The Management University of Africa

Sponsored by the Kenya Institute of Management

POSTGRADUATE UNIVERSITY EXAMINATIONS

SCHOOL OF MANAGEMENT AND LEADERSHIP

DEGREE OF MASTER OF MANAGEMENT AND LEADERSHIP

MML 5108: CORPORATE GOVERNANCE

DATE: 30TH JULY 2026

DURATION: 3 HOURS

MAXIMUM MARKS: 60

INSTRUCTIONS:

1. Write your registration number on the answer booklet.
2. **DO NOT** write on this question paper.
3. This paper contains **FOUR (4)** questions.
4. Question **ONE** is compulsory.
5. Answer any other **TWO** questions.
6. Question **ONE** carries **30 MARKS** and the rest carry **15 MARKS** each.
7. **Write all your answers in the Examination answer booklet provided.**

QUESTION ONE

Read the Case Study below carefully and answer the questions that follow:

CORPORATE GOVERNANCE IN KENYA

Corporate governance has become an important aspect of organizational management in Kenya as organizations seek to enhance accountability, transparency, ethical leadership, and long-term sustainability. Kenya has established a legal and regulatory framework to guide corporate governance practices in both public and private organizations. The Companies Act, 2015 provides for the duties and responsibilities of directors, shareholder rights, board accountability, and governance obligations designed to promote responsible management and protect stakeholder interests.

In addition, corporate governance guidelines issued by regulatory bodies require organizations, particularly listed companies, to uphold high standards of board effectiveness, transparency, disclosure, and accountability. These frameworks emphasize the importance of independent and competent boards, clear separation of roles and responsibilities, effective internal controls, and sound risk management practices. For example, the Capital Markets Authority (CMA) Corporate Governance Guidelines emphasize board composition, transparency, and disclosure standards. Despite strong legal frameworks, corporate governance in Kenya faces numerous challenges. In addition, enforcement remains inconsistent, and some companies struggle with full compliance due to weak oversight and limited institutional capacity.

Financial reporting forms an important component of corporate governance in Kenya. Organizations are required to maintain proper accounting records and prepare annual financial statements that present a true and fair view of their financial position and performance. Financial statements should be prepared in accordance with applicable accounting

standards and, where required by law, be subjected to independent external audits. Listed companies are also expected to comply with periodic financial disclosure requirements to enhance transparency and investor confidence.

Within Kenya's corporate environment, organizations are increasingly expected to adopt governance structures that balance shareholder interests with broader stakeholder expectations. Boards of directors play a critical role in ensuring ethical conduct, strategic oversight, accountability, transparency, and sustainable value creation. Consequently, effective corporate governance has become a key determinant of organizational performance, investor confidence, and corporate reputation.

Required:

a) Enumerate **five** challenges that organizations face in implementing an effective corporate governance framework.
(10 marks)
b) Discuss the interests of the various stakeholders as recognized by the stakeholder theory.
(10 marks)
c) Discuss the role of the board of directors in promoting corporate governance in the organization.
(10 marks)

QUESTION TWO

Alpha Manufacturing experienced declining investor confidence after reports showed weak oversight by senior management and the board of directors. A governance review conducted by the company also revealed a weak governance structure.

a) Elaborate on **five** measures that the company can take in its effort to strengthen governance structures.
(10 marks)

b) Explain the role of the Board of Directors and Management in ensuring effective oversight in the company. **(5 marks)**

QUESTION THREE

a) Bright Tech Solutions is a growing technology company specializing in software development and IT services. The company has recently expanded rapidly, hiring many new employees and managers. Despite its success in the market, the company has come under criticism due to increasing reports of unethical behaviour within the organization. The company has contracted your services as a corporate governance expert to review the reports. Enumerate any **four** unethical issues that could raise concerns among clients and investors. **(8 marks)**

b) A large agricultural processing company has faced growing pressure to not only deliver value to shareholders but also to contribute positively to society. Evaluate practices that can be applied in developing an effective corporate social responsibility strategy. **(7 marks)**

QUESTION FOUR

a) Shareholders of Future Energy Ltd questioned the fairness of the executive directors' compensation structure, which was not linked to results. Advise the board on the performance criteria that may be used in determining executive directors' remuneration. **(5 marks)**

b) 'Despite widespread recognition of its strategic value, succession planning remains underdeveloped or poorly executed in public sector

institutions.’ In view of the statement, critically analyse **five** challenges that impede succession planning and compromise organizational continuity in these institutions.

(10 marks)