

Launch of the Malaysian Board Practices Review 2020

Leading in VUCA 3.0: How Ready & Effective is Your Board?



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INTRODUCTION

Advocacy Dialogue by Institute of Corporate Directors Malaysia (ICDM)
8 July 2021, Kuala Lumpur, Malaysia

This Advocacy Dialogue provides some insights into the Malaysia Board Practices Review conducted by the Institute of Corporate Directors Malaysia (ICDM) in collaboration with Russell Reynolds Associates (RRA) and Bursa Malaysia, that examined over 100 board responses on their board selection, nomination, appointment, evaluation practices as well as board training and development. The report is timely with the 2021 updates to the Malaysian Code on Corporate Governance (MCCG) which further emphasised those areas.

The fight against Covid-19 pandemic and its impact is far from over even with the arrival of vaccines. Businesses around the world are still trying to manage and cope with the onslaught of the pandemic. The board is facing great challenges in navigating the organisation, and it requires the board to have diverse skills, knowledge and experiences to mitigate the impacts. The board needs to re-examine its board architecture and relook at its director selection, appointment and reappointment criteria to ensure that the organisation has the right people in the boardroom. The Chairman plays an important role to balance the voices in the boardroom and ensure that the Independent Non-Executive Directors (INED) are truly independents and able to speak up and challenge the board constructively.

This executive summary captures the salient points presented by the speakers at the Advocacy Dialogue #3.

KEY INSIGHTS & DISCUSSIONS

- 1 The pandemic has heightened the role of the board and put new pressures to **relook at how their board is being designed**, not just for the present but in ensuring the continuity of the **organisation's performance as well as conformance**. Their **focus and priorities** have also **shifted and intensified** into the areas less talked about previously - **business continuity and agility, risk management and digitalisation**.
- 2 Having a **clear vision of what your board needs**, setting the **right selection criteria** and having a **robust fit and proper test from the inception** could ensure that the board brings in or retains only those with the **right skillsets and mindsets** into the boardroom, not yes men/women, especially so for the role of independent non-executive director (INED). It may also mitigate the issue of **perceived board independence – substance over form**. Outgoing INEDs should also be **truthful and more transparent** to stakeholders on **reasons for resignations**.
- 3 The **role of an independent chairman is crucial in driving positive board dynamics and culture**, ensuring every board member plays their role, able to speak up and challenge the board constructively, avoiding the pitfalls of a dysfunctional board. The Chairman needs to **create opportunity for informal meetings** and get-togethers for boards to **create a collaborative and dynamic board**, not just ensuring there is teamwork at management level.
- 4 The new era of board review or evaluation should be **forward-looking** and more of a **board preview**. It should be **aspirational, non-judgemental**, highlighting what directors need **to be in the next 4 to 5 years**, inviting them to be involved, **comparing current self with the future state** and what can be done to re-invent themselves to remain relevant and competent in the future, resulting in a **more constructive mechanism of review**.
- 5 INEDs should have **timely communication and engagement with external stakeholders** on what they have done to **build trust** and avoid **wrong impressions** on them not discharging their oversight roles. Communicating with stakeholders **should not be solely from management**.
- 6 Each company secretary (**cossec**) plays an **instrumental role** in the boardroom - from board sourcing, evaluation, development as well as being the **advisor for the board** and the champion for better corporate governance (CG). Professional training and development can help the cossec **enhance their knowledge and professionalism**, equipping them with the **right attitude and maturity level** to have the **ability and courage to challenge and advise the board** to do the right thing in ensuring proper governance, without being disruptive.
- 7 The Covid-19 pandemic has shifted effective board focus from the formal five-year plans and strategic thinking to a **'making sense' approach**. This approach allows the diverse board **to make better sense of the situation and environment** that is happening around the organisation which then allows the board to make more accurate decisions for their five-year ambitions.
- 8 We should embrace **the 'collective authority' concept - the collaboration of each party in the corporate governance (CG) ecosystem, not just regulators, to ensure regulations and good CG are being practiced by each organisation**. Each party plays a role to point out and question the conduct of a company or its directors if it seems inappropriate or violate the rules.

ACTIONABLE OUTCOMES

MOVING FORWARD



1 Chairman needs to balance the voices in the boardroom, ensuring each director is being heard and given the airtime.



2 Conduct informal settings for the board to develop teamwork, strengthen their bond and to understand each other better.



3 Board's role is to provide oversight and be the conscience of the organisation. Do not cross into the role of the management.



4 Avoid greenwashing by prioritising and embedding ESG practices in the organisation.



5 Both the individual board members and Cosec need to speak up and take a stand where necessary to ensure the board is doing and saying the right thing.



6 Be conscious in giving tasks to the management so they can focus on their core responsibility of running the business instead of managing trivial tasks.



7 Increase board meeting frequency and delegate suitable topics to board committees to ensure all topics are covered and discussed in detail.



8 Call out the homogeneity in the leadership structure to ensure that both board and C-suites have several dimensions of diversity.

“ It's not about the courage to take risks, but the courage to do the right things and the courage to speak up. The aspects of being conscience independence, dissent, the ability to challenge, and doing the right thing are what we call true governance.

And when you see that happening, the context of independence becomes a lot more than about tenure and proximity to the organisation.

Stephen Langton, Managing Director of Russell Reynolds Associates



Click [here](#) to watch the session recording.
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