



HERBERT CHITEPO SCHOOL OF LAW & BUSINESS SCIENCES
Department of Management & Hospitality Studies

MAIN PAPER

MASTER OF COMMERCE

PART 2.1

MODULE NARRATION

**CORPORATE GOVERNANCE
& BUSINESS ETHICS**

CODE

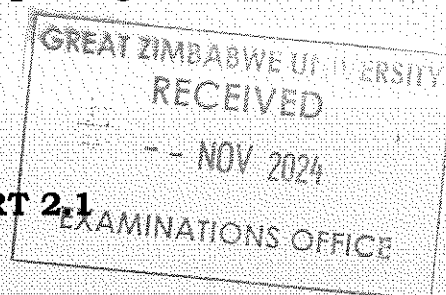
MSM 622

DATE

2024

DURATION

3HRS 30 MINUTES



INSTRUCTIONS TO CANDIDATES

1. ANSWER ALL **QUESTIONS** IN **SECTION A** AND ANY **THREE (3)** QUESTIONS FROM **SECTION B**
2. **QUESTION ONE (1)** CARRIES **40 MARKS** AND **ALL OTHER** QUESTIONS **CARRY 20 MARKS** EACH
3. AS MUCH AS POSSIBLE **CITE RELEVANT** EXAMPLES

CASE STUDY: TCG

“The Group currently faces a number of significant challenges, but in the medium to longer-term we will be well positioned to build shareholder value on the back of premium brands and a fine heritage in the U.K. as well as internationally.”

Frank Meysman took on the role of TCG’s Chairman in 2011. Given Meysman’s international experience working in major companies such as Procter & Gamble, Douwe Egberts, and Sara Lee, his position was welcomed by those who felt the need for new blood in the board of TCG given the company’s poor performance.

Meysman’s appointment was also supported by existing directors of TCG. The outgoing Chairman Michael Beckett said that “his experience and knowledge of international markets will be valuable to the Group in the future”. Roger Burnell, an independent director said: “Frank’s successful international executive career, coupled with his experience as a non-executive director and Chairman makes him an excellent choice for Thomas Cook.

Following his appointment, Meysman began his search for TCG’s next CEO after Fontenla- Novoa stepped down and Sam Weihagen was appointed as interim Chief Executive. Meysman overhauled the board, oversaw three refinancing deals in a year and rejected a £400 million rights issue proposal by shareholders and travel industry veterans in 2012. Green, who was without experience in the travel industry, was subsequently appointed as CEO in 2012.⁹⁵ Green apparently secured the position by cold-calling Meysman and telling him that “[he] needed her”.

After he took on the role as Chairman, Meysman had said that he did not care that former CEO Fontenla-Novoa had earned millions before leaving TCG despite profit warnings during his tenure. He told a BBC radio programme in 2012, “I don’t know and I don’t care because I wasn’t there.”

A former TCG managing director John McEwan felt that Meysman should be responsible for the collapse of TCG given that TCG was “on [his] watch and therefore [he has] to take some responsibility for what has happened” regardless of whether the circumstances that caused the collapse were attributable to Meysman.

Meysman was also accused of showing “very little remorse” and “contemptible arrogance”. Meysman defended himself saying he was devastated by the collapse given his commitment to TCG which lasted almost a decade, and that it was “a gross mis characterisation” to suggest that he was not sorry that the efforts were unsuccessful in preventing TCG’s collapse.

As at FY2018, the TCG board consisted of 11 members, including Non-Executive Chairman Meysman, two executive directors, and eight non-executive directors. The two executive directors were CEO Fankhauser and Chief Financial Officer (CFO) Bill Scott. Scott was only appointed to the board in January 2018, having replaced his predecessor, Michael Healy as CFO from 1 January 2018. He has extensive experience in financial planning and reporting, having previously undertaken senior finance positions in other companies. However, Scott stepped down from the board on 30 November 2018, less than a year from his appointment as CFO.

The non-executive directors included Martine Verluyten, Chairman of the Audit Committee; Warren Tucker, Chairman of the Remuneration Committee; and Emre Berkin, Chairman of the Health Safety & Environmental Committee. Meysman was the Chairman of the Nominations Committee. Meanwhile, Dawn Airey was the Senior Independent Director.

Verluyten was appointed to the board in May 2011, and was previously CFO of Umicore and Monistar and has significant experience in audit. Apart from chairing the Audit Committee, she also was part of the Nominations Committee. Tucker, a chartered accountant, has prior experience in the travel industry, including senior finance positions in British Airways plc. He was also part of the Audit Committee. Berkin, a Turkish national, was valued for his in-depth knowledge on low-cost airline business operations, as well as his expertise in key destination markets such as Turkey. He was part of the Nominations Committee as well. Apart from non-executive director Lesley Knox, who was a member of the Audit Committee, Remuneration Committee and Nominations Committee, all other board members were only part of a maximum of two of the four board committees. Knox is said to have a strong financial services and international background, as well as significant non-executive director experience in U.K. listed companies.

SECTION A (COMPULSORY)

QUESTION 1

1.1 In your opinion was Frank Meysman the right person to assume the post of chairman for the embattled TCG company **[10 marks].**

1.2 The effectiveness of the board of directors depends on a number of attributes. Identify these from the case and justify how they can enhance board effectiveness **[20 marks].**

1.3 Briefly discuss the mandate of any two of the committees mentioned in the case **[10 marks].**

SECTION B:

(ANSWER ANY 3 QUESTIONS)

QUESTION 2

Some schools of thought argue that corporate governance practices for state owned enterprises (SOEs) and public limited companies differ significantly in Zimbabwe, whereas others say that the distinction is only imaginary. What is your take in this? Substantiate your position **[20 Marks]**.

QUESTION 3

In the context of the Dahlsrud (2008) model, discuss the extent to which a Zimbabwean stock listed company has indisputably demonstrated good corporate social responsibility to its diverse stakeholders **[20 Marks]**.

QUESTION 4

4.1 While the board of directors is primarily responsible for creating wealth for the shareholder and the company's stakeholders, it cannot do so effectively if risk management is overlooked. Elaborate on the major duties of the board of directors in relation to risk management as espoused in the Committee of the Sponsoring Organisations of the Treadway (COSO) guidelines **[10 Marks]**.

4.2 Justify the rationale for having a sound internal control systems **[10 Marks]**.

QUESTION 5

Critically examine the benefits and consequences of whistleblowing to the organisation **[20 Marks]**.

QUESTION 6

Give an analytical evaluation of the applicability of any two corporate governance models in Zimbabwe. **[20 Marks]**.

END OF EXAM

Best of luck!!