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UNLOCKING THE VALUE OF BOARD EVALUATIONS: FROM “BLACK BOX” TO DATA-DRIVEN EFFECTIVENESS

Written by **Dr Sabine Dembkowski**

Board evaluations are no longer optional — they are fast becoming a strategic necessity in emerging markets. In Malaysia, the Malaysian Code on Corporate Governance (MCCG), together with guidelines from Bursa Malaysia and the Securities Commission, emphasises transparency, accountability, and board effectiveness. While the MCCG takes a principles-based approach, it strongly encourages regular board evaluations as part of good governance.

This applies across Malaysia’s diverse corporate landscape: from companies listed on Bursa Malaysia to family-owned businesses, government-linked companies (GLCs), and private equity-backed firms.

The forces driving this change are clear:

- **Investor expectations** for rigorous oversight and transparency, both domestic and international;
- **Media and social media scrutiny**, which expose failures and flaws more quickly and more publicly than ever before;
- **Sustainability and ESG requirements**, which are especially relevant as Malaysia positions itself as a hub for sustainable finance and Shariah-compliant investment; and
- **Generational shifts within boards**, where digital fluency, new leadership styles, and fresh expectations are reshaping governance.

Why Traditional Evaluations Missed the Mark

Despite regulatory encouragement, many boards in Malaysia and across emerging markets remain cautious. Scepticism often stems from underwhelming past results with

traditional evaluations. Too many boards found the process to be little more than a “black box” - costly, opaque, and yielding minimal tangible benefit. Reports were often generic, overly focused on shortcomings, and provided little guidance for individual directors. Instead of fostering open dialogue and improvement, these evaluations left many participants disengaged and doubtful that the effort was worthwhile.

The shortcomings of the old model are clear:

- **A compliance mindset:** Evaluations conducted merely to “tick the box” rather than to improve governance.
- **Lengthy and costly processes:** Particularly unattractive for mid-sized and family-owned firms, which dominate Malaysia’s economy.
- **Generic, one-size-fits-all reports:** Leaving directors wondering what they personally gained.
- **Subjective judgments:** Relying too heavily on consultants’ personal opinions rather than objective, benchmarked data.
- **Backward-looking:** Offering little guidance for future challenges such as ESG reporting, digitalisation, regulatory changes, or cross-border expansion.

The result? Low engagement, defensive responses, and little impact.

The Seven Hallmarks of Effective Boards

A more effective approach to evaluations in Malaysia is built on a research-backed framework: the “7 Hallmarks of Effective Boards.” This model aligns well with the MCCG’s emphasis on principles, flexibility, and context-specific governance.



1. Strengths of the Board

Effective boards know their collective and individual strengths. In Malaysia, where relationships and networks often underpin business success, boards must invest time in building trust and cohesion, which is harder to achieve in hybrid or virtual settings.

2. Composition of the Board

Diversity in gender, skills, and perspectives is gaining momentum under the MCCG. But effectiveness requires more than meeting quotas: boards must ensure a complementary mix of expertise - particularly in digital, ESG, and sustainability.

3. Clarification of Roles and Responsibilities

In many Malaysian companies, especially family-owned and GLCs, the lines between board and management can blur. Explicit clarity is critical to avoid conflicts and to uphold accountability.

4. Vision, Goals, and Focus of the Board

Boards must align on long-term strategy. Yet in practice, many get bogged down in operational detail. The hallmark asks: *Are we allocating enough time to strategic discussions and the “big picture”?*

5. Structure and Organisation of the Work of the Board

Overly ambitious agendas and dense meeting packs - common in both listed and family-run firms - can overwhelm directors. Streamlining is essential to allow boards to focus on what matters most.

6. Ability to Resolve Conflicts

Consensus-driven cultures, as often found in Asia, can unintentionally suppress healthy debate. Effective boards must be able to surface and resolve disagreements constructively, rather than avoiding them.

7. Regular Reviews and Reflection

Boards that consistently reflect on how they work together become more effective. In Malaysia, where cost-sensitivity is high, evaluations must be lean, value-driven, and demonstrably worth the investment.

From Principles to Continuous Improvement

The MCCG encourages boards to move beyond formal compliance and embrace a culture of continuous improvement. A modern evaluation process supports this by following a structured, data-driven cycle:

- 1. Measure** - Assess the board's effectiveness against the seven hallmarks using data-driven tools.
- 2. Reflect** - Facilitate structured discussions grounded in evidence, not opinion.
- 3. Build** - Define concrete actions for development, aligned with the company's strategy and context.
- 4. Maintain** - Embed these practices into board routines, ensuring year-on-year progress.

This approach is forward-looking, focusing on both strengths and areas for improvement. Directors see value for themselves, not just for the institution, which drives genuine engagement.

The Role of Data and Technology

For boards in emerging markets, technology makes evaluations more transparent, objective, and cost-effective. This is particularly important in Malaysia, where SMEs, family-owned firms, and mid-sized listed companies form the backbone of the economy. Digital platforms enable:

- **Benchmarking** against peers and international best practice,
- **Personalised insights** for each director,
- **Evidence-based reflection** instead of subjective judgment, and
- **Longitudinal tracking**, enabling boards to measure progress year over year.

This approach replaces opacity with clarity and transforms evaluations into a genuine asset for governance.

Conclusion: An Opportunity for Organisations in Malaysia

The Malaysian Code on Corporate Governance underscores the importance of reflection, accountability, and transparency. Board evaluations, when conducted in a modern, data-driven way, are the natural mechanism to bring these principles to life.

For Malaysian boards - whether listed, privately owned, family-run, or GLCs - the opportunity is clear:

- Move evaluations from compliance to **value creation**,
- Use them to align on vision, clarify roles, and strengthen oversight, and
- Embed continuous improvement into the DNA of governance.

In an era where investors, regulators, and society expect more from boards, Malaysia has the chance to demonstrate leadership among emerging markets. By embracing data-driven, transparent evaluations, Malaysian boards can turn governance into a competitive advantage - and ensure they remain trusted stewards for the future.

Dr. Sabine Dembkowski is the Founder and Managing Partner of Better Boards Limited in London - www.better-boards.com - and hosts the Better Boards podcast, a Top 10 Governance show. Better Boards is an accredited, ISO-certified provider of board evaluation and development services, offering an innovative digital platform for internal and external board reviews. Better Boards clients include FTSE, DAX, ATX, NASDAQ, and Private Equity-backed organisations. Dr. Sabine's research on board effectiveness is internationally published. Before founding Better Boards, she advised on leadership, contributed to London Business School programmes, and worked at management consultancies Kearney and Monitor Company (now Deloitte).

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