

## **Re-energising Governance Frameworks to Tap New Market Opportunities in 2026 and Beyond**

### **Speech at the Hong Kong Chartered Governance Institute's Annual Celebration Cocktail Reception 2026**

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Good evening, distinguished guests, Council members, fellow practitioners, ladies and gentlemen.

It is a great honour to stand before you this evening as the recipient of the Hong Kong Chartered Governance Institute (HKCGI) Prize Award. I would like to express my sincere gratitude to HKCGI for this recognition, and for its steadfast commitment to advancing the principles and practice of good governance in Hong Kong and beyond.

Let me begin with a heartfelt congratulation to HKCGI's newly elected Council members, led by President Tom Chau. This is a showcase of good succession planning in action. Twenty-seven past presidents before Tom! I have every confidence that, under your dedicated leadership, HKCGI will soar to new heights, championing governance excellence — built on a rock-solid foundation laid over more than seven remarkable decades.

As we step into 2026 — a year marked by geopolitical shifts, technological disruption and demographic transitions — the question before us is how to re-energise governance frameworks to tap new market opportunities. In reflecting on this, one theme stands out for me: succession. Not just CEO succession, but holistic, long-term succession planning that permeates every layer of an organisation.

From experience, I have observed that when governance fails, it is rarely due to missing policies. Many struggling organisations had well-structured frameworks on paper. What they lacked were the right leaders to breathe life into those policies and systems to ensure leadership capacity endures beyond the current generation. Good governance is a lived discipline that depends on people.

#### **Governance gap and role of succession**

The gap between documented and practised governance lies in leadership continuity. Too often, organisations treat succession as an event — a vacancy appointment — rather than a process: a long-term, structured effort to renew leadership. However, succession is about the continuity of stewardship across the entire leadership system: board, chair, committees, senior management. It is a core governance process, not a peripheral HR exercise.

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**Note:** This is the text of the speech as drafted, which may differ from the delivered version.

## **Stakes of deferred succession**

The stakes of deferred succession are high. Poorly managed leadership transitions bring annual losses approaching US\$1 trillion in market value among S&P1500 firms; they erode stakeholder trust and dampen performance. In today's fast-evolving markets — where aging demographics meet transformative innovation — we must secure visionary leadership for the long haul, to navigate uncertainty and harness technologies like artificial intelligence while maintaining governance quality.

## **Evolution and gradual change**

Strong succession is not built overnight. It comes from proactive, long-term nurturing of talent so leadership capability evolves steadily. When treated as a continuous process rather than a last-minute reaction, talent gaps are filled before crises emerge, and disruptive emergency promotions are avoided.

Therefore, succession is a deliberate process of passing the baton to the next generation — those who will uphold our strategic vision, guard our core values and strengthen the governance practices that brought us this far. This gradual development turns governance from a static framework into a living, adaptive system.

## **Strategic selection**

Organisations should not leave succession to chance. Future leaders need three traits that align with where the firm is going:

- Strategic vision: to position the organisation for the long term.
- Adaptability: to lead through volatility, learn quickly and adjust course without losing principles.
- Stakeholder influence: to build trust across investors, regulators, employees and the community.

Different roles call for different emphases. Compliance and operational roles demand institutional memory and stability, whereas innovation and digital transformation roles demand agility, creativity and forward-looking talent. Effective succession matches successors to future context and true role demands, not just past performance.

## **Demographic reality in Hong Kong**

In Hong Kong, signs of an aging society are already visible. Among our largest listed companies, board chairs on average are around their early 60s, and CEOs in their mid-50s. Board directors' average age is in mid-60s. These figures reflect valued experience and continuity. Yet, they also signal a coming wave of natural transitions. Without timely and structured planning, companies risk facing concentrated leadership change, creating instability when continuity and strong governance are most needed.

## **Three pathways to re-energising governance**

Allow me to suggest three practical pathways to re-energise governance:

**First, embed succession into formal governance.** Succession should be woven into board and committee charters, regular board evaluations, and risk and remuneration discussions. Clear oversight and transparent processes signal that leadership continuity is managed responsibly.

**Second, build a culture of mentorship and knowledge transfer.** Effective succession is about knowledge transfer — passing institutional understanding of culture, stakeholder relationships and governance norms to emerging leaders. Structured mentorship, rotations and shared decision-making create genuine competitive advantages: governance continuity translates into stable performance even during transitions.

**Third, institutionalise learning as a governance discipline.** Markets and stakeholder expectations evolve too fast for static competencies. Continuous learning through training, scenario exercises and cross-generational dialogue ensure succession upgrades the organisation's collective capacity, not just replaces individuals.

### **Virtuous cycle: governance and talent**

When succession planning is embedded in governance frameworks, a virtuous cycle emerges: strong governance nurtures exceptional talents, who drive outstanding performance; that performance incentivises stronger governance. This loop is critical to Hong Kong's financial market quality and global investor confidence.

### **Closing: passing the baton**

Ladies and gentlemen, as we celebrate governance excellence this evening, let's ask ourselves: What kind of governance legacy will our generation leave? Will we leave frameworks dependent on exceptional individuals, or institutions with embedded leadership systems that sustain performance long after we have stepped aside?

Governance without succession is a promise without a keeper. Re-energising governance is not about new codes or committees. It is about people: recognising demographic reality, nurturing the next generation today, and treating succession as a fiduciary duty. If done well, the baton pass will strengthen us. Good governance will renew itself — continuously, confidently and responsibly — through those who come after us.

That is the essence of stewardship, and the surest way to tap new market opportunities in 2026 and beyond.

Thank you very much.