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The governance journey of privately held companies

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São Paulo | 2026

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Founded on November 27, 1995, the Brazilian Institute of Corporate Governance (IBGC), a civil society organization, is a national leader and one of the world's leading authorities on corporate governance. Its mission is to generate and disseminate knowledge regarding best practices in corporate governance and to influence a wide range of stakeholders in their adoption, contributing to the sustainable performance of organizations and, consequently, to a better society.

Credits

This publication was developed by the IBGC research and content team with support from a volunteer working group (WG) composed of: Wilson Carnevalli Filho (WG coordinator), Antônio Edson Maciel dos Santos, Leonardo Wengrover, Leonardo Zylberman, Letícia Reichert, Olga Colpo, and Paulo Vasconcelos.

Acknowledgments

To the participants of the closed hearing, who submitted contributions to improve the publication: Adriana Adler, Bruno Sbardellini Cossi, Fernando Goes, Gabriela Baumgart, João Pinheiro Nogueira Batista, Jorge Manoel, Laís Machado Lucas, Lucia Helena Domingos, Luciana Esposito, Maria Alice Frontini, Maria Cristina Bianchi, Monika Hufenüssler Conrads, and Thiago Salgado.
To the IBGC's thematic committees: Strategy and Innovation and Capital Markets.

Production

Coordination: Pedro Braga Sotomaior Karam. **Writing:** Juliana Caldas and Pedro Braga Sotomaior Karam. **Proofreading:** Pedro Braga Sotomaior Karam. **Visual identity supervision:** Nádjima Kuriyama. **Graphic design, layout, and cover:** Kato Editorial. **Cover image:** Adobe Stock.

International Cataloging Data in Publication (CIP) according ISBD

I59g Instituto Brasileiro de Governança Corporativa - IBGC

The Governance Journey of Privately Held Companies [electronic resource] / Instituto Brasileiro de Governança Corporativa – IBGC ; translated by Language Buró OÜ. - IBGC. - São Paulo, SP : Instituto Brasileiro de Governança Corporativa - IBGC, 2026.
49 p. ; PDF ; 1,01 MB. – (IBGC Orienta)

Translation of: Jornada de governança das empresas de capital fechado
Inclui índice.
ISBN: 978-65-85913-45-4 (PDF)

1. Corporate governance. 2. Governance. 3. Journey. 4. Privately Held Companies. I. Language Buró OÜ. II. Title. III. Series.

CDD 658.4
2026-2413 CDU 658.114

Prepared by Vagner Rodolfo da Silva - CRB-8/9410

Index for systematic catalog:
1. Corporate Governance 658.4
2. Corporate Governance 658.114

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1. Introduction

Privately held companies play a central role in the economy, especially in countries like Brazil, where they form the foundation of business activity and play a significant role in generating jobs, income, and innovation. With unique characteristics regarding ownership, management, and decision-making, these organizations face specific challenges throughout their history, which require governance solutions tailored to their reality.

The principles of the corporate governance system[1] – transparency, equity, integrity, accountability, and sustainability—offer valuable guidelines for addressing these challenges. When properly applied, they promote greater clarity in decision-making, alignment between owners and managers, conflict mitigation, and business continuity, especially during periods of growth, succession, or corporate reorganization. Furthermore, well-structured governance strengthens the company's credibility with lenders, partners, and other stakeholders, enhancing its ability to generate long-term value.

The publication *The Governance Journey of Privately Held Companies* aims to explore the dimensions of the governance system in these organizations and reflect on possible paths for evolution, recognizing that there are no single solutions or linear trajectories. Conceived as a resource for founders, partners in limited liability companies, and shareholders of corporations, as well as for board members, executives, and other governance agents of privately held companies, it proposes

1. To learn more about the principles of corporate governance, visit: IBGC, *Code of Best Practices of Corporate Governance* – 6th edition, 2023. Available at: https://conhecimento.ibgc.org.br/Paginas/Publicacao.aspx?PubId=24640.

a practical and contextualized approach, respecting the different stages of development and corporate structures. For the sake of conceptual clarity, the scope does not cover startups, cooperatives, or nonprofit organizations, whose specific legal characteristics and unique dynamics require dedicated approaches[2].

1.1 Definitions and assumptions of the publication

Private companies include (i) limited liability companies and other business entities that do not access the capital markets for public fundraising; as well as (ii) companies whose securities—such as shares, subscription warrants, or debentures—are not admitted to trading on organized markets, such as stock exchanges or over-the-counter markets administered by authorized entities. In the Brazilian context, as a rule, these companies are not registered as issuers with the Brazilian Securities and Exchange Commission (CVM)[3]; they choose to keep their capital restricted to a limited group of investors, generally the founders themselves, their family members, or selected private investors.

They exhibit enormous diversity, for example in relation to:

- legal form: privately held companies can be structured under various legal forms, such as limited liability companies, corporations, and other types of business entities;
- shareholder structure: varies significantly, with ownership concentrated in the hands of a few individuals or families, or, alternatively, more widely dispersed among a broader group of shareholders[4];

2. For startups, we recommend the following publication: IBGC, *Corporate Governance for Startups & Scale-ups*, 2019. Available at: https://conhecimento.ibgc.org.br/Paginas/Publicacao.aspx?PubId=24050.
Regarding cooperatives, we recommend reading the following publication: IBGC, *Governance for Cooperatives: Legal Foundations and Practical Recommendations*, 2025. Available at: https://conhecimento.ibgc.org.br/Paginas/Publicacao.aspx?PubId=24762.

3. The exception applies to specific types of entities, such as the CVM's FÁCIL regime, which allows certain smaller companies to maintain a simplified issuer registration for the purpose of raising capital in the capital markets. For further information, see CVM Resolution 88/2022, available at https://conteudo.cvm.gov.br/legislacao/resolucoes/resol088.html.
4. The terms "shareholder" and "stockholder" refer to the different forms of ownership in private companies: the former designates a partner in a limited liability company (Ltda.), whose capital is divided into shares; the latter, a stockholder in a corporation (S.A.). Recognizing this legal distinction, we have chosen to use the terms "partner" or "owner" in a broad sense throughout this publication—encompassing both shareholders and stockholders—to facilitate reading.

- industry and regulatory context: privately held companies operate across a wide range of economic sectors, each with distinct characteristics and regulatory requirements;
- size: as measured by indicators such as turnover or gross revenue, it ranges from small businesses to large companies operating in multiple sectors and, in some cases, with an international presence;
- maturity: age and stage of development vary widely. Some are young companies just starting operations, while others are already established, with decades of history in the market.

Compared to publicly traded companies, whose governance practices are subject to a more comprehensive and detailed regulatory framework, privately held companies tend to have greater autonomy in defining their governance system—though they are also subject to specific regulations. As business complexity increases and the separation between ownership and management intensifies, it becomes necessary to adopt governance structures to organize this new reality and support decision-making.

The process of building governance—referred to in this work as a "journey"—can help privately held companies, even in the face of significant heterogeneity, operate more efficiently and with less exposure to risk, in alignment with their strategic objectives. Best practices aim to create and preserve value through a structured system of checks and balances, alignment of interests, and allocation of decision-making power, grounded in the principles of corporate governance.

In this publication, three assumptions are adopted and incorporated into the theoretical model of the governance journey. The first is that every organization has a form of governance—that is, a way in which it is directed and monitored—even if simple in its initial stages, marked by significant overlap between the dimensions of ownership and management[5].

It is also recognized that there is no single or universal path for the governance journey; it is intrinsically fluid and dynamic, shaped by the context, challenges, and specificities of each organization. Although sequences reflecting increasing levels

5. This understanding is aligned with the principles of ISO 37000, which recognizes governance as a universal element, applicable to all organizations, regardless of their size, nature, or stage. For more information: ISO (the International Organization for Standardization), *ISO 37000:2021 Governance of organizations – Guidance*, 2021. Available at: https://www.iso.org/standard/65036.html.

of complexity in each dimension are proposed, we understand that trajectories are not necessarily linear: they may involve back-and-forth movements, and even "leaps" between configurations, depending on the circumstances and reality of the privately held company.

The third assumption holds that the "pain points" or risks faced by owners and managers are, to a large extent, catalysts for the development of governance. In this sense, the adoption of best practices is often associated with the need to address concrete situations experienced by the privately held company, without precluding proactive initiatives guided by a strategic and long-term vision.

In light of the foregoing, this publication should be viewed as a guide or reference—rather than a prescriptive framework—and it is up to the reader to assess its applicability in light of the specific context of the privately held company.

1.2 The conceptual map of the governance journey for privately held companies

Three dimensions are highlighted in the map: ownership, business maturity, and family—the latter being specific to family-controlled companies. Each dimension consists of configurations or phases that reflect the increasing complexity and challenges throughout the company's trajectory (Figure 1).

Figure 1. Dimensions and configurations/phases of the conceptual map

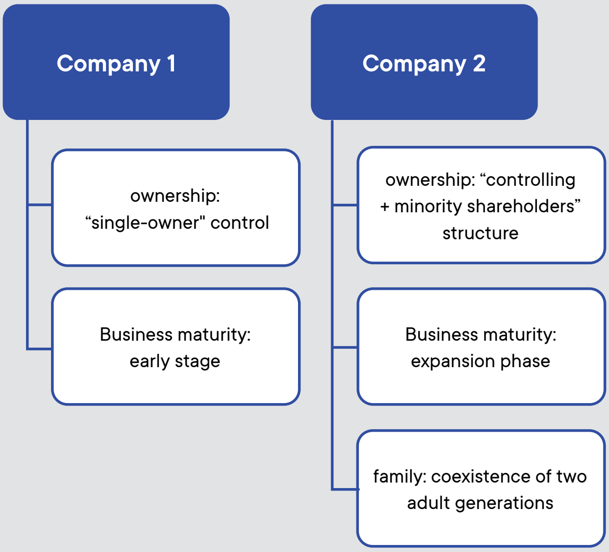
Ownership (structures)	Business maturity (stages)	Family (structures)
• Single-owner control • Controlling + minority shareholders • Diffuse ownership	• Early stage • Expansion stage • Maturity stage	• First generation • Coexistence of two adult generations • Multiple generations

Source: prepared by the authors (2026)

How to use the map?

- Identify the predominant configuration or phase across the three dimensions—ownership, business maturity, and family—that corresponds to the company's current stage.
- To illustrate, two hypothetical cases are presented (Figure 2).

Figure 2. Hypothetical examples in the conceptual map



Source: prepared by the authors (2026)

- In Company 1, ownership is concentrated in the founder(s), who fully assume the risks and returns of the business, which is still in the early stages of maturity.
- Company 2, on the other hand, is family-controlled and presents greater complexity due to the coexistence of controlling and minority shareholders in ownership, the business's expansion stage, and the presence of two adult generations within the family.
- Review the key risks and best practices for the current phases/structures.
- Extend the analysis to previous phases/structures—whose foundations are cumulative—and evaluate, in light of the company's context, how well the recommendations align with its governance journey.

1.3 Structure of the publication

In addition to the introduction, this publication is structured according to the dimensions of the conceptual map. Chapter 2 addresses ownership, presenting its characteristics and structures, detailed individually, with an emphasis on potential risks and recommended governance practices.

Chapter 3 addresses the business maturity dimension, and Chapter 4 addresses the family dimension, following the same structure: an overview, followed by a detailed discussion of the structures, their typical risks, and governance practices. The concluding remarks are presented in Chapter 5.

We recommend consulting other studies to provide a broader understanding of governance and allow for deeper exploration of specific topics. We do not claim to exhaust such a vast field; therefore, we highlight the references used in the footnotes. For addressing concrete and specific situations, we suggest consulting qualified professionals.

Our purpose is to contribute reflections, through the conceptual map, toward building the governance journey of the privately held company. Each path is unique—and it is in this uniqueness that the beauty of the journey lies. May it be traversed with learning, improvements, and a focus on the longevity and sustainability of the organization and its stakeholders.

We wish everyone an excellent read.

2. The dimension of ownership

This refers to the company's corporate structure, formed by the partners who hold ownership and exercise rights and duties in relation to the organization. As this structure becomes more complex, governance assumes an increasingly important role, especially in aligning interests and ensuring the quality of relationships among partners. In this context, three configurations can be distinguished:

(i) sole control: a corporate structure entirely concentrated in the controlling party (a single partner or group of partners, usually the founders), with no minority participation;

(ii) controlling shareholder + minority shareholders: an ownership structure with defined control, but which allows for the entry of minority shareholders who are not part of the controlling group;

(iii) diffuse ownership: a corporate structure without a defined controlling party, in which two or more partners or significant blocks hold similar stakes, requiring coordination and the sharing of decision-making power.

Table 1 presents the configurations, their respective risks, and recommended governance practices regarding ownership.

Table 1. Key risks and recommended practices in the ownership dimension

Ownership dimension

Structures	Key risks	Recommended governance practices
Sole control	• High dependence on the controller • Lack of checks and balances in the decision-making process • Incomplete or unclear contract/articles of incorporation • Lack of separation between personal and corporate assets	• Proper drafting of the contract/articles of incorporation • Clear definition of roles and decision-making authority in the agreement/bylaws • Separation between the assets of the individual partners and those of the corporate entity • Succession planning for ownership
Controlling shareholder + minority shareholders	• Misalignment of interests among partners • Information asymmetry among partners	• Adoption of the "one share, one vote" mechanism • Convening of partner meetings or assemblies • Execution of a shareholders' agreement • Development of organizational policies • Creation of equitable mechanisms for situations involving changes in control • Representation of minority shareholders on governance bodies • Mechanisms for resolving conflicts among partners
Diffuse ownership	• Formation of silos among partners • Slow decision-making	• Establishment and effective leadership of a board of directors • Establishment of a partners' council

Source: prepared by the authors (2026)

2.1 Sole control

"Sole control" generally represents the initial formation of the company from the perspective of corporate structure. In this model, ownership and management are exercised without sharing, by a single person or a small group of founders who, based on their entrepreneurial vision, established the business and concentrate strategic decisions, characterizing the typical "owner-managed" company. In the case of family control, this group may consist, for example, of a couple, siblings, or other relatives.

The evolution of this structure depends largely on the development of a robust and professional management team capable of attracting and developing leaders. As the organization matures and the business grows, the conditions are created for a gradual separation between ownership and management, as well as for the more structured development of governance as a whole.

2.1.1 Sole control: main risks

The centralization of ownership and decision-making, typical of the "sole control" structure, can be an advantage for the company by providing agility, speed in decision-making, and clarity of strategic direction—attributes relevant to business consolidation. On the other hand, high dependence on the controlling group tends to limit future development by excessively concentrating decision-making and stifling dissent, thereby increasing exposure to risks such as a lack of internal leadership, the obsolescence of the strategic vision, and succession challenges.

Added to this is the formalization of the corporate structure and the separation of personal and corporate assets, which are central to sound governance. Incomplete or unclear contracts or articles of incorporation can lead to legal uncertainty, hinder alignment among partners, and weaken relationships with investors and creditors. The absence of a clear separation between assets compromises controls and hinders the proper assessment of the organization's economic and financial situation.

2.1.2 Sole control: recommended governance practices

The recommended practices below can help mitigate the identified risks and lay a more solid foundation for growth.

a) ***Proper drafting of the articles of association***[6]

- The articles of association/ bylaws constitute the formal basis of governance by defining the fundamental rules of the organization's operation, establishing the rights, duties, and limits of action for partners, managers, and governing bodies. Among other aspects, the document may include:
  - the rights and obligations of partners, as well as the terms and conditions of their terms of office, where applicable;
  - rules for partners to make relevant decisions, including qualified quorums and preemptive rights in the event of a change in control;
  - mechanisms to prevent the misuse of the company's assets or resources by partners and/or managers;

6. The document formalizing the organization's incorporation—articles of incorporation or bylaws—varies depending on the corporate structure adopted:
(a) In corporations (S.A.), the articles of incorporation are used, in accordance with the Corporation Law.
(b) In limited liability companies and other contractual entities, the instrument is the articles of incorporation, as governed by the Civil Code.
(c) Private associations and foundations, on the other hand, are also organized through bylaws, likewise governed by the Civil Code.

- criteria for the allocation of profits or payment of dividends, as well as the valuation methodology and form of payment in the event of the sale of an equity interest or a partner's exit.

- The founders' participation in the discussion and approval of the document tends to promote alignment among the parties and reduce gaps. Consider seeking the support of specialized advisors in its drafting.

b) ***Clear definition of roles and decision-making authority in the articles of association***

- In addition to the provisions of item (a), it is important to establish:
  - the responsibilities of the partners, the governance bodies, and executive management, as well as the limits of authority for each level.
- This practice helps reduce overlaps, prevent fragmented decision-making, and establish clear rules of operation, thereby promoting management autonomy and accountability—a key factor in attracting, retaining, and developing qualified leaders, whether they are heirs or market professionals.

c) ***Separation between the assets of the partners, as individuals, and those of the company, as a legal entity***

- Important for management integrity and the protection of the business and its owners. It requires a clear separation between:
  - the partners' personal assets and interests; and
  - the company's assets and liabilities.
- This helps strengthen the organization's financial controls, transparency, and credibility.

d) ***Succession planning for ownership***

- Aims to organize, in advance and in a structured manner, the transfer of corporate ownership to heirs and/or successors. The method of transferring shares or quotas must:
  - be agreed upon by the founders; and
  - be formally recorded in the articles of incorporation or bylaws.
- In family-controlled companies, this involves not only the transfer of assets but also the preservation of the legacy. Preparing future generations tends to facilitate a safer and more predictable transition, as well as greater stability in the relationships between family,

ownership, and management. Asset succession also requires coordination with family governance bodies[7], which will be addressed in Chapter 4.

2.2 Controlling shareholder + minority shareholders

Opening up the corporate structure to new partners is often a significant milestone in a company's history. The motivations for this move are varied, such as the need to raise capital to balance the capital structure or a founder's decision to sell their stake to new investors. In the context of family businesses, this transition often occurs with the entry of the second generation into the corporate structure—the founders' children—forming what is known as a "sibling partnership".

It is worth noting that, in the "controlling shareholder + minority shareholders" configuration, the ownership structure is still defined: even if minority shareholders hold a significant economic stake, decision-making power remains concentrated among the controlling shareholders or major shareholders[8].

2.2.1 Controlling shareholder + minority shareholders: main risks

In this configuration, the main risks stem from the potential expropriation of minority partners by the controlling shareholders—a situation described in the literature as a Type II agency conflict (principal–principal[9]) –, associated with misalignment of interests and information asymmetry among the partners.

Misalignment of interests manifests itself when strategic decisions do not reflect the expectations of the different shareholders in a balanced manner. Disagreements regarding the allocation of profits, the prioritization of investments, or the execution of transactions with related parties can amplify corporate tensions, reduce the predictability of returns, and weaken trust between controlling shareholders and minority shareholders.

Information asymmetry occurs when minority shareholders lack clear, timely, and sufficient information to understand the impacts of decisions made. Limited

7. For further reading, we recommend the publication *Succession in Family Businesses*, which addresses the topic from the perspectives of ownership, management, and the family. IBGC, *Succession in Family Businesses*, 2020. Available at: https://conhecimento.ibgc.org.br/Paginas/Publicacao.aspx?PubId=24318.
8. A controlling shareholder is defined as the partner or group that, individually or by agreement, holds the majority of votes or the prerogative to elect management and define the company's strategic guidelines. A reference shareholder, on the other hand, is one who, although not holding a majority of the shares or quotas, exercises significant and stable influence over the conduct of the business, whether through a substantial stake, agreements, or recognized leadership among the other partners.
9. For a deeper understanding from an academic perspective, we recommend reading the article: La Porta, R., Lopez-de-Silanes, F., Shleifer, A., & Vishny, R., *Corporate Ownership Around the World*, 1999. Available at: https://onlinelibrary.wiley.com/doi/full/10.1111/0022-1082.00115.

access to information compromises transparency, weakens the adversarial nature of the decision-making process, and may affect the fairness of the relationship among shareholders.

2.2.2 Controlling shareholder + minority shareholders: recommended governance practices

To mitigate the risks of misalignment of interests and information asymmetry between controlling shareholders and minority shareholders, it is essential to promote accountability, transparency, and fairness, thereby strengthening an environment of trust and openness to debate. This approach contributes to more informed and aligned decisions among the parties—and to this end, the following practices are recommended:

a) ***adoption of the "one share, one vote" mechanism***

- Voting is the primary instrument for exercising shareholders' political rights. The "one share, one vote" mechanism is recognized for aligning political and economic rights, reducing distortions associated with differentiated structures of share classes or quotas.
- If structures are adopted that deviate from the "one share, one vote" principle, it is recommended that shareholders (including holders of non-voting shares or interests):
  - assess the impacts of adopting structures that deviate from the "one share, one vote" principle, particularly regarding the organization's performance and access to capital;
  - ensure transparency and clear boundaries, including disclosure of political and economic rights, the manner in which control is exercised, and, where applicable, the term of these structures.

b) ***Convening of shareholder meetings or assemblies***[10]

- These constitute the formal forum for exercising voting rights and deliberating on relevant matters, allowing members to express their positions, monitor the conduct of business, and receive accountability reports.

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10. Despite the similarities, a meeting differs from a general meeting in terms of the number of participants and the degree of formality required. A meeting is permitted when the company has up to ten members, allowing for simplified convening and faster decision-making. A general meeting, on the other hand, is not only mandatory when the company has more than ten members but also requires greater transparency and publicity.
For more information on this topic, for example regarding the participation of members and managers, the responsibilities of the meeting, convening, documentation, and procedures (among others), refer to the practices set forth in section 2.5 of the *Code*, pp. 26 and 27.

c) ***Execution of a partners' agreement***

- A private instrument that supplements the articles of association or bylaws, not subject to public registration. The partnership agreement is binding only on the signatories; however, it is recommended that:
  - all partners review and sign the document;
  - its drafting be guided by consensus, especially between controlling and minority shareholders, in order to strengthen the alignment of interests and corporate stability.
- The shareholders' agreement may govern the exercise of voting rights and control, the purchase and sale of shares or quotas, preemptive rights, and other matters of corporate interest. It is also recommended to:
  - provide periodic review mechanisms and triggers for updates in the event of material events;
  - ensure consistency with the articles of association or bylaws and guarantee that its rules are clear and applicable to all parties involved;
  - establish enforcement mechanisms, such as penalties or buy-sell clauses, in order to reduce the risk of non-compliance.

d) ***Development of organizational policies***[11]

Policies aim to structure processes, guide conduct, and align expectations in accordance with legal and regulatory standards, reflecting values, purpose, strategic drivers, and the organization's stage of development, complementing corporate instruments.

Without prejudice to others, depending on the organization's context, the following policies stand out for their contribution to alignment among partners, transparency, and the reduction of information asymmetries:

- distribution of profits: defines in advance whether, when, and how much of the profit will be distributed, as well as the conditions for retention and reinvestment[12].

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11. The development of organizational policies is generally the responsibility of the company's management (executive board and/or board of directors), subject to approval by the partners at a general meeting or board meeting, in accordance with the quorums set forth in the articles of association or bylaws. This process ensures that policies result from technical analysis, without prejudice to corporate legitimacy. For further information, refer to section 6.3 of the *Code*.
12. The Brazilian Corporation Law (Law No. 6.404/1976) contains specific rules regarding the distribution of profits, particularly in Articles 189 through 203, which address the calculation of profits, the mandatory allocation of portions, and the distribution of dividends. However, the bylaws of a corporation may provide for percentages different from the minimums set forth in law, or even eliminate dividends under certain conditions (provided this is provided for and justified, for example, by the need for reinvestment or the preservation of financial health).

- Related-party transactions: establishes principles and procedures for identifying, evaluating, approving, and disclosing related-party transactions.
- Communication: defines what information should be shared with which stakeholders.
- Roles and decision-making authority: defines the responsibilities of the partners, executive management, the board, and other governance bodies, delineating competencies and decision-making levels to increase predictability and reduce overlaps.
- Conflict of interest: establishes criteria for identifying, addressing, and mitigating potential conflicts between partners and other governance bodies, and may provide for the engagement of independent third parties to support decision-making.

e) ***Creation of equitable mechanisms for situations involving changes in control***

- It is recommended that the contract, articles of association, or partnership agreement include provisions ensuring fair and equitable treatment of all partners in the event of a change in control, with clear and timely disclosure of information regarding the transaction and an adequate timeframe for decision-making.
- Such mechanisms may include: tag-along rights, mandatory offer clauses to the other partners, objective criteria for evaluating the equity interest, and a qualified quorum for approving the transaction.

f) ***Representation of minority shareholders in governance bodies***

- Ensure that minority shareholders have effective access to shareholder meetings and other corporate forums, with clear and timely information, through formal notice, prior availability of materials, and the opportunity to submit written statements.
- In board structures, it is recommended to establish formal mechanisms that enable their participation in the nomination of members, such as the election of their own representative, separate voting, or nomination by bloc.

g) ***Mechanisms for resolving conflicts among shareholders***

- Although governance practices reduce the likelihood of conflicts, they do not eliminate the risk of disagreements between controlling and minority partners.

- In this regard, it is recommended that the articles of association or bylaws include structured dispute resolution mechanisms, for example:
  - a step-by-step clause (direct negotiation → mediation → arbitration), setting maximum time limits for each stage, and, where appropriate, standstill measures[13] to preserve the company's stability and value during the dispute;
  - whenever applicable and permitted, adequate communication to interested parties regarding the main acts and decisions related to the procedures adopted.

2.3 Diffuse ownership

Unlike the previous configurations, diffuse ownership is characterized by the absence of a defined controlling party: due to the existence of two or more partners or significant shareholder groups with stakes close to one another, none holds decision-making power alone. In such contexts, strategic decisions tend to depend on coordination and negotiation arrangements among the partners, which increases the complexity of the decision-making process.

Diffuse ownership can function in a balanced manner when there is a healthy dynamic of dialogue, trust, and coordination among partners. Even so, the absence of a defined controlling party makes reaching consensus more challenging, requiring high-quality discussions, strong negotiation skills, and a focus on the company's interests. During times of transition—especially in succession processes—this complexity intensifies even further, heightening the importance of formal governance mechanisms and the role of well-prepared partners and managers capable of preserving corporate cohesion and decision-making efficiency.

2.3.1 Diffuse ownership: key risks

Although a diffuse corporate structure may foster more participatory decision-making processes, it also tends to introduce additional governance challenges. Among these, the formation of silos among partners and slow decision-making stand out.

Silos form when partners divide their responsibilities by business units within the same company—or even across companies, in the case of a conglomerate—which can lead to the staking out of "territories." This arrangement tends to fragment the

13. A standstill clause is a provision that establishes the temporary suspension of certain acts during a dispute, preventing the parties from taking measures that could alter control, dispose of equity interests, enforce security interests, or affect the company's value, until the dispute is resolved.

strategic vision and hinder coordination, undermining the long-term outlook.

Slow decision-making stems both from the adoption of overly detailed rules and from a lack of organization and clear decision-making processes. In such cases, the absence of mechanisms for representation and coordination tends to reduce the company's agility and ability to adapt.

2.3.2 Diffuse ownership: recommended governance practices

Clarity in the distribution of responsibilities and coordination among partners help mitigate the formation of silos and preserve decision-making agility. In this regard, the following stand out:

a) ***Establishment and effective leadership of a board of directors***

- The establishment of a board of directors (BOD), with a clearly defined mandate, composition, and agenda, promotes an integrated view of the business and mitigates risks arising from siloed operations. The BOD:
  - defines corporate strategy, monitors its execution, and acts as a link between executive management and the partners;
  - its members are directors and, as such, have fiduciary duties, and must act in the best interests of the organization, regardless of who appointed or elected them;
  - the appointment of a qualified and independent board chair strengthens the balance of interests and dialogue among its members, partners, and executives.

b) ***Establishment of a partners' council***

- An optional forum, exclusive to partners and of a non-deliberative nature, aimed at the prior alignment of positions and the preparation of matters to be submitted to the general meeting or formal meeting.
- Its purpose is to discuss issues related to ownership of the company's capital and the company's long-term interests. It can help:
  - accommodating different shareholder expectations;
  - reducing the formation of interest blocs;
  - facilitating negotiation and the resolution of disagreements.
- It is recommended to formalize internal rules of procedure that govern criteria for participation, representation, and confidentiality, including in situations of corporate transition, in order to preserve legal certainty and trust among the partners.

3. The dimension of business maturity

Business maturity encompasses two interrelated aspects: the company's growth and the complexity of its structure. Growth can be measured by indicators such as net revenue, number of employees, or net profit, and is typically monitored by partners and executives, and often incorporated into management's goals and incentives.

The organizational structure, in turn, reflects another dimension of maturity: initially simple, with a concentration of functions and limited delegation, it tends to become more sophisticated as the company evolves. This process is usually accompanied by a progressive differentiation between decision-making bodies: initially, management and ownership are intertwined; as the company grows, some partners begin to step back from management, separating the two decision-making structures; and, in more advanced stages, board-level bodies emerge in response to increased complexity and the need for greater institutionalization of processes and controls.

In this context, and using the organizational life cycle as a reference, three phases are proposed:

i. Initial phase: the company's formation period, marked by entrepreneurship.

ii. Expansion phase: accelerated business growth, and more robust and formal organizational structures.

iii. Maturity phase: stabilized operations, with well-defined products, markets, and processes, operating in a familiar regulatory environment, and experiencing more moderate growth.

Table 2 summarizes the main risks and recommended governance practices for each phase of the business maturity dimension.

Table 2. Key risks and recommended practices in the business maturity dimension

Business maturity dimension

Phases	Key risks	Recommended governance practices
Initial phase	• Economic unviability • Low level of formalization/lack of internal controls	• Definition of purpose • Development of strategic guidelines • Initial control environment practices
Expansion phase	• Excessive centralization of decision-making • Dependence on key leaders (lack of a succession plan) • Weaknesses in internal controls and compliance	• Structuring of the executive board • Structuring of strategic planning • Development of a code of conduct • Management succession planning • Establishment of a board of directors • Development of decision-making roles and authority policies • Control environment practices during the expansion phase
Maturity phase	• Strategic inertia • Slow decision-making	• Establishment of an active, independent, and strategic board • Chairman of the board of directors separate from the chief executive • Creation of advisory committees • Hiring of a governance officer • Control environment practices in the mature phase

Source: prepared by the authors (2026)

3.1 Initial phase

This corresponds to the company's early stages, typically characterized by a simple, informal structure centered on the founder, a small team, a focus on a single product or service, and financing predominantly through equity.

It is also a phase of significant overlap between ownership and management: the founder acts as the chief executive, concentrating strategic decisions in an environment with a lean hierarchy, direct access to the leader, and low formalization of policies and procedures.

Management model as the foundation of the governance system

Regardless of size or stage of development, every organization operates with some management model—even if informal—to plan, monitor results, and make decisions. The degree of structure varies throughout the business's life cycle, but understanding it is essential, as it constitutes the foundation upon which the governance system rests and evolves.

In summary, a management model may include:

- planning system: definition of guidelines and performance expectations, which can evolve from simple tools, such as cash flow, to budgeting and strategic planning;
- a measurement system: breaking down guidelines into targets and indicators for performance monitoring;
- management reports: structured record of the evolution of results;
- discussion forums: venues for data analysis, alignment, and course correction;
- definition of responsibilities: clarity regarding roles and levels of authority;
- authority limits: delineation of decision-making power for departments and executives.

Without a management model compatible with the business's stage of development, governance tends to become detached from business reality.

3.1.1 Initial phase: key risks

Among the main challenges of the initial phase are the economic viability of the venture and the low level of formalization, generally reflected in the absence of internal controls.

The lack of a clear and sustainable value-generation model, combined with a reliance on equity capital, can lead to a shortage of resources before the company achieves financial stability—a risk that tends to be amplified when decisions are made predominantly in a reactive manner, without a structured analysis of the market, the competition, or the business's scalability potential.

Consequently, the lack of internal controls exposes the company to weaknesses in financial management, compliance, and asset protection. The lack of formalized management—characterized by the absence of policies, defined processes, adequate records, and technological support—can compromise the transparency and traceability of operations, increasing exposure to errors, fraud, operational failures, and risks to the organization's continuity.

3.1.2 Initial phase: recommended governance practices

Reflections on the organization's purpose, the development of strategic guidelines, and the adoption of minimum control requirements are governance practices that can support the launch of the business.

a) *Defining the purpose*

- It is up to the founder to define, communicate, and embody the company's purpose, contributing to the consolidation of its identity. As the primary strategic and cultural reference, it guides decisions, behaviors, and long-term value creation.
- The purpose must be clear and coherent; authentic, reflecting the principle of integrity; and inspiring, capable of engaging people and guiding choices.

The organization's purpose, mission, and vision

In practice, there is often some confusion between the concepts of purpose, mission, and vision. The purpose expresses the company's raison d'être and the lasting value it seeks to generate for society and its stakeholders[14], guiding the organization's actions through principles of ethics, integrity, and long-term value creation. The concepts of mission and vision, on the other hand, are traditionally used in strategic management and complement the purpose: the mission defines what the company does and how it operates in the present, while the vision projects the desired future.

Thus, while purpose is timeless and broader, the mission is practical and immediate, and the vision is forward-looking, pointing to a destination to be reached.

b) *Development of strategic guidelines*

- This serves to align partners and managers around the purpose, the business model, and growth priorities. It contributes to:
  - better assess opportunities; mitigate risks of economic unviability; anticipate cash flow needs; and define investment priorities.
- This supports the development of more consistent financial scenarios and adaptation to market changes, guiding the adoption of technologies and innovations and strengthening the competitiveness and efficiency of the business.

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14. Understanding of purpose in accordance with ISO 37000:2021. ISO (International Organization for Standardization), *ISO 37000:2021 Governance of organizations – Guidance*, 2021. Available at: https://www.iso.org/standard/65036.html.

c) *Initial practices of the control environment*

- Preparation of clear and accessible financial statements for partners, preferably with external technical support (third parties), to ensure greater consistency and reliability of information.
- Implementation of basic controls appropriate to the size and complexity of the business. These may include, for example:
  - monitoring of cash flow, accounts receivable and payable, inventory, sales, and production;
  - development of key performance indicators (KPIs) to support business monitoring and planning.
- Incorporation of risk management practices, which include:
  - identifying, assessing, responding to, and monitoring the main business risks;
  - building a risk map or matrix, with probabilities and impacts—a tool that helps define which risks should be avoided, mitigated, transferred, or accepted[15], according to the capacity and context of the privately held company.

15. For more information on enterprise risk management, see: COSO, *Enterprise Risk Management: Integrating with Strategy and Performance*, 2017.

3.2 Expansion phase

The expansion phase is marked by rapid company growth and a transition to more robust and formal organizational structures. The increase in revenue, product/service lines, and eventual presence in new markets/geographies raises the complexity of operations, requiring the creation of specialized departments, structured processes, and intermediate management levels. In the context of governance, the improvement of practices contributes to sustaining growth and generating long-term value.

3.2.1 Expansion phase: key risks

As organizational complexity increases, so do governance challenges. A recurring risk is the excessive centralization of decision-making. The difficulty of delegating responsibilities and incorporating specialized managers can lead to decisions being concentrated among a few partners (usually the founders), resulting in leadership overload, slow decision-making, and a reduced ability to capture opportunities.

Another challenge concerns the absence of a succession plan, especially for key positions held by founding partners. Dependence on key individuals increases the organization's vulnerability to unforeseen events and can compromise the continuity of operations and strategic direction at a critical moment of expansion.

As the operation grows, deficiencies in internal controls and compliance mechanisms tend to become more evident. When processes, controls, and systems do not evolve at the same pace as expansion, financial, tax, and operational weaknesses increase, as does exposure to errors and risks of fraud, irregularities, and reputational damage, with potential impacts on the sustainability and viability of the business.

3.2.2 Expansion phase: recommended corporate governance practices

To mitigate the risks typically associated with expansion, especially in the context of transitioning from a more personalistic model—characterized by the owners' strong involvement in management—to a more institutionalized model, it is recommended that governance prioritize the structuring of management, governing bodies, and the control environment.

a) ***Structuring the executive board***

- The body responsible for executing strategy, conducting business, and managing the company's resources, appropriately structured to support growth[16]. The following is recommended for its structuring:
  - a clear definition of responsibilities and limits of authority, formalized in the contract or articles of incorporation and detailed in the executive board's own bylaws;
  - a formal process for appointing the executive board, aimed at forming a cohesive team aligned with the company's purpose and possessing complementary skills, with appointments approved by the partners or, where applicable, by the board of directors;
  - an annual performance evaluation process, aligned with the competency matrix and strategic planning, taking into account financial and non-financial goals;
  - development of a transparent executive compensation policy aligned with value creation, combining short, medium-, and long-term incentives

16. IBGC, *Code of Best Practices of Corporate Governance – 6th edition*, 2023. For more information on the executive board, we recommend reading Chapter 4 (pages 52–57).

that are market-compatible and commensurate with responsibilities[17].

b) ***Structuring strategic planning***

- The strategic guidelines from the previous phase can evolve into a structured strategic planning process, guiding the definition of objectives, priorities, and goals aligned with the organization's purpose and culture.
- When well-structured and continuously monitored, it contributes to:
  - greater clarity in defining priorities and allocating resources;
  - alignment among partners, the board (where applicable), and management;
  - performance monitoring through targets and indicators;
  - greater ability to anticipate and respond to changes in the environment.

17. In privately held companies, long-term incentives may take forms other than the equity-based compensation typical of publicly traded companies, such as phantom shares, stock appreciation rights (SARs), co-investment programs, or long-term bonuses linked to performance and, where applicable, liquidity events.

c) ***Development of a code of conduct***

- A document that guides the organization's behaviors and relationships, aligned with its purpose and ethical principles, reinforcing standards of conduct and an ethical culture, as well as contributing to conflict prevention and management.
- Its development and implementation must be compatible with the organization's complexity and stage of maturity, and may cover, among other aspects, the audience to which it applies, mechanisms for guidance and handling of deviations, as well as guidelines for communication, training, and monitoring.

d) ***Management succession planning***

- An ongoing process aimed at maintaining the organization's purpose and strategy, as well as preserving its organizational culture. It involves mapping critical competencies, identifying potential successors, and implementing structured leadership development programs.
- Family-owned businesses require additional attention to emotional aspects, communication, and alignment with the business family[18].

18. This topic is explored in depth in the publication: IBGC, *Succession in Family Businesses*, 2020. Available at: https://conhecimento.ibgc.org.br/Paginas/Publicacao.aspx?PubId=24318.

e) ***Establishment of a board***

- During the expansion phase, increased complexity and the demand for new competencies may justify the creation of a board—whether advisory[19] or a board of directors, depending on the context, particularly the ownership structure—as a natural evolution of decision-making bodies. In addition to guiding management, it strengthens the decision-making process by challenging assumptions, assessing risks, and encouraging reflection on alternatives and consequences.

f) ***Development of a policy on roles and decision-making authority***

- As different decision-making bodies are established, the policy on roles and decision-making authority becomes essential for setting clear limits on authority and ensuring that decisions are made at the level closest to the facts, with clearly defined responsibilities. It can contribute to:
  - reducing bottlenecks, eliminating unnecessary steps, and increasing organizational agility;
  - preserving the strategic role of partners and the board (where applicable), while increasing management's autonomy and accountability.

g) ***Control environment practices during the expansion phase***

- Financial statements prepared, preferably by an internal team, with technical rigor and a closer alignment with the reality of the business.
- Implementation of internal audit: an independent and objective activity that combines assurance and consulting, with the aim of evaluating and improving the effectiveness of risk management, internal controls, and governance processes through a structured, risk-oriented approach[20].
  - It may be outsourced, either fully or partially. In any case, it must maintain independence from the audited areas. It is recommended that internal professionals handle this, reporting to the partners or the board of directors (if applicable) and with a work plan

19. We recommend reading the IBGC publication *The Importance of the Advisory Board in Privately Held Companies*, which explores in depth the functioning and dynamics of the advisory board. Available at: https://conhecimento.ibgc.org.br/Paginas/Publicacao.aspx?PubId=24708.

20. The IIA, *International Standards for the Professional Practice of Internal Auditing (IPPF)*, 2016.

aligned with the company's strategic planning[21].

- Engaging an independent audit firm: responsible for expressing an opinion on the fairness of the financial statements, reflecting, in all material respects, the company's financial position, as well as evaluating internal controls and issuing recommendations. The following are recommended:
  - an audit firm appropriate to the company's size and complexity. In smaller organizations, proportional forms of assurance may be adopted, evolving into a full audit as the complexity of the business or the demands of investors, creditors, or strategic partners increase;
  - participation in meetings or shareholder assemblies, with a prohibition on providing services that could compromise independence or create conflicts of interest[22];
  - whenever relevant, the progressive adoption of accounting practices aligned with internationally recognized standards[23], promoting transparency and comparability.
- Structured risk management process: in addition to the risk map (suggested in the previous phase), this involves a continuous process of identifying, assessing, responding to, and monitoring risks, with defined responsibilities, deadlines, and, where applicable, dedicated professionals for the role. The following are recommended:
  - risk management integrated into strategic planning and the three lines of risk and controls, guided by a formal policy that establishes risk appetite (acceptable levels of exposure)[24];
  - the progressive incorporation of environmental and social aspects, according to their materiality to the business, expanding the monitoring of risks and impacts beyond economic and financial performance.

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21. For further information, particularly regarding the role and relationship of internal audit within an organization's governance structure, we recommend reading: IBGC, *Internal Audit: Essential Aspects for the Board of Directors*, 2018. Available at: https://conhecimento.ibgc.org.br/Paginas/Publicacao.aspx?PubId=23980.
22. For further recommendations on independent auditing, we recommend reading Section 5.2 of the *Code*.
23. Internationally recognized standards include, for example, the international accounting standards issued by the International Accounting Standards Board (IFRS), which have been adopted or aligned with in various jurisdictions.
24. IBGC, *Corporate Risk Management: Evolution in Governance and Strategy*, 2017. Available at: https://conhecimento.ibgc.org.br/Paginas/Publicacao.aspx?PubId=21794.

- Implementation of internal controls: involves the formalization of control policies and procedures, aligned with legal and regulatory requirements, evaluated by the board and the audit committee (where applicable), with support from internal and independent auditors.
- Implementation of a whistleblowing channel: provided for in the code of conduct, the whistleblowing channel serves as a tool for integrity and trust, ensuring anonymity, confidentiality, impartiality, and protection against retaliation, preferably through third-party, independent management[25].

3.3 Maturity phase

A mature company already operates with a high degree of clarity regarding the competitive and regulatory environment in which it operates. In this phase, its products and services are well defined, markets and customers are segmented, and relationships with suppliers and strategic partners are consolidated. The organization begins to operate under a known and internalized regulatory framework typical of its industry.

The organizational structure tends toward stability: well-established processes and routines increase predictability, reporting lines become clear, and bureaucracy intensifies, replacing the agility and informality of the early stages. The pace of growth is usually more moderate, limited by the maturity of the sector, the products, or both. It is worth noting that a company's degree of maturity is not absolute but relative, varying according to the internalization of practices, structures, and routines.

3.3.1 Maturity phase: key risks

In mature companies, accumulated experience and past success can foster strategic inertia, with the consolidation of models and practices that, over time, tend to reduce openness to experimentation and innovation. This context is reflected in more cautious and slower decision-making processes, impacting the ability to respond to market changes.

In this scenario, strategic renewal—understood as the periodic review of strategy, the search for new growth opportunities, and the adaptation of the business model to changes in the competitive environment—becomes a key factor for business continuity.

25. For more information on the whistleblowing channel, see section 6.2 of the *Code*.

3.3.2 Maturity phase: recommended governance practices

In the context of a mature company, governance can help create the necessary discomfort to break through sluggishness, encourage experimentation, and promote agility without sacrificing accountability. The following practices are recommended:

a) ***establishing an active, independent, and strategic board***

The adoption of a board with a strategic vision can be an important driver of governance evolution, helping to break organizational inertia, provoke critical reflection, and support the identification of new paths for growth. Its composition should reflect the organization's stage of development and the degree of separation between ownership and management.

- The advisory board can fulfill this role effectively; transitioning to a board of directors is not mandatory.
- However, as the separation between ownership and management widens, and partners stepping back from day-to-day operations, the board of directors tends to gain importance and, therefore, it will be under the spotlight.
- The board's composition should prioritize external and independent members, based on a competency matrix that encompasses diversity in the broadest sense, thereby enhancing the quality of the decision-making process.
- Periodic evaluations of the board, its members, the chair, and the advisory committees are recommended[26].

b) ***Chairman of the Board of Directors separate from the chief executive***

- It is recommended that the Chairman of the Board of Directors (CBD) does not also serve as the chief executive officer (CEO), in order to promote a better balance of power, reduce potential conflicts of interest, and strengthen strategic oversight and management evaluation.
- The role of a qualified CEO, working in coordination with the governance officer and the advisory committees, is crucial for integrating governance bodies and for improving the decision-making process and the board's effectiveness—especially in a mature company.

26. For more information on board evaluation, we suggest reading the following publication: IBGC, *Board Evaluation: Practical Recommendations*, 2020. Available at: https://conhecimento.ibgc.org.br/Paginas/Publicacao.aspx?PubId=24358.

c) ***Creation of advisory committees***

- The board may be supported by advisory committees, whether statutory or not, established according to the company's strategic needs. These forums:
  - accelerate the decision-making process by acting in a technical and advisory capacity through analysis, discussion, and recommendations, without deliberative power;
  - it is recommended that they have their own bylaws, approved by the board of directors, as well as a work plan, with periodic meetings and reporting to the board.

d) ***Hiring a governance officer***

- As the guardian of the governance system, the governance officer (GO) acts as a link between the board, management, and partners, coordinating and connecting decision-making processes and governance bodies, monitoring recommendations and compliance with internal policies[27]. The GO contributes to:
  - promoting transparency, standardization, and consistency in the adoption of best practices;
  - mitigating the risk of strategic inertia through more fluid communication and better coordination of the governance system.
- Their role requires sufficient autonomy and independence to ensure compliance with practices, policies, and governance bodies.

e) ***Control environment practices in the mature phase***

- Audit committee[28]: an advisory body to the board—often referred to as the audit and risk committee—that acts as a mechanism for supervising the control environment by monitoring and evaluating risk management, internal controls, compliance processes, and the quality of financial information, thereby contributing to management's credibility.
- Internal audit: reports to the board, under the supervision of the audit committee (where one exists), working in coordination with the independent audit.

27. To learn more, we recommend reading the following publication: IBGC, *Governance Officer*, 2022. Available at: https://conhecimento.ibgc.org.br/Paginas/Publicacao.aspx?PubId=24559.

28. For more information, we recommend reading: IBGC, *Guidance on Audit Committees*, 2017. Available at: https://conhecimento.ibgc.org.br/Paginas/Publicacao.aspx?PubId=23485.

- Independent audit: engagement conducted by the board of directors, with support from the audit committee, of an independent firm with qualifications and experience commensurate with the organization's complexity, prioritizing depth and scope.
- Internal controls: defined by executive management and supervised by the board, with support from the audits and the audit committee, to ensure greater formalization, monitoring, and consistency of processes.

4. The family dimension

Family-controlled companies represent the vast majority of privately held companies in Brazil. For this reason, it is especially important that, as they evolve in their governance journey, they pay attention to the family dimension—inherent to this type of organization—which encompasses the cycle of the business family and its interaction with the business and ownership.

In family-controlled businesses, it is common for family members to hold multiple roles; this also occurs in non-family businesses, but in a family context, the bonds between family members increase the complexity of the situation. This overlap requires discipline and clarity in distinguishing between the different roles, to avoid undue influence and ensure that each issue is addressed in the appropriate context.

Emotional ties, affinities, and potential conflicts of a family nature can affect relationships within the corporate and business spheres if preventive measures—including appropriate rules, processes, and structures—are not adopted. As the business evolves and the entrepreneurial family grows larger and more diverse, the need for structured mechanisms to align expectations and interests increases.

In this scenario, family governance plays a central role by providing forums for dialogue and clear rules for coexistence and decision-making, promoting alignment around the long-term vision of the family and the company, as well as business cohesion and continuity. It is important to note that, for the governance system as a whole to function effectively, decisions within the family must align with the structures adopted regarding the business's ownership and maturity.

Three structures are suggested for understanding the family dimension: (i) first generation; (ii) coexistence of two adult generations; and (iii) multiple generations—each with its own challenges and governance practices. Table 3 presents the main risks and recommended practices for family governance.

Table 3. Key risks and recommended practices in the family dimension

Family dimension

Structures	Key risks	Recommended family governance practices
First generation	• Excessive dependence on the founder	• Even in the absence of formal family governance practices, the following is recommended: - open and respectful dialogue between the founder and other family members; - encouraging, from an early age, the engagement of the second generation and an understanding of their role as partners, as well as their rights, duties, and responsibilities.
Coexistence of two adult generations	• Overlapping roles and ambiguous responsibilities • Underdeveloped management succession process • Family conflicts, latent or overt	• Drafting of the family protocol • Formalization of family meetings or assemblies • Development of succession planning for management • Structuring of basic support functions for family members
Multiple generations	• Misalignment among family branches • Tension between legacy continuity and strategic renewal	• Development of a structured family council • Progressive structuring of a family office • Integration with existing practices

Source: prepared by the authors (2026)

4.1 First generation

The first generation marks the beginning of a family business's journey, operating with a simple, centralized decision-making structure strongly influenced by the founder. In this setup, it is common for the founder to hold the roles of partner, organizational leader, and head of the family.

Since the involvement of other family members is still in its early stages, decisions are made without collective deliberation, which lends agility and clarity to the business's direction. Well-defined leadership and centralized decision-making foster internal cohesion and reinforce the organizational identity, shaped by the founder's values, style, and vision for the future.

4.1.1 First generation: key risks

Similar to the initial phase of business maturity, the founder's leadership in the first generation tends to concentrate power and take on personalistic traits, creating a strong dependence on their actions. In the short term, this setup is not always problematic. In the long term, however, the restriction on sharing responsibilities can hinder the development of new family leaders and the consolidation of a more participatory governance structure, in addition to exacerbating challenges in attracting, retaining, and evaluating qualified leaders, whether family members or not.

4.1.2 First generation: best practices in family governance

Although the still-nascent participation of other family members generally does not require the adoption of formal family governance practices, it is recommended to:

- maintain an open and respectful dialogue between the founder and other family members;
- encourage, from an early age, the second generation's engagement and understanding of the role of a partner, their rights, duties, and responsibilities, through structured educational initiatives, gradual exposure to the business, and reflections on the values and long-term vision of the entrepreneurial family.

4.2 Coexistence of two adult generations

The coexistence of two adult generations marks a period of significant transformations within the family. As the new generation matures and becomes more involved in the company and/or management, these members begin to assume responsibilities and participate in strategic decisions, working alongside the previous generation and solidifying their formal entry into the company.

Although this coexistence brings new perspectives and the potential to enrich strategic debate, it also increases the complexity of family relationships within the organizational environment. The pattern of differentiation in decision-making levels remains applicable, even as family ties and the history of the relationship amplify the challenges. Decision-making power, previously concentrated in the founder, gives way to different visions and expectations regarding the company's direction, leading to more frequent misalignments and disagreements among the family members involved.

4.2.1 Coexistence of two adult generations: main risks

The coexistence of two adult generations tends to heighten the risk of conflicts—whether latent or overt—within the family sphere. Avoiding them at all costs, while seemingly preserving harmony, may postpone relevant discussions and intensify underlying tensions over time. Addressing them at the appropriate time and in the appropriate manner requires sensitivity, active listening, and maturity on the part of those involved.

The company is also more exposed to the risk of role overlap and ambiguity of responsibilities, which can compromise the quality of decision-making. A clear definition of each family member's roles contributes to more balanced relationships and greater fluidity in the business environment.

Succession issues tend to emerge and require careful planning. Preparing the next generation involves developing skills, gradually involving them in the business, and recognizing individual aptitudes, with structured opportunities for training, experience, and participation in strategic decisions.

4.2.2 Coexistence of two adult generations: recommended practices for family business governance

Establishing dedicated forums for family dialogue helps separate emotional issues from business decisions, creates space for difficult conversations, and reduces the risk that conflicts will undermine business management. In this context, the following practices stand out:

a) *drafting a family protocol*

- A guideline document for interactions among members of the business family, particularly relevant when two generations of adults are involved[29]. Among other provisions, it may include:

29. More information on the family protocol can be found at: IBGC, *The Role of the Family Protocol in the Longevity of the Business Family*, 2018. Available at: https://conhecimento.ibgc.org.br/Paginas/Publicacao.aspx?PubId=23659.

- the establishment of clear, pre-agreed rules regarding the entry, retention, development, promotion, and eventual departure of family members from management;
- definition of roles, responsibilities, and objective criteria, promoting alignment, transparency, and predictability, as well as helping to reduce emotional strain and preserve family bonds;
- provision for mechanisms to periodically update the document and align it with other corporate instruments of the company, in order to preserve its consistency over time.

b) ***Formalization of a family meeting or assembly***

- A structured, informative, and non-deliberative forum for business family members to meet, aimed at strengthening bonds, promoting communication, and aligning the family's values, expectations, and vision for the future regarding the business.
- Provides an appropriate space to initiate and develop dialogue regarding the stewardship of the family business's assets and interests, in line with family governance.
- Provides an institutionalized environment for expressing perceptions and concerns, reducing the risk that disagreements will intensify and spill over into the business sphere.

c) ***Development of the management succession plan***

- Succession is considered a process, not a one-time event[30]; planning it while two adult generations are still active allows for the preparation of both the family and the company in an early and structured manner. The succession plan:
  - defines clear and fair criteria for selecting successors, future roles, and transition stages, reducing uncertainty and speculation;
  - serves as a tool for alignment and transparency, strengthening the sense of fairness and collective commitment;
  - should address not only the preparation of the new leadership but also the role of the outgoing leader,

30. To learn more about succession in family-controlled companies, including the dimensions of ownership and family, we recommend reading: IBGC, *Succession in Family Businesses*, 2020. Available at: https://conhecimento.ibgc.org.br/Paginas/Publicacao.aspx?PubId=24318.

whose structured exit and future contribution—even if removed from management—are fundamental to the continuity and balance of the family business.

d) ***Structuring basic support functions for family members***

- As more recurring asset and organizational demands arise, it is recommended to structure basic support functions for family members— , even if in a simple form—focused on organizing information, providing administrative support, and addressing family matters.
- These functions may serve as the foundation for more sophisticated structures in the future, helping to ensure disciplined asset management, support communication among family members, and lay the groundwork for the eventual creation of a family council and/or a family office[31].

31. A family office refers to a structure dedicated to supporting wealth management and other matters of interest to the business family. It can take various forms—ranging from basic administrative functions to more comprehensive structures for investment coordination, wealth management services, and family governance support—and is scaled according to the family's complexity and needs. It typically operates in conjunction with or under the family council.

4.3 Multiple generations

In multi-generational family businesses, the leadership transition from the first to the second generation has likely been completed, with the gradual entry of members of the third and subsequent generations into the business as partners and/or employees. This trend broadens and diversifies the corporate base, increasing complexity and the potential for conflict, especially with the formation of different family branches, whose views and interests do not always align.

In this context, strengthening family governance helps preserve unity and organize this broader, more fragmented ownership base—in a dynamic analogous to diffuse ownership, compounded by the complexity of family relationships. As these dynamics are properly organized and key challenges are overcome through governance, the prospects for the family business's stability and longevity are enhanced.

4.3.1 Multiple generations: key risks

With multiple generations present, misalignment among family branches and generations becomes a significant risk, stemming from the growing number of partners, the diversity of profiles, and differing expectations and levels of involvement in the business—requiring greater attention to mechanisms for dialogue and coordination. When properly addressed, these challenges can strengthen family cohesion; when neglected, they tend to affect the quality of decisions , family unity, and, consequently, the sustainability and longevity of the company.

Another risk lies in the difficulty of balancing the preservation of the family legacy with the need for business renewal. Valuing the history and values that have underpinned the company's trajectory must go hand in hand with openness to innovation and strategic adjustments—a central role for new leadership in ensuring the organization's continuity and relevance in a changing business environment.

4.3.2 Multiple generations: recommended family governance practices

It is recommended that business families strengthen the family council and the family office by reviewing and integrating existing practices to adequately address the increasing complexity of family and asset management.

a) ***Development of a structured family council***

- As the family expands and diversifies, the support functions addressed in the previous configuration can evolve into a structured family council, composed of family members and playing a central role in consolidating family governance. Among its main responsibilities, the following stand out[32]:
  - promotion of cohesion and integration within the business family, including mediation and conflict resolution;
  - alignment of the family's aspirations and interests with the company's management bodies;
  - preservation and dissemination of the family's history, values, and legacy, including the development, review, and periodic updating of the family protocol;
  - guidance and monitoring of the preparation of future generations, taking into account individual vocations and the needs of the family and the business in the succession process, as well as the organization of the family meeting agenda.

32. IBGC, *Handbook 15 – Governance of the Business Family: Basic Concepts, Challenges, and Recommendations*, 2016. Available at: https://conhecimento.ibgc.org.br/Paginas/Publicacao.aspx?PubId=22057.

b) ***Progressive structuring of a family office***

- The wealth management functions listed in the previous configuration may evolve into the creation of a family office. Among its most common responsibilities are[33]:
  - planning, management, and protection of family assets;
  - management of assets and wealth structures;
  - implementation of strategic guidelines defined by the family council;
  - support for estate planning and succession, as well as the education and training of heirs and shareholders.

c) ***Integration with existing practices***

- The family council plays a central role in coordinating the various family governance mechanisms[34], guiding the family's business activities to ensure consistency between decisions and agreed-upon principles.

33. *Ibid.*
34. As a conceptual analogy, the family council fulfills a function equivalent to that of the board of directors, and the family office to that of the executive board, but within the context of family assets and relationships.

- It is recommended that the family protocol be revised in light of the new context, consolidating agreements and defining clear rules for the entry, qualification, and role of family members, serving as a normative basis for aligning expectations and interests.
- The family council and family assembly should operate in an integrated manner: the former prepares agendas and leads strategic discussions, while the assembly broadens participation and transparency, including through the progressive involvement of younger generations.
- It is the family office's responsibility to implement the guidelines defined by the family council, especially regarding succession and wealth management.
- The integration of the family council, family assembly, family office, and other governance instruments constitutes a robust system supporting business continuity and family harmony, promoting planned, legitimate processes aligned with the business family's objectives across generations.

5. Concluding remarks

Throughout its history, a privately held company faces significant and evolving challenges, which manifest differently depending on its stage of development, ownership structure, business maturity, and, where applicable, the controlling family. From survival and centralized decision-making in the early stages, through the "crossroads" of expansion and maturity, to potential conflicts among controlling and minority partners or in contexts of diffuse control, governance serves as a vital tool for supporting responsible, ethical, and equitable decisions guided by principles and best practices.

In the case of family businesses, these risks tend to be amplified by the overlap between emotional ties, corporate relationships, and management responsibilities. Family conflicts, generational misalignments, succession difficulties, and a loss of strategic convergence can compromise business performance and the cohesion of the entrepreneurial family. In this context, governance practices within the family emerge as a complementary and inseparable dimension of the system as a whole, offering forums, rules, and processes capable of organizing dialogue, aligning expectations, and preserving both the continuity of the company and family ties across generations.

In this publication, we propose a conceptual map that relates governance practices to the main risks faced by privately held companies, considering different configurations across the dimensions of ownership, business maturity, and family (exclusive to family-controlled companies). The map acknowledges that complexity is not absolute but relative, and that the evolution of governance is not linear: changes in ownership structure, for example, can either expand or reduce it, as in movements toward corporate concentration or fragmentation, requiring governance that adapts to the context.

Its objective is not to prescribe a single path—something illusory given the diversity of contexts, histories, and ambitions—but to offer a structured framework that allows privately held companies to recognize their different configurations, identify relevant risks, and reflect on governance practices appropriate to their reality. The map seeks to broaden the understanding of governance as a living system that evolves over time and requires continuous adjustments, whose effectiveness also depends on the alignment of incentives, organizational culture, and leadership behavior.

We hope this reading will stimulate reflection and support partners, managers, and business families in building governance arrangements consistent with their values, objectives, and challenges. More than a set of formal structures, governance reveals itself as a journey—made up of conscious choices, continuous learning, and dialogue—capable of sustaining the longevity of the business and harmony among those who participate in it, today and in the future.

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Privately held companies face governance challenges that evolve as the business matures, depending on its ownership structure and, where applicable, family dynamics. This publication offers a practical and context-specific approach to help partners, board members, executives, and other governance stakeholders understand these challenges, through a conceptual map that links risks to best practices. Non-prescriptive in nature, it proposes a framework for developing governance arrangements consistent with each organization's reality, recognizing governance as a living system essential to the quality of decisions and the sustainability of the business.

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ISBN: 978-65-85913-45-4

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