

June 2014

a).

The CE has a stewardship role towards the shareholders and one of them is to maximise shareholders wealth. However, their action of misselling baby products will have an impact on co branding. This will ultimately affects the value of the co as Xaxa will be seen as socially irresponsible org. Thus, shareholder value will be affected when the co is not sustainable or its mkt price starts to decline from the reputation risk.

b)

Xaxa although has NED on its board, but its number is imbalance as they are less than the executive directors. Thus, it will not help the NED to carry out its work effectively. The role of NED is to safeguard the interest of shareholders, provides monitoring on the strategy & actions of the ED. However, Xaxa has less NED, this basically reduce their ability to provide an effective role in challenging the action of the ED especially on the baby productys.

c)

Xaxa being inward looking basically shows that the mgmt do not consider external factors. Thus, this is not surprising when the CE only consider shareholder interest and not the implication of his action. Further, Xaxa is also short-term focus, thus maximising profit but Xaxa seems to ignore long-term or medium term goal. Thus, survival of the company is not considered. This is partly the reason why the mgmt is still willing to proceed with the baby product that will cause reputational risk.

Dec 2012Reduce cost of compliance

Comply of explain allows the shareholders to decide what is best for the company. Thus, if the shareholders are satisfied with the performance of the directors, reelection of the directors will not be necessary, thus the company should be allowed to explain the reasons why they are not reelecting the directors on yearly basis. This will help to reduce the cost of compliance.

Inflexible organisation

If its rule based the company will be rigid as they need to comply with the rules that has been decided, thus with comply and explain method, the company will be more flexible and can adapt better to changes in the business environment. At the end of the day, it is all about meeting the needs of the shareholders.

June 2010

The goal is not financial focus but more towards personal interest such as employment for themselves and their son Ivan. The goal for a pls if maximise shareholder wealth.

Ivan is being groomed as the future leader of HH. This is bcos of his family ties to Ken & Steffi. However, in a plc this would not be possible as mgmt are being appointed based on competence.

Remuneration of Ivan was also based on personal interest which is to ensure that Ivan is satisfied rather than reward based on performance and responsibility.

HH being family business do not have much segregation of duties or proper internal control and has resulted in a fraud committed by Ivan himself. However in a plc a risk mgmt committee who would have proposed to have some form of control in place to reduce the risk.

HH is owned 100% by 3 shareholders while in a plc the shareholders are made of members of the public and there could have been quite a number of them.

