Book Review Symposium VII: Corporate Governance in Africa, (Routledge 2025) - Rethinking Corporate Governance in African Banking: A Functional Stakeholder Approach in Context-Constrained Environments

By:

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Overview and Central Argument

Victor Ediagbonya's Corporate Governance in Africa advances a compelling, context-sensitive critique of the transplantation of the Anglo-Saxon, shareholder-centric corporate governance model into African banking systems, particularly Nigeria and South Africa, and proposes a tailored alternative: the

Functional Stakeholder Model ('FSM'). The book's thesis is straightforward yet significant: corporate governance "best practice" from developed economies performs unevenly when exported to jurisdictions with different institutional realities; banking sectors in countries marked by institutional voids, weak legal enforcement, insider dominated ownership, underdeveloped capital markets, and systemic corruption, require frameworks that are explicitly designed to recognise and protect a broader set of stakeholders beyond shareholders.

Organised in three parts, the volume sets out the conceptual foundations (Part A), examines country case studies of Nigeria and South Africa (Part B), and culminates in the design of the FSM for African banks (Part C). The work is distinguished by its clear theoretical scaffolding, drawing on institutional theory and stakeholder theory, and by its insistence that sectoral features of banking (risk profiles, prudential oversight, conduct regulation) make governance in finance "special" compared to non-financial firms.

This book fills a major gap in African corporate governance literature by moving beyond generic "good governance" prescriptions to a sector-specific, context-sensitive model. Providing a replicable framework (FSM) for emerging markets, which is rare in current scholarship. By embedding stakeholder protection into prudential governance, the book aligns corporate governance reform with broader development goals such as financial inclusion, gender balance (page 184), poverty alleviation, and systemic stability.

Theoretical Framing: Why Context Matters for Banks

Ediagbonya's opening chapters track how agency, stewardship, shareholder primacy, and "enlightened shareholder value" (ESV) theories have shaped the Anglo-Saxon model, while carefully parsing the limits of ESV in practice (e.g., UK Companies Act s.172's "have regard" formulation that affords directors wide discretion but weak enforcement by non-shareholder stakeholders). He shows that ESV largely recodes shareholder primacy rather than reconstituting it. The book supports that claim with doctrinal analysis (derivative actions remain shareholder-controlled; "success" remains undefined) and with policy developments such as the Better Business Act coalition's push to amend s.172. That critique sets the stage for institutional and stakeholder theories to do the heavy lifting.

Institutional theory explains how coercive, normative, and mimetic isomorphisms produce convergence pressures while leaving deep differences, legal capacity, professional norms, and market discipline intact; stakeholder theory then supplies the normative and analytical lens for identifying who matters in banks (employees, depositors or creditors, regulators, host communities) and how their interests and risk exposures differ from shareholders. Crucially, Ediagbonya links theory to banking's distinctive risk ecology. He situates corporate governance within the prudential and conduct regulatory architectures and argues for "responsive regulation," a hybrid drawing on command and control and self-regulatory strategies to better align incentives and capacities in settings where public enforcement is imperfect and private monitoring is captured or constrained.

Lessons from Crisis and Transplantation

The book's historical prologue revisits the 2007-2009 global financial crisis and its transmission to Nigeria and South Africa, highlighting how liquidity shocks, market exposures, and weak governance catalysed bank failures or severe stress. In Nigeria, exposure to the capital market precipitated illiquidity as foreign portfolio investors exited; in South Africa, recession and prior small bank fragility accentuated structural weaknesses. These episodes foreground the inadequacy of governance regimes that neglect local institutional constraints and stakeholder protections.

Ediagbonya traces the colonial and post-colonial legal transplant pathways: Nigeria's Companies and Allied Matters Act, modelled on UK statutes, and South Africa's King Codes, themselves rooted in UK norms, set up shareholder-oriented governance in banking despite diverging institutional environments. The result, especially in Nigeria's insider-dominated banks where ownership and management often fuse, is predictable: poor asset quality, insider lending, under-reporting, and recurring failures that impose outsized losses on employees and depositors who cannot diversify or enforce rights effectively.

Country Studies: Nigeria and South Africa

Nigeria: The analysis of Nigeria's governance architecture (CAMA, SEC, and CBN codes, failed CSR legislative efforts) shows limited recognition of non-shareholder stakeholders in both framework and enforcement. The SEC code applies to listed banks; the CBN's code applies to all banks, but both codes, Ediagbonya argues, remain anchored to shareholder primacy with perfunctory nods to other stakeholders. Attempts to legislate CSR stalled, leaving social and depositor protections to soft law and institutional goodwill.

South Africa: While South Africa's King IV emphasises principles and the language of outcomes, Ediagbonya contends that shareholder interests remain dominant. He usefully situates South African governance within a broader political economy context, ownership pyramids rooted in mining finance houses, debates about Ubuntu and CSR, and assesses the interaction of Companies Act, King IV, and JSE listing requirements. The discussion recognises progressive elements (e.g., board committees, emphasis on ethics) yet stresses gaps in stakeholder enforcement and in addressing sector-specific risks. Together, the cases substantiate the book's claim that transplanting UK corporate governance into African banking sectors without grappling with institutional voids makes depositor and employee harms more likely and reduces the efficacy of market and legal monitoring.

What the Book Contributes: From Principles to Mechanisms

One of the strongest sections is the treatment of board structure and composition in banks. Ediagbonya surveys debates on board size, qualifications, independence, CEO/Chair duality, and diversity (including the case for more women on boards) and ties them specifically to banking risk management. He argues for: (i) separating CEO and Chair to prevent agenda capture; (ii) strengthening independent non-executive presence and genuine independence; (iii) raising the competence bar for directors, particularly in risk and finance; and (iv) embedding a mandatory CSR or sustainability committee that operationalises stakeholder engagement.

These are not generic prescriptions; they engage directly with how governance mechanisms in banks affect prudential outcomes and stakeholder harms. The book also links executive compensation reforms (deferrals, clawbacks) to risk appetite and stakeholder protection, noting the UK and EU post-crisis shifts as illustrative tools that can be adapted to African contexts. Notably, remuneration design is presented as prudential governance, not merely a fairness policy.

The Functional Stakeholder Model (FSM): Construction and Enforcement

The book's signature proposal, the Functional Stakeholder Model, is presented as a pragmatic, institutionally attuned framework for African banks. Its core moves include Board re-design that incorporates employees and debtholders (depositors/bondholders) as directors or formal board advisers, thereby internalising risk perspectives that shareholders may discount. Committee mandates for CSR/sustainability, risk, audit, and remuneration, with explicit stakeholder metrics and disclosures (beyond financials) to reduce information asymmetries and negative externalities.

Responsive regulation with third-party enforcement powers granting limited standing to public authorities (e.g., Attorneys General), professional associations, and even civil society in certain cases, to address weak private enforcement and regulatory capacity. Specialised courts for banking and ancillary matters to build judicial capacity, reduce jurisdictional skirmishes, and improve timeliness and consistency in adjudication. Human capital reforms, curricular changes for bankers, and continuous professional development, recognising that governance ultimately depends on competence as much as on structure. This composite design is the book's most original contribution. It aims to function under institutional constraints (hence "functional"), not to replicate idealised stakeholder theory from OECD settings. The enforcement innovations are especially notable; they face real-world politics but directly confront the common failure mode of transplanted codes: weak or captured enforcement.

Methodological and Scope Considerations

By design, Corporate Governance in Africa is a synthetic, doctrinal, and policy analytic work rather than an econometric performance study. Its argumentation relies on legal analysis, regulatory texts, case illustrations, and secondary empirical literature. That approach is entirely appropriate for a book setting out a normative and institutional framework. Still, readers may wish for fuller empirical testing of FSM components (e.g., controlled comparisons of banks with employee or debtholder board representation, or natural experiments around CSR committees and risk outcomes). Ediagbonya acknowledges limitations and points to future research directions, but a roadmap for pilot implementations, perhaps via regulatory sandboxes or voluntary codes with third-party audits, would strengthen the translation from theory to practice.

Similarly, while the Nigeria-South Africa focus is justified (the largest economies; rich governance histories), comparative reference to other African jurisdictions (e.g., Kenya's banking reforms; Ghana's post-crisis consolidations) could help calibrate the FSM's generalisability across varied institutional profiles. That said, the book's architecture is modular enough to be adapted.

Positioning within Afronomicslaw's Global South Discourse

For the Afronomicslaw audience, the book resonates on three levels:

1. Decolonising governance: It challenges the presumption that shareholder-centric governance is globally optimal and insists on jurisdictional justice, that governance must be designed for legal capacity and social realities, not for an abstract global market.

2. Embedding Ubuntu and CSR: In the South African chapter, Ediagbonya locates governance within social philosophy (Ubuntu) and argues for CSR as a governance instrument, not a peripheral charity practice. This helps bridge corporate law with societal expectations and aligns with broader debates on human-centred development and financial inclusion.

3. Stakeholder protection as prudential policy: By tying stakeholder recognition to prudential regulation and systemic risk mitigation, the book reframes stakeholderism from ethics to safety and soundness, a powerful repositioning in policy discourse that often marginalises social claims as non-economic.

Practical Recommendations and Policy Implications

The book's recommendations can be distilled into actionable steps for regulators, banks, and policymakers across African jurisdictions:

Regulators: Pilot responsive regulation with tiered enforcement, including formalised roles for professional associations in supervision, and limited standing for public interest enforcement in egregious cases of stakeholder harm. Pair this with capability investments (data, staffing) and supervisory colleges focused on governance risk.

Banks: Reconfigure boards to increase independence and competence; separate CEO/Chair roles; institute CSR/sustainability committees with stakeholder KPIs; adopt remuneration structures with deferrals and clawbacks linked to multi-year risk metrics; enhance disclosure beyond financial statements to cover stakeholder impacts and risk governance processes.

Policymakers and Courts: Establish or designate specialised benches for banking law; clarify director duties to include stakeholder risk considerations in banks; enable targeted derivative or representative actions where depositors or employees suffer foreseeable losses tied to governance failures.

Academia and Training Bodies: Upgrade professional training for directors and senior bankers in risk governance, ethics, and stakeholder engagement; embed case-based learning drawn from African banking history to build locally relevant judgement.

Conclusion: A Timely and Consequential Intervention

Corporate Governance in Africa is a timely, well-argued intervention that moves the African corporate governance conversation beyond transplantation and towards designing for context, particularly in the banking sector, where failures are socially catastrophic, and contagion is real. Ediagbonya's FSM offers a rigorously reasoned blueprint that integrates board reform, stakeholder representation, responsive regulation, and enforcement innovation. It does not pretend to be a panacea; rather, it is a pragmatic platform for experimentation and institutional learning in jurisdictions where stakeholder harms have been systemic and recurrent under shareholder-centred regimes.

For scholars and practitioners in the Global South, the book's most important message is that stakeholder protection is not merely ethical; it is prudential and developmental. Governing banks with an eye to employees, depositors, host communities, and the public interest is not a deviation from modern corporate governance; it is, in African contexts, the essence of effective corporate governance. Adopting and iterating on the FSM could help African banking systems achieve stability, legitimacy, and inclusive growth on their own institutional terms.