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CORPORATE GOVERNANCE AT CITIC PACIFIC



The background of the slide is a historical painting of a harbor scene. In the foreground, several large sailing ships with multiple masts and white sails are docked or moving through the water. To the left, a group of smaller, traditional wooden boats is visible. The middle ground shows a large body of water with more ships and a distant shoreline with buildings and trees. In the background, there are rolling hills and mountains under a sky with soft, golden light, suggesting a sunset or sunrise. The overall style is that of a 19th-century landscape painting.

Introduction

One major implication of the Citic Pacific corporate governance problems is the internal control, transparency and risk management lesson that leading large conglomerates could learn from. Citic Pacific from China is one of the major conglomerates which had a very bad experience in 2008 as it earned its losses of over HK\$15 billion because of unauthorized trade in foreign exchange.

The background of the slide is a detailed historical painting of a coastal city, likely Constantinople, viewed from a high vantage point. The city is built on a hillside overlooking a large harbor. In the foreground, several large wooden sailing ships with multiple masts and sails are docked or moving through the water. To the left, a group of smaller, traditional wooden boats is clustered together. The city's architecture features domes and red-tiled roofs. In the distance, a range of mountains is visible under a sky filled with soft, golden-hued clouds, suggesting a sunrise or sunset. The overall style is that of a 19th-century historical painting.

Governance measures

The main cause of challenges associated with internal controls, risk management and external oversight that Citic Pacific faced included improper internal control frameworks, weak external control and insufficient risk management plans respectively.

Risk Management

Citic Pacific's problem was that it had a poor risk management system in place. The failure to monitor such high risk positions in foreign currency without appropriate recommendation from the board evidenced systematic voids in the organizations risk management procedures.





Conclusion

Citic Pacific case find that good corporate governance increases organizational capacity to manage risks and achieve business sustainability. Managers have to commit to internal measures, board management, and disclosure in order to safely guard stakeholders and their businesses.



Resource

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