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To cite this article: Marta Riera Esteve, Eric Clinton, Jorge Villagrasa & Alejandro Escribá-Esteve (28 Aug 2026): Legacy under threat: CEO entrenchment, power and governance dynamics in family firms, Journal of Small Business Management, DOI: [10.1080/00472778.2026.2712283](https://doi.org/10.1080/00472778.2026.2712283)

To link to this article: <https://doi.org/10.1080/00472778.2026.2712283>



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Published online: 28 Aug 2026.



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Legacy under threat: CEO entrenchment, power and governance dynamics in family firms

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ABSTRACT

This article examines whether CEO entrenchment and the accumulation of power negatively impact long-term social legacy-building practices. Utilizing data from 2,637 firms across 80 countries, we find that power-motivated CEOs undermine both the practice and continuity of these social initiatives. However, our findings suggest that ownership structures—specifically family involvement—serve as a vital internal governance mechanism. By monitoring executive behavior, family involvement mitigates the detrimental effects of CEO entrenchment on social legacy-building practices. These results underscore the critical role of ownership-based governance in aligning CEO actions with long-term firm goals.

KEYWORDS

Corporate social irresponsibility; social legacy; succession; entrenchment; CEO power; board of directors; family firms

Introduction

Legacy—that is, “a bundle of values, norms, knowledge, and beliefs, or a financial and physical heritage transmitted by prior generations” (Radu-Lefebvre et al., 2024, p. 23)—often serves as the “north star” for family firms leaders as they seek to perpetuate the firm across generations (LeCounte, 2022). Founders and subsequent leaders perceive firm continuity and social impact through legacy perpetuation as a means to ensure their long-term commitment to their family, the company, and the community (Hammond et al., 2016; Miller & Le Breton-Miller, 2005). The commitment to preserving a founder’s vision and upholding the family’s reputation often fosters a strong sense of identity and stewardship among family members, which in turn encourages long-term strategic behaviors (Diaz-Moriana et al., 2020; Radu-Lefebvre et al., 2024) and social commitment (Gómez-Mejía et al., 2007).

Legacy serves as a catalyst for reputation, trust, and customer loyalty (Deferne et al., 2023) and strengthens corporate culture and innovation (De Massis et al.,

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2016). By improving talent attraction (Hauswald et al., 2016) and societal impact (Manelli et al., 2023), it establishes a resilient foundation for business growth, responsible leadership, and positive community influence. Regarding the latter, Hammond et al. (2016) emphasize the role of storytelling and community bonds in helping families deliberately preserve their identity, traditions, and beliefs. Through these mechanisms, firms nurture enduring ties with key stakeholders—such as customers and suppliers—while strengthening relationships through local initiatives and philanthropy. This perspective views family firm behavior as an orientation toward societal concerns, where long-term commitments rooted in core values are translated into lasting social impact and meaningful engagement (Masè et al., 2025). Therefore, it is no longer solely about “doing good” in the present but about constructing initiatives that consistently generate value in the future. This is referred to as social legacy-building practices.

Despite these benefits, social legacy-building practices and their continuity across generations can be threatened by the “dark side” of family firm dynamics (Clinton et al., 2025). A prevalent concern in the literature is the tendency for CEOs to remain in leadership positions well beyond retirement age, thereby stalling the succession process (Keil et al., 2017). While certain family characteristics may foster this entrenchment¹, a reluctance to “pass the baton” often stems from a desire to maintain ownership, anxiety over losing personal status, or an intense emotional attachment to the role (LeCounte, 2022; Rivolta, 2018). Although retaining centralized control can occasionally foster internal loyalty, it frequently leads to adverse consequences—stifling innovation, sparking internal tensions, and eroding the motivation of both managers and family members. Furthermore, such stagnation can jeopardize the firm’s social legacy-building practices, as a perceived lack of renewal may diminish the family’s reputation and social capital within the broader community. Ultimately, these dynamics can undermine the family’s commitment to preserving the family’s legacy-building practices (Matajira et al., 2023; Umans et al., 2021). Consequently, the responsible stewardship of such legacy-building practices, underpinned by the active involvement and sustained commitment of the owner-family, remains central to ensuring transgenerational continuity.

In spite of the clear risks these dynamics pose to the legacy, scholarly attention has remained somewhat narrow. Most existing literature examines how managerial entrenchment and power accumulation disadvantage non-family members, highlighting issues such as nepotism, lack of professionalization, and prioritization of family interests (Bebchuk & Fried, 2003; Seifzadeh et al., 2022; Shleifer & Vishny, 1989). However, far less attention has been paid to the negative consequences that these dynamics

¹For instance, the absence of a clear succession plan or the presence of explicit competition among potential successors across different family branches (De Massis et al., 2008; Kellermans & Eddelston, 2004) may create conditions that reinforce CEO entrenchment. Similarly, the lack of professionalized corporate governance systems can delay the CEO’s departure (Schulze et al., 2003).

have for family members themselves and the organization as a whole. This oversight is significant because power-motivated CEOs often favor a centralized leadership structure, which tends to lack the checks and balances inherent in shared leadership models (Pearce & Manz, 2011). Such centralization of power not only concentrates decision-making authority but also reduces the likelihood of achieving collective consensus and maintaining family members' involvement and commitment, thereby potentially harming the overall well-being of organizational members (Wong et al., 2011).

Consequently, effective governance structures are essential in family firms, as they serve to monitor and regulate CEOs' actions and behaviors, helping to mitigate these risks (Siebels & Knyphausen-Aufseß, 2012). When decision-making power is shared between the CEO and the board of directors (BoD), organizations benefit from broader access to information about stakeholders' concerns and expectations (Finkelstein et al., 2009). Additionally, the presence of other family owners not only serves as a counterbalance to entrenched CEOs but also reinforces the social legacy dimension of the company. Such family owners, being emotionally attached to the firm, often prioritize control and social legacy-building practices, fostering a long-term focus on survival, continuity and reputation (Berrone et al., 2012; Gómez-Mejía et al., 2007). Accordingly, shared monitoring and collective commitment to the family legacy operate as governance mechanisms that safeguard not only control but also the family's values, social identity, and reputational capital embedded within the firm (Zellweger et al., 2013), fundamental elements for the longevity and legitimacy of family firms across generations.

Drawing on Corporate Social Irresponsibility (CSI) literature—corporate acts that harm stakeholder interests—this paper examines how power-motivated CEOs' pursuit of personal gain manifests as irresponsible behavior. This conduct may undermine both stakeholder trust and the firm's overall productivity, thereby harming society (Price & Sun, 2017). In this sense, considering CSI, managers could easily (and involuntarily) develop and engage in these types of behaviors due to a lack of awareness of their consequences, negligence, or reckless decision-making (Clark et al., 2022). In this paper, we examine two CEOs' power-related conditions (i.e., power accumulation and entrenchment in the CEO position) within family firms, where, as previously mentioned, leadership dynamics can unwittingly play a significant role in fostering irresponsible practices (Christensen et al., 2014). Against this backdrop, we address the following important research questions: *Are CEO entrenchment and the accumulation of power facilitators of irresponsible managerial behaviors in family firms? Can they negatively impact the long-term social legacy-building practices and, therefore, continuity of the family firms? Can ownership and corporate governance structures mitigate the adverse effects of these issues on such legacy-building practices?*

To test our hypotheses, we utilize data from the 2023–2024 survey conducted by the Successful Transgenerational Entrepreneurship Practices (STEP) Project Global Consortium (SPGC). The dataset includes 2,637 responses from family firms across 80 countries. Our empirical results confirm a negative relationship between CEO entrenchment and CEO power accumulation, and the family's contribution to building and sustaining their social legacy. We also find support for the moderating effect of the presence of several family owners on the relationship between CEO entrenchment and family social legacy-building practices. However, the moderating effects of a broader number of family owners on the relationship between CEO power and family social legacy-building practices, as well as the moderating effects of the BoD on the relationship between CEOs' power-related characteristics and family social legacy-building practices, are not supported.

Our study makes several important contributions. First, by examining CEO entrenchment and power accumulation as drivers of irresponsible behavior, this study advances the CSI literature (e.g., Clark et al., 2022; Iborra & Riera, 2023). We focus specifically on how these factors influence family social legacy-building practices. Grounded in Upper Echelons Theory (Hambrick & Mason, 1984), we argue that high power concentration and CEO entrenchment can facilitate irresponsible behaviors that ultimately jeopardize family social legacy-building practices (Keil et al., 2017; Matajira et al., 2023). In doing so, we reframe the CEO not just as a strategic leader, but as a primary source of ethical and institutional risk—a perspective largely overlooked in current family firm research.

Second, given its path-dependent nature, legacy is typically seen in an optimistic light, often as a positive outcome of family involvement in ownership and management. Building on our first contribution, we explore the “dark side” of family firms. Specifically, we examine how CEO entrenchment and power accumulation facilitate irresponsible behaviors that can undermine the continuity and long-term social legacy-building practices. Prolonged tenures of entrenched CEOs, who accumulate significant power, can stall necessary leadership transitions, leaving companies and families unprepared for future challenges, risking their long-term commitment. Given the importance of transgenerational legacy perpetuation in family firms (Radu-Lefebvre et al., 2024), we demonstrate how entrenched CEO and CEO power accumulation conditions can affect the management of those social legacy-building practices. In doing so, we build upon recent work investigating legacy liability in family firms (e.g., Clinton et al., 2025) and offer new insights into managing legacy liability.

Third, the moderating influence of family involvement on the relationship between CEO entrenchment and social legacy-building practices offers important insights into agency theory. This finding underscores the relevance of ownership structures—specifically family involvement—as an internal

governance mechanism capable of monitoring CEO actions and reducing agency costs (Jaskiewicz, Combs, et al., 2023). Ultimately, these insights reinforce the value of ownership-based governance in aligning executive behavior with long-term firm objectives.

This paper is organized as follows. First, we explore the theoretical framework and develop our hypotheses. Next, we describe the methodology employed. We then present and analyze the results. Finally, we conclude with a summary of key findings and practical implications of our research, likewise proposing directions for future research avenues.

Theoretical framework and hypothesis development

The importance of social legacy in firms owned by families

The preservation and continuity of legacy are regularly regarded as a unique resource owned by firms owned by families, facilitating the perpetuation of the business across generations and the development of sustained sources of competitive advantage (De Massis et al., 2016; Radu-Lefebvre et al., 2024). Legacy extends beyond monetary value and financial inheritance, reflecting the enduring values, traditions, and entrepreneurial spirit passed down across lineages (Radu-Lefebvre et al., 2024). According to Hammond et al. (2016), legacy can be classified into three types: biological (including bloodline, family name, and genes), material (including financial resources, property rights, assets, emotions, and feelings), and social (including shared history, beliefs, values, social ties, community relations, and entrepreneurial attitudes).

While all three forms of legacy hold significance, it is important to acknowledge that the influence of certain practices extends beyond the family firms itself and warrants examination both within and beyond the firm (Masè et al., 2025). In this regard, the social dimension of legacy, which has received limited theoretical and empirical attention, is particularly salient, as it demonstrates how family firms not only preserve their identity, traditions, beliefs, and values, but also cultivate reputational capital through enduring relationships with key stakeholders such as customers and suppliers. They strengthen community ties through local initiatives and philanthropic engagement, thereby transforming long-term commitments into sustained social impact, meaningful stakeholder engagement, and practices that support both firm continuity and societal contribution (Hammond et al., 2016; Masè et al., 2025). This social legacy, therefore, represents the element that most persistently endures across time and space (Burton et al., 2025)

Such legacy forms the backbone of a family's identity and supports organizational resilience as the enterprise evolves (Diaz-Moriana et al., 2025). Crafting a meaningful legacy requires fluidity, striking a balance between tradition and change, ensuring that core principles endure while adapting to

new challenges and social commitments. Each generation often serves as stewards, nurturing heritage and guiding the firm's future, thus weaving a living tapestry of shared purpose and vision, and considering all interests in it (Miller & Le Breton-Miller, 2005), constructing initiatives that persistently generate value beyond the present. This is referred to as social legacy-building practices.

Despite these potential benefits, recent scholarly inquiry has highlighted that legacy building can also be threatened by negative aspects frequently present at family firms (Clinton et al., 2025; Radu-Lefebvre et al., 2024). Conflicting visions for the firm's future among generational cohorts can spark intra-family tensions (P. S. Davis & Harveston, 2001). Power struggles often arise as incumbent leaders resist relinquishing ownership and control, while next-generation members strive to assert their autonomy (Frank et al., 2011). This fraught dynamic can undermine governance structures and erode familial trust, ultimately harming both firm performance and family cohesion (Faherty & Clinton, 2025). Additionally, overreliance on familial ties may foster nepotism, diminish meritocracy, and perpetuate ineffective practices. Nepotism may lead to favoritism in hiring and promotion decisions, eroding meritocracy and demotivating other family members. For its part, altruism-induced inefficiencies may arise when unqualified or underperforming relatives are retained out of familial obligation, diminishing firm performance (Schulze et al., 2002).

Likewise, the mere existent desire to preserve and perpetuate family traditions can create substantial psychological pressures for next-generation leaders (Long & Chrisman, 2014). Next-generation members may experience role conflict, identity tension, and heightened performance anxiety as they navigate the legacy paradox of preserving tradition while embracing change (McAdam et al., 2020). Prior research suggests that such legacy pressures may stifle strategic renewal and adaptation, thus increasing the risk of organizational inertia and decay (Miller et al., 2003). Recently, de Groote and Kammerlander (2023) warned about the risks of being trapped in a "legacy lock-in," describing a situation where the adherence to established norms impedes organizational transformation, ultimately jeopardizing firm continuity. This, in turn, would also harm the firm externally, undermining its impact on society, philanthropic practices, stakeholder engagement, and commitment to the community (Hammond et al., 2016; Manelli et al., 2023), undermining social legacy-building practices.

CEO power accumulation as a threat to social legacy-building practices: An irresponsible behavior

While the accumulation of power by CEOs may, in some cases, facilitate decisive leadership and strategic continuity, it can also create conditions that

enable behaviors detrimental to the long-term social legacy-building practices. In particular, CEO entrenchment and power accumulation may weaken monitoring mechanisms and blur accountability, increasing the likelihood of decisions that prioritize short-term or private interests over broader stakeholder welfare (Pearce & Manz, 2011; Seifzadeh et al., 2022). In this context, power retention and concentration may constitute a fertile ground for CSI, either through the actions of the CEO or through the negative impact on the motivation, commitment, or tolerance of the owning family.

CSI can be defined as corporate acts that harm the interests of its stakeholders, generating individual and subjective perceptions from observers with a vested interest in the company. This definition lies in three elements: harm to stakeholders, organizations, and a society at large; intention, through the lens of a “bad mind” (Godfrey, 2005), encompassing the potential consequences of the damage, negligence, or reckless behavior (Clark et al., 2022) and rectification, which may be voluntary or forced. Thus, irresponsible acts are not always equivalent, and the degree of irresponsibility will depend on the extent of harm, intention, and whether rectification has occurred or not. These elements form the foundation for constructing irresponsibility as a unique and differentiated construct from corporate social responsibility (CSR).

In this vein, Riera and Iborra (2017) emphasize the importance of treating CSI as a standalone concept requiring dedicated empirical and conceptual investigation. Given the significant consequences of corporate irresponsibility for firms, their performance, and the stakeholders around them, it is essential to further explore its antecedents, mechanisms, and long-term effects. In doing so, Riera and Iborra (2017) identify multiple environmental determinants of CSI, including macro-level factors such as societal norms, regulations, and the number and strength of institutions, as well as industry-level variables (Cuervo-Cazurra et al., 2021; Nieri & Giuliani, 2018). They also examine organizational factors, including internal firm characteristics such as intangible assets, organizational complexity, reputation, and ownership type (Nieri et al., 2025), alongside individual-level aspects such as psychological characteristics (narcissism and hubris), demographic characteristics and CEOs’ power-related characteristics that may influence CSI (Riera & Iborra, 2025). However, as Iborra and Riera (2023) analyzed, individual factors remain underexplored, particularly in family firms.

Upper Echelons Theory (Hambrick & Mason, 1984) suggests that CEO characteristics, experiences, and cognitive values need to be explored to grasp corporate actions, as CEOs play a key role in decision-making and, therefore, in explaining company results, strategic decisions, and behaviors. As key decision-makers, CEOs possess the authority to shape corporate values, allocate resources, and influence organizational behavior (Finkelstein et al., 2009). In this sense, Upper Echelons Theory offers a valuable lens for understanding how certain characteristics, values, and leadership styles may

contribute to irresponsible organizational (or family as a group) behavior, making them a crucial focus for understanding how irresponsibility emerges and manifests within decision-makers, and therefore, organizations (Riera & Iborra, 2025). In this regard, Christensen et al. (2014) specifically examined the behavior pursued by CEOs where leadership dynamics can significantly contribute to irresponsible practices. Therefore, analyzing CSI through the lens of executive leadership is important for uncovering the characteristics of such behaviors.

Despite their scarcity, the latest studies in the literature examining the individual characteristics of CEOs (Ou et al., 2024; Riera & Iborra, 2025; Tang et al., 2015) have already underscored the growing interest in understanding how executive traits shape irresponsible corporate behavior. However, prior studies have not typically treated these CEO traits as conditions that may act as enablers or facilitators of irresponsibility in and of themselves. On one hand, leadership traits shape executives' cognitive preferences and orientations, and on the other hand, governance conditions determine the extent to which CEOs can translate these preferences into organizational actions. CEO entrenchment represents such a condition, as it concentrates managerial power and weakens supervisory mechanisms.

Thus, in this article, we conceptualize CEO power and CEO entrenchment as conditions that may enable CEOs to engage in irresponsible managerial behaviors in their firms (Iborra & Riera, 2023), because they concentrate managerial power and managerial decisions, producing negative effects on the long-term commitment and/or motivation of other family members. From this perspective, irresponsibility is understood as a form of harm, specifically, harm to the family firm's long-term social legacy-building practices and, therefore, continuity, caused by rigid, static, and self-serving decision-making that favors personal over organizational interests. Accordingly, our study focuses on CEO conditions especially relevant in family firms, such as CEO age and entrenchment (Lin et al., 2014) and CEO power (Fries et al., 2021), as enablers of irresponsible behaviors that may harm their social legacy-building practices.

The delay in leadership transitions and its harm to the social legacy-building practices

In the context of family firms, the age of the CEO is a topic that continues to generate debate in the business management literature (Matajira et al., 2023). As the CEO ages, they tend to accumulate greater experience, wisdom and institutional knowledge, which can translate into more reflective decision-making and a long-term strategic vision (Cruz & Nordqvist, 2012). These attributes can also reinforce organizational stability and facilitate the transmission of values and the family legacy (Miller & Le Breton-Miller, 2005). However, the effects of age on organizational performance

can be negative, as it may lead to a decreased willingness to innovate or take strategic risks (Yim, 2013), a decline in cognitive abilities that impairs the quality of strategic decisions, stifles succession, and long-term planning (Marshall et al., 2006). A CEO's prolonged age beyond the typical retirement age frequently results in the entrenchment of the CEO within the organization (Lin et al., 2014).

In family firms, CEO entrenchment takes on special significance as it refers to the tendency of these actors to retain power while prioritizing personal interests over the welfare of the other shareholders (including the owner-family) and organization (Shleifer & Vishny, 1989). Prior research has explored that this phenomenon fosters nepotism, limits professionalization, and subordinates organizational objectives to family interests (Seifzadeh et al., 2022), generating opportunism, reducing the firm's value, and restricting the participation of other stakeholders (Giráldez & Hurtado, 2014; Keil et al., 2017). These dynamics may create intergenerational tensions, weaken governance, and stifle innovation (Barrédy, 2023). Consequently, CEO entrenchment per se is not inherently irresponsible, but it increases managerial discretion and opportunistic decisions while weakening accountability mechanisms, thereby creating conditions that may increase the likelihood of irresponsible behaviors.

This irresponsibility is seen when CEO choices can also lead to a disregard for societal welfare, especially when they are guided by self-interest rather than by a genuine concern for those around them and the sustainable stewardship of the firm, potentially resisting long-term social initiatives or limiting the participation of family members in strategic decisions. As a result, family members may perceive that their influence over socially oriented practices is diminished, which may reduce their commitment to sustaining and promoting activities aimed at building the social legacy-building practices. Considering the importance of transgenerational legacy perpetuation in family firms and socioemotional wealth preservation (Radu-Lefebvre et al., 2024), we argue that the entrenchment of the CEO can negatively impact social legacy-building practices management.

Among the detrimental outcomes of legacy are inadequate preparation of both family and non-family employees for future challenges (Marshall et al., 2006) and tensions between family members in executive versus non-executive roles—frictions that can erode performance and endanger long-term viability (Matajira et al., 2023; Miller et al., 2003). Such dynamics often lead to a demotivated management team, declining commitment from family members (Umans et al., 2021), and a sustained lack of innovation (Yim, 2013). Beyond eroding internal morale, this friction creates a perceptual gap regarding the family's commitment to its broader social mission. In this context, CEO entrenchment may act as a catalyst for further decline by delaying family members' participation and assumption of responsibility during succession.

Ultimately, this entrenchment generates negative perceptions regarding the preservation of core family values, thereby weakening the commitment to social legacy-building practices and compromising the firm's reputation and continuity.

Based on these arguments, we hypothesize:

H1: *The entrenched CEO negatively influences family members' commitment to social legacy-building practices.*

The accumulation of power as an enabler of irresponsible behaviors

In family firms, the CEO's entrenchment over time often results in a concentration of power, which can come at the expense of other shareholders' interests (Shleifer & Vishny, 1989). Power may be either centralized in a single individual or shared among multiple leaders, and this distinction is crucial for understanding organizational decision-making (Finkelstein et al., 2009). We define power as more centralized when one person simultaneously holds the roles of CEO, chairman of the board, and principal shareholder. Such consolidation is typical of power-motivated CEOs, who actively seek greater control and dominance within the organization (Pitcher & Smith, 2001). These CEOs usually favor centralized leadership models, which often lack the checks and balances inherent in shared governance structures, concentrating decision-making authority in a few individuals (Pearce & Manz, 2011). This concentration tends to weaken participation within leadership teams, excluding employees from important processes. The resulting exclusion can diminish motivation, reduce commitment, and erode employees' sense of belonging (Wong et al., 2011). Recent research also indicates that CEOs with high levels of power are more prone to engage in self-serving behaviors that contribute to corporate social irresponsibility (Riera & Iborra, 2025).

Beyond internal challenges, centralized power presents broader risks for organizational development. It frequently acts as a barrier to innovation and creativity while perpetuating nepotism and neglecting the interests of external stakeholders (Fries et al., 2021). This dynamic is particularly problematic in family firms, which prioritize preserving their legacy across generations (Clinton et al., 2018). In such contexts, socially irresponsible decision-making driven by CEO power-seeking reveals a "dark side" of family firms. Thus, when excessive power is concentrated in the hands of the CEO, the preservation of the family legacy becomes secondary or even distorted by self-serving incentives, shifting the focus from collective continuity to individual control and undermining the social legacy orientation (Hammond et al., 2016), thereby reducing attention to significant values, identity, and reputational capital for the enduring success of families. Based on these arguments, our second hypothesis is as follows:

H2: *The CEO's power negatively influences family members' commitment to social legacy-building practices.*

Influence of ownership and governance structures

Grounded in agency theory (Jensen & Meckling, 1976), governance structures are essential for family firms as they provide mechanisms to monitor CEO actions and behaviors (Siebels & Knyphausen-Aufseß, 2012; Zona et al., 2025). Family firms often implement strong control systems to safeguard owners' interests, promoting greater oversight of top executives and focusing on firm survival and economic health. These oversight mechanisms also help ensure that stakeholders' expectations are met, maintaining alignment between family interests and firm objectives (Villagrasa et al., 2018; Villalonga & Amit, 2006). In this sense, shared monitoring among different family members and a collective commitment to the family legacy can similarly serve as governance mechanisms that preserve not only control but also the family's social identity, values, and beliefs embedded in the firm (Zellweger et al., 2013). In our study, we explore the specific roles of the BoD and family ownership within this governance framework.

Building on this foundation, shared ownership by several family members can serve as an effective counterbalance to the influence of entrenched or powerful CEOs. Families typically prioritize control and legacy, and their emotional attachment to the firm motivates a long-term focus on survival, reputation and continuity (Berrone et al., 2012; Gómez-Mejía et al., 2007). This commitment acts as an informal yet robust control mechanism against potential managerial self-interest. Unlike external managers, family owners are driven by both economic and socioemotional objectives, such as reputation, family harmony, and sustaining an intergenerational legacy (Jaskiewicz, De Massis, et al., 2023). Hence, a broader base of family shareholders increases the diversity of voices and creates pressure to align leadership with collective values. In other words, dispersed family ownership strengthens monitoring and reduces the risk of CEO opportunism (Bansal et al., 2018; Villalonga & Amit, 2006). In this sense, the family's desire to preserve its socioemotional wealth and ensure the continuity of its legacy across generations functions as a natural internal monitoring mechanism which may exert a more subtle yet effective influence than formal governance structures through more informal, emotional and relational mechanisms (J. H. Davis et al., 1997; Jaskiewicz, De Massis, et al., 2023).

Consequently, family owners have strong incentives to prioritize control and supervision of the CEO's behavior, particularly when actions may threaten the long-term social legacy (Jaskiewicz, De Massis, et al., 2023). In this regard, following Chen and Yin (2024) and the literature

on socioemotional wealth, excessive control rights, concentrated family ownership, and concerns about legacy and reputation provide particularly strong incentives for family owners to closely monitor the CEO and sanction behaviors that could endanger that legacy, such as opportunism arising from CEO entrenchment or power. That is to say, a higher number of family owners tends to pay more attention to legacy building and transmission and can exert effective control over CEOs—even entrenched or powerful ones—by leveraging emotional and reputational concerns (through informal and natural internal monitoring mechanisms) that transcend the boundaries of the organization. Based on these arguments, our third hypothesis is as follows:

H3a: *A higher number of family owners mitigates the negative relationship between the entrenched CEO and the family members' commitment to social legacy-building practices.*

H3b: *A higher number of family owners mitigates the relationship between CEO power and the family members' commitment to social legacy-building practices.*

Similarly, in family firms, the BoD plays a crucial formal role in controlling and guiding executive behavior. Brenes et al. (2011) suggest that having a professional board in family firms improves organizational performance by providing effective oversight, fostering accountability, and balancing decision-making between private interests and long-term firm goals. Furthermore, when decision-making power is shared between the CEO and the board, it enhances access to information regarding stakeholders' concerns (including those of owner family members), leading to more informed governance (Finkelstein et al., 2009). Research also shows that independent boards limit CEO entrenchment and reduce agency costs by constraining excessive managerial discretion (Dow, 2013; García-Sánchez et al., 2025).

It is important to note, however, that many family firms lack a functioning BoD. This absence is sometimes linked to small firm size, but in other cases it reflects the high levels of trust placed in the family CEO or the concentration of power in their hands (Barrédy, 2023). In such contexts, the lack of formal oversight mechanisms can exacerbate the entrenchment problem and hinder the family's collective contribution to social legacy-building practices. Based on these arguments, we hypothesize:

H4a: *The presence of a BoD in the governance structure mitigates the relationship between the entrenched CEO and the family members' commitment to social legacy-building practices.*

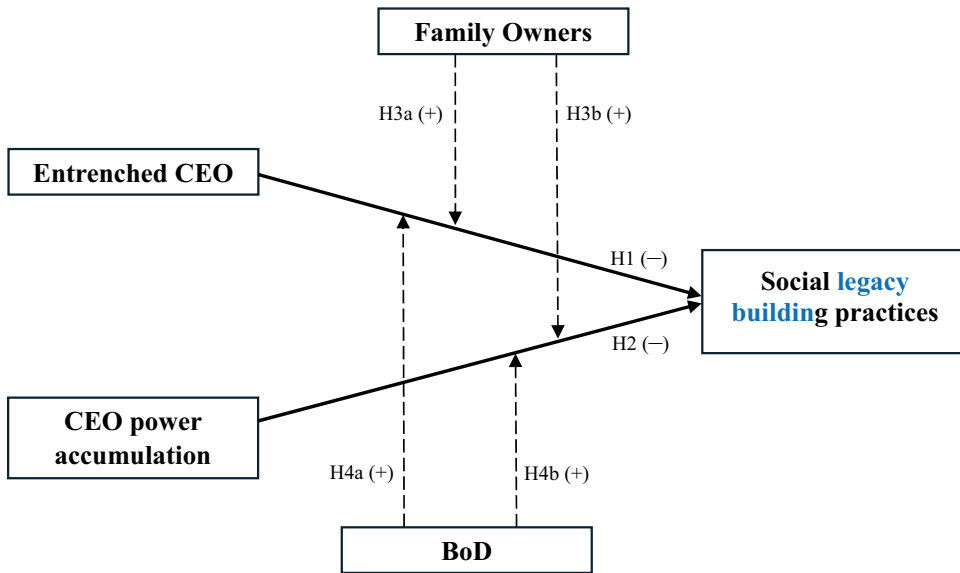


Figure 1. Main research model proposed. Source: Prepared by the authors.

H4b: *The presence of a BoD in the governance structure mitigates the relationship between CEO power and the family members' commitment to social legacy-building practices.*

The proposed theoretical model is shown in [Figure 1](#) and will be validated through six hypotheses. These aims to establish verifiable propositions that empirically examine whether the CEO's entrenchment and accumulation of power influence the family commitment to social legacy-building practices creation, with governance and ownership characteristics serving as moderating factors.

Methodology

Sample and data collection

The research data comes from the Successful Transgenerational Entrepreneurship Practice (STEP) Project Global Consortium's (SPGC) Global Family Business Survey 2023–2024. This dataset has been widely used in recent family firm studies (e.g., Åberg et al., 2024; Hoch et al., 2025; Sherlock et al., 2026). The survey questionnaire was developed collaboratively by SPGC and KPMG Private Enterprise, integrating previously validated scales (Campopiano et al., 2020). It is structured into six main sections: CEO information; legacy; transgenerational entrepreneurship; performance; corporate social responsibility; and family firm characteristics.

Table 1. Firm sample distribution.

Geographical distribution	% firms	Firm size	% firms	Sector of activity	% firms
Europe	41%	<50 employees	45%	Services	73%
The Americas	31%	50–250 employees	28%	Manufacturing	16%
Asia and Oceania	20%	>250 employees	27%	Agriculture	7%
Middle East and Africa	8%			Construction	4%

Source: Prepared by the authors.

With the involvement of over 40 affiliated universities from 25 countries, the survey was conducted during the latter part of 2023, resulting in 2,683 completed questionnaires from family firm leaders across 80 countries in five different world regions (Europe; North America; Latin America and Caribbean; Asia and Pacific; Middle East and Africa) (Successful Transgenerational Entrepreneurship Practices Project Global Consortium [SPGC] & KPMG Private Enterprise [SPGC], 2024). However, 46 respondents did not provide information on whether they were currently the CEO or their year of birth, reducing the sample size to 2,637 observations.

Our final sample was distributed as follows: in terms of geographical distribution, 41% of the firms are from Europe, 31% from the Americas, 20% from Asia and Oceania and 8% from the Middle East and Africa. Regarding the firm size, 45% have fewer than 50 employees, 28% have between 51 and 250, 27% have more than 250. In terms of the sector of activity, 73% of the firms operate in services; 16% in manufacturing; 7% in agriculture; and 4% in construction (see Table 1).

Variables definition

Dependent variable

Legacy is defined as “a bundle of values, norms, knowledge, and beliefs, or a financial and physical heritage transmitted by prior generations” (Radu-Lefebvre et al., 2024, p. 23). In this context, legacy represents the commitment to preserving and transmitting the identity, values, and history of both the family and the firm. This commitment aims to ensure the continuity, reputation, and lasting impact of the firms across generations. Following Hammond et al. (2016), we operationalize legacy considering a social orientation (referred to as *social legacy-building practices*) through which the family deliberately preserves its bonds, beliefs, and long-term commitments into enduring social impact and stakeholder engagement. Hence, respondents were asked to express their perception about different relationships both inside and outside the firm on a five-point Likert scale (1 = strongly disagree to 5 = strongly agree). The particular statements were the following: (i) the family deliberately preserves the family’s identity, traditions, and beliefs, (ii) the family creates long-lasting social ties with key stakeholders (e.g., customers, suppliers), (iii)

the family fosters enduring social ties through local community projects, (iv) the family firm actively believes in philanthropy and practices it to strengthen relationships with the community.

Independent variables

The first independent variable is an *entrenched CEO*. Following the approach of Huybrechts et al. (2013) and Shleifer and Vishny (1989), we measure CEO entrenchment using the advanced age of the CEO and their current position as CEO. Specifically, this variable identifies when the current CEO can be considered “entrenched,” reflecting a situation where the CEO resists leaving their position to maintain control over the firm and its decisions despite being clearly aged beyond the standard retirement age. This variable is coded as 1 if the individual is the current CEO and is over 70 years old; otherwise, it is coded as 0. By capturing this, we aim to reflect the potential effects of long-term leadership and resistance to change on firm behavior and performance. The second independent variable is *CEO power accumulation*. This ordinal variable captures the level of power concentration in the CEO, based on multiple sources of influence. It is coded as follows: 0 = Holding only the CEO position; 1 = CEO and chair of the board; 2 = CEO and majority shareholder; 3 = CEO, chair of the board, and majority shareholder. Higher values reflect greater CEO power, which is expected to impact strategic decision-making and corporate governance as more powerful CEOs can shape organizational priorities, influence board decisions, and affect the allocation of resources, potentially steering the firm toward their preferred strategic objectives (Finkelstein et al., 2009).

Moderating variables

The moderating role of ownership structures as an internal governance mechanism capable of monitoring and influencing social legacy-building practices offers important insights to our study. Hence, this perspective reinforces the importance of ownership-based governance—particularly through *family owners* and *BoD*—in aligning CEO behavior with long-term firm goals. The first moderating variable is *family owners*. This variable represents the number of individuals from the founding or controlling family who hold ownership (i.e., shares) in the firm. It is used to assess the extent of family involvement in ownership and its potential moderating effect on the relationship between entrenched CEO and CEO power with social legacy-building practices (Randolph et al., 2018). The second moderating variable is *BoD*. Prior research analyzes the existence of different corporate governance structures using dummy variables (Cambrea et al., 2025). In our study, the presence or absence of this formal governance structure is determined by a dummy variable coded as: 1 if the firm has a formally established BoD; 0 if the firm does not have a BoD.

Firm-level control variables

To reduce the potential for omitted variable bias, we include several control variables obtained from the SPGC dataset.

Following previous analyses of measuring performance (Eddleston et al., 2008), we measure *financial performance* based on five items: (i) Growth in sales; (ii) Growth in market share; (iii) Growth in number of employees; (iv) Growth in profitability, and (v) Profit margin on sales. All of them are based on self-rating from 1 = much worse to 5 = much better.

Family entrepreneurship is included to capture the degree to which the family engages in entrepreneurial activities within the business context, including innovation and risk-taking, which may influence the long-term preservation of social legacy-building practices (De Massis et al., 2016). Four items are included: (i) Family members are encouraged to engage in seeking out new business opportunities or entrepreneurial ventures; (ii) Family members are actively involved in developing innovative solutions, products, or services; (iii) Family members consider that investing in market research, emerging technologies, and skills development is necessary to stay competitive and; (iv) Family members are willing to leverage family resources and connections to pursue new business opportunities or entrepreneurial ventures. Each item is assessed using a 5-point Likert scale from 1 = strongly disagree to 5 = strongly agree. *Family relationships* reflect the quality of interpersonal relationships among family members involved in the business. It includes aspects such as climate, harmony, trust, communication, conflict resolution and mutual support, with potential implications for the legacy building practices (Jaskiewicz, De Massis, et al., 2023). Five items are included: (i) Family members are satisfied with the quality of communication within the family; (ii) Family members support and trust one another; (iii) Family members effectively manage conflicts and resolve disputes (iv) Family members have clear roles and responsibilities within the business and (v) Family members foster a collaborative working environment. Each item is evaluated on a five-point Likert scale, ranging from 1 = strongly disagree to 5 = strongly agree. *Future generations* measure the family's intention and commitment to involve and prepare future generations for leadership and ownership roles in the business. It includes elements of personnel abilities, which in turn may shape the legacy building practices (Gómez-Mejía et al., 2007). Two items are included: (i) Next-generation family members are encouraged to seek and generate business opportunities to enhance their entrepreneurial and leadership abilities; (ii) Next-generation family members actively participate in developing long-term strategies to anticipate industry and market conditions, ensuring continuity. Each item is measured on a five-point Likert-type ordinal scale, with response anchors ranging from 1 = strongly disagree to 5 = strongly agree.

The *generation* of the family firm is similarly included in this study. This variable identifies the generational stage of the family business, reflecting the degree of succession and historical continuity. Consistent with Miller et al. (2007), we have developed more than five generations. It is self-reported and coded as follows: 1 = First generation; 2 = Second generation; 3 = Third generation; 4 = Fourth generation, and 5 = Fifth generation or beyond. It is used as a control since generations differ in governance and management styles.

Finally, *firm size*, which is measured as the natural logarithm of the number of employees (Åberg et al., 2024), is also included due to its potential influence on organizational dynamics, decision-making processes, and the implementation of legacy-related strategies.

Data analysis

The structural model depicted in Figure 2 was estimated through the Partial Least Square Path Modeling (PLS-PM), a variance-based structural equation modeling (SEM) technique, using SmartPLS 4.1.1.2 (Ringle et al., 2022). SEM enables the simultaneous assessment of the reliability and validity of the measures of the theoretical constructs (outer model) and to estimate the relationships among those constructs (inner model). As a flexible modeling technique, SEM using the PLS approach allows assessment of both measurement reliability and theoretical relationships. It emphasizes prediction by minimizing residual variance, making it suitable when theory is underdeveloped or

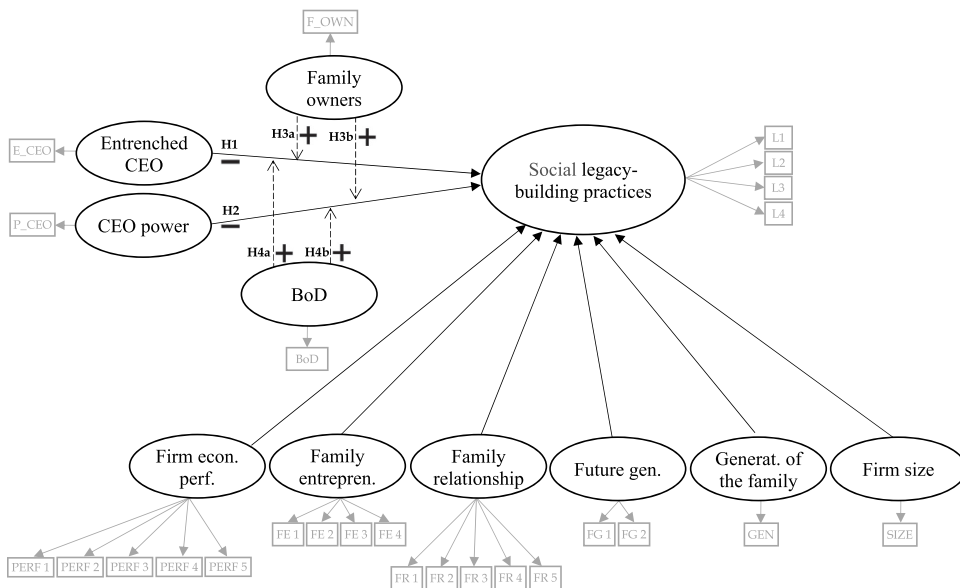


Figure 2. Structural model. Source: Prepared by the authors.

assumptions are unmet, which occurs in our case. PLS-SEM is ideal for complex models or when construct relationships remain partially unknown to researchers (Hair et al., 2011).

Furthermore, this approach relaxes the assumption of multivariate normality required for maximum likelihood-based structural equation modeling estimations (which is common when measuring constructs with Likert scales, as occurs in our study) and has minimal demands regarding sample size (Hair et al., 2012).

In this sense, although Henseler et al. (2009) suggested a minimum of 100 observations for running a PLS model, which is accomplished in our model, there is an ongoing research discussion around the ways for calculating a sufficient sample size in PLS models (Kock & Hadaya, 2018). Consequently, more precise approaches have been developed to assess a sufficient sample size in PLS. Specifically, the R^2 method (Hair et al., 2021) and the inverse R^2 approach (Kock & Hadaya, 2018) are considered more accurate. Both rules are accomplished in our model, and therefore, our sample size is adequate and does not pose any limitation for our study.

We followed a two-step approach to analyze the research model. First, the measurement model was evaluated. Then, once the measurement models were verified, the structural model was assessed (Hair et al., 2021).

Table 2. Items, indicators, loadings, reliability, and convergent validity.

Items	Indicator	Loadings	CA	CR	AVE
<i>Social legacy-building practices</i>	L1	0.791	0.811	0.876	0.638
	L2	0.770			
	L3	0.816			
	L4	0.816			
Entrenched CEO	E_CEO	1.000	1.000	1.000	1.000
CEO power accumulation	P_CEO	1.000	1.000	1.000	1.000
Family owners	F_OWN	1.000	1.000	1.000	1.000
Board of directors (BoD)	BoD	1.000	1.000	1.000	1.000
Firm economic performance	PERF 1	0.871	0.886	0.917	0.688
	PERF 2	0.875			
	PERF 3	0.763			
	PERF 4	0.837			
	PERF 5	0.796			
Family entrepreneurship	FE 1	0.828	0.847	0.897	0.685
	FE 2	0.836			
	FE 3	0.811			
	FE 4	0.835			
Family relationship	FR 1	0.817	0.895	0.922	0.704
	FR 2	0.861			
	FR 3	0.861			
	FR 4	0.788			
	FR 5	0.865			
Future generations	FG 1	0.894	0.721	0.877	0.781
	FG 2	0.874			
Generation of the family firm	GEN	1.000	1.000	1.000	1.000
Firm size	SIZE	1.000	1.000	1.000	1.000

Notes: CA = Cronbach's alpha; CR = Composite reliability; AVE = Average variance extracted.

Source: Prepared by the authors.

Table 3. Discriminant validity (heterotrait-monotrait analysis).

Items	L	E_ CEO	P_ CEO	F_ OWN	BoD	PERF	FE	FR	FG	GEN	SIZE
<i>Social legacy-building practices (L)</i>											
Entrenched CEO (E_CEO)	0.058										
CEO power accumulation (P_CEO)	0.024	0.194									
Family owners (F_OWN)	0.026	0.026	0.059								
Board of directors (BoD)	0.096	0.030	0.040	0.056							
Firm economic performance (PERF)	0.273	0.013	0.075	0.048	0.090						
Family entrepreneurship (FE)	0.600	0.023	0.082	0.084	0.046	0.314					
Family relationship (FR)	0.543	0.047	0.105	0.027	0.075	0.297	0.779				
Future generations (FG)	0.574	0.018	0.093	0.052	0.031	0.286	0.819	0.626			
Generation of the family firm (GEN)	0.066	0.087	0.070	0.078	0.154	0.022	0.054	0.024	0.060		
Firm size (SIZE)	0.075	0.006	0.043	0.281	0.150	0.081	0.031	0.030	0.030	0.088	

Source: Prepared by the authors.

Measurement model validation

Measurement model properties were evaluated according to the recommendations of Hair et al. (2012) for PLS-PM, following the procedure in Rasoolimanesh et al. (2017) and based on Chin (1998) as well as Chin and Dibbern (2010).

In Tables 2 and 3, we report the full confirmatory factor analysis, including reliability, convergent validity, and discriminant validity of the measurement model. In particular, in Table 2, we report reliability via Cronbach's alpha (CA) and composite reliability (CR). All constructs had CA and CR values greater than the threshold of 0.70 (Bagozzi & Yi, 1988). Accordingly, the model's reliability was properly evaluated.

In respect to convergent validity, this procedure allows measuring if all the items measure the same construct. The average variance extracted (AVE) for each construct was higher than the 0.50 threshold (Fornell & Larcker, 1981), which confirms the convergent validity of the measurement model (see Table 2).

To assess the discriminant validity of the model, we checked that the correlation between each pair of constructs was smaller than the square root of the AVE of the implied constructs (Fornell & Larcker, 1981). However, the heterotrait—monotrait analysis has been shown to be more reliable than this first criterion developed by Fornell-Larcker (Henseler et al., 2015). This constitutes the underlying reason for undertaking this complementary analysis, shown in Table 3. All the values were below the maximum threshold of 0.90, showing discriminant validity between the constructs, i.e. relations between indicators belonging to the same construct are higher than the ones with different constructs.

Table 4. General model hypothesis testing.

Hypothesis	Relationship	Path coefficient	<i>p</i> -value	<i>t</i> -value (bootstrap)	Supported
H1	E_CEO → L	−0.284**	0.003	2.951	Yes
H2	P_CEO → L	−0.043**	0.008	2.654	Yes
H3a	E_CEO x F_OWN → L	0.378*	0.049	1.916	Yes
H3b	CEO_P x F_OWN → L	−0.024	0.156	1.421	No
H4a	E_CEO x BoD → L	0.009	0.969	0.038	No
H4b	CEO_P x F_OWN → L	−0.046	0.203	1.273	No
Control	PERF → L	0.070***	0.000	3.849	–
Control	FE → L	0.237***	0.000	7.896	–
Control	FR → L	0.192***	0.000	7.249	–
Control	FG → L	0.179***	0.000	7.099	–
Control	GEN → L	0.066***	0.000	4.064	–
Control	SIZE → L	0.038*	0.024	2.257	–

Notes: Two-tailed test; * $p < .05$; ** $p < .01$; *** $p < .001$. L = Social legacy-building practices; E_CEO = Entrenched CEO; P_CEO = CEO power; F_OWN = Family owners; BoD = Board of directors; PERF = Firm economic performance; FE = Family entrepreneurship; FR = Family relationship; FG = Future generations; GEN = Generation of the family firm; SIZE = Firm size.

Source: Prepared by the authors.

Finally, to assess internal consistency, a prerequisite for reliability, convergent validity, and discriminant validity assessment, Table 2 also includes the loadings for each item of the latent variables. All the item loadings reach the threshold of 0.70 (Hair et al., 2011). In sum, the measurement model was proved to maintain reliability, convergent validity and discriminant validity. Table 4 presents the findings related to our structural model, allowing us to rigorously test H1–H4. To do so, following Hair et al. (2012) recommendation, we selected 5,000 bootstrap samples and a number of cases equal to the 2,637 valid observations of the original sample. Regarding the PLS-PM algorithm settings, individual sign changes were allowed, and a uniform value of 1 was set as an initial value for each of the outer weights.

The internal collinearity among the different constructs under investigation in our research was first assessed. All inner VIF values fell below the recommended threshold of 0.50, thereby confirming the absence of multicollinearity concerns in our sample (Hair et al., 2012).

Predictive relevance was tested using Stone–Geisser’s Q^2 metric (Hair et al., 2011) with blindfolding procedures. According to Stone (1974), this criterion is adequate if Q^2 values exceed 0, therefore indicating the relevance of the predictive model. Our Q^2 values were higher than 0.215, showing predictive relevance of the relationships between the variables and meeting acceptable standards.

Furthermore, the assessment of predictive relevance was similarly assessed using the F^2 metric, indicating a moderate impact (between 0.15 and 0.35) of our assumptions. These results demonstrate coherence between our dataset and the latent variables in the research model, suggesting that internal interactions are strong predictors and effective indicators of the sequential process.

Finally, regarding the total variance explained by the model, we assessed the adjusted R^2 , which yielded a value of 32%. This exceeds the 10% minimum

threshold established by Falk and Miller (1992), therefore assuring the predictive capacity of the model.

As previously mentioned, our results are summarized in Table 4 which scrutinizes the direction, magnitude, and statistical significance of our structural path coefficients.

In terms of direct effects, both entrenched CEO and CEO power exhibit a negative and statistically significant relationship with social legacy building practices, providing robust support to H1 and H2. Following Hair et al. (2021), we assessed the model by examining the path coefficients, which were negative in both cases ($\beta = -0.284$ and $\beta = -0.043$, respectively), and their significance, which was confirmed for both coefficients ($p < .01$ in both cases).

The findings related to H1 and H2 are consistent with prior research on CSI and the transgenerational perspective. These frameworks suggest that the “dark side” of family firms—manifested through CEO entrenchment and excessive CEO power, both regarded as enablers of irresponsible behaviors—can undermine the social legacy-building practices itself, thereby jeopardizing the continuity of the firm and, ultimately, impairing its performance.

Second, our model reveals a positive moderating and statistically significant effect of family owners ($\beta = 0.378$; $p < .05$) in the relationship between entrenched CEO and social legacy-building practices, thus corroborating H3a. To facilitate the interpretation of the interaction effect, in Figure 3, we

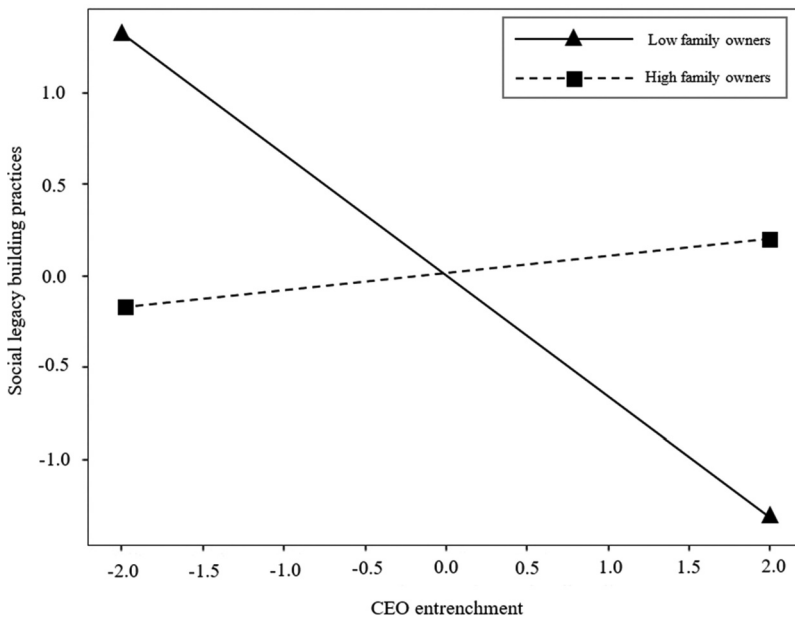


Figure 3. Interaction of CEO entrenchment and family ownership on social legacy building practices. Source: Prepared by the authors.

plot the effect of CEO entrenchment on social-legacy building practices in the case of high versus low (mean $\pm$ one standard deviation) family ownership. Consistent with our expectations, [Figure 3](#) shows a negative slope of CEO entrenchment on social legacy-building practices in a context of a low number of family owners. However, the slope appears to reverse and become positive in the case of a high number of family owners. That is, for companies that have a considerable number of family members within their ownership, CEOs seem to foster a higher level of social legacy building practices when coinciding with elevated levels of CEO entrenchment.

In the case of the BoD, this effect remains positive, however the size and predictive relevance of this effect turns relatively weaker ($\beta = 0.009$; $p > .1$), lending to not support to H4a. Once again, in accordance with the approach outlined by Hair et al. (2021), [Table 4](#) presents these results.

In third place, our model does not provide support for considering family owners ($\beta = -0.024$; $p > .1$) or BoD ($\beta = -0.046$; $p > .1$) a reliable moderating variable of the relationship between CEO power and social legacy-building practices, showing in this case a negative but not significant effect.

These findings are consistent with previous research grounded in agency theory. In particular, the positive moderating role of family owners' involvement in the relationship between CEO entrenchment and family social legacy-building practices (i.e., contributing to its preservation) provides valuable contributions to such theoretical background. It underscores how ownership structures—particularly family involvement—function as internal governance mechanisms that can monitor and shape CEO behavior, mitigating principal-agent costs and aligning managerial actions with long-term organizational objectives (Jaskiewicz, Combs, et al., 2023). However, the remaining three hypotheses related to similar governance issues were not supported.

Regarding the control variables, it is noteworthy that firm economic performance ($\beta = 0.070$; $p < .001$), family entrepreneurship ($\beta = 0.237$; $p < .001$), family relationship ($\beta = 0.192$; $p < .001$), future generations ($\beta = 0.179$; $p < .001$), and generation of the family firm ($\beta = 0.066$; $p < .01$) are positive and statistically significant in our model. Firm size, on the other hand, maintains the sign and statistical significance over prior variables, albeit at a lower significance level ($\beta = 0.038$; $p < .05$).

Discussion

This study addresses three key research questions: Are CEO entrenchment and the accumulation of power facilitators of irresponsible managerial behaviors in family firms? Can they negatively impact the long-term social legacy-building practices and, therefore, continuity of the family firms? Can ownership and corporate governance structures mitigate the adverse effects of these issues on such legacy-building practices?

In particular, we investigate how different conditions of the CEO—namely, an entrenched CEO and CEO power accumulation—may impede leadership succession, concentrate decision-making, and prioritize personal authority over collective or intergenerational interests, thereby threatening the preservation of family values, knowledge, social commitment, and long-term strategic goals. By examining these dynamics, this study sheds light on the “dark side” of family firms and provides a nuanced understanding of how specific CEO conditions, when exercised irresponsibly, may jeopardize continuity across generations. Drawing on CSI literature, we consider how family ownership and internal governance mechanisms can moderate these effects, aligning CEO behavior with the firm’s enduring objectives. In addressing these questions, our study offers several significant contributions to the academic management literature.

Theoretical contributions

First, our study extends management literature by responding to the call to explore CEOs’ characteristics and their relationship with CSI. Thus, building on Upper Echelons Theory (Hambrick & Mason, 1984), this study aims to demonstrate, within the family firm context, how specific CEO’s power-related conditions, as enablers of irresponsible behaviors (Clark et al., 2022), can harm family social legacy-building practices and threaten intergenerational continuity. We argue that traits such as advanced age—linked to entrenchment—and excessive power control may deteriorate the quality of strategic decision-making and undermine key stakeholders by self-serving motives, shifting the focus from collective continuity to individual control (Cao et al., 2017). In family firms, such harm resonates particularly through weakened social legacy-building practices enhancement, thereby endangering the preservation of their bonds, beliefs and long-term commitments into enduring social impact and stakeholder engagement (Keil et al., 2017; Matajira et al., 2023). In this vein, when the firm erodes its critical source of cohesion and identity, collective motivation to pursue transgenerational goals is similarly reduced. This, in turn, weakens trust and reciprocity among stakeholders and society, undermining the firm’s distinctive characteristics and its capacity to sustain responsible, value-driven strategies over time. This perspective challenges the dominant view that perceives CEO conditions primarily as enablers of irresponsible behaviors. Instead, we reconceptualize them as potential facilitators of irresponsibility when they produce harmful and enduring effects on the organization and its internal and external stakeholders (Christensen et al., 2014). In doing so, we reposition the CEO not only as a strategic leader but also as a potential source of ethical and institutional risk in family firms, a dimension thus far largely overlooked.

Second, building on Clinton et al. (2025), we contribute to understanding legacy liability by offering new insights into the “dark side” of family firms, demonstrating how CEO entrenchment and CEO power accumulation, as facilitators of irresponsibility, may negatively impact longevity and continuity in the family firm (Clark et al., 2022). Prolonged tenures of entrenched CEOs and the accumulation of significant power can stall essential leadership transitions, leaving companies and families unprepared for future challenges and risking their long-term viability. Given the importance of transgenerational legacy perpetuation in family firms (Miller & Le Breton-Miller, 2005), our findings show that a legacy is not always perceived as a guiding “north star.” Specifically, we observe that CEO entrenchment negatively influences social legacy-building practices. This arises from the tendency of long-tenured CEOs to potentially prioritize preserving their authority over the interests of the family, the firm, and the broader community. Moreover, when CEOs accumulate excessive power, they tend to promote their personal interests over those of other stakeholders, often focusing on short-term profitability while neglecting intergenerational concerns and the family’s long-term sustainability, further diminishing their social legacy-building practices. We argue that these CEO conditions reflect a facilitator of irresponsible behaviors in family firms, generating tensions within the family and with non-family stakeholders, including employees and the community. Following de Groote and Kammerlander (2023), these tensions can harm business performance and disrupt the family unit, undermining social legacy-building practices and, ultimately, threatening the firm’s continuity.

Finally, we contribute to the agency theory framework (Jensen & Meckling, 1976). Our findings reveal that the mitigating moderating effect of other family owners positively influences the relationship between entrenched CEOs and the family’s contribution to social legacy-building practices (Berrone et al., 2012; Gómez-Mejía et al., 2007). The presence of family owners serves as an effective oversight mechanism, curbing opportunistic or overly autonomous CEO behavior and encouraging practices aligned with long-term socioemotional objectives (Chen & Yin, 2024). When ownership is dispersed among several family members, diverse perspectives and intergenerational values are brought into the decision-making process, which reinforces the orientation toward sustaining a family social legacy-building practices and impact of the firm (Villalonga & Amit, 2006). Prior research shows that families’ emotional attachment and concern for reputation motivate them to safeguard continuity not only in economic but also in social terms (Jaskiewicz, De Massis, et al., 2023). In this way, family ownership does not merely protect financial wealth but actively channels managerial decisions toward preserving the family’s image, nurturing community relationships, and promoting intergenerational responsibility (Bansal et al., 2018; García-Sánchez et al., 2025).

However, our results show that the presence of a BoD does not have a similar effect and, therefore, does not significantly moderate the relationship between entrenched CEOs and the family enhancement of social legacy-building practices. Formal governance mechanisms may lack the power of legitimacy and influence that other family members possess (Berrone et al., 2012; Gómez-Mejía et al., 2007). While boards are designed to provide oversight and strategic guidance, they may be perceived as external actors whose interests are not fully aligned with those of the owning family, especially when socioemotional wealth and transgenerational continuity are not fully prioritized by them and where the economic factor arises as one of the most important goal to obtain (Miller & Le Breton-Miller, 2005; Zellweger et al., 2013). As a result, entrenched CEOs may be reluctant to fully embrace board recommendations, viewing them as less trustworthy or insufficiently aligned with the family's long-term vision (Yahaya, 2025).

This would suggest that family ownership operates as a more effective governance mechanism in this context. Unlike formal governance structures, family members can exert a softer but more effective influence through informal, personal, trust-based, and relational channels, such as ongoing interactions, shared identity, and emotional attachment to the firm (J. H. Davis et al., 1997; Jaskiewicz, De Massis, et al., 2023). These mechanisms would allow family owners to shape the behavior of entrenched CEOs more effectively, encouraging alignment with long-term legacy-oriented goals despite their tendency to retain control (Bansal et al., 2018; Villalonga & Amit, 2006).

In the case of highly powerful CEOs, our results show that neither family ownership nor the presence of a BoD significantly moderates the relationship between CEO power and social legacy-building practices. This finding suggests that highly powerful CEOs (i.e., those who accumulate multiple sources of authority) may become largely insulated from both formal and informal governance mechanisms, limiting their capacity to exert meaningful control or align managerial actions with collective goals—even when that oversight is motivated by shared socioemotional wealth objectives (Brahma & Economou, 2024). Their elevated level of control and autonomy may reduce their receptiveness to external influence, as they may perceive any form of oversight or intervention as a threat to their authority, legitimacy, and decision-making discretion. Consequently, both family and board-based governance mechanisms lose effectiveness under conditions of concentrated CEO power, further emphasizing the risks of excessive centralization for the preservation of social legacy-building practices and long-term continuity (Camisón-Zornoza et al., 2020).

Taken together, these results highlight that not all governance mechanisms are equally effective across different CEO conditions. While family ownership can mitigate (and even reverse) the negative effects of CEO entrenchment

through relational and informal influence, both family-based and board-based governance appear insufficient to counterbalance the effects of concentrated CEO power, as such leaders tend to be less responsive to external inputs, often interpreting oversight or intervention as challenges to their authority and decision-making autonomy. This reinforces the importance of adopting an ownership perspective in the study of governance in family firms, going beyond formal structures such as BoD and recognizing the critical role of informal, family-based mechanisms in shaping strategic outcomes.

Regarding the control variables, firm economic performance, family entrepreneurship, family relationship, future generations, generation of the family firm, and firm size show a positive and direct effect on social legacy-building practices. This finding suggests that family firms with stronger performance, higher levels of family entrepreneurship, more cohesive family relationships, greater involvement of future generations, more advanced generational stages, and larger organizational size tend to develop more structured and professional ways of managing the firm, as well as stronger governance practices (De Massis et al., 2016; Jaskiewicz, De Massis, et al., 2023). Rather than pointing to a single explanation, these results suggest that different characteristics of the firm and the family jointly contribute to reinforcing its ability to preserve and transmit its social legacy-building practices over time (Miller & Le Breton-Miller, 2005).

Practical implications

In family business literature and practice, a persistent concern is that CEOs often remain in their roles well beyond the standard retirement age, accumulating excessive power and thereby impeding timely leadership succession. This study underscores the urgency of examining how CEO entrenchment and power accumulation in family firms can manifest as irresponsible individual behavior, often with detrimental consequences for internal and external stakeholders, the organization as a whole and the social community. Entrenched CEOs often resist or delay succession planning due to emotional attachment, a desire to retain control, and anxiety over losing their status or sense of purpose. Such reluctance tends to hinder the growth and development of potential successors by undermining their progression and opportunities. When personal interests are prioritized over organizational welfare, the adverse effects ripple through the company—employees and successors suffer, family harmony is jeopardized, and overall performance declines.

The repercussions are significant: non-family employees face stifled career prospects and limited growth, generating less talent attraction. Conflicts of interest breed informational asymmetries and tension between family and non-family executives, negatively influencing internal management practices. Social capital erodes, weakening trust, collaboration, and employee identity

with the firm, compromising professionalism, operational effectiveness, and long-term sustainability.

To mitigate these risks, robust managerial and governance structures are crucial. Family shareholders must provide effective oversight, supported by a competent monitoring system that counters excessive CEO power deferral and ensures well-prepared succession processes. When governance and succession planning are lacking, firms become vulnerable to operational inefficiencies and strategic misalignment. Additionally, family firms should proactively address potential conflicts among members competing for leadership positions by implementing formal succession protocols and conflict resolution strategies, thereby safeguarding both family and firm relationships.

This study highlights the pressing need to reevaluate leadership practices within family enterprises. By fostering professional governance, transparent succession planning, and effective conflict management, family firms can protect stakeholder interests, strengthen their organizational health, and secure social legacy-building practices for future generations.

Limitations and future research avenues

Our study, like other scholarly inquiries, presents several directions for future research while acknowledging certain limitations. First, despite using a leading international database like the SPGC, this study relies on cross-sectional data. This constraint limits our ability to determine causal relationships or observe trends as they develop over time. Future scholarly investigation should explore the nuanced mechanisms through which CEO characteristics contribute to CSI in family firms over extended periods. Longitudinal studies could examine how changes in CEO demographics over time interact with governance structures to influence both strategic decision-making and stakeholder outcomes. Likewise, the variables used in this study were measured through the responses of a single informant. Some of our variables (such as the entrenched CEO, the existence of a BoD or the number of family owners) are objective variables and are free of bias, while other variables, such as social legacy, or family entrepreneurship, etc., are based on respondents' perceptions. We conducted rigorous post-hoc tests to ensure that Common Method Variance does not threaten our results.

Second, some limitations are derived from the scope of the sample and the generalization of the results. In this sense, despite a comprehensive dataset of 2,637 firms across 80 countries, this study was focused solely on family firms. Additionally, the sample includes only surviving firms, which introduces the possibility of survivorship bias, since those firms that have not lasted—potentially due to governance failures or entrenched leadership dynamics—are excluded from the analysis. Consequently, the observed relationships may be underestimated or biased. Future research should employ comparative

analyses between family and non-family firms to determine if the risks of CEO entrenchment and power centralization are unique to family-led contexts or universal across organizational forms. Furthermore, adopting longitudinal designs that incorporate firm survival—including the study of failed enterprises—would provide a more comprehensive understanding of these dynamics.

Third, as a third limitation, this study presents certain restrictions in the way some relevant variables have been conceptualized and measured. On one hand, while non-economic considerations (e.g., non-economic goals) are fundamentally important to the succession process (see Diaz-Moriana et al., 2025), this study did not investigate the formation of such goals and the subsequent influence on legacy transmission. Future qualitative research could examine the formation of non-economic goals and trace their development over time and explore how they shape the manifestation of CEO-driven irresponsibility. On the other hand, our study only considers the presence or absence of a BoD in the company, without accounting for its internal characteristics. Specifically, our findings show a non-significant moderating effect, which may be partly explained by the lack of nuance in how board governance is captured. Future research should incorporate specific board attributes, such as composition, independence, diversity, and family versus non-family membership, as these dimensions have been shown to influence firm behavior and outcomes in family firm contexts (Gupta & Chauhan, 2023). Additionally, future studies might develop and test the effects of potential interventions such as board reforms or leadership development programs aimed at mitigating the negative effects of entrenched leadership, thereby safeguarding social legacy-building practices and ensuring long-term continuity.

Finally, the present study is only focused on one of the three types of legacies (social) according to Hammond et al. (2016), which limits the scope of the work. Future studies could examine not only the social legacy, but also the biological and material legacy, considering that each one captures different and complementary dimensions of intergenerational continuity. A joint study would allow a more complete, robust, and realistic understanding of the processes of succession of family firms.

Disclosure statement

No potential conflict of interest was reported by the author(s).

Funding

This work has obtained financial support from PID2022-139222NB-I00, funded by MCIN/AEI/ 10.13039/501100011033 and by “ERDF A way of making Europe”.

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