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**Governing Body Corporate Governance Framework: Preliminary Evidence- Based in Malaysia**  
**Corporate Integrity Value Creation**

Hasrul Hashom<sup>1\*</sup>, Hatta Hashom<sup>2</sup>, Mohd Hakim Hashom<sup>3</sup>

\*Corresponding Author

<sup>1</sup> Pusat Bahasa & Pengajian Umum, Universiti Islam Antarabangsa Tuanku Syed Sirajuddin, Perlis, Malaysia

<sup>2</sup> Hattahash Consultancy, Wisma Rampai, Setapak, Kuala Lumpur, Malaysia

<sup>3</sup> Royal Malaysian Police (RMP), Bukit Aman, Kuala Lumpur, Malaysia

Email: [hasrul@unisiraj.edu.my](mailto:hasrul@unisiraj.edu.my), [hatta@hattahash.gmail.com](mailto:hatta@hattahash.gmail.com), [judgedna83@gmail.com](mailto:judgedna83@gmail.com) Tel: +60124777925

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## Abstract

Government-Linked Companies (GLCs) are companies with commercial objectives in which the government has a direct controlling stake, especially in major decision-making. However, the lack of commitment to maintaining the integrity standard as a governing body's core value has led to the GLCs underperforming in terms of consequences. In previous studies, the qualitative method was used to provide the article with a conceptual framework for corporate governance by governing bodies. The framework was infused with a commitment to Sustainable Development Goals (SDG) 16, which promotes the rule of law and good governance as a fundamental element.

Keywords: Corporate governance; value creation; governing body; corporate integrity

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## 1.0 Introduction

Generally, the government, as a political entity, exercises its political authority by performing good administrative, legislative, executive, and judicial functions. However, the government's performance is determined by its ability to provide a favourable and conducive environment for the economy and investment. Therefore, the function of government-linked companies (GLCs), a government-direct controlling stake with a primary commercial objective purposely established to work hand in hand with the private sector, reinforces investment development and the growing fiscal deficit (Menon & Ng, 2013). The controlling stake allows the government to hold a percentage ownership stake, making it a board member with strong influence in determining senior management appointments and/or regulating major company directions, such as strategy, financing, acquisitions, restructuring, contract awards, and divestments. This can be administered by the GLCs or by another entity known as Government-Linked Investment Companies (GLICs). Instead, starting in 2010, the government initiated the Economic Transformation Programme (ETP) to reduce the government's role in business, yet even with the divestment program in progress, GLCs still operate actively (Marzuki & Wahid, 2022). The study aims to identify key governance elements that contribute to value creation, such as ethical performance, responsible stewardship, accountability, transparency, and fairness. Additionally, the study develops a preliminary evidence-based Governing Body Corporate Governance (GBCG) framework that integrates corporate integrity, environmental, social, and governance (ESG) considerations, and Sustainable Development Goal (SDG) 16.

## 2.0 Literature Review

The importance of GLCs' widespread and pervasive presence is evident in their approximately one-third share of aggregate investment and their control over more

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than half of the industry's share in utilities, agriculture, banking, transportation, information and communications, warehousing, and retail trade (Menon, 2017). Furthermore, the GLCs provide approximately 36% and 54% of Bursa Malaysia's market capitalisation and employ around 5% of the national labour force (Khazanah, 2013). On the other hand, the objectives of GLCs' establishment are to provide better-performing companies to encourage Bumiputera involvement in non-traditional areas, such as suppliers and vendors, and to develop human capital within GLCs, which reinforces the New Economy Policy (NEP) objectives. It is believed that stronger GLCs will develop Bumiputera's capabilities in small and medium-sized enterprises and strengthen human resources, which, in turn, will contribute to the GLCs. However, the data shows the opposite: the targeted community is not just facing worsening income inequality; it also shows that the number of unemployed has increased since before 2012, and Bumiputera graduates drive this increase (Zin, 2014). Reforming corporate governance practices aligns shareholder value creation with global supply chains, thereby facilitating the achievement of climate action goals by 2030 (Schellhorn, C., 2023). In evaluating value creation, corporate social responsibility (CSR) theories range from traditional exchange-based approaches that emphasise narrow financial metrics to broader value-oriented perspectives, leading to conflicts when firms in diverse industries share uniform, generic responsibilities (Donaldson, 2023). Alkaraan et al. (2023) recommend additional research to examine how effective integration enables boardrooms to identify emerging risks and opportunities, as well as to enhance oversight of risk mitigation effectiveness and the adjustment of pre-decision control mechanisms. The Malaysian Code of Corporate Governance has a positive impact on the quality of integrated reporting, offering policymakers and regulators in emerging markets valuable insights (Hamad et al., 2022). Furthermore, it recommends that companies increase disclosure regarding value chains, business models, strategies, and the effects on various capitals to strengthen stakeholder communication, organisational legitimacy, and the strategic advantages of reporting (Hudson & Morgan, 2023). Future studies should investigate additional factors influencing the relationship between ESG performance and corporate value by addressing the limitations imposed by short ESG time horizons. Employing portfolio analysis may yield more robust and comprehensive results, and Malaysia is not excluded (Mohammad & Wasuzzaman, 2021; Rojo-Suárez & Alonso-Conde, 2023).

Therefore, the issue arises regarding the effectiveness of instruments that determine good governance, avoiding manipulation and capture, even when GLCs are purposely moulded to produce artificially generated performances (Chong et al., 2018). Reflecting on the above, the study aims to propose a conceptual framework to improve good governance that incorporates the organisation's top-level commitment.

### 3.0 Methodology

#### 3.1 Identification

In selecting several appropriate papers for this study, the systematic review process comprises three main phases. The first step is keyword recognition and the quest for linked, similar terms based on the thesaurus, dictionaries, encyclopedias, and previous studies. Accordingly, after all relevant keywords were selected, search strings for the SCOPUS database (see Table 1) were created. In the first step of the systematic review process, the present research successfully retrieved 151 papers from both databases.

Table 1: The search string

SCOPUS	TITLE-ABS-KEY (( "governing body" OR "corporate governance" OR "corporate integrity" ) AND ( "value creation" ))
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#### 3.2 Screening

The first phase yielded 151 articles, while the second phase screened 66 articles using several inclusion and exclusion criteria developed by the researchers. Literature (research articles) was the first criterion because it is the primary source of practical information. It also excludes publications in the form of systematic reviews, reviews, meta-analyses, meta-synthesis, book series, books, chapters, and conference proceedings from the current study. Furthermore, the review concentrated exclusively on papers written in English. It is essential to note that the schedule was chosen for a two-year duration (2022–2023). In addition, only final publications counted as retained. In all, 85 publications were excluded based on specific parameters.

#### 3.3 Eligibility

For the third step, known as eligibility, 66 articles have been prepared. At this point, all article titles and key content were carefully examined to ensure they met the inclusion criteria and complemented the current study's objectives. Therefore, 30 reports were omitted because they were out of the field (n = 8), the title was not significant (n = 6), the abstract was not related to the objective of the study (n = 6), or there was no full-text access (n = 10). Finally, 36 articles are available for review (see Table 2).

Table 2: The selection criterion is searching

Criterion	Inclusion	Exclusion
Language	English	Non-English
Timeline	2022 – 2023	< 2022
Literature type	Journal (Article)	Systematic review, review, meta-analysis, meta-synthesis, book series, books, chapters, and conference proceedings.
Publication Stage	Final	In Press

#### 3.4 Data Abstraction and Analysis

An integrative analysis was performed in this study, one of the examination techniques used to analyse and synthesise diverse research designs. The first step in

developing the theme or structure was the data collection phase. The authors have carefully reviewed a group of 36 papers for statements or information that address questions in this research. In the second step, the authors and experts analyse corporate governance, the governing body, and value creation in corporate integrity to determine and form meaningful themes. The three main themes that emerged from the approach are core items, quality or assurance, and functional governing bodies in corporate governance. From this point on, the authors continued to create each subject, including any related themes, notions, or ideas. A log was kept throughout the data analysis process to record analyses, viewpoints, and other concepts pertinent to data interpretation. The authors discuss any discrepancies in the concepts if they occur. The developed concepts were then adjusted cohesively. Experts in organisational behaviour and corporate governance then conducted the examinations to confirm the authenticity of the concerns. By establishing domain validity, the expert review step ensured the clarity, significance, and appropriateness of each structure. The authors made modifications at their discretion in response to reader feedback and professional comments.

## 4.0 Findings

### 4.1 Governing Body Corporate Governance's (GBCG) Framework

The framework aims to provide the climate of trust, accountability, and openness needed to attract long-term investment, maintain financial stability, and achieve sustainable growth. The GBCG emphasises administrative and compliance efforts to incorporate business integrity into its corporate governance frameworks. It offers a preliminary, evidence-based suggestion. It discusses stronger corporate governance as a means of preventing corporate wrongdoing, re-establishing trust, and upholding the principles of openness and sound corporate governance in the company (Hudson & Morgan, 2023). The proposed GBCG framework can be explained as follows:

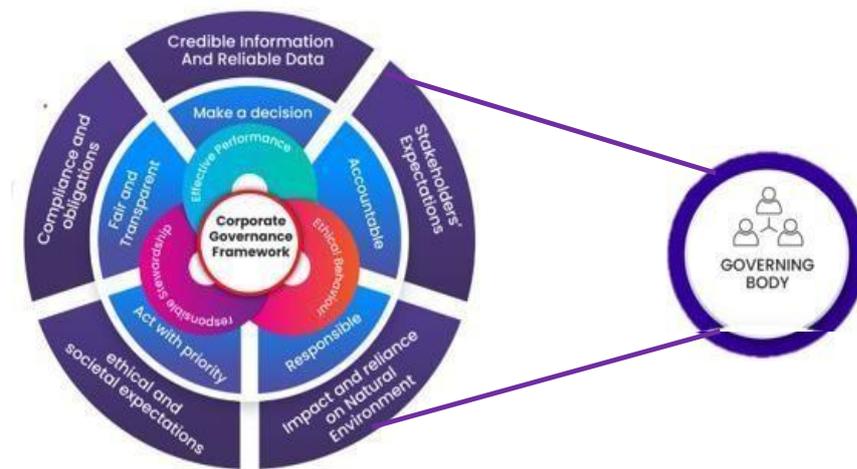


Fig. 4.1: Governing Body Corporate Governance (GBCB) Framework  
Source: Authors

#### 4.1.1 Core Items

The purpose of a framework is to improve an organisation and ensure effectiveness against specific criteria. Three core items are stated in the Corporate Governance Framework, empowered by four criteria and five functional areas. Ethical performance constitutes a fundamental aspect of the framework illustrated in Figure 4.1. Ethical performance emphasises the role of directors and their behaviour when acting on behalf of the company or organisation, emphasising the need for them to demonstrate exemplary conduct to ensure the resilience of the organisation's objectives. This highlights the governing body's obligation to promote diversity and inclusion, proactively manage conflicts of interest, and rigorously comply with legal and regulatory requirements. Responsible stewardship entails making decisions and taking actions that prioritise the interests of all stakeholders, including shareholders, employees, customers, and the broader community. This involves careful resource allocation, monitoring financial performance, and establishing risk management strategies to safeguard the organisation's financial health. Responsible stewardship scope is the governing body's readiness to take ownership, even in the event of destruction or an incident, beyond simply providing a solution. Furthermore, responsible stewardship extends to environmental and social considerations, emphasising ethical and sustainable business practices and promoting positive contributions to society and the environment.

Ethical behaviour within the governing body underscores the importance of transparency, fairness, and accountability in governance. It involves treating all stakeholders equitably, avoiding conflicts of interest, and ensuring that decisions are made in the best interests of the organisation and its broader community. Ethical behaviour also extends to compliance with laws and regulations, promoting a culture of legal adherence and ethical excellence. Furthermore, ethical behaviour encourages ethical leadership and role modelling within the governing body, setting a strong example for the entire organisation. It fosters a culture of trust and credibility, which is essential for building and maintaining stakeholder confidence. Encouraging employees to speak up about unethical behaviour or concerns without fear of retaliation is a crucial aspect of fostering ethical behaviour within an organisation. This practice, often referred to as whistleblowing or reporting mechanisms, plays a pivotal role in promoting transparency, accountability, and integrity throughout the workplace.

#### 4.1.2 Qualities or Criteria of Governing Body

The second layer of the framework shows the qualities or criteria posed by the governing body. Usually, at some point, the governing body's post holder refuses to make a decision. However, good corporate governance states that a governing body, or board of directors, that sits in the charter must make good decisions. This is because the decision cannot be pending, relying on others to make or do something on behalf of the post holder, as it is obliged to provide a decision (Hamad S. et al., 2022).

Accountability stresses the governing body's ability to take ownership of the charter entrusted to them and to provide clarification. Responsible, on the other hand, stressed the capability to be answerable for any decision-making based on the charter entrusted to them. A company's or organisation's annual strategic plan plays a vital role in helping the board of directors or governance body determine priorities (Alijoyo A., Sirait, 2022). This aligns with the Malaysia Code of Corporate Governance (MCCG) requirement for the board of directors to prioritise matters brought forward regarding legislative requirements and compliance (Ooi et al., 2021). Fairness and transparency are the last qualities or criteria discussed in the framework. This can be proven by reports such as the annual report, governance report, finance report, etc., which embody the spirit of 'due professional care' and the directors' 'dependency' to act justly, not just to determine right and wrong, but also to choose right over wrong. They are also responsible for communicating the findings to the audience or stakeholders so that necessary action can be taken (Alkaraan et al., 2023).

#### 4.1.3 Governing Body Functional

The third layer shows the functional structure of the governing body, which was developed based on the qualities and criteria discussed above. The first function that needs to be maintained is the provision of credible information and reliable data. It must be made available and maintained by specific departments, such as the corporate communication division and the legal department. The second function is the stakeholder's expectation, which determines the resilience of the company or organisation. Failure to capture stakeholders' expectations will threaten the company or organisation's future existence, as it may not be doing a good job of understanding the needs that must be met within the strategic plan and the products or services it delivers. The third is impact and reliance on the natural environment (Schellhorn, 2023). Environmental, Social, and Governance (ESG) is developing rapidly, demanding that companies and organisations comply with ESG monitoring and conduct retention and maintenance analyses, given our environment's stance on climate change and the need to support natural restoration.

## 5.0 Discussion

The Corporate Governance Framework aims to enhance organisational effectiveness, particularly within the governing body. Ethical performance emphasises the director's behaviour aligned with the company's goals. Responsible stewardship involves the readiness to take ownership and provide solutions. The second layer focuses on the qualities of governing bodies, emphasising the need for proactive decision-making and accountability. Annual strategic planning aligns priorities with legal requirements. Fairness and transparency are crucial and verified through various reports, fostering due care and ethical conduct (Gartenberg, 2023). The third layer highlights functional areas such as maintaining credible data, meeting stakeholder expectations, and addressing environmental concerns through ESG compliance, thereby ensuring long-term resilience. Rojo-Suárez & Alonso-Conde, 2023).

The company or organisation can implement the ESG remedy through MS ISO 37001 (Compliance Management Systems). Malaysia's government is already pioneering the effort by requiring all companies to comply with the ESG. The fourth function is ethical, and societal expectations can be defined through a Code of Conduct (CoC) for internal purposes and a Code of Business Ethics (CoBE) focused on business associates and partners. This was stressed by the Malaysian Anti-Corruption Commission (MACC) and the Companies Commission of Malaysia to ensure the implementation of internal and external controls in corporate relationships. The last functional element is compliance and obligation, which explains the corporate sector's responsibility to comply with various legislative and policy requirements enforced by the authority. These include the Ministerial Guideline on Adequate Procedure (under Section 17A, Subsection 5 of the Malaysia Anti-Corruption Commission Act), the Companies Commission of Malaysia (CCM), the Security Commission Act, the Malaysia Code of Corporate Governance (MCCG), etc. Compliance with all regulations and policies is demonstrated by documented information, including the obligation to designate the department or individual responsible for ensuring compliance, and this is not limited to documents alone. By having all functional elements justified, the criteria, qualities, and core items can be achieved accordingly and provide best practice within the corporate governance framework, specifically for the governing body.

## 6.0 Conclusion & Recommendations

Previous studies supported the importance of establishing a corporate integrity system as part of the value creation of Malaysian GLCs. Hence, the Governing Body Corporate Governance Framework provides a comprehensive framework for the board of directors to fulfil their obligations under the board charter and enhance shareholder value. For future direction, the framework also identifies best practices across several areas, including business advisory, corporate governance code, strategic initiatives and performance, risk management, internal controls, stakeholder relationships, and financial stability. By ensuring adequacy and inclusiveness in the corporate governance framework, a holistic strategic plan can be developed, ensuring the sustainability of the company or organisation.

Several limitations are evident in this study. The analysis is based exclusively on a systematic literature review, excluding primary empirical data such as interviews, surveys, or case studies, thereby limiting real-world validation of the proposed framework. The review is confined to the SCOPUS database, which may result in the omission of relevant studies from other sources. Furthermore, the brief review period (2022–2023) may not adequately reflect long-term trends. The framework is developed specifically within the context of Malaysian government-linked companies, limiting its generalisability, and remains preliminary and conceptual, necessitating future empirical validation.

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## Paper Contribution to the Related Field of Study

The paper contributes to integrity and good governance in the corporate sector in accordance with the Malaysian Code on Corporate Governance.

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