DQ 1 response to Jane

Hi Jane,

This is a rather interesting and thought-provoking piece you have written. I am glad that you are speaking more in terms of what happens for the Kenyan citizen, more so what would happen? I do agree that corporate governance in Africa does have a lot of political and social influence.

The example is the fall Mumia Sugar and CMC motors in Kenya where it was found that the directors were inflating prices and selling off prime assets and all the non-compliance issues coming. In a rules-based approach where the guidelines are written into law, making these actions criminal (Broshko & Li, 2006). Mugo (2015) states that in the following years after the scandal, the charges brought against the directors at Uchumi were acquitted.

Furthermore, self-regulatory codes under the principles-based approach is a challenge in sub0saharn Africa. For instance in Kenya, the self-regulatory codes are not clearly defined and have no provisions for punishment of directors as is with the case of Uchumi. This leads to falling back to the Company Act that is then lenient on directors (Mugo, 2015).

Now begs the question, does self-regulation or principles-based approach work for developing countries with considerable political influences in many spheres?

References

Broshko, E. B., & Li, K. (2006). *Corporate governance requirements in Canada and the United States: A legal and empirical comparison of the principles-based and rules-based approaches*. British Columbia. Retrieved from https://papers.ssrn.com/sol3/papers.cfm?abstract\_id=892708

Mugo, A. W. (2015). *Corporate Governance in Kenya: An introduction, and the Kenyan perspective*. The University of Nairobi.