

**BINDURA UNIVERSITY OF SCIENCE EDUCATION**

**FACULTY OF COMMERCE**

**GRADUATE SCHOOL OF BUSINESS**

**MASTER OF LEADERSHIP AND CORPORATE GOVERNANCE**

**PRINCIPLES AND MODELS OF CORPORATE GOVERNANCE (MLC 501)**

**EXAMINATION QUESTION PAPER**

**DURATION: 3HOURS 30MINUTES**

**INSTRUCTIONS AND INFORMATION TO CANDIDATES**

1. Section 'A' is compulsory and carries 40 marks
2. Answer Question One from Section 'A' and any three (3) questions from Section 'B'.
3. The paper carries six questions.
4. All questions in Section B carry equal marks of 20 each.
5. You are expected to give relevant real life examples in your answers.

## **SECTION A: [COMPULSORY]**

### **QUESTION 1**

**Read the article below and answer the questions that follow.**

#### **CREATING ETHICAL ORGANIZATIONS.**

##### **Top Management Leads Ethics by Example**

The culture of a company influences the moral judgment of employees and stakeholders. Companies that work to create a strong ethical culture motivate everyone to speak and act with honesty and integrity. Companies that portray strong ethics attract customers to their products and services.

Customers are happy and confident in knowing they're dealing with an honest company. Ethical companies also retain the bulk of their employees for the long-term which reduces costs associated with turnover. Investors have peace of mind when they invest in companies that display good ethics because they feel assured that their funds are protected. Good ethics keep share prices high and protect businesses from takeovers.

Creating an ethical organizational culture:

One of the most noticeable ways that companies can demonstrate their commitment to creating an ethical organizational culture is to ensure that top managers and leaders lead by example. Employees look to the behavior of top management as an example of the type of behavior that the company finds acceptable in the workplace. Actions speak louder than words, so when top executives display ethical behavior, it sends a positive message to employees. Senior leaders need to be mindful of the fact that they're being watched and be sure to practice what they preach.

Research backs up the notion of leading by example. Stanford psychologist, Al Bandura is known for his research on observational learning. Bandura's stages of observational learning are: Attention; Retention; Reproduction and Motivation

The stages suggest that people pay attention to the behavior of others and retain thoughts about it. Then they reproduce the behavior. After repeated times of having a good experience with behavior, people are motivated to repeat it.

### Communicate Clear Expectations of Organizational Code of Ethics

Companies that create and disseminate an official code of ethics send a clear message of the expectations for their employees. A code of ethics or code of conduct clearly outlines the organization's primary values and ethical rules that they expect everyone to follow. The code should indicate that it applies to attire, attitudes, and behavior. Cultural norms and expectations are also inferred and are easily detected by observing the environment.

While it's good to have a written record of the code of ethics, means nothing if top management fails to model ethical behavior. Employees are observant. They take note of whether the company is adhering to the ethical principles that it set or whether they are merely paying lip service.

### Key Components of Ethics Training Program

A formal ethics training program sends a strong message about a company's ethical stance. Seminars, workshops, and other ethical training programs reinforce the organization's standards of conduct and clarify the types of behaviors that the company deems permissible or out of bounds. Situational examples help to address how to handle possible ethical dilemmas. Workshops can help employees to work on their problem-solving skills. Trainings may include consultations from peers or mentors.

### Reinforce Behavior You Want, and Don't Reinforce Behavior You Don't Want

Corporate culture always begins at the top. Managers should be evaluated on their ethical behavior as part of their annual performance appraisals. Their appraisals should include specific questions about how their decisions measure up against the code of ethics. Top executives should also be evaluated on the means they take to achieve their ethical goals as well as how the means lead to the ends.

Once again, research supports ethical principles. The principle of operant conditioning, by B.F. Skinner, represents that it's possible to reinforce the behavior you want to see in others. The principle of operant conditioning also shows that companies shouldn't reinforce behavior they don't want to see in others.

People who act ethically should be noticeably rewarded for their behavior and those who fail to act and behave ethically should have consequences for unethical behavior. Rather than fire good employees who demonstrate a single ethics violation, the company may choose to provide correct feedback for the behavior along with a short probationary period. Correction should be conducted in the spirit of collaboration and education rather than punishment or chastisement.

This step should encourage companies to offer their employees opportunities for rewards, recognition, and social reinforcements. Rewards and recognition should be thoughtfully considered taking care to deliver it with attention to detail to avoid unintended consequences.

#### Provide Protection for Employees

Most employees will want to do the right thing especially if they work for a company that has high moral and ethical standards. It can be difficult for anyone to report unethical behavior that they witness in other people at the company. Shy or introverted employees may find it particularly challenging to report unethical behavior. Almost anyone would feel intimidated if they felt the need to report the unethical behavior of one of their superiors or someone in a senior management position.

There are several ways that companies can assure their employees that they can safely report unethical behavior without fear of losing their jobs or getting some sort of punishment or consequence. An objective third party such as an ethics counselor, ethics officer, ombudsman, or ethics consultant can be helpful in these situations. An ombudsman can get the tools and resources to help with a consultation or investigation of a complaint about ethical behavior.

#### Using Technology to Support Creating an Ethical Organizational Culture

In the best-case scenario, your company will never have to deal with an infraction of your Code of Ethics policy. Unfortunately, that's not the reality for many companies. Here's where it pays to take a modern approach to creating an ethical organizational culture. Board Effect offers the perfect electronic platform for securely storing your code of conduct policies, reports, investigations, and the outcome of investigative results. It provides a secure, confidential online space where a team can investigate, communicate, and collaborate about ethical reports that have the potential to harm the company's reputation. In the event that an incident takes a legal turn, attorneys have quick access to the company's code and all other documentation regarding the incident. The board administrator has the ability to limit the users who can participate in such discussions.

The best judgment you can use to protect your company is to implement modern governance processes with the help of a Board Effect board management software solution.

Source: Adapted from Board Effect by Lena Eisenstein July 15, 2021.

**Required**

- a) How is an ethical organization created? (20 marks)
- b) Explain the benefits of ethical organizations to the economy. (10 marks)
- c) How do you identify an ethical organization? (10 marks)

**[Total 40 marks]**

**SECTION B: Answer any three (3) question from this section.**

**QUESTION 2**

Discuss your recommendations of the code of ethics for an organization of your choice. [20 marks]

**QUESTION 3**

Analyse, giving practical examples the relevance of the pillars of good corporate governance.

**[20 marks]**

**QUESTION 4**

Examine the relevance of corporate governance models to the country's state owned enterprises (SOEs).

**[20 Marks]**

**QUESTION 5**

Examine the need for good corporate governance in developing countries such as Zimbabwe.

**QUESTION 6**

Explore the causes for un-ethical behaviors in people around the world. [20 marks]

**END OF EXAMINATION QUESTION PAPER.**

