Rau et al., 2019). Finally, we propose a valuation method based on the concept of intangibility, i.e., the residual income method or excess earnings method, to assess the economic dimension of emotional value.

Our findings have important theoretical and practical implications. It opens a new research avenue for the valuation theory, and for specifically the emotional value, particularly in the family firm field. In this regard, it extends prior research by splitting the emotional value into the economic and institutional dimensions, opening new insights for researchers, managers and advisors that now have new perspectives to analyse M&A.

The rest of the article is structured as follows. Section 2 deals with the theoretical background, offering the basic proposition of our research and addressing the main concerns related to emotional value. Section 3 analyses the different combinations of emotional value dimensions and their influence on M&A. Section 4 offers several considerations for the study and research into emotional value calculation. Section 5 frames the discussions and conclusions, and section 6 sets up our contributions, limitations, and future research.

2. Theoretical Background

2.1. Firm value and family firms

Economic subjects tend to identify with the assets they own when they find some kind of reward from them that is not strictly monetary (Zellweger & Astrachan, 2008). Thus, when economic subjects go to the market to sell an asset, they want to obtain an amount that covers both their financial expectations (associated with the income they obtain from it), as well as their non-financial expectations (associated with purely emotional issues that their possession gives them). Normally, the expected monetary amount constitutes a potential price to be received and paid, i.e., the potential transaction price, which becomes the price of the asset at the time of formal conclusion of the transaction. This potential transaction price is usually referred to as the “financial value of an asset”, understood as “the amount a buyer is willing to pay a seller in an unregulated market”[1]. Thus, the potential transaction price usually incorporates an amount associated with the mere fact of its possession (Gerber & Steppacher, 2017). This sense of possession generates certain degree of personal satisfaction (utility) (e.g., in relation to one’s social or family environment), which would be the potential emotional price. Therefore, the value of an investment (e.g., a firm) always carries a certain emotional value, which is linked to a systemic set of cultural elements (values, beliefs, and normative expectations) through which individuals, groups, and organizations give meaning to and evaluate their daily activities and organize those activities in time and space. The Institutional theory (Friedland, 1991; Leaptrott, 2005) provides a theoretical framework of interest for understanding these values.

In the field of business valuation, the value of the firm is at the heart of the process (Riad & Daellenbach, 2019). Both academics and practitioners agree that what drives the fundamental value of a firm is mainly its assets and future income (Bancel & Mittoo, 2014; Mazzariol & Thomas, 2016). In this regard, the firm value is estimated based on historical economic and financial data by making some assumptions for the future. Thus, the financial value to a firm’s shareholder, according to the theory of expected profit (Mongin, 1997), is an estimate that does not usually coincide with the potential transaction price, nor with the agreed and formalized price in the transaction.

Most firms that exist globally are family-owned in nature (De Massis et al., 2018). In Spain, some studies (i.e., IEF & Red de Cátedras de Empresa Familiar 2018, 2025) consider that family firms represent around 90% of all private firms, contributing to generate nearly 70% of private employment, and providing nearly 60% of GDP. Furthermore, family firms operate at the level of either micro, small, medium, large and very large firms (Burkart et al., 2003).

However, despite the significant progress made in economic theory regarding the firm, the substantial advancements in the study of family firms (Brigham & Payne, 2019), and the enhanced understanding of firm valuation (Broughton et al., 2014; Mazzariol & Thomas, 2016; Rojo-Ramírez, 2023), it seems that economic theory is oriented to non-family firms, and that family firms are the peculiar case. This focus on non-family firms is due to the fact that, traditionally, family firms have not previously received as much attention as they do today. However, there is now extensive knowledge about family firms, and we are aware that, in addition to representing the vast majority of firms, business families have considerable social and emotional interests in the firms they control, in a long-term trans-generational context (Martínez-Romero & Rojo-Ramírez, 2016; Martin et al., 2024; Pinelli et al., 2024). For this reason, there have been recent calls for the establishment of an economic theory for family firms, which is notably absent

1. See https://dictionary.archivists.org/entry/financial-value.html

(Chrisman et al., 2024).

According to the aforementioned arguments, the value of a firm to its owners incorporates an amount that is associated with emotional aspects, which is especially relevant in family firms (Astrachan & Jaskiewicz, 2008; Gómez-Mejia et al., 2007; Mensching et al., 2014; Zellweger & Astrachan, 2008; Zellweger & Dehlen, 2011). Therefore, our theoretical proposition is:

> When applying Valuation Theory, the firm being valued is, in essence, a family firm and the valuation of a non-family firm should be understood as a special case, in which much of the emotional value inherent in family firms is absent or discounted.

We state that the value of the firm is essentially a family value for two main reasons:

1. The cash flows collect the effects of the organization form and the strategy.
2. Most of the firms are family firms.

Accordingly, the value of the firm for family owners (*Family Equity Value*, *FEqV*), will be always made up of two types of value: the equity value (EqV, similar to non-family firms) and the emotional value (EmV) (Ruiz-Roqueñi, 2022)[2].

$$FEqV_0 = EqV_0 + EmV_0 \quad (1)$$

EmV is particularly noticeable in family firms, or more specifically, in business families, some of which are considered true business sagas, and contributes to reinforcing the EqV, (if there are emotional benefits) or to weakening it (if there are emotional losses) (Zellweger & Astrachan, 2008).

2.2. The dimensions of emotional value

Since the seminal work of Gómez-Mejia et al. (2007), socio-emotional wealth (hereinafter, SEW) has become a dominant paradigm in family firm research. SEW has been conceptualized as the set of specific, exclusive and intrinsic characteristics that family firms present and that makes them behave differently than their non-family counterparts (Berrone et al., 2012). However, as Martínez-Romero and Rojo-Ramírez (2016) highlighted, this concept deserves more attention and must be differentiated from emotional value. In this vein, emotional value is conceived as the set of owners' affective endowment that is associated with a series of non-economic benefits derived from the investment they make (Astrachan & Jaskiewicz, 2008; Zellweger & Astrachan, 2008).

The emotional value can be conceptualized both in behavioural terms (Cyert & March, 1963) or in terms of possession (Gerber & Steppacher, 2017). In the first case (Brigham & Payne, 2019), the emotional value would be considered an intangible asset that would help to explain the firm's behaviour in strategic decision-making processes. When conceptualizing emotional value in behavioural terms, its effects will be reflected in the incoming cash flows resulting from these strategic decisions, and thus, it will have a measurable economic character. In the second case, focused primarily on the concept of possession[3], the emotional value would be an asset associated with the material use of resources and property, which would allow the construction of an intangible and virtual world for its owner. In this case, emotional value is considered an intentional element whose economic value cannot be assessed.

The emotional value is especially relevant within family firms, since these firms add to their economic and financial work anthropological aspects typical of the business families that govern them. Thus, both types of dimensions, i.e., behavioural and possession, must be considered when referring to emotional value:

— *Behavioural dimension* (hereinafter referred to as the economic dimension) measures the impact that good (bad) know-how and family influence have on the development of the firm's management and organizational activities.

— *Possession dimension* (hereinafter referred to as the institutional dimension)[4], is an influential aspect appreciated by family members in relation to the firm, which is associated with their feelings towards it, its origin and their sense of belonging.

The economic dimension of emotional value (Table 1) reflects how family values are transferred to the firm and the impact this has on the development of its activities, usually through the organizational culture and business strategies influenced by the family (Aronoff, 2004; Rau et al., 2019), conditioning the resources and capabilities of family firms. This is what some authors have called '*familiness*' (Habbershon &

2. This author differentiates between "economic value" and "hedonic and utilitarian" value, but from a perspective of value creation for stakeholders. She points out, quoting Lemmink et al. (1998), that "*assuming that both hedocnic components must be taken into account as attitude components, it is clear that an affective component of emotional value needs to be incorporated into the value construct*" (p. 4). However, the emotional value that she adopts is much broader than the one addressed here, since it does not adopt a stakeholder perspective.

3. We are especially concerned with liberal and capitalist economies where there is a free market. Possession has to do with the feeling of ownership, but requires the intention to possess (Savigny, 2005).

4. This is what is normally understood as the perceived value of SEW by family owner-shareholders (Zellweger & Dehlen, 2011).

Williams, 1999). *Familiness* has been defined as the idiosyncratic set of resources and capabilities at the firm level that results from the interactions of the systems that constitute a source of competitive advantage, generating wealth and value creation for the firm and reflecting the positive influence of family involvement in the firm (Pearson et al., 2008).

Table 1. Situations of positive or negative emotional value (EmV) associated with the economic dimension

ECONOMIC DIMENSION OF EMOTIONAL VALUE (EmV_{ED})	
PositiveEmV	**NegativeEmV**
• Good work environment, corporate culture and employee empathy. • Diversification and risk management strategies. • Emotional bonds and active engagement. • Opportunities for promotion and career advancement.	• Sibling rivalry. • In-law disagreements. • Overlap of family and business problems. • Stress from tenure stress and decision-making. • Frustration.

Source: Based on Martínez-Romero and Rojo-Ramírez (2016).

Normally, it is expected that the greater the wealth associated with the set of feelings, emotions, and relationships between the members of the business family the greater and better the development of the business activity (Martínez-Romero & Rojo-Ramírez, 2017; Zellweger et al., 2012) . This improved business activity is achieved through a better working environment, greater empathy of workers, better emotional ties, and enhanced internal and external commitment (from and with customers, suppliers and, in general, with stakeholders). On the contrary, a family firm environment that reflects tensions between family members, disagreements in the policies to be carried out, and a mixture of misguided business and family policies, usually leads to some stress in decision-making that generates frustration and discomfort in all areas.

Table 2. Situations of positive or negative emotional value (EmV) associated with the institutional dimension.

INSTITUTIONAL DIMENSION OF EMOTIONAL VALUE (EmV_{ID})		
	Positive EmV	**Negative EmV**
Emotional bonds and possession	Strong emotional bonds with the firm; family members have a positive sense of ownership/possession.	Poor attachment of family members to the firm and a weak sense of ownership.
Power and prestige	Family members positively value their influence and prestige within the family and the firm.	The influence of family members on the firm and the family is minimal or non-existent.
Transmission of the family legacy (values)	Family members consider that the transmission of the family legacy is important and feel that they can manage it properly.	Family members do not consider it a priority to transmit the family legacy nor do they worry about it.
Autonomy and independence	Family members consider that their belonging to the family and their participation in the family firm allows them to enjoy autonomy and independence.	Family members view their belonging to the family and their participation in the family firm as a tie or headache.
Affective commitment	Family members maintain a strong commitment to each other and to the firm.	Family members are not sufficiently committed to the firm and to each other.
Social relationships and influence on the environment	Their family and business membership offers significant social recognition.	Social recognition for their belonging to the family and the firm is scarce or even negative.

Source: Based on Zellweger and Astrachan (2008).

The institutional dimension (Table 2) reflects psychological and social aspects that vary across family members and family sagas (Rau et al., 2019). Most of the time, these psychological and social aspects are rooted in the attachment to possession linked to the family's ownership of the firm (Zellweger & Astrachan, 2008). This is compounded by the prestige and power derived from the firm, the desire to transmit the predecessor's achievements to future generations, and the potential feelings of independence, strong social relations, and influence within the community. In essence, these components are associated with the ability of individuals to identify the firm with their own achievements and, in the case of family firms, with the family's heritage or saga. The stronger the feeling of belonging or emotional endowment (Zellweger & Dehlen, 2011), the greater these components of the institutional dimension of emotional value will be, and vice versa.

2.3. Family firms' emotional value

As proposed in the previous section, emotional value has two dimensions: the economic dimension and the institutional dimension. Although both dimensions result from emotional values, the former directly influences the firm's cash flows, which are incorporated into the final valuation. Accordingly, the economic dimension increases the firm value when it is positive and decreases it when it is negative (Table 1).

The existence of these two dimensions reinforces our premise from subsection 2.1, as we now understand that the cash flows collected by the firm inherently include the economic dimension's influence on organizational form and strategy.

Consequently, existing valuation methodologies (AECA, 2005; IPEV, 2012; IVSC, 2020; Rojo-Ramírez, 2023; Trugman, 2009) are developed and applied in the context of family firms. These methods are relevant for family firms because they consider the achievements of the owner and also those of the family saga.

In contrast, the institutional dimension encompasses merely subjective appraisals, a psychological component based on beliefs and values. These values are induced by the observation and history of family members (Rau et al., 2019), their origin, and their vision for the future, all of which are associated with the possession of the firm. These feelings are shared among family members (Zellweger & Dehlen, 2011) and can be either beneficial (Positive EmV) or adverse (Negative EmV). Crucially, the institutional dimension does not influence the economic-financial value based on rationality, as these merely appreciative components are not directly manifested in cash flows. Therefore, the institutional dimension can only be taken into account when a transaction occurs, such as an M&A operation, where it helps in fixing the final price. At this point, it becomes useful to view M&A processes as a courtship between buyer and seller that includes emotional factors, not just price (Graebner & Eisenhardt, 2004). This perspective is particularly relevant in the transfer of assets between members of family firms (Zellweger et al., 2016).

The intensity of emotional value varies depending on the investor and their cultural context (Rau et al., 2019) and as mentioned, is not exclusive to family firms. Any investor possesses an emotional component, but this component is more intense and discernible in the case of family firms (Martínez-Romero & Rojo-Ramírez, 2017). Furthermore, family firms' emotional value can vary in intensity due to several factors, such as, the life cycle of the family firm (Le Breton-Miller & Miller, 2013), gender influence (Cruz-Serrano et al., 2008), the percentage of firm participation (Zellweger & Astrachan, 2008), family governance practices (Suárez-Cabrera & Santana-Martín, 2004; Voordeckers et al., 2024), or even the family's perceived control (Zellweger et al., 2012).

Acknowledging the existence of emotional value is equivalent to admitting that the expected value of the firm by family members may differ from that expected by non-family investors, depending on the emotional component's intensity. That is, the owner-investors of family firms expect both pecuniary and non-pecuniary returns and are often willing to accept below-market pecuniary returns to satisfy their non-pecuniary goals (Dressler &Tauer, 2015). The challenge, and a key research topic in family firm literature, is the quantification of emotional value (Berrone et al., 2012).

3. Family Firms Value, Emotional Value and M&A Strategy

Family firms' valuation is a topic that remains insufficiently addressed in academic literature (Granata & Chirico, 2010). If, as most studies suggest, family members' management positively contributes to firms' value (Palm et al., 2024; Rojo-Ramírez, 2009; Santulli et al., 2022), it is justifiable to derive the equity value (FqV) of non-family firms from Equation 1 in Section 2.1. In this way (Equation 2):

$$EqV_0 = (FEqV_0 - EmV_0 \qquad (2)$$

This structure reflects the professional practice, often arising from M&A, of applying discounts to the calculated value (Alonso-Cañadas & Rojo-Ramírez, 2012; Klein & Scheibel, 2012). This occurs because the buyer in such operations is typically external to the family and therefore discounts the emotional value they do not have to assume.

While an economic theory exists for calculating the value of a firm's shares (EqV) (Von Neumann & Morgenstern, 1947), this is not the case for the emotional value (Chrisman et al., 2024). An exception arises only if we assume that emotional value is already incorporated into equity value (Martínez-Romero & Rojo-Ramírez, 2017), through discounted cash flows that reflect the economic dimension of emotional value. This assumption is logical to the extent that economic theories are created for the majority of economic subjects, and as proposed in subsection 2.1, these subjects are typically family owner-investors.

Thus, the value of the shares of a firm that does not consider the family component (EqV) at the time of valuation would be (Equation 3):

$$EqV_0 = (FEV_{ED0} - DV) - EmV_0 \quad (3)$$

In this equation, the $FEqV_0$ in Equation 2 has been replaced by its indirect calculation $(FEV_{ED0} - DV)$ that is the most common process followed by practitioners (Rojo-Ramírez, 2023), where:

FEV_{ED0}, is the economic value of the family firm (*Family Economic Value)*, which includes the economic dimension (ED) that is:

$$\mathrm{FEV}_{ED0} = \left[\sum_{j=1}^{n} \frac{EFCF_j}{(1+k_0)^j} + \frac{EV_n}{(1+k_0)^n}\right] \quad (4)$$

Where[5]:

- $EFCF_j$ are the economic free cash flows expected by the firm's management over a discrete period *j* (*j* = 1, 2, 3, ..., n). These cash flows incorporate the effects of the family economic dimension that influences the firm's strategy. That is, the cash flows from the economic dimension of emotional value (EmV_{ED}) are embedded in EFCF.
- EV_n, is the expected residual (or terminal) economic value of the firm at the end of the discrete period *n*. This value, like the EFCF, reflects the effects of the economic dimension of emotional value.
- k_0, is the discount rate after taxes used to convert the EFCF expected by management into their present value. It is commonly known as the weighted average cost of capital that family managers expect.

DV, is the present value of the debt with explicit cost borne by the family firm at the valuation date[6].

The dissociation between the economic and the institutional dimension of emotional value, i.e., EmV_{ED} and EmV_{ID} is of utmost importance because of different reasons. First, it allows us to better understand the different approaches to emotional value (*familiness* vs. *emotional endowment*) by recognizing that they are two distinct effects stemming from the same origin. In fact, they have often been studied as a single concept when analysing M&A performance (Palm et al., 2024). Second, the differentiation can help advisors and managers better navigate negotiations, potentially preventing failed deals (Cumming et al., 2023; Kumar et al., 2023). Finally, it allows us to differentiate between M&A cases that occur intra-family or between close families (Zellweger et al., 2016) and those M&A transactions between family members and non-family third parties (Graebner & Eisenhardt, 2004). We will focus here on this last aspect: intra-family M&A transactions (in-family M&A), and the M&A between family members and a third party (sell-out M&A).

3.1. In-family M&A transactions

Literature is relatively silent about in-family M&A, likely due to the private nature of these changes in family control (Zellweger et al., 2016). When in-family M&A transactions occur, the family members who are buying will, as part of the family, naturally consider the institutional emotional component (EmV_{ID}) existing in the firm. In one way or another, they feel a sense of participation in the family's management and ownership, and, therefore, also in the economic dimension of emotional value (EmV_{ED}).

It can be argued that the family firm economic value (FEV_{ED}), which includes the economic dimension (EmV_{ED}), is probably not the primary concern for the members involved in the transaction. However, the expert's calculation of this value is a standard part of the process. This calculation leads participants to understand the intangible value corresponding to the emotional value of an economic nature (EmV_{ED}), that is, the portion of the firm's value attributable to the positive or negative effect of family members' management.

The EmV_{ID} will be contingent on the family member for whom the valuation is being conducted, due to the existence of different value types and intensities (Rau et al., 2019). Nevertheless, in this context, the value primarily depends on the member's level of involvement (in management and ownership) and the generation to which they belong. For active family members (owners, managers, or employees), their participation

5. For a further development of this equation, any business valuation book can be consulted (e.g., Damodaran, 2006; Rojo-Ramírez, 2023).

6. This debt is often considered equivalent to the book value of the debt, if the interest rate borne by the firm is similar to the market rate.

in the emotional value is expected to be full (meaning they figure in both EmV_{ED} and EmV_{ID}). These members expect not only financial income from the firm's activity but also emotional income derived from the family and its community involvement. This emotional income results both from the family's influence on the firm's strategy (EmV_{ED}) and from institutional appreciation (EmV_{ID}). For passive family members (owners but not managers or employees), the emotional value is expected to be less intense in relation to the institutional dimension (EmV_{ID}). It is even likely that their expectation will be limited solely to receiving a purely financial income.

A specific case of in-family M&A is one related to succession operations when they are executed through a purchase-sale process, likely due to factors beyond purely economic issues. Zellweger et al. (2016) investigated this issue by conducting a survey among students from family firms that were approaching the moment of succession. Respondents were asked for their appreciation of the firm's value relative to an imaginary price paid by an external buyer[7]. The results suggest a reduction over the value paid by the external buyer when a potential family-internal succession occurs. While it is possible to agree on the grounds for this perception, we do not share the opinion that an actual discount on value exists due to two main reasons. First, when asked about the amount paid by an external buyer, the discussion concerns price, not value, which, as noted in subsection 2.1, are distinct concepts, assuming a transaction has occurred. Second, the economic value assigned to the family firm by an expert already includes the emotional value of an economic nature (EmV_{ED}), which is therefore not the distorting element between family members. Accordingly, the appreciation expressed by respondents can only be due to the institutional emotional component (EmV_{ID}), which is associated with the appreciative aspects that family members hold regarding the firm. Furthermore, it is quite common for successors to assume that their predecessors will be lenient with their future and thus, willing to favour them by reducing the price to be received.

3.2. Sell-out M&A transactions

In M&A transactions between family members and outsiders, the assessment of the institutional emotional aspects is often unfounded or spurious, as the purchaser is not part of the family or close to it. Consequently, the buyer is not interested in the firm's familial emotional component.

However, the economic value used as a starting point for assigning the equity value (EqV) to non-family investors already includes the EFCF, which are a direct consequence of the management actions associated with family participation. Therefore, the value calculated in all cases (both in in-family M&A and sell-out M&A) is the Family Economic Value (FEV). If, as the literature suggests, the influence of family management and ownership on the firm is significant (Granata & Chirico, 2010; Miller et al., 2007; Palm et al., 2024), the firm's transfer to non-family agents will influence the Economic Value (EV) they assign to it, such that:

$$EV_0 = FEV_0 \mp EmV_{ED0} \qquad (5)$$

Being EmV_{ED}, the positive or negative effect that family involvement in ownership and management has on the management and obtaining of EFCF. If there is a positive *EmV*, the family economic value (FEV), and therefore the expected family equity value (*FEqV*), will be higher than that assigned by non-family buyers. The relationship between EqV_0 and $FEqV_0$ is as follows (it is assumed that the same divergence exists regarding the institutional value (EmV_{ID0}), which the buyer will not appreciate when negotiations begin

$$EqV_0 = FEqV_0 — EmV_{ED0}$$

The opposite will occur if there is a poor EmV_{ED}: the family economic value (FEV) will be lower than the value assigned by the external buyers (economic value, i.e., EV). The resulting share value ratio (without considering the institutional dimension's influence during negotiation) would be:

$$EqV_0 = FEqV_0 + EmV_{ED0}$$

In the context of M&A negotiation, this valuation disparity means that the economic value perceived by external buyers (EV) will be less than the family economic value (FEV) assigned by the selling family members when there is a positive EmV (EV<FEV). Conversely, with a negative EmV, the FEV assigned by the family sellers will be less than the EV assigned by external buyers (EV>FEV). Since the valuations of both parties are imbalanced, this creates room for negotiation. The eventual resolution will be influenced by the appreciated institutional dimension of family members during the negotiation process.

To enrich our understanding, we now focus on negotiation strategy by proposing a configurational framework (Neckebrouck et al., 2021) for sell-out M&A, as illustrated in Figure 1. This framework identifies four possible extreme situations:

1. The value appreciated (possession) by family members is optimistic (positive *EmV*, EmV_{ID}^{+}).

7. The question was: "*Assume that a family-external buyer would have to pay an amount of 100 for the family firm's total equity. How much would you have to pay?*"

In this case, there will be a greater divergence in the appraisals of the buyer and seller if the economic dimension of the value (EmV_{ED}^{+}) is also positive. In this regard, family members will perceive that, in addition to the loss of EmV_{ED}, they will not be compensated for the loss of the EmV_{ID} (upper left quadrant of Figure 1). In these circumstances there will be significant difficulties in carrying out the transaction, as the $FEqV$ will be far from EqV being $FEqV > EqV$. The potential transaction price (PP) of the buyer will be:

$$PP_0 = FEqV_0 - EmV_{ED0} - EmV_{ID0}$$

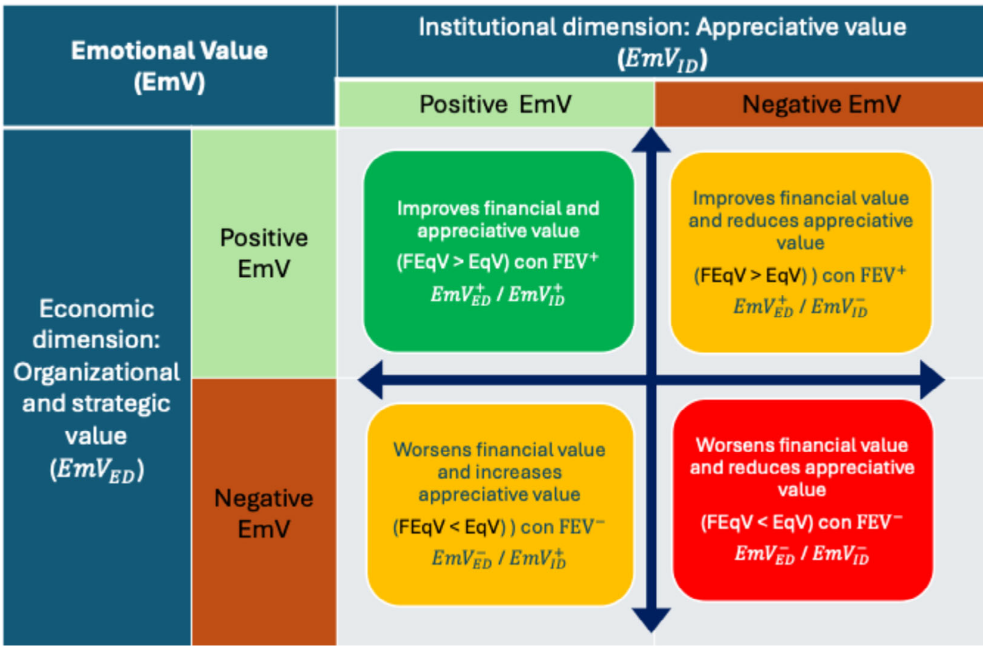
Consequently, pursuing the transaction will likely not be worthwhile.

2. The value appreciated (possession) by family members is adverse (negative EmV EmV_{ID}^{-}). If, in addition, the economic dimension of value is also poor (EmV_{ID}^{-}), the external buyer sees a potential opportunity for improvement upon acquisition. Likewise, the sellers see a potential opportunity in the sale (lower right quadrant of Figure 1). The probability that the transaction will occur is high, as family members are likely to be willing to accept an amount lower than their Family Economic Value ($FEqV$). This willingness stems from the fact that their $FEqV$ will probably be below the external buyer's Equity Value (EqV), i.e., $FEqV < EqV$. The potential transaction price (PP) will be:

$$PP_0 = FEqV_0 + EmV_{ED0} + EmV_{ID0}$$

In these circumstances, potential buyers will see an interesting window to acquire the firm for a lower than estimated amount, effectively finding a bargain.

Figure 1. Influence of emotional value components on firm value and negotiation



Source: The Authors

3. The upper right quadrant (Figure 1) reveals a situation where family members of the firm will likely be predisposed to selling it. This predisposition is driven by an unfavourable institutional emotional value (possession) (negative EmV, EmV_{ID}^{-}) while the firm's economic emotional value is considerably acceptable (positive EmV, EmV_{ED}^{+}). The family members' high propensity to sell will favour the negotiation. Conversely, the external buyer will see a well-functioning firm with a positive future and will likely be willing to offer a good price for it, ignoring the institutional dimension (EmV_{ID}). The potential transaction price (PP) offered by the buyer will be:

$$PP_0 = FEqV_0 - EmV_{ED0} + EmV_{ID0}$$

Therefore, the mutual willingness to negotiate between buyers and family sellers is likely so high that devoting effort to the transaction may be worthwhile

4. The lower left quadrant (Figure 1) describes a situation where family members observe inadequate economic management (negative EmV, EmV_{ED}^{-}), although their appreciative (institutional) value is high (positive EmV, EmV_{ID}^{+}). The family members' propensity

to sell will likely be low, which will hinder negotiation. Conversely, the external buyer will see a functioning firm with an uncertain future and will therefore be unlikely to offer a favourable price. The potential transaction price (PP) offered by the buyer will be:

$$PP_0 = FEqV_0 + EmV_{ED0} — EmV_{ID0}$$

In these circumstances, the effort involved in a negotiation is unlikely to result in an M&A compromise.

Without a doubt, the intensity of EmV_{ID0} is not homogeneous among family members due their differing situations. Consequently, the levels of negotiation can cover a wide spectrum, leaving ample room for proposals and development by both parties. The different configurations should be interpreted as ideal-type negotiation rather than as nominal categories. The ideal-type negotiation is an important theory-building device that can serve as “: (Blalock, 1969: 32). In this context, the degree of deviation between a real transaction and each ideal-type configuration can be used to predict the transaction result (Neckebrouck et al., 2021).

4. The Calculus of the Emotional Value

One area where considerable study, debate, and research are still needed is the calculation of emotional value in family firms (Astrachan & Jaskiewicz, 2008). While this is a challenging issue (Clausen & Hirth, 2016), especially at the micro firm level, developing proposals is essential to enhance understanding and provide guidance for professionals and accounting regulators.

The existing literature exploring the role of intangible assets in shaping firm value is scarce[8], and much of this research fails to approach this issue from a finance perspective (Dong & Doukas, 2025). The few studies addressing this issue in the field of family firms and firm valuation seem to suggest that being a family firm has a positive influence on M&A transactions (Granata & Chirico, 2010; Palm et al., 2024). Furthermore, family firm status appears to have a positive effect on firm value in M&A (Tao-Schuchardt et al., 2023; Zellweger et al., 2012), largely due to the strength of their brand image (Temprano-García et al., 2023). Despite these findings, the research remains inconclusive (e.g., Worek, 2017).

The central challenge regarding emotional value is isolating the effects of the family’s participation in management and ownership on the income it generates to accurately calculate the EmV_{ED}. An equally difficult challenge is how to deal with the appreciative value or value perceived by family members, i.e., EmV_{ID}, which is eminently psychosocial (Debicki et al., 2016). Our perspective is that EmV_{ID} can be measurable (for example, by means of a survey, Berrone et al., 2012) but not assessable in monetary terms due to its qualitative nature (Ruiz-Roqueñi, 2022). This contrasts with the EmV_{ED}, which is both measurable and assessable since it directly exerts an impact on the cash flows generated by the firm

The emotional economic value (EmV_{ED}) is easily observed in M&A transactions, particularly in sell-out M&A (e.g., private equity firms) (Achleitner et al., 2010) or in in-family M&A (Trevinyo-Rodríguez et al., 2024). In many of these cases, buyers (such as private equity firms or family offices) often establish maintenance and noncompete clauses for family members over a transactional period (Binz Astrachan et al., 2021). This practice underscores the importance that family managers typically hold in the development of family firms and, consequently, in both the economic and share value of the firm.

It must therefore be agreed that EmV_{ED} is a non-visible, intangible element. However, it is perfectly perceptible within the corporate environment and firm culture, and thus affects value, especially for family investor-owner. EmV_{ED} is considered a unique asset. As such, it is complex to generalize a single measure for it that would help define a valuation model at either the micro (firm) level (Álvarez et al., 2012) or the meso or macro level (Van Criekingen et al., 2022)

Admitting that EmV_{ED} is an intangible asset, one of the valuation methods used for this type of element (IVSC, 2020) can be employed to assign it an individualized value, regardless of whether it may be recognized in the financial statements (IASB, 2017). Although further research is needed in this regard, a feasible method would be the residual income method or excess earnings method (Rojo-Ramírez, 2023; Trugman, 2009). The fundamental idea of this method is that income attributable to intangible assets is the income that exceeds the fair return of all assigned assets contributing to the income-generating process, which implies that all income-producing assets must be measured at fair value (Grant Thornton, 2013). This methodology is grounded in the firm’s capacity to surpass its industry peers in revenue generation while employing similar physical assets and production inputs (Dong & Doukas, 2025). Although this method is only admitted by the accounting system for goodwill in special cases (IASB, 2017), it is generally recognized that excess earnings are positively related to better

8. A line of research exists regarding emotional value from the perspective of marketing, consumers and brands (e.g., Kato, 2021).

firm performance and valuation (Bagna et al., 2024).

For its part, institutional value is a form of emotional value perceived primarily by family members (EmV_{ID}) and therefore, much more elusive than EmV_{ED}. Its roots are less accessible because they are affective issues and are further complicated by the heterogeneity among family firm members. EmV_{ID} is that part of the value of a business (as perceived by the owner) that is not explained by financial considerations, which causes the market price to deviate from the fundamental value on which it is based. Since this type of value is specific to each family member, it can only factor into a possible negotiation between external investors and the family firm representatives, which necessitates consensus and leadership within the family firm. Consequently, we suggest that its components are not part of the firm's inherent value but part of the market price. However, it is important to recognize the significant efforts being made to calculate it in monetary terms (Ruiz-Roqueñi, 2022).

5. Discussion

Firm value is central to the process of business valuation (Riad & Daellenbach, 2019). In this respect, the financial value to a firm's shareholders is derived from the theory of utility (Mongin, 1997) and is well-established in both theory and practice (Bancel & Mittoo, 2014; Mazzariol & Thomas, 2016). Given that most firms are family-owned, the underlying theory supporting valuation models is necessarily linked to family firms. However, the significant and abundant research stream on family firms often appears to overlook this association, treating the valuation of family firms as merely a special case within general valuation models (Chrisman et al., 2024)

In this sense, and drawing upon abstract and deductive models derived from observed reality, we argue here that the financial equity value of a family firm (FEqV) is not simply the sum of a non-family firm's financial value (EqV) and the emotional value (EmV), as proposed by Astrachan and Jaskiewicz (2008). Conversely, the system employed here allows for the establishment of a theoretical and conceptual framework on value formation in family firms that will support advancements in the study of M&A processes (Hossain, 2021). The EqV is viewed as part of a broader financial family firm equity value. At the very least, the equity value of the family firm (FEqV) cannot be equated with that of a non-family firm, as it encompasses dimensions that extend beyond purely financial considerations. Ultimately, when a firm's value is calculated, it already reflects the influence of family management and ownership on strategic decisions (Rau et al., 2019) and consequently, includes the emotional value that owners, whether family or not, ascribe to the business (Martínez-Romero & Rojo-Ramírez, 2016, 2017; Martin et al., 2024).

Our positioning is based on two main arguments: first, that most firms are family firms; and second, that the cash flows proceeding from management reflect the effects of the organizational form and the strategy applied. This leads us to the proposition that when theorists and practitioners apply valuation theory to value a firm, they are, in effect, valuing a family firm. The valuation of a non-family business is thus a special case that largely discounts the emotional value inherent in family firms. This proposition aligns with the call for the establishment of an economic theory of family firms (Chrisman et al., 2024).

So far, the different studies regarding the emotional value have considered it to be unique (Martínez-Romero & Rojo-Ramírez, 2016). However, the idea defended here is that the emotional value has two complementary dimensions. An economic dimension (EmV_{ED}), which refers to the impact that family ownership and family management have on the firm's strategy. And an institutional dimension (EmV_{ID}), which refers to the appreciative aspects that family members hold regarding the firm as a substantial anthropological part of the family and its origins. This second dimension, although measurable using different forms and scales (Berrone et al., 2012; Naldi et al., 2024; Ruiz-Roqueñi, 2022), makes it impossible to generate a model aimed at determining its specific economic and financial value because it represents a distinct psychological component for each individual.

The breakdown of emotional value is of great interest because it serves, on the one hand, to better understand different research approaches such as *familiness* (Habbershon & Williams, 1999) and *emotional endowment* (Zellweger & Dehlen, 2011). It is argued that although both, EmV_{ED} and EmV_{ID}, are of the same origin, they need to be analysed differently due to their impact on firm value: the former is included in firm value, while the latter takes part in price formation. On the other hand, this split constitutes a powerful element for the analysis of M&A transactions and their performance (Palm et al., 2024), since it helps to explain different positions of the buyer and seller, thus facilitating the intermediation work. Furthermore, it allows us to differentiate intra-family or close-family M&A cases (Zellweger et al., 2016) from sell-out M&A transactions (Graebner & Eisenhardt, 2004).

M&A operations constitute an increasingly used strategy for growth and competitiveness (Hossain, 2021; López-Delgado et al., 2024), yet they are characterized by high rates of abandonment during negotiation (Kumar et al., 2023) or even failure after the deal closes (Koi-Akrofi, 2016). Valuation is a critical aspect of deal-making in M&As (Cumming et al., 2023). Therefore, it is essential to understand not only the value of the firm but also its component elements, given that, according to our proposition, the calculated value is oriented toward family firms. This knowledge can help experts in their advisory role. The split of emotional value can help explain why some family owners are more biased than others when assigning a value to their ownership stake (Zellweger & Dehlen, 2011) and, by adopting a configurational approach (Meyer et al., 1993), it assists investors in making decisions in corporate M&A affecting family firms.

In line with Zellweger and Dehlen (2011), although adopting an inverse approach, this article argues that in non-family firms, where the influence of emotional aspects is considered low, the price external investors are willing to pay for a family firm is biased downwardly. This is because they are unwilling to assume the emotional value characteristic of the family firm. This bias affects both the intrinsic value of the firm, which includes the influence (positive or negative) of managers and family owners- and the final price, which disregards the affective value held by family members.

In order to support intermediaries and participants in M&A negotiations, it is useful to provide guidance on how to assess emotional value. This is a complex task (Clausen & Hirth, 2016), particularly at the micro (firm) level due to its intangibility. Furthermore, the underlying research is extremely scarce, making it appropriate here to provide some insight into this topic and the relevant research carried out.

Finally, calculating the emotional value of family firms remains a significant issue requiring further study and debate (Astrachan & Jaskiewicz, 2008), particularly at the firm level. An alternative is offered here for measuring and assessing the emotional component of an economic nature (EmV_{ED}). Substantially, this methodology is based on the concept of intangibility and the criteria that currently exist for their valuation (IVSC, 2020), which is grounded in the firm's capacity to surpass its industry peers in revenue generation while employing similar physical assets and production inputs (Dong & Doukas, 2025). From an operational point of view, even greater efforts are required to fully calculate the emotional value.

6. Contributions, Limitations and Future Research Lines, and Conclusion

6.1. Contributions

This article contributes to the current literature in several different ways. First, it accepts and supports the point of view presented in the recent study by Chrisman et al. (2024, p. 697), who argue that "*Merely applying existing economic theories of the firm to the realm of family business is inadequate*...". Accordingly, the theory of value in this piece of research is observed from the perspective of the firms that constitute the majority of the business universe, positioning the family firm as the fundamental axis of economic theory. This recognition of the family firm's role is extremely important since it transfers theory formation to where it truly belongs. In this way, it is the non-family firm that becomes the exception, rather than the family firm. This approach is significant for both operational and research purposes.

Second, this article addresses the suggestion and challenge of previous authors who point out the need to build a theoretical framework for the value associated with family firms (Astrachan & Jaskiewicz, 2008). However, we take the opposite view: when we estimate the firm value, the calculated value is argued to inherently reflect the valuation of a family firm; while the non-family firm value must be derived from the family firm value. This perspective opens new insights for both research and practice, responding to the challenge pointed out by Schulze and Kellermanns (2015, p. 9) when they state, "*The challenge is that theory concerning precisely where SEW resides or how it might aggregate has yet to be developed*".

Third, our study extends previous research, such as that by Zellweger and Astrachan (2008) or Astrachan and Jaskiewicz (2008), by splitting emotional value into two dimensions: the economic dimension and the institutional dimension. This division can help to better understand the results of M&A transactions (Cao et al., 2023). As previously noted, this recognition is important because the study and approach of each dimension by researchers and practitioners must necessarily differ. The economic dimension is measurable and assessable, whereas the institutional dimension only emerges in a M&A transaction. Furthermore, the emotional value split allows us to develop a taxonomy of family firm values that can serve as a valid starting point for future research and can help to explain the M&A negotiation process.

Fourth, in line with Brigham and Payne (2019) who highlight the need for more theoretical and empirical development in the important and fast-growing area of SEW research, this paper also extends and contributes to SEW theory. We achieve this by splitting, for the first time, the two dimensions of emotional value. This division allows us to approach the firm's economic-financial value from a more realistic perspective by positioning the family firm as the centre of gravity of firm valuation. Furthermore, institutional emotional value constitutes a large part of the research conducted in various papers on SEW. In this sense, two distinct lines of research are opened, requiring necessarily different approaches and procedures, which could help to better understand the often inconclusive results (Barros et al., 2017) of research carried out so far.

Fifth, although it remains an open topic for debate, a mechanism based on intangibility criteria is proposed to address the valuation of the economic dimension of emotional value. This approach aligns with current accounting rules, particularly those concerning business combinations (IASB, 2017). In doing so, a link is established with the existing stream of research on intangible assets, particularly regarding the calculation of their value.

6.2. Limitations and future research lines

Our study suffers from several limitations, which in turn pave the way for multiple future research directions. First, the research presented here is conceptual and largely makes sense in the field of firms that are recognized as family-owned (Chrisman et al., 2024). We argue that the theory of value should be approached from the perspective of family firms, particularly unlisted firms, and more specifically, in the context of valuation and M&A operations. Thus, our proposition, arguing that theory should be approached from the perspective of family firms, opens an important avenue for research. The research conducted to date in this field, both theoretical and empirical, can be re-evaluated the other way round, that is, now considering that non-family firms are a special case of family firms.

Second, the influence of the economic dimension of emotional value is not homogeneous across all family firms, and even non-family firms, but depends considerably on the family's goals, the level of family involvement in management, the firm itself, and the resources available across family firms (Daspit et al., 2023). In line with Zellweger and Astrachan (2008), we argue that empirical studies are needed in this regard that consider the differing roles of owners, their involvement in the firm, and their ownership stake.

In addition, the legal, social, and economic environment has not been taken into account when analysing M&A strategies in family firms, which undoubtedly influences the outcome of a negotiation. In line with Tao-Schuchardt et al. (2023), we encourage future research to explore how differences in negotiation capabilities (of family firm targets) and different types of acquirers influence the prices paid for firms in acquisitions according to the different levels of negotiation proposed in Figure 1.

Finally, while we are conscious of the difficulties and challenges involved in assessing emotional aspects, at this stage, research is needed on how to assess the economic dimension of emotional value, considering the heterogeneity of family firms. There appears to be an incipient stream of research in this respect, but further investigation is needed concerning existing methods for valuing intangible assets for use in economic analysis (Van Criekingen et al., 2022), particularly in the context of economic dimension of family firms' emotional value.

6.3. Conclusion

In conclusion, our study permits the establishment of a theoretical and conceptual framework on value formation in family firms. This framework serves as a support to advance the study of M&A processes by offering a synthetic analysis capable of capturing the limits and dynamics of the evaluation process with a transversal and interdisciplinary vision.

Author contribution statement

The authors contributed equally to the work.

Conflict of interest statement

None.

Ethical statement

Nothing is needed.

Declaration on the use of generative AI in the writing process

The authors have not used AI.

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Data availability statement

No dataset was generated or analyzed in this study.

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Philanthropy and Corporate Social Responsibility in Business Families: Practices, Governance, and Intergenerational Dynamics

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Business family, Philanthropy, Corporate social responsibility, Governance, Intergenerational dynamics

Abstract This study explores how business families enact and interrelate philanthropy and corporate social responsibility (CSR), moving beyond firm-centric perspectives to focus on the family as a civic and entrepreneurial actor. Drawing on a multiple case study of Canadian business families, we identify philanthropy and CSR as complementary practices shaped by identity, governance, and intergenerational values. Findings reveal a shift from reciprocity-based engagement to entrepreneurial social innovation, supported by governance mechanisms including decision-making, monitoring, partnerships, and storytelling. Philanthropy offers flexibility for addressing pressing needs, while CSR embeds ethical and sustainable goals into business operations. Together, these practices foster societal value and strategic alignment. The study contributes to this theory by bridging socioemotional wealth and relational governance, and by proposing five testable propositions for future research.

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PALABRAS CLAVE
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Filantropía y Responsabilidad Social Corporativa en Familias Empresarias: Prácticas, Gobernanza y Dinámicas Intergeneracionales

Resumen Este estudio explora cómo las familias empresarias llevan a cabo e interrelacionan la filantropía y la responsabilidad social corporativa (RSC), yendo más allá de las perspectivas centradas en la empresa para enfocarse en la familia como un actor cívico y emprendedor. A partir de un estudio de casos múltiples de familias empresarias canadienses, identificamos la filantropía y la RSC como prácticas complementarias moldeadas por la identidad, la gobernanza y los valores intergeneracionales. Los hallazgos revelan una transición de un compromiso basado en la reciprocidad hacia una innovación social de carácter emprendedor, apoyada por mecanismos de gobernanza que incluyen la toma de decisiones, el seguimiento, las alianzas y la narración de historias. La filantropía ofrece flexibilidad para abordar necesidades urgentes, mientras que la RSC incorpora objetivos éticos y sostenibles en las operaciones empresariales. En conjunto, estas prácticas fomentan el valor social y la alineación estratégica. El estudio contribuye a la teoría al tender puentes entre la riqueza socioemocional y la gobernanza relacional, al realizar cinco proposiciones para investigaciones futuras.

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1. Introduction

Across the globe, business families significantly shape local economies and social landscapes (Cruz et al., 2021; Kelley et al., 2020; Miroshnychenko et al., 2021). Despite their growing social involvement, research lacks an integrated understanding of how Corporate Social Responsibility (CSR) and philanthropy—two key forms of social engagement (Campopiano et al., 2014; Feliu & Botero, 2016; Häußler & Ulrich, 2024; Rivo-Lopez et al., 2021; Stock et al., 2024)—are enacted, governed, and transmitted across generations. This article addresses this gap by proposing a multi-level, empirically grounded framework explaining how business families legitimize, structure, and innovate in their social practices, and how these practices sustain family continuity, stakeholder trust, and societal impact. CSR and philanthropy reflect the values, identity, and long-term aspirations of business families. Philanthropy—often through family foundations—reinforces commitment to societal welfare while preserving socioemotional wealth (SEW) and family legacy (Feliu & Botero, 2016; Sánchez et al., 2025; Stock et al., 2024). CSR, in contrast, adopts a strategic approach encompassing ethics, sustainability, stakeholder relationships, and operational responsibility (Mariani et al., 2023; Van Gils et al., 2014). Together, they combine altruistic and instrumental objectives, enhancing reputational capital, business continuity, and stakeholder trust (Berrone et al., 2012).

Yet, scholarly interest remains fragmented, leaving enduring gaps that this study addresses. First, although SEW theory has been central in explaining CSR motivations in family firms, there is still a pressing need for integrative frameworks that connect family dynamics to CSR outcomes across cultures and regions (Cruz et al., 2014; Feliu & Botero, 2016; Rivo-López et al., 2021). In addition, the psychological and cultural drivers behind philanthropic behaviours—particularly during succession and generational transitions—require deeper examination (Kaimal & Uzma, 2024). Compounding these issues, inconsistencies in empirical findings concerning the level and impact of CSR in family-owned firms highlight the need for a more nuanced, contextual analysis (Jiang et al., 2023; Rahman & Zheng, 2023). Finally, despite the critical role of storytelling and transparency, limited attention has been paid to how business families communicate their CSR and philanthropy strategies to stakeholders (Chalmeta & Viinikka, 2017).

To address these gaps, we ask: How are CSR and philanthropy enacted, legitimized, and integrated within business families? Using an inductive, qualitative multiple-case approach, we examine motivations, governance practices, and generational dynamics shaping social engagement in Canadian business families (Miles & Huberman, 1994; Sekaran, 2003). Data from semi-structured interviews and archival sources were analyzed using Gioia's inductive methodology Gioia et al. (2013) to identify first-order concepts, second-order themes, and aggregate dimensions. Findings show that business families transition from a logic of obligatory reciprocity (Mauss, 1923) toward institutionalized mission-driven practices that promote innovation and long-term community development. The social causes addressed include health, education, entrepreneurship, and environmental sustainability. While philanthropy is primarily structured through family foundations, CSR is embedded within business operations and guided by evolving governance models. Many families adopt entrepreneurial approaches to social initiatives, applying strategic and evaluative frameworks to amplify the societal impact.

The article is structured as follows. The opening sections introduce the study's conceptual foundations, outlining key definitions and positioning business families within the broader context of social engagement. Subsequent sections review the main approaches to philanthropy and CSR, setting the stage for the empirical inquiry. The latter part of the article presents the research design in detail, including the qualitative multiple-case study methodology, data collection, and analytical approach. This is followed by an in-depth discussion of the empirical findings, linking them to theory and practice, and highlighting implications for both scholars and practitioners. The article concludes with a set of testable propositions and recommendations for future research to advance a more comprehensive understanding of social innovation in the context of family enterprises.

2. Literature Review

2.1. Conceptual foundations: What are business families and their social engagements?

This study focuses on the concept of the business family, distinguishing it clearly from related figures such as the founder-entrepreneur or the family firm. Unlike research that emphasizes either the individual entrepreneur or the operating firm, our focus is on the family as a strategic unit that owns and manages financial, social, and symbolic assets with a long-term entrepreneurial orientation (Cruz et al., 2021; Habbershon & Pistrui, 2002).

A business family can be defined as a group of individuals linked by kinship who share a strategic vision and who control, through formal and informal structures, a portfolio of assets—including businesses, investments, and foundations—with the intention of preserving, transforming, and transmitting this wealth across generations (Habbershon et al., 2003; Schillaci et al., 2013). These families may no longer operate active businesses but remain united around shared goals, utilizing vehicles such as family offices, investment funds, or philanthropic foundations (Cruz et al., 2021).

Social engagement—such as CSR and philanthropy—is a critical practice through which business families express their values, maintain their identity, and commit to the public good. These practices aim to generate societal value beyond private interests and play a central role in the family reputation, intergenerational continuity, and stakeholder trust (Feliu & Botero, 2016). Philanthropy and CSR are also central components for business families that drive long-term sustainability, reputation enhancements, and stakeholder engagement (Mariani et al., 2023; Stock et al., 2024). These practices are intricately tied to family identities, enriching both the social fabric of their communities and the economic resilience of their firms through strategic CSR engagements (Mariani et al., 2023; Stock et al., 2024).

2.2. Dual logic of CSR and philanthropy in business families

CSR and philanthropy reflect a dual logic that integrates both altruistic and strategic orientations. This duality is often explained through the lens of SEW, which encompasses emotional, reputational, and relational assets that family owners aim to preserve (Van Gils et al., 2014). Also, business families often prioritize their SEW—defining their identity, legacy, and emotional ties to their community—when engaging in CSR and philanthropic activities. This prioritization differentiates them from non-family owners, which may focus more narrowly on maximizing shareholder wealth (Campopiano et al., 2019; Sánchez et al., 2025). While philanthropy is often seen as the benevolent extension of the family's identity and community values, CSR represents a more structured set of practices embedded in the firm's operations to align with ethical, social, and environmental expectations (Mariani et al., 2023; Rivo-López et al., 2021).

Strategic philanthropy integrates corporate and social objectives, allowing business families to use organizational resources to address societal challenges while reinforcing business competitiveness (Purwatiningsih et al., 2024). This model has historical precedents—early 20th-century families used philanthropy to legitimize their activities and build operating stability (Feliu & Botero, 2016).

Philanthropic foundations serve as formal platforms for innovation, social capital development, and intergenerational engagement, often acting as incubators for new social initiatives (Fitzgerald et al., 2010; Lamb & Butler, 2018).

In the case of family-owned SMEs, they typically implement CSR and philanthropic activities in a less formalized but deeply values-driven way and community-rooted manner (Campopiano & De Massis, 2015; Jayakumar, 2016). These initiatives are often perceived as more authentic, especially by younger generations who demand visible, value-based social commitment (Kim & Austin, 2020). Storytelling and intergenerational narratives reinforce this authenticity, helping families maintain legitimacy and commitment to societal purpose (Maclean et al., 2013; Pan et al., 2018).

2.3. Governance as an enabler of social strategy

The governance structures of business families significantly shape how CSR and philanthropy are enacted. Governance, in the context of a business family, is defined as the set of mechanisms, processes, and structures—both formal (e.g., family assemblies, family councils, boards, protocols) and informal (e.g., trust, shared values, identity)—that guide collective decision-making and resource allocation (Aronoff & Ward, 2011; Gersick et al., 1997; Mustakallio et al., 2002). Nason et al. (2019) distinguish rentier families - defined as families that have become increasingly capitalized - with static governance from those with participatory, adaptive, and entrepreneurial governance. These differences influence the scope, innovation potential, and sustainability of social engagement.

Within this framework, philanthropic practice often serves as a learning platform, providing family members with valuable business, family, and personal skills (Feliu & Botero, 2016). Family foundations help institutionalize legacy and function as vehicles for aligning social goals with broader business strategies (Rey-Garcia et al., 2020; Schillaci et al., 2013), thereby reinforcing the long-term vision of the business family.

When CSR initiatives are strategically aligned with family governance, they can strengthen stakeholder trust, enhance brand legitimacy, and sustain enduring community relationships (Campopiano & De Massis, 2015; Van Gils et al., 2014). Nevertheless, such alignment also brings to light potential ethical tensions, including opacity, limited accountability, and the concentration of social influence in private hands (Harvey et al., 2021; Hellsten & Mallin, 2006). Mitigating these risks requires the implementation of robust, transparent, and participatory governance systems that ensure both effectiveness and legitimacy.

2.4. Dynamics and evolution of social engagement in business families

Social engagement in business families evolves through multiple trajectories. They often start from a logic of reciprocal obligation (Mauss, 1923) and gradually professionalize toward structured and strategic practices. CSR and philanthropy are increasingly perceived not as isolated practices but as interlinked components of a broader social strategy.

Philanthropy channels enable families to leverage their entrepreneurial skills and networks to innovate in social value creation (Rey-Garcia et al., 2020; Shaw et al., 2013) in education, healthcare, environmental protection, and entrepreneurship, while reinforcing the cross-generational collaboration. CSR, particularly in SMEs, reflects relational trust, embeddedness, and long-term commitment to community development (Castejón & López, 2016; Spence, 2016).

Intergenerational shifts are a part of the evolutionary process in the family and in the firm (Amonarriz et al., 2024) contribute to expanding the scope of social practices. Newer generations advocate for causes like environmental justice, diversity, equity, and inclusion (Jayakumar, 2016), aligning business families with global standards of responsible behaviour. This enhances adaptability and fosters resilience in the face of changing social norms (Schulze & Bövers, 2022).

Recent literature has emphasized the unique interplay between philanthropy and CSR in family firms, highlighting how these practices are not only shaped by strategic considerations but also deeply rooted in family values and long-term orientation (Terrón-Ibáñez et al., 2022). Business families often engage in philanthropy to reinforce their social legacy, while CSR offers a more formalized channel through which values are integrated into business strategy (Aparicio & Iturralde, 2023). This alignment between purpose and practice is further supported by strong governance structures that help coordinate social initiatives, ensure intergenerational continuity, and respond to new social and environmental demands (Hernández Linares & Arias-Abelaira, 2022; Pereira-Otero & Gallo, 2023). Moreover, impact investing is emerging as a bridging mechanism between philanthropy and CSR, enabling families to align social purpose with financial performance (Cruz et al., 2021).

Despite the recent growing literature, several critical gaps persist in understanding CSR and philanthropy within business families. First, there is a lack of integrative theoretical frameworks linking family dynamics, governance, and social engagement across diverse contexts (Cruz et al., 2014; Feliu & Botero, 2016; Rivo-López et al., 2021). Most existing studies focus on SEW but overlook other explanatory dimensions. Second, empirical research remains overly concentrated in Western contexts. The effects of internationalization on CSR practices are underexplored (Dung & Giang, 2022, as are cultural and institutional influences on philanthropic strategies. Third, the motivations behind social engagement—particularly during succession—are still insufficiently theorized. Psychological and cultural drivers, including agency dynamics and identity construction, deserve more attention (Kaimal & Uzma, 2024). Fourth, the findings on the relationship between family ownership and CSR are contradictory. Some studies highlight positive effects (Marques et al., 2014), while others emphasize limitations due to risk aversion and conservative practices (Rahman & Zheng, 2023). All these points need to consider the nuances of governance diversity (Jiang et al., 2023). Lastly, the strategic strand of CSR and philanthropic efforts remains under-researched. Since most literature focuses on outcomes without analyzing how business families legitimize, narrate, and amplify their social actions to stakeholders (Chalmeta & Viinikka, 2017).

In sum, addressing these research gaps is essential for a more holistic understanding of how CSR and philanthropy are enacted and interrelated within business families. Future studies should prioritize the integration of multilevel frameworks, diverse empirical settings, and dynamic governance perspectives to better explain how business families engage with society and how these engagements evolve over time.

3. Methodology

Adopting an exploratory approach to investigate how philanthropy and CSR are enacted within business families and their firms is justified both theoretically and empirically. These practices are shaped by complex dynamics involving identity, values, governance, and socioemotional factors, which evolve over time and across generations (Campopiano et al., 2019).

The SEW framework, while influential, does not fully capture the diversity of motivations behind CSR engagement, especially in multigenerational contexts (Izzo & Ciaburri, 2018). Family firms, as the organizational expressions of business families, also exhibit prosocial behaviours—such as community welfare and intergenerational solidarity—that differ significantly from non-family firms, requiring qualitative exploration to understand their unique logic and institutional forms (Campopiano et al., 2013; Pratono & Han, 2022). Governance and family identity play a central role in shaping social strategies, with feedback loops that influence philanthropic commitments over time (de Groot et al., 2022). Furthermore, key constructs like family firm efficacy and legitimacy remain underdefined, calling for inductive inquiry to clarify how they intersect with CSR and philanthropy (Kayid et al., 2022). Scholars have also highlighted gaps in connecting CSR to sustainability and in applying historical perspectives to understand its evolution across generations (Fonseca & Carnicelli, 2021; Hamilton, 2011). Finally, while CSR and philanthropy have often been studied separately, their interdependent role within the broader configuration of family, ownership, and business systems remains under-theorized, reinforcing the need for an exploratory, process-oriented research design.

In relation to this exploratory orientation, we adopted a qualitative multiple-case study design, as recommended by Sharma (2004) and Patton (1990). This approach allows a rich contextual understanding of the historical, cultural, social, economic, and ethical dimensions that shape family-driven social engagement. Families on the study were selected based on multigenerational involvement and active participation in philanthropic or CSR practices, ensuring purposeful case selection aligned with process theory (Bizzi & Langley, 2012).

Our research follows an inductive logic, aiming to develop theory from empirical observations rather than to test predefined hypotheses. In line with Gioia et al. (2013), our analytical approach moves from informant-centric codes to researcher-driven themes and aggregate dimensions, allowing a grounded conceptual framework to emerge from the data. This inductive orientation has proven particularly relevant in recent research, such as Díaz-Moriana et al. (2025), where the Gioia methodology is explicitly applied to unpack dynamic and processual phenomena. This reinforces the suitability of our method to explore how social engagement is enacted and transmitted within business families over time.

Data collection combined semi-structured interviews with family members and stakeholders, as well as archival materials such as foundation reports and governance documents. Following Gioia's (2013) systematic approach to inductive qualitative research, we developed a grounded conceptual model linking family identity, governance, and social engagement. Our retrospective design (Leonard-Barton, 1990) enabled us to trace the evolution of philanthropic and CSR practices across generations, illuminating not only what business families do in terms of social responsibility but also how and why these practices emerge and evolve within broader systems of family governance and identity.

By applying an inductive analytical lens (Stake, 2006; Williams, 2000) and addressing key challenges in process research, this study uncovers both well-documented and underexplored aspects of business families' social engagement, contributing to a deeper understanding of the strategic and identity-driven nature of their philanthropic and CSR commitments.

3.1. Case selection

Our research focuses on Canada, a global leader in social responsibility initiatives. Despite the high rate of Canadian involvement in some form of social responsibility, 91% compared to 81% globally, and Canadian family firm owners' engagement in philanthropic activities, 56% compared to 42% globally (PwC, 2021), the data on the subject are scarce. We have faced, as well, many challenges to access the field, like those identified by Fraser (1987), including a high rate of interview refusals. To address these difficulties, we adopted the strategies proposed by Cadieux (2007) and Deschamps et al. (2014), leveraging professional and personal networks to gain access to our target group in Quebec.

Given the complexities of our research, we followed Stake's (2006) recommendation for multiple-case studies, which enhances external validity and mitigates observer bias (Leonard-Barton, 1990). While there is no definitive number of cases required for a multiple-case study, Stake suggests that 4 to 10 cases allow for robust data collection and cross-case analysis. We selected five information-rich cases using purposeful sampling (Patton & Appelbaum, 2003) to explore features relevant to our study (Denzin & Lincoln, 1994). These cases, reflecting diverse profiles, offered a strong empirical foundation for understanding the complex social practices of business families (Stake, 2005; Strauss & Corbin, 1998).

As part of a larger project involving archival and interview data, we established clear selection criteria (Miles & Huberman, 1994). Each business family had to be at least in its third generation and actively involved in philanthropy or CSR. Participants included two family members from different generations. These criteria are important to promote richness and diversity in the sample, as well as for validation purposes (Collin & Ahlberg, 2012). However, one case has only one participant, but we included it due to its significant contribution to cross-case analysis and the study's coherence.

During the case selection process, we identified families who had sold their businesses but continued to operate collectively as investors and philanthropists. Recognizing the significance of this shared characteristic in advancing our objective of highlighting the business family concept, we included three such families in our study. This decision emphasizes the importance of capturing diverse yet interconnected phenomena, aligning with Yin's (2014) dual logic of replication and contrast in case selection.

By employing retrospective analysis, we mitigated the challenges associated with reconstructing past events, as noted by Leonard-Barton (1990). This approach allowed us to explore the social practices of business families while avoiding retrospection bias using multiple data sources and real-time observations when feasible (Bizzi & Langley, 2012). Ultimately, this comprehensive methodology strengthens the external validity of our research design and provides nuanced insights into the social contributions of Canadian business families. Table 1 presents the characteristics of the families participating in the study.

Table 1. Family profile

Family	Family Generations Currently	People interviewed	Family firm Sector/ Industry	Philanthropic Family Foundation	Year of PFF** creation
1	Three generations	2 family members	Publishing	No	NA
2	Three generations	1 family member	Pharmaceutical	Yes	1991
3*	Five generations	2 family members	Services - Insurance	Yes	1990
4*	Three generations	1 family member 1 executive non-family member	Services - Technology	Yes	2000
5*	Fourteen generations	1 family member 2 executive non-family members	Media Company	Yes	1990

* Their companies were sold in the '90s.

** Philanthropic Family Foundation

3.2. Data collection

The data for this study were collected through semi-structured interviews and secondary sources (Patton, 1990). We began by gathering preliminary information from company and foundation websites, annual reports, and other publicly available publications, including newspapers. All interviews were fully recorded and transcribed for detailed analysis. The interview guidelines covered a range of topics, including family history, business history, foundational values, the involvement of the next generation, decision-making processes, and the nature of the family's and company's engagement in social causes.

Individual meetings were scheduled for the semi-structured interviews, which were conducted in a respectful and supportive atmosphere. Most interviews took place in person, with only one conducted via the Zoom platform. Table 2 presents an overview of the interviewees' profiles.

Interestingly, the questions posed during the interviews often prompted participants to reflect deeply on their extended family history and the journey that led them to their current circumstances (Musson, 1998). In some cases, this reflection inspired new ideas for practices they could implement. This reflective process helped establish a trust-building process between the researcher and the interviewees, ensuring the quality and depth of the information collected (Deschamps et al., 2014).

Table 2. Interviewee profiles

Participant	Family Member	Generation	Gender	Age range	Position
Family 1 E1.1G E1.2G	 Yes Yes	 1st 2nd	 F F	 60-70 40-50	 Matriarch Family Office President
Family 2 E2.2G	 Yes	 2nd	 F	 40-50	 CEO Philanthropic Family Foundation
Family 3 E3.3G E3.4G	 Yes Yes	 3rd 4th	 M M	 60-70 30-40	CEO Family Financial Holding Member of the Board of directors, PFF*
Family 4 E4.2G E4.PFF	 Yes No	 2nd	 M M	 50-60 40-50	Member of the Board of directors, PFF* Vice-president Philanthropic Family Foundation
Family 5 E5.12G E5.PFF E5.FO	 Yes No No	 12th	 M M F	 70-80 40-50 50-60	 Patriarch Philanthropic Family Foundation Family Office President

*PFF: Philanthropic Family Foundation

We established detailed procedures to guide the research process and ensure the study's qualitative rigour (Yin, 2014). To contextualize each case, we first gathered preliminary data from various sources, including books, company and foundation websites, annual reports, newspapers, and magazines. A structured questionnaire was then designed to facilitate the collection of relevant data. Next, we formulated and sent out invitations to potential participants. Before conducting the interviews, all participants were fully informed about the research objectives, the specifics of their participation, the interview content, and how the findings would be published. The validation process relied on multiple data sources (see Table 3). Primary data were collected through interviews with both family and non-family members. Within the family group, participants from different generations were included to capture diverse perspectives.

Secondary data were collected in two phases: before and after the interviews. This included materials such as books and videos provided by the participants, offering rich insights into their families, businesses, and foundations.

Table 3. Data collection: characteristics and sources

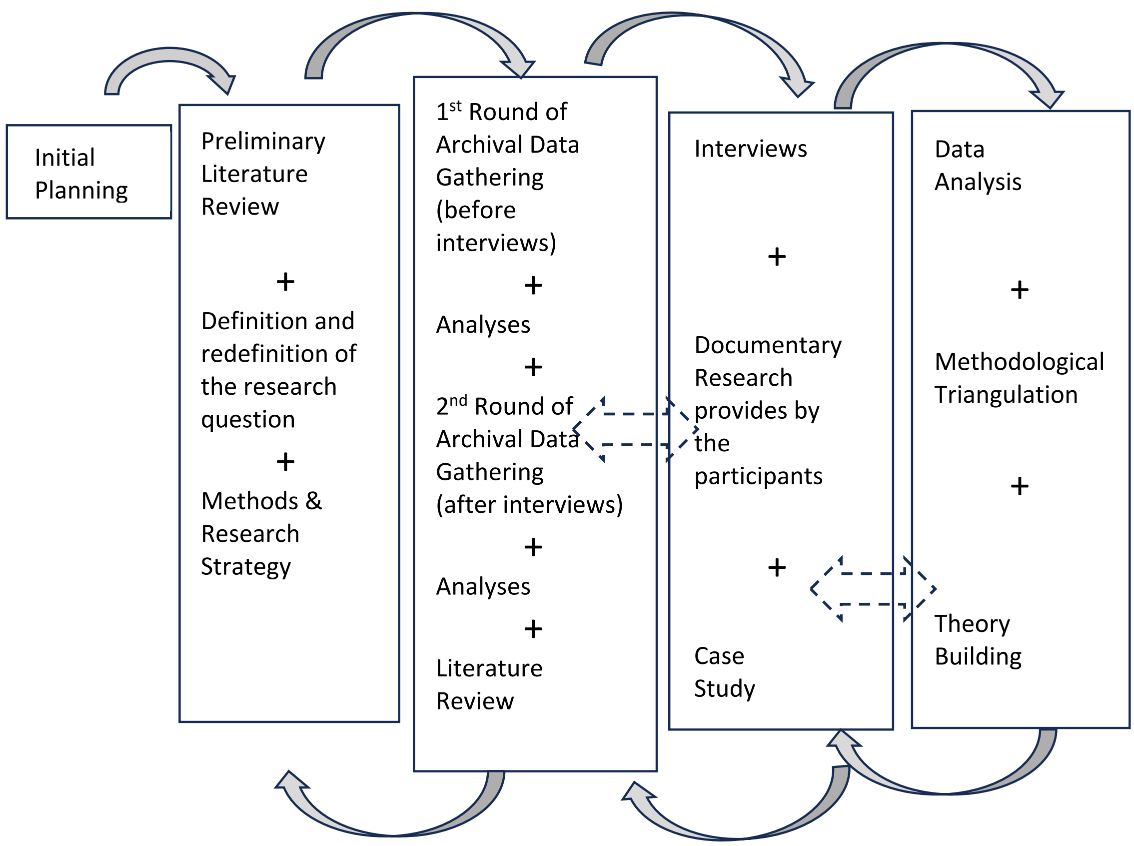
Interviews			Documentary support	Secondary Sources
Participant	Place	Duration		
Family 1 E1.1G E1.2G	Family home Family office	2hs	audio recording and researcher notes	Company website, family and company history book, company website, local newspapers: La Presse, Les Affaires
Family 2 E2.2G	PFF*	1h10	audio recording and researcher notes	PFF website, Company website, charitydata.ca, local newspapers: La Presse, Montreal Gazette

Interviews			Documentary support	Secondary Sources
Participant	Place	Duration		
Family 3 E3.3G E3.4G	Financial holding PFF	1h50	audio recording and researcher notes	Reports and internal documents
Family 4 E4.2G E4.PFF	PFF PFF	1h40	audio recording and researcher notes	PFF website, family history book, philanthropic family foundation book, charitydata.ca, two publications from the Canadian Philanthropy Partnership Research Network
Family 5 E5.12G E5.PFF E5.FO	Family home PFF Family office (by Zoom)	2h30	audio recording researcher notes and Zoom record	PFF website, charitydata.ca, local newspapers: La Presse, the Globe and Mail, videos on YouTube, many family's history

*PFF: Philanthropic Family Foundation

The use of a multiple-case study approach enabled us to identify similarities and differences across cases through cross-case comparisons. This process fosters a holistic understanding and helps mitigate researcher bias (Stake, 2006). Through iterative analysis, we empirically compared our findings with those previously reported in the literature inspired by grounded theory (Strauss & Corbin, 1998). Figure 1 presents the methodological approach adopted in this study, which serves for the basis for the data analysis that follows. The detailed procedure for the data analysis is provided in Subsection 3.3.

Figure 1. Methodological approach leading to data analysis



3.3. Data analysis

In qualitative studies, following the inductive Gioia et al. (2013)'s approach, data processing involves a critical analysis of transcriptions, requiring a systematic approach to content analysis. Our process unfolded in two main steps: analyzing individual units of data production and extracting meaning from the data. The first step focused on the analysis of each interview, during which we encountered and addressed challenges related to encoding practices, such as defining units of analysis, creating categories, and identifying recurring themes. The second step involved interpreting the transcript, initially at the level of individual interviews and within a case, and subsequently across cases. This allowed the researchers to generate a comprehensive overview of the main points for each case. A key advantage of using case studies is the flexibility they offer; while some topics of interest are identified beforehand, others can be refined or newly discovered through iterative engagement with the data. Thus, we employed a cyclical process of multiple readings to develop a robust data structure, continuously adding and refining topics as they emerged.

We employed iterative coding to identify recurring first-order categories, which were subsequently grouped into emerging second-order themes and, ultimately, broader aggregate dimensions (Gioia et al., 2013). Guided by our theoretical framework, this process allowed us to derive conceptual insights from the case studies (Corbin & Strauss, 1990).

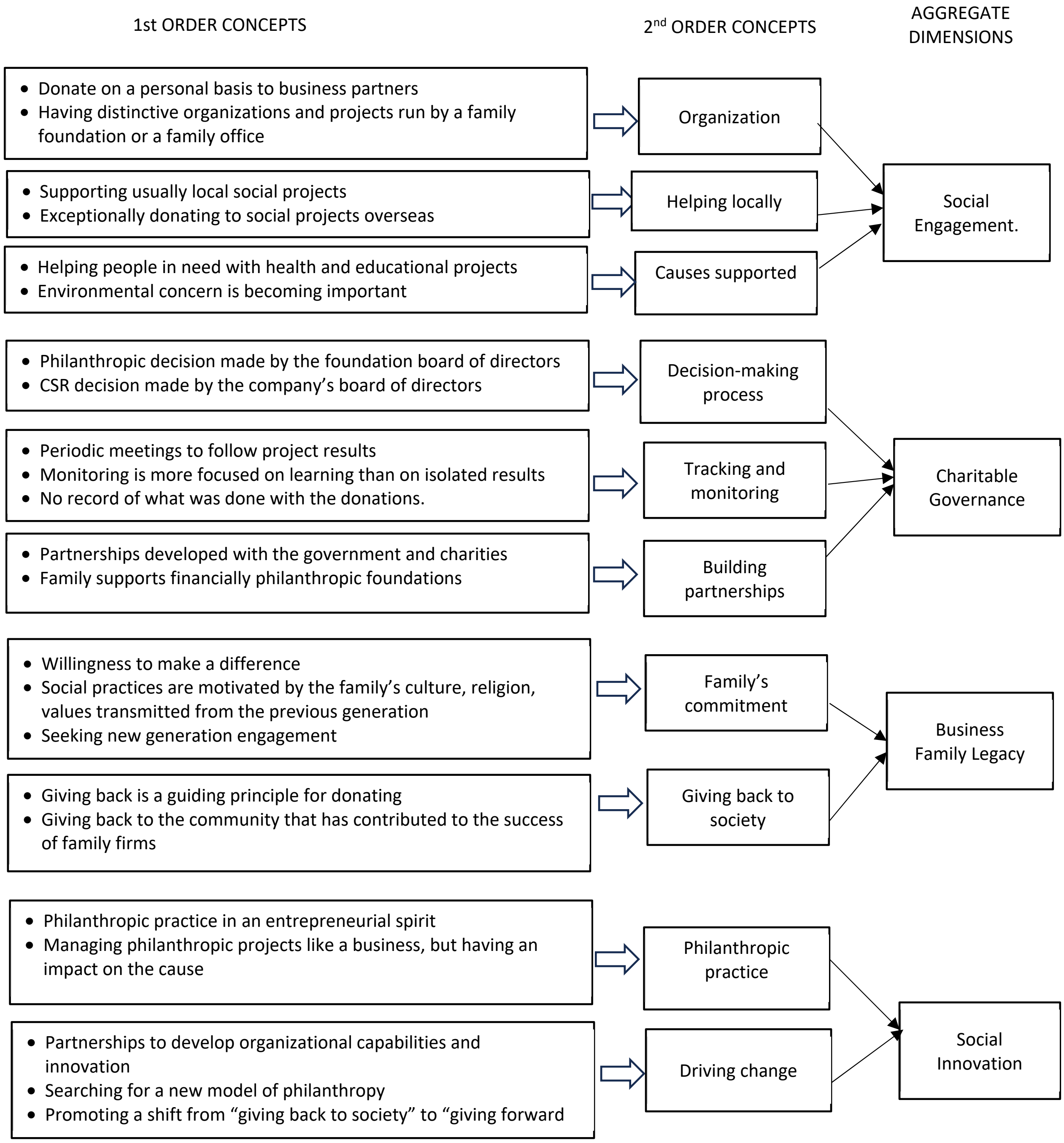
Drawing on Strauss and Corbin's (1998) notion of open coding, we began by analyzing each interview, searching for relevant information regarding key aspects: *who* (the actors—individual, family, or business), *what* (type of engagement—monetary or non-monetary), *why* (motivations), and *how* (dynamics and particularities of implementing social practices). Using NVivo, the entire data corpus was coded with *in vivo* terms, yielding 147 initial codes. Through continuous analysis and refinement, these codes were consolidated into 23 first-order concepts and 10 second-order themes.

Following this, we conducted a deeper analysis to ensure the identified themes effectively explained the phenomenon under investigation (Locke, 1996). This involved recursively comparing coded data with the raw data to confirm whether emerging themes aligned with or extended concepts from the existing literature. Ultimately, this iterative process led to the identification of 4 aggregate dimensions.

To enhance the robustness of our findings, we employed methodological triangulation, combining multiple approaches to minimize bias and gain a more comprehensive understanding of the phenomenon (Denzin, 1970). To validate the interview data, we cross-checked responses between family members (across generations) and, where possible, with non-family participants (Janesick, 1994). Additionally, we corroborated the empirical data with archival data, further reducing potential researcher bias. While the first author conducted the data collection, both co-authors independently verified the data and analysis, ensuring consistency and reliability across the cases (Mejía-Morelos et al., 2013).

Figure 2 brings the data structure, showing the progression from first-order categories—directly derived from interviewees' responses—to second-order themes and, finally, to aggregate dimensions (Gioia et al., 2013). These figures are not intended to depict causal relationships but rather serve as conceptual representations of the key elements and their interconnections. Their primary purpose is to provide a foundation for developing an emergent theoretical framework and grounded theory model.

Figure 2. Data structure



4. Findings

Our findings are based on the analysis conducted employing the basic assumption that the interviewees are "knowledgeable agents," i.e., people who can explain their thoughts, intentions and actions. This section presents the data structure derived from our inductive coding, organized by aggregate dimensions and illustrated with selected quotes. It also shows how business families deploy different organizational structures to make their social engagement a reality.

An overview of our findings provides four key insights from the data. First, the business families in our study are socially engaged in a structured manner. They follow an evolving pattern of helping a variety of locally supported causes. Second, they put in place a charitable governance framework to support their decision-making. They establish partnerships, and most of them define and control their funding policy. Third, they build the business family legacy based on the family's motivational guidelines. These families commit themselves both collectively and personally to giving back to society. Fourth, their social engagement facilitates social innovation.

The establishment of private-public partnerships contributes to driving changes from giving back to giving forward to society.

Our coding is presented in this section by aggregate dimensions that emerged from our analysis, supported by second-order concepts and selected quotes.

We begin our findings section by presenting the philanthropic and CSR practices employed by the business families in the study, along with their implementation (subsections 4.1 and 4.2). We then examine the contributions that these families perceive the implementation of philanthropic practices can make to the family and society (subsections 4.3 and 4.4).

4.1 Business families' social engagement

Business families mobilize various organizational structures (Table 4)to enact social engagement. In the cases we examined, philanthropic projects are not a duty of their operating businesses - their firms - but of their families instead. Because they differ in nature, CSR is more closely related to financial support, while philanthropy is more about conceptualizing and implementing social projects.

Regarding philanthropy, the business families (2, 3, 4, 5) in this study primarily do so through a family foundation or a family office.

Table 4. Organisation

	Sample quotations
Philanthropy	*"…our family foundation has always been an institution truly apart from the family business group…"* Family 2(E2.2G).
CSR	*"…CSR concentrates efforts in fundraising, and the foundation creates social projects…"* Family 2 (E2.2G).

One family illustrates this commitment by operating two distinct organizations with different mandates to advance philanthropic initiatives: a family-controlled foundation and an independent charitable organization. Although it is not the choice of every family: *"It is not something that has been emphasized [among us], having a philanthropic foundation…."* Family 1 (E1.2G), philanthropy still is a family responsibility.

In all cases, participants described their social engagement as typically local (Table 5), but it may sometimes be an overseas project undertaken in response to large-scale disasters. Furthermore, family 5 highlighted that when family members are dispersed, some projects may be developed in other geographical areas, scattered throughout the country (and sometimes temporarily abroad), depending on where family members reside.

Table 5. Helping locally

	Sample quotations
Philanthropy	*"…we, our group, have aimed for projects that are more centred in Quebec, having a more provincial than international impact…"* Family 4 (E4.2G). *"…each year, we also have a special envelope for unforeseen humanitarian causes, preferably more local…"* Family 3 (E3.4G). *"…one branch of the family lives is in Vancouver, across the country....and my two boys were in New York...so wherever we are, we have helped many people around the world."* Family 5 (E5.12G).
CSR	*"…the company's donations [as CSR] often come from partners request…"* Family 1 (E1.2G). *"… through the enterprise, we want to give back to the population here …"* Family 2 (E2.2G).

In each case, there is a set of causes supported (Table 6) in the health, education and environment scopes.

Table 6. Causes supported

	Sample quotations
Philanthropy	*"…we have [philanthropic] projects in terms of health, hospitals and those things. But there are many at the level of education …"* Family 2 (E2.2G). *"…our role is to develop people who want to change the children-in-need reality, to prevent poverty by focusing primarily on the educational success of all young Quebecers…"* Family 4 (E4.2G). *"…the environmental project has become a major project for us."* Family 5 (E5.FO).
CSR	*"…our company also makes donations in response to requests from our [company's] partners or causes they support…"* Family 1 (E1.2G). *"…our enterprise has CSR projects for other mandates which are different from those of our [philanthropic] foundation…"* Family 2(E2.2G).

On that point, most of the cases (3, 4, 5) expressed their attempt to focus on one or two scopes to facilitate their decision making and monitoring, to strengthen the family's commitment and to drive social change; these are second-order concepts present in the next 3 aggregate dimensions.

4.2. Business families' charitable governance

In terms of determining what to fund or where to donate in practicing philanthropy and CSR, the decision-making process varies significantly from one business family to another. At the philanthropic foundations, families can have a multigenerational board (families 3, 5) or a same-generation board (family 4). CSR initiatives are defined by the company's boards of directors, which are made up of family and non-family members (families 1 and 2).

In all cases, participants expressed that the decision-making process(Table 7), centralized or decentralized, depends on how the family functions.

Table 7. Decision – making process

	Sample quotations
Philanthropy	"*…each generation can be present around the table to discuss proposals…*" Family 3 (E3.4G). "*…The responsibility incumbent on me and which I take with great interest is to ensure that the donations go to the right places…*" Family 2 (E2.2G). "*… because we have enough business in common, we want to leave each other free to decide, everyone does their own thing in terms of donations …*" Family 1 (E1.2G).
CSR	"*…the company [its board] has committed to donating amounts over ten years…*" Family 1 (E1.2G). "*…the enterprise's directors have been involved in CSR for a long time…*" Family 2 (E2.2G).

Philanthropic and CSR projects can be monitored on a regular basis. Each family has its own tracking and monitoring system (Table 8) resulting from its decision-making processes. In contrast, the family 4 philanthropic foundation is more focused on developing people than on monitoring results, and the absence of a family foundation at family 1 results in a lack of tracking and monitoring.

Table 8. Tracking and monitoring

	Sample quotations
Philanthropy	"…*There are decisions that are made and brought to the council every three months on the projects we [family foundation] support.*" Family 3 (E3.4G). "…*we have learned over the years that our support is less to finance actions that must be done …but rather to support people who want changes ... It is therefore a question of developing the ability to act of those who want to act in favour of children in difficulty in their environment…*" Family 4 (E4.2G). "…*there is no record of what has been done with the donations…*" Family 1(E1.2G).
CSR	"…*the charities supported by the group [family companies] are followed by the company's board of directors…*" Family 2 (E2.2G).

Another important concern in all cases in our study is building partnerships (Table 9). Each family brought different strategies to do so, but usually, they are built with registered charities, and some foundations even develop a public-private partnership.

For funding these partnerships, family foundations (cases 2, 3, 4, 5) contribute in a long-term or short-term horizon. And the foundations themselves are funded by the business families. Highlighting their long-term concern, some participants indicated that they invest the principal amount of money, in which their philanthropic foundations were established, in the capital market to preserve their value (families 3 and 4).

Table 9. Building partnerships

	Sample quotations
Philanthropy	"…*we will support a charitable organization to help it get started (3 to 5, maybe 10 years). After that, they are better known, more people are willing to help, and they are likely to get funding more easily…*" Family 3 (E3.4G). "…*our family foundation's primary desire is to be in a long-term relationship with the people we support, since we define our philanthropic role as being long-term support for the development of the capacity to act of the people we support. Instead of funding one short-term project at a time…*" Family 4 (E4.PFF). "…*each year, there is a budget that is built on the needs of the projects, and they (family patriarchs) invest the necessary money each year…*" Family 5 (E5.FO). "…*our foundation received three important donations at the beginning…from my father*" Family 3 (E3.3G). "...*Part of the proceeds from the sale of the family firm went to the foundation…*" Family 4 (E4.2G).
CSR	"…*Sometimes we donate even from personal budgets to business partners' causes…*" Family 1 (E1.2G)

In sum, depending on their organization, business families in the study establish their decision-making processes and define what to do as philanthropic and CSR practices while funding projects and establishing partnerships.

In the cases we examined, business families distinguished the contribution that the practice of philanthropy can bring to the family and to society, as follows in the subsections 4.3 and 4.4.

4.3. Business families' legacy

Business family legacy emerged as a key dimension, within all the cases, the mission to continue the family legacy can extend not only across businesses: "… *our family has always been a family in business but never in the same industry, never in the same company. This means we have developed entrepreneurs who have been able to continue the family tradition, but never in the same company, but in the same family…*" family 5(E5.12G).

But also, across the commitment to community projects:

"…after more than thirty years, my father remains active in fundraising. There has always been that within the family" family 1(E1.G2).

And across generations:

" …*our grandchildren, we had told them that we had to be passionate about the cause, and they should give a little of their own money. So, we stopped all Christmas gifts, birthday gifts and we put that money in their name into the*

Family Philanthropic Foundation. So, it was a donation, it was an investment on their part, maybe not voluntary, but they accepted it..." family 5(E5.12G).

To contribute to achieving their mission, each of the families emphasized that the commitment to community stems from the family's motivations, as religious beliefs, family culture and the desire to make a difference (Table 10):

Table 10. Family's commitment

	Sample quotations
Philanthropy	*" … my father is extremely religious, generous, a Christian, and he succeeded very well in life; he always felt somewhat guilty about that, because he has deep values in him. And I think that my father always transmitted to us, even in childhood, when we were the five children at home, these values of giving back, because life has no meaning otherwise…*" Family 2 (E2.2G). *"…when I was little, I remember very well, with my mother, we went to do grocery shopping as if it were for us, but then we took everything to a family that didn't have anything to eat. We entered the house, and I saw that in the fridge, there was absolutely nothing…*" Family 3 (E3.3G). *"... It becomes contagious, this needs to contribute to the well-being of the society around us for those who are less fortunate …*" family 4 (E4.2G). *"…my father… always said: If we do a good job, the money will come. He never worked to get rich. He did this to build something, create jobs and empower people here…*" Family 1 (E1.2G).

Along with the concept of giving back to society that emerges in all cases, participants speak at length of using these phrases (Table 11).

Table 11. Giving back to society

	Sample quotations
Philanthropy	*"…there has always been an orientation on the side of the family, on the side of the activities of the family, of giving back to their community…*" Family 5(E5.12G). *"...it is natural to be engaged in giving back vis-à-vis the community that contributes to the family firm success...*" Family 4 (E4.2G). *"It is not even a question of doing it or not, it is an obligation, a duty …*" Family 1 (E1.1G). *"… giving back means supporting people who do not have the tools or the financial means to succeed…*" Family 2 (E2.2G).

In our cases, families linked the commitment to the community, including sitting on the boards of charities, volunteering for social causes, and personally participating in community organizations, to the inclusion of their next generation in philanthropic projects as a practical means of passing on the business family legacy. They strongly encouraged the rising generations to make their contribution by engaging in family foundation philanthropic projects already in place, by getting personally involved in volunteering to experience different realities, and by finding a cause which reflects their own interests:

"… it is important to understand them [new generation] in order to be able to attract their attention to philanthropy, what hits and challenges them…" family 4 (E4.PFF).

4.4. Business families' philanthropy and social innovation

All business families having a foundation in our study (2, 3, 4, 5) emphasized their entrepreneurial spirit within the philanthropic practice (Table 12) and managing philanthropic projects like a business but focusing on the impact rather than profit.

Table 12. Philanthropic practice

	Sample quotations
Philanthropy	"*… it's a concept that is very integrated with us; the family foundation gives birth and undertakes its own projects in a really entrepreneurial spirit …*" Family 5 (E5. PFF). "*…we manage our projects like we manage a business, but our goal is not to make money, our goal is to have an impact. Our daily pay is the impact we have on the cause …*" Family 2 (E2.2G).

They described the outcome of their public-private partnerships as driving change (Table 13). These partnerships make it possible to take certain risks that a government institution itself could not take. For them, family foundations end up promoting social innovation through their projects.

Table 13. Driving change

	Sample quotations
Philanthropy	" *…we work (family foundation) with governmental entities more focused on building the capacity of organizations to promote innovation than providing public or direct services…*" Family 4 (E4.PFF) " *…our (family) foundation … must work with the government, we have no choice. But we are perhaps the ones who force them, sometimes, to take risks that they cannot afford to take alone as a government. Because there is an impact not only on votes but also on the use of public money...*" Family 2 (E2.2G). " *… we are more interested (family foundation) in the future and in finding a Quebec philanthropic model, because the models defined are very North American, meaning the USA, and we practice a rather singular philanthropy…*" Family 4 (E4.PFF). "*…my point is that business families have said for a very long time: We're giving back to society, but … the new generations of the family are practicing what I call …I believe… giving forward to society, which is quite a shift …*" Family 5 (E5.PFF).

Moreover, family 4 anticipated a shift: "*…we may witness, in the near future, changes in the philanthropic practice, based on reciprocity values to a developmental model, based on improving people's capacity to act…*" Family 4 (E4.PFF)

Figure 3 presents an integrative model of the four interconnected dimensions through which business families enact their philanthropic and CSR engagement.

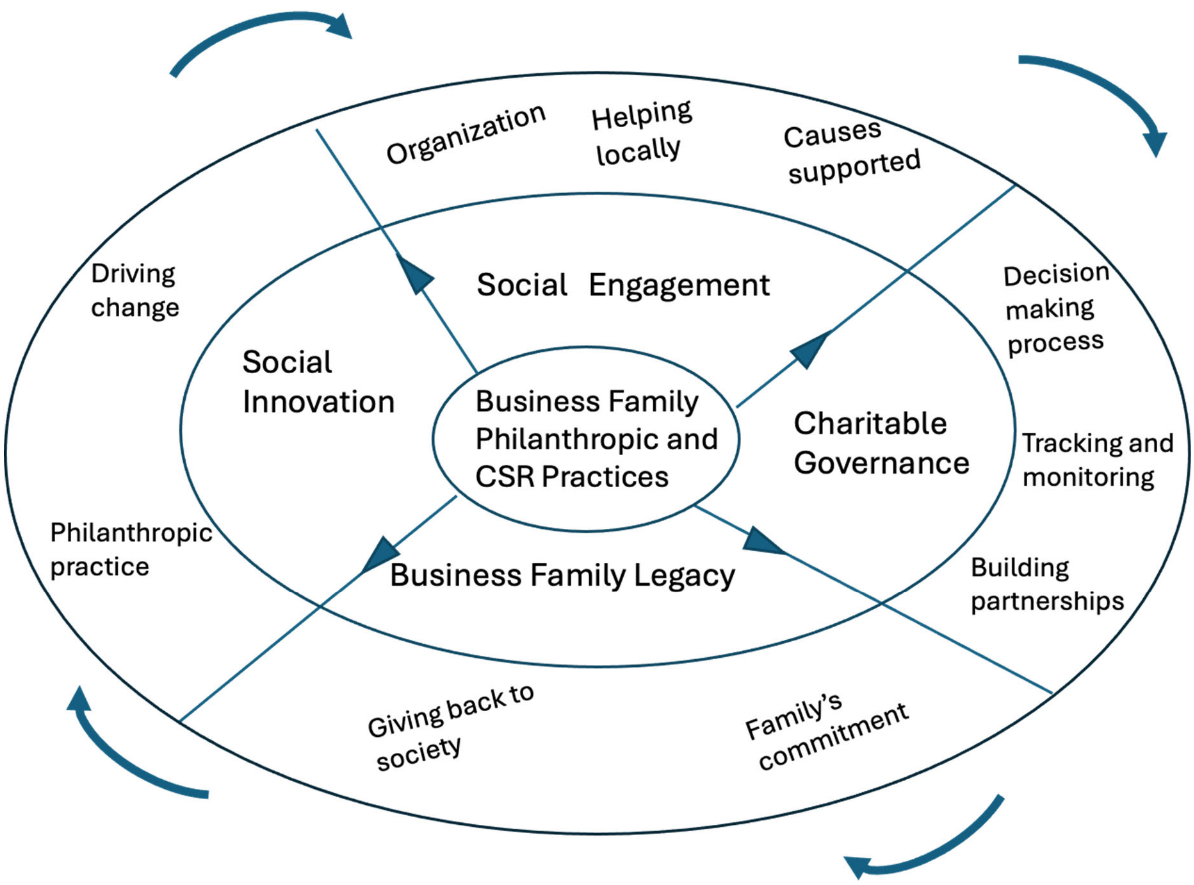
The **social engagement** dimension represents the variety of philanthropic and CSR practices implemented by business families. These initiatives are carried out through different organizational forms—such as family foundations, family offices, or corporate structures—and are directed toward specific causes, often in health, education, or environmental protection. By targeting complementary areas, these practices create synergistic effects that strengthen the social fabric of local communities.

Closely linked to social engagement is the **charitable governance** dimension, which determines how these practices are conceived, implemented, and sustained over time. Governance mechanisms—both formal (e.g., boards, protocols, family councils) and informal (e.g., trust, shared values, identity)—guide collective decision-making, ensure systematic tracking and monitoring of practices, and facilitate partnerships with public, private, and nonprofit actors. Governance also plays a central role in fostering intergenerational interaction, enabling younger members to participate in decision-making and reinforcing the transmission of the family's values and long-term commitments.

The **business family legacy** dimension captures the enduring cultural, ethical, and relational foundations that motivate and sustain social engagement. Legacy reflects the family's shared history, identity, and guiding principles—such as a culture of giving back, religious or cultural traditions, and the aspiration to make a difference—that are intentionally passed down across generations. Philanthropy and CSR become vehicles for embedding these values in the family narrative, ensuring that social responsibility remains a defining feature of the family identity over time.

Building upon these foundations, the **social innovation** dimension emerges when philanthropic and CSR practices are infused with an entrepreneurial spirit and developed through collaborative partnerships. This enables the creation of innovative projects that address systemic social challenges, take calculated risks, and generate transformative change in local communities.
The circular structure of the model in Figure 3 reflects the ongoing, mutually reinforcing relationships among the four dimensions. Social engagement provides the practical expressions of the family's values; charitable governance structures and sustains those practices; the business family legacy ensures their intergenerational relevance and authenticity; social innovation expands their reach and impact. Together, these dimensions form a dynamic cycle that allows business families to remain impactful and relevant in their societal contributions over time.

Figure 3. business family philanthropic and CSR dimensions



5. Discussion

The discussion introduces a detailed analysis of how the findings contribute to understanding the social practices of business families, focusing on their philanthropic and CSR activities. These practices highlight the evolving social roles of business families, transitioning from reciprocity-based contributions to entrepreneurial approaches that foster social innovation. The alignment of these practices with governance systems, identity, and cultural values enables families to balance altruistic and strategic goals, creating meaningful societal impact and directly addressing our research question: *How are philanthropy and CSR enacted and interrelated within business families?* To further advance theoretical development, each section of the discussion concludes with a testable proposition derived from the findings, offering a foundation for future research.

5.1. Business families in the social context

While much of the literature on family firms emphasizes the organizational dimension (Schillaci et al., 2013), our findings highlight the distinctive role of the business family as an entrepreneurial and civic actor. This study reveals how philanthropy and CSR are mobilized by business families not only as mechanisms for social contribution but also as expressions of identity, continuity, and embeddedness in local contexts. These practices are central to long-term sustainability, stakeholder engagement, and reputation enhancements (Mariani et al., 2023; Stock et al., 2024).

Philanthropy, often enacted through family foundations, addresses pressing societal needs such as education, health, and environmental protection. For instance, Family 2 channels its philanthropic efforts toward healthcare and schooling, while Family 5 blends cultural preservation with entrepreneurial education. These actions reflect the SEW framework (Berrone et al., 2012), underscoring the family's commitment to legacy and community bonds.

CSR, by contrast, provides a structured mechanism for embedding social responsibility within business operations. Families such as Family 4 demonstrate how CSR becomes institutionalized through internal governance structures that support long-term capacity-building. These findings support prior work (Campopiano & De Massis, 2015; Van Gils et al., 2014) and align with the call for greater empirical integration of CSR and philanthropy as complementary forms of family social engagement (Rivo-López et al., 2021).

This section contributes to filling the theoretical gap on how family-driven CSR and philanthropy co-evolve and become interrelated in practice, offering new empirical grounding for understanding their interplay.

> **Proposition 1**: *Business families that integrate philanthropy and CSR into their identity construction and social engagement strategies will exhibit higher levels of stakeholder trust and perceived socioemotional wealth than those that separate business and community involvement.*

5.2. Family governance as a driver of social engagement

Our study confirms that family governance mechanisms are pivotal in structuring and sustaining philanthropic and CSR practices, reinforcing existing literature (Häußler & Ulrich, 2024; Suess-Reyes & Fuetsch, 2016). We identify different phases of charitable governance—decision-making, tracking and monitoring, building partnerships that illustrate the formal and informal processes enabling effective social engagement.

Families adopt diverse governance structures. For example, Family 3 incorporates multiple generations into the board of its foundation, enhancing continuity and legitimacy. Family 2 centralizes decision-making through one individual, while Family 1 operates with a decentralized model. These patterns show that governance configurations adapt to family culture, generational dynamics, and strategic priorities (Aronoff & Ward, 2011; Gersick et al., 1997).

Relational governance mechanisms, especially storytelling, support alignment and transmission of shared values (Maclean et al., 2013). By reinforcing collective identity and moral commitments, these mechanisms integrate the family's ethical heritage into decision-making processes.

This section responds to calls in the literature for greater attention to the role of governance in mediating social engagement (de Groot et al., 2022), revealing how formal structures and relational practices converge to ensure impact and intergenerational continuity.

> **Proposition 2**: *The presence of multi-generational and participatory governance structures in business families is positively associated with the institutionalization and continuity of philanthropy and CSR practices.*

5.3. Transition from reciprocity to innovation

One of the most salient findings is the transformation of family philanthropy from a logic of "giving back" to one of "giving forward"—a transition from traditional reciprocity to social innovation. Initially driven by a moral sense of obligation, families like Family 5 evolve toward systemic interventions and long-term value creation, often using hybrid mechanisms that blend philanthropy with impact investing (Rey-Garcia et al., 2020).

Family 4 illustrates this shift through its adoption of a Quebec-specific philanthropic model, reflecting local culture and strategic foresight. Families 2 and 3 demonstrate collaborative models with public institutions, leveraging their flexibility to co-create social solutions. These cases validate the proposition that family firms can be effective platforms for social innovation (Lorenzo-Molo & Udani, 2013), and they align with recent literature highlighting the entrepreneurial potential of business families in addressing complex societal challenges (Küttner et al., 2021).

This section addresses the need for more empirical work on how social practices evolve over time in family contexts (Hamilton, 2011), linking identity, innovation, and community transformation.

> **Proposition 3**: *Business families that adopt a proactive approach in their philanthropic strategies —such as impact investing or public-private collaboration—are more likely*

> *to implement systemic, innovation-driven social practices than families guided solely by reciprocity-based motives.*

5.4. Philanthropy and CSR as complementary practices

Our findings strongly support the view that philanthropy and CSR are not mutually exclusive but are dynamically interrelated. Philanthropy offers business families agility and flexibility to address pressing needs, as shown in Family 2's health and education initiatives. CSR, in contrast, institutionalizes social responsibility within business operations, embedding ethical governance and long-term societal goals.

Family 4 exemplifies this integration by aligning CSR efforts with broader business strategies while maintaining a separate philanthropic foundation. This dual engagement provides coherence across the family-enterprise system and illustrates how social engagement can be tailored to multiple time horizons and stakeholder needs.

This section contributes to closing a major gap identified in the literature: the limited integration of CSR and philanthropy within unified conceptual and empirical frameworks (Cruz et al., 2021; Feliu & Botero, 2016).

> **Proposition 4:** *Business families that strategically integrate philanthropic and CSR practices across both family and business systems will achieve greater alignment between social responsiveness and societal impact.*

5.5. Ethical foundations and intergenerational continuity

Ethical values and intergenerational responsibility are foundational to business families' social engagement. Whether rooted in religious beliefs (as with Family 2) or in cultural heritage (Family 5), these values inform both philanthropic and CSR decisions. Such practices reflect the associability dimension of shared wealth (Leana & Van Buren, 1999), where collective goals are prioritized over individual gain.

Younger generations are actively involved in many families' social strategies, enhancing continuity and relevance. These intergenerational dynamics highlight how philanthropic and CSR engagement serve as a platform for identity transmission and leadership development (Feliu & Botero, 2016).

Storytelling further amplifies these processes. Families 3 and 5 rely on intergenerational narratives to connect past commitments with future aspirations. This contributes to stronger internal cohesion and stakeholder legitimacy, while reinforcing authenticity in social engagement (Maclean et al., 2013; Pan et al., 2018).

This section addresses motivational and psychological gaps in the literature (Kaimal & Uzma, 2023), providing insight into how family values and cultural narratives sustain and legitimize social practice.

> **Proposition 5:** *Business families that actively involve younger generations in philanthropy and CSR through mechanisms such as storytelling and value transmission will report higher intergenerational commitment to social engagement than those without such practices.*

Moreover, our findings reinforce recent arguments in the literature that CSR and philanthropy are often mutually reinforcing in family firms, where long-term vision and socioemotional wealth preservation are paramount (Aparicio & Iturralde, 2023; Ibáñez et al., 2022). The role of governance in aligning both activities has been emphasized as a critical success factor (Hernández-Linares & Arias-Abelaira, 2022), especially when families build institutional mechanisms such as family foundations or impact investment funds. In line with Cruz et al. (2021), we find that many families pursue blended strategies that combine financial and social objectives. Thus, our study contributes to recent research trends for a more holistic understanding of family-led social engagement (Aparicio & Iturralde, 2023; Suárez et al., 2020).

6. Conclusion, Limitations, and Future Research Directions

This study investigates how philanthropy and CSR are enacted and interrelated within business families, contributing to a more integrated understanding of their social engagement. Moving beyond the dominant firm-centric approach in the literature, we recentre the family as a strategic and civic actor—one whose identity, governance structures, and intergenerational dynamics deeply shape the trajectory of social practices.

Our findings highlight that business families fulfill a dual role as community stewards and social innovators. Philanthropy and CSR emerge as complementary, mutually reinforcing practices through which families both address pressing needs and pursue systemic change. Philanthropy—often deployed via foundations—provides flexibility for targeted social interventions, while CSR embeds ethical, environmental, and stakeholder considerations into the core of business operations. This duality allows business families to reconcile altruistic values with long-term strategic objectives, enriching both the social fabric of their communities and the resilience of their firms.

Moreover, these practices are structured through diverse and evolving governance mechanisms, encompassing decision-making, monitoring, and partnerships. These mechanisms reflect varying levels of formalization—from centralized authority to multi-generational boards—and are informed by family values and cultural contexts. The interweaving of formal governance with relational mechanisms like storytelling facilitates continuity, cohesion, and alignment with shared ethical visions. Storytelling operates as a powerful intergenerational tool for transmitting identity, justifying social action, and securing internal legitimacy.

Through this lens, the study offers several theoretical contributions. First, it reframes the evolution of business family social engagement from a paradigm of "giving back"—rooted in reciprocity and moral obligation—to one of "giving forward", marked by entrepreneurial risk-taking, innovation, and impact orientation. This supports and extends the theories of socioemotional wealth and relational governance. Second, the study addresses a major gap in the literature by empirically illustrating the coexistence and interplay between CSR and philanthropy—two domains too often treated separately. Third, the integrative framework presented in Figure 3 encapsulates the study's main contribution by visually synthesizing the four interrelated dimensions—social engagement, charitable governance, business family legacy, and social innovation—that structure philanthropic and CSR practices in business families. This model illustrates not only the distinct roles of each dimension but also their dynamic and cyclical interconnections. By framing these dimensions as mutually reinforcing, the figure offers both scholars and practitioners a conceptual tool to understand how business families can strategically design, sustain, and evolve their societal engagement. It highlights that meaningful impact arises when day-to-day social initiatives (social engagement) are embedded within robust decision-making systems (charitable governance), anchored in shared values and intergenerational identity (business family legacy), and amplified through innovative, collaborative approaches (social innovation). Finally, we emphasize the strategic potential of entrepreneurial philanthropy, positioning business families as key actors in the field of social innovation and as contributors to sustainable development goals. In addition, the discussion section proposes five testable propositions grounded in the empirical findings, offering a foundation for future theory development and comparative studies across contexts.

From a practical standpoint, our findings offer clear implications for business families and ecosystem actors. Families aiming to amplify their societal contributions should consider adopting hybrid approaches that blend the responsiveness of philanthropy with the strategic alignment of CSR. Effective governance—combining formal oversight, participatory decision-making, and relational cohesion—emerges as essential for sustaining these practices across generations. Additionally, narratives rooted in the legacy and values, can strengthen stakeholder engagement, reinforce legitimacy, and inspire broader participation.

Several methodological limitations inherent to exploratory qualitative research must be acknowledged. First, the regional focus on Canadian business families limits the generalizability of findings to other socio-cultural and institutional contexts, as CSR and philanthropy are strongly shaped by local norms and societal expectations (Jamali et al., 2017). Second, the subjectivity of qualitative inquiry, including interview-based data collection, may introduce interpretative bias—particularly given the diversity of family motivations and social engagement logics (Cruz et al., 2014). Third, the relatively small sample size, while appropriate for the theory building, restricts representativeness (Rivo-López et al., 2021), and access to sensitive family-level information remains a recurrent challenge. Finally, as philanthropic and CSR practices evolve rapidly in response to external pressures and internal transitions, the findings reflect a temporal snapshot that may not fully capture future developments (Jansson et al., 2015). These limitations underscore the importance of contextual sensitivity and methodological triangulation in future research.

Future research should explore how institutional, cultural, and regulatory contexts mediate the relationship between family dynamics and social engagement strategies. Comparative and longitudinal studies could shed light on how CSR and philanthropy evolve across generations and jurisdictions. Further, the role of gender, succession, and family governance models in shaping social practices warrants deeper investigation. Finally, as technology increasingly mediates philanthropic ecosystems, studies should explore how digital tools and data-driven approaches enhance—or constrain—the effectiveness and reach of family-led social initiatives.

In conclusion, this study demonstrates that philanthropy and CSR in business families are not isolated acts of goodwill but expressions of long-term vision, collective identity, and entrepreneurial stewardship. By bridging tradition and innovation, altruism and strategy, these families are redefining what it means to lead social change—acting not only as business owners but also as enduring architects of community well-being.

Author contribution statement

The first author was responsible for the conceptualization, data collection, data analysis, methodology, and drafting of the original manuscript. The second author provided substantial intellectual support, advising the lead author at every stage of the writing process, facilitating access to the research field, and offering extensive feedback on each version of the text. Both authors contributed to implementing the revisions suggested by the reviewer.

Conflict of interest statements.

Declaration of interest: none.

Ethical statement

The authors confirm that informed consent was obtained from all participants involved.
The authors confirm that data collection for the research was conducted anonymously and that participants could not be identified in any way.

Declaration on the use of generative AI in the writing process

No generative AI tools were used in the writing of this manuscript.

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Data availability statement

The data supporting the findings of this study are available from the corresponding author upon reasonable request.

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Digital Alignment in Family Firms: The Role of Socioemotional Wealth Priorities and Transformational Leadership

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Abstract We examine the antecedents of digital alignment (DA); specifically, the coherence between digital initiatives, IT capabilities, and strategic objectives in family firms. Drawing on insights from IT-business alignment and the socioemotional wealth (SEW) perspective, we theorize that family goals differentially shape alignment outcomes: restricted SEW (emphasizing family control and influence) discourages alignment, whereas extended SEW (encompassing family identification and emotional attachment) encourages it. We further posit that transformational leadership acts as a boundary condition that channels family goals into coordinated digital business fit. Using cross-sectional survey data from family enterprises and structural equation modeling, our results indicate that control and influence are negatively associated with digital alignment, while identification and emotional attachment are positively associated. Transformational leadership attenuates the negative effects of control and influence and amplifies the positive effect of identification; unexpectedly, it tempers the positive association with emotional attachment. Together, family goals and leadership explain a substantial proportion of the variance in DA. The study advances alignment research by identifying SEW-based antecedents and a leadership contingency within the family-firm context. For practice, it suggests diagnosing the prevailing family goals and developing leadership that pairs inspiration with integration to ensure that digital initiatives remain strategically aligned.

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PALABRAS CLAVE
Alineación digital, Empresas familiares, Riqueza socioemocional, Liderazgo transformacional

Alineación digital en empresas familiares: el papel de las prioridades de riqueza socioemocional y del liderazgo transformacional

Resumen Examinamos los antecedentes de la alineación digital (AD), entendida como la coherencia entre las iniciativas digitales, las capacidades de TI y los objetivos estratégicos en empresas familiares. A partir de la literatura de alineación TI-negocio y de la perspectiva de la riqueza socioemocional (RSE), teorizamos que las prioridades familiares moldean de forma diferencial los resultados de alineación: la RSE restringida (énfasis en el control y la influencia familiares) desalienta la alineación, mientras que la RSE extendida (identificación y apego emocional de la familia con la firma) la favorece. Además, proponemos que el liderazgo transformacional actúa como condición de contorno que canaliza dichas prioridades hacia un ajuste coordinado entre lo digital y el negocio. Con datos de encuesta transversal de empresas familiares y modelos de ecuaciones estructurales, los resultados indican que el control y la influencia se asocian negativamente con la AD, mientras que la identificación y el apego emocional se asocian positivamente. El liderazgo transformacional mitiga los efectos negativos del control y la influencia y amplifica el efecto positivo de la identificación; de manera inesperada, atenúa la asociación positiva con el apego emocional. En conjunto, las prioridades familiares y el liderazgo explican una proporción sustantiva de la varianza en la AD. El estudio avanza la investigación sobre alineación al identificar antecedentes basados en RSE y una contingencia de liderazgo en el contexto de la empresa familiar. En términos prácticos, sugiere diagnosticar las prioridades familiares dominantes y desarrollar un liderazgo que combine inspiración con disciplina de integración para asegurar que las iniciativas digitales permanezcan alineadas estratégicamente.

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1. Introduction

Research on the business value of information technology (IT) has long underscored the importance of aligning technological and organizational domains, with early work framing *alignment* as a strategic imperative for performance (Chan & Reich, 2007; Henderson & Venkatraman, 1993) and subsequent studies demonstrating its role in enhancing performance by leveraging complementary resources and capabilities (Melville et al., 2004; Mithas et al., 2011).

Building on this tradition, we adopt the concept of digital alignment (DA) to denote the degree of coherence between digital initiatives, IT capabilities, and strategic objectives. Effective DA ensures that organizations use appropriate digital technologies in specific contexts in a timely manner, thereby aligning these technologies with their strategy, objectives, and business needs (Luftman & Brier, 1999). Therefore, DA is not an ad-hoc concept but an extension of alignment theory within the digital era, reconceptualized as a dynamic capability (Yeow et al., 2018), operationalized through two dimensions—strategic decision support and operational support (Ciacci et al., 2025)—, and often referred to as digital technology-business strategic alignment (Li et al., 2021). This construct is conceptually distinct from digitalization, which emphasizes process improvement through digital technologies (Parviainen et al., 2017; Tilson et al., 2010), and from digital transformation, which involves a broader reconfiguration of the business model and value creation (Bharadwaj et al., 2013; Vial, 2019; Warner & Wager, 2019). In contrast, DA emphasizes the strategic fit that ensures digital efforts contribute directly to business goals (Autio et al., 2021; Drnevich & Croson, 2013; Verhoef et al., 2021). Hummel's transition from a B2B to a B2C model in 2010 illustrates how DA requires more than technological upgrades: the company had to integrate IT and business strategies, leverage existing systems, and develop new digital resources for e-commerce to compete with major industry players such as Adidas and Nike. This example demonstrates how DA goes beyond technological investment, capturing the organizational capability to realign digital and business strategies in a dynamic environment (Yeow et al., 2018).

In family firms, understanding the determinants of DA is crucial because family influence shapes how family businesses respond to technological disruption (Batt et al., 2020; Konig et al., 2013). Family ownership tends to depress IT investment, as owners avoid outlays that reduce information asymmetry or create auditable digital trails; instead, they redeploy IT as an infrastructure for strategic control across the extended enterprise (Kathuria et al., 2023). Additionally, reluctance is driven by the structure of family governance: when family owners' involvement is greater, family firms exhibit a more negative attitude toward digital transformation (Chung & Lee, 2024). Furthermore, heterogeneity in socioemotional wealth (SEW) priorities may steer alignment choices. Preservation-oriented goals increase loss aversion and favor control-enhancing IT uses, which slow experimentation and cross-domain integration—key ingredients for DA. By contrast, growth-oriented goals, especially when paired with an entrepreneurial orientation, spur knowledge integration and capability building that support DA and help translate digital initiatives into performance (Calabrò et al., 2019; Lasio et al., 2024).

Qualitative evidence from SME family firms shows low levels of formal strategizing and a pragmatic, incremental approach to digital moves; more critically, two 'inverting dualisms' undermine strategic digital change: (i) strong top-management centralization combined with low digital competence and (ii) managerial overconfidence in current competitive positioning that leads to discounting and fearing digitalization (Bouncken & Schmitt, 2022). These dualisms weaken cross-domain sensemaking and delay the integration of digital initiatives with business priorities, thereby hindering DA. In addition, Begnini et al. (2024) corroborate that strategy-anchored digitalization is tied to technology use (a precursor to alignment). Their study provides evidence that when family firms explicitly pursue digitalization strategies, they mobilize technology use toward transformation goals, providing the strategic mechanism that, in our framing, underpins DA. Finally, in times of turbulence, relational and experiential leadership resources matter: the relational resilience of owner-managers supports coordinated responses (Schulze & Bövers, 2022), and CEOs' prior crisis experience can catalyze DA and strengthen resilience (Iborra et al., 2025). Altogether, there are several factors that have been linked in prior work to DA in family firms; in this study, we focus on two pivotal antecedents: socioemotional wealth (SEW)-driven goals and leadership characteristics.

Drawing on SEW priorities (Miller & Le Breton-Miller, 2014) and the SEW approach (Gomez-Mejía et al., 2007), we conceptualize SEW priorities as background antecedents that can either enable or constrain DA. We further propose transformational leadership (TL) as a boundary condition that moderates the link between SEW priorities and DA by building shared domain knowledge and knowledge-integration mechanisms (Eom et al., 2015) and by stimulating digital creativity and learning behaviors that facilitate coordinated digital initiatives (Wang & Shao, 2024). Accordingly, we ask: How do SEW priorities influence DA in family firms, and to what extent does TL moderate this relationship?

The empirical structural equation modeling (SEM) analysis, which we conducted using a global dataset from the Successful Transgenerational Entrepreneurship Practices (STEP) Project Global Consortium (SPGC) from September 13 to November 15, 2021, fully supports the hypothesized relationships between SEW priorities and DA. Additionally, the findings partially support the proposed moderating effect of TL on the relationship between SEW priorities and DA.

Thus, we shift the focus of family-firm research from whether firms digitalize or transform to how they align digital initiatives with strategy. We conceptualize SEW priorities as fundamental, family-specific antecedents of DA and elucidate how their restricted and extended orientations exert opposing effects on strategic fit. We further propose that transformational leadership works as a moderator that translates SEW priorities into digital-business coherence by enabling cross-domain sensemaking and integrative problem solving. Responding to calls for research that focuses on specific firm types and examines interrelationships among antecedents using robust theoretical lenses (Chan et al., 2006; Coltman et al., 2015), we enrich the understanding of DA in family firms. Taken together, these contributions bring strategic-alignment theory to the family-firm domain and identify actionable levers, like family goal configurations and leadership style, that transform family influence into digital strategic fit.

Theoretically, our analysis specifies how heterogeneous SEW priorities and transformational leadership jointly shape DA, thereby linking alignment theory with SEW-based explanations of family firm behavior and offering an integrated framework for studying digital transformation in this context. Practically, by focusing on family goal configurations and leadership style as levers for achieving digital-business coherence, the study provides owners and managers with guidance on how to design governance arrangements and leadership practices that support DA.

2. Theory and Hypotheses

2.1. Antecedents of digital alignment in family firms

We define digital alignment (DA) as the coherence between a firm's digital initiatives, IT capabilities, and strategic objectives—an extension of the classic IT-business alignment tradition (Chan & Reich, 2007; Henderson & Venkatraman, 1993). High DA implies applying the right digital technologies to the right problems at the right time, in a manner consistent with the firm's strategy, goals, and needs (Luftman & Brier, 1999). Foundational work distinguishes external fit (with competitive and technological environments) from internal fit (between organizational processes and IT infrastructure) (Henderson & Venkatraman, 1993). In the digital era, contemporary studies apply these notions, perceiving alignment as a dynamic capability under evolving digital strategies (Yeow et al., 2018). This perspective is closely related to digital business-IT alignment that requires information processing and agility (Li et al., 2021) and has been increasingly labeled as DA within management literature (Ciacci et al., 2025).

Prior research converges on four primary domains of antecedents to DA: strategic (shared domain knowledge; business/IT planning), structural (decision rights; centralization), social (shared understanding and commitment), and cultural/leadership (vision; top-management support) (Chan et al., 2006; Reich & Benbasat, 2000, 1996). To contextualize DA within the family firm landscape, we integrate these established antecedents with SEW priorities and TL.

TL acts as a boundary condition that links family goals to alignment outcomes. By articulating a compelling digital vision, building a shared language across domains, and sustaining integration routines, TL reinforces the cultural, leadership, and social antecedents (Bass & Riggio, 2006; Herold et al., 2008).

In sum, the IT alignment literature has identified the strategic, structural, social, cultural, and leadership conditions under which DA emerges. Embedding these conditions within the context of family goals (SEW) and leadership (TL) helps clarify which configurations strengthen or weaken DA in family firms, laying the theoretical groundwork for our hypotheses.

2.2. SEW priorities and their influence on digital alignment

The noneconomic benefits derived by family members from their businesses have been conceptualized as SEW, also referred to as affective endowments (Gómez-Mejía et al., 2007), or simply socioemotional benefits (Miller & Le Breton-Miller, 2014). Family members are often motivated to manage their businesses in ways that enhance these socioemotional benefits rather than solely focusing on maximizing financial returns (Berrone et al., 2012). However, it is important to note that the impact of SEW dimensions can vary significantly depending on the family owners' preferences and priorities

(Miller & Le Breton-Miller, 2014). This variation in influence suggests that different family owners may prioritize certain SEW dimensions over others, leading to different decision-making outcomes and strategic choices.

To better understand the different types of socioemotional benefits and their connection to DA, it is helpful to consider a typology that classifies SEW priorities into two categories: restricted and extended (Miller & Le Breton-Miller, 2014). Restricted SEW priorities refer to narrow, short-term benefits, primarily serving the family's immediate interests. These may include family involvement in ownership and management irrespective of qualifications, entrenchment of unqualified family leaders, allocation of business resources to resolve family disputes, and practices such as nepotism or altruism. These restricted priorities can lead to highly conservative strategies aimed at preserving family control, poor innovation due to ineffective management, and limited career development opportunities for nonfamily managers, potentially undermining firm performance and yielding only short-term benefits for the family (Miller & Le Breton-Miller, 2014).

In contrast, extended SEW priorities encompass benefits with a broader and more enduring impact, reaching beyond the immediate family. These include investments that enhance the family's reputation among stakeholders, foster long-term relationships with partners to ensure the firm's survival, and engage proactively with stakeholders to preserve and enhance SEW (Cennamo et al., 2012). Extended priorities are more likely to generate long-term benefits that accrue not only to the family but also to other stakeholders (Miller & Le Breton-Miller, 2014).

Therefore, we can theorize that because DA essentially requires a dynamic process of continuous change and adaptation for a prolonged duration (Henderson & Venkatraman, 1993; Leonardi, 2011), restricted SEW priorities may negatively affect DA, whereas extended SEW priorities could positively influence it. However, it is important to recognize that family firms are a highly heterogeneous group with varying levels of family involvement and emotional attachment (Berrone et al., 2012; Swab et al., 2020). We acknowledge this heterogeneity and argue that controlling families differ in their concern for DA, which helps explain the varying effects of family influence on the pursuit of nonfinancial goals (Chrisman et al., 2012). Gains or losses in SEW serve as the primary frame of reference for family-controlled firms when making major strategic decisions (Berrone et al., 2012). SEW typically implies a preference for tradition and stability among these businesses, which may deter them from making investments perceived as risky, such as adopting new technologies (Konig et al., 2013).

Berrone et al. (2012) proposed the FIBER model to capture the dimensions of SEW in family firms. Restricted SEW priorities align closely with the "Family control and influence" and "Renewal of family bonds through dynastic succession" dimensions of this model. Companies with such priorities are primarily focused on maintaining family control and ensuring business continuity within the family. These priorities emphasize the importance of family members' influence over the firm and its succession to the next generation. In the case of extended SEW priorities, these can be linked to the "Binding social ties", "Identification of family members with the firm", and "Emotional attachment" dimensions. Family firms with extended SEW priorities look beyond immediate family interests to build strong relationships with stakeholders, contribute to the community, and enhance the firm's reputation. In line with previous studies, we propose that family control and influence, the identification of family members with the firm, and their emotional attachment are the FIBER dimensions that may significantly influence DA (Lasio et al., 2024).

2.2.1. Family control and influence, and digital alignment

In family businesses, owners typically possess a deep understanding of the enterprise and leverage their influence over stakeholders to maintain control over strategic decisions (Chua et al., 1999; Schulze et al., 2003). The dimension of "family control and influence" represents the degree to which family members maintain power over strategic decisions and operational control in the business (Berrone et al., 2012). Heterogeneity in family firms exists based on the degree of family control and influence. This variance in family influence can have significant implications for DA. Specifically, as family control and influence increase, certain mechanisms may emerge that create barriers to effectively aligning digital initiatives with business strategy.

First, family firms with strong family control and influence often prioritize stability and continuity, driven by the desire to preserve the family's SEW (Gómez-Mejía et al., 2007). The greater the family's involvement in ownership and management, the more likely it is that strategic conformity will occur (Miller et al., 2013). This conservative orientation can lead to a reluctance to adopt new digital technologies that might disrupt existing operations or threaten the family's control, identity, or traditions (Kellermanns & Eddleston, 2006). The focus on maintaining the status quo can manifest as a reluctance to embrace digital technologies (Konig et al., 2013), hindering DA. Research has consistently shown a negative relationship between family involvement and technology adoption (e.g., Ceipek et al., 2021; Souder et al., 2017). This high concentration of family control can also reinforce resistance to external influences and changes, including digital transformation initiatives, as family members seek to preserve their trust-based organizational culture, which creates a unique competitive advantage through strong interpersonal relationships and shared values (Denison et al., 2004; Sharma, 2006). The potential benefits of digital technologies are closely tied to the extent of change in organizational routines and to whether managers perceive digital capabilities as opportunities for strategic redefinition rather than as threats to the status quo (Venkatraman, 1994). Senior executives, therefore, face the critical challenge of balancing the opportunities and risks associated with digital transformation (López-Muñoz & Escribá-Esteve, 2022), given that while digitalization may present new opportunities, it also introduces risks that can be difficult to mitigate or foresee (Amankwah-Amoah et al., 2021).

Second, family dynamics often influence decision making in family firms, which can introduce complexity and cause delays in strategic decisions (Daspit et al., 2017; Schulze et al., 2003). Family members might hold different views on digital transformation, leading to conflicts and slower decision-making processes that impede timely DA. The governance structure in family firms often relies heavily on informal, family-based controls rather than formal management control systems. While this can create operational flexibility, it may also enable opportunistic behavior and support nepotism, hierarchies, and family conflicts (Ruiz-Palomo et al., 2019). This preference for informal controls can create resistance to implementing digital systems that would introduce more formal and transparent governance mechanisms. Interestingly, while family relationships can reduce certain agency costs through altruistic behavior and moral obligations among family members (Ghafoor et al., 2023), this same dynamic can create barriers to professional management practices and digital transformation. Family firms with strong control tendencies often resist implementing formal control mechanisms and digital systems that would reduce information asymmetries, increase transparency, standardize information flows, and create auditable digital trails throughout the organization (Kathuria et al., 2023; Mucci et al., 2021). As family control and influence increase, the desire to maintain traditional family control mechanisms often outweighs the potential benefits of modernizing governance structures through DA.

In summary, greater family control and influence can create barriers in DA through the mechanisms outlined above. These mechanisms include conservative strategic orientations and complex decision-making processes, which impede a family firm's ability to integrate digital strategies with business goals, thereby negatively impacting DA. Based on this, we hypothesize:

> **H1:** The higher (lower) the family's control and influence, the lower (higher) the level of DA.

2.2.2. Family members' identification with the firm and digital alignment

The degree to which family members identify with the business reflects how much they regard it as part of their self-concept and values (Berrone et al., 2012). Identification aligns with the underlying dimension of commitment (O'Reilly & Chatman, 1986) and supports extra-role contributions that enable innovation (Katz, 1964; Smith et al., 1983). Indeed, family members' identification with the firm can greatly impact DA, since, as this identification increases, certain mechanisms may emerge that favor the effective alignment of digital initiatives with business strategy.

First, family members who strongly identify with the firm are likely to exhibit higher levels of commitment and loyalty (Eddleston & Kellermanns, 2007; Zellweger et al., 2010). Such a sense of identification can lead to a willingness to make personal sacrifices for the firm's benefit, like working longer hours, investing personal resources, or accepting lower financial returns to ensure the success and continuity of the business (James, 1999). The high commitment and loyalty that stems from strong identification can result in a shared and compelling vision for the organization's digital future (Chrisman et al., 2005; Kotlar & De Massis, 2013; Mustakallio et al., 2002), and a stronger inclination to allocate the necessary resources for digital initiatives (Kathuria et al., 2023). This unified vision can facilitate aligning digital strategies with overall business goals. When family leaders are deeply committed to the firm, they are more likely to champion digital initiatives and ensure that digital strategies are in harmony with the firm's core values and objectives (Gómez-Mejía et al., 2011). Family members who are deeply connected to their enterprise tend to invest personal and organizational resources in digital transformation projects, recognizing them as essential for the continued success and legacy of the business (Lumpkin & Brigham, 2011; Zellweger et al., 2010).

Second, family members who strongly associate with the firm are more inclined to adopt a long-term perspective in their decision making (Lumpkin & Brigham, 2011; Zellweger et al., 2012). This long-term perspective can encourage investments in digital technologies, which are seen as essential for future competitiveness and sustainability. Studies indicate that firms with a long-term strategic focus are more likely to align digital initiatives with their core business strategies (Bharadwaj et al., 2013; Hess et al., 2016; Kane et al., 2015) By focusing on the firm's future, family members are more predisposed to invest in digital technologies that promise long-term benefits, such as enhanced operational efficiency, improved customer engagement, and new revenue streams (Kane et al., 2015), viewing DA as a strategic imperative (Kathuria et al., 2023).

To summarize, in family firms, strong identification fosters a shared vision, top-management sponsorship, and resource mobilization for digital initiatives while encouraging disciplined investment in enabling IT. These mechanisms strengthen DA's strategic and social underpinnings by connecting digital efforts to core objectives and by reinforcing shared understanding between the business and IT units. This leads us to the following hypothesis:

> **H2:** The higher (lower) the family members' identification with the firm, the higher (lower) the DA.

2.2.3. Emotional attachment of family members and digital alignment

Emotional attachment denotes an affective bond with the family firm that shapes its priorities and behavior (Berrone et al., 2012; Eddleston & Kellermanns, 2007). Distinct from the cognitive self-definition of identification, attachment primarily operates through the affective climate of the firm in ways that support the social foundations of DA.

First, high attachment is associated with intra-family trust, cohesion, and lower relationship conflict (Eddleston & Kellermanns, 2007). Such environments foster psychological safety—a shared belief that it is safe to speak up and share information—which facilitates cross-boundary knowledge exchange and mutual understanding, a cornerstone of DA (Reich & Benbasat, 2000).

Second, attachment-driven risk aversion (loss aversion around socioemotional endowments) often leads to staged, thoroughly vetted digital adoption rather than expansive experimentation. This caution can increase DA: investments face higher justification thresholds, are piloted before being scaled up, and pass through integration checkpoints that tie digital choices to strategy and control (cf. Kathuria et al., 2023). Thus, even if speed is lower, the fit between digital initiatives and business objectives is tighter.

Emotional attachment, in conjunction with psychological safety and risk-screened, staged adoption, strengthens the shared understanding and cross-domain coordination that underpin DA. Based on this reasoning, we hypothesize the following:

> **H3:** The higher (lower) the emotional attachment of family members, the higher (lower) the DA.

2.3. Transformational leadership as a moderator of the relationship between SEW priorities and digital alignment

As previously discussed, restricted SEW priorities that prioritize family control and influence often lead to conservative strategies, poor innovation, and inflexible mental models (Konig et al., 2013). However, in contexts where family control and influence are more pronounced, TL—characterized by idealized influence, inspirational motivation, intellectual stimulation, and individualized consideration (Avolio et al., 1999)—can enhance DA through two key pathways.

First, TL has the potential to mitigate the rigidity imposed by high family control, facilitating the cultural and behavioral shifts necessary for effective DA. Transformational leaders foster a culture of innovation and promote open communication (Dillon, et al., 2025), ensuring that all stakeholders are actively engaged in the alignment process. This engagement is vital for addressing digital challenges and making informed decisions.

Second, TL can cultivate the collective efficacy required for group success in navigating complex challenges such as DA (Guzzo et al., 1993; Zaccaro et al., 1995). By enhancing group confidence, transformational leaders enable teams to tackle these multifaceted issues more effectively. Thus,

> **H4:** TL positively moderates the relationship between family control and influence and DA, such that the negative impact of family control and influence on DA (as proposed in H1) is attenuated when TL is strong, compared to when it is weak.

As discussed earlier, a strong identification of family members with the firm leads to organizational commitment, cooperation, altruism, and a shared and compelling vision for the organization's digital future. Furthermore, deep emotional attachment and close ties, along with high levels of family harmony, generate stable relationships, shared interests, low conflict levels, and risk aversion. In contexts of strong family identification and emotional attachment, TL can enhance the benefits associated with such extended priorities by fostering the organizational conditions for effective DA through two key pathways.

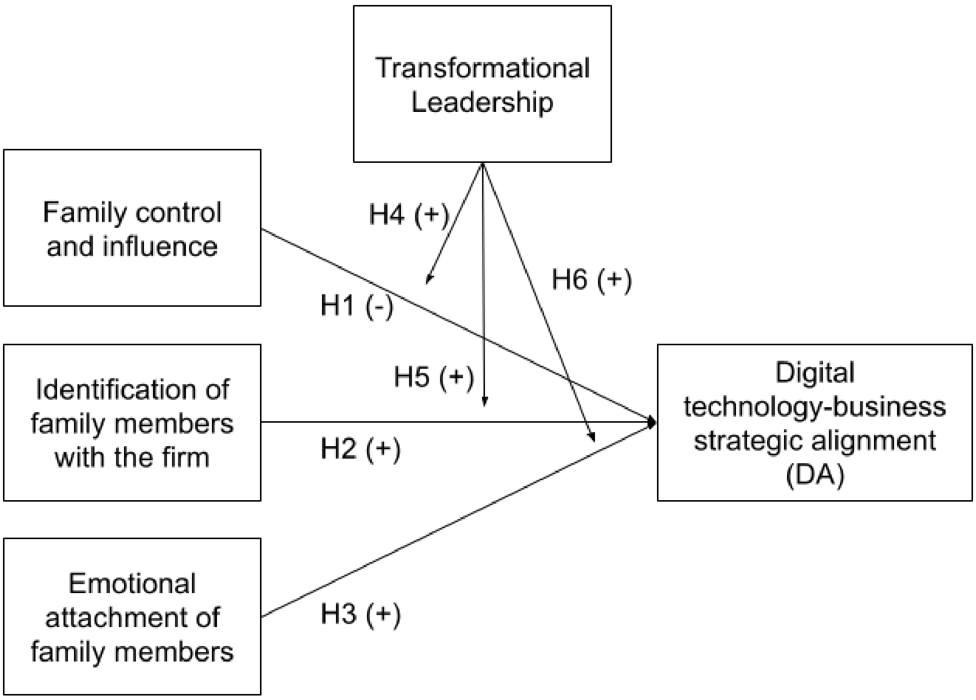
First, TL can potentially increase top management support and commitment throughout the digitalization process, including allocating resources and effectively communicating the importance of DA. Second, TL can enhance cooperation between IT and business personnel by developing shared domain knowledge and integrating specialized expertise across both areas (Eom et al., 2015).

Therefore, in the specific context of family firms, TL is hypothesized to positively moderate the relationship between SEW priorities and DA. This moderation effect is articulated in the following hypotheses:

> **H5:** TL positively moderates the relationship between family members' identification with the firm and DA, such that the positive impact of this identification on DA (as proposed in H2) is amplified under strong TL, compared to weak TL.
>
> **H6:** TL **positively** moderates the relationship between the emotional attachment of family members and DA, such that the positive influence of emotional attachment on DA (as proposed in H3) is enhanced when TL is strong, compared to when it is weak.

Figure 1 below shows our research model.

Figure 1. Research model



3. Methodology

3.1. Data collection and sample description

Data on family-owned enterprises were collected worldwide through the STEP Global Family Business Survey 2021 in "The regenerative power of family businesses: Transgenerational entrepreneurship" (2022). The STEP Project Global Consortium is an academic initiative launched to investigate entrepreneurial practices and provide optimal support to entrepreneurial families across generations. This survey employs a convenient sampling strategy that was replicated in various countries and regions. National affiliate teams identified potential respondents by considering their own country's industry characteristics and business structure. The survey was designed by a knowledgeable, multidisciplinary research team with over ten years of experience undertaking both qualitative and quantitative research. Previously validated scales were used for each question in the questionnaire, which was initially written in English and then translated into 13 other languages. The survey was conducted between September and November 2021. By the time the survey concluded, a total of 2,441 companies had completed the questionnaire. For this study, we selected firms with more than 10 employees from countries where at least 30 questionnaires were collected. The study sample consists of 1,586 family firms from 23 countries that belong to 19 industries (see Appendix 2). Table 1 summarizes key sample characteristics, including respondents' gender and generation, type of governance, and firm size. In terms of firm size, small and large firms each represent approximately one third of the sample, and medium-sized firms account for 41.8%. With respect to management and governance characteristics, more than 60% of the sampled firms have a board of directors. The average number of generations in the company's management is 1.44, with a maximum of 3, and the average CEO age in 2021 is 53.19 years. Finally, 100% of the respondents belong to the owning family.

Table 1. **Sample characteristics**

Variable	Observations	% Valid
Gender of the respondent		
Female	270	17.1
Male	1311	82.9
Generation of the respondent		
1st generation	522	34.6
2nd generation	637	42.2
3rd generation	242	16.0
4th or more	108	7.2
Board		
No	614	38.7
Yes	971	61.2
Size		
Small 10-49	459	29.1
Medium 50-249	665	41.8
Large >250	451	29.1

3.2. Variables

Dependent variable: Digital technology-business strategic alignment (*DA*) was measured with a multi-item scale adapted from Li et al. (2021). This scale measures the degree to which the firm's digital transformation is aligned with the strategic management of the family business (see Appendix 1).

Independent variables: Family control and influence (*FC*), Emotional attachment of family members (*EA*), and Identification of family members with the firm (*Ident*) were measured with multi-item scales adapted from Gómez-Mejía et al. (2007) and Berrone et al. (2012).

Moderating variable: Transformational leadership (*TL*) was measured with a multi-item scale adapted from Podsakoff et al. (1990).

Control variables: Past research on alignment controlled for industry and organizational size (Chan et al., 2006). Alignment needs to be culturally supported, and previous research has demonstrated the potential effect of national cultures on *DA* maturity (Silvius et al., 2012), highlighting the importance of accounting for cultural differences between countries (Riandari & Pharmasetiawan, 2017). To control for industry and country effects, we used dummy variables (see Appendix 2). Firm size was measured with the Napierian logarithm of employees; the mean of this variable was 4.82 (124 employees), with a standard deviation of 1.53 (4.6 employees). Moreover, previous research has shown that family firms' propensity for *DA* may be significantly influenced by satisfaction with past performance (Mahto & Khanin, 2015) then highlighting the importance of accounting for past performance. Financial performance (*FP*) was measured using a scale adapted from

Eddleston et al. (2008). As highlighted by the authors, subjective performance assessment is commonly used in family firms' research. For this reason, respondents were asked to indicate their current performance and past performance in relation to that of their competitors in each of the indicators, which indirectly controlled for industry influences in the performance measure (Eddleston et al., 2008).

3.3. Analysis

We carried out the analysis in two stages. This approach is an alternative to the single-stage method (full SEM). The full structural equation modeling (SEM) method causes significant problems when many dummy variables are present, as in our case, making the two-stage method advisable.

In stage one, the *measurement model* was evaluated with SEM techniques using IBM SPSS Amos 28.0.0 software. Stage two involved testing the *structural model* using moderated regression, which introduced constructs transformed into observable variables with a mean of 0 and a standard deviation of 1 via factorial punctuation.

4. Results

4.1. Results of the measurement model

We verified the measurement model using confirmatory factor analysis (CFA) and constructs measured with reflective indicators. To obtain a good measurement model fit, items with loadings below 0.4 were removed (Hair et al., 2021). The CFA for the final measurement model shows a good fit, with indicators above the threshold recommended by the literature (x^2= 1861.94, df=362, p=.00, AGFI=.90, CFI=.93, RMSEA=.05; Bollen, 1989; Browne & Cudeck, 1992; Hu & Bentler, 1999; Joreskog & Sorbom, 1982).

Convergent validity was established by examining the factor loadings (>0.5, Hair et al., 2021), the average variance extracted (AVE) (>.5), and the composite reliability (CR) (>0.7), which allows the measurement to be considered to have acceptable convergent validity, despite having some AVEs slightly below 0.5 (Fornell & Larcker, 1981, p. 46). The items used (standardized loadings, AVE, and CR) are reported in Table 2 and Appendix 1.

Table 2. CFA results

Items	Standardized loadings*	AVE	CR	Fornell-Larcker (1981) criterion
DA1	0.82			
DA2	0.90			
DA3	0.88	0.70	0.92	0.84
DA4	0.81			
DA5	0.75			
FC1	0.57			
FC2	0.73	0.42	0.74	0.65
FC3	0.61			
FC4	0.66			
EA1	0.51			
EA2	0.76			
EA3	0.62	0.49	0.83	0.70
EA4	0.82			
EA5	0.76			
Ident1	0.74			
Ident2	0.75			
Ident3	0.80	0.55	0.86	0.74
Ident4	0.67			
Ident5	0.73			

Items	Standardized loadings*	AVE	CR	Fornell-Larcker (1981) criterion
Perf1	0.89			
Perf2	0.89	0.62	0.86	0.78
Perf3	0.67			
Perf4	0.66			
TL1	0.67			
TL2	0.73			
TL3	0.79	0.50	0.85	0.70
TL4	0.60			
TL5	0.68			
TL6	0.74			

*All loadings statistically significant at p<.001.

We evaluated the discriminant validity of the measures by constraining the inter-factor correlations to unity (taken in pairs) and performing chi-square difference tests. A significantly lower chi-square for the model without restrictions on the inter-factor correlations demonstrates discriminant validity. In addition, we applied the Fornell-Larcker criterion (Fornell & Larcker, 1981), which compares the square root of the AVE of each construct (Table 2) with its correlations with other constructs (Table 3). The data we collected demonstrated that the square root of the AVE for each construct exceeded the inter-construct correlations, indicating adequate discriminant validity and confirming that the constructs capture distinct latent dimensions.

4.2. Results of the hypothesis testing

Table 3 presents correlations between variables. The strongest positive correlation with *DA* is observed with *TL* (r = .42), while the significant negative correlation is between *DA* and *FC* (r = -.07). *Ident* shows a moderate positive correlation with *EA* (r = .57), and the correlations among the other variables are either weak or non-significant.

Table 3. Correlations

Variable/Construct	1	2	3	4	5	6
1. DA						
2. Size	0.08*					
3. FP	0.29*	0.11*				
4. FC	-0.07*	-0.23*	-0.03			
5. Ident	0.17*	0.02	0.10*	0.44*		
6. EA	0.12*	-0.08*	0.04	0.36*	0.57*	
7. TL	0.42*	0.01	0.21*	0.01	0.22*	0.17*

* $p < .05$.

Correlations of industry and country variables have been omitted for ease of reading.

Table 4 provides the main results of the hypothesis testing, and Appendix 3 shows the complete results. Models 1 to 3, in which the control variables are introduced, are statistically significant. The control variables together explain 16.0% (adj. R2, Model 3) of the variance of the dependent variable (*DA*).

Table 4. Hypotheses testing

Variable	Model 1			Model 2			Model 3			Model 4			Model 5			Model 6		
	B	**Beta**	***p***	**B**	**Beta**	***p***	**B**	**Beta**	***p***	**B**	**Beta**	***p***	**B**	**Beta**	***p***	B	**Beta**	***p***
Constant	0.22	0.00	0.001	0.15	0.00	0.040	-0.20	0.00	0.054	0.12	0.00	0.231	0.02	0.00	0.856	0.01	0.00	0.940
Country variables	Included			Included			Included			Included			Included			Included		
Industry variables				Included			Included			Included			Included			Included		
Size							0.06	0.09	0.000	0.04	0.06	0.021	0.04	0.06	0.022	0.03	0.05	0.026
FP							0.27	0.27	0.000	0.25	0.25	0.000	0.19	0.19	0.000	0.18	0.18	0.000
FC										-0.18	-0.18	0.000	-0.15	-0.15	0.000	-0.15	-0.15	0.000
Ident										0.13	0.13	0.000	0.09	0.09	0.003	0.11	0.11	0.000
EA										0.12	0.12	0.000	0.08	0.08	0.005	0.06	0.06	0.024
TL													0.31	0.31	0.000	0.31	0.31	0.000
FC x TL																0.07	0.07	0.005
Ident x TL																0.07	0.09	0.002
EA x TL																-0.09	-0.10	0.000
R^2	7.2%			10.3%			18.2%			22.4%			30.3%			31.6%		
Adjusted R^2	5.9%			7.9%			16.0%			20.1%			28.2%			29.4%		
F change	5.53		0.000	2.76		0.000	75.22		0.000	27.55		0.000	174.45		0.000	9.66		0.000

Note. *p*=p-value. N=1,586. VIF max = 1.95.

Model 4 introduces the hypothesized direct effects and improves the adjusted R^2 relative to Model 3 (Δ adj. R^2= 4.1%). All effects are statistically significant and with the predicted direction, supporting hypotheses H1 to H3. The direct (positive) effect with the largest effect size is from *FC* (β= –.18).

The moderation variable (*TL*) and moderation terms are introduced in Model 5 and Model 6, respectively. All moderation effects between *TL* and *FC*, *Ident*, and *EA* are statistically significant, with the effect for *FC* and *Ident* in the predicted direction (Model 6); thus, hypotheses H4 and H5 are supported, but not H6, which is rejected. The effect size of the moderation effects is very small according to *betas* and the increase of the adjusted R^2 in Model 6 *vs*. Model 5 (Δ adj. R^2= 1.2%). Graphical analyses of the moderating effects were also performed.

The interaction effect between independent variables and *TL* on *DA*, as suggested by Dawson (2014), is plotted in Figures 2 to 4. Figure 2 shows the negative effect of *FC* on *DA* (both lines have a negative slope) and that the relationship between *FC* and *DA* is weaker when *TL* is higher. The interaction effect between *Ident* and *TL* on *DA* is plotted in Figure 3. The graph illustrates the positive effect of *Ident* on *DA* (both lines have a positive slope) as well as how the relationship between *Ident* and *DA* is stronger when *TL* is higher. Finally, Figure 4 shows that the relationship between *EA* and *DA* is negatively moderated by *TL*, as it is practically neutralized at high *TL* levels and positive at low *TL* levels.

Figure 2. Interaction effect between FC, TL and DA

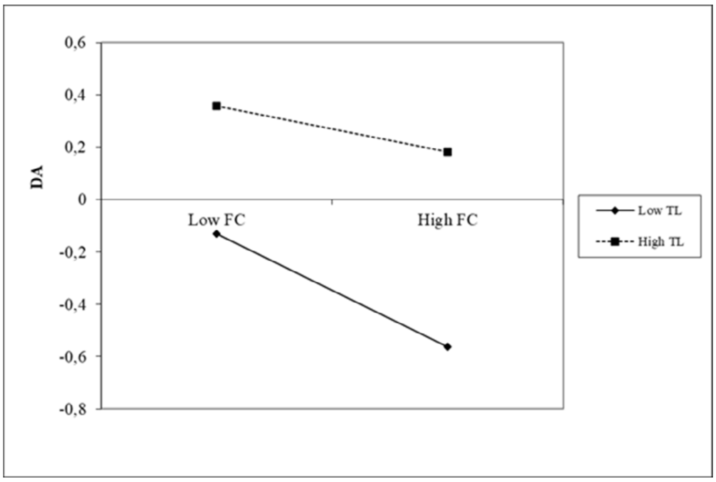


Figure 3. Interaction effect between Ident, TL and DA

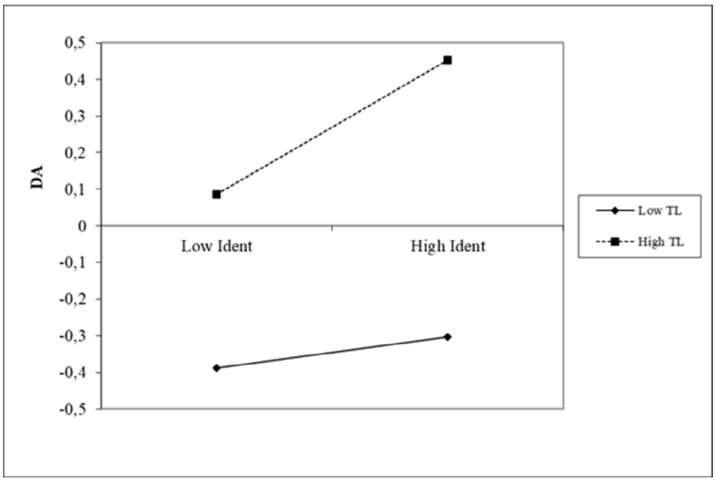
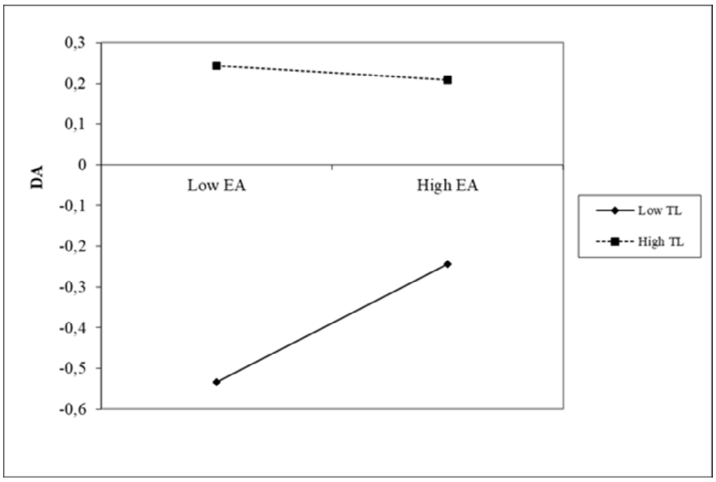


Figure 4. Interaction effect between EA, TL and DA



4.3. Additional tests

Full SEM

We implemented a full SEM test, categorizing countries into three groups according to their per capita income and industries into three sectors: primary, secondary, and tertiary. These groups were coded using dummy variables, entering k-1 categories into the model while omitting the largest category, as recommended in the literature. This simplification enabled us to run CB-SEM models, but at the expense of losing specifics regarding industry and country differences. The results of the full SEM model for direct effects were similar to the results reported in model 5, Table 4:

- The full SEM model fit the data well: x2= 2229.47, *df*=477, p=.00, AGFI=.90, CFI=.92, RMSEA=.05
- The R^2 values were similar: 30% (model 5, direct effects, Table 4) vs. 29% (full SEM).
- And the standardized betas too: *Size* .02 vs. .04, *FP* .19 vs. .19, *FC* -.19 vs. -.15, *Ident* .12 vs. .09, *EA* .08 vs. .08, and *TL* .36 vs. .31, with the same statistical significance maintained across both models.

Moderation analysis using CB-SEM techniques in Amos can be performed either by creating multiplicative constructs based on the product of the items or through subgroup analysis. We chose the subgroup approach because the product-indicator approach yields lower levels of fit. In applying the subgroup technique, the sample was split into two groups: one with high levels of *TL* (mean + 1 SD) and another with low levels of *TL* (mean – 1 SD), excluding the remaining cases from the analysis. The fit indices were satisfactory, and the results largely replicated those obtained with the two-stage approach, except for the moderation effect of *TL* on *FC* → *DA*, which is not statistically significant. This moderation is statistically significant in the two-stage model but only at a critical level (p = 0.05), which explains why, in this new exercise—where the errors of the structural model and measurement model are combined—the hypothesis was not supported.

Endogeneity and common method variance

Our study relies on cross-sectional data, which entails the challenge of potential endogeneity. Endogeneity may bias parameter estimates when an explanatory variable is correlated with the error term, often due to omitted variables, a measurement error, or reverse causality.

Consistent with prior SEM research, we explicitly address reverse causality as a source of endogeneity. To this end, we compared the tested model with an alternative model assuming reverse causality, using Akaike's Information Criterion (AIC) and the Bayesian Information Criterion (BIC). As noted by Kline (2023, p. 220), the model with the smallest AIC and BIC values fits the data best and is "the one most likely to replicate." The results show that the hypothesized (direct-effects) model had substantially lower AIC (2,465.47) and BIC (3,099.01) values than the reverse-causality model (AIC = 3,820.46; BIC = 4,212.39), suggesting that reverse causality was not a concern in our analysis.

We verified that the covariances between the estimation error of the dependent variable and the independent variables were zero (p<.001), suggesting the absence of serious endogeneity problems.

We assessed common method variance (CMV), another potential source of endogeneity (Antonakis et al., 2010), by controlling for the effects of a single unmeasured latent method factor, a procedure recommended by Podsakoff et al. (2003) for this type of data. Both the theoretical model and an alternative model including an unmeasured latent factor were estimated (with all method factor loadings constrained to equality). The inclusion of the method factor did not produce any meaningful changes in the fit indices (ΔCFI=.002, ΔRMSEA=.000).

Additionally, we compared a single-factor model with the theoretical multifactor model (Harman's test). The single-factor model showed poor fit (x^2 = 15,105.96, df = 377, p = .00, AGFI = .37, CFI = 35, RMSEA = .16), substantially worse than the theoretical model. These results suggest that CMV did not pose a significant threat to the validity of our findings.

We conducted an additional robustness check to assess the potential influence of endogeneity. Following prior marketing and management research (see, e.g., Decreton et al., 2023; Park & Gupta, 2012), we employed a Gaussian copula-based regression approach, which allows modeling possible dependence between potentially endogenous regressors and the error term without relying on external instruments. Specifically, Shapiro-Wilk tests proved that the distributions of the continuous explanatory variables were not normal. The continuous independent and moderator variables were transformed using a Gaussian copula, while the dependent variable and dummy controls were kept in their original scales. The results of this copula-based analysis are fully consistent with our main findings: the direction, statistical significance, and substantive interpretation of the main effects and moderating relationships remain unchanged. These results provide additional reassurance that endogeneity is unlikely to drive our conclusions.

5. Discussion and Conclusions

In this study, we set out to deepen our understanding of DA in family firms, more specifically, of its antecedents. We used the SEW perspective to account for the heterogeneity of family goals that shape decision making. Family firms use various SEW reference points to assess how well their digital initiatives and strategies align. When SEW priorities related to family control and influence take precedence, family firms are inclined to prioritize conservatism, which diminishes their willingness to engage in DA. Conversely, as the relevance of extended SEW priorities—in our study, family members' identification with the firm and their emotional attachment to it—becomes more prominent, family-owned enterprises are more inclined to invest in digital technologies and align their strategies with them.

As we have argued, our results show opposite SEW effects on DA. Restricted SEW—family control and influence—reduces DA (H1), which is in line with conservative frames and rigid mental models that slow digital technology adoption and cross-domain integration (Konig et al., 2013). In contrast, extended SEW—family identification and emotional attachment—enhances DA (H2-H3), aligning digital efforts with a shared purpose and long-term commitment (Kotlar & De Massis, 2013).

Our model posited that family firms would be less likely to adopt appropriate digital technologies as family control and influence increased. The rationale behind this hypothesis, supported by our data, is that heightened family influence, characterized by emotional attachment to existing assets and rigid mental models (Konig et al., 2013), can result in resistance to adopting new technologies. Such resistance is driven by concerns that changes to established routines might threaten family control over firm operations, thereby undermining family values and stability. As anticipated, our findings revealed that greater family control and influence were associated with lower levels of DA. In a similar vein, Issah and Calabrò (2024) found that an increased emphasis on family ownership, as a proxy for family goals, weakens the positive association between DA and family firms' performance. Additionally, these findings are in line with the research conducted by Åberg and Campopiano (2026), who concluded that family ownership acts as a moderating factor, potentially lessening the positive relationship between stewardship of family-oriented goals and DA. The implications of these insights extend into the realm of corporate governance and strategic management in family businesses. This suggests that family ownership structures may have a nuanced impact on how family firms engage with digital strategies.

We obtain empirical evidence for our proposal that family firms are more likely to adopt digital technologies as family members' identification with the firm increases. In line with previous research, this result suggests that strong family identification can foster a shared sense of long-term purpose and commitment to the business (Kotlar & De Massis, 2013), creating a more supportive environment for digital innovation and collaboration. As predicted, our results indicate that a strong sense of family identification positively impacts the alignment between digital technologies and strategic objectives and needs in a changing and demanding environment.

In line with previous studies, we proposed that family members' emotional attachment to the firm increases the alignment between strategies and digital technologies, finding support for this relationship. The core rationale is that a strong emotional bond with the firm encourages heightened awareness of evolving technologies and reduces risk aversion to innovation opportunities, as Filser et al. (2018) and Fitz-Koch and Nordqvist (2017) have reported. As expected, we found that stronger emotional attachment was positively associated with DA.

The seemingly discrepant negative effects of family control and influence on DA, compared to the positive effects of identification and emotional attachment, invite to nuanced theoretical exploration. Family control and influence typically refer to formal and informal power and decision-making structures within a family business, which may lead to conservative or risk-averse decision making due to concerns over stability, continuity, and protection of family wealth. Such decision-making environments might prioritize traditional practices over rapid adaptation to digital advancements, potentially explaining the negative association with DA. This cautiousness in embracing digital technologies can be considered a protective measure to preserve the family business legacy, but it may inadvertently hinder DA. On the other hand, identification and emotional attachment, which pertain to feelings of pride, loyalty, and dedication to the family business, can foster a unique motivational climate that encourages, in the first case, a long-term orientation and, in the second, innovation. Thus, they favor the adoption and integration of digital technologies into the strategy. Family members who exhibit high levels of identification and emotional attachment to the family firm may be more willing to engage in digital transformation initiatives. This is because they perceive such efforts as aligned with the family's long-term goals and values. This emotional investment can lead to a proactive and adaptive approach to DA, driving positive outcomes for the firm.

Lastly, we make the case for TL acting as a boundary condition and present some empirical evidence in support of it. In fact, TL attenuates the penalty of restricted SEW and amplifies the benefits of identification. Yet, it tempers the positive effect of emotional attachment. A plausible explanation is that strong affect, coupled with TL's socio-relational emphasis, can crowd out the disciplined integration routines that DA requires (Bass & Riggio, 2006; Herold et al., 2008). We also observe a direct, positive role for TL in DA (Model 5), consistent with alignment research that links leadership to shared domain knowledge and integration.

Our results provide empirical evidence of the central and direct role that TL plays in DA, which is consistent with previous DA studies. We argued that TL could amplify the positive impact of extended SEW priorities on DA by enhancing top management support, improving cooperation between IT and business units, and facilitating the development of shared knowledge during the digitalization process. As predicted, our results indicate that TL positively moderated the relationship between family control and influence and DA, attenuating the negative impact of family control on DA when TL was strong. Similarly, TL was found to positively moderate the relationship between family members' identification with the firm and DA. This amplified the positive effect of family identification on DA when TL was strong.

However, contrary to our expectations, we found that TL negatively moderates the relationship between family members' emotional attachment and DA. Specifically, the positive effect of emotional attachment on DA was weaker when TL was strong. A negative moderation effect in the context of TL and emotional attachment affecting DA can be surprising and counterintuitive at first glance, given the generally positive association of TL with various organizational outcomes. There are, nevertheless, several plausible explanations and arguments for such an effect.

Firstly, although TL is mostly beneficial, it can sometimes lead to an overemphasis on emotional aspects, which might overshadow the strategic and operational needs that are critical for DA (Bass & Riggio, 2006). Given that emotional attachment and TL place a greater emphasis on interpersonal dynamics, family business owners might not sufficiently address the technical skills and competencies required for effective DA (Herold et al., 2008). This overemphasis on emotional aspects, coupled with insufficient attention to technical considerations, could result in a negative moderation effect, as prioritizing emotional aspects does not necessarily translate into effective digital strategies.

Secondly, the effectiveness of TL can be context-dependent, as this leadership style may not always align with situational demands (Yukl, 2013); thus, the mismatch between leadership style and organizational context could explain the observed negative moderation effect. To further understand and validate the negative moderation effect, it would be beneficial to conduct additional qualitative research, such as interviews or focus groups with family members and leaders, to explore the underlying mechanisms and perceptions contributing to this effect. This would provide richer insights into the dynamics between emotional attachment, TL, and DA within the specific context of our study.

In summary, our model of DA antecedents and moderators, which includes SEW dimensions, TL, and relevant controls, explains over 30% of the variance in DA.

Theoretically, our evidence recasts digital alignment (DA) as SEW-contingent. Restricted SEW channels attention toward preservation and control. In addition, it heightens loss aversion and privileges continuity, which in turn dampen the alignment between digital initiatives and strategic objectives. Extended SEW, in contrast, channels attention toward continuity through identity and pride; it mobilizes alignment when enthusiasm is coupled with mechanisms that integrate business and the digital domains.
TL specifies when these family goals translate into DA. TL transforms restrictive control into constructive coordination and turns identification into coordinated digital-business coherence; however, when emotional attachment is already high, TL's relational load may undermine the process discipline required for alignment, thereby diminishing net gains.
Framed this way, our results move beyond the question of whether family firms digitalize or transform, revealing instead how family goals and leadership jointly produce (or impede) alignment. They also situate family-firm evidence within the nascent DA literature (Ciacci et al., 2025; Li et al., 2021; Yeow et al., 2018), offering a coherent explanation for the mixed effects of "family influence" reported elsewhere (e.g., Åberg, 2025; Issah & Calabrò, 2024).

5.1. Theoretical contributions

This study makes two key contributions to the scholarly discussions of digital alignment (DA) and family business strategy. First, by analyzing family firms through well-established theoretical frameworks, we extend DA research by identifying SEW priorities as deep, heterogeneous antecedents of alignment. We distinguish restricted SEW (family control and influence) from extended SEW (family identification and emotional attachment) and theorize their opposite implications for DA: restricted SEW channels attention toward preservation and control—dampening the coordination and cross-domain integration that DA requires—whereas extended SEW fosters shared purpose and long-term commitment that enable alignment when coupled with integration discipline.
We further demonstrate that TL acts as a boundary condition that translates family goals into alignment—attenuating the penalty of restricted SEW and amplifying the benefits of identification—while, under conditions of high emotional attachment, TL tempers alignment by emphasizing socio-relational processes over integration routines. In doing so, we link family-firm theorizing to the DA stream (e.g., alignment with an updated digital strategy; digital business-IT alignment; recent uses of the DA label) and clarify when and why family goals and leadership jointly translate digital initiatives into strategic fit.
Second, we advance family business scholarship by uncovering the dual effects of SEW priorities on DA and by offering a leadership-contingent account of family influence on alignment. Rather than asking whether family firms digitalize or transform, we show how SEW configurations shape the alignment of digital efforts with strategy, and we identify TL as the lever that can either unlock or dilute these effects. This reframing helps reconcile mixed findings on the role of "family influence" in digital contexts, clarifies the processes through which family goals translate (or fail to translate) into coordinated digital-business coherence, and provides a clear pathway for future inquiry.
Taken together, these arguments show that our study goes beyond documenting empirical associations between SEW, TL and DA. It (1) refines the conceptualization of DA as contingent on heterogeneous SEW priorities, (2) theorizes a leadership-contingent mechanism that explains when family influence inhibits or enables alignment, and (3) builds a bridge between the DA literature and family business research that can orient future work on digital transformation in family firms. Overall, these insights yield a cohesive explanation of the interplay between family goals, leadership, and digital strategy.

5.2. Managerial implications

From a managerial perspective, our findings suggest that restricted SEW priorities can hinder innovation and the adoption of digital technologies because family owners often seek to preserve control. To counter this tendency, leaders should first diagnose the SEW profile at play and then tailor their actions accordingly. When control and influence dominate, managers should establish alignment routines—such as clear decision rights, cross-functional planning forums, and staged integration milestones—to reduce preservation bias and keep digital efforts tied to strategy. Conversely, when extended SEW (rooted in family identification and emotional attachment) is more prominent, leaders should channel that motivation into coordinated execution, ensuring that enthusiasm is matched by disciplined integration across business and digital domains.
Our results also indicate that TL, which cultivates shared purpose, openness, and learning, facilitates DA across different SEW configurations. In practice, this means that managers should strengthen TL capabilities that build shared domain knowledge between IT and business functions, establish regular integration

touchpoints (e.g., joint planning and review meetings), and engage stakeholders early and transparently. Doing so helps surface and resolve concerns rooted in family control before they slow the alignment process. Ensuring that all stakeholders remain actively involved in DA efforts is crucial for overcoming the challenges posed by family control and influence.

Finally, managers should know that SEW priorities are not the only drivers of DA. In our data, SEW and leadership together account for more than 30% of the variance in DA. A pragmatic managerial agenda, therefore, is to balance SEW priorities with a proactive approach to DA, supported by TL, while continuously monitoring performance indicators to adjust the pace and scope of digital initiatives.

5.3. Limitations and future research

The limitations of this research primarily stem from using only three out of the five FIBER dimensions of SEW (Berrone et al., 2012), a constraint imposed by our reliance on STEP secondary data. Specifically, the available dataset covers only three dimensions: family control and influence, family members' identification with the firm, and the emotional attachment of family members. Although the omission of the remaining FIBER dimensions—namely, the firm's ability to transfer wealth to heirs and the family firms' social relationships—may restrict a fully comprehensive understanding of SEW, prior studies have shown that the selected dimensions are central to understanding the relationship between SEW and firm behavior (Gómez-Mejía et al., 2007; Kellermanns & Eddleston, 2006).

Second, although the methodological literature generally regards full structural equation modeling (CB-SEM) as the gold standard for accounting for measurement error, we opted to use estimated factor scores in the structural analysis stage of this study. This decision was primarily driven by practical and computational considerations. Given the complexity of the sample, comprising 1,586 firms across 23 countries and 19 industries, the inclusion of many categorical control variables led to convergence and identification problems in joint SEM estimation, particularly in the presence of moderate-to-small subgroup sample sizes. While the use of factor scores simplifies the model and ensures the feasibility of the analysis, this approach corresponds to a traditional two-step procedure in which measurement error is not explicitly propagated into the structural model. Consequently, the estimated parameters may be attenuated relative to estimates obtained from full SEM, and the findings should therefore be interpreted as conservative. Third, our database is cross-sectional, which makes it challenging to study alignment processes within firms. *Digital technology-business strategic alignment* (the dependent variable) was measured with a multi-item scale adapted from Li et al. (2021). This scale captures the degree to which a firm's digital transformation is aligned with the strategic management of the firm. However, alignment is a dynamic process that evolves over time, and a cross-sectional study can only provide a snapshot of its current state rather than its evolution. Future research employing longitudinal and qualitative methodologies would largely overcome this limitation.

Future research could include performing longitudinal studies to capture changes in family dynamics, such as succession planning and intergenerational differences, as well as other organizational factors that might influence the willingness and ability of family firms to adopt digital technologies. Gaining an understanding of these dynamics could offer valuable insights into how to overcome resistance to change and promote innovation.

Further investigation is needed to understand the unexpected negative moderation effect of TL on the relationship between emotional attachment and DA. Qualitative approaches, like interviews or focus groups with family members and leaders, could yield deeper insights into the underlying mechanisms and perceptions driving this effect. Future studies could also examine different leadership styles and their moderating effect on the relationship between SEW dimensions and DA.

Finally, the influence of financial performance on DA deserves attention—particularly how family firms allocate resources and reinvest earnings into IT assets. This might involve analyzing the strategic decision-making processes that lead to reinvestment in digital technologies (Kathuria et al., 2023). By addressing these future lines of inquiry, researchers can provide a more holistic and nuanced understanding of the complexities of DA in family-owned businesses.

5.4. Conclusions

This study examines the specific antecedents of digital alignment (DA) within family firms using the well-established SEW framework in family business research as a lens. Based on the logic of SEW priorities, we analyze their differential impact on DA. Our empirical SEM analysis provides robust support for the idea that emotional attachment and identification have a positive impact, while family control has a negative effect. Furthermore, we theorize and empirically demonstrate the moderating role of transformational leadership in the relationship between SEW priorities and DA. By theorizing that

DA is SEW-contingent and leadership-conditioned, we add nuance to family business research on DA and offer a clear pathway for subsequent studies.

Author contribution statement

The authors contributed equally to the work.

Conflict of interest statement

Declaration of interest: none.

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Data availability statement

The data that support the findings of this study are available from the corresponding author, upon reasonable request.

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Appendix 1. Constructs and items

		Construct and items
DA	DA1	Integrate digital technology and business strategy to attain strategic alignment
	DA2	Create a shared vision of the role of digital technology in the business strategy
	DA3	Jointly plan how digital technology will enable the business strategy
	DA4	Make sure that the firm's strategic plan identifies value from digital transformation
	DA5	Inform the management team about valuable options of digital technology before a digital transformation strategic change decision is made
FC	FC1	In my family business. family members exert control over the company´s strategic decisions
	FC2	In my family business. most executive positions are occupied by family members
	FC3	In my family business. non-family managers and directors are selected by family members
	FC4	The board of directors is composed primarily of family members
EA	EA1	Protecting the welfare of family members is critical to us
	EA2	In my family business. the emotional bonds between family members are very strong
	EA3	In my family business. affective considerations are often as important as economic ones
	EA4	Strong emotional ties among family members help us maintain a positive self-concept
	EA5	In my family business. family members care for each other
Ident	Ident1	Family members have a strong sense of belonging to my family business
	Ident2	Family members feel that the family business's success is their own success
	Ident3	My family business has a great deal of personal meaning for family members
	Ident4	Being a member of the family business helps define who we are
	Ident5	Family members are proud to tell others that they are part of the family business
Perf	Perf1	Growth in sales
	Perf2	Growth in market share
	Perf3	Growth in number of employees
	Perf4	Growth in profitability
TL	TL1	Provide an interesting outlook for the future of the family business
	TL2	Provide a good model for other to follow
	TL3	Foster collaboration among work groups
	TL4	Show others that you expect a lot from them
	TL5	Show respect for the personal feelings of others within the business
	TL6	Provide others with new ways of looking at problems

Appendix 2. Industries and countries

Country	Sample
Argentina	60
Australia	39
Brazil	68
Canada	33
Chile	53
China	107
Colombia	40
Ecuador	36
Germany	234
Greece	68
Hong Kong Special Administrative Region	50
India	46
Ireland	61
Italy	55
Japan	31
Mexico	74
Morocco	53
Norway	41
Portugal	45
Singapore	61
Spain	199
United States of America	52
Venezuela (Bolivarian Republic of)	80
Total	**1586**

Industry*	N
Agriculture	148
Mining	37
Manufacturing	632
Electricity	46
Water supply	38
Construction	252
Wholesale and retail	261
Transportation and storage	139
Accommodation and food service	91
Information and communication	72
Financial and insurance	66
Real estate	158
Professional, scientific and technical	89
Administrative and support service	54
Education	32
Human health	63
Arts	39
Other service	225
Other industry	5
Total	**2447**

*Diversified companies are assigned to two or more industries. 71.6% are in only one industry. 15.3% are in two industries. And the rest in three or more industries.

Appendix 3. Complete hypotheses testing

Variable	Model 1			Model 2			Model 3			Model 4			Model 5			Model 6		
	B	Beta	*p*	B	Beta	*p*	B	Beta	*p*	B	Beta	*p*	B	Beta	*p*	B	Beta	*p*
Constant	0.22	0.00	0.001	0.15	0.00	0.040	-0.20	0.00	0.054	0.12	0.00	0.231	0.02	0.00	0.856	0.01	0.00	0.940
Argentina	-0.14	-0.03	0.320	-0.12	-0.02	0.402	-0.14	-0.03	0.326	-0.26	-0.05	0.050	-0.18	-0.03	0.147	-0.15	-0.03	0.225
Australia	0.00	0.00	0.988	0.07	0.01	0.675	0.11	0.02	0.495	-0.24	-0.04	0.136	-0.08	-0.01	0.605	-0.02	0.00	0.885
Brazil	-0.38	-0.08	0.004	-0.33	-0.07	0.014	-0.39	-0.08	0.004	-0.55	-0.11	0.000	-0.41	-0.08	0.001	-0.39	-0.08	0.001
Canada	-0.51	-0.07	0.005	-0.44	-0.06	0.015	-0.44	-0.06	0.014	-0.66	-0.09	0.000	-0.45	-0.06	0.005	-0.44	-0.06	0.006
Chile	-0.24	-0.04	0.101	-0.16	-0.03	0.287	-0.15	-0.03	0.303	-0.27	-0.05	0.053	-0.17	-0.03	0.197	-0.17	-0.03	0.206
China	-0.16	-0.04	0.160	-0.07	-0.02	0.525	-0.12	-0.03	0.277	-0.21	-0.05	0.055	-0.05	-0.01	0.650	-0.02	0.00	0.852
Colombia	-0.39	-0.06	0.019	-0.34	-0.05	0.040	-0.34	-0.05	0.038	-0.53	-0.08	0.001	-0.38	-0.06	0.010	-0.35	-0.05	0.019
Ecuador	-0.14	-0.02	0.420	-0.19	-0.03	0.264	-0.14	-0.02	0.407	-0.24	-0.04	0.144	-0.14	-0.02	0.354	-0.16	-0.02	0.298
Greece	-0.36	-0.07	0.008	-0.32	-0.06	0.018	-0.30	-0.06	0.024	-0.44	-0.09	0.000	-0.20	-0.04	0.092	-0.15	-0.03	0.201
Hong Kong Special Administrative Region	-0.35	-0.06	0.020	-0.24	-0.04	0.122	-0.34	-0.06	0.025	-0.33	-0.06	0.023	-0.10	-0.02	0.470	-0.07	-0.01	0.625
India	-0.18	-0.03	0.238	-0.12	-0.02	0.430	-0.21	-0.04	0.181	-0.30	-0.05	0.044	-0.09	-0.01	0.546	-0.09	-0.01	0.536
Ireland	0.37	0.07	0.009	0.42	0.08	0.003	0.39	0.08	0.005	0.19	0.04	0.158	0.19	0.04	0.140	0.20	0.04	0.114
Italy	-0.03	-0.01	0.818	0.05	0.01	0.740	0.05	0.01	0.729	-0.12	-0.02	0.396	-0.06	-0.01	0.649	-0.04	-0.01	0.747
Japan	-1.32	-0.18	0.000	-1.24	-0.17	0.000	-1.34	-0.19	0.000	-1.34	-0.19	0.000	-1.00	-0.14	0.000	-1.04	-0.14	0.000
Mexico	-0.42	-0.09	0.001	-0.34	-0.07	0.009	-0.39	-0.08	0.003	-0.49	-0.10	0.000	-0.40	-0.08	0.001	-0.36	-0.08	0.002
Morocco	-0.85	-0.15	0.000	-0.88	-0.16	0.000	-0.86	-0.15	0.000	-0.86	-0.16	0.000	-0.69	-0.12	0.000	-0.67	-0.12	0.000
Norway	-0.21	-0.03	0.208	-0.10	-0.02	0.537	-0.09	-0.01	0.577	-0.19	-0.03	0.213	-0.12	-0.02	0.401	-0.10	-0.02	0.485
Portugal	-0.16	-0.03	0.315	-0.08	-0.01	0.613	-0.13	-0.02	0.415	-0.23	-0.04	0.119	0.07	0.01	0.603	0.12	0.02	0.384
Singapore	-0.09	-0.02	0.517	-0.07	-0.01	0.623	-0.11	-0.02	0.429	-0.17	-0.03	0.187	-0.06	-0.01	0.651	-0.03	-0.01	0.833
Spain	-0.16	-0.05	0.084	-0.08	-0.03	0.381	-0.12	-0.04	0.217	-0.26	-0.09	0.004	-0.16	-0.05	0.055	-0.15	-0.05	0.083
United States of America	-0.17	-0.03	0.263	-0.10	-0.02	0.517	-0.14	-0.03	0.341	-0.34	-0.06	0.017	-0.21	-0.04	0.121	-0.19	-0.03	0.151
Venezuela (Bolivarian Republic of)	-0.49	-0.11	0.000	-0.45	-0.10	0.000	-0.42	-0.09	0.001	-0.46	-0.10	0.000	-0.35	-0.08	0.002	-0.32	-0.07	0.004
Agriculture				-0.09	-0.03	0.290	-0.08	-0.02	0.335	-0.10	-0.03	0.232	-0.02	-0.01	0.776	0.00	0.00	0.997
Mining				-0.06	-0.01	0.732	-0.10	-0.01	0.563	-0.09	-0.01	0.589	-0.01	0.00	0.927	0.02	0.00	0.892
Manufacturing				-0.08	-0.04	0.166	-0.12	-0.06	0.031	-0.12	-0.06	0.026	-0.12	-0.06	0.017	-0.13	-0.06	0.006
Electricity				0.23	0.04	0.124	0.25	0.04	0.093	0.18	0.03	0.191	0.19	0.03	0.143	0.20	0.03	0.125
Water supply				-0.18	-0.03	0.284	-0.16	-0.03	0.313	-0.15	-0.02	0.334	-0.18	-0.03	0.215	-0.17	-0.03	0.234
Construction				-0.01	0.00	0.892	-0.01	0.00	0.855	-0.01	0.00	0.841	-0.01	0.00	0.831	-0.01	0.00	0.848
Wholesale and retail				0.18	0.07	0.007	0.16	0.06	0.015	0.16	0.06	0.009	0.16	0.06	0.008	0.16	0.06	0.008
Transportation and storage				-0.02	-0.01	0.811	-0.04	-0.01	0.642	0.01	0.00	0.933	0.02	0.01	0.792	0.02	0.01	0.789
Accommodation and food service				-0.22	-0.05	0.047	-0.22	-0.05	0.045	-0.17	-0.04	0.094	-0.15	-0.04	0.114	-0.16	-0.04	0.098
Information and communication				0.60	0.13	0.000	0.63	0.13	0.000	0.61	0.13	0.000	0.53	0.11	0.000	0.53	0.11	0.000
Financial and insurance				0.06	0.01	0.646	0.04	0.01	0.724	-0.01	0.00	0.913	0.00	0.00	0.974	-0.02	0.00	0.891
Real estate				-0.09	-0.03	0.332	-0.10	-0.03	0.277	-0.08	-0.02	0.318	-0.08	-0.02	0.288	-0.09	-0.03	0.246
Professional, scientific and technical				0.10	0.02	0.378	0.13	0.03	0.227	0.13	0.03	0.195	0.12	0.03	0.232	0.12	0.03	0.221
Administrative and support service				0.08	0.01	0.580	0.08	0.02	0.561	0.09	0.02	0.526	-0.02	0.00	0.893	-0.01	0.00	0.941
Education				0.00	0.00	0.987	-0.01	0.00	0.947	0.03	0.00	0.837	-0.03	0.00	0.860	-0.02	0.00	0.907
Human health				0.18	0.04	0.149	0.16	0.03	0.194	0.02	0.00	0.838	0.07	0.01	0.547	0.07	0.01	0.548
Arts				-0.11	-0.02	0.489	-0.10	-0.02	0.528	-0.10	-0.02	0.529	-0.12	-0.02	0.421	-0.15	-0.02	0.318
Other service				0.04	0.02	0.551	0.04	0.01	0.586	-0.02	-0.01	0.810	-0.04	-0.01	0.585	-0.04	-0.01	0.526
No industry				0.00	0.00	0.992	-0.09	-0.01	0.832	0.22	0.01	0.586	0.13	0.01	0.734	0.10	0.01	0.793
Size							0.08	0.13	0.000	0.04	0.06	0.021	0.04	0.06	0.022	0.03	0.05	0.026
FP										0.25	0.25	0.000	0.19	0.19	0.000	0.18	0.18	0.000
FC										-0.18	-0.18	0.000	-0.15	-0.15	0.000	-0.15	-0.15	0.000
Ident										0.13	0.13	0.000	0.09	0.09	0.003	0.11	0.11	0.000
EA										0.12	0.12	0.000	0.08	0.08	0.005	0.06	0.06	0.024
TL													0.31	0.31	0.000	0.31	0.31	0.000
FC x TL																0.07	0.07	0.005
Ident x TL																0.07	0.09	0.002
EA x TL																-0.09	-0.10	0.000
R2	7.2%			10.3%			11.6%			22.4%			30.3%			31.6%		
Adjusted R2	5.9%			7.9%			9.2%			20.1%			28.2%			29.4%		
F change	5.53		0.000	2.76		0.000	23.61		0.000	53.51		0.000	174.45		0.000	9.66		0.000

Note. *p*=p-value. N=1,586. VIF max = 1.95.