



CS ADVANCED LEVEL

BOARDROOM DYNAMICS

WEDNESDAY: 23 April 2025. Afternoon Paper.

Time Allowed: 3 hours.

Answer ALL questions. Marks allocated to each question are shown at the end of the question. Do NOT write anything on this paper.

QUESTION ONE

SONARA SAVINGS AND CREDIT COOPERATIVE (SONARA SACCO)

Sonara Savings and Credit Cooperative (Sonara SACCO) is one of the fast-growing cooperative societies in Kenya, with tremendous growth witnessed in the last decade and a very varied membership basic from rural farmers to urban professionals. With assets in excess of Sh.5 billion, Sonara SACCO is a significant financial institution offering loans, savings plans and investment opportunities to its members. Recent governance challenges faced by diverse organisations where Sonara SACCO is not immune calls for the need for effective governance structures, transparent decision-making processes among others.

Sonara SACCO operates within the cooperative governance framework set forth by the Government of Kenya and adheres to the guidelines set by the Sacco Societies Regulatory Authority (SASRA). The governance structure of the SACCO comprises the annual general meeting (AGM), the board of directors, a supervisory committee and the management.

The AGM is the highest decision-making body where members vote on important decisions, including the election of board members and approval of financial statements. The Board of Directors, comprising nine elected members, is responsible for the strategic management of Sonara SACCO, while the Supervisory Committee ensures that internal policies and SASRA regulations are adhered to. The management team, headed by the Chief Executive Officer (CEO), is responsible for the day-to-day operations and the implementation of board decisions.

Despite the presence of a robust governance structure in Sonara SACCO, recent internal audits have uncovered several critical shortcomings including significant accountability gaps, the duplication of roles and a lack of clarity in communication between the board and management. These issues suggest that there remains considerable room for improvement in terms of alignment and cohesion within the governance framework. Such deficiencies indicate that, while the structure may be well-established, there are fundamental aspects of organisational synergy that require attention to ensure more effective and streamlined governance.

In early 2023, the board faced a critical decision regarding the introduction of a mobile lending facility aimed at providing members with more convenient access to financial services. Proponents of the initiative argued that it would not only attract a younger, tech-savvy demographic but also enhance operational efficiency. However, detractors raised concerns about the potential for elevated default rates and cyber security vulnerabilities. The decision-making process itself came under scrutiny, revealing several key issues. First, the feasibility studies conducted for the mobile lending platform were incomplete, leaving gaps in understanding its full implications. Second, certain board members lacked the necessary technical expertise to properly evaluate the proposal for a digital transformation, raising questions about the adequacy of the decision-making process. Lastly, suspicions arose regarding a potential conflict of interest, as one board member was found to have close ties with the technology vendor under consideration. This combination of inadequate research, lack of expertise and possible ethical concerns cast doubt on the integrity and soundness of the board's decision-making approach.

The board finally delayed its decision to carry out a complete cost-benefit analysis. This setback showed flaws in the decision-making level, including consulting expert opinions and making policy guidelines on conflict-of-interest policies. The significant stakeholders for Sonara SACCO include members, regulators, employees and community partners. Any organisation has to engage with these groups to ensure that trust is maintained and to work toward its mission.

During the mobile lending debate, communications with the stakeholders were uneven. The enthusiasm of younger members about digital solutions brought frustration for the slow movement to implement the platform. Older members were concerned that a shift to digital lending would take the focus off traditional services thus, alienating members in rural areas.

In response to the growing concerns and divergent perspectives, the board decided to convene a series of stakeholder forums across its various branches. These forums provided invaluable insights, revealing a pronounced demand for digital solutions from urban members, who expressed eagerness for more advanced technological offerings. Conversely, rural members voiced concerns about the potential lack of inclusivity, highlighting the risk that digital platforms might not cater effectively to their needs. Additionally, there was a unanimous call from both urban and rural members for greater transparency in how major decisions were communicated and made. These findings underscored the importance of maintaining an ongoing, open dialogue with stakeholders, ensuring that their feedback is consistently integrated into the decision-making process to guide more informed and balanced strategic choices moving forward.

Historically, discussions within the Sonara SACCO boardroom were dominated by its senior members and took on an exclusively hierarchical nature, limiting innovative ideas and suggestions coming from younger, inexperienced board members. Additionally, suspiciousness and the infrequent development of personal scores also made a tense atmosphere preclusive of genuine, productive deliberation.

To address these challenges, the SACCO collaborated with a governance consultancy to cultivate a more collaborative and effective boardroom culture. Key interventions included conflict resolution training, workshops focused on promoting inclusivity and encouraging diverse viewpoints and leadership development programs designed to enhance the strategic thinking and emotional intelligence of board members. Within six months, the impact of these efforts became evident. Board meetings became more harmonious and productive, with members engaging in more innovative and forward-thinking discussions, signalling a noticeable improvement in the overall board dynamic.

Required:

- (a) Describe **FIVE** constituents of governance structures espoused by Sonara Saving and Credit Cooperative (Sonara SACCO). (10 marks)
 - (b) Analyse **FIVE** inefficiencies in the board decision-making process Sonara SACCO. (10 marks)
 - (c) Evaluate **FIVE** benefits of building trust through stakeholder conversations in Sonara SACCO's operations. (10 marks)
 - (d) Explain **FIVE** challenges that Sonara SACCO faced in its boardroom culture. (10 marks)
- (Total: 40 marks)**

QUESTION TWO

- (a) Explain **TWO** differences between “boardroom dynamics” and “board dynamics”. (4 marks)
 - (b) Describe **SIX** professional skills of an effective board member. (6 marks)
 - (c) Summarise **FIVE** benefits that an organisation could derive from conducting a board evaluation. (5 marks)
- (Total: 15 marks)**

QUESTION THREE

- (a) Describe **FIVE** strategies for managing conflict within a board. (5 marks)
 - (b) Explain **FIVE** sources of power that might be exercised in the board. (5 marks)
 - (c) Assess **FIVE** determinants of directors' remuneration. (5 marks)
- (Total: 15 marks)**

QUESTION FOUR

- (a) Analyse **FIVE** strategies for promoting self-regulation in order to enhance corporate governance. (5 marks)
 - (b) Summarise **FIVE** techniques that could be adopted by a board to ensure behavioural agility. (5 marks)
 - (c) Evaluate **FIVE** challenges that organisations could face while creating board diversity. (5 marks)
- (Total: 15 marks)**

QUESTION FIVE

- (a) Explain **FIVE** physical characteristics that impact boardroom dynamics. (5 marks)
 - (b) Using the model of influence developed by Cohen and Bradford, evaluate **FIVE** influence currencies that can be used to influence a board in a positive way. (5 marks)
 - (c) Discuss **FIVE** ethical dilemmas that boards encounter in relation to talent management. (5 marks)
- (Total: 15 marks)**



CS ADVANCED LEVEL

BOARDROOM DYNAMICS

TUESDAY: 3 December 2024. Afternoon Paper.

Time Allowed: 3 hours.

Answer ALL questions. Marks allocated to each question are shown at the end of the question. Do NOT write anything on this paper.

QUESTION ONE

TAIFA HOLDINGS LIMITED (THL)

Taifa Holdings Limited (THL) a leading manufacturing company in Kenya, specialises in consumer goods. The company employs over 1,500 staff. Despite its market success, the company has recently faced challenges in its governance, decision-making, stakeholder engagement and boardroom culture, which have affected its overall performance.

THL has a formal governance structure with an eleven member board comprising the Chief Executive Officer (CEO), four executive directors, five independent non-executive directors and an independent board chairperson. The board has several committees which are intended to provide oversight and guidance. These committees include Audit, Risk, Strategy and Nominations committees. However, the governance framework faced significant challenges, including unclear role boundaries, power imbalances and insufficient oversight. The board's composition was marked by a lack of diversity, with most members having similar professional backgrounds and thereby limiting the range of perspectives during discussions. Conflicts of interest were also prevalent as some executive directors were involved in decisions that should have been independently scrutinized by non-executive members.

Board decision-making at Taifa Holdings Limited was often characterised by indecisiveness, rushed judgments, and domination by a few influential voices. The board tended to align closely with the CEO's recommendations, often bypassing thorough scrutiny or debate. This over-reliance on management's input stifled independent thought and led to a groupthink culture where dissenting opinions were rarely considered. A notable example was the decision to diversify the company's product lines without sufficient market research resulting in a failed product launch that negatively impacted the company's finances. Decision-making processes were not well-structured often lacking clear criteria and leading to operational delays and confusion within the management team.

Stakeholder engagement was another weak point in THL boardroom dynamics. Communication with key stakeholders including shareholders, employees and regulators was inconsistent and often reactive. Shareholder interactions were limited to formal annual general meetings where feedback was minimally addressed. The board's lack of direct communication with employees was particularly evident during a recent strike over pay disputes. Rather than engaging directly with the workforce, the board relied on the CEO to manage the situation leading to perceptions of detachment and unresponsiveness. This approach not only strained employee relations but also harmed the company's reputation.

The culture in the THL boardroom was hierarchical and characterised by deference to authority, particularly to the chairperson and CEO. Discussions were often dominated by senior members with junior and independent directors feeling sidelined and hesitant to voice their concerns. This culture discouraged open debate, limiting the board's ability to fully leverage on the expertise of all its members. A recent internal review of board performance highlighted issues of poor communication, reluctance to challenge authority and a lack of transparency in handling conflict of interest. This atmosphere of superficial agreement and inadequate accountability undermined effective governance.

To address these challenges, THL needed to enhance board diversity, strengthen decision-making processes, improve stakeholder engagement, and foster a more open and transparent boardroom culture. Implementing these changes would help the company build a more effective governance framework, improve decision-making quality and better align with stakeholder expectations, ultimately supporting THL long-term success in the Kenyan market.

Required:

- (a) Evaluate **FIVE** governance structure challenges identified in Taifa Holdings Limited (THL) boardroom. (10 marks)
- (b) Explain **FIVE** decision-making issues that negatively affected the board of THL. (10 marks)

- (c) Describe **FIVE** shortcomings in relation to stakeholder engagement at THL. (10 marks)
 - (d) Analyse **FIVE** cultural issues within the boardroom of THL that negatively impacted the effectiveness of governance. (10 marks)
- (Total: 40 marks)**

QUESTION TWO

- (a) Highlight **SIX** good practices for virtual board and committee meetings. (6 marks)
 - (b) Outline **FOUR** characteristics of a 21st century governance professional. (4 marks)
 - (c) Analyse **FIVE** guidance checklists for a valuable and successful board evaluation. (5 marks)
- (Total: 15 marks)**

QUESTION THREE

- (a) Describe **FIVE** types of legitimate political behaviour exhibited by individuals or groups in organisations. (5 marks)
- (b) Identify **THREE** goals of executive compensation and benefits. (3 marks)
- (c) “Organisational failure can have a significant impact on boardroom dynamics and could change the way boards function and make decisions”.

With reference to the above statement, examine **SEVEN** ways in which organisational failure could affect boardroom dynamics. (7 marks)

(Total: 15 marks)

QUESTION FOUR

- (a) Summarise **FIVE** benefits of self-regulation in corporate governance. (5 marks)
 - (b) Examine **FIVE** benefits that might accrue to an organisation due to a diversified Board. (5 marks)
 - (c) Analyse **FIVE** ways in which technological advancements help directors understand their organisations. (5 marks)
- (Total: 15 marks)**

QUESTION FIVE

- (a) Describe **FIVE** factors that the Nomination Committee of the Board should consider in promoting diversity in the Board of a listed company. (5 marks)
 - (b) Identify **FIVE** considerations in establishing an effective board development programme. (5 marks)
 - (c) Assess **FIVE** ways of improving relationships with difficult stakeholders. (5 marks)
- (Total: 15 marks)**

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CS ADVANCED LEVEL

BOARDROOM DYNAMICS

TUESDAY: 20 August 2024. Afternoon Paper.

Time Allowed: 3 hours.

Answer ALL questions. Marks allocated to each question are shown at the end of the question. Do NOT write anything on this paper.

QUESTION ONE

FAHARI LTD.

Fahari Ltd., a distinguished real estate development company based in Kenya, has developed a new strategic plan which focuses on sustainable growth and enhanced institutional governance. Founded and managed as a family-owned business by Andrew Kimeu and his sons, Bethuel Kiema and Isaac Maina, Fahari Ltd. has so far established itself through ambitious projects and a strong market presence.

Recently, Catherine Kiema wife to Bethuel Kiema, a corporate governance expert, conducted a comprehensive assessment of Fahari Ltd.'s governance practices. Her findings underscored the need for a more robust governance framework to facilitate the company's expansion into regional markets, attract external funding and recruit top talent. She recommended the adoption of a comprehensive code of corporate governance to be used in the company so as to align it with industry best practices and provide a formal framework for ethical decision-making, transparency and accountability.

Emphasising the importance of good corporate governance, she recommended the establishment of a formal board of directors that includes independent directors holding scheduled meetings effectively. The meetings were proposed to be held every three months, or earlier if necessary. Andrew Kimeu is opposed to independent directors, stating that he cannot build a company from nothing only to have some strangers sitting on the board and deciding on its future. He stated that the independent directors may not understand his values and the vision to have Fahari Ltd. outlive him and thrive beyond the 10th generation. Catherine Kiema assured him that clear structures can be set up to maximise their contribution without compromising the family's ethos.

This strategic move would also involve developing a stakeholder's policy that guides on how Fahari Ltd. can incorporate external views from suppliers, customers, and other stakeholders in the strategic decisions made by the board, ensuring comprehensive consideration of diverse perspectives and fostering stronger relationships with all stakeholders.

In response to these recommendations, Andrew Kimeu and his sons are deliberating on the adoption of a tailored code of corporate governance with the aim of sustaining its growth trajectory, nurturing stakeholder trust and continuing to deliver exceptional value to its clients.

Required:

- (a) Appraise **FIVE** factors that the board should consider when determining the most appropriate code of corporate governance to adopt for a firm such as Fahari Ltd. (10 marks)
 - (b) Analyse **FIVE** methods that could be applied to engage with various stakeholder groups of Fahari Ltd. (10 marks)
 - (c) Identify **FIVE** strategies that Fahari Ltd. can implement to design board meetings that promote effective communication and collaboration among directors. (10 marks)
 - (d) Evaluate **FIVE** ways in which Fahari Ltd. can manage power dynamics within its boardroom. (10 marks)
- (Total: 40 marks)**

QUESTION TWO

- (a) Decision-making in boards is a critical process in corporate governance.
Analyse **FIVE** tools that may be used during this process. (5 marks)
- (b) Psychodynamic theory is among the psychological theories underpinning board dynamics.
Examine **FIVE** of its assumptions. (5 marks)
- (c) Research and practical experience have shown that diverse boards can provide a range of benefits to organisations.
Outline **FIVE** benefits of this diversity. (5 marks)
- (Total: 15 marks)**

QUESTION THREE

- (a) The Board shall be structured in a way that it has different skills and expertise within itself.
With reference to the above statement, examine **FOUR** contents of skills matrix for the of board directors. (4 marks)
- (b) Explain **FIVE** areas to focus on during a board evaluation. (5 marks)
- (c) Describe **SIX** features of a ceremonial board. (6 marks)
- (Total: 15 marks)**

QUESTION FOUR

- (a) One of the roles of the Company Secretary is to ensure the directors have the skills and competence to carry out their responsibilities.
Discuss **FOUR** responsibilities of the board in training and development. (4 marks)
- (b) Company secretaries may be faced with various ethical dilemmas in their role of influencing and observing dynamics which may affect their decision-making.
Describe **FIVE** potential ethical dilemmas that the company secretaries may face in the boardroom. (5 marks)
- (c) Kwetu Limited has reconfigured its board structure from a two-tier system to a one-tier system.
Evaluate **SIX** benefits that may accrue to Kwetu Limited from this move. (6 marks)
- (Total: 15 marks)**

QUESTION FIVE

- (a) Identify **FIVE** features of a strong board culture. (5 marks)
- (b) Explain **FIVE** challenges associated with linking rewards to performance of board of directors in a corporation. (10 marks)
- (Total 15 marks)**
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CS ADVANCED LEVEL

BOARDROOM DYNAMICS

TUESDAY: 23 April 2024. Afternoon Paper.

Time Allowed: 3 hours.

Answer ALL questions. Marks allocated to each question are shown at the end of the question. Do NOT write anything on this paper.

QUESTION ONE

RAFIKI LIMITED (RAL)

Rafiki Ltd., a Kenyan technology star soaring high on the wings of mobile payment solutions, faced a familiar yet ever-evolving challenge: its boardroom needed to adapt. With fast growth came the need for a governance structure that could navigate the complexities of international investors, expanding operations and an ever-shifting regulatory landscape. The Capital Markets Authority's (CMA) Code of Corporate Governance Practices, with its emphasis on board composition, risk management and sustainability reporting, loomed large, demanding adherence with agility remaining crucial.

The question was not just “what structure?”, but “how?”. Striking a balance between the efficiency of an executive board and the inclusivity of a non-executive one became a delicate balance, further complicated by the growing chorus of stakeholder voices demanding representation. Finding the right talent was not easy – the technological sector, after all, was not exactly overflowing with seasoned veterans. And then there was diversity; gender parity and ethnic representation. The board needed to reflect the vibrant tapestry of Kenya, not just the boardroom of the old.

Decision-making was another hurdle. Streamlining processes was essential, but so was fostering open dialogue and leveraging the diverse perspectives around the table. Stakeholder conversations added another layer – how to effectively engage with employees, investors and communities, their concerns a constant hum in the background.

Culture, the invisible thread binding it all, could not be ignored. Respect, transparency, ethical conduct – these were not just buzzwords, they were the lifeblood of the boardroom, setting the tone for the entire organisation. Finally, talent management – attracting, retaining, training the right board members and ensuring a steady pipeline for the future. It was a continuous chess game, one move impacting the next.

RAL's story was not unique. It mirrored the broader Kenyan narrative, a nation striving to create boardrooms that were effective, diverse and responsive. The challenges were many - limited talent pool, balancing tradition with innovation, navigating cultural nuances, ensuring compliance without stifling agility. But the opportunities were even greater.

Targeted recruitment, a hybrid board structure, comprehensive training programs – these were the strategic weapons in RAL's arsenal. Open communication channels, respectful discussions, a culture of collaboration were the values that would bind the boardroom together. Technology too, could be a powerful ally, enhancing board effectiveness and stakeholder engagement.

The Kenyan boardroom in its evolution stood at a crossroads. By fostering open dialogue, sharing best practices and embracing collaborative efforts, companies like RAL could pave the way for a future where boardrooms were not just efficient, but truly representative, driving sustainable growth and positive impact for all stakeholders. The journey had just begun and the lessons learned in Rafiki Ltd.'s boardroom would echo far beyond its walls, shaping the future of corporate governance in Kenya.

Required:

- (a) Evaluate **FIVE** ways RAL can adapt its governance practices to comply with the CMA's Code of Corporate Governance Practices, while maintaining its agility as a fast-growing company. (10 marks)
- (b) Explain **FIVE** strategies RAL requires to attract and retain diverse board members with the necessary skills and experience. (10 marks)

- (c) Discuss **FIVE** factors to be considered by RAL to ensure an effective and efficient Board. (10 marks)
- (d) Assess **FIVE** ways RAL may effectively engage with stakeholders to incorporate their voices and address their concerns. (10 marks)

(Total: 40 marks)

QUESTION TWO

- (a) Highlight **FOUR** professional skills of an effective board member. (4 marks)
- (b) Emotional intelligence is a core board competence in modern firms. Summarise **FIVE** roles of this competence. (5 marks)
- (c) Explain **THREE** levels of Edgar Schein's model of corporate culture. (6 marks)

(Total: 15 marks)

QUESTION THREE

- (a) Describe **FOUR** tips for creating an effective board meeting agenda. (4 marks)
- (b) Suggest **FIVE** ways through which leaders can influence trust among their followers. (5 marks)
- (c) Analyse **SIX** dimensions that may be considered in evaluating director's effectiveness. (6 marks)

(Total: 15 marks)

QUESTION FOUR

- (a) Evaluating board dynamics plays a crucial role in ensuring good governance and organisational success.
- In view of the above statement, outline **FIVE** frameworks for carrying out this evaluation. (5 marks)
- (b) The role of the governance professional in influencing boardroom dynamics is becoming increasingly important.
- Summarise **FIVE** ways in which these professionals can influence boardroom dynamics. (5 marks)
- (c) Analyse **FIVE** approaches you would adopt to promote diversity within a company's Board. (5 marks)

(Total: 15 marks)

QUESTION FIVE

- (a) Evaluate **FOUR** effects of bias on the quality of board decision making. (4 marks)
- (b) In group dynamics, analyse **FIVE** blocking roles that are played by board members in the boardroom. (5 marks)
- (c) Explain **SIX** roles of the corporate secretary in supporting talent management in an organisation. (6 marks)

(Total: 15 marks)

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CS ADVANCED LEVEL

BOARDROOM DYNAMICS

TUESDAY: 5 December 2023. Afternoon Paper.

Time Allowed: 3 hours.

Answer ALL questions. Marks allocated to each question are shown at the end of the question. Do NOT write anything on this paper.

QUESTION ONE

XYZ CORPORATION

XYZ Corporation, a multinational industry leader, recognises the pivotal role of effective board dynamics in shaping its trajectory toward sustained success. The company places a premium on robust governance structures, acknowledging their fundamental role in steering the organisation. The company's board is meticulously structured to balance authority and accountability. Comprising non-executive directors, executive directors, and independent directors, the board functions in harmony with specialised committees such as audit, compensation and governance.

At the heart of XYZ Corporation's success lies the collective skills, competencies, and diversity of its board. A finely tuned skills matrix guides board composition, ensuring a diverse range of expertise encompassing finance, technology, marketing, legal affairs and other strategic domains. XYZ Corporation actively promotes diversity, fostering inclusivity in terms of gender, ethnicity and international representation within its board. Real-life anecdotes and initiatives are explored, showcasing how this commitment to diverse skills and competencies contributes to organisational resilience and innovation.

Effective decision-making is a demonstrated strength of board dynamics at XYZ Corporation. Deliberative discussions, consensus-building and well-defined voting mechanisms characterise the board's approach to critical decision points. The chairperson, as a key orchestrator, plays a pivotal role in facilitating discussions and ensuring robust decision-making. The company leadership not only explores instances where the board faces significant decisions but also delves into the methodologies employed to reach consensus. It also sheds light on how decisions are aligned with the company's strategic objectives and how they contribute to its long-term success.

XYZ Corporation acknowledges the multifaceted nature of stakeholder engagement. Regular and transparent communication mechanisms are in place to connect with shareholders, employees, customers, and regulatory bodies. Stakeholder feedback influences board decisions, emphasising the challenges encountered in balancing diverse interests. XYZ Corporation proactively manages stakeholder relationships, anticipating needs and aligning corporate strategies with societal expectations. An intricate web of relationships contributes to the organisation's overall resilience and reputation.

Within the boardroom, culture shapes the dynamics that reverberate throughout the organisation. XYZ Corporation recognises the importance of fostering a positive, inclusive and collaborative culture. Initiatives are in place to nurture a culture of openness, innovation, and accountability among board members. There was close scrutiny of the impact of boardroom culture on organisational performance and responses to challenges. Real-world examples symbolise and illustrate how XYZ Corporation leverages its cultural ethos for sustained success and resilience in a rapidly evolving business environment.

As XYZ Corporation charts its course through the complexities of the global business landscape, its board dynamics serve as a beacon of exploration into the elements influencing corporate governance. By emphasising key governance practices, XYZ Corporation not only meets industry standards, but also sets a benchmark for excellence. Through this holistic approach to board dynamics, the company positions itself as a resilient and adaptive entity, poised for sustained success and positive contributions to the global marketplace.

Required

- (a) Describe **FIVE** ways in which XYZ Corporation fosters skills, competencies and diversity within its Board. (10 marks)
- (b) Explain **FIVE** approaches that the board of XYZ Corporation could adopt in decision-making. (10 marks)

- (c) Analyse **FIVE** stakeholder communication mechanisms at XYZ Corporation. (10 marks)
- (d) Examine **FIVE** initiatives by XYZ Corporation that foster a positive and inclusive culture within the boardroom. (10 marks)
- (Total: 40 marks)**

QUESTION TWO

- (a) Highlight **THREE** advantages of a two-tier board. (3 marks)
- (b) Summarise **FOUR** dimensions that are evaluated in performance management of board members. (4 marks)
- (c) Explain **FOUR** negative uses of power in organisations. (4 marks)
- (d) Describe **FOUR** factors to consider in designing a board evaluation tool. (4 marks)
- (Total: 15 marks)**

QUESTION THREE

- (a) Discuss **FIVE** characteristics of a strong board culture. (5 marks)
- (b) Assess **FIVE** strategies for developing emotional intelligence within board members. (10 marks)
- (Total: 15 marks)**

QUESTION FOUR

- (a) Explain **FOUR** types of corporate cultures. (4 marks)
- (b) Describe **FIVE** ways of increasing Board diversity. (5 marks)
- (c) Examine **SIX** ways of ensuring effective board succession. (6 marks)
- (Total: 15 marks)**

QUESTION FIVE

- (a) The Capital Markets Authority Code of Governance Practices for Issuers of Securities to the Public helps in protecting shareholder investments.
- Examine **THREE** standards for good practice based on the Code. (3 marks)
- (b) Determine **FOUR** situations where avoidance would be the most suited method to manage a conflict. (4 marks)
- (c) Provide **FOUR** explanations on how cognitive biases affect Board decision making. (4 marks)
- (d) Highlight **FOUR** characteristics of a progressive board. (4 marks)
- (Total: 15 marks)**
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CS ADVANCED LEVEL

BOARDROOM DYNAMICS

TUESDAY: 22 August 2023. Afternoon Paper.

Time Allowed: 3 hours.

Answer ALL questions. Marks allocated to each question are shown at the end of the question. Do NOT write anything on this paper.

QUESTION ONE

PRIME SOLUTIONS ASSOCIATES (PSA)

Prime Solutions Associates (PSA) is a Kenyan company that specialises in providing consultancy services to organisations across various sectors, including private businesses, governments and nonprofit making institutions. Established in the year 2005, the company has steadily grown to become a trusted advisor for both public and private sector organisations in Kenya and the wider East African region. With a strong focus on delivering innovative and sustainable solutions, PSA has gained a reputation for its expertise in areas such as strategy development, governance, financial management, human resources and organisational transformation. The company was founded by Samuel Tai and Aisha Were, two visionary entrepreneurs who recognised the need for high-quality consulting services in the Kenyan market. Leveraging their expertise and networks, they assembled a team of highly skilled professionals with diverse backgrounds, enabling the company to provide holistic and tailored solutions to its clients.

As a leading consulting firm in Kenya, PSA understands the importance of maintaining the highest standards of governance and boardroom dynamics. It recognises that effective governance structures, decision-making processes, stakeholder engagement, boardroom culture, talent management, board evaluations, among other boardroom dynamics are crucial for its own success and the success of its clients. By constantly refining its governance practices and investing in its board's capabilities, PSA continues to uphold its position as a trusted advisor and a catalyst for positive change in the Kenyan business landscape.

PSA has a well-defined governance structure in place. The company's board consists of experienced professionals from diverse backgrounds, including finance, law and management. PSA believes in the philosophy of a diverse board to help it become even more successful. The board is responsible for setting strategic objectives, overseeing performance and ensuring compliance with legal and regulatory requirements. The firm embraces a unitary board model, where both executive and non-executive directors are involved in decision-making. The company adopts evidence-based approach in making resolutions. The board holds regular meetings to discuss key issues, review financial performance and make important decisions. The CEO presents proposals and recommendations, which are critically evaluated by the board members. Transparent communication and open dialogue allow for informed decision-making, ensuring that the interests of both the company and its stakeholders are considered.

PSA recognises the importance of engaging with stakeholders to understand their perspectives and address their concerns effectively. The board maintains active communication channels with shareholders, employees, clients, and the community. It organises annual general meetings, investor presentations and regular stakeholder consultations. These interactions facilitate meaningful discussions on the company's performance, future plans, and social responsibilities, fostering trust and accountability. A healthy boardroom culture is critical for effective governance. At PSA, the board emphasises professionalism, integrity, and diversity. Respectful and inclusive interactions create an environment where every member feels valued and comfortable expressing their opinions. The board encourages constructive debates and welcomes dissenting viewpoints, fostering a culture of critical thinking and innovation. This inclusive culture contributes to better decision-making and the overall success of the company.

The company understands the significance of talent management in driving organisational growth. The board plays a vital role in overseeing talent acquisition, development and retention. It collaborates closely with the CEO and human resources department to identify key competencies required for board membership and executive positions. Emotional intelligence is highly valued as a critical skill for the board members. Transparent and merit-based selection processes ensure that qualified individuals with diverse skill sets are appointed. Regular performance evaluations and development programs help board members enhance their skills and stay updated with industry trends. Regular board evaluations are conducted at PSA to assess board effectiveness and identify areas for improvement. The evaluation process involves self-assessments by individual board members and collective assessments of the board's overall performance. Key areas evaluated include board composition, governance practices, decision-making processes, and stakeholder engagement.

Feedback from the evaluations is used to develop action plans for enhancing board effectiveness and addressing any identified shortcomings.

The company demonstrates a strong commitment to sound boardroom dynamics. It's collaborative approach to decision-making, active engagement with stakeholders, and emphasis on diversity and inclusion contribute to its success. By continuously evaluating its board's performance and implementing improvement measures, PSA ensures its governance practices remain aligned with the company's goals and the interests of its stakeholders.

Required:

- (a) Explain **FIVE** components of the intelligence that is highly valued as a critical skill for the board members at PSA. (10 marks)
 - (b) PSA adopts a certain approach in making resolutions.
Discuss **FIVE** steps involved in this approach. (10 marks)
 - (c) Examine **FIVE** ways through which PSA could attain the philosophy it believes in, to help it become more successful. (10 marks)
 - (d) Assess **FIVE** benefits of the board model embraced by PSA. (10 marks)
- (Total: 40 marks)**

QUESTION TWO

- (a) ABC limited intends to manage change through a power-based approach.
Identify **FIVE** challenges associated with the above approach. (5 marks)
 - (b) Discuss **FIVE** roles of a corporate secretary with regards to being a board consultant. (10 marks)
- (Total: 15 marks)**

QUESTION THREE

- (a) Assess **FOUR** ethical dilemmas governance professionals face in influencing boardroom dynamics. (4 marks)
 - (b) COVID 19 accelerated the uptake of virtual boards by companies to cater for remote teams.
Outline **FIVE** benefits these boards enjoy. (5 marks)
 - (c) Summarise **SIX** contributions of a corporate secretary with regards to effective talent management in an organisation. (6 marks)
- (Total: 15 marks)**

QUESTION FOUR

- (a) The CEO of Buda Ltd. emphasises the need for organisations to have a deep understanding of board diversity.
Explain **FIVE** reasons for this. (5 marks)
 - (b) ABC limited is developing behavioural agility in their organisation.
Describe **FIVE** strategies to achieve this. (10 marks)
- (Total: 15 marks)**

QUESTION FIVE

- (a) John Taker is a director at Top Mark Limited.
Explain **FIVE** methods that could be used to assess his competencies. (5 marks)
 - (b) Evaluate **FIVE** reasons for self-regulation in corporate governance. (5 marks)
 - (c) Explain **FIVE** ways through which information architecture influences boardroom dynamics. (5 marks)
- (Total: 15 marks)**
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CS ADVANCED LEVEL

BOARDROOM DYNAMICS

TUESDAY: 25 April 2023. Afternoon Paper.

Time Allowed: 3 hours.

Answer ALL questions. Marks allocated to each question are shown at the end of the question. Do NOT write anything on this paper.

QUESTION ONE

LORDEN KRINCES INC

Lorden Krinces Inc. (LKI) was founded in a small town in Kenya 20 years ago by a group of ten engineers. The company specialises in the manufacture of various plastic items including furniture and packaging containers.

The ten founders of the company became the directors of the company and held all the top leadership positions. After three years of operation, they decided to broaden board diversity in readiness for listing at the Securities Exchange. Independent directors needed to be added to the pool of directors. The achievement of board dynamics was greatly informed by psychological theories.

The company was eventually listed at the Securities Exchange in November, 2020. The founders were fully aware that the listing would allow them to fund and help sustain LKI's growth potential. The company has been growing its portfolio of products steadily and currently, it has over 100 lines of production domiciled in over 20 outlets spread across the country. Market capitalisation of LKI at the end of December 2022 was Sh. 517 million.

In the recent past, the company has been struggling in upholding good governance principles. The company has been facing integrity challenges. It has fallen back in terms of compliance with the various statutory requirements. The company operates in a laissez faire mode where each department is more or less autonomous. Every employee is aware of the fact that there is no documented decision-making tool, a factor that brings about confusion thereby affecting overall productivity. Meetings in the organisation have been very informal. Despite the informal nature of the meetings, many directors are highly skilled and dispense their business effectively. During their last meeting, the directors resolved to schedule capacity building sessions so that they could be trained on good corporate governance and board programmes.

Required:

- (a) Advise the management of Lorden Krinces Inc. (LKI) on the tools that they may adopt to facilitate effective decision making in the corporation. (10 marks)
- (b) Examine **FIVE** governance theories that could inform LKI's board structure. (10 marks)
- (c) Analyse **FIVE** skills that could enable LKI directors become more effective in handling their tasks. (10 marks)
- (d) Discuss the essential attributes of the directors that were added to the pool at LKI in order to achieve board diversity. (10 marks)

(Total: 40 marks)

QUESTION TWO

- (a) One tier board is a model in which the board of directors, function as a collectively appointed corporate body.
Explain **THREE** merits of this model. (3 marks)
- (b) Ram Charan, a world-renowned expert in corporate governance, classified the evolution of boards into three stages.
Describe these **THREE** stages. (6 marks)
- (c) Power tactics can be defined as measures used to demonstrate potential power, cause perception of power, or the realisation of actual power to influence the other party.

With reference to the above statement, describe **THREE** power tactics.

(6 marks)

(Total: 15 marks)

QUESTION THREE

- (a) Highlight **FOUR** guidelines for creating an effective board meeting agenda. (4 marks)
- (b) Organisational politics are informal, unofficial, and sometimes behind-the-scenes efforts to sell ideas, influence an organisation, increase power, or achieve other targeted objectives.

Explain **FIVE** strategies to reduce negative organisational politics. (5 marks)

- (c) Good corporate governance dictates that board diversity with regard to academic qualifications, technical expertise, relevant industry knowledge, experience, nationality, age, race and gender should be emphasised.

Analyse **SIX** benefits of this diversity. (6 marks)

(Total: 15 marks)

QUESTION FOUR

- (a) The broad substance of the Cadbury's Report of 1992 emphasised that an approach based on compliance with a voluntary code coupled with disclosure, will prove more effective than a statutory code.

With reference to the above statement, explain **FOUR** recommendations in this report which have been adopted by public companies. (4 marks)

- (b) Examine **FIVE** ways of ensuring effective board succession. (5 marks)

- (c) Discuss **THREE** types of corporate culture. (6 marks)

(Total: 15 marks)

QUESTION FIVE

- (a) Describe **THREE** standards of good corporate governance as stipulated by the Capital Markets Authority code or its equivalent. (3 marks)

- (b) Determine **FOUR** situations where avoidance would be the most suited method to manage a conflict. (4 marks)

- (c) Explain **FOUR** benefits of evidence-based decision making. (8 marks)

(Total: 15 marks)

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CS ADVANCED LEVEL

BOARDROOM DYNAMICS

TUESDAY: 6 December 2022. Afternoon Paper.

Time Allowed: 3 hours.

Answer ALL questions. Marks allocated to each question are shown at the end of the question. Do NOT write anything on this paper.

QUESTION ONE

MINESWIPE CORPORATIONS LIMITED (MSL)

Mineswipe Corporation Limited (MSL) is a software programming company that was incorporated in Kenya in the year 2005. The company has 10 branches across the country with its headquarter based in Nairobi. The board of directors meet quarterly unless there is an urgent matter to be deliberated on hence calling of a special board meeting. Until the year 2015, the company had been profitable and commanded over 40% of the software programming market share in the country. For a long period of time, the company was an original equipment manufacturer (OEM) for ten leading IT companies. However, the situation has since changed, the company's revenues have been dwindling and premium customers have been shifting to other programming companies. The market share has since hit an all-time low of 10% and the best talent has been leaving in droves.

During a recent board of directors meeting, the chairman, who was recently elected to the position and who is a computer programming expert was concerned about the affairs of the company. He was worried that if the situation was not tamed with the urgency it deserved, the company would collapse. He convinced his colleagues to hire a consultant to assess the company's position and recommend a turnaround strategy.

The board hired Moshiat Kush, a renowned corporate governance auditor and provided him with the terms of reference for his task. While the management knew the challenges facing the company, the board of directors did not involve them in their revival plans. The management was not involved in the recruitment of the consultant although they were expected to assist and work with him.

After a few weeks, Moshiat Kush delivered his findings to the Chair of the board as per the terms of reference (TORs). A couple of issues highlighted by the consultant included:

- The size of the board was small, there were only three directors including the chairman.
- The board committees were not properly structured and were constituted on an ad hoc basis.
- The board lacked diversity.
- Poor product costing.
- There was no clarity between the roles of the board and those of the management.
- The company did not have a corporate secretary.
- The company had been regularly cited for non-compliance with statutory obligations.

The Chair of the board was alarmed by the findings. He engaged the company's Chief Executive Officer (CEO) to discuss the report. The CEO however was in agreement of the content of Moshiat Kush report including the findings. He told the Chair of the board that the company failed to take care of the group dynamics and division of roles which resulted to overlaps and roles confusion. These overlaps affected delivery of service and performance of the employees. New employees and directors were also not effectively recruited and on boarded. He also added that the management and employees felt left out from decision making hence did not feel like they had any stake in the company. This largely contributed to talent flight.

After the discussion with the CEO, the Chair promised to table the matters raised during the subsequent board meeting so that a resolution could be passed to help turn around the company.

Required:

- (a) The size of MSL board was small, there were only three directors including the chairman.

Assess **FIVE** challenges that the organisation may have encountered due to a small board size. (10 marks)

- (b) Evaluate **FIVE** different types of diversity that MSL board could have sought while recruiting its directors. (10 marks)
- (c) In the preliminary recommendations, a corporate secretary was to be hired immediately by MSL.
Summarise **FIVE** roles that the corporate secretary would be performing. (10 marks)
- (d) According to the CEO of MSL, group dynamics affected the company's performance.
Evaluate **FIVE** stages that are involved in development of teams. (10 marks)
- (Total: 40 marks)**

QUESTION TWO

- (a) Maisha Limited adopts a unitary board structure.
Identify **FIVE** features of a unitary board structure. (5 marks)
- (b) A newly formed company is looking to fill up director positions on its board.
Assess **FIVE** necessary components in determining the structure of a board. (5 marks)
- (c) Organisational politics are self-serving behaviors that employees use to increase the probability of obtaining positive outcomes in organisations.
With regard to the above statement, outline **FIVE** elements of organisational politics. (5 marks)
- (Total: 15 marks)**

QUESTION THREE

- (a) Conducting regular board meetings is a good practice in good corporate governance.
Based on the above statement, analyse **FIVE** characteristics of effective board meetings. (5 marks)
- (b) Cognitive biases result from the brain's efforts to simplify the incredibly complex world in which people live.
With reference to the above statement, appraise **FIVE** common cognitive biases. (5 marks)
- (c) Explain **FIVE** ways through which stakeholders could build trust through conversations. (5 marks)
- (Total: 15 marks)**

QUESTION FOUR

- (a) Self-regulation is an important component in corporate governance.
Assess **FIVE** components of self-regulation. (5 marks)
- (b) Explain **FIVE** benefits of low power distance cultural dimension to an organisation's board. (5 marks)
- (c) Evaluate **FIVE** flaws that hinder effectiveness of decision making at board meetings. (5 marks)
- (Total: 15 marks)**

QUESTION FIVE

- (a) Ethical dilemmas are commonplace in society but can negatively impact the business of a company.
In view of the above statement, explain **FIVE** ethical dilemmas that company directors may face. (5 marks)
- (b) Outline **FIVE** types of information that should be provided to newly recruited board members. (5 marks)
- (c) Board evaluations are used to assess and report on individual directors and the whole board.
Evaluate **FIVE** areas of focus in board evaluation. (5 marks)
- (Total: 15 marks)**
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CS ADVANCED LEVEL

BOARDROOM DYNAMICS

TUESDAY: 2 August 2022. Afternoon paper.

Time Allowed: 3 hours.

Answer ALL questions. Marks allocated to each question are shown at the end of the question. Do NOT write anything on this paper.

QUESTION ONE

MAWRAZO ENTERPRISES LIMITED (MEL)

Mawrazo Enterprises Limited (MEL) is a Fintech company that was established in Kenya over fifteen years ago. Headquartered in Nairobi, MEL has opened branches in over thirty five African countries. According to its recently launched five year strategic plan, two additional branches of MEL will be opened each year; one in Europe and the other one in North America within the next four years. The company's services are available across the globe and are interlinked with some of the major banks and other financial service providers.

The board members have high synergy levels and closely complement each other. Half of them are founder members of the company including the chairman. Given that he is also the majority shareholder of the company, the chairman wields immense power. Apart from its Chief Executive Officer (CEO), no other board member is an executive director of the company.

To ensure the board of MEL is effective in discharging its roles, board evaluation is conducted at least once a year. Self evaluation is undertaken annually to determine whether the board and its committees are functioning effectively. Due to these evaluations the board has consistently ensured that it is staffed and led appropriately; that board members, individually and collectively, are effective in fulfilling their obligations; and that reliable processes are in place to satisfy basic oversight requirements in areas such as strategy, risk management, financial reporting, performance measurement, compensation and succession planning. The board is highly digitised and it diligently upholds accountability, integrity and transparency to all investors. The board has a policy on board effectiveness measurement to keep it on course of its plans.

Recently, MEL has purposely focused on increasing the number of women in its board. Its medium-term plan focuses on 25 percent women representation in the board. The board believes it should conform to the industry and global trends of board diversity to avoid homogeneity thus its drive towards gender-based boardroom heterogeneity. The board believes in change and regularly undertakes training and development to be change ready.

Required:

- (a) Power is the ability to get things done.

Examine five types of power that the chairman of MEL may exercise. (10 marks)

- (b) Assess ten practices for board evaluation that MEL might have adopted. (10 marks)

- (c) Discuss five factors that could have contributed to board effectiveness at MEL. (10 marks)

- (d) MEL is considering gender-based boardroom heterogeneity.

Evaluate five effects that could result from the above action. (10 marks)

(Total: 40 marks)

QUESTION TWO

- (a) Assess five factors to consider when recruiting board members. (5 marks)

- (b) Examine five principles of group dynamics. (5 marks)

- (c) Determine five factors a board may consider while establishing their board size. (5 marks)

(Total: 15 marks)

QUESTION THREE

- (a) Identify five critical qualities of an effective board member. (5 marks)
 - (b) Discuss three theories underpinning boardroom dynamics. (6 marks)
 - (c) Explain how board evaluation is conducted in state corporations. (4 marks)
- (Total: 15 marks)**

QUESTION FOUR

- (a) Making decisions can be difficult.

With reference to this statement, assess the WRAP model for decision making. (4 marks)
 - (b) Emotional intelligence is critical in stakeholder management.

Appraise five key elements in emotional intelligence. (5 marks)
 - (c) Discuss organisational culture using Edgar Schein's "Three Levels of Culture model". (6 marks)
- (Total: 15 marks)**

QUESTION FIVE

- (a) Assess five factors to consider when designing an effective board meeting. (5 marks)
 - (b) Identify five responsibilities of the corporate secretary in Boardroom dynamics. (5 marks)
 - (c) Assess five types of board diversity. (5 marks)
- (Total: 15 marks)**

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CS ADVANCED LEVEL

BOARDROOM DYNAMICS

TUESDAY: 5 April 2022. Afternoon paper.

Time Allowed: 3 hours.

Answer ALL questions. Marks allocated to each question are shown at the end of the question. Do NOT write anything on this paper.

QUESTION ONE

HGS Ltd.

HGS Ltd. is one of the supermarkets that has a large market share in retail business in East and Southern African region. Established five years ago in Kenya, HGS has 21 outlets and over 5,000 employees. HGS generates slightly over Sh.20 billion in revenue annually.

The board of HGS is aware that in the recent past, two of the largest supermarkets had exited the market and the another one was struggling due to financial challenges.

Aggressive expansion to increase presence in the region seemed to have been their strategic mistake. These supermarkets seemed too-big-to-fail from their expansive reach and penetration in the market. Their failures affected several businesses in the value chain due to their inability to settle their debts. Business analysts and the media have argued the supermarket which went under had weak governance structures and their boards were making poor strategic business decisions. The board of HGS was also aware that boards and management of these retail companies were not inherently bad or in some way set upon being part of these corporate disasters.

These organisations remain a reminder, if one is needed, that corporate failure could occur if those in charge lose their way. The board of HGS is interested in understanding why the boards of these retailers failed to detect warning signals during the early stages of failure and if they indeed detected warning signals why they decided to remain passive. In addition, the board wishes to find out why some supposedly talented and experienced boards often fail to intervene effectively in failing organisations despite their strategic position.

To address these concerns and others in order to enhance corporate governance in the firm, the board has requested you as a governance professional to examine the dynamics and challenges that may have confronted the boards of directors of these failed firms as failure progressed from one stage to another. From an in-depth study of available data on these firms and from other credible sources you obtain the following information:

- Generally, failure starts with the initial or pre-failure stage and is often brought by management inability to spot or underestimate early warning signals that indicate a potential threat to the organisations future survival.
- There is consensus in the failure literature that each state of failure raises different organisational challenges.
- An effective handling of failure requires management to use appropriate intervention strategies targeted at the unique challenges faced at that particular stage of failure.
- Weitzel and Jonsson's five-stage model shows that failure typically starts with blinded management; then inaction; followed by faulty action; then crisis and finally dissolution.
- Whilst management behaviours, roles and power vary across life cycle stages, several behavioural factors such as the power of CEO through social networks and relationships have profound implications on board's decision making processes.
- Boards and directors fulfil their fiduciary duty to the shareholders by overseeing and monitoring CEO's and management's actions, vetoing poor decisions to protect the interests of shareholders and assisting and advising management in their effort to increase shareholder's wealth.
- From unbroken chain of bad decisions over a period of time, boards of directors are supposed to draw upon their collective wisdom to spot some of the bad decisions and break the chain of errors before they spiral out of control.
- The role of the board is to assess the risk of each strategy.

Data from collapsed supermarkets showed the four stages of organisational failure, management action and board dynamics as follows:

- **Conception stage**
 - Management made a chain of mistakes and there was no deliberate attempt to involve the board when it was decided to expand into areas in which they had little or no experience.
 - Boards of directors exhibited group think mentality, blind faith in management and failed to execute their corporate duties.
 - Key outcomes included destruction of shareholders value.
- **Warning signals stage**
 - Management had started taking high risk decisions and CEOs had started deliberate attempts to hide the warning signals and influenced the boards to approve high risk strategies.
 - Boards of directors were not aware of the magnitude of the crisis, they ignored initial signals and continued to have blind faith in management as the shareholder value continued to decline.
- **Rebellion stage**
Management was chasing high risks that had short term impact, showed intolerance of dissent and focused on marginalisation and punishment of dissenting directors.
- **Collapse stage**
Management ignored negative feedback and the ultimate result was business failure.

Required:

- (a) Evaluate six common Board inefficiencies that might cause failure of HGS. (12 marks)
- (b) Under each of the four stages of organisational failure, discuss board dynamics which could be present in the Boardrooms of the failed supermarkets. (8 marks)
- (c) (i) For each stage identified in (b) above, summarise key measures the board of HGS Ltd. should use to prevent or reverse organisational failure. (4 marks)
- (ii) Explain how regular board evaluation at HGS Ltd. could have contributed to organisational sustainability. (6 marks)
- (d) Discuss five ideal ways of planning and conducting effective board meetings at HGS Ltd. (10 marks)
- (Total: 40 marks)**

QUESTION TWO

- (a) (i) Explain the term “boardroom dynamics”. (1 mark)
- (ii) Analyse four steps critical in developing an agile board. (8 marks)
- (b) Assess three practical ways in which a Board could improve its dynamics. (6 marks)
- (Total: 15 marks)**

QUESTION THREE

- (a) Analyse the five characteristics of an effective Board. (5 marks)
- (b) You are the chair of a Board whose term is expiring in one year’s time. Your Board is accused of lacking in diversity.

Required:

- Propose three strategies you could use to ensure diversity in the new Board. (6 marks)
- (c) Evaluate two practical ways in which governance professionals could positively influence boardroom dynamics. (4 marks)
- (Total: 15 marks)**

QUESTION FOUR

- (a) Summarise five attributes of a non-executive director. (5 marks)
- (b) The most effective organisations invest in their Board and encourage continual learning in the boardroom.
With reference to the above statement, discuss five reasons why organisations should invest in Board development. (10 marks)
- (Total: 15 marks)**

QUESTION FIVE

- (a) Technology consistently brings us many innovative tools and offers extended functionality including the ability to attend virtual board meetings.
With reference to the above statement, analyse five benefits and five challenges of virtual board meetings. (10 marks)
- (b) Summarise five best practices for virtual board meetings. (5 marks)
- (Total: 15 marks)**



CS ADVANCED LEVEL
BOARDROOM DYNAMICS

THURSDAY: 16 December 2021.

Time Allowed: 3 hours.

Answer ALL questions. Marks allocated to each question are shown at the end of the question.

QUESTION ONE

DIGITAL ENTERPRISES LTD (DEL)

Digital Enterprises Ltd. (DEL) was one of the leading personal computers supplier in Kenya between year 2004 and 2008. The company was incorporated in the year 2004 but has been experiencing boardroom coups since year 2010. It has not been easy for the Chairman to effectively chair DEL Board meetings, since the company started experiencing boardroom wars.

As the Chairman of both the nomination committee and audit committee, Eric Matano in the last Board meeting strongly argued that the composition of the Board should be changed. He felt that the Board should have consisted mainly of non-executive directors since the company's articles of association did not require executive directors other than the CEO to attend Board meetings. Several members of the Board were of the contrary opinion and this led to a confrontation between two board members, Odek Bakari, an advocate of the high court and Musa Kitivo, a primary school dropout. The Chairman saved the meeting by craftily referring the matter to a subcommittee of the Board which will deliberate and report to the Board during the next Board meeting. According to the Board's calendar of DEL, the next meeting will be held on Friday, 24 December 2021 just a day before Christmas. This day is ideal since Board members together with their family members will be in Mombasa from Sunday, 19 December 2021 for a bonding retreat. During the retreat, the Board is expected to address issues that have really affected the performance of the organisation. It is expected that the company secretary in consultation with the CEO and the Chairman of the Board will include the following issues in the agenda:

- Possibility of formation of a separate independent board by altering the Board structure from one tier to two tier.
- Addressing the human capital aspects of the Board by ensuring that the Board has the right mix of competencies, skills and experiences.
- Creating a healthy Board culture.
- Reduction of tension between DEL's Board and management.

The Board of DEL is male dominated and some Board members feel there is need to ensure gender balance. The Board however cannot agree on a criteria to be used to determine the Board members who should give up their positions for appointment of female Board members.

Another critical issue which has divided the Board is the unequitable membership to the various Board Committees. Some members are in many committees whereas others are members of only one committee. Membership to a committee entitles one to draw hefty allowances hence the more committees one is a member of and the more the number of sittings, the more the allowances a member earns.

- (a) With reference to the above case, discuss how the Chairman of Digital Enterprises Ltd. (DEL) could overcome the following challenges:
- (i) Managing status dilemma. (4 marks)
 - (ii) Managing the tension between the Board and management. (4 marks)
 - (iii) Sustain Board cohesion while encouraging a contest of ideas. (4 marks)
- (b) The current Board of DEL is male dominated.
- Assess five reasons why more women should be brought on board. (10 marks)

- (c) During the planned retreat in Mombasa, the Board of DEL is expected to find ways of creating a healthy Board culture.

With reference to the above statement, analyse five ways in which the Board of DEL could improve its Board culture. (10 marks)

- (d) DEL is considering transforming its governing structures from a one tier Board to a two tier Board:

With reference to the above statement, discuss four characteristics of a one tier Board. (8 marks)

(Total: 40 marks)

QUESTION TWO

- (a) Examine five strategies that could contribute to effective Board evaluation. (5 marks)

- (b) Outline seven issues to be covered during a Board induction session. (7 marks)

- (c) By looking at the long-term interests of the organisation, directors could foster an environment that creates sustainable value for all stakeholders.

With reference to the above statement, explain how you would tell whether a Board is focused on the long-term strategies. (3 marks)

(Total: 15 marks)

QUESTION THREE

- (a) In the context of Board discussion and decision making, examine seven indicators of best practice boardroom behaviour. (7 marks)

- (b) Examine four best practices for virtual Board meetings. (8 marks)

(Total: 15 marks)

QUESTION FOUR

- (a) Discuss the following building blocks of a progressive Board.

(i) Group dynamics. (5 marks)

(ii) Information architecture. (3 marks)

(iii) Focus on substantive issues. (2 marks)

- (b) In many cases, the solution to a conflict would be difficult without acknowledgement of the feelings at play.

With reference to the above statement, outline five tips one could use to positively influence the emotional climate during a conflict in the Boardroom. (5 marks)

(Total: 15 marks)

QUESTION FIVE

- (a) Corporate governance in King IV report on corporate governance is defined as the exercise of ethical and effective leadership by the governing body towards the achievement of certain governance outcomes.

With reference to the above statement:

(i) Distinguish between “ethical leadership” and “effective leadership”. (4 marks)

(ii) By giving two examples, explain the term “governance outcomes”. (3 marks)

- (b) In some Boards, some directors might have too much power or the CEO might hold too much power over the Board hence views of such members being prioritised over views from the other members even when the views are inferior in terms of quality.

With reference to the above statement, examine four signs of a Board with authority bias problem. (8 marks)

(Total: 15 marks)

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