

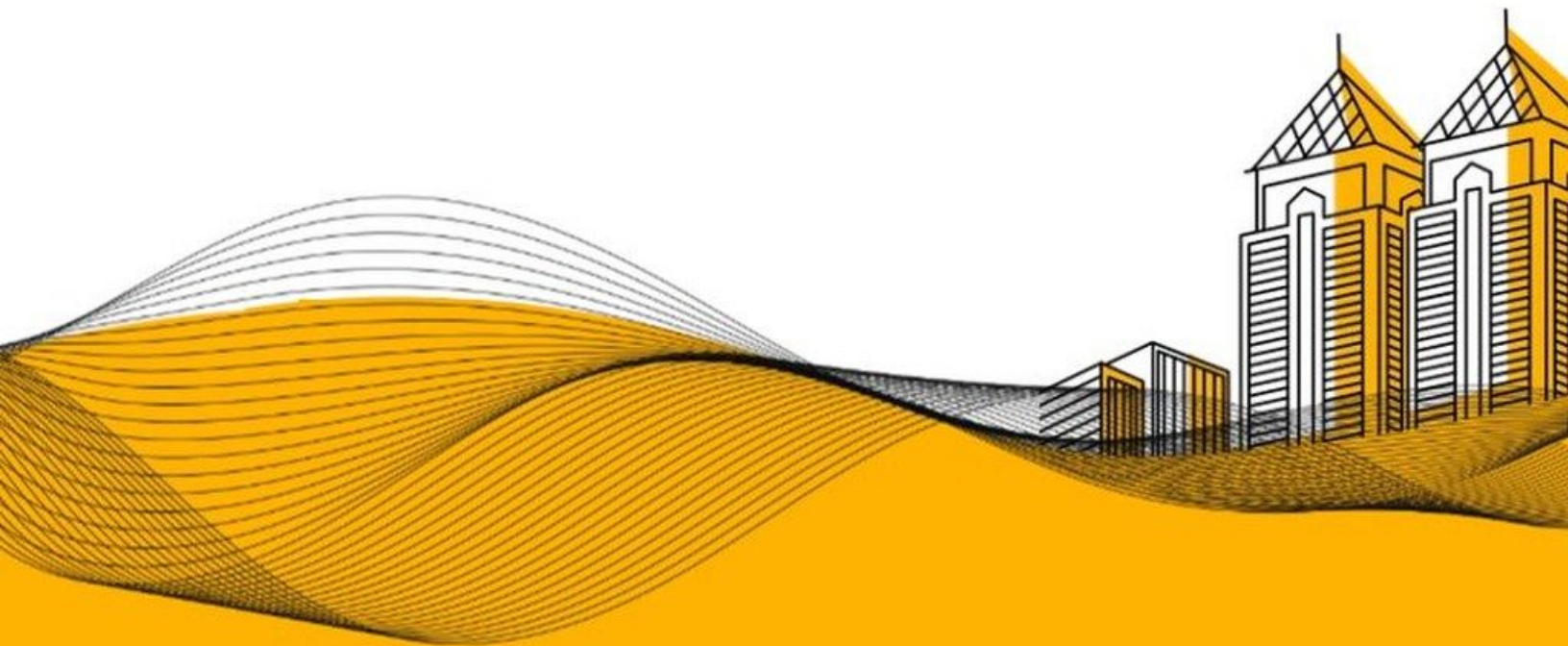


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READY, BUT NOT READY

**A Governance Framework for Leadership Transition in
Family-Governed Companies**



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EXCELLERCSI WHITEPAPER, Q32026

Why I'm Writing This



Every quarter, I go back through the questions that came into my inbox and look for the pattern underneath the individual dilemmas. This quarter, one pattern was impossible to miss: almost every succession question I received — whether from a founder, a board member, or a next-gen heir apparent — was really the same question wearing different clothes. *Is she ready? Is he ready? Are we ready?*

I answered one version of that question in a recent edition of this newsletter, to a CEO whose twenty-eight-year-old daughter said she was ready to take over a company that wasn't ready for her. That edition was about one family. This paper is about what happens when you multiply that family by a few million.



Because here is what I want you to sit with before we go any further: succession is not a private family matter that occasionally intersects with the economy. In the Philippines, it is the economy, or close enough to it that the distinction stops mattering. I want to show you the data, walk you through a framework for thinking about it, and give you something you can actually act on — not just another article confirming that succession is hard.

This Isn't a Family Problem. It's an Economic One.

Let's start with scale, because I think most people underestimate it badly.

An estimated 80 percent of businesses in the Philippines are family-owned or family-run. That's not a niche segment of the economy — that's close to the default condition of doing business here. And it holds at both ends of the spectrum, which is the point I most want to land.

At the top end: roughly eight in ten of the country's largest corporations are family-run, and regionally, firms under family ownership make up around 60 percent of listed companies across Indonesia, Malaysia, the Philippines, and Thailand — a group representing a meaningful share of total regional market capitalization, based on Credit Suisse's "Family 1000" research. When succession fails at this tier, it isn't a private wound. It shows up in share prices, in investor confidence, in the stability of markets that a lot of people who've never met the family in question still depend on.



And the largest of those handoffs is forthcoming. Forbes puts the combined wealth of the Philippines' 50 richest at \$86 billion – a list that counts fortunes shared across siblings and extended families, not just individuals. Yet most of the family businesses on the Forbes and Fortune lists are still run by the second generation. At many of the country's largest groups, the move to the third has yet to begin.

At the other end: more than 99 percent of Philippine businesses are MSMEs, and according to the World Bank, SMEs account for 63 percent of total employment and 36 percent of gross value added in this country. Behind those numbers are the sari-sari store, the trucking company, the three-branch accounting firm, the family manufacturing outfit that's been running since someone's grandfather started it with two employees and a single machine. When one of these fails a transition, it doesn't make the news. It's a payroll that stops, a community that loses its anchor employer, a family that loses more than the business.

Same shape, different scale: capital or livelihoods concentrated in a single entity, with nothing built to carry them through the moment leadership changes hands. What's missing is rarely love or loyalty. It's architecture. That's why I see succession planning as governance work, not family counseling – even though, as you'll see in a moment, the two are not as separable as the Manhattan half of me would like them to be.

The Readiness Gap, in the Numbers

The reassurance shows up in my inbox again and again, in one form or another: *we'll figure it out when the time comes. We're a close family. We were raised on the same values. It'll be fine.*



The data says otherwise, and it says so with a consistency that's hard to ignore.

A 2026 study by UnionBank Private and Lombard Odier, surveying high-net-worth families across the region, found that only 16.7 percent of Philippine respondents had a full succession plan in place, and just 10 percent described their families as fully aligned on the transition. Only 14.3 percent said they were very confident in the next generation's ability to handle family wealth.

Zoom out regionally and the pattern holds: a Sun Life Asia survey of 1,823 family business owners across six markets found only 27 percent had a fully developed succession plan. Among next-generation family members not yet working in the business, just 31 percent said they were fully willing to take it over.

It holds at the very top, too. J.P. Morgan Private Bank's 2026 Global Family Office Report, surveying 333 family offices across 30 countries with an average net worth of \$1.6 billion, found that 86 percent lack a clear succession plan — even though 53 percent of business-owning families name succession as a top issue. These are some of the best-resourced families in the world, with full-time staff whose job is to plan. If the gap persists there, it's worth asking honestly whether it has been closed anywhere else.

Closer to home, Prof. Enrique Soriano of the Wong + Bernstein Group, who has spent a career advising Philippine family enterprises, paints a stark local picture: by his estimate, 87 percent of family businesses in the Philippines fail after the second generation, and only 3 percent survive into the third. Read that as a seasoned practitioner's warning rather than a measured rate — it comes from an interview, not a published study. But his diagnosis holds up whatever the exact figure: he calls succession "an epidemic we don't talk about."

I want to be precise about what these numbers actually mean, because it's easy to misread them as an indictment of families. They're not. They say the quiet part out loud: the problem is rarely any one person in the family. It's the structure around all of them. When "is she ready" gets asked as a yes-or-no question about one person, instead of a structural question about the company, families get the wrong answer to the wrong question — and the relationship absorbs the damage that a missing governance framework should have absorbed instead.



Why the Standard Playbook Underperforms Here

There is no shortage of succession-planning literature or theory. Most of it comes from Western corporate governance traditions that treat succession as a project-management problem: build the plan, document the criteria, execute the timeline.

For family-governed companies in the Philippines, that's the bare minimum. Local research on succession leads right back to the questions in my inbox: what makes a succession go smoothly here has less to do with the rigor and formality of the plan, and more to do with whether the process stays faithful to the family's own values as it unfolds. A technically perfect governance framework that ignores how a family actually communicates, defers, and resolves conflict will get adopted on paper and abandoned in practice the first time it's tested.

The most widely cited research on family wealth transitions points the same way. In their study of 3,250 families, Roy Williams and Vic Preisser found that fewer than 3 percent of failed transitions traced back to poor legal, tax, or investment

planning. Roughly 60 percent came down to a breakdown of trust and communication inside the family, and another 25 percent to heirs who hadn't been prepared. The documents were rarely the problem. The family's ability to live inside them was.

That's precisely what a governance layer is for. A defined process — criteria agreed in advance, a regular agenda, an outside voice in the room — moves the hardest conversations from the dinner table to the boardroom. There, "not yet" becomes a finding against criteria everyone agreed to, not an incumbent's verdict on the person standing next in line. The governance structure takes the weight the family relationship was never meant to carry.

The global family office world is arriving at the same conclusion from the other direction: the IMD-Family Business Network Global Family Office Report, drawing on 186 family principals across 41 countries, describes family offices evolving from custodians of wealth into platforms for continuity across generations.

Malasakit may sound like a soft word. It isn't. This is where it shows its real strength. The families who get succession right aren't the ones who imported the most sophisticated framework. They're the ones who built a framework strong enough to bring out the best in their family: its intelligence, its quirks, its personality. I've watched this play out firsthand, facilitating alignment on values across generations

of a family-governed enterprise: the non-negotiables held because the family helped define them, not because they were handed down.

Real malasakit doesn't protect a successor from heartbreak by avoiding the conversation. It invests in them long enough, and structurally enough, to create the conditions where "not yet" can be received with trust — clearly about the runway, never about them. That means the plan has to be real: milestones, mentorship, and a genuine path. Not a stalling tactic dressed up as development.

Rigor and relationship, held together rather than traded off against each other: that's the synthesis this paper is built around.





The Framework: Two Readiness Tracks



Nearly every succession question that reached me this quarter turned on the same move: separating two questions that families collapse into one. Collapsing them is what turns a structured conversation into an impossible one.

Track A – Individual Readiness. This is a development question. Capability, judgment under pressure, decision-making experience. It has a timeline you can actually design: specific roles owned end to end, specific metrics reviewed on a fixed schedule, specific decisions the successor is accountable for – not just present for.



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Track B – Institutional Readiness. This is a governance question. It faces two directions, and it rests on a foundation most families never inspect.

Inward: is there a documented, board-adopted definition of what "ready to lead" means in this specific company – not vibes, not birth order? Is there a body, with at least one voice from outside the family, positioned to evaluate that objectively, separate from the emotional weight of the parent-child relationship?

Outward: will the people the business depends on follow the successor – the senior team who didn't grow up at the dinner table, the bank, the key clients whose loyalty runs to the current leader personally? That isn't something a successor can earn alone. It's something the company has to transfer deliberately, relationship by relationship.

Underneath both: can the company prove what it owns and what it has decided? Titles, share certificates, board resolutions, regulatory filings – in many family-governed companies, the only complete map of these lives in one person's head, often a long-serving gatekeeper rather than the founder. J.P. Morgan's 2026 report names overreliance on a single individual among the most commonly cited risks to a family office's continuity. A successor can be fully ready and fully trusted and still inherit a company no one can fully locate.



Most family-governed companies have built little of Track B. So "not ready" ends up sounding like a verdict on the person, when it's often an admission that the company has yet to put in place the structure to judge them fairly, the bridges to hand them the relationships it runs on, or the records to hand them the company itself.

A short diagnostic you can run against your own company right now:

1. Does a documented set of leadership-readiness criteria exist, independent of family relationship?
2. Is there a body – board, advisory council, independent director – positioned to evaluate a successor objectively?
3. Does the presumptive successor currently own any decision end to end, with real authority to fail?
4. Is there a written timeline with milestones, not just an informal expectation?

5. Have the relationships the business runs on — senior team, lenders, key clients — been deliberately introduced to the successor?
6. Has "not yet" ever been said out loud, with a plan attached, rather than left unspoken?
7. If the current leader were unreachable for six months starting tomorrow, is there a documented answer to who decides what?
8. If the one person who knows where the titles, share certificates, and board resolutions are kept left tomorrow, could anyone else find them?

If you answered no to more than two of these, you don't have a succession plan. You have a hope.

This framework scales in both directions, which is exactly why I lead this paper with the economic argument. The two-track structure works identically for a single-location family retail business and for a listed holding company — the size of the company changes; the shape of the governance gap does not.





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What Getting It Right Looks Like



What follows is an illustrative scenario, not a client story — but it's built from the pattern the questions in my inbox keep describing.

Picture a second-generation manufacturing company, family-run since the founder's era. The eldest daughter, mid-twenties, is ready by every informal measure the family can name, but there's no structure to evaluate her against anything more objective than her father's confidence in her.



Instead of answering "is she ready" directly, the family builds the plan: an 18-month sequence in which she owns three specific operational decisions end to end, reviewed quarterly by a small advisory board that includes one non-family voice. Alongside it runs a deliberate handover of the relationships the business runs on — introductions to the company's bank, its largest accounts, and the senior managers who've reported to her father for twenty years.

And underneath both, the quieter work: the company's titles, corporate records, and resolutions are gathered, brought current, and put somewhere more durable than one long-serving employee's memory — so that what she eventually inherits is a documented company, not an oral history.

"Not yet, but here's exactly what changes that" replaces "we'll see." Handled this way, the relationship doesn't just survive the transition — it becomes the thing that makes the transition credible to everyone up and down the company watching how it's handled.

That's the difference a framework makes. Not a verdict. A shared project with a visible finish line.

The Cost of Waiting

You'll hear one number quoted everywhere: 70 percent of wealthy families lose their wealth by the second generation, 90 percent by the third. I'd hold it loosely. Family wealth consultant Dr. James Grubman has traced the statistic back to a 1987 study of 200 Illinois manufacturing firms — a thin basis for a global rule about family wealth. And he's noticed something more useful than the correction itself: parents who believe the curse tend to shield their heirs from real decisions, and the unprepared heir then becomes the proof. The curse isn't fate. It's what happens when there's no structure to prepare the next generation.

The case for urgency doesn't need the myth. It's already in this paper: fewer than one in five Philippine high-net-worth families with a full succession plan, 86 percent of the world's family offices without a clear one, and a sector representing roughly 80 percent of this country's businesses heading into transitions it hasn't structured for. That isn't individual family loss. It's a slow, quiet erosion of employment, market stability, and intergenerational capital at a scale that should concern anyone thinking about this country's economic resilience — not just the families directly affected.



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Succession planning isn't a someday conversation. It's an infrastructure decision with a closing window, and the data says most families are running out that window without noticing.

Where This Shows Up

This is where eCSI does its quietest and most consequential work: building the structure that makes a transition governable before anyone has to test it. That means board and advisory-council formation, the decision records and resolutions that establish who decides what, the consolidated corporate records and filings that keep institutional memory from living in one person's head, and the compliance backbone that makes a transition defensible to an investor or a regulator, not just comfortable to the family.

At eCSI, *malasakit* is how we work, not how we talk. It means one accountable owner on every engagement, never a rotating cast. Records kept as if the next generation will need them tomorrow, because one day they will. And hard news delivered early, with the way through already attached.

Often, the harder work is the conversation itself: getting a founder, a successor, and the family around them to share one definition of "ready" and one answer to who judges it. That's the kind of conversation I've spent two decades designing and

facilitating: building alignment among people with competing stakes and shared history, long before it was governance.

And we don't call a transition "governed" until the structure behind it is documented and working, and I'm the one who puts my name to that. When we say "governed," we mean it will hold when it's tested, not just look orderly on paper.

Every family enterprise begins small: two employees, a single machine, a name on the door — and one or two people's act of faith and hope for the generations after them. Succession is the moment that faith has to become sturdier than its founders, and that hope has to take root in something practical enough to repeat, generation after generation — not because the founders are replaceable, but because what they built deserves to outlast them.

Ready, but not ready isn't a verdict. It's an invitation: to build the structure that lets the answer, one day, simply be *ready*.

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- The scenario in Section 5 is illustrative; no client or company is depicted.

Facing a succession, next-gen, or family governance question of your own? Reply to any edition of Answering My Inbox – it might be next quarter's paper.

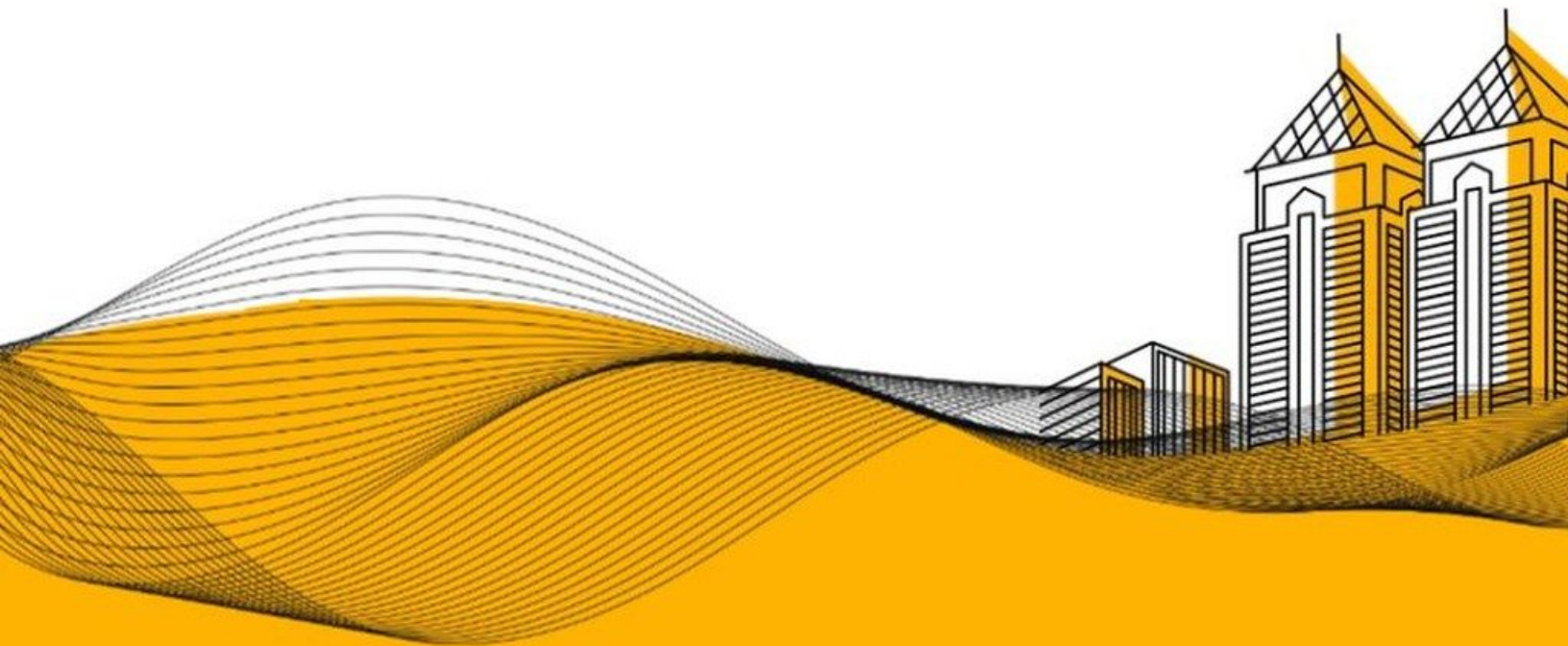


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