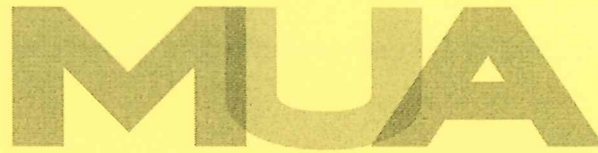


The
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POSTGRADUATE UNIVERSITY EXAMINATIONS

SCHOOL OF MANAGEMENT AND LEADERSHIP

DEGREE OF MASTERS OF MANAGEMENT AND LEADERSHIP

MML 5108: CORPORATE GOVERNANCE

DATE: 3RD DECEMBER 2024

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:

UPENDO COMPANY

Upendo Company was the darling of the banking industry, with some of the highest returns on equity in the sector and a soaring stock price. The company was founded in 2000 by Hellen and Winston originally providing banking services in Kenya. Over the years, the company grew through numerous mergers and acquisitions, including the purchase of Mtwapi Holdings in 2015, which significantly expanded its operational and customer base to the East African Community.

In September 2016, the Board of Directors of Upendo Company announced that it was paying \$185 million in fines for the creation of over 2 million unauthorized customer accounts. It emerged that the Company has opened millions of unauthorized customer accounts without customers' knowledge or consent. It soon came to light that employees had created accounts to meet quotas tied to their performance evaluations, resulting in fraudulent account openings. The scandal led to widespread public outrage, resulting in regulatory investigations, lawsuits and significant fines.

Following the fake accounts scandal, the then-CEO Mr. Kamau, resigned amid intense scrutiny and criticism. A new CEO was appointed but he resigned after three months as the bank continued to grapple with ongoing issues related to trust and governance. The fake accounts scandal was not the end of the Company's challenges. In 2020, it was revealed that the bank had improperly charged customers for auto insurance that they did not need, resulting in additional financial harm to customers.

In response to the scandals, regulatory bodies took a series of actions against Upendo Company. They imposed significant fines and penalties on the bank, and placed asset capon the company, limiting its growth until it demonstrated improvements in its governance and risk management practices.

Required:

- (a) In view of the excerpt, identify **five** failures in corporate governance that may **have** led to the scandals that tarnished the Company's reputation. **(10 marks)**

- (b) Elaborate on any **five** best practices that can improve corporate governance in Upendo Company. **(10 marks)**
- (c) Briefly explain the role played by regulatory bodies in the corporate governance framework. **(10 marks)**

QUESTION TWO

- (a) Dovey Limited is seeking to reduce costs by aligning the interests of managers with that of their stakeholders. Using the principles of agency theory, advise the Company on **five** measures that it can adopt for successful outcomes. **(10 marks)**
- (b) Enumerate **five** challenges facing the implementation of the stakeholder model of corporate governance. **(5 marks)**

QUESTION THREE

- a) Analyse the role played by corporate governance in shaping corporate social responsibility (CSR) initiatives within organizations. **(8 marks)**
- b) Evaluate the influence of stakeholder activism on board remuneration policies and corporate governance. **(7 marks)**

QUESTION FOUR

- a) Effective succession planning is a critical component of good corporate governance. Explain **(8 marks)**
- b) Non-executive Directors often make a significant contribution on corporate governance. Discuss **(7 marks)**

