BSG
BALKHI STRATEGY GROUP

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Pakistan Institute of Corporate Governance

IBA CEE

From Control to Institutional Continuity: ELEVATING FAMILY BUSINESS GOVERNANCE

Second Roundtable

Family Business Roundtable Series

July 2026

Research, Survey & Report, BSG Leadership with **PICG, IBA CEE**

FAMILY BUSINESS | CONTROL TO INSTITUTIONAL CONTINUITY

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Executive Summary Of Our Second Roundtable

Family business thrives when decisions sit in the 'right room'. Business falters when ownership, family, management, governance conversations happen in the same room, with the same people, using the same emotional register.

On July 7, 2026, BSG Leadership, PICG and IBA convened the second roundtable in our Family Business series. Co-facilitated by Naveen Balkhi, Director | BSG Leadership; Shafaq Fauzil Azim. CEO | PICG; Adeel Shahid, Head, Family Business | IBA-CEE. The discussion highlighted that strong governance is essential for family businesses to protect their legacy across generations. Speakers emphasized that effective governance strengthens leadership, enhances accountability, supports business continuity, and provides a strategic advantage by building stakeholder trust, improving decision-making, and enabling sustainable, long-term growth.

50+ participants joined, spanning 1st- to 4th-generation family leaders, governance professionals, lawyers, advisors, and independent directors across manufacturing, legal, finance, insurance and advisory sectors. We appreciate the substantive discussion and questions.

Poorly managed CEO succession can potentially wipe out

$1 trillion

in market value per year.

McKinsey & Company, Passing the Baton: Creating Value Through CEO Succession at Family Businesses

This session built on the **January 2026** roundtable on succession and legacy. This report translates the ***Four-Room Model*** into governance actions family enterprises can apply directly.

Next Up: ***Women in Family Enterprise Leadership*, August 11, 2026** roundtable on the evolving role of daughters and female family members in succession and sustaining legacy. Register with: director@bsgleadership.com

Research: Evidence-Based Family Business Trends

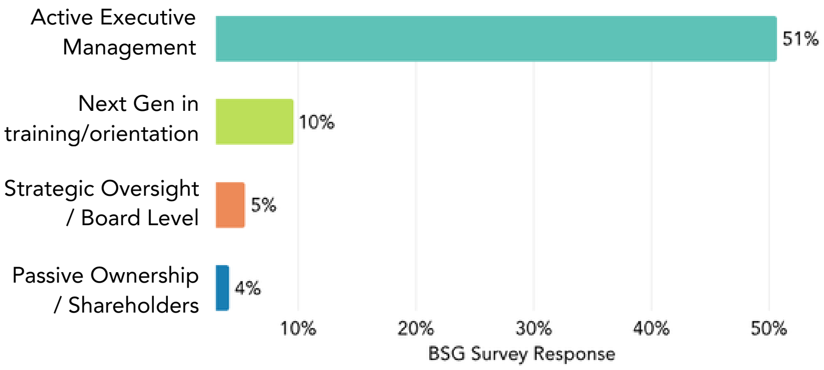
Insights Were Drawn From Three Sources:

- **Pre-Session Diagnostic Survey:**
  Governance maturity, board effectiveness, next-gen development

- **Participant Discussion**:
  Live perspectives from enterprises at different transition stage

- **Global and Regional Benchmarks & Frameworks:**
  Research to contextualize relevant patterns

Family Role Distribution



51% occupy active executive roles. Only **4%** sit in board or oversight roles - indicative of underdeveloped governance capability relative to operational strength.

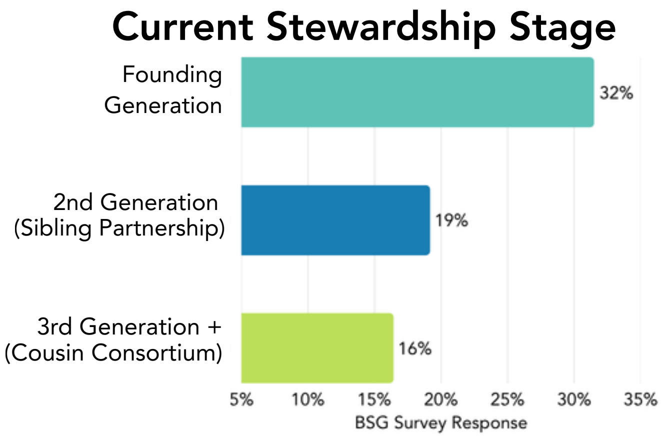
Findings reflect aggregated responses and discussion themes meant to highlight common governance challenges and considerations, not individual organizations.

Key Findings: Seven Patterns of Friction

Seven recurring themes emerged from the survey and participant discussion. Together, they highlight the governance and continuity challenges most commonly facing family enterprises today.

Fewer than 30% of family- and founder-owned businesses around the world survive to the third generation.

McKinsey & Company



Respondents represented enterprises across founding, second, and later generations, confirming that succession and continuity remain relevant regardless of business maturity.

3.1 Friction: Conflict Is On Structure, Not Values

Enterprises rarely fracture over differing values. It happens when ownership, governance, management, and family matters are debated in same rooms. Structural separation is important to maintain unity.

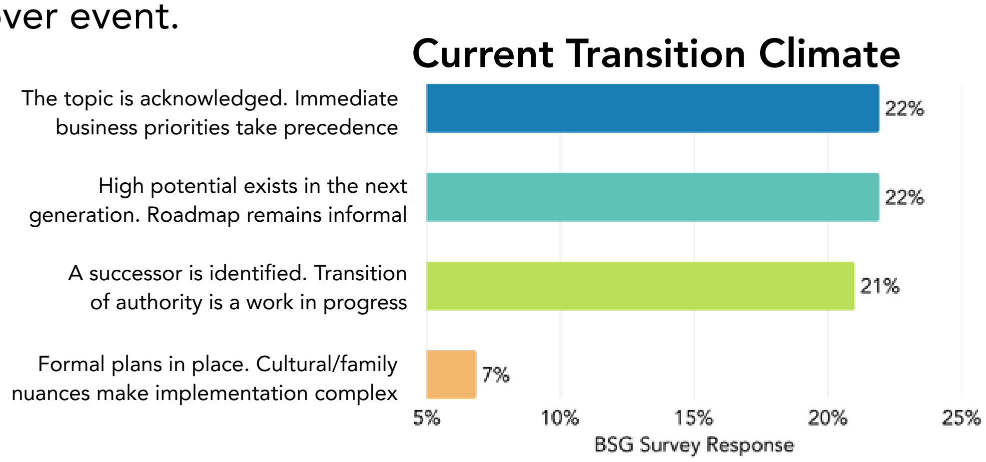
3.2 Friction: Titles Precede Authority

Successors reported receiving titles before real decision rights granted. Leaders shared how authority transfer worked best as a gradual process, tested with real decisions, rather than a single handover event.

3.3 Friction: Judgment Transferred Overnight

Ownership transfers with a signature. Judgment is earned over years. Families often start succession too late, once the leader is already stepping back. Enterprises have acknowledged the need for succession, but formal transition pathways remain limited.

22% describe succession as acknowledged but secondary to business priorities. Only 7% report formal plans in place. Awareness is ahead of execution.



3.4 Friction: Governance Is Still Signature Machine, Not Institutional DNA

Facilitators and participants shared that some family business boards only ratify decisions. The strategic effectiveness of boards who genuinely exercise oversight is visible, versus those who simply endorse decisions already made by founders or senior family members.

Leaders questioned whether boards ultimately serve the founder, the family, or the institution itself, and what stands in the way of stronger corporate governance more broadly.

The need for clear governance roles and accountability mechanisms was reinforced by leaders. Governance can hold shared standards of conduct while balancing diverse perspectives across generations, education levels and risk appetites. Many enterprises have begun building governance structures. The next step is moving from bodies that exist to processes that shape decisions.

CEO succession is 8-to-15 year journey. Most families don't start early enough.

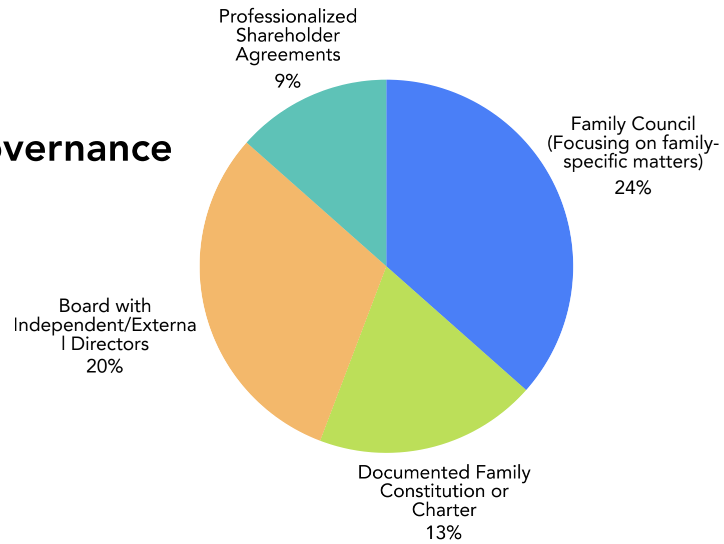
McKinsey & Company

Average shareholder value fell 5.7% in the five years after the transition, compared with the five years before

McKinsey & Company

Key Findings: Seven Patterns Of Friction Continued

Current Governance Maturity



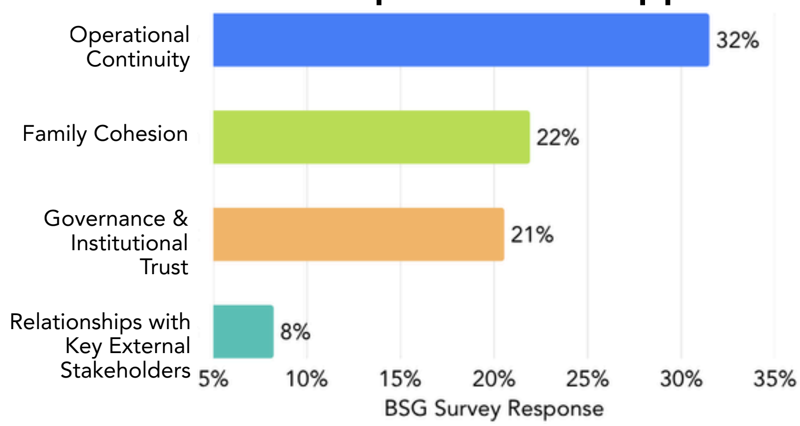
3.5 Sudden Transitions Expose Weak Foundations

Institutions reported that their strengths were revealed when leadership changes suddenly. Businesses built around one person's relationships, not documented systems, carried the highest risk and exposure in finances and operations. Planned transitions buy time to close gaps. Sudden ones don't.

24% of businesses have Family Councils. **Independent** Boards follow at **20%**, yet a documented Family Constitution trails at just **13%**. This gap indicates why leaders questioned whether boards answer to the founder or the institution: Without a written constitution, authority defaults to whoever holds influence, not to a defined process.

The highest risks are operational continuity 32%, family cohesion, 22%. The same shock that disrupts the business also tests the relationships holding it together. Both need protection.

If Leadership Changes Suddenly, What Requires Most Support



One of the discussion points raised: What becomes of the founders' values once s/he is no longer present to enforce them? Values endure not through memory, but through governance practice, documented principle, and deliberate leadership development.

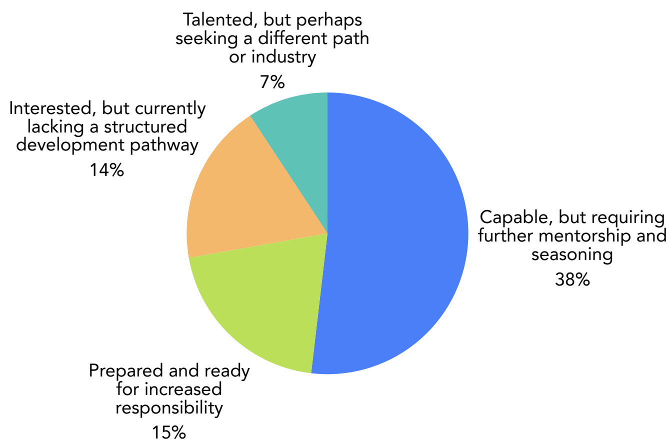
3.6 Friction: When Readiness Is Assumed, Not Built

Participants shared that preparing the next generation worked best when treated as leadership responsibility, not judgment made at transition.

Seeking external expert support without it indicating a weakness of the founder was also discussed. Framed as support, or competitive edge it is more likely to be welcomed. However, it's often resisted, regardless of merit.

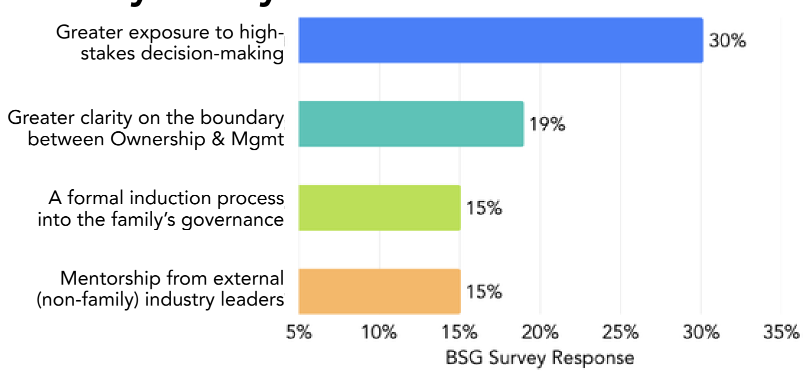
Readiness follows the same logic: Built through deliberate development and structured exposure, not assumed at the point of transition.

Next-Gen Is Best Described As



38% said next-gen is capable but needs mentorship - double any other response. Potential is present. Structured grooming seems missing.

Primary Catalyst Needed for Next-Gen Readiness



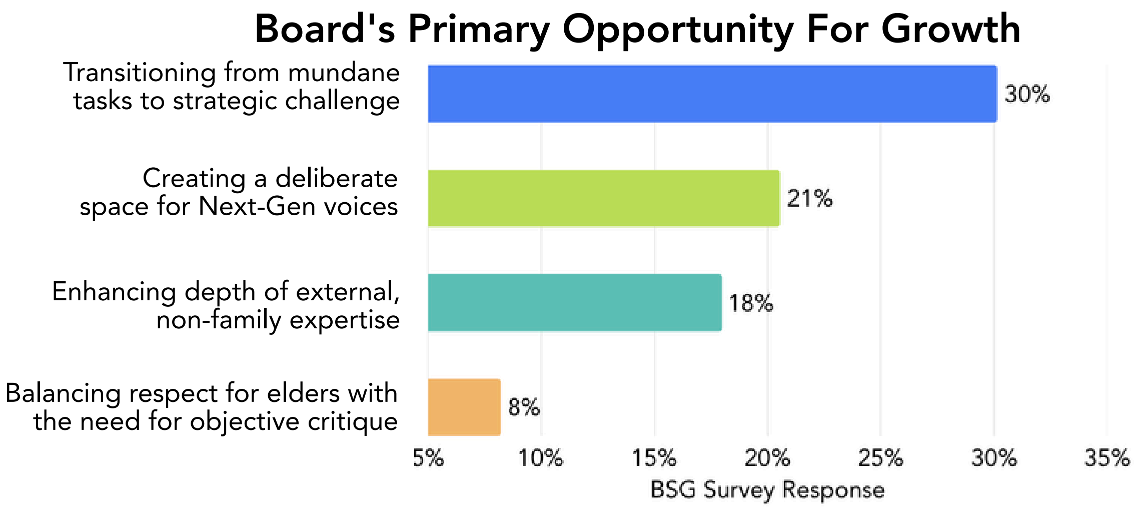
Key Findings: Seven Patterns Of Friction Wrap-Up

3.7 Friction: Move The Room Faster From Why To How

The discussion wrapped-up with moving from principle to practice. Leaders asked how governance models are applied day to day, and how institutions such as BSG Leadership, PICG and IBA can support implementation through succession and governance transitions. This led to a deeper dive on the 4-Room framework shared next.

Only 34% of family businesses have a robust, documented, and communicated succession plan in place

PwC Family Business Survey



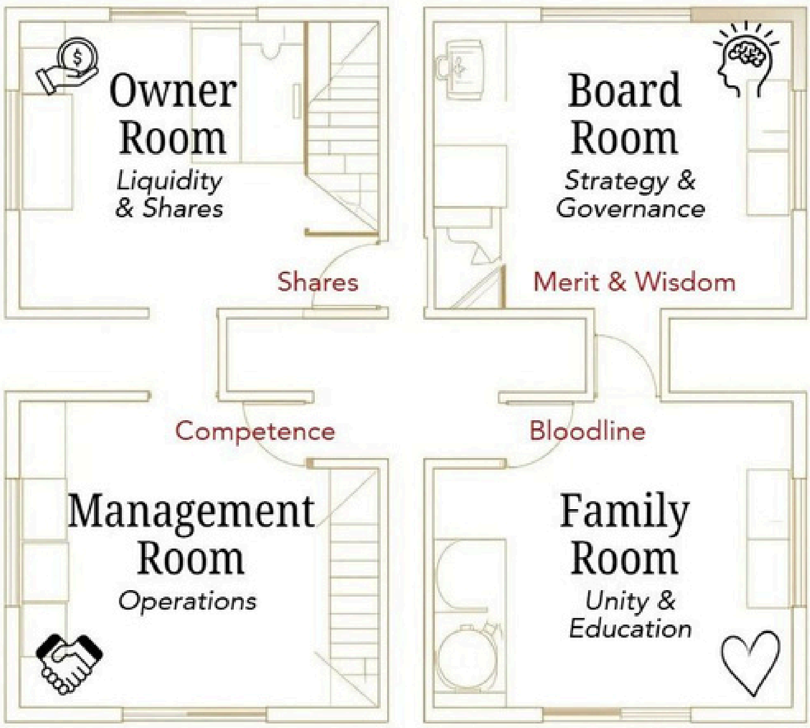
Boards in family business are increasingly expected to challenge, guide, and prepare future leaders, not simply oversee current operations.

Strategic Framework Highlight

4.1 The Four-Room Model For Successful Family Business

This powerful, yet simple, blueprint for governance assigns different conversations to different rooms. It translates abstract governance principles into lived behavior.

- **The Family Room - Heart:**
  Values, unity, education. Governed by **Bloodline**
- **The Board Room - Head:**
  Strategy, risk, ROI. Governed by **Wisdom & Merit**
- **The Management Room - Hands:**
  Operations, execution. Governed by **Competence**
- **The Owner Room - Shares:**
  Liquidity, shareholder returns

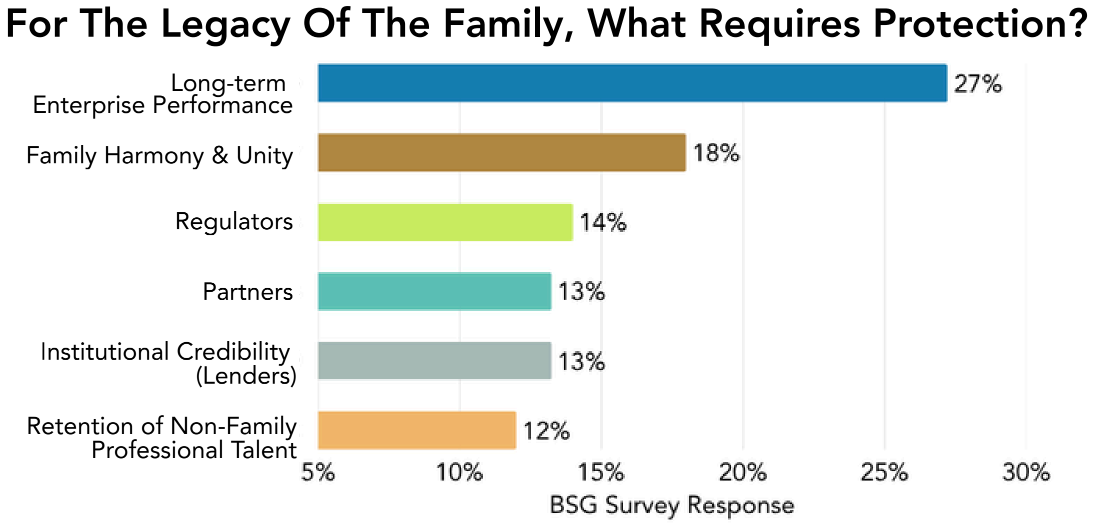


HBR Four Rooms, Baron & Lachenauer

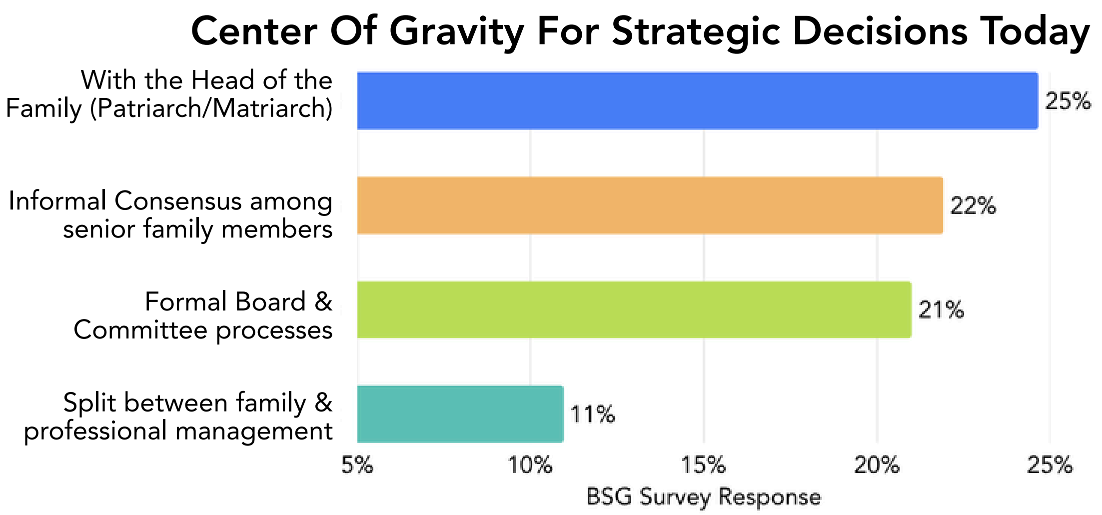
Many boardroom tensions originate outside the boardroom. The model provides a shared language for separating family, ownership, governance, and management conversations before they become governance or family unity problems.

Strategic Framework: The Four-Room Model

Many boardroom tensions originate outside the boardroom. The model provides a shared language for separating family, ownership, governance, and management conversations before they become governance problems.



Enterprise performance and family unity were rarely chosen alone, reflecting how tightly the two are bound in respondents' own thinking.



Authority still sits primarily with the head of the family, in line with the founder's shadow raised at the roundtable discussion.

Recommendations: From Insight To Action

4.2 Implementation: Moving From Concept To Practice

i. Identify Role Overlap:

Clarify when individuals are acting as family members, owners, directors, or executives

ii. Build The Missing Rooms:

Establish dedicated forums for Family Room and Owner Room discussions

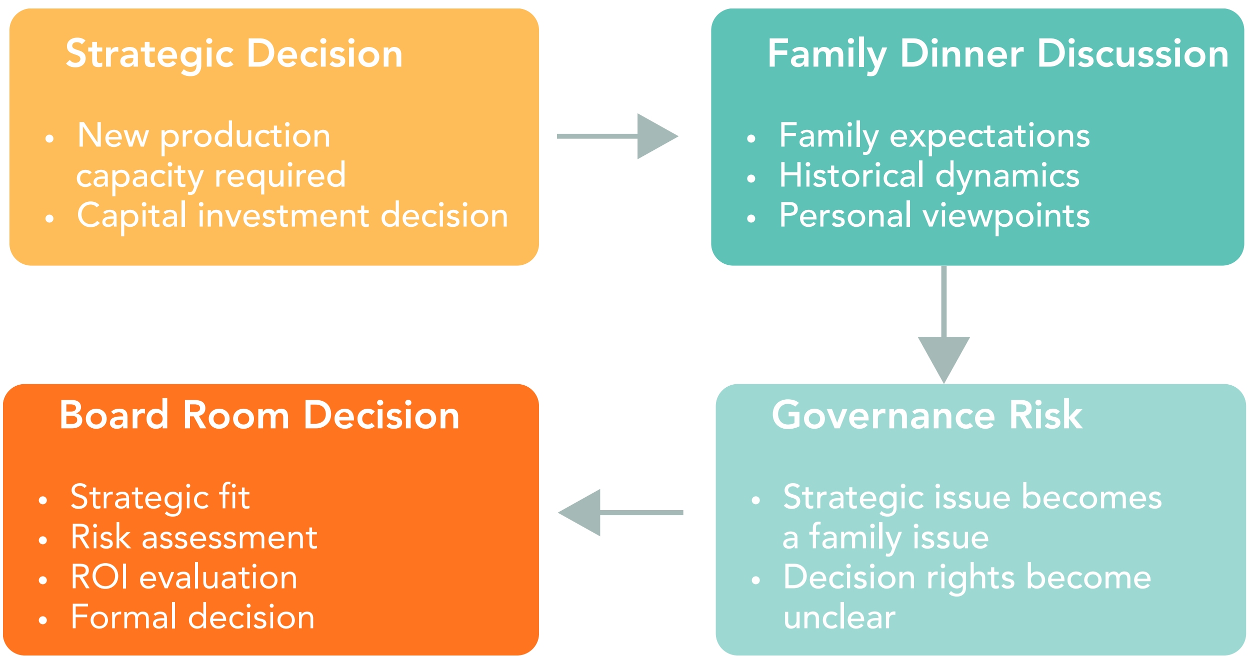
iii. Separate Authority From Affection:

Assign governance and management responsibilities based on capability, not lineage

iv. Move Decisions Before Solving Them:

Ensure discussions take place in the appropriate room before decisions are made

Illustrative Example: Moving Decisions To The Right Rooms



Recommendations: From Insight to Action

5.1 Identify Your Missing Rooms To Avoid Predictable Tensions

Most family enterprises operate a Board Room and Management Room. The Family Room and Owner Room are often missing.

Action:

- Establish a Family Council
- Establish an Owner Forum
- Consistent recurring cadence

5.2 Transfer Decisions, Not Just Titles

Leadership capability is built on decisions, not designations.

Action:

- Involve successors in high-stakes decisions
- Transfer authority before titles
- Measure readiness through responsibility

5.3 Create Board Cultures That Challenge Views

Boards' value lies in judgment, not endorsement.

Action:

- Add influential independent voices
- Encourage constructive challenge
- Evaluate boards on debate,
- not approvals

5.4 Succession Plan - Spotting Potential Isn't Enough

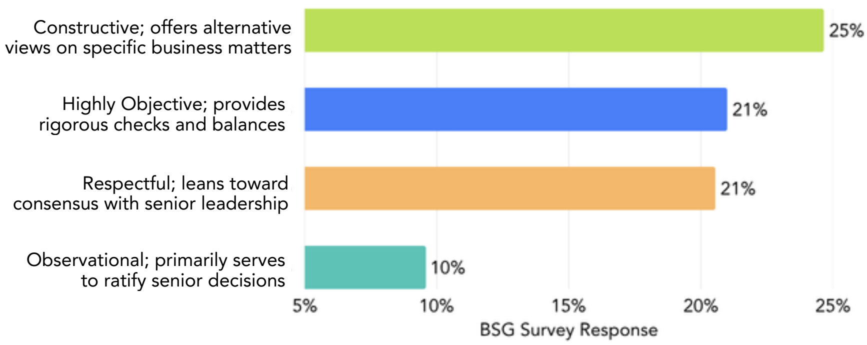
Next-generation readiness requires structure, not assumption.

Action:

- Formal leadership development
- Provide governance exposure
- Pair successors with mentors

Most respondents reported constructive board dialogue, though genuinely independent counsel remains a work-in-progress.

Board's Ability For Independent Counsel To Family Leadership



Conclusion: Discipline In Continuity

Family enterprise does not falter for lack of intent. But when continuity depends on individuals versus institutions. The discussion reinforced a central challenge: Build next-gen readiness and institutional continuity.

Sustainable continuity depends not only on structure, but on the discipline to apply it consistently across generations.

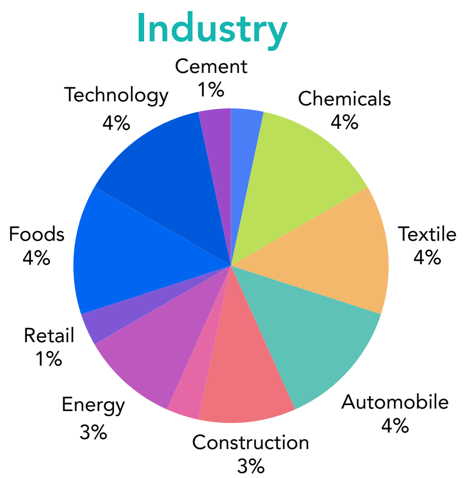
Our series continues in August 2026 with a roundtable on *Women in Family Enterprise Leadership*, focusing on wives, daughters and daughters-in-law and next-gen women in succession and governance.

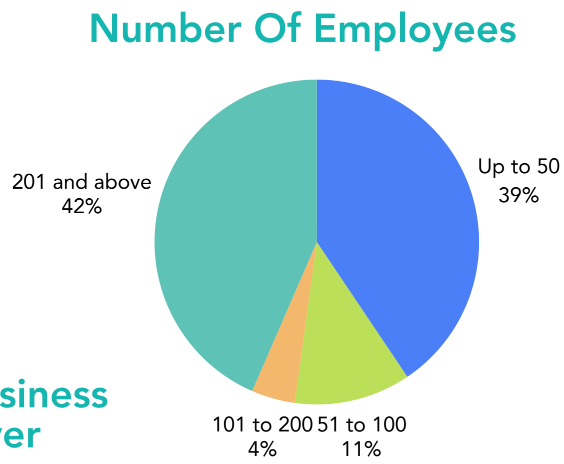
Family businesses succeed by turning rapid decisions into consistent, disciplined operating models.

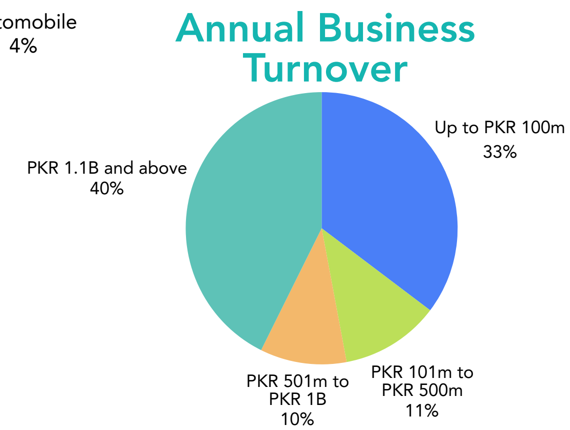
PwC, 12th Global Family Business Survey

Your Voices: Additional Survey Snapshots

Pre-roundtable insights captured in this report reflect nuanced dynamics of diverse, multi-generational enterprises. Insights are anonymized and aggregated to facilitate dialogue on institutionalizing family legacies.







About BSG Leadership

BSG: 21 years, g.local in 17 countries, transformative impact with 175+ orgs

Board, leadership and transformation advisory, training, executive coaching firm

We partner with leaders in 200+ cities to build governance, resilience, succession-ready cultures for companies, nonprofits, ministries, family offices, youth, academia: eg Chevron, OMV, IFC, Engro, Progressive Group, National Foods, Indus Hospital, The Lyceum, UEF, Tapal, Dalda, Kiran Foundation, Meezan Bank, Coca-Cola

We have contributed to GCC organizations (Mubadala, ADEK Abu Dhabi Education Ministry, Ashghal in Qatar). 525+ thought-leadership articles globally published, winning awards from CNN, Forbes, Newsweek, leading academic journals

Our Directors serve on diverse boards & executive faculty at NYU Abu Dhabi, University of Calgary, amongst other institutions. Our Youth Legacy.Matters programs create future presidents

We serve across five integrated verticals: i) Board Advisory & Assessment, ii) Women's & Youth Leadership & Development, iii) Sustainability, ESG, CSR iv) Leadership, Executive Coaching & Change and v) Wellness, Health & Transformation

We solutioneer to solve g.local challenges.

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About PICG

The Pakistan Institute of Corporate Governance (PICG) is the country's premier institution set up in 2004 as a not-for-profit company committed to the cause of promoting good corporate governance practices in the country. For over 21 years, PICG has played a leading role in strengthening governance standards by developing competent directors, effective boards, and responsible leadership across the public, private, and not-for-profit sectors.

Through its flagship Director Training Program, executive education, board evaluations, governance and ESG advisory, research, surveys, and policy advocacy, PICG equips boards and senior executives to navigate an evolving governance landscape. Today, with a membership of 146 corporate and individual members and a network of over 2,600 certified directors, PICG continues to foster a strong governance ecosystem that advances ethical leadership, board effectiveness, and sustainable value creation in Pakistan.

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About IBA-CEE

For over 20 years, IBA Karachi's Center for Executive Education (CEE) has been empowering professionals and organizations across Pakistan's private, public, and non-profit sectors through targeted programs that translate learning into tangible results.

CEE offers a comprehensive suite of leadership and governance programs, including the Corporate Governance Portfolio, Directors' Training Programs, board workshops, ESG Boardroom sessions, and independent Board Evaluation Services aligned with SECP and SBP.

In December 2025, IBA-CEE became a full member of UNICON, a global network of 125+ top executive education institutions, connecting Pakistani leadership with world-class expertise and international best practices.

CEE has partnered with multinational corporations, SMEs, government departments, defense institutions, and public-sector bodies across Pakistan.

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We invite boards, founders, next-gen leaders & governance experts to continue this important conversation with any of us.

You'll also find our collective tools including the BSG Family Board Governance Scorecard or PICG Assessment - simple yet powerful.