



WRITTEN WITH CARE... FORGOTTEN IN PRACTICE

The Real Measure of a Family Constitution —



Family businesses are often distinguished by a high degree of internal cohesion and alignment. Personal trust, proximity to decision-makers, and long-standing norms create a governance environment that enables swift decision-making and continuity of intent. For a time, this closeness substitutes for structure.

But HOW long can alignment built on proximity truly last?

As new generations enter the business, proximity fades, relationships grow more distant, and long-standing norms begin to blur:

Ownership disperses across branches

Dividend and liquidity expectations arise.

Diverging views on family participation in management become more visible.

Under these conditions, the idealized family bond loses interpretability—and increasingly, institutional legitimacy—as a sole coordination mechanism.

Faced with growing complexity, families instinctively move toward documenting their principles and governance guidelines in a **“Family Constitution”**. The motivation is sincere: safeguard unity, preserve legacy, and protect continuity. The intent is authentic and well-meant. Yet somewhere along the journey—from drafting to celebration—the initial resolve begins to fade.

And so, what was designed to anchor continuity sometimes becomes one of the

“Most Expensive Documents... that Rarely Anyone Follows.”

I.

Family Constitution

The Most Expensive Document... that Rarely Anyone Follows

A. A Constitution's Core Functions

A family constitution is intended to formalize the principles, rules, and procedures that define the interface between the family and the enterprise. Its value does not lie in procedural expansion or bureaucratic layering. Rather, it lies in establishing a consistent and transparent basis for decision-making as organizational complexity increases and the cost of misalignment rises.

A constitution is not a substitute for legal ownership instruments. It formalizes governance intent and behavioral commitments, while shareholder agreements and related legal documents secure ownership rights and regulate share transfers. In well-governed enterprises, both operate in parallel.

At its core, the constitution replaces implicit assumptions with explicit commitments—particularly in areas that become vulnerable as the family and business evolve: ownership expectations, leadership selection, family participation, decision-making authority, and succession.

It institutionalizes two interdependent dimensions:

Identity	purpose, values, long-term direction, and continuity priorities.
Governance mechanisms	structured forums, participation policies, shareholder expectations, and conflict resolution pathways.

When properly designed, the constitution connects principle to practice. It transforms shared intent into structured behavior.





However, formalization alone is not equal to governance.

B. The one Million Dollar Question....

WHY

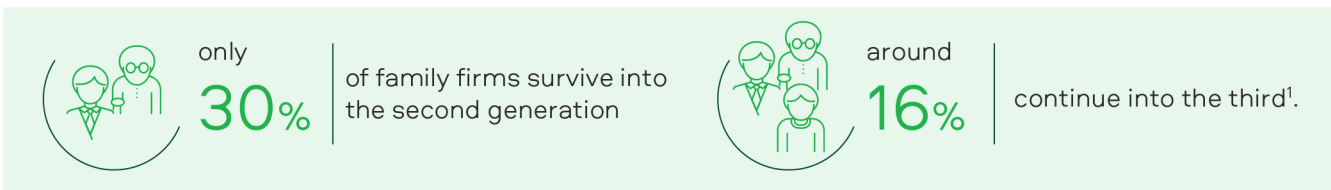
Family Constitutions Die... just ONE DAY after their signing...

Families may adopt charters and establish councils yet still experience persistent conflict.

Why? Because structures without disciplined application, credible enforcement, and repeatable operating routines do not shape behavior.

Family constitutions create value only when it is treated as an **integrated operating system** rather than a one-time initiative. They cannot live through enforcement alone; they must live through shared understanding. Governance in family systems is sustained less by policing and more by narrative, repetition, and visible relevance.

The distinction between formalized and operationalized governance becomes particularly visible in succession planning:



Succession and transition risk remain among the most consequential fault lines in family-enterprise longevity.

“This is the implementation gap: the constitution exists as a document, but it does not function as an operating system.”

Having had the privilege of supporting many leading Egyptian family businesses in drafting their constitutions, one request consistently emerges: that the tone reflects guidance and inclusion over enforcement or policing. This reflects an important truth—**governance must be internalized to endure.**

It requires periodic review and amendment as the family and business evolve and the new generations enter the business. It requires embedded routines that activate the framework—**regular forums, documented decisions, transparent communication, and clearly assigned accountability for execution.** Without these mechanisms, the constitution may remain well-written yet operationally ineffective.

A family constitution must therefore be meaningful to future generations, delivering visible personal and professional value. Family forums need to remain engaging enough that compliance is embraced as part of identity—not imposed as obligation.

¹ Unveiling the determining factors of family business longevity: Evidence from Kosovo – Science Direct

II.

The Implementation Risk

Why Constitutions Lose Effectiveness and How to Restore Execution

A constitution presumes sustained behavioral discipline, consistent decision-making practice, and credible accountability—conditions that are inherently difficult to maintain in family systems shaped by legacy authority, emotional dynamics, and shifting ownership structures.

The most commonly observed failure patterns are structural.

1. Formal Adoption Without Institutional Ownership

ACCOUNTABILITY

Once drafted and celebrated, families often take pride in what they view as a decisive step toward preserving legacy. **But what happens next?** Without clear accountability, execution frequently defaults to the patriarch or overburdened executives. Unless responsibility is entrusted to a committed, accessible, and credible family steward, the constitution gradually loses traction.

ALIGNMENT

When drafted by a narrow group—whether a founder, controlling branch, or limited set of operating family members—the document may be formally approved yet not genuinely accepted as a shared governance settlement.

Our experience has proven that most families often assume they are aligned on the future of the business. In practice, what appears as alignment sometimes turns out to be **silence**.

Silence does not necessarily signal fear; it may reflect respect, modesty, or cultural restraint—which makes it all the more dangerous. Because when pressure emerges, silence eventually **explodes**.

Common ground is the true starting point. Without it, decisions revert to informal channels—and selective compliance establishes the precedent that governance is optional. _____



2. FOUNDER-CENTRIC

Decision-Making and Delayed Authority Transfer

If dominant leaders continue making decisions outside agreed governance channels, the constitution remains declarative rather than operative. A dual system emerges: formal rules exist, but informal authority determines outcomes.

■ *Predictability weakens. Succession credibility erodes.*

3. ENTITLEMENT VS. SYSTEM

Next-Generation Role Ambiguity and Entitlement Reinforcement

Where eligibility, employment, and progression rules are not defined operationally, informal assumptions fill the vacuum—seniority, birth order, branch influence.

Recurring disputes over fairness intensify, particularly among sibling and cousin cohorts. Legitimacy becomes contested rather than structured.

■ *In the absence of system, entitlement quietly takes its place.*

4. Missing Governance Infrastructure and Operating Cadence

A constitution cannot function without governance infrastructure. Where institutions, cadence, and documentation discipline are absent, the framework lacks an execution vehicle. Decision-making defaults to ad hoc negotiation—especially under disagreement.

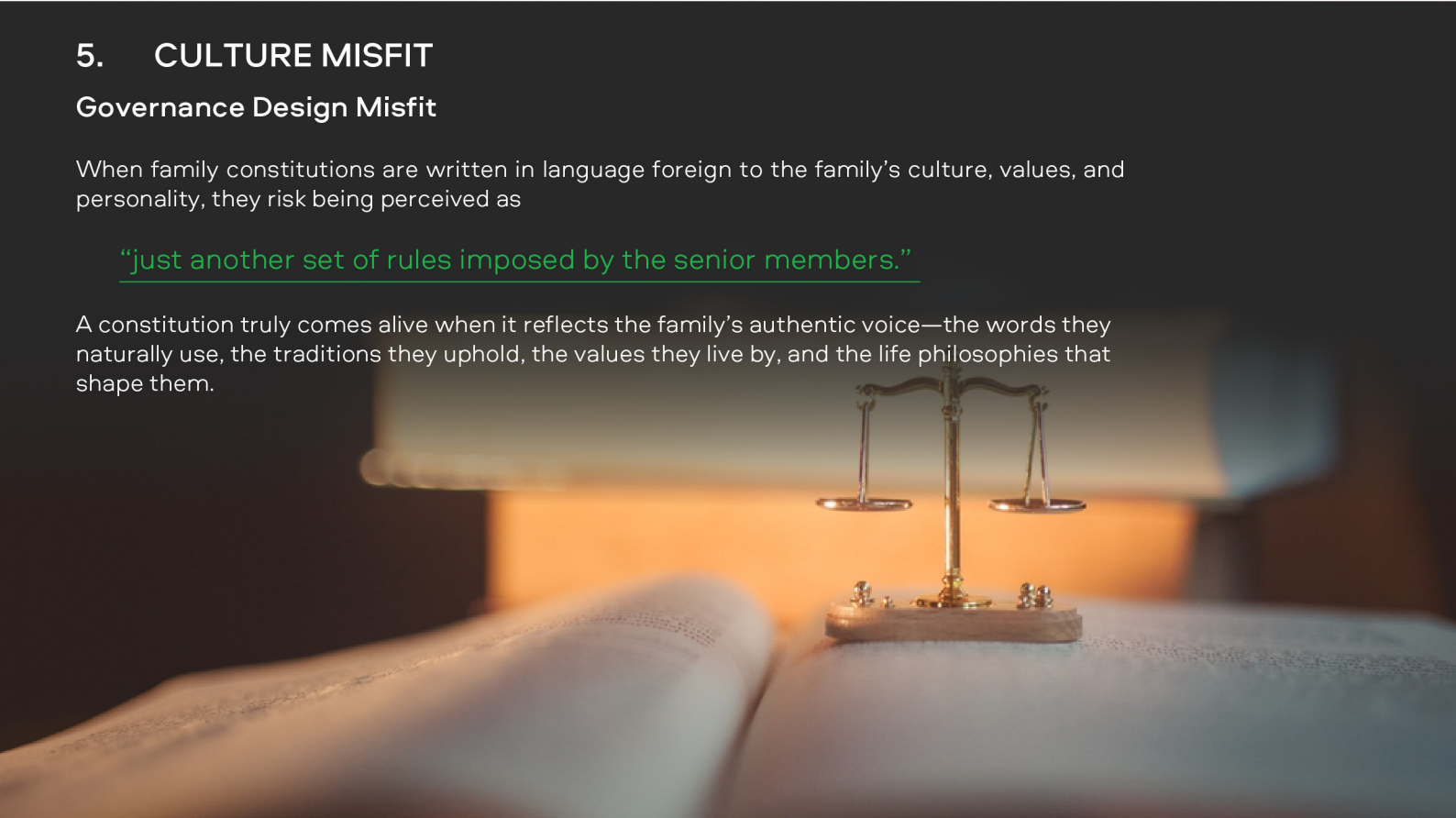
5. CULTURE MISFIT

Governance Design Misfit

When family constitutions are written in language foreign to the family's culture, values, and personality, they risk being perceived as

“just another set of rules imposed by the senior members.”

A constitution truly comes alive when it reflects the family's authentic voice—the words they naturally use, the traditions they uphold, the values they live by, and the life philosophies that shape them.



Implementation Mechanisms TIPS

Sustained execution requires structural reinforcement:

Walk the Talk

■ Ensure **structured engagement** and **ratification** across branches and generations to secure alignment and legitimacy.

■ Clearly **codify decision rights** across owners, board, management, and family forums, including a defined reserved matters schedule.

■ Require **clause citation** for material decisions and maintain a **formal decision register** to ensure consistency and precedent.

■ **Formalize family employment** and leadership standards through objective criteria, performance expectations, and structured readiness and succession processes.

■ Establish a **time-bound succession plan** with defined deliverables, oversight accountability, and clear post-handover boundaries.

■ Define **structured procedures for decision-making** under disagreement, including escalation and documented resolution pathways.



Own it & Live it

■ **Assign custodianship to a standing governance** body responsible for all logistics and activate the family forums, interpretation of the family meetings outcomes, compliance monitoring, and escalation of breaches.

■ **Assign custodianship** to all Family Committees (education committee, board membership committee, charity committee etc.), document charters for the committees and make sure decisions are shared with the rest of the family members and are executed.

■ **Make** sure the assignment of the different **family governance roles** (ex. committee members, governance custodians etc.) are **real believers** in the constitution and **have the time** to perform their role effectively.

■ **Make** family meetings and forums engaging, **meaningful, and enjoyable to encourage** consistent participation and **maintain momentum over time**.

■ *These mechanisms help transform governance intent into repeatable practice.*

III.

Lessons from Practice

WHY

Some Constitutions Fail While Others Endure



At **Zamil Group**, success stemmed from embedding the family constitution directly into operating mechanisms rather than treating it as a symbolic statement. Succession and family employment were anchored in merit-based, non-entitlement principles supported by structured talent assessment, leadership development pathways, and formal committee mandates. Governance bodies reinforced these standards through repeatable evaluation processes, ensuring that advancement was driven by capability and performance.

Execution succeeded because constitutional principles were integrated into policies, pipelines, and decision forums—transforming the document into an active governance framework.



NUQUL GROUP
GROWING TOGETHER
SINCE 1952

Similarly, a case documented by the **International Finance Corporation** on Nuqul Group highlights key institutionalization factors: predefined action plans embedded within constitutional provisions, translation of articles into binding corporate instruments, and alignment with holding company articles of association. Governance rules covering board eligibility, leadership criteria, ownership structures, and employment standards were directly linked to the group's legal architecture.

Execution was sustained because the constitution was codified into enforceable corporate documents and policies, ensuring that governance intent consistently shaped binding decisions across subsidiaries.

In both cases, the constitution endured because it was embedded into systems—not preserved as a declaration.



From Declaration to Discipline Where Constitutions Prove their Worth

A family constitution delivers its greatest value under conditions of pressure—during leadership transitions, shareholder disagreement, liquidity debates, or strategic inflection points. These are precisely the moments when governance discipline is tested and when weaknesses in implementation become visible.

The recurring pattern across family enterprises is not a deficiency of intent, but an execution gap.

Constitutions underperform when treated as documents to be endorsed rather than governance systems to be institutionalized, operated, and periodically recalibrated.

In the absence of this infrastructure, the constitution becomes discretionary.

Where it is present, the constitution becomes the authoritative reference point for consequential decisions.

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