



SCHOOL OF BUSINESS AND ECONOMICS

UNIVERSITY EXAMINATIONS

2022/2023 ACADEMIC YEAR

FOURTH YEAR SECOND SEMESTER

MAIN EXAMINATIONS

FOR THE DEGREE OF BACHELOR OF BUSINESS MANAGEMENT

COURSE CODE: BBM 421

COURSE TITLE: CORPORATE GOVERNANCE AND LEADERSHIP

DATE:10/08/2023

TIME:8:00AM-10:00 AM

INSTRUCTION TO CANDIDATES

- 1) The paper contains **FIVE** questions
- 2) Attempt **THREE** questions
- 3) Question **ONE** is Compulsory

KIBU observes **ZERO** tolerance to examination cheating

QUESTION ONE (30 MARKS)

Several years ago Mumias Sugar Company Ltd, a stock listed company in Kenya, suffered a large fall in annual profits. A new Chief Executive Officer (CEO) was appointed. He was very successful in restoring the profits of the company and gained a reputation as a top-class businessman. The chairman of the company retired and the CEO was invited to become the new chairman whilst retaining his position as CEO, in contravention of “best practice” in corporate governance. The company explained its non-compliance to investors by stating that there was no individual better qualified for the role of company chairman, and that in spite of its best efforts the nominations committee had not yet identified a suitable successor as CEO. As Corporate Governance expert, you are aware that several major shareholders are angry about this arrangement, and expect it to be temporary so that the best standards of corporate governance are maintained. They have written a joint letter of protest to the board of directors.

- a) Explain why it is best corporate governance practice that the roles of CEO and chairman should not be held by the same individual (10 marks)
- b) Demonstrate the measures that the shareholders might take if their demands for the separation of the roles of CEO and chairman are not satisfied.
(5 marks)
- c) Illustrate how the Goal of Stewardship Governance can be used to resolve the anger of the shareholders (5 marks)
- d) Evaluate **FIVE** forms of power and its disadvantages that the CEO/Chairman is likely to use to manage the company (10 marks)

QUESTION TWO (20 MARKS)

You have been newly appointed as team leader of a Management department consisting of 5 team members. The team has not been performing well in the past and your main aim is to consolidate team work and increase team performance.

- a) Identify type of teams and highlight some of the characteristics that makes a team effective and successful. (10 marks)
- b) Describe the core phases used in negotiation process and evaluate **FIVE** conditions for a successful negotiation to occur as a team leader.
(10 marks)

QUESTION THREE (20 MARKS)

Leaders and managers are not necessarily the same persons in an organization. The differences between leaders are due to a large extent because of sources of power within an organization’.

- a) i. Distinguish between a leader and a manager (5 marks)

- ii. Explain the differences between position power and personal power (5 marks)
- b) Illustrate conflict management style that a leader/manager can use to resolve conflicts in an organization. (10 marks)

QUESTION FOUR (20 MARKS)

- a) i. Using the World Bank definition, explain what is Corporate Governance? (2 marks)
Justify using examples the underlying principles of Corporate Governance Framework of:
 - ii. Integrity and Fairness (4 marks)
 - iii. Accountability and Responsibility (4 marks)
- b) Demonstrate the importance of Ownership rights in an organization (10 marks)

QUESTION FIVE (20 MARKS)

- a) After graduating with Bachelor of Business Management degree, you feel well armed to venture into the employment world, where the first company to interview you, ask you to explain the reasons the company will have in supporting Corporate Social Responsibility. What would be your interview response? (10 marks)
- b) Using relevant examples illustrate the use of the following Corporate Governance Models
 - i. The Outsider Model (Anglo-American) (5 marks)
 - ii. Family/State Based Model (5 marks)