Corporate governance: Why corporate spin fails in the 'Naked Economy'

Malaysian corporations now operate under an unprecedented level of real-time public and regulatory scrutiny

by ANN ZAINUDDIN

AS ARTIFICIAL intelligence (AI) and social media erode corporate privacy, business leaders must move beyond performative environmental, social and governance (ESG) and reactive crisis management toward authentic steward leadership.

In an interconnected global market, the traditional boundaries of corporate confidentiality are dissolving rapidly.

Malaysian corporations now operate under an unprecedented level of real-time public and regulatory scrutiny.

This shift is challenging long-held assumptions about crisis management, brand reputation and ESG compliance.

To examine how business leaders must adapt, *The Malaysian Reserve (TMR)* spoke with expert voices across leadership strategy, corporate governance and crisis communications.

Leadership in the Glasshouse Economy

Corporate privacy is no longer a sustainable shield for businesses operating in Malaysia and across the broader region.

The rapid proliferation of high-speed connectivity, smartphone penetration and AI-driven information aggregation has transformed the business ecosystem.

What was once confined to boardroom discussions or internal corporate memos can now be exposed and analysed across social platforms within a matter of minutes.

What corporate leaders are now operating in is termed the "Naked Economy" or "Glasshouse Economy", according to Stewardship Asia Centre CEO Rajeev Peshawaria.

"For most of the last century, companies operated with an information advantage. What happened inside a factory, a boardroom or a supply chain stayed largely invisible unless a company chose to disclose it. That asymmetry is gone," he told *TMR*.

Verification has become democratised among consumers, employees and retail investors who no longer accept corporate messaging at face value in this era of heightened visibility.

This systemic shift is fundamentally altering how brand equity and corporate governance are evaluated in Malaysia's corporate sector.

Reputation is no longer an asset that can be protected through reactive public relations (PR) campaigns or delayed corporate statements.

Digital transparency ensures that when corporate conduct fails to align with stated values, the resulting fallout moves faster than traditional corporate decision-making cycles.

The Breakdown of Traditional Crisis Playbooks

The traditional crisis management playbook, which is built around information control, template statements and managing media cycles, is proving increasingly ineffective in modern corporate environments.

Universiti Teknologi MARA (UiTM) senior lecturer Dr Dewi Seribayu Nasdin Sekat pointed out that companies no longer hold exclusive control over their narrative during a crisis.



Temporary public anger can transition into permanent behavioural change when consumers view a corporate controversy as a reflection of an organisation's core values



Rajeev argues that current ESG practices have largely turned into a culture of compliance



Dewi stresses that PR cannot communicate an organisation out of a governance failure



Elsa believes the move towards IFRS S1 and S2 should make greenwashing more difficult

"Once a statement enters the digital space, the public interprets it, challenges it, compares it with past behaviour and circulates its own interpretation of what happened," she said.

She noted that a template statement may provide an official corporate stance, but it rarely shapes public perception in the way executive leadership expects.

The gap between official statements and underlying reality creates further reputational exposure when a company attempts to use communication tactics to mask operational or ethical failures.

"When the spin and the reality visibly do not match, the spin itself becomes the second scandal," Rajeev said.

Most public corporate crises are fundamentally leadership failures rather than isolated operational mistakes.

A public scandal is typically the visible symptom of an organisational culture that allowed corners to be cut or incentive structures that prioritised short-term financial performance over long-term institutional integrity.

Consumers in Malaysia are also demonstrating a higher propensity to align their commercial choices with personal and ethical values.

Dewi emphasised that temporary public anger can transition into permanent behavioural change when consumers view a corporate controversy as a reflection of an organisation's core values rather than an accidental oversight.

Moreover, a lack of leadership accountability, dismissive responses and repeated offenses break consumer trust, making it easy for buyers to switch to alternative brands in a competitive market.

The Limits of External Compliance, ESG Metrics

While global ESG assets have grown exponentially in recent years, traditional ESG frameworks face criticism regarding their real-world impact.

Rajeev argued that current ESG practices have largely turned into a culture of compliance, a box-checking exercise driven by ratings, disclosures and external scoring mechanisms.

"Companies learn to optimise for the metric rather than the outcome the metric was meant to represent," he said.

He added that regulatory rules merely establish a minimum baseline for acceptable conduct rather than driving intrinsic organisational transformation.

Regulatory frameworks surrounding corporate governance and sustainability reporting in Malaysia have tightened significantly over the last two decades.

The introduction of the International Financial Reporting Standards (IFRS) S1 and S2, alongside Bursa Malaysia's enhanced reporting requirements, aims to bring rigour and financial comparability to corporate sustainability metrics.

However, regulatory compliance alone does not automatically equate to authentic corporate stewardship.

According to Asia School of Business (ASB) senior director of executive education Assoc Prof Dr Elsa Sathasivam, distinguishing genuine ESG integration from performative compliance requires stakeholders to look beyond published disclosures.

"The move towards IFRS S1 and S2 should make some forms of greenwashing more difficult because companies must increasingly connect sustainability claims to governance, strategy, material risks, metrics and targets," she said.

Disclosures alone do not establish authenticity, and investors must test whether a company's capital allocation and operational choices actually match its sustainability narratives.

Elsa pointed out that the financial materiality focus of frameworks like IFRS S1 and S2 primarily evaluates how sustainability risks affect a company's balance sheet, which can sometimes lead smaller or less-scrutinised companies to overlook broader environmental or social impacts until a public crisis erupts.

"A board that understands digital era realities can recognise that environmental and social harms caused by the business represent material financial risks, not just because of inherent ethical obligations, but because of the certainty that nothing is guaranteed to remain hidden," Elsa said.

Boardroom Governance and Internal Alignment

As digital exposure accelerates, board-level oversight mechanisms are being forced to adapt to real-time risk management.

Elsa stressed that boards need clear escalation protocols that bypass standard reporting chains when reputational, regulatory or executive accountability issues arise.

This oversight includes establishing formal decision-making authority during crises and implementing response protocols that distinguish between immediate acknowledgments and substantive, investigation-backed findings.

"However, the board's role should remain that of strategic oversight of these processes and not operational management of communications," she said.

Boards must also recognise that corporate culture is no longer a secondary human resources function, but a core component of risk management.

Toxic workplace cultures eventually manifest externally through whistleblowers, regulatory inquiries or direct social media exposure.

Creating psychological safety and credible, retaliation-free internal grievance channels is the most effective way to address issues before they escalate into the public sphere.

Internal communications also play a pivotal role in maintaining external brand credibility during a crisis.

Treating internal employee communication and external PR as completely separate functions is one of the most common errors organisations make, Dewi noted.

"Internal emails can become screenshots, employees can be approached by friends or customers, and internal experiences can become part of the wider public conversation," she said.

Employees should not learn about their organisation's crisis response through social media channels.

The resulting internal disconnect undermines institutional credibility when employees are kept uninformed while executive leadership projects a confident message externally.

Transitioning to Steward Leadership

Corporate leaders are encouraged to shift from external compliance mindsets toward steward leadership in order to navigate the demands of modern transparency.

Rajeev defined steward leadership as an internal posture driven by a genuine intent to create a collective better future for stakeholders, society and future generations.

This orientation rests on five core values: interdependence, a long-term view, an ownership mentality, creative resilience and ethical integrity.

Treating sustainability and ethics as just checkboxes destroys corporate value, since up to 90% of a modern company's worth comes from intangible assets like brand trust, culture and innovation.

"For Malaysian business leaders, many of the region's most enduring companies, multi-generational family enterprises, government-linked companies (GLCs) and conglomerates, already have some of the raw ingredients steward leadership calls for," Rajeev said.

The strategic opportunity lies in embedding stewardship directly into capital allocation, executive development, and value creation plans.

Regulators in Malaysia are similarly encouraging a shift toward long-term value creation.

Elsa pointed to initiatives like the Securities Commission Malaysia's MY Value Up programme under the Capital Market Masterplan 2026-2030, which urges listed companies to articulate their medium- to long-term growth, capital allocation and business strategies clearly.

Corporate communication functions cannot replace responsible governance or authentic leadership.

"PR cannot communicate an organisation out of a governance failure," Dewi said.

She further explained that strategic communication must serve as a two-way channel that feeds public expectations back into board-level decisions.

Long-term corporate viability is built when maximum purpose and maximum profit are aligned into a single, cohesive operating model in an era defined by radical transparency.

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