



# **MAASAI MARA UNIVERSITY**

## **REGULAR UNIVERSITY EXAMINATIONS 2017/2018 ACADEMIC YEAR THIRD YEAR FIRST SEMESTER**

### **SCHOOL OF ARTS & SOCIAL SCIENCES BACHELOR OF BUSINESS MANAGEMENT**

**COURSE CODE: BBM 391**

**COURSE TITLE: PRINCIPLES OF CORPORATE  
LEADERSHIP**

**DATE: 20<sup>TH</sup> APRIL, 2018**

**TIME: 0830 - 1030HRS**

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#### **INSTRUCTIONS TO CANDIDATES**

Question ONE is compulsory  
Answer any other THREE questions

*This paper consists of **THREE** printed pages. Please turn over*

## **QUESTION ONE**

### **SGK LTD**

SGK Ltd. Was founded by P.L. Shah in 1987. The company is in business of the departmental stores, retailing and general merchandizing. Since 2001, the company has been operating at its flagship building SGK Plaza. SGK Ltd has been characterized by the presence of major controlling shareholder. For example, in July 2003, the Chief Executive Officer (CEO) and chairman, A.K. Singh Shah, the second son of the founder, owned 67.75% of the company's shares.

In 1998, SGK Ltd. Was listed on the National stock exchange. However, since 2003, the Shah family has been trying to delist and privatise the company. After two failed attempts, the Shah family finally succeeded and the company was delisted on 24 September 2008.

In year 2010, SGK Ltd, P.L. Shar made an offer to about 500 minority shareholders who had held onto their shares in the delisted company. This offer represented an 18 % premium over its market value and well above the proce offered to other shareholders for the delisting in the year 2010. However, some of these minority shareholders were still unwilling to take up the share payback offer, and were holding out for a better offer.

### **Board of Directors**

During the third and successful privatization attempt, the board of SGK Ltd was chaired by Arnold Baraka, a former partner at the Success Solutions, an International audit firm. Apart from Arnolds Baraka, there were three other directors with experience in accounting, business management and rtail industry. Among the four directors, three were serving as non-executive independent directors.

Throughout the previous years, there was at least one Shah family member on the board. However, in the year 2009, A.K. Shah the CEO and the majority shareholder of the company since 1998, stepped down from the board, after he was alleged to have been involved in an illegal drug trading scandal. With this development, for the first time in the company's history, there was no Shah family member on the board.

According to SGK Ltd.'s Corporate Governance Report in 2010, the board would be responsible for enhancing long-term shareholder value and the overall management of the group. This includes reviewing the Group's performance, approval of corporate strategies and promoting high standards

of corporate strategies and promoting high standards of corporate governance. The delegated some of its functions to the board committees, namely the audit committee, nominating committee and the remuneration committee.

- a) Explain meaning of a majority shareholder. (2 Marks)
- b) With reference to the above discuss the FOUR challenges that a company could face as a result of having a major controlling shareholder. (8 Marks)
- c) With regards to the to the privatization attempts by SGK Ltd. suggest improvements that would help protect minority shareholders in the future. (10 Marks)
- d) Evaluate why independent directors should be primarily concerned with the interests of the minority shareholders. (5 Marks)

### **QUESTION TWO**

- a) With relevant examples justify the use of avoidance as a risk response. (5 Marks)
- b) Discuss how downsizing can be used by organizations to gain competitive advantage. (5 Marks)
- c) Define corporate governance and explain why it is used to monitor and control managers' strategic decisions. (5 Marks)

### **QUESTION THREE**

- a) Explain the major steps involved in the strategy formulation process (9 Marks)
- b) You have recently been appointed as a member of the Board of Directors of ABC Training Institute. Describe three roles that you are required to play. (6 Marks)

### **QUESTION FOUR**

- a) Corporate Social Responsibility has been viewed by some people as good forum for stakeholder interactions. Suggest four reasons for this stance. (4 Marks)
- b) Differentiate between illegal and illegal insider trading (6 Marks)
- c) State any five pillars of good governance (5 Marks)

### **QUESTION FIVE**

- a) Illustrate how a SWOT analysis can be useful for both internal and external organizational analysis. (5 Marks)
- b) Define the term strategy and differentiate between business and corporate strategies. (5 Marks)
- c) Explain the universality of the management concept. (5 Marks)

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