

## CASE STUDY

### LEADERSHIP, ETHICS AND INTEGRITY- MARCH 16<sup>TH</sup>, 2017

**Faida Bora Investment Ltd** is a limited company dealing with a wide variety of business activities including trading in commodities and service delivery. The organization was established in 1977 by Mr. Jones as a sole proprietor running as a family business for the first 10 years. Due to rapid expansion, the organization was incorporated to a Private Limited Liability company with functional organizational structure. During an annual general meeting, Mr. Jones was elected as the Chief Executive Officer and Chairman of the Board of directors. His wife Mabel was elected Secretary to the board with each of their five children taking up the roles of Heads of various departments.

In 1985, the members of the family were elected to positions of members of the board and relinquish the responsibilities of day to day activities to professional to running the following departments:-

Finance & Resource Planning; Procurement, Estates and Logistics; Human Resource & Administration Department; Sales & Marketing Department; Production & Plant Operations Department

In the year 2005, the company decided to start trading with the government and the members of the board developed good working relationship with various government department. There has been a rapid growth in business with high levels of profitability over the years. Each of the Directors has been allocated the responsibility of procuring business with central and county government.

The directors draw large sums on money that is charged to Accountable Imprest account but the expenditures are not supported with any documentation. The Head Finance & Resource planning department has requested the members of the board to submit surrender and account for the Imprest but the directors insist that there is no need for documents and that the professionals should find a way of absorbing the expenses in the books. The Business Development manager has been working closely with his director and this has yielded wonderful results in winning several huge contracts from Regional Government. However, on each contracts, there are huge cash drawings dubbed 'Operation Expenses' that are not supported by documentations. The professionals are slowly getting uncomfortable with this method of working citing professional ethical issues and their personal integrity.

The chairman of the Board opined that his accountants are qualified but lack the skills. He has recently employed Davis, an accountant referred to him by his in one of his friends. During one of the meetings with the accountants, the Chairman asked the following question to each of the Four Senior Accountants including the newly employed accountant:-

What is  $1 + 1 = ?$

All Accountants answered;  $1 + 1 = 2$

The chairman asked Davis the same question; but Davis responded with another question; "What would you like the answer to be sir?"

The Chairman said 'Bravo'; this is the kind of skills that I am talking about

### QUESTIONS

- What are possible governance problems in this company?
- How can the professional deal with this problem?
- What are potential risks facing this organization?