

Edge Weekly

My Say: The case for board evaluations to be strategic, not symbolic

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The Malaysian Code on Corporate Governance (MCCG) 2021 sets clear expectations for board evaluations, including disclosure. But compliance is just the starting point.

In my work with boards in Corporate Malaysia over the past decade, there is an encouraging shift: more directors are acknowledging that evaluations are not perfunctory. Yet to many, board evaluations remain a formality — a box to tick rather than a lever for transformation and evolution.

With heightened stakeholder scrutiny, higher frequency of cyberthreats, rising environmental, social and governance (ESG) expectations and growing geopolitical and economic risks, this approach is no longer tenable. Done well, board evaluations are not merely reflections of the past. They are strategic — part mirror, part magnifier, part map. They show us where we stand, reveal what we may be missing and guide us towards where we need to be to sustain and survive.

“Risk blindness” was cited as a huge reason behind the collapse and subsequent bailout of the AAA-rated AIG in 2008. According to author Margaret Heffernan, this risk blindness perpetuates a wide range of problems for companies. These are the problems that are ignored, which gives them time to grow and fester, insidiously because it bestows a sense of comfort when, in fact, it makes everything worse. Most problems are a great deal easier to tackle when they are small.

Therefore, one of the best practices enterprises can apply to avoid risk blindness and keep their board at octane performance is to embark on a robust and independent board evaluation.

Beyond performative governance: What high-performing boards do differently

1. Use evaluations to recalibrate board focus

When board meetings become overly operational, a review can help redirect the agenda towards strategic foresight. If you find that 70% of board agenda time was spent on backward-looking reports, perhaps consider realigning the agenda to dedicate a third of each meeting to emerging risks, innovation, people and talent development, and long-term value drivers.

2. Evaluate individuals, not just the collective

Individual director performance evaluations (IDPE) are often overlooked due to their sensitivity. But private, constructive feedback is where the real development happens. A board evaluation allows a space to integrate director-level insights into succession planning, possibly leading to a rotation of committee chairs more effectively to nurture new board leadership.

3. Address board dynamics openly

Some boards operate with surface-level agreement and quiet avoidance of conflict. Through an independent evaluation, cultural patterns like these can be surfaced and addressed safely. Boards with high levels of trust, candour and curiosity are more likely to make bold, well-considered decisions. Professional scepticism should be an essential part of board culture.

4. Refresh composition with purpose

Too many boards operate with outdated skills or an over-reliance on the “cosy club” model. Strategic evaluations can be used to feed directly into board refreshment and performance. Look closely: Do you have the right mix of people with digital astuteness, stakeholder engagement, risk and sustainability acumen, and an independent mind to govern for the next five years?

5. Make outcomes visible and actionable

Boards can communicate not only that an evaluation was done, but how it will inform action — be it director development, structural changes or improved stakeholder engagement. I believe if more Malaysian conglomerates can publish a summary of evaluation outcomes and action steps in their Corporate Governance statement, it would earn praise from investors for their candour.

6. Involve internal audit as a strategic partner

Internal auditors can bring valuable, evidence-based insights on how board decisions translate into operational realities. Their observations often reveal interesting governance insights, which raises the performance bar for any organisation. Conversely, this is an opportunity for internal auditors to step up and provide more strategic and advisory support in addition to their assurance role.

The courage to evolve

Board effectiveness isn't about perfection — it is about progression. In simple terms: “No evaluation = no evolution”.

We must have the courage and will to move board evaluations from symbolic rituals to strategic inflection points. Our organisations, stakeholders and future generations deserve no less. To accomplish this, a board must be an innovator and orchestrator, because we certainly do not want boards caught up in the adage: “When the pace of change outside is faster than the inside, the signal for the end is near!”

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