Book Review Symposium VIII: Corporate Governance in Africa, (Routledge 2025) - Beyond Formalism: A Contextualised Theoretical Framework for Corporate Governance in African Banks

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Corporate Governance in Africa, authored by Victor Ediagbonya, Senior Lecturer in Law at the University of Brighton, addresses a pressing but underexplored problem in African banking. The book examines the failure of corporate governance frameworks to protect the interests of stakeholders such as employees and customers when banks collapse. It argues that Nigeria and South Africa have adopted the Anglo-Saxon corporate governance model from the United Kingdom, a model designed around shareholder primacy and premised on the existence of strong legal institutions and active financial markets. Due to the absence of these institutional foundations in Africa, the transplanted model has repeatedly failed to prevent banking crises and left ordinary stakeholders without adequate protection. In response, the book proposes an alternative framework called the Functional Stakeholder Model, designed specifically for banks operating in challenging institutional contexts.

The book's central argument rests on a straightforward but important observation. The Anglo-Saxon corporate governance model was designed for economies with strong supporting institutions, including efficient courts, active financial markets, and effective regulatory systems. In countries like the United Kingdom and the United States, these institutions provide a safety net for stakeholders even when corporate governance frameworks fall short. In Nigeria and South Africa, those supporting structures are largely absent. Corruption is pervasive across different tiers of government, judicial systems are slow and unreliable, and bank directorships are frequently awarded on the basis of political connections and personal relationships rather than merit. When banks fail in this environment, employees lose their salaries and customers lose their savings, with little prospect of timely legal recourse or regulatory protection. Ediagbonya argues compellingly that these failures are the direct consequence of applying a governance model to a context it was never designed for.

Ediagbonya builds his argument in three deliberate steps. He begins in Part A by establishing the conceptual and theoretical foundation of the book, examining six dominant theories of corporate governance before settling on stakeholder theory and institutional theory as the most appropriate lenses for understanding corporate governance in the African banking context. Having laid this foundation, Part B applies the framework to Nigeria and South Africa, analysing the legal and regulatory systems governing banks in both countries. The findings across both jurisdictions point in the same direction. Existing frameworks prioritise shareholder interests while leaving employees, customers, and other stakeholders without adequate protection. Part B also builds the case for a theme that runs throughout the entire book, that governance frameworks must reflect the specific institutional context of the country they operate in, rather than being copied from elsewhere without adaptation. Part C completes the argument by drawing on these findings to propose the Functional Stakeholder Model as a practical and context-sensitive alternative for banks operating in challenging institutional environments across Africa.

The Functional Stakeholder Model is the book's most significant contribution and the culmination of everything Ediagbonya builds across the preceding chapters. Rather than organising corporate governance around shareholder interests alone, the FSM redistributes power within the boardroom by including employees and debtholders as directors, recognising that those with money and livelihoods tied to a bank deserve a meaningful voice in how it is run.

The inclusion of these two groups is particularly well considered. Employees bring a form of objectivity that other board members often lack. Their relationship with the company is purely contractual. They are there to work and be paid, with no equity stake or personal financial investment in the company's strategic direction. What they contribute to board deliberations, therefore, comes from direct experience of how decisions affect the people who actually run the bank day to day, free from the personal bias that can cloud the judgment of those with ownership interests. Debtholders bring a different but equally valuable perspective. They have a natural incentive to resist excessive risk-taking because their capital is tied up in the company. They want stability, prudent management, and repayment of what they are owed. Together, these two inclusions engineer a board composition that balances ground-level operational insight with financial caution, creating a complete and more honest picture of the bank's obligations to all who depend on it.

The model also makes corporate social responsibility mandatory rather than optional, requiring banks to establish dedicated committees and allocate resources to community and social obligations as a core governance requirement. Critically, the FSM addresses the enforcement problem that has long undermined corporate governance in Africa. It recommends granting enforcement powers to third parties including the Attorney General, professional bankers' associations, and lawyers, while proposing the establishment of a specialised banking court to handle disputes with greater expertise and speed. What makes the FSM genuinely innovative is that it is designed specifically for the African institutional context. It does not transplant foreign solutions but builds a framework that accounts for weak enforcement systems, overlapping regulatory authorities, and the realities of corruption. In doing so, Ediagbonya offers a model that is both theoretically grounded and practically responsive to the conditions in which African banks actually operate.

While the book makes a compelling case for the Functional Stakeholder Model, two questions emerge that point towards future research. The first concerns receptivity. Ediagbonya demonstrates convincingly that the FSM is theoretically sound and contextually appropriate, but the book does not address whether governments, regulators, and banks in Nigeria and South Africa are willing to adopt it. In Africa, as Ediagbonya himself acknowledges, institutional challenges run deep. A governance model can only be effective if the institutions responsible for implementing and enforcing it are willing to engage with it. The question of political and regulatory receptivity is therefore as important as the question of theoretical soundness, and it remains open. The second question concerns scope. The book focuses exclusively on banks, which is a justified and deliberate choice given the scale of banking failures across Africa. However, the institutional challenges Ediagbonya identifies, including weak enforcement, corruption, and misaligned governance frameworks, exist across financial services more broadly. It would be valuable for future research to explore whether the FSM can be extended to other financial institutions before considering its applicability to non-financial sectors entirely. These observations are raised in the spirit of scholarly conversation rather than criticism, and they reflect the richness of the questions this book opens up rather than any weakness in its argument.

The most enduring lesson of this book reaches far beyond Africa and far beyond banking. Ediagbonya demonstrates that governance frameworks succeed only when they are designed for the context in which they actually operate. The Anglo-Saxon model works in the United Kingdom because the institutions that support it are firmly in place. When that model is transplanted into a context where those institutions are absent, it produces governance frameworks that exist on paper but fail in practice. That insight is urgent and timely in ways that extend well beyond the African banking sector. According to the Bank of England and Financial Conduct Authority 2024 survey, 75% of UK financial services firms are already using artificial intelligence, with a further 10% planning to adopt it within the next three years. Yet the UK Corporate

Governance Code contains no reference to artificial intelligence, algorithm, or automated decision-making anywhere in its text. The governance framework that exists was designed entirely for human decision makers. It has not been adapted for the technological context that now surrounds it. Ediagbonya makes a compelling case that bespoke solutions are required for unique problems. Africa needed a governance model designed for its institutional reality rather than one borrowed from elsewhere. The boardroom of the future needs a governance framework designed for the technological reality it now operates in, rather than one that assumes decisions are made exclusively by human judgment. The parallels are striking, and the urgency is the same.

Corporate Governance in Africa is a timely, rigorous, and practically grounded contribution to one of the most pressing challenges facing developing economies. Ediagbonya has produced a work that is simultaneously scholarly and accessible, theoretical and practical, local in its focus and global in its implications. The book will be of particular value to regulators, policymakers, and banking professionals operating in Nigeria, South Africa, and across sub-Saharan Africa who are grappling with the real consequences of governance frameworks that do not fit their institutional reality. Researchers and postgraduate students working in comparative corporate governance, banking regulation, and development studies will find it an indispensable reference point.

Beyond the academia, the book speaks to anyone with a stake in the health of African banking systems, including customers, employees, creditors, and civil society organisations whose interests the current framework consistently fails to protect. Corporate Governance in Africa proposes a solution, makes the case for it rigorously, and invites the reader to imagine what African banking could look like if governance frameworks were finally designed for the people and institutions they are meant to serve. That invitation is worth accepting.

References

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