PAN AFRICA CHRISTIAN UNIVERSITY

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DOCTOR OF PHILOSOPHY IN ORGANIZATIONAL LEADERSHIP

END OF SEMESTER EXAMINATION

DEPARTMENT

LEADERSHIP

COURSE CODE

POLD 707

COURSE TITLE

CORPORATE GOVERNANCE (POLD 707)

EXAM DATE

APRIL 2024

TIME

Duration: 3 hours

INSTRUCTIONS

- Read all questions carefully before attempting.
- Answer Question One (Compulsory) and any other two questions **(Total 20 Marks)**

Question One (Compulsory)

Loom plc (‘Loom’), a UK listed company, has recently appointed Pam as a non-executive director (NED). She is also an executive director at another UK listed company. As an independent NED, she has been asked to join the remuneration committee. It is expected that she will become the committee chairman because the current chairman has decided to retire at the next annual general meeting (AGM), following criticism of his performance from shareholders. At the last AGM of the company, a large proportion of shareholders voted against his re-election as chairman of the remuneration committee, and he was criticised in the media for professional incompetence in allowing executive directors to be paid excessive amounts of remuneration.

At the first board meeting Pam attended, the board approved a recommendation by the finance director to invest most of Loom’s substantial cash reserves in securities of other companies. Within two months, following a substantial fall in the bond and equities markets, Loom had lost about 15% of the value of its securities portfolio. Several shareholders expressed their extreme disapproval, and threatened each board member with legal action for breach of their statutory duties as directors. They argued that the surplus cash should have been returned to the shareholders, not spent on loss-making investments.

Pam is already concerned that her own reputation as a successful businesswoman may be compromised by her association with a company that is having substantial public disagreement with its shareholders.

Required

(a) Discuss how a strict observance of the statutory duties of directors would address the situation in which Loom plc finds itself (5 marks)

b) Examine five corporate governance issues that require to be addressed by management in order to help Loom to operate as a viable business. (5 Marks)

Question Two

With reference to an organization of your choice, analyse the application of Mendelow’s Stakeholder Model to the determination of the relationship between the organization and its stakeholders (5 marks)

Question Three

There is a common view that excessive corporate governance can inhibit innovation and the entrepreneurial spirit. Evaluate the arguments for this view and indicate what can be done to achieve a balance between appropriate levels of scrutiny and necessary levels of risk-taking (5 Marks)

Question Four

Your organization has created a new position of Sustainability Manager, a position you are interested in. To motivate your candidature, you have been asked to prepare and present a paper at the next board meeting on sustainability. Discuss the importance to the company of adopting a sustainable approach to its operations (5 Marks).