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 PAPER

DURATION: 3 HOURS 30 MINUTES

OCT 2024

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. The use of cell phones is not allowed in the examination.

SECTION A: [COMPULSORY]

QUESTION 1

CASE STUDY: BUSINESS ETHICAL LEADERSHIP

Level 1: Global (Ethics of Leaders)

The first level of ethical analysis deals with ethics of the leaders. Leaders should exhibit a personal morality as a model of ethical behaviour for those under them. The leaders are expected to uphold the law, keep the value alive which are not embedded in law, care for others, maintain honesty, integrity, tolerance and human fulfilment within the framework of values. At the same time, greater responsibility of leadership would also entail the leaders to exercise their personal value orientation on a larger base. There are two arguments in favour this view:

(a) There is a close connection between personal moral lives of business leaders and moral behaviour as business leaders;

(b) There is a close connection between leadership failure and corporate downfall.

While the first argument talks about a fluid relationship between personal and organisational ethical sphere, the second argument vouches for moral capital of the leader which can reap the benefits of other resources in the intended ways. However, the counter-logic to these arguments as well. Sometimes personal moral failure may not necessarily lead to ethical failure of leadership (e.g. Bill Clinton's presidential campaign was successful despite the moral problems in his personal life. Later, his failure was attributed to the those problems, which was actually not true) On the hand, since leaders have to set an example of morality for others, we may expect a great deal of moral compass from them. however, we tend to forget that they are too fallible human beings. Hence, expecting too much morality from them would drove away apparently ethical men to take up leadership position. Lastly, performance of ethical leadership may sometimes lead a person to avoid some of his personal responsibilities leading to moral failure in his personal life.

Level II: Organisational (Means of Leadership)

The second level of ethical analysis involves the means of leadership. While leadership necessarily involve moving others to act, there are different models which define the means of leadership:

(a) trait vs. contingency model;

(b) autocratic vs. participatory model;

(c) transactional vs. transformational model, etc.

There are two different ways of looking at means of leadership:

(a) Focus on specific actions that are taken in performing leadership;

(b) Focus on style of leadership.

First way: Individual actions of the leader are to be evaluated in moral terms and sum of morality of

their action will point towards their ethical orientation.

Second way: There are two advantages to this way:

(a) understanding the connections between diverse actions performed by the leader;

(b) understanding the reasons behind leadership failures.

The approaches of a leader in applying a particular mean can be categorised as:

(a) strategic dimension of ethical leadership;

(b) emotional dimension of ethical leadership.

First approach: In the strategic sense, effective leadership contributes to the achievement of business goals. However, from the ethical standpoint, that is possible only when the business respects the intrinsic worth of each stakeholder with their own interest and values. Honesty, reciprocity, trust and integrity are two important criteria for ethical leadership. However, an unethical leadership would try to achieve this end by coercion, deception, threats, or blackmail. Since business is all about mutual interaction among conflicting agents, ethical leadership is more effective than unethical leadership in strategic sense.

Second approach: leadership is not a cognitive process based on rational persuasion; rather it involves an affective connections among agents and creating a strong commitment among them towards achieving the organisational goal. Hence, emotional appeal of the leadership motivates the team. However, it must be genuine (authentic leadership). Otherwise, it will belittle the real interest and lead to emotional dysfunction leading to unsuccessful business. (Inauthentic leadership).

Level III: Individual (Heart of Leadership)

The third level of analysis deals with ethics of leadership in offering a common telos and in guiding others towards achievement of the same. Hence, there are at least two ways through which leadership exhibit ethical failures – (a) unethical telos and (b) unethical projections.

First way: ethical leadership may fail if it is centred around a mission which is inherently unethical (ponzy schemes). While leaders are supposed to lead others towards a common mission, it is ultimately hovers around the common good of the organisation which should

not take the back seat to the good of a certain individual stakeholder (lucrative compensation package for the directors against incomparable corporate performances). Ethical mission should always involve human flourishing by production and distribution of goods and services and creating opportunities for utilisation of talents.

Second way: It involves intrinsic disconnect between telos and projections due to questionable intentions of the executives (downfall of Enron). However, as long as the projections are made in good faith keeping in view the telos, any deviations from the projected outcome due to miscalculations or contingent flaws will be treated as strategic flaws, not ethical flaws. An ethical leadership will lead to a sustainable business which ultimately lead to human flourishing.

Corporate Integrity

Context of corporate integrity

Corporate integrity is to be studied in the backdrop of recent corporate accounting scandals, like Enron, WorldCom and Satyam and raised questions on corporate integrity. Corporations today have their footprints in economic, human, and natural frontiers. There are 5 dimensions to corporations – cultural, interpersonal, organisational, civic and environmental. While cultural dimension can prevent or promote a new idea, environmental dimension can reveal knowledge about sustainability of the product. While interpersonal dimension can talk about conversational pattern within the organisation, organisational dimension validates economic prospect of a plan. Finally, civic dimension ensures corporations' relationships with non-profit or Government organisations. All the dimensions influence one another. Basically, corporations are based on certain physical and communicational designs of human systems (as a part of larger social and natural system) based on verbal and non-verbal communications. While verbal communications incorporate mission and policy statement, non-verbal communications include work designs, daily schedules, and practical systems. The process of this communication and the resultant growth of the organisation depend on the integrity of the corporations. In usual meaning, integrity refers to the degree of interpersonal trust in the organisation. However, corporate integrity refers to integrating the apparently part human systems into whole. Corporate integrity is the foundation of ethical leadership and corporate citizenship.

Meaning of integrity

Integrity refers to integrating parts into whole towards achieving a result which is right from ethical standpoint. Integrity can be viewed from 4 different approaches – (a) consistency; (b) relational awareness; (c) inclusion; and (d) pursuing worthwhile purpose. While all the

approaches are important to understand the meaning of integrity, from corporate point of view, relational awareness is more important, since corporations have multiple relationships. However, others are also not far behind.

Consistency (what we do?)

Integrity as consistency refers to coherence between words and works. A person should do only what he purports to honour and in this achievement of high goal, he should not be intimidated by the own personal gain and should have unbending conformity to the existing standards. However, if a person is unaware of his duties and responsibilities, he may think that others also have the same powers and responsibilities. Hence, he may perform his responsibilities as per his own belief which may not integrate him with the whole. Hence, corporate leaders, while exercising integrity in the meaning of consistency should consider their self as a part of a system, in reality it may not always be possible. When leaders identify themselves as honest, caring, hardworking, they are focussing on the aspect of consistency. In terms of organisation as well, when we see organisation as an agent or focus on organisational purpose, it is consistency.

Relational awareness (who we are?)

Every individual can be viewed as a part and parcel of a greater society. Naturally, when they practice integrity, they should identify themselves as brother, father, mother, sister, etc. They should be conscious of their relational self in terms of their existence and their interactions. In corporate sector, relational awareness refers to multiple relationships with stakeholders.

Inclusion

Inclusion refers to the mentality of accepting disapprovals or disagreements at individual or organisational levels. Inclusion is union of compliance practices by the managers in their day to day activities and thereby achieving ethical performance. In an organisation, people believe in different ethical theories. Balancing all these ethical theories towards a greater corporate performance is the main idea of inclusion. Corporations may achieve inclusion if they are efficient. However, efficiency does not always ensure integrity (e.g. drug dealers may be efficient in their job but they don't have integrity).

Pursuing worthwhile purpose

While integrity is one of the greatest virtues to be pursued, it is also one of the ethical principles that define rightfulness of our action. So, our actions are right only when we pursue a worthwhile purpose, something that can ensure greater welfare for a greater section of the society.

Dimensions of corporate integrity

As mentioned earlier, there are 5 dimensions to corporate integrity – (a) cultural; (b) natural; (c) social; (d) organisational; (e) interpersonal. Cultural dimension in terms of language, ritual and patters of communication provide perspective to other 4 dimensions in which we discover how to relate person, experience and things. The following dimension is natural dimension which dictates the relationship of the corporations with environment especially in the backdrop of growing environmental problems. The following dimension talks about the relationship of the corporations with the society. In fact organisation here works as an agent which must have integrity in their actions (consistency) and must be able to identify their relational self as compared to other members of the society. The following dimension organisational dimension focus on including different ethical claims in their organisational performance for achieving a worthwhile purpose. Finally, the interpersonal dimension focuses on the relationship that defines a particular self within an organisation. All these dimensions have contextual interpersonal relationships with one another.

Issues of corporate integrity

All the 5 dimensions pose a few challenges to the concept of corporate integrity. From cultural dimension point of view, we live in a society with multi-cultural background. Hence, in such society, with a view to achieving integrity, we need to be able to accept differences and disagreement. Hence, integrity in the form of inclusion is difficult to achieve in cultural dimension. Environmental dimension poses a challenge to the concept of integrity since environmental degradation cause a challenge to the corporate sustainability. However, corporations seem to be unaware of it. Hence, corporations should ensure worthwhile purpose by imbibing environmental cause in the business decisions. From social point of view, once again, the corporation is supposed play as a cooperative role in the society. Here again, it is difficult to undermine the interest of a particular social member in the way of fulfilling the interest of other. Once again, integrity in the form of inclusion is impaired in this dimension. From organisational point of view, the challenge is to bind organisational purpose with conduct. However, even if the mission and decisions to achieve them are in tandem, it is challenge to prove that the mission form a worthwhile purpose. Finally, from the interpersonal level, the challenge is to identify the relational self. Actually, in the workplace people recognise themselves as per their work identity. However, they also have their family as well as a civic identity as a whole. These other relational status of a person also influences their work relationships. The whole process makes them aware of their position in the relational sphere in the organisation.

Required:

a) Highlight the major challenges of corporate integrity. **(10 marks)**

b) Justify the need for inclusivity concept in organizations. **(10 marks)**

c) Citing an example, give the Meaning of integrity in corporate governance. **(10 marks)**

d) Why is ethical leadership importance in organizations? **(10 marks)**

[Total: 40 marks]

SECTION B: (*Answer any three [3] questions from this section*).

QUESTION 2

Explore the corporate governance challenges that are being experienced in the Public Sector Organizations in Zimbabwe. **[20 marks]**

QUESTION 3

Give recommendations on how the seven pillars of good corporate governance should practiced in an organization you are familiar with. **[20 marks]**

QUESTION 4

Examine the importance of practicing good principles of corporate governance in developing countries such as Zimbabwe. **[20 marks]**

QUESTION 5

Evaluate the roles of the major institutions that influence the principles and practices of good corporate governance in Zimbabwe. **[20 marks]**

QUESTION 6

Analyze the applicability of any five Corporate Governance Models you are familiar with in our corporate world. **[20 marks]**

END OF EXAMINATION PAPER