SOLUTION 1

(a) Components of balanced score card are: financial, customer, internal process and learning and growth.

(1) Financial:
The company aims at obtaining or increasing its shareholders value and also to increase its profit.

(2) Customer:
The company aims at increasing its operation. It also aims at improving its branch hence it has a system to deal with customer issues.

(3) Internal Processes:
The company aims at increasing its efficiency by training its staff and undertaking effective recruitment.

(4) Learning and Growth:
The company aims at optimization of its workforce by investing in their training and motivating them.

(b) Reasons for Franchising

(1) Franchising provides a recognized brand name that enables a company to obtain a strategic identity. This enables companies to take advantage of advertising and promotion of the franchisor.

(2) Franchising gives the company support. This comes in the form of training, business setup, ongoing and online support. This is because the franchisor wants the company to be successful.

(3) It enables the company to earn reputation as franchising has huge reputation. This reputation breeds positive expectations that attract customers. Loyalty of customers is key for profitability.

(4) A key issue for customer is that they want guarantees that they are getting value for money. Brand name gives them this guarantee. Customers know what to expect when they go to a franchise. As most of these customers are repeat customers it results in potential profits for companies.

(5) In the long term, franchising may be cheaper because the company may benefit from advertisement and programmes paid for by the franchising.

(c) Features of Corporate Governance

(1) One of the features of the corporate governance system at Mildart Venture is that there is a management team in place. Their duty is to assist in the dispatch

of business by maintaining and promoting accountability as it sets targets and ensures that they are met.

(2) Another feature is that it has set in place an objective of ensuring that there is a system to achieve the company's financial and operational goals. For example staff are motivated by profit sharing scheme.

(3) Performance is linked to remuneration and there is a profit sharing scheme

(4) Another feature is that there is continuous improvement in the quality and value of its services to its customer. This is seen by the creation of a system that ensures that customer's issues are dealt with within 24 hours.

(5) Another feature is that the leadership in the company shows integrity and transparency. This principle is used to achieve profitability and ensures that shareholders worth is protected. As such remunerations are linked with performance.

(d) <u>Bank Loan (Merits)</u>

i. Does not lead to dilution in control

ii. Interest is tax-deductible

iii. Easy so raise

<u>Equity (Merits)</u>

i. No fixed obligation (interest/dividend) on the business

ii. May be easier to raise the money as the business is doing well

iii. Does not require collateral.

SOLUTION 2

(a) (i) A pressure on organisation to act responsibly is when there is consumer boycotts. This is an act of which is voluntarily aimed at staying away or not demanding the products of a company. This is carried out as a means of protest when this happens demand falls resulting in lower sales and profits.

(ii) Another pressure comes from ethical consumers. These are consumers who will demand a product only when they think the good or service was made ethically. For example a consumer may not buy a product if he thinks, employees we exploited during the production process. This is also known as moral boycott. This pressure ensures the companies work ethically by improving on standards.

(iii) Another pressure is when an organisation is faced with negative publicity. Negative publicity can come in various forms as demonstration against a company. Companies or organisations are very mindful of these pressures as it gives it a bad image with a devastating effect on sales.

(iv) Competitive advantage is another pressure that forces companies to act responsibly. Competitive advantage ensures that companies follow policies and strategies that leads to the creation of goals and serves better that other competitors. To achieve these goals the company has to position itself strategic. Strategic position is right so as not to create a bad name for its self.

(b) <u>Meaning of Conflict of Interest</u>

Conflict of interest occurs when an individual or organisation is involved in performing various activities that have competing interests or multiple interests. One of these interests has the possibility of corrupting other interest.

<u>Conditions for Conflict of Interest</u>

(1) In the workplace a conflict of interest can occur when for example a manager has a relative working under him or her. Due to the relationship it may be difficult for the manager to have a fair dealing with such a relative. Performance appraisal may not be carried out fairly.

(2) Conflict of interest can also occur when employees of an organisation have interest in the organisation's dealing with other organisation in which they can influence these activities. In order to achieve an interest these employees may not adhere to guidelines established for such dealings.

(3) A conflict of interest exists when an employee is involved in an activity that might interfere with his or her objectivity in performing his or her duties in the organisation. For example when for financial interest one takes up employment with the organization's key competitor.

SOLUTION 3

(a) <u>Stewardship Theory</u>

The stewardship theory of corporate governance has its roots in Psychology and Sociology. A steward is one who protects and maximises shareholders wealth through performance. By doing so, the steward utility functions are maximised.

This theory is of the view that company executives are stewards who are working for shareholders. It is therefore their duty to earn profits for them. To achieve these executives should integrate their goals with that of the organisation. It adds that stewards are satisfied and motivated when the organisational goals are achieved.

In order to achieve this goal it is suggested that managers should be freed from subservience of the Boards.

(b) (1) One of the principles of corporate governance is to ensure that there is a basis for an effective corporate governance framework. This means that such framework should promote transparency and efficient markets. It is important for such a framework to ne developed with a view to impact on the overall economic performance, market integrity and the incentives it creates for market participants. It should also promote transparency.

(2) Another principle is the rights of shareholders and key ownership functions. This calls for the corporate governance framework to protect and facilitate the exercising of shareholders rights. It calls for shareholders to be given information which is sufficient on timely bases. The framework should also ensure that shareholders participate in decisions, vote in general shareholders meeting and can elect and remove board members.

(3) There should be equitable treatment of shareholders. It calls for a framework which ensures that all shareholders have a means to seek for a redress of the violation of their rights. For example minority shareholders should be protected from abusive actions. In implication of this principle is that all shareholders shall have the same rights.

(4) The role of shareholders in corporate governance is another principle. The principle asks that the framework should encourage active co-operation between companies and stakeholders for the financial sustainability of the company. Hence performance enhancing systems for employees participation should be encouraged.

SOLUTION 4

(a) The chairman of the Board of Directors is the one who is responsible for the running or managing of the Board. In general he or she role is to chair meetings and gives decision in meetings. The chairman carries the authority of the Board. This authority is exercise on behalf of the Board.

Duties of the Chairman

(1) The duty of the chairman is to schedule meeting of the Board. It is important that those Board meetings are held so that directors and managers can report on their areas of responsibilities.

(2) Another duty of the chairman is to act as a spokesperson for the Board and the company. As a spokes person he or she does represent the company at both internal and external meetings as meeting with shareholders, creditors, consumer group and the government.

The roles of the chairman of the Board of directors include:

- Provides leadership to the board
- Establishes procedures to govern the board's work (or if also serving as CEO, abides by such procedures as set by outside directors).
- Ensures the boards fully discharge of its duties.
- Schedules meetings of the full board and roles with committee chairman to coordinate the schedule of meetings for committee.
- Organizes and presents agenda for regular or special board meetings based on input from directors.
- Ensures proper flow of information to the board, reviewing adequacy and timing of documentary materials in support of management's proposals.
- Oversees the preparation and distribution of proxy materials tasks to members of the board.
- Identifies guidelines for the conduct of the directors, and ensures that each director is making a significant contribution.
- Acts as liaison between the board and management. (If also serving as CEO, delegates this duty to a lead director).
- Together with the CEO, represents the company to external groups; shareholders, creditors, consumer groups, local communities, and federal state, and local governments.
- Working with the nominating committee, ensures proper committee structure, including assignments of members and committee chairman.
- Carries out other duties as requested by the CEO and board as a whole, depending on need and circumstances.

(3) Another duty of the chairman of the board is to ensure that committees of the board are formed. There are various committees that work in order to ensure that the objectives of the organisation are met. An example of such committee is the Audit committee which ensures that rules and regulations are duly followed.

(4) Another duty of the chairman is to work closely with the Chief Executive Officer to ensure that the company's strategic agenda is developed. He also ensures that the company's operation conforms to the Board's view on corporate policy.

(b) Roles of Company Secretary

(1) Company Secretary is to facilitate the work of the Board by ensuring that the directors have all the information they need for their activities.

(2) The Company Secretary also advises the Board on all governance matters by ensuring that rules and regulations covering appointments are followed.

(3) The company secretary needs to communicate with all shareholders to ensure that their interests are sought. They have to act as a point of contact with regard to corporate governance.

(4) Assist with professional development of directors

(5) Ensures that new directors are ……… their roles

SOLUTION 5

(a) Ways to deal with increase in trade

(1) An increase in world trade means an increase in demand. An implication for management is to put in place a strategy that would assist it to expand its production. This calls for investment in new technologies. New technologies that are efficient should be acquired to enable the company to be competitive.

(2) Another implication for corporate strategy is that the strategy should aim at helping the organisation to reposition itself. This calls for the organisation to face competition from local and foreign companies.

(3) In order to take advantage of the increase in world trade the organisation can trade across their borders with foreign organisations, with the view of being accepted on the new market. Various means of doing this is to have a joint venture or buy a franchise. Organisations can take advantage of globalization by expanding their business across international borders thereby making more profits

(4) Another means of taking advantage of the increase in world trade is for the organisation to put in place a training strategy. Training is an organised activity aimed at imparting new skills which include technical and customer service skills with the view to improving employee performance. Every business environment has its specific features which requires specific skills these need to be introduced to employees so that they will be able to operate in the new market.

(5) Another implication is for the organisation to have a strategy that aims at influencing government policies with the view of protecting its market locally. Lobbying as a strategy enables organisations to influence decisions made by

officials in government. This is because governments often define and regulate the behaviours of organisations.

(6) Organisations which decide to take advantage of globalization would also have to decide on their international product strategies – whether to serve the same product to all markets (standardization) or to modify to suit the needs of customers in the different countries (adaptation).

(7) Access to technology and other resources. Globalization opens access to advanced technologies, skills and other resources around the world. Corporate strategic managers can therefore scout around for such resources in order to reduce their costs or improve their qualities.

(8) Organisations that want to take advantage of globalization will have to have appropriate policies for dealing with different exchange rates. Once trading across different countries, they have to be careful so as not to lose while converting from one currency to the other.

(b) Organisations derive a number of benefits from practicing strategic management concepts appropriately.

1. One of the most important benefit that accrues to organisation that use strategic management is the increase in the level of profits. It is said that the analysis of the situation facing the organisation and the application of the right strategy(s) often leads to financial benefits.

2. Another benefit that organisation get an understanding of environmental threats. Organisations awareness of threats posed by competitors, government regulations, change in economic indication enables management to prepare adequately.

3. In the same way management is able to take advantage of opportunities that are revealed through environmental analysis.

4. Management is able to have a clear understanding of business.

5. Implementation of strategy enables a more effective allocation of time and resource to identified opportunities.

SOLUTION 6

(a) (i) Working Capital

Working capital is a financial measure which represents the operating liquidity of the company. It is calculated as current asset minus current liabilities. If a company's current assets do not exceed or cover its current liabilities the company is going to run into trouble. Such a company will not be in a position to pay back its creditors in the short term.

(ii) Determinants of Working Capital

(a) A determinant of working capital is the general nature and size of the company. For example manufacturing companies invest a lot in its fixed assets as well as in current assets. Trading companies have to keep a lot of cash due to the nature of their business. Retail shops must carry large stocks therefore they have huge working capital.

(b) Another determinant of working capital is the growth objective of the organisation. Growth oriented companies require more working capital than those that are static. As companies expands or grow their working capital requirements also increases. When a company is growing there is the need to buy more inputs as raw materials, recruit more staff, among other purchases. During such period the company would witness an increase in both its assets and liabilities activities.

(c) The availability of credit from suppliers has a bearing on the level of working capital that an organisation can keep. The credit terms given to business depends to an extent on the norms of the industry in which it is operating. Credit services from the banks also influence working capital. A company will keep less working capital if it has access to liberal credit terms.

(d) Another determinant of working capital is the auditing of supply. An organisation uses inventories as raw materials, spare parts to carry out its production. The conditions of supply for these inventories affect the status of its working capital. If the supply is prompt and adequate the organisation can manage with small inventory. Also when the raw material is available on seasonal bases more funds are needed during the peak season.

(e) The trade cycle also influences the level of working capital. Trade cycles refers to the periodic changes or turns in business opportunities. The cycle can have four phases. These periods are boom, depression, recession and recovery. During a boom period, the organisation has to carry out more business an implication is more production requiring more working capital. Recession period comes with less business activities hence less working capital.

(f) Techniques to Support Change

(1) A technique to support the change process is the creation of financial reserves which will be used to support employees that will be adversely affected by the change. The change process may come with reduction in workforce due to the use of other technologies that use less labour. The organisation has to pay these employees off so that the change processes do not face resistance.

(2) Another technique is for management to put in place a communication plan for the change. It is important for management to ensure that employees understand what the change is and why there is the need for the change. They should also know how the change will be implemented. It is also important tht activities are monitored and feedback given to staff.

(3) Another technique is t prepare the staff to accept the change. This calls for human resource planning. Once gaps have been indentified staff should be trained. The aim is to provide employees with the skills, techniques, expertise, required for them to perform their role and duties effectively as the changes are being implemented.

(4) The organisation should also encourage employee participation in the planning and implementation stages of the change process. This will get them committed to the change strategy.

SOLUTION 7

(a) A product life cycle describes the pattern of sales of a product over time. It is typically divided into four stages including introduction, growth, maturity and decline as shown below:

The introductory stage is characterised by low sales because customers are unaware of the product or do not have confidence in it, sales rise steeply at the growth stage when more customers become aware of the product but gradually slows down and enters the maturity stage as a result of competition, new technology and change in customer tastes. The decline stage …… when these factors overtake management efforts to increase sales.

The product life cycle concept is of importance to an organization in a number of ways.

(i) The PLC concept enables an organisation to forecast the sales trend of its product and to plan appropriately.

(ii) The concept also enables an organisation to study the activities of competitors and to implement various strategies including innovation and advertising.

(iii) An organisation also plans it expenditure knowing the various cost changes that occur as the product moves through its life cycle.

(iv) The factors responsible for the product life also challenge management to look for and exploit new market opportunities such as new markets, new uses of the product etc in order to increase sales.

(b) Policies are guidelines, rules and procedures used to implement strategy. There are many uses f policies including the following:

(i) They communicate specific guidelines for making decisions. Thus, they guide management thinking on what can be done and what cannot be done.

(ii) Policies also act as directives to employees regarding how activities must be performed. This helps to optimize the use of resources.

(iii) Policies also clarify what work is to be done by whom. They promote delegation of decision making to appropriate managerial levels where various problems usually arise.

(iv) They mould manager and employee behaviour into something suitable for the achievement of organizational objectives.

(v) They offer predetermined answers to routine problems thereby expediting action on both ordinary and extra ordinary problem.

(vi) Policies reduce resistance to or rejection of chosen strategies.

(c)