

# Malaysian Boards and Directors Preparedness for **COVID-19**

Results of the ICDM Poll themed  
“Impact and Preparedness for COVID-19”





# **#WorkTogether #ChallengingSituation #ICDM**

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Results of the ICDM Poll themed  
“Impact and Preparedness for COVID-19”

The COVID-19 pandemic has impacted the world and businesses globally. Many businesses have started to feel the effects greatly, more so with the recent implementation of the Movement Control Order (MCO) by the Government starting from 18 March 2020.

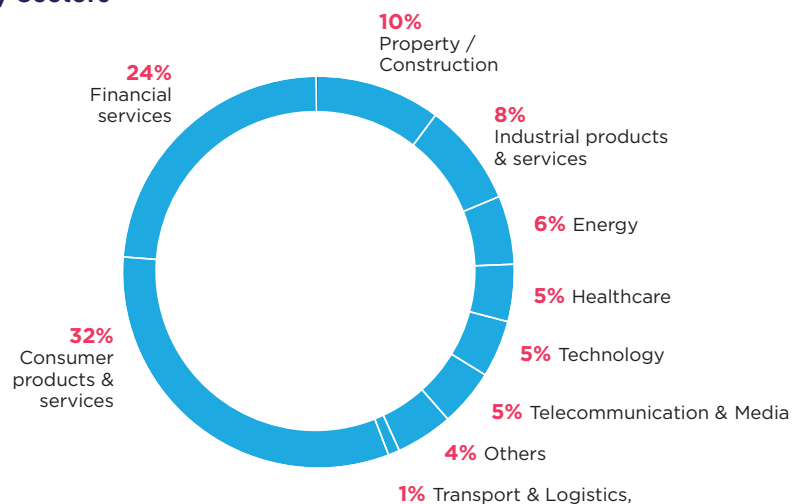
In view of the challenging situation, ICDM conducted a poll from 19 to 23 March amongst the members of the ICDM community to measure the readiness of Malaysian businesses in mitigating the challenges and risks presented by COVID-19, to ensure business continuity, increase employee morale as well as maintain customer trust.

A total of **106 responses** were received over the poll period. Profile of respondents are listed below:

By Designation	%
Chairman	8
Non-Executive Director	22
Executive Director	26
Senior Executive Management	23
Others	21

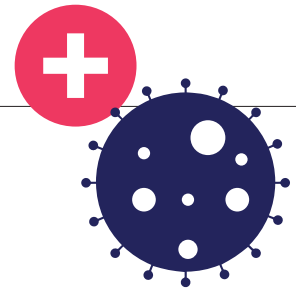
The category for 'Others' include middle management level (50%) and junior executive level (27%), while the other 23% did not specify their designations.

## By Sectors



Others include non-profit organisations and a sovereign wealth fund.

# Analysis & Discussion



## Severity of the impact

Day-to-day operations were not affected much initially, until the MCO was implemented (40%), although 54% of the respondents were already seeing the negative impact of the COVID-19 before the MCO. With the latest announcement on the extension of the MCO, we believe that the impact on businesses will be more severe.

While 6% of the respondents indicated that their operations were positively impacted, none of the respondents saw any positive impact to their bottom lines. Another 17% of the respondents said their bottom lines were not much affected initially until the MCO was implemented, while 26% of them were still unsure of the impact to their bottom lines.

Majority of the respondents (57%) said their bottom lines have been impacted negatively to various degrees:

28%	negatively impacted but are still in the black
15%	suffered net losses of less than 10%
14%	suffered net losses of more than 10%

When we asked how the Malaysian economy will be impacted if this pandemic is prolonged for another two months

**38%** of the respondents predicted the worst outcome – a **depression**      **55%** opined that it will result in a **recession**      **7%** think there will be little to moderate risk

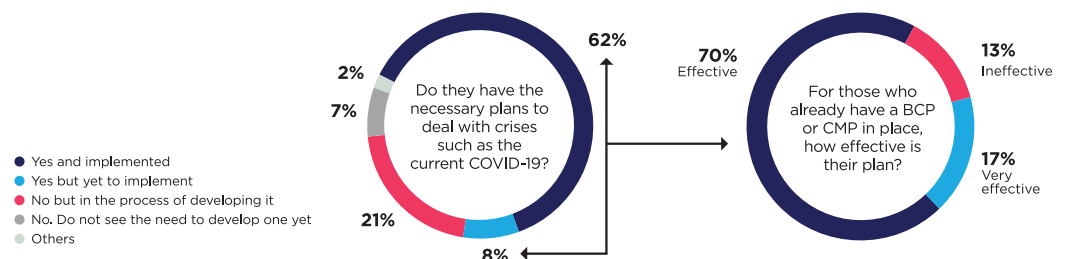
## Countries will be dealing with the economic fallout of the pandemic for years to come

The Organisation for Economic Co-operation and Development (OECD) warned that the shock from the coronavirus outbreak is already bigger than the global financial crisis and that countries will be dealing with the economic fallout of the pandemic for years to come. The economies will either fall into a worldwide recession with no economic growth or negative growth. It warned a **slowdown of global growth to under 2% this year, effectively wiping US\$1 trillion off the value of the world economy.**

Meanwhile, S&P Global Ratings estimated that the total and permanent income loss stemming from the pandemic for Asia-Pacific will be at US\$620 billion. Asia-Pacific's average growth rate will be at 2.7% while its **GDP forecast for Malaysia is revised to 2.7% for 2020 and 6.1% for 2021.** It says, being a trade-reliant country, with trade accounting for 131% of its gross domestic product (GDP) in 2018 according to the World Bank, Malaysia has a minimal chance - if any - of escaping a recession if the world plunges into economic turmoil.

What sets this downturn apart is how rapidly the virus and the economic pain have spread. It remains a wide-open question whether this will become a long-lasting slump or a short-lived flash recession. While the large and well-managed firms could ride through the business cycle, SMEs that are less competitive, overleveraged and have inadequate reserves and working capital would be vulnerable to financial distress. The same goes for households, especially the low-income ones with high debt and insufficient savings.

## Business continuity and preparedness



We are heartened to note that Malaysian businesses are well-prepared for the current COVID-19 crisis, or a similar global pandemic or crisis. Over two-thirds (70%) of the respondents cited that their organisations have a business continuity plan (BCP) or crisis management plan (CMP) in place, with 62% already implementing their plans, while 8% have yet to implement them. Another 21% of the respondents do not have an existing BCP or CMP in place but are in the process of developing a plan as they adhere and adapt to the MCO.

## Analysis & Discussion

### Business continuity and preparedness

Out of those 70% respondents that already have a BCP or CMP in place, 17% felt that their plans are very effective. Meanwhile, 70% felt that their plans only enable them to deal with some of the risks and changes happening now but there are still areas where they are currently improving to adapt to the evolving scenario. The rest (13%) felt that their current plans are inadequate to address the current scenario and there is a need to review and rethink the ways to manage the current situation.

Further analysis shows that organisations with BCP or CMP in place are better prepared in terms of changes in operations and managing their bottom lines before the MCO was implemented, compared to those without a BCP.

As a result of this current experience, **the top four (4) areas that boards are planning to evaluate and improve** on to strengthen their organisations are not surprisingly:



IT Infrastructure and Facilities



Human Resource Management and Policies



Reputation and Crisis Management Planning



Effective Stakeholder Communication

This pandemic has also forced organisations to relook at their **business models** and **product/service offerings**. The respondents note that in times such as this, businesses need to look for new ways to offer their products and services. At ICDM, we too are adapting to the new normal and the team has been working hard to not only modify our standard operating procedures but to also enhance our services and facilities, first by customising the topics and themes to the current needs and by offering virtual training and webinars to boards and directors. We want to continue to support boards and directors by providing relevant tools and knowledge.

### The role of the board in times of crisis

**69%** The role of the board is of the utmost importance in times of crisis. It is commendable that over two-thirds (69%) of respondents concluded that their boards are either **experienced, forward-thinking** and have guided their organisations well, or are **sufficiently experienced** and have guided the organisations in their preparation plans.

**18%** However, 18% of the respondents felt that there was **insufficient expertise** from their board for guidance and preparation.

**13%** While 13% said there was **no guidance** nor emphasis given on such preparations from their board of directors.

This highlights the need for **more upskilling of directors to better guide and execute** their oversight role on boards they sit on.

We also asked the respondents **what skillsets the board of directors should acquire to better deal with similar crises in the future.**





## Analysis & Discussion

### Moving forward

We certainly are living in a VUCA world currently – Volatile, Unpredictable, Complex and Ambiguous. We do not know how long this pandemic will last, but one thing is for sure - the world is highly complex and interconnected. To combat this crisis we need a **global collective effort** from the governments, businesses and societies as a whole.

All businesses are advised to look within your industry and determine what you can do and need to survive, while protecting your staff and business, now that the government has extended the 14-day MCO by another 14 days, to mid-April. You need to **develop a framework to steady the ground and transition people into new ways of working** as well as **readiness from response mode to recovery mode**.

These are the **key steps that business leaders can take:**

- |   |  |
|---|--|
| 5 | Identify potential points of failure                               |
| 1 | Reprioritise your goals  |
| 6 | Communicate effectively not just externally but internally as well |
| 2 | Review your human resource policies                                |
| 7 | Be agile in adapting to the changes                                |
| 3 | Revisit your crisis and continuity plans                           |
| 8 | Don't lose sight of other potential risks                          |
| 4 | Evaluate your supply chain   |
| 9 | Start paving the path to recovery                                  |

Boards may need to **relook at their board strategies and composition in the longer term** to expand their capability to guide management in times of crises in the future. They will need to reconsider the sustainability of their business models, as well as ramp up their preparedness for the unknown and build a culture of trust within the organisation and its stakeholders.

**From the time we received our respondents' feedback till the time of this report, numerous measures have been announced in response to the pandemic**

Last but not least, our respondents have also voiced their concerns and seek understanding from the regulators and relevant authorities to revisit the many reporting requirements they need to abide by currently – whether the less critical reporting could be eliminated or deferred to help ease the burden of businesses during this difficult time. They also felt that the Government and relevant authorities can also help manage the panic and concerns of the people by providing timely, accurate and transparent communications.

This is an all-encompassing nationwide emergency, which has permeated all facets of society. From the time we received our respondents' feedback till the time of this report, numerous measures have been announced in response to the pandemic. The Government has exercised tighter controls to curb unnecessary movement and taken stricter actions on those who defy the MCO so the pandemic can be contained and businesses can be operational again soon. A second Economic Stimulus Package amounting to RM250 billion was also announced on 27 March with the aim to protect the welfare and well-being of the rakyat, support businesses especially the SMEs, and to strengthen the nation's economy.

Bursa Malaysia has also announced additional relief measures to alleviate the impact of COVID-19 on capital market players such as the deferment of the annual general meetings, a rebate of 50% of the annual listing fees to qualified listed issuers, an automatic 1-month extension for issuance of quarterly and annual reports for the Main and ACE Markets, as well as semi-annual and annual audited financial statements for the LEAP Market, that are due on 31 March 2020 and 30 April 2020, and an extension of time to submit regularisation plans for PN17 listed issuers. **The details of these reliefs and a few other measures are listed in ICDM's website.**



#MalaysianEconomy  
#CrisisPreparedness  
#CorporateGovernance  
#BoardCompetencies  
#DirectorUpskilling

## Analysis & Discussion

### Seven (7) Actionable Steps for Malaysian Boards

Boards must lead the way to replace fear with trust amid the COVID-19 uncertainty.

1

#### Communicate Clearly, Frankly and Frequently

Ensure your organisation engages both internal and external stakeholders in conversations promptly to assure them that you are on top of things.

2



#### Do not be afraid to show compassion

It is alright to demonstrate vulnerability and show emotion. We are human after all. Inculcate empathy and humility through genuine actions of support.

3



#### Act quickly and decisively

Reconfigure your team structure, business processes and supply chain to formulate the best response. But be agile to changes.

4



#### Start paving the path to recovery

Think beyond the flattened curve. Be ready to pivot your business model and form a network of alliances to move in concert towards stability and sustainability.

5

#### Do not lose sight of other possible risks

Stay vigilant of unintended consequences and take a broader view of risk. Revisit your crisis and continuity plans regularly.



6



#### Broaden your knowledge and skills

This unprecedented crisis calls for boards to expand their capability to guide management through this difficult time effectively. Relook at your board strategies and composition in the longer term.

7



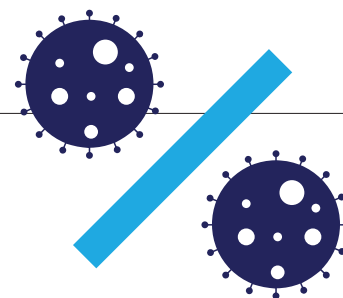
#### Take care of your well-being

Pay attention to your mental and physical health to maintain the ability to stay level-headed and exercise good judgment.

#COVID19  
#CorporateMalaysia  
#MalaysianBoards

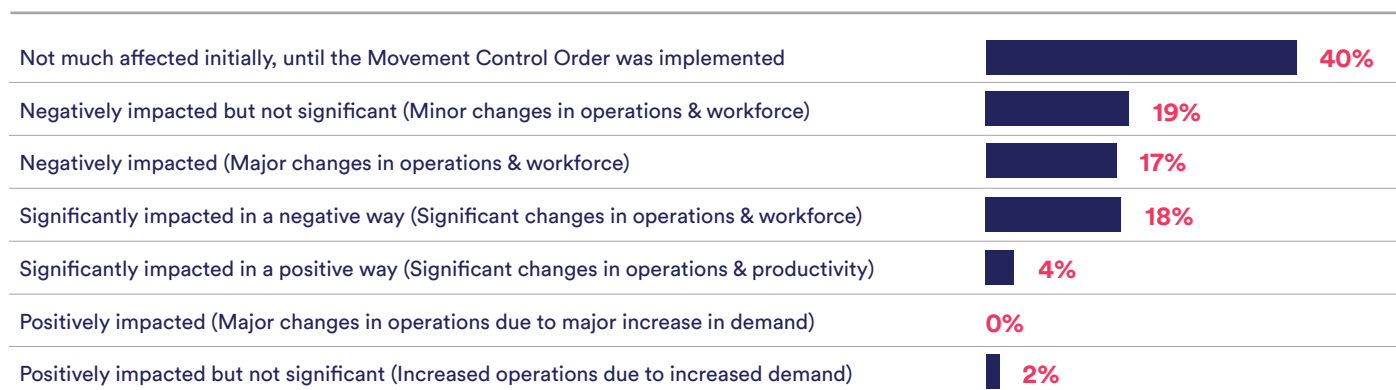
# Poll Results

Note that percentage numbers in graphs/charts may be +/- 100% due to rounding-error.

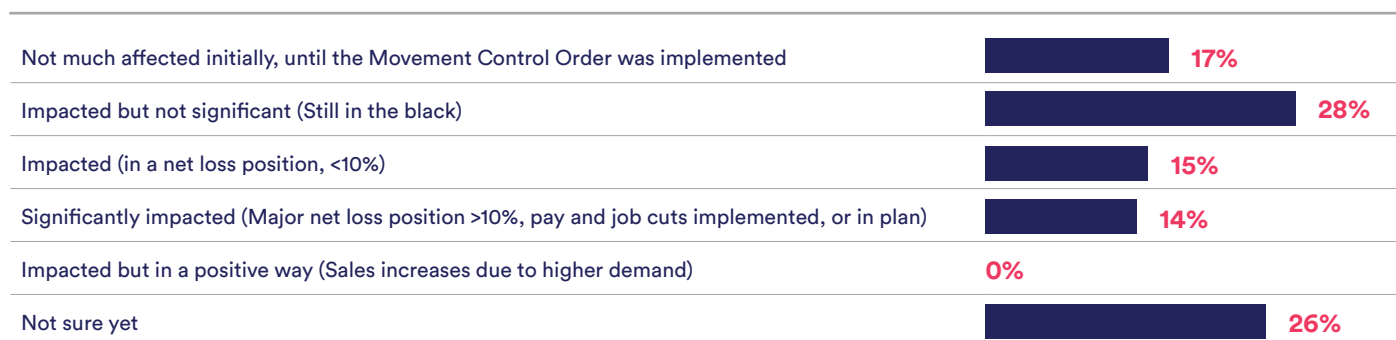


## Severity of the impact

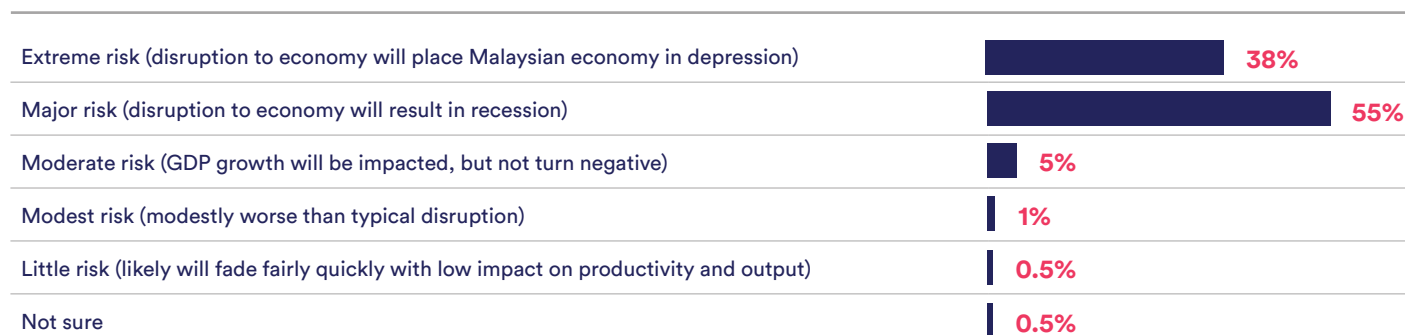
### Q1: How affected are your organisation's day-to-day operations by the COVID-19 pandemic?



### Q2: How affected is your organisation's bottom line by the COVID-19 pandemic?



### Q3: How would you describe the severity of COVID-19 to the Malaysian economy if this pandemic goes on for another two months?





## Poll Results

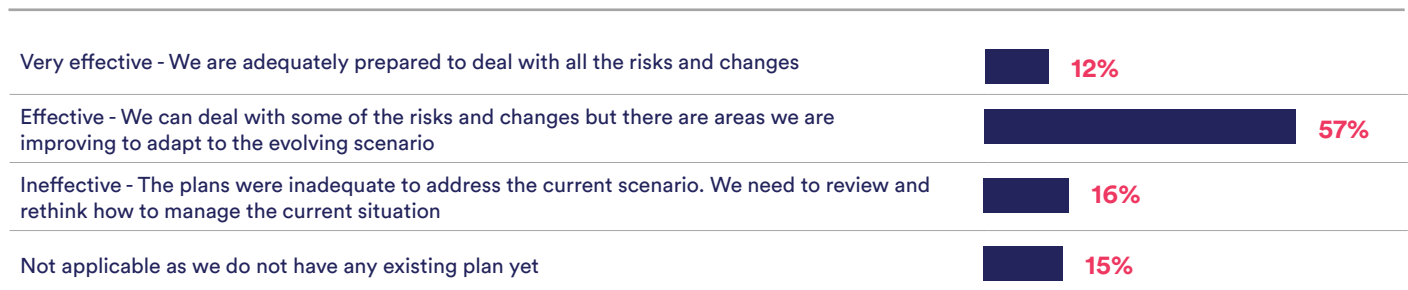
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# Business continuity and preparedness

**Q4: Does your organisation have the necessary plans / strategies in place to deal with or mitigate against the impact of COVID-19, or a similar global pandemic or crisis?**

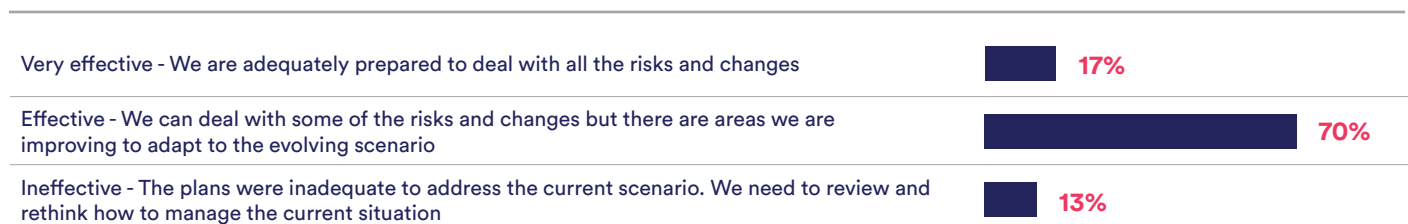


**Q5. In your opinion, were the plans you had in place in preparation for such possible scenarios effective?**



**Further analysis of those who already have a BCP/CMP in place (answered 'yes' in Q4)**

**Whether the plans they've had in place in preparation for such possible scenarios are effective**



## Poll Results

Note that percentage numbers in graphs/charts may be +/- 100% due to rounding-error.

### Business continuity and preparedness

Further analysis of those who already have a BCP/CMP in place (answered 'yes' in Q4)  
and those who do not have a BCP/CMP in place (answered 'no' in Q4)

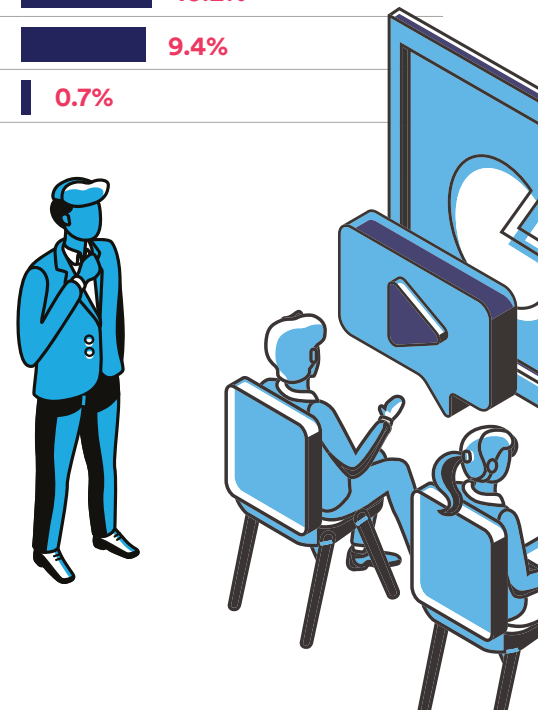
#### How it affects their day-to-day operations and bottom lines

Operations	With BCP	No BCP	Bottom Lines	With BCP	No BCP
Not much affected until MCO was implemented	37%	48%	Not much affected until MCO was implemented	15%	24%
Negatively impacted (not significant)	21%	14%	Impacted but insignificant (still in the black)	31%	24%
Negatively impacted (major)	16%	21%	Impacted (net loss < 10%)	16%	14%
Negatively impacted (significant)	20%	10%	Significantly impacted (net loss > 10%)	11%	21%
Positively impacted	5%	6%	Not sure yet	28%	17%

#### Q6: Which areas are your board of directors planning to evaluate and improve on, as a result of this current experience to strengthen the organisation?

IT infrastructure & facilities	22%
Human resource management & policies	16.5%
Reputation and crisis management planning	15.7%
Effective stakeholder communication	13.3%
Organisation's business model	12.2%
Product/service offerings innovation	10.2%
Supply chain and processes	9.4%
Others	0.7%

**Think beyond** the flattened curve.  
Be ready to pivot your business model and  
form a network of alliances to move in  
concert towards stability and sustainability.

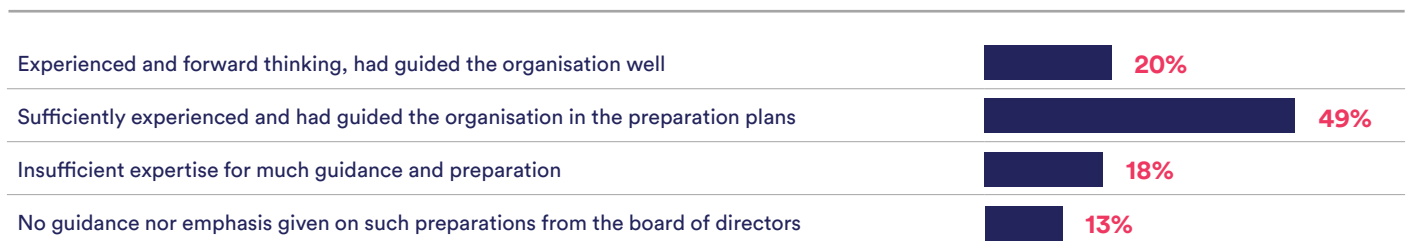


## Poll Results

Note that percentage numbers in graphs/charts may be +/- 100% due to rounding-error.

# The role of the board in times of crisis

**Q7: How experienced are your board of directors in guiding your organisation to prepare and deal with a crisis such as this global pandemic?**



**Q8. In your opinion, what skillsets should the board of directors have to better deal with such crisis in the future?**



This unprecedented crisis calls for boards to expand their **capability to guide management through this difficult time effectively**. Relook at your board strategies and composition in the longer term.





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## Why ICDM

ICDM is the only institute of directors in Malaysia that is recognised and supported by the key regulators. Spearheaded by the Securities Commission Malaysia and supported by Bank Negara Malaysia, Bursa Malaysia and the Capital Market Development Fund, ICDM serves as the national institute of directors as part of the efforts to professionalise and enhance the effectiveness of corporate directors in Malaysia.

ICDM is the one-stop centre for all board and director needs, offering a suite of services designed to enhance board and director effectiveness which includes programmes for Directors Education & Development, Board & Director Effectiveness Evaluation, Competency-based Director Sourcing to fill gaps, Coaching and Mentoring, Research & Advocacy and Membership and maintains a registry of members.

ICDM represents the voice of directors and supports them to stay ahead of the curve in strengthening the standard of corporate governance in a company.

### #TalktoUs

Tailor a Bespoke Programme that drives specific results. [jackie@icdm.com.my](mailto:jackie@icdm.com.my)

Meet your MCCG needs with a candid and objective-driven Board & Director Effectiveness Evaluation. [haniza@icdm.com.my](mailto:haniza@icdm.com.my)

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