

**CHARTERED INSTITUTE OF TAXATION, GHANA**  
**PROFESSIONAL EXAMINATIONS**

**FEBRUARY 2020**

**PAPER 6-STRATEGY AND GOVERNANCE**

Time allowed: Three Hours

Answer all Questions

**Question 1**

In recent times, the Banking Industry of Ghana, has experienced some form of Bank failures and collapse. Notable amongst the commentaries, are weak and bad corporate governance systems.

- a. What is Corporate Governance? (2 marks)
- b. What is the role of Personal Governance in Corporate Governance? (2 marks)
- c. Discuss and recommend four (4) Corporate Governance issues and the strategies that the management could have adopted to avert the banks failure. (16 marks)

Total (20 marks)

**Solution**

The Banking crises in recent times, rocked Ghana, notably are ripple effects from 2017. There were underlying causes. This to test students understanding of the effect of bad and weak corporate governance.

- (a) The system by which companies are directed and controlled (Cadbury report 1992)

The system by which companies are directed and controlled in the interest of shareholders and other stakeholders

Corporate Governance (Demb & Neubauer, 1992) states that, 'it is a process through which companies respond to the rights and requests of stakeholders'.

Good governance requires the following to be considered:

Direction from within:

The nature and structure of those who set direction, the board of directors

The need to monitor major forces through risk analysis

The need to control operations: internal control

Control from outside

The need to be knowledgeable about the regulatory framework that defines codes of best practice, compliance and legal statute

The wider view of corporate position in the world through social responsibility and ethical decisions

Example of banks: Unibank, Sovereign Bank, Beige Bank, the Royal bank, Construction Bank

Corporate Governance issues : Weaknesses in corporate governance practices in the banking sector which have manifested in form of ineffective board practices, unqualified and incompetent board members, lack of independence and objectivity on the part of NEDs and independent directors, passive or dormant board committees, overbearing some CEOs and board chairpersons, fiduciary failure on the part of board of directors, excessive executive compensation, poor risk management practices and weak internal control systems.

Varied strategies are expected from the students.

## **Question 2**

In badly led boards, personalities and political maneuvering can prevail and directors can play games.

### **Required:**

- a. Discuss these potential problems associated with the strategic roles and responsibilities of boards and directors in corporate governance of a listed company. (12 marks)
- b. Distinguish between cross directorships and alternate directorships (4 marks)
- c. Distinguish between a Unitary and Two tier Boards (4 marks)

Total (20 marks)

### **Solution**

- a. The board of directors is made up of executive directors and non-executive directors

Establish corporate values and governance structures for the company

Ensure that all legal and regulatory requirements are met and complied with fully and in a timely fashion

Control company in the best interest of stakeholders

Responsible for the actions of the corporation

The board of directors is made up of executive directors and non-executive directors.

Executive directors are full-time employees of the company and, therefore, have two relationships and sets of duties.

They work for the company in a senior capacity, usually concerned with policy matters or functional business areas of major strategic importance.

Large companies tend to have executive directors responsible for finance, IT/IS, marketing and so on.

### **Boards For listed companies:**

Appoint appropriate NEDs

Establish remuneration committee

Establish nominations committee

Establish audit committee

Establish its own performance and report it annually to shareholders

Submit themselves for re-election at regular intervals (maximum of three years)

### **Potential Problems for Boards**

Most boards largely rely on management to report information to them (and may not have the time or the skills to understand the details of company business), thus allowing management to obscure problems and the true state of a company

A board that meets only occasionally may be unfamiliar with each other. This can make it difficult for board members to question management

CEOs often have forceful personalities, sometimes exercising too much influence over the rest of the board

The current CEO's performance is judged by the same directors who appointed him/her making it difficult for an unbiased evaluation

- b. A cross directorship is said to exist when two (or more) directors sit on the boards of the other. In most cases, each director's 'second' board appointment is likely to be non-executive

For example, director A is an executive director on the board of Company X and also holds a non-executive position on the board of Company Z. Director B is an executive on the board of company Z and also holds a non-executive position in company X

Some constitutions allow for the appointment of an alternate director, who can take the place of another director if the director cannot attend meetings. In the technical sense of the word, an

alternate director is not replacing the substantive director, although they have all the rights and duties of any director under company law

- c. A unitary board, is a board with a single governing structure in contrast to the two-tier board

The unitary board model is adopted by, inter alia, companies in the UK, US, Australia and South Africa.

The company's directors serve together on one board comprising both executive and non-executive directors.

Two-tier boards: These are usually associated with France & Germany. This is composed of the upper supervisory board composed of outside directors, half of whom represent the interests of shareholders, and the other half the interest of employees.

The lower management board is composed of executive directors—a kind of relationship between labor and capital, also referred to as co-determination.

### Question 3

As the company secretary to Akorvy Company Limited, you have been tasked to lead a discussion at the Annual General Meeting (AGM) on four (4) major alternative strategies that your organization may implement in order to change its declining situation.

#### Required:

- a. Explain the importance of strategy ( 4 marks )
  - b. Prepare a presentation outlining the four (4) major alternative strategies at the AGM as requested above. (16 marks)
- Total (20 marks)

#### Solution

- a. Strategy: It is an intended and emergent initiatives, or plan of action, taken by managers to enhance their firm's performance in the competitive environments, by means of proper use of the available resources.  
Strategy: as a tool, is used to achieve certain goals given a certain amount of resources.
- b. Students are required to make a presentation leading a discussion at an AGM on 4 major strategies that an organization may implement in order to change its declining situation.

### Question 4

Pampam Company Limited has recently undergone an extensive re-branding exercise and a new website has been created. As the Director of Human Resource, you have been tasked to recruit four (4) additional staff externally. You have raised concerns about recruiting externally.

**Required:**

- a. Draft a brief note for the chair raising your concerns. Support this with the below answers.
  - b. What is Human Resource Management? (2 marks)
  - c. Analyze five (5) significance of Human Resource Planning to an organization. (10 marks)
  - d. Explain the two (2) advantages and two (2) disadvantages of Employee Recruitment externally. (8 marks)
- Total (20 marks)

**Solution**

- a. HRM is also defined as the process of acquiring, training, appraising, and compensating employees, and of attending to their labour relations, health and safety, and fairness concerns (Dessler 2011).
  - Asare-Bediako (2008) states that HRM is concerned with securing and utilizing human resource effectively in organizations and this can be achieved through recruitment, selection, training, compensation and an effective information system
  - Human Resources Management involves the process of managing people to perform various tasks within the organisation so as to achieve organisational goals.
- b. Human resource planning  
The HR Manager needs to plan in advance for the needs of the organisation. The manager needs to know how many employees are needed, when they will be needed, for how long they will be needed, what skills they will need to have, what rates of pay will be offered and the terms and conditions of their employment. The level of employment will depend on the level of economic activity and the level of production at that particular point in time and what is likely in the next period and how this impacts on the organisation. In addition, the relative costs of outsourcing jobs as opposed to employing staff must also be weighed-up and considered
  - It encourages employers to develop clear and explicit links between their business and HR plans, and so integrate the two more effectively first of all it has to do with the ability of the HR function to deliver precisely what the business requires
  - It can be viewed in terms of an interactive relationship between corporate HR plans, with the latter contributing to the development of the former. This goes to demonstrate that longer term business goals may not be achievable if there are problems associated with labour supply
  - HR planning can be viewed as a major source of competitive advantage
  - It allows for better control over staffing cost and numbers employed

- It is important to make projections about anticipated staffing needs, irrespective of whether a growth or decline in numbers is predicted, because this makes it easier for employers to match supply and demand
  - This makes it possible for organisations to make decisions about recruiting, relocating staff or preparing for reductions in numbers.
- c. Types of Recruitment
- Recruitment from within
  - **Recruitment from outside the company.** Once the Human Resources Manager has determined the demands of future employment, the actual process of recruiting these staff members must commence. The HR Manager must now determine from where the prospective staff member(s) will be sourced. These sources of employment may be through the medium of this source may be one or more of the following:
    - advertising - newspapers, journals, radio, television, billboards, noticeboards, brochures, and leaflets, internet
    - Advantages- new crop of staff and skill, fresh ideas
    - Disadvantages- recruitment process expensive, time wasting as you may not have and hire right caliber of staff

### Question 5

A large retail organization has been experiencing increased competition from various sources and has decided to pursue a cost leadership (low-cost) organization strategy.

#### Required:

- a. Outline what is meant by a cost leadership organization strategy. (6 marks)
- b. Explain four consequences of this strategy for the Organization. (12 marks)
- c. What is a competitive advantage in strategy? (2 marks)

Total (20 marks)

#### Solution

##### Cost Leadership Strategy

- a. This is an integrated set of actions taken to produce goods and services that are acceptable to customers at the lowest cost, relative to that of competitors. Organisations adopting a low cost leadership strategy need people who are:
  - Able to focus on the shorter term
  - Risk averse
  - Concerned for quality of output to some extent over quantity

##### b. Market Penetration

These strategies focus on increasing the sale of present product/services to current customers. It may include:

Encouraging present customers to use more of the firm's products  
Encouraging present customers to purchase the firm's product

### **Human Resource Development Activities**

The firm may not commit much resources to human resource development activities as the focus will be on using existing staff to reinforce the firm's sales. Probably an ad-hoc training method may be used.

### **Enhanced Customer Service Strategy**

This strategy refers to offering superior and different services to customers in order to gain competitive advantage.

The human resource development activities may focus on improving the employee's ability to solicit and act upon customer feedback.

### **Diversity Strategy**

A strategy on diversity recognises that there are differences among employees and that these differences if properly managed will enable work to be done more effectively.

Human resource development activities will include supporting development training to help employees integrate with people from diverse backgrounds.

### **Speed Strategy**

According to Muchinsky (2013) this is a business strategy directed at providing customers with rapid delivery of products and services. Organisations pursuing a speed strategy must develop high responsiveness to customer needs and wants better than all competitors.

Such organisation must develop their training programmes towards team cohesiveness and efficiency.

### **Innovation Strategy**

Muchinsky (2013) defines innovation strategy as a business strategy directed at providing customers with innovative or novel products or services.

The focus of training for firms pursuing innovation strategy would emphasise on creativity and moderate risk taking.

- c. Competitive advantage is defined as the ability to stay ahead of present or potential competition. ... Companies develop a competitive edge when they produce attributes that allow them to outperform their competitors.

CHARTERED INSTITUTE OF TAXATION, GHANA  
PROFESSIONAL EXAMINATIONS  
AUGUST 2019  
PAPER 6-STRATEGY AND GOVERNANCE

Time allowed: Three Hours

Answer all Questions

**Question 1**

State the importance of strategic management to the successful performance of an organization

(8 marks)

Describe four major environmental forces that can influence an organizational performance

(12 marks)

**(20 marks)**

**Question 2**

“Human Resource Planning is a prerequisite for effective Human Resource Management in an organization.” In the light of this statement you are

**Required:**

- a. Analyze five (5) significance of Human Resource Planning to an organization (10 marks)
- b. Analyze five (5) importance of Human Resource Management to All Managers. (10 marks)

**(20 marks)**

**Question 3**

The Cadbury report 1992, defined Corporate Governance as “The system by which companies are directed and controlled.”

**Required:**

Discuss how this definition could be used as the basis for reviewing the governance of public listed companies.

(2

0 marks)

**Question 4**

You have just been appointed as a Company Secretary of the BAALOO, Ghana limited.

**Required:**

- a. Prepare a report for the board in which you will analyze the splitting Role and responsibilities of the board chairman, and the Chief Executive Officer. (14 marks)
- b. Explain Potential consequences of poor corporate governance (6 marks)

(20 marks)

**Question 5**

Nkekaho Company Limited, has not had an easy time with its business lately. The company has been through some financial difficulty. One board member has recently resigned and, there is a desperate effort to salvage the company. As the C.E.O., you have just been educated on corporate strategies and the BCG Matrix.

**Required:**

Prepare a presentation to the board, outlining your strategy, incorporating the significance of the BCG Matrix in business.

(20 marks)