



Mapping Corporate Governance: Exploring the Adaptation of Regulatory Frameworks in African Markets

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Abstract

This study aims to provide a comprehensive review of the sources of corporate governance regulations in Africa, by examining their origins and adaptation within the context of diverse African markets. While acknowledging the influence of regulatory frameworks from developed countries, this study focuses on the unique challenges and dynamics shaping corporate governance practices in the African markets. To achieve this aim, an in-depth analysis of key regulatory sources and their implementation across various African nations was done by reviewing the literature and the regulatory frameworks. The study shed light on the interplay between global standards and local realities, focussing on the evolving corporate governance landscape in Africa. By synthesizing existing literature and empirical insights from 2018 to 2023, the study offers valuable perspectives, emphasizing the need for tailored approaches that address continental disparities, challenges, and national culture in the adoption of corporate governance regulations across diverse African jurisdictions.

Keywords: Corporate Governance Africa; Emerging Markets Governance; Governance Adaptation; Governance Compliance in Africa; Regulatory Framework.



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1. Introduction

Corporate governance is one of the remarkable and important topics of discussion in the corporate environment. Financial crises that occur in many countries are always attributed to the poor corporate governance practices of firms or the failure to implement them efficiently and effectively (Şener & Karaye, 2014). Corporate governance is a complete process in which the activities of the firm are directed and controlled by accountability, fairness, transparency, and protection of the rights of investors, board members, suppliers, managers, and employees (Kajanathan & Achchuthan, 2013).

Moreover, the last global financial crisis of 2008/2009 showed that the failure to put in place good and proper corporate governance regulations can have a significant negative impact on firms, which in turn affects the whole economy. These coupled with the bankruptcies of large firms that were regarded as "too big to fail" from all parts of the world since 2002 have sparked renewed interest in corporate governance worldwide and steer focus on the need to develop good corporate governance regulations and codes of best practices (Claessens & Yurtoglu, 2013). It is believed that well and effectively managed firms are more transparent and can easily win the trust of shareholders. Therefore, firms with effective and good corporate governance have the added feature of being preferred by potential investors in both domestic and international markets, while increasing the value of the company and funding the needed financial resources of the firm (Mohamad Ariff et al., 2024).

Africa as a continent has experienced an increased interest in corporate governance among academics, professionals, and policymakers, both at the sectorial and the national level, in recent years, especially after the last global depression. It is believed that the problems in African business environment are due to poor institutional environment in terms of property rights, frail and unethical judicial practices, macroeconomic volatility, barriers to trade, and high government regulation of economic activities (Karaye & Büyükkara, 2021). Potential foreign investors may tolerate market risks, political risks, currency risks, and business risks, but the violation of minorities and investors' rights is intolerable. Thus, if regulations are inadequate, especially coupled with the risks of deterioration due to poor governance, foreign investment becomes almost impossible to secure (Okeahalam & Akinboade, 2003).

However, a country with underdeveloped legal framework offers a good prospect for its firms. With this opportunity, a firm can differentiate itself from other firms by voluntarily applying good corporate governance thereby sending an attractive signal to potential investors (Karaye et al., 2024). Despite Africa's corporate governance-related problems briefly discussed above, the codes of 'best practice' of all African common law countries were derived from the corporate governance codes of western developed

markets such as that of the UK, the USA, and the Organization for Economic Co-operation and Development (OECD) (Waweru, 2014). These legislations and regulations are implemented to draw the attention of expatriates' investors by the African countries. However, due to underdeveloped markets, weak legal systems, and other problems that will be explained in this study, the business environment in Africa makes it profoundly different from that of developed countries. Therefore, the main question that this research tries to answer is:

Whether the corporate governance codes of best practice adopted from developed countries such as the UK and the USA can be efficiently and effectively applied in African markets, while at the same time increasing corporate performance of companies.

The main objective of this study is to review the literature relating to the adaptation of corporate governance regulatory frameworks in Africa and its link with the financial performance of African corporations. The study will be of great use to regulators, current and potential investors, practitioners, academic literature, analysts, governments, and other relevant stakeholders. It will also make a very important contribution to managers of firms, helping them in their decision-making by using the information obtained from the results of this study to make comparisons between firms in Africa and those in developed countries.

The novelty of these studies lies in bringing together evidence that questions the widely accepted practice of importing and adapting developed countries' derived governance framework into African markets. While previous studies have looked at governance challenges in specific African countries, this study shows that the problem isn't with African companies failing to implement the adopted governance framework properly, rather it's with the assumption that developed countries-based framework models are right for African markets in the first place.

2. Method

This study uses a systematic literature mapping approach to explore how developed countries' derived corporate governance frameworks were adopted and how they empirically perform in African markets. The sources of African corporate governance codes of best practice were reviewed and analyzed. The study also searched Web of Science, Scopus, and Google Scholar databases for peer-reviewed publications between 2018-2023, focusing on empirical studies that examine corporate governance adaptation and performance in African companies. Using keywords like "corporate governance Africa," "governance adaptation," and "emerging markets governance". The study then analyzed these papers using thematic analysis to identify patterns in how African companies adapt the frameworks that were derived from the developed western countries and their subsequent effects on operations and financial performance.

3. Corporate Governance Overview In Africa

Developing and emerging nations are becoming increasingly influential in the global economy due to their potential for rapid economic growth. In these countries, good governance practices are pivotal for the sustainable growth of any economy (Ferrero-Ferrero et al., 2014). In Africa, earlier studies opined that good governance correlates with elevated sense of corporate responsibility and enhances the reputation of firms, which helps in attracting potential local and foreign investors (Mohamad Ariff et al., 2024). Good corporate governance can also restrain and deter corrupt practices and unethical business praxes (Bala et al., 2024). In recent years, many reforms were executed to improve good governance in Africa which include; the creation and revision of codes of corporate governance of best practice by most countries, the establishment of new stock markets, and the creation of governance and sustainability indices (ESG) in markets like Nigerian Stock Exchange, Johannesburg Stock Exchange, Egyptian Stock Exchange, etc. Hence, the growth and development of stock markets have skyrocketed across Africa in recent years (Para et al., 2022).

Globalization and the worldwide interconnectedness of capital markets are among the major reasons for the changes in the political and economic landscape of African nations, paving the way for the market for corporate control with the need for robust corporate governance (Chanda et al., 2017; Claessens & Yurtoglu, 2013). It is often believed that African business environment is fragile with an underdeveloped legal framework regarding property rights, ineffective and compromised judicial framework, economic uncertainties and instabilities, barriers to trade, high state regulation of economic activities, and rampant corruption (Karaye & Büyükkara, 2021). These problems made the flow of capital more complex in many ways. However, to change this gruesome image, it was evident that enhancing good corporate governance is inevitable. Therefore, curtailing corruption and corporate scandals through the establishment of transparency standards, improving the economy, and drawing international investment are the key factors driving enhancements in corporate governance across Africa (Bala, Ahmad, et al., 2022).

Nevertheless, in many African countries corporate governance reforms, especially those relating to political restructurings and transformation have been accepted reluctantly (Chanda et al., 2017). Therefore, while corporate governance requires considerable levels of accountability and transparent disclosure, such changes necessitate the backing of a robust legal framework. The legal framework includes; the legal system in a country, the safeguarding of investors' property rights, the protection of creditors' rights, the legal stance against corruption, and the laws relating to the true and fair transparent disclosure regarding pertinent financial and non-financial information (Claessens & Yurtoglu, 2013; Para et al., 2022).

A firm choice of corporate governance model is wholly affected by the country in which the firm operates and the legal system in that country (Bala et al., 2024). However, most of the corporate governance regulations in Africa were borrowed or derived from those of the UK, USA, and the OECD. But most of the African countries have considerably smaller markets compared with the UK, US, and OECD countries, fewer numbers of listed firms with low market capitalization, lagging, and outdated technology to allow easy trading, lower liquidity, and concentrated ownership structure (Abubakar, Misiran, Karaye, et al., 2024; Ntim, 2013).

3.1 Sources of Corporate Governance Regulations In Africa

In the 1990s, corporate governance saw a surge in development and deregulations all over the world especially in developing countries. In the early 1990s, the problems that emanate from the toxic relationship between investors and chief executive officers (CEOs) in the US gained extensive press coverage as more and more chief executive officers (CEOs) were fired by their boards due to issues relating to governance (Karaye et al., 2024). Similarly, In the UK issues like accounting fraud, high remuneration to directors, board efficiency, etc. draw the attention of the regulatory bodies and thus pave the way for the creation of series of corporate governance regulations. The regulations and recommendations for corporate governance "best practice" that were instituted in the advanced western nations later became the cradles of corporate governance regulations to other developing and emerging nations all over the globe. The codes of corporate governance in Africa stemmed from the CACG principles, UK reports, the USA legislation, King Reports, and OECD principles. These reports, legislation, and principles are discussed below.

3.1.1 The United Kingdom's Cadbury Report of 1992

In May 1991 a committee titled "the committee on the financial aspect of corporate governance" was established by the Accounting Profession, Financial Reporting Council of England, and the London Stock Exchange to review several problems regarding financial reporting and accountability. The committee was chaired by Sir Adrian Cadbury. One of the reasons for setting up the committee is to find ways to deal with the problems that caused low level of confidence in the financial reporting of firms by its stakeholders in the UK. Another reason is to examine the causes and offer solutions to the challenges relating to the inability of auditors to provide their true and fair view of the accounts reported by firms in the UK at that time (Cadbury, 1992).

The committee Prepared and published its report titled "The Financial Aspect of Corporate Governance" on 1st December 1992. This later came to be known as "The Cadbury Report" named after the chairman of the committee (Karaye et al 2024). This report became the first report to consider corporate

governance as a system emphasizing the significance of the interrelation between the components and mechanisms that make up this system (Mohamad Ariff et al., 2024).

The report presented the corporate governance code of best practice for the first time in England. It suggested that listed firms should adhere to the “Code of Best Practice”. The report recognized the board of directors as the primary mechanism of corporate governance. Therefore, the report strengthens the need for effective boards of directors, segregating of the position of Chairperson and CEO, the need for board independence, and division of labor in the board by means of creating committees such as audit committee, nomination committee, and remuneration committee. It also explains the duties and responsibilities of the board of directors, board structure, responsibilities of executive and non-executive directors, accountability of boards to shareholders, and the significance of clear and transparent communication between the company and its owners (Cadbury, 1992).

Therefore, this report provided the general basic framework of corporate governance principles for the first time, and as such its recommended codes of best practice became the benchmark for corporate governance worldwide. The report became a background for future recommendations, legislations, and regulations in corporate governance such as the infamous OECD Principles (Şener & Karaye, 2014). This report also becomes a source of corporate governance code for most African countries.

3.1.2 *The United Kingdom's Greenbury Report of 1995*

In January 1995, the Confederation of British Industry (CBI) formed a committee called “The Study Group on Directors' Remuneration” headed by Sir Richard Greenbury to investigate and recommend solutions in reaction to public backlash and shareholders concerns relating to the compensations of firms' directors in the UK. The group was led by Sir Richard Greenbury, who was the head of Marks & Spencer at the time, from which the report of the group was later renamed. The committee aimed to investigate and provide good recommendations that will serve as a code and practice guideline in determining Directors' remuneration of public liabilities companies (PLCs) in the UK (Greenbury, 1995). The need for this committee arises as a result of the increasing disproportion between the remuneration of firms' directors and the performances of the firms. At that time, there was a general practice of high directors' compensation in cash and other benefits. The increasing high compensation started to affect the economy by causing massive layoffs of employees, restricting employees' wages and salary increases, and increasing the prices of goods and services (O'Connell & Ward, 2020).

After 6 months of good work, the committee presented its findings on 17/07/95. Committee recommendations were centered on four (4) main issues; determination of directors' remuneration criteria, the role of the remuneration/ compensation committee, clarifying whether or not the consent of the shareholders should be obtained when deciding the remuneration of directors, and service contract compensation and severance package of retiring directors. One of the Greenbury Report's recommendations is the establishment of a compensation committee in the board and the committee should comprise a minimum of three (3) independent and non-executive directors representing shareholders. The non-executive directors generally represent shareholders' interests, thus, their presence in the remuneration committee will deter any conflict of interest that may arise as a result of the remuneration process. The committee also recommends the full and transparent disclosure of top-level management's compensation together with all directors' compensation and benefits to be disclosed in the annual reports, among others (Greenbury, 1995).

After this report was published, the recommendations were published in the London Stock Exchange, but it was not widely accepted. The report also recommended that codes should be reviewed after every three years. In summary, the Greenbury Report is all about accountability, transparency, balancing of director and stockholders' interests, and enhanced company performance (O'connell & Ward, 2020). Like the Cadbury report, the Greenbury report was not legislative in nature, it was a mere recommendation.

3.1.3 *The United Kingdom's Hampel Report of 1998*

In 1998 a committee was set by the Confederation of British Industries (CBI), London Stock Exchange, Institute of Directors, Consultative Committee of Accountancy Bodies, National Association of Pension Funds (NAPF), and Association of British Insurance (ABI) to examine the compliance of listed firms with codes of corporate governance and provide recommendations to elevate the benchmark of corporate governance with special emphasis on shareholders protection (Hampel, 1998). This committee was set following the recommendation of the Greenbury Report to review its code every three years. Compared to the Cadbury Report, the Hampel Committee consisted of people from the business world. Hampel committee was chaired by Sir Ronald Hampel, who was the then chairman of the Board of Directors of Imperial Chemical Industries (ICI), to which the committee report name was given.

The Committee presented approximately twenty (20) corporate governance codes of best practice. These codes that emanate from the recommendation of the committee were also known as "Cadbury II" (Gorman & Ward, 2020). There are not many differences between the Hampel report and

the codes of Cadbury and Greenbury reports. However, in some specific areas, Hampel report codes are stricter than its predecessors, and in some areas departed from the Greenbury report.

While the Cadbury report recommends the establishment of a nomination/appointment committee in the board, it also proposes that the appointment of non-executive members must be conducted through the committee. The Hampel report goes further and states that the establishment of a nomination committee should be regarded as corporate governance best practice but fewer board members are more preferable (Hampel, 1998). Cadbury report also suggested that the proportion of independent non-executive members should be highest in the board, in contrast, Hampel report stated that is difficult for non-executive directors to work effectively if their ratio on the board is less than one-third. The Greenbury report recommended that boards should create a compensation committee comprising of both independent and non-executive members, and it should be the committee liable for developing the firm's board remuneration policies. The Hampel report also recommends the establishment of a remuneration committee but it does not agree with the Greenbury report's recommendation that the remuneration policy determination should be solemnly the responsibility of the remuneration committee, rather Hampel report stated that the setting of compensation policy regarding executive managers' remuneration should be decided by the entire board not only the remuneration committee of the board.

3.1.4 *The Commonwealth Association for Corporate Governance (CACG)*

In April 1998, the Commonwealth Association for Corporate Governance (CACG) was founded to foster superb corporate governance practices within the Commonwealth countries. The primary aims of CACG are; to develop sound corporate governance principles and procedures throughout the Commonwealth countries, and to facilitate the development of institutions that will help in the teaching, promoting, and disseminating of these standards (Nusrathunnisa et al., 2023).

The CACG is a voluntary association consisting of 53 member countries. With the backing of World Bank, KPMG International, New Zealand Government, Shell International, the Institute of Chartered Secretaries, and Anglo American Corporation. In November 1999, the CACG released its first set of corporate governance principles for the Commonwealth countries. The principles in line with the objective of commonwealth countries, aim to achieve a range of outcomes including; improving the profitability and efficiency of Commonwealth countries' firms, enhancing the ability to create wealth and employment, and fostering competitiveness of Commonwealth countries in the

international market arena, as well as developing and stabilizing financial sectors of Commonwealth countries locally and internationally, among others (CACG, 1999). The CACG principles also talked in detail about specific issues such as; Accountability to shareholders, objectives and duties of the board of directors, voting of directors and succession planning, induction and training of management and directors, access to relevant information, revelation of directors' biographical details, nomination committee issues regarding board size, board independence, board committees, etc. (CACG, 1999).

3.1.5 *The United States Sarbanes Oxley (SOX) Act of 2002*

SOX is the first law of corporate governance in the United State of America. It is one of the key foundations of corporate governance regulation for countries around the world. In the year 2001, American firms were faced with several problems relating to corporate governance. These problems include among others; poor management performance due to moral hazard and an environment full of conflicts of interest, lack of transparent disclosures, use of inefficient accounting systems, accounting fraud, lack of independence between the board, managers and auditors, and lack of effective legislation to complement market for corporate control. These problems were one of the root causes of the collapse of high profile firms between 2001 to 2002, firms such as; ENRON, Worldcom, Tyco, etc. (Şener & Karaye, 2014).

On 30 July 2002, The “Public Company Accounting Reform and Investor Protection Act” also known as the Sarbanes-Oxley Act of 2002 was legislated into the U.S federal law. The Public Company Accounting Reform and Investor Protection Act was then retitled the Sarbanes-Oxley (SOX) Act in honor of the two U.S. congressmen Paul Sarbanes and Michael G. Oxley, who led the enactment of the act.

The SOX provides several venues for investor protection, it also imposes some restrictions on independent audit activities, mandates the practice of business ethics, and introduces new rules for off-balance sheet transactions. SOX established a Public Company Accounting Oversight Board for listed firms in the US. SOX also gives legal status to whistleblowing (Bala, Abdulwahab, et al., 2022). The reason for this is that some of the major scandals that occurred have resulted from the denunciation of mid-level managers in accounting, therefore, this law mandates the reporting of irregularities, and as such, whistle-blowers are protected by law (Sarbanes-Oxley Act, 2002). The law makes it clear that; firm owners are not allowed to take personal loans from the firm, directors will be held responsible for the accuracy of all financial information about the firm. Auditors are also prohibited from rendering services outside the audit such as services consultancy to the same firm, firms will also

be penalized for misdirection of the auditors, and the rights and interests of the board members of a firm will be seized if there is any misconduct in the firm accounts that result from lack of effective monitoring by the board (Sarbanes-Oxley Act, 2002).

Therefore, due to the comprehensiveness of SOX, many countries especially developing countries use this law as a basis for setting their corporate governance codes and regulations. Nevertheless, the mortgage crisis of 2008/2009 showed that even the comprehensiveness of the law was not enough. While there are many reasons for the 2008/2009 financial crisis, most of the obvious reasons include moral hazard by management and directors, accounting fraud, regulations and standards that can be abused, etc. (Şener & Karaye, 2015).

3.1.6 The United Kingdom's Combined Code of Corporate Governance (2003)

In 2003, the Cadbury report, Greenbury report, and Hampel report were combined and a single comprehensive code of best practice was extracted. The Combined code is also voluntary as such it's not legislation but rather a recommendation with a "comply or explain" approach. One of the most important features of the combined code is that it contains recommendations related to internal audits. All firms quoted on the London Stock Exchange were requested to include summary information regarding internal auditing in their annual report. However, little guidance on how to, or what to include or disclose was provided (Bala et al., 2024). All listed firms were also expected to disclose the description of the firm's board and its committees.

The report consists of two main parts. While the first part consists of the codes that are related to firms, the second part consists of codes relating to shareholders. The combined code also stated that; the board, its committees, and individual members should undergo an annual performance appraisal, there should be a flexible remuneration policy in the board, the board should pay close attention to the company's financial status, the prospect and the state of going concerned of the firm, the board should establish an audit committee consisting of at least 3 members, the audit committee members should be independent members, and the board must establish a good communication system between the board and the firm shareholders (Karaye & Büyükkara, 2021).

3.1.7 The OECD Principles of Corporate Governance

The OECD Principles of corporate governance were published due to the recurring corporate scandals globally. The OECD principles of corporate governance are considered to be the first global corporate governance code endorsed by governments (Karaye, 2014). The OECD principles are structured

around six core areas: (1) Ensuring the basis for an effective corporate governance framework, (2) Rights and equitable treatment of shareholders, (3) Institutional investors, stock markets, and other intermediaries, (4) Role of stakeholders, (5) Disclosure and transparency, and (6) Responsibilities of the board (OECD, 2015). Each principle provides specific recommendations for creating governance systems that protect shareholders' rights, enhance board accountability, and ensure reliable financial disclosures, which are essential for fostering investor trust.

The broad scope and geographical location of the members of the OECD which is almost in every continent and the consultation process involved in creating these principles suggest that the OECD principles reflect the views of the international economy concerning the correct approach for tackling the problems of corporate governance (Abubakar, Misiran, Idris Sayed, et al., 2024). Subsequently, the OECD principles have become a valuable reference for many African nations in developing or reforming their corporate governance codes. Acknowledging the importance of governance to attract investment, enhance market credibility, and improve economic outcomes, African countries are adopting frameworks that resonate with the OECD standards.

Consequently, the OECD principles have crucially influenced African corporate governance. Many African countries have re-evaluated their corporate governance frameworks, incorporating OECD recommendations to strengthen regulatory and institutional environments. Countries like South Africa, Nigeria, and Kenya have introduced governance codes that reflect OECD values, aiming to protect investor interests and foster market confidence. To align with the OECD emphasis on shareholder rights, African governance codes often include provisions for equitable treatment of shareholders, notably protecting minority shareholders. Nigeria's Corporate Governance Code, for example, underscores the importance of respecting shareholder rights, and promoting a fair and transparent framework within which businesses operate (Berhad, 2020). Disclosure practices, guided by the OECD principles, are increasingly central to African governance reforms. Codes in countries like Kenya now require companies to provide comprehensive information on financial performance, ownership structures, and governance policies. This transparency has become essential for boosting investor trust in African markets.

The OECD's acknowledgment of stakeholder interests has influenced African corporate governance codes to promote broader social and environmental responsibilities. For example, South Africa's King IV Code highlights integrated thinking and sustainability, reflecting an OECD-aligned emphasis on long-term value creation for stakeholders (King, 2016).

3.1.8 *The South Africa's King Reports*

The downfall of apartheid coupled with the aftermath of the first democratic election in South Africa witnessed the surge in incorporations of firms and professional bodies in South Africa. During this period, the need for guidelines on how firms should operate and be properly managed became increasingly important in South Africa (Gstraunthaler, 2010). As a result, in 1992, the Institute of Directors of South Africa created a committee aimed at designing a comprehensive code of corporate governance and tackling issues relating to the transformation and affirmative action as a result of the changes in the South African political system. The committee was chaired by Mervyn King who is a retired judge. The report that was published as a result of the committee's work was named the King Report, named after the chairman of the committee. The committee released its report and was published in 1994. The report has since been reviewed and updated into King Report II of 2002, King Report III of 2009, and King Report IV of 2016.

The King Reports were regarded as the most comprehensive codes of corporate governance published by emerging economies. The codes are the first codes of corporate governance issued by a developing country worldwide (King, 2016). Almost all African common law countries followed or used the King Reports code of best practice in developing their corporate governance code of best practice (Munisi & Randøy, 2013).

The King Reports were also derived from other developed countries' reports, codes, and principles of corporate governance. Gstraunthaler, (2010) stated that when analyzing the evolution of the King Reports, it is hard to skip the fact that the reports reflect the previous reports from advanced western nations such as the UK, US, OECD, and CACG recommendations of corporate governance best practice. He further stated that Sir Adriane Cadbury who was the chairman of the Cadbury report was even contacted for advice on whether to change the King Committee name or maintain it as King Committee. Afolabi, (2015) also elucidates that, the regulatory structure of corporate governance in South Africa is based on the OECD principles of corporate governance. It is also visible in the pre-statement of the King Report III that it references some of the legislation of the United States Sarbanes-Oxley Act.

Conclusively, it was hoped that all these corporate governance regulatory framework would provide African countries with a valuable framework for modernizing corporate governance practices. These principles are not only guiding the development of governance codes across Africa but were hoped to also enable African markets to improve transparency, accountability, and investor confidence.

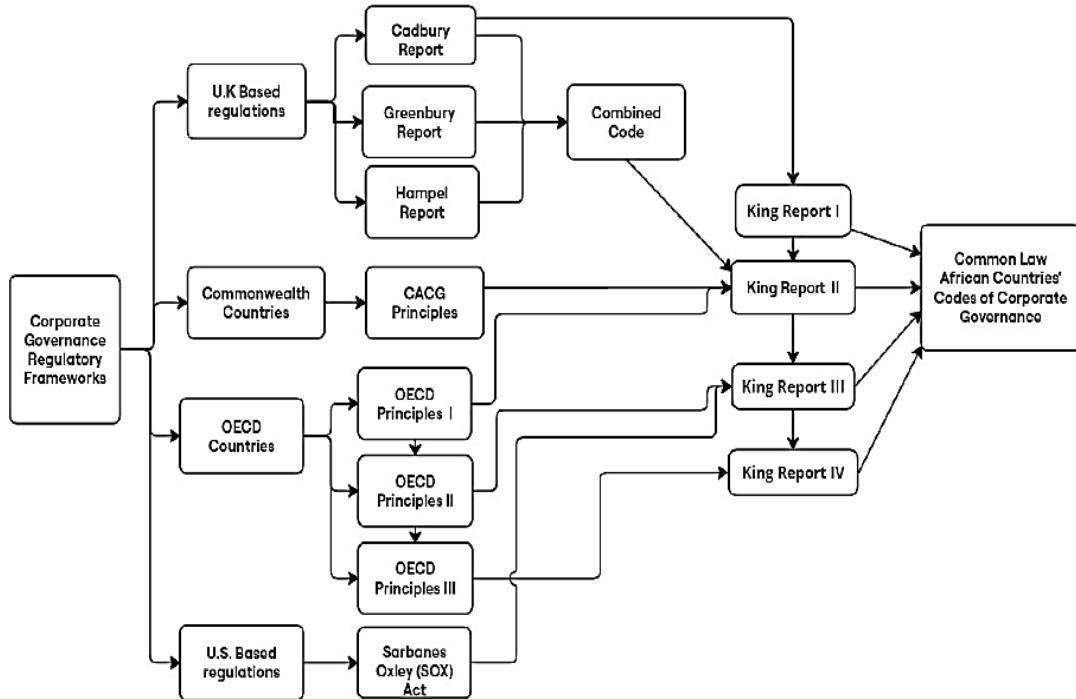


Figure 1. Adaptation of Corporate Governance Regulatory Frameworks in Africa

Source: Developed by the author

4. Results and Discussion from Empirical Literature

Studies increasingly show that African business environments have unique characteristics that set them apart from Western markets. Recent studies suggest that copying advanced Western corporate governance frameworks without considering local contexts might harm African companies' financial performance. Looking at studies from the past seven years gives us a clearer picture of what happens when African companies try to use developed countries governance framework without adapting them to local conditions.

Nakpodia & Adegbite, (2018) dug into how Nigerian companies make governance-related decisions. They found that most companies are not following the formal governance recommendations rather, most important decisions happened through informal networks and relationships. The governance regulatory framework adopted from the developed countries didn't account for how deeply these cultural practices were rooted in Nigerian business life. The story isn't much different in Kenya. Wanyama et al., (2017) spent time with Kenyan business leaders and found that family connections and community relationships shaped business decisions far more than the adopted corporate governance regulations that advocate for disperse ownership structure. They also found that, when companies tried to strictly follow the codes that were adopted from the developed nations, they often created new problems instead of

solving old ones. In Ghana, Agyemang et al., (2019) investigated on ownership concentration of companies and found that most companies were still run by families or small groups of closely connected owners. This shows one of the important differences between the Western developed nations and the African corporate environment. Therefore, trying to apply codes made for thousands of shareholders to a family business often leads to unnecessary complications and wasted resources.

Ntim, (2018) studied 169 South African companies and found that blending international standards with local practices did much better than just focusing on the adopted codes. One particularly successful company in their study increased its return on equity by 23% after developing its own hybrid approach to governance. Areneke and Kimani, (2019) also found that in Nigeria, companies struggled with the adopted codes because they ignored the role of traditional leadership structures. Their study of 256 Nigerian firms showed that companies forcing developed countries recommended board structures had 23% higher compliance costs but made worse decisions. This is attributed to the lack of taking the informal networks and relationships important, and those are part of what makes African business work.

Temba et al., (2023) examined the impact of corporate governance on the financial performance of banks in Tanzania. Their findings show mixed results on the financial performance of the banks in relation to their profitability potential, capital adequacy, condition and value of assets, ROE, and liquidity. In Uganda, Roy et al., (2023) investigated the influence of corporate governance adaptation on the financial performance of quoted Ugandan firms. By employing mechanisms such as board size, CEO age, CEO tenure, ratio of non-executive members, and directors' compensation, the findings show that while CEO tenure negatively affects performance, board size, directors' remuneration and the ratio of non-executive members does not have a significant influence on performance.

A comprehensive research was conducted by Apochi, (2022), he analyzed the role of corporate governance recommended mechanisms like; CEO duality, ownership concentration, board diversity, board size, audit committee, and board meetings on the financial performance of listed retail companies in East, West, and Southern Africa. With data collected for the periods 2012-2021. Using Fixed Effect in GLS, it was found that besides CEO duality and board size, none of the mechanisms have any important positive correlation with financial performance (Accounting measures and market measures) of the companies in Africa.

5. Conclusion

This study set out to understand why the corporate governance codes of best practice adopted from advanced Western countries such as the UK and the USA in African markets, often fail to deliver their promised benefits. The objective also focuses

on understanding if directly adapting these frameworks might actually harm financial performance in African companies. The findings of this research are both concerning and enlightening.

The study reveals a clear pattern: African markets operate in a fundamentally different environment from their Western counterparts. The differences aren't just superficial; they run deep into how business relationships work in Africa, how decisions are made, and how ownership is structured. When African companies try to force themselves into adopting developed countries-based governance frameworks, they often end up spending more money on compliance.

However, the most striking finding is how family ownership and informal networks, which are both crucial elements of African business, clash with the developed countries' adopted corporate governance framework. Companies trying to strictly follow the adopted codes often find themselves creating artificial structures that look good on paper but are ineffective in practice.

Looking ahead, several important questions still need answers. Future research should explore and try to answer questions such as: How can companies balance the demands of international investors with local business realities? What would truly African corporate governance frameworks look like if it's built from scratch to incorporate the unique features of African business environment? And how can family-owned businesses maintain their strengths while adopting helpful governance practices?

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