




Separation of the Chairman/CEO Roles in Nigerian Public Companies: A Review of the Impact on Board Independence and Governance Outcomes

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Abstract

This doctrinal research article examined the effectiveness of the statutory separation of Chairman and Chief Executive Officer (CEO) roles in enhancing board independence and improving corporate governance outcomes in Nigerian public companies. Drawing upon agency theory and stewardship theory, the study critically analysed the legal and regulatory frameworks, particularly the Companies and Allied Matters Act 2020 (CAMA 2020) and the Nigerian Code of Corporate Governance, 2018 which mandated this separation. While the theoretical premise suggested that such a split mitigated agency problems and strengthened oversight, the article investigates whether this intended outcome is genuinely achieved in practice. It identified persistent challenges to true board independence, including potential undue influence, information asymmetry, and the practical implementation of independent non-executive director roles. The research concludes by evaluating the tangible impact of this separation on key governance outcomes such as transparency, accountability, and ethical conduct, offering recommendations for further strengthening corporate governance practices in Nigeria.

Keywords: Agency Theory, Board Independence, CEO Duality, Corporate Governance, Stewardship Theory, Unitary Board Model, Nigerian Public Companies

INTRODUCTION

The field of corporate governance in Nigeria has undergone a significant transformation,¹ propelled by a global imperative to align with international best practices and a series of high-profile corporate failures, including the Cadbury Nigeria Plc Scandal of 2006² that necessitated profound reform.³ Globally, corporate governance principles seek to enhance investor confidence and ensure that corporations are run in the best interests of their owners and stakeholders.

Historically, many Nigerian public companies operated under a unitary leadership model where the Chairman of the Board and the Chief Executive Officer (CEO) roles were held by the same person. This unitary board structure, consisting of a single governing body that includes both executive directors involved in daily operations and non-executive directors providing independent oversight, has long been a source of concern. The primary apprehension is the inherent conflict of interest and potential for reduced board independence that arises from such an arrangement. The concerns are deeply rooted in agency theory, which highlights the potential divergence of interests between a company's owners (shareholders) and its managers, thereby necessitating robust oversight mechanisms to safeguard shareholder value.⁴

In response to the challenges posed by the unitary leadership model and a global push for more transparent and accountable corporate practices, Nigeria's regulatory framework has been progressively strengthened. Key instruments such as the Nigerian Code of Corporate Governance, 2018⁵ and the Companies and Allied Matters Act, 2020⁶ have become the guiding principles for corporate governance in the country.

A cornerstone of the above framework is the mandatory separation of the Chairman and CEO roles for all public companies.⁷ This structural separation, which requires the Chairman to be a non-executive director leading the board and the CEO to manage daily operations,⁸ serves as a crucial check and balance against the concentration of power.⁹ The NCCG 2018 initially advocated for this principle, and its subsequent incorporation into CAMA 2020 marks a critical transition.

This shift from a voluntary, 'comply-or-explain' framework under the NCCG 2018 to a legally binding, mandatory provision in CAMA 2020 is a pivotal development. It signifies that regulatory bodies deemed previous voluntary codes insufficient to enforce the necessary change, revealing an underlying institutional mistrust or a failure of self-regulation. By moving the separation from a mere principle to a statutory requirement, policymakers aimed to create a robust and enforceable governance standard.

¹ The origins of formal corporate governance in Nigeria may be traced to the 1886 Royal Charter granted to the Royal Niger Company. This event marked the beginning of a progressive development in corporate governance practice, leading to the 1922 Companies ordinance, later replaced by the Companies Act of 1968 which served as the principal legislation regulating companies until it was repealed in 1990 by the Companies and Allied Matters Act (CAMA). This Act was later repealed and re-enacted as CAMA 2020, the Nigerian Code of Corporate governance (NCCG 2018) and the various sectorial codes: See, Samuel A Osamolu, *Corporate Law Practice in Nigeria*, (4th edn, Law Lords Publications, Abuja 2023) 1; See also, Michael Agama, 'The Evolution of Corporate Governance in Nigeria: 1886-2018' *EJBM*(2024) 9 (5) 185 <<https://doi.org/10.24018/ejbmr.2024.9.5.2471>> accessed 7 July 2025

² Sunday C Okaro and Gloria O Okafor, 'Drivers of Audit Failure in Nigeria – Evidence from Cadbury Nigeria PLC' (2013) 4 (6) *RJFA* <<https://core.ac.uk/download/pdf/234629494.pdf>> accessed 7 July 2025

³ See the following: JM Nnvin, FF Adegbite and FO Ashogbon, 'Creative Accounting and Corporate Failure in Nigerian Manufacturing Companies' *IJNRD* (2024) 9 (4) 44 <https://mpr.ub.uni-muenchen.de/103236/1/MPRA_paper_98217.pdf> accessed 8 July 2025.

⁴ Nor Zalina Mohamad Yusol, 'Context matters: A Critic of Agency theory in Corporate Governance in Emerging Countries' (2016) 6 (7) *IJEFI* <<https://www.econjournals.com/index.php/ijefi/article/view/3599>> accessed 25 August 2025.

⁵ Hereinafter referred to as NCCG

⁶ Hereinafter referred to as CAMA

⁷ CAMA, s. 265 (6)

⁸ NCCG 2018, Principle 3.3. This principle goes ahead to specify that, if, in every exceptional circumstances the Board decides that a former MD/CEO or an ED should become Chairman, a cool-off period of three years should be adopted.

⁹ Kenneth I Ajibo and Collins C Ajibo 'CEO chair Duality in Nigerian Corporate Governance: An Institutional Theory perspective' (2016) 27 (8) *ICCLR* <https://www.researchgate.net/publication/305318350_'CEO-chair_duality_in_Nigerian_corporate_governance_An_institutional_theory_perspective> accessed 25 August 2025

However, the above issue raises a fundamental question: Does a legal mandate alone translate into genuine behavioural and governance change? The gap between *de jure* compliance (following the law on paper) and *de facto* effectiveness (achieving the desired outcomes in practice) forms the central research problem.

This doctrinal research therefore, aims to critically examine whether the structural separation of the Chairman and CEO roles in Nigerian public companies genuinely translates into enhanced board independence and improved governance outcomes, or if persistent challenges—be they cultural, economic, or practical—continue to impede the full realisation of these objectives.

The Rationale Behind Separating Chairman and CEO Roles

The statutory and regulatory push for the separation of the Chairman and Chief Executive Officer roles stands as a foundational tenet of modern corporate governance, particularly within the Nigerian context. The prevailing rationale for this separation is rooted in the belief that it fosters greater board independence by preventing an undue concentration of power in a single individual,¹⁰ thereby enabling more objective oversight of management, reducing agency costs, and enhancing accountability to shareholders and other stakeholders.¹¹ For Nigeria, a nation actively seeking to attract foreign direct investment and promote a robust, ethical business environment, the effectiveness of its corporate governance framework, with the Chairman/ CEO separation as a key component, is paramount.

However, despite clear pronouncements in the corporate governance codes and the CAMA, there remains a critical gap between the *de jure* requirement for separation and its *de facto* impact. Some academic discussions, suggest that even where the roles are structurally separated, the spirit of independence may not always be fully realised.

Matteo Tonello, addressing the tension between independent oversight and organisational efficiency, echoes the tenets of Stewardship Theory. This perspective suggests that consolidating authority in a single leader (CEO duality) may enhance organisational agility and accountability through a ‘unity of command.’¹² Proponents argue that such unambiguous leadership signals stability to stakeholders, potentially outweighing the perceived benefits of a bifurcated structure.¹³

Conversely, Ubani, Adeyemi, and Adeyemi highlight the persistent risk of *de facto* influence.¹⁴ They posit that structural separation can be rendered moot if a CEO exerts disproportionate informal power over the board.¹⁵ This is aptly illustrated by the example of Cadbury Nigeria Plc (2006); despite a formal separation of roles, the CEO’s dominance led to an overconcentration of power, a systemic breakdown in oversight, and subsequent financial irregularities.¹⁶

Building on these concerns, various structural and systemic hurdles continue to undermine regulatory intent. Challenges such as the over-concentration of powers in an individual,¹⁷ the lingering influence of founding shareholders, a lack of truly independent non-executive directors, or systemic weaknesses in enforcement mechanisms, could undermine the intended benefits of separation.¹⁸

¹⁰ Ibid

¹¹ Lisa M Fairfax, ‘Separation Anxiety: A Cautious Endorsement of the Independent Board Chair’ (2014) 47 (237) *Ind Law Rev* <https://scholarship.law.upenn.edu/faculty_scholarship/2414/> accessed 26 August 2025

¹² Matteo Tonello, ‘Separation of Chair and CEO Roles’ (*Harvard Law School Forum on Corporate Governance*, 1 September 2011) <[¹³ Ibid](https://corpgov.law.harvard.edu/2011/09/01/separation-of-chair-and-ceo-roles/#:~:text=In%20the%20most%20common%20argument,board)%20can%20respond%20more%20effectively.> accessed 12 February 2026</p></div><div data-bbox=)

¹⁴ MO Ubani, O Adeyemi and OB Adeyemi, ‘Duality of Board Chairman and CEO: A Review of International best Practice’ *VULJ* (2025) 1 (1) <<https://www.acjol.org/index.php/vulj/article/view/7599>> accessed 12 February 2026

¹⁵ Ibid

¹⁶ Ibid

¹⁷ Kenneth I Ajibo and Collins C Ajibo (n 9)

¹⁸ See for instance, Umakanth Varottil, ‘The Separation of Chair and CEO Roles: Evolution and Challenges’ (*Prime Database*, nd) <<https://www.primedatabase.com/article/2021/Article-Umakanth%20Varottil.pdf>>

This carries a significant implication: If role separation, despite its prominence in regulatory frameworks, does not genuinely translate into enhanced board independence and improved governance outcomes, then the very cornerstone of Nigeria's efforts to instil best practices and protect investor interests may be compromised. Consequently, understanding the practical efficacy and persistent challenges associated with the Chairman/ CEO separation is crucial for refining corporate governance policies and ensuring the sustained integrity of Nigerian public companies.

THEORETICAL FRAMEWORK AND CONCEPTUAL CLARIFICATION

This section establishes the theoretical foundation and provides definitions for the concepts central to analysing the separation of the Chairman/ CEO roles in Nigerian public companies. Understanding these perspectives is crucial, as the debate surrounding role separation is rooted in competing perspectives on managerial behaviour and corporate control.

Theoretical Framework

The separation of the Chairman/ CEO roles in Nigerian public companies, and its subsequent effects on board independence and governance outcomes, is primarily examined through the lens of Agency Theory. This section is crucial for understanding the core governance issues the separation aims to address.

Agency Theory and its Relevance to Chairman/ CEO Separation

The Agency theory which favours the separation of the chairman/ CEO roles, stands as a cornerstone in corporate governance literature, providing a powerful framework for understanding the complexities inherent in the relationship between shareholders (principals), as owners of the company and its management, who act as agents.

The core premise of agency theory is the potential for a divergence of interests between these two parties. Shareholders seek to maximise their wealth, while managers, driven by their own self-interest, may pursue objectives that do not perfectly align with those of the shareholders, such as maximising personal compensation, entrenchment, or prioritising short-term gains over long-term value creation. This divergence gives rise to 'agency problems' and associated 'agency costs,' which include monitoring costs, bonding costs (costs incurred by agents to guarantee their compliance), and residual loss (the reduction in welfare that occurs because of imperfect solutions to agency problems).¹⁹

In the context of corporate governance, agency theory highlights the crucial need for mechanisms to monitor and control the actions of management to ensure they act in the best interests of the shareholders. The board of directors is thus conceived as a primary monitoring mechanism, tasked with overseeing the executive management.²⁰ However, when the roles of chairman of the board and chief executive officer are combined in a single individual, agency theory suggests a heightened risk of agency problems.

The CEO, in this dual capacity, becomes both the monitored and the monitor, creating a significant conflict of interest. The same individual who sets the strategic direction and executes operations also chairs the body responsible for scrutinising those very actions. This concentration of power can severely compromise the board's ability to exercise independent judgment, challenge executive decisions effectively, or hold management accountable for poor performance.²¹

accessed 26 August 2025

¹⁹ Jan Kultys, 'Controversies about Agency Theory as the Theoretical Basis for Corporate Governance' (2016) 7 (1) *Oeconomia Copernicana* <<https://bibliotekanauki.pl/articles/489081.pdf>> accessed 26 August 2025

²⁰ Christopher Ike Ogbecchie, 'Key Determinants of Effective Boards of Directors - Evidence from Nigeria' (PhD) Thesis Brunel Business School, Brunel University London 2012) <<https://bura.brunel.ac.uk/bitstream/2438/7667/1/FulltextThesis.pdf>> accessed 25 August 2025

²¹ See Catherine M Daily and Dan R Dalton 'CEO and Board Chair Roles Held Jointly or Separately: Much Ado about Nothing?' (1997) 11 (3) *AMP* <<https://doi.org/10.5465/ame.1997.9709231660>> accessed 26 August 2025

The relevance of agency theory to the Chairman/ CEO separation is therefore profound. By separating these roles, the aim is to create a clearer division of power and responsibility. A non-executive Chairman, independent of the day-to-day management of the company, is theoretically better positioned to lead the board's oversight function. This independent chairman can facilitate robust board discussions, ensure that critical questions are asked, manage the CEO's access to the board, and ultimately enhance the board's capacity to act as a genuine check on executive power.

From an agency theory perspective, the separation of these roles is a structural mechanism designed to reduce agency costs by strengthening the monitoring capabilities of the board and mitigating the inherent conflict of interest that arises when the CEO also controls the board's agenda and processes. It attempts to realign the interests of the agents with those of the principals by empowering an independent monitor.

Stewardship Theory and its Counter-Arguments

Stewardship Theory presents a contrasting view to Agency Theory regarding the motivations of managers, suggesting that they act as stewards of an organisation's assets rather than opportunistic agents. This theory emphasises that managers are intrinsically motivated by factors such as competence, achievement, and a commitment to the firm's long-term success, aligning their interests with those of shareholders.²² Proponents argue that a dual role of CEO can enhance unity of command, strengthen leadership, improve efficiency, and clarify accountability, thereby reducing the need for extensive monitoring.²³

However, stewardship theory faces significant counter-arguments, particularly in the context of modern public companies. Critics point out that the theory is excessively idealistic, as it fails to account for human fallibility and opportunistic behaviour, especially within contexts where individual self-interest and personal enrichment are prioritised.²⁴ The concentration of power in a single individual can stifle dissent and hinder independent oversight, which is crucial for effective governance.

Additionally, the inherent information asymmetry between management and the board can complicate objective scrutiny, especially during crises. External stakeholders, including investors,²⁵ and regulators²⁶ often demand a clear separation of powers to ensure transparency and accountability, which may not align with the stewardship premise.

The applicability of stewardship theory is also questioned in larger, complex organisations, where diverse shareholder interests and principal-agent dynamics are prevalent. In the Nigerian context, the history of corporate failures underscores the need for independent oversight, as advocated by agency theory, to ensure robust checks and balances that protect shareholder interests. While some managers may embody stewardship qualities, a governance framework for public companies must consider the broader spectrum of managerial behaviour and the necessity for accountability mechanisms.

Conceptual Clarification

This section clarifies the key concepts essential for understanding the study on the separation of the chairman/ CEO roles in Nigerian public companies. It defines board independence, examining its

²² Jan Kultys, (n 14); See also, J S Kolawole, OE Igbekoyi and AW Alabi, 'Unveiling Stewardship Theory: Emerging Trends and Future Direction' (2025) 11 (2) JBAE

<https://www.researchgate.net/publication/389888081_Unveiling_Stewardship_Theory_Emerging_Trends_andFuture_Direction/link/67d6ddf3478c5a3feda32158/download?_tp=eyJjb250ZXh0Ijp7ImZpcnN0UGFnZSI6InB1YmxpY2F0aW9uIiwicGFnZSI6InB1YmxpY2F0aW9uIn19> accessed 26 August 2025

²³ Kenneth I Ajibo and Collins C Ajibo (n 9)

²⁴ J S Kolawole and A W Alab (n 17)

²⁵ Jim Schraith, 'The Case for Separating the Roles of CEO and Board Chair: A Governance best Practice'

(*BoardEvals LLC*, 24 March 2025) <<https://www.boardevals.com/papers/2025/6/22/the-case-for-separating-the-roles-of-ceo-and-board-chair-a-governance-best-practic#:~:text=Separating%20the%20roles%20of%20CEO%20and%20Board%20Chair%20is%20a,complex%20and%20dynamic%20business%20environment.>> accessed 13 February 2026

²⁶ Major Nigerian regulators (SEC, FRC, CBN, and NAICOM) mandate separating the roles of Board Chairman and MD/CEO. See generally, APP Mbagwu, 'Implementing Board Rotation: A Potential Remedy for Nigeria's "Boardroom Bubble"? Examining Benefits and Limitations' *Sch Int J Law Crime Justice* (2024) 7(6): 199-224 <<https://doi.org/10.36348/sijlcrj.2024.v07i06.002>> accessed 13 February 2026

dimensions and significance for effective corporate governance. It also delineates the functions and responsibilities of the chairman and the CEO, highlighting the potential for conflicts of interest when these roles are combined.

Board Independence

Central to the discourse on corporate governance and the efficacy of the chairman/ CEO role-separation is the fundamental concept of board independence. While boards of directors are universally recognised as pivotal oversight bodies, their effectiveness is critically contingent on their ability to act objectively and free from undue influence.

Board independence refers to the extent to which a board of directors, particularly its non-executive members, can make decisions and provide oversight free from material conflicts of interest, executive dominance, or control by a particular shareholder or group.²⁷ It implies that independent directors are truly impartial and capable of exercising objective judgment in the best interests of the company and its shareholders, even if it means challenging the views of management or the Chairman.²⁸

Board Independence Under Separated Leadership

The theoretical rationale and legal mandate for separating the chairman/ CEO roles in Nigerian public companies are firmly established. The effectiveness of this separation is not a standalone phenomenon but is critically dependent on various complementary mechanisms that empower the board, particularly its non-executive members, to exercise objective oversight and provide independent guidance.

At its core, the separation of Chairman and CEO roles aims to remove the inherent conflict of interest that arises when the individual responsible for leading management also leads the body meant to scrutinise that management. By creating two distinct leadership positions, the board's capacity to challenge, question, and hold the executive accountable is theoretically enhanced. The chairman, no longer burdened by operational duties, can focus entirely on leading the board, setting its agenda, fostering constructive debate, and ensuring that all directors contribute effectively. This dedicated focus on oversight is the primary way separation fosters independence.

LEGAL AND REGULATORY FRAMEWORK FOR THE SEPARATION OF THE ROLES OF CHAIRMAN AND CEO IN NIGERIA

The journey towards this separation principle can be traced through various regulatory pronouncements. Early iterations of company law, while setting out basic structures, did not explicitly address this duality. However, the first significant step towards formalised corporate governance principles came with the Securities and Exchange Commission (SEC) Code of Corporate Governance in 2003, followed by sector-specific codes (e.g., for banks by the Central Bank of Nigeria). These Codes, largely influenced by international best practices such as the Cadbury Report in the UK²⁹ and the King IV Report on Corporate Governance for South Africa, 2016³⁰ began to advocate for a clear distinction between the leadership of the board and the leadership of management.

The most definitive and far-reaching development, however, came with the enactment of the Companies and Allied Matters Act 2020. This landmark legislation introduced several provisions aimed at strengthening corporate governance, directly or indirectly impacting the Chairman/ CEO roles. Significantly, CAMA 2020 codified previous recommendations regarding the separation of these roles,

²⁷ Dan Byrne 'What is board independence?' (*Corporate Governance Institute*, n.d) <<https://www.thecorporategovernanceinstitute.com/insights/lexicon/what-is-board-independence/#:~:text=Board%20independence%20is%20a%20measure%20of%20how,board%20has%2C%20the%20more%20independent%20it%20is>> accessed 5 February 2026

²⁸ Ibid

²⁹ Kenneth I Ajibo and Collins C Ajibo (n 9)

³⁰ MO Ubani, O Adeyemi and OB Adeyemi, (n 14)

making it a statutory requirement for public companies. Concurrent with and complementing CAMA 2020 is the Nigerian Code of Corporate Governance 2018, issued by the Financial Reporting Council of Nigeria (FRCN). While the NCCG 2018 is a principles-based code, its strong recommendations often translate into practical expectations and exert significant influence on corporate behaviour.

This section will analyse the specific provisions within CAMA 2020, and the NCCG 2018 that address the Chairman/ CEO separation, alongside other related stipulations concerning board composition, director independence, and accountability.

The Securities and Exchange Commission (SEC) Code of Corporate Governance (2003 and 2011)

The SEC Code of Corporate Governance for Public Companies, 2003 marked a watershed moment as Nigeria's first formal, principles-based code of corporate governance. Issued by the primary regulator of the capital market, this code aimed to enhance transparency, accountability, and ethical practices among public companies, particularly those listed on the Nigerian Exchange (NGX).³¹

While not legally binding in the same way as a statute, its recommendations carried significant weight due to SEC's regulatory authority. A key aspect of the 2003 Code was its recommendation for the separation of the roles of Chairman and CEO, emphasising that the Chairman should be a non-executive director. This was a crucial step towards fostering board independence.

Recognising the evolving corporate landscape and the need to address weaknesses, the SEC, in 2011, further reviewed and re-issued the Code of Corporate Governance for Public Companies in Nigeria. This updated code sought to strengthen the mechanisms for enforceability and broaden the scope of governance principles. It continued to strongly advocate for the separation of the Chairman and CEO roles, underscoring its importance for effective oversight and reduced conflicts of interest. The 2011 Code also introduced specific requirements for independent directors, further buttressing the drive for an independent board.

The Financial Reporting Council of Nigeria (FRCN) Code of Corporate Governance, 2018

The Nigerian Code of Corporate Governance 2018, issued by the Financial Reporting Council of Nigeria (FRCN), represented a significant harmonisation effort. Unlike the SEC codes, which were sector-specific, the NCCG 2018 aimed to provide a unified set of principles applicable across various sectors of the Nigerian economy, including public companies.

The NCCG 2018 strongly reinforces the principle of separating the Chairman and CEO roles. It explicitly states that 'the positions of the Chairman of the Board and Chief Executive Officer shall be separate and held by different individuals.'³²

Furthermore, it stipulates that the Chairman of the Board should be a non-executive director and should not serve on any board committee, reinforcing the oversight function. The Code also provides detailed criteria for assessing director independence, which directly supports the effectiveness of a separate Chairman. While principles-based, its comprehensive nature and the FRCN's coordinating role signify its central importance in Nigeria's corporate governance architecture.

The Companies and Allied Matters Act (CAMA 2020)

The most recent and impactful development is the Companies and Allied Matters Act, 2020. This landmark legislation fundamentally reshaped various aspects of company law and corporate governance in Nigeria. Unlike the previous codes which were largely recommendatory, CAMA 2020 introduced statutory backing for several key governance principles, making them legally binding.

³¹ Known at the time as the Nigerian Stock Exchange (NSE)

³² NCCG 2018, Principle 3.2

Crucially, section 265(6) of CAMA directly addresses the Chairman/ CEO separation for public companies, unequivocally stating that ‘the chairman of a public company shall not act as the chief executive officer of that same company.’ This provision elevates the separation from a mere best practice recommendation to a legal requirement, significantly strengthening its enforceability.

Complementing the Chairman/ CEO separation, Section 275 of CAMA mandates that public companies shall have at least three independent directors on their boards. This provision further strengthens the board's oversight capacity by ensuring a minimum number of directors who are free from relationships that could impair their independent judgment.

Also s. 307 (3) CAMA³³ places strict limits on the number of public company directorships an individual may hold. Specifically, it stipulates that a person cannot serve as a director in more than five public companies simultaneously.

For individuals already exceeding this limit prior to the Act's commencement, the law mandates a transition period: They must resign from all but five positions no later than the next Annual General Meeting (AGM) following two years from the Act's effective date.

This provision indirectly supports board independence by ensuring that directors have sufficient time and focus to dedicate to their oversight responsibilities, preventing over-commitment that could compromise their effectiveness.

The evolution from voluntary codes to statutory mandates demonstrates Nigeria's increasing commitment to robust corporate governance. While earlier codes laid the groundwork and established principles, CAMA 2020 now provides the legislative muscle, making the separation of chairman/ CEO roles a non-negotiable aspect of corporate structure for public companies, thereby laying a stronger legal foundation for board independence.

Banks and Other Financial Institutions Act 2020 (BOFIA 2020) and Sectoral Regulations

While CAMA 2020 sets the general framework, specific sectors, particularly the financial services industry, often have additional, more stringent regulations given their systemic importance and the high level of public trust they manage.

The Banks and Other Financial Institutions Act 2020,³⁴ which governs banking and other financial institutions in Nigeria, implicitly supports the separation principle through its emphasis on robust governance for financial stability. While BOFIA does not contain an explicit ‘Chairman shall not be CEO’ clause, as direct as CAMA 2020 for all banks, the Central Bank of Nigeria (CBN), as the primary regulator under BOFIA, issues Prudential Guidelines of Corporate Governance for Banks and Other Financial Institutions.

These CBN guidelines ‘Corporate Governance Guidelines for Commercial, Merchant, Non-Interest and Payment Service Banks in Nigeria,’ 2023 and ‘Corporate Governance Guidelines for Financial Holding Companies in Nigeria,’ 2023 mandate the separation of Chairman and CEO roles for these institutions.³⁵ This is driven by the heightened need for robust risk management and public confidence in the banking sector.

MECHANISMS FOR ENSURING BOARD INDEPENDENCE WITH SEPARATE ROLES

³³ As amended by s. 16 of the Business Facilitation (Miscellaneous Provisions) Act, 2022

³⁴ Hereinafter referred to as BOFIA 2020

³⁵ See APP Mbagwu, (n 26)

For the separation of the Chairman and CEO roles to genuinely translate into an independent board, several key mechanisms must be robustly put in place and effectively utilised. These mechanisms, discussed below, create the necessary checks and balances to ensure the board's integrity and effectiveness.

The role of Independent Non-Executive Directors³⁶ is paramount in this regard. As the vanguard of board independence, their presence is not merely a formality but a strategic imperative. CAMA mandates the inclusion of at least three INEDs for public companies, a requirement further detailed in codes such as the Nigerian Code of Corporate Governance (NCCG) 2018. These individuals are defined by their freedom from any material relationships with the company, its management, or significant shareholders, ensuring their judgment remains uncompromised.³⁷

Beyond compliance, INEDs bring external knowledge, diverse skills, and objective viewpoints to board deliberations, challenging internal groupthink and enriching strategic discussions. They frequently serve as the primary voice for minority shareholders, safeguarding their interests against potential exploitation by dominant shareholders or entrenched management. In times of corporate crisis or scandal, INEDs are expected to lead investigations, challenge management effectively, and guide the company through difficult decisions with impartiality.

In addition to the influence of INEDs, the strategic function of board committees is a critical pillar of board independence. The Audit Committee, for instance, which is typically composed of three company members and two non-executive members subject to annual re-election, plays a vital role in overseeing financial reporting, internal controls, and the relationship with external auditors.³⁸

Its independence from management is essential to ensuring the integrity of financial information. Likewise, the Nomination and Governance Committee, often chaired by the Independent Chairman or an INED, is responsible for board composition, director recruitment, succession planning for the board and executive management (including the CEO), and overall governance structures. The independence of this committee ensures that board appointments are based on merit and strategic fit, rather than personal connections.³⁹

Furthermore, the Remuneration Committee, which is composed predominantly or entirely of INEDs, sets executive remuneration, including that of the CEO.⁴⁰ Its independent oversight prevents self-serving pay practices and links compensation to performance, aligning management interests with those of shareholders. With the increasing regulatory focus on enterprise-wide risk management, an independent Risk Committee (often with an INED majority) provides crucial oversight of risk identification, assessment, and mitigation strategies, ensuring that management is effectively addressing corporate exposures.⁴¹

Beyond these structural roles, a constant and transparent flow of information is indispensable for an independent board. An independent board requires timely, complete, and accurate information from management. The non-executive Chairman plays a vital role in ensuring that all directors receive adequate information to make informed decisions and effectively challenge management when necessary. Directors, particularly INEDs, should also have direct access to senior management (beyond the CEO) and external advisors, such as auditors and legal counsel, without management's intermediation. This ensures they can verify information and seek independent counsel when required.

The company secretary is also a crucial gatekeeper of governance,⁴² functioning as a professional rather than merely an administrative functionary. The secretary advises on compliance with legal and regulatory

³⁶ Hereinafter referred to as INEDs

³⁷ NCCG, principle 7

³⁸ Ibid, principle 11.4

³⁹ Ibid, principle 11.2

⁴⁰ Ibid, principle 11.3

⁴¹ Ibid, principle 11.5

⁴² Kpomasiuruchi Oteyi, 'Exploring Good Corporate Governance through the Role of the Company Secretary in Nigeria and the United Kingdom: A Comparative Analysis'(2024) 11 (14) NAUJCPL <<https://journals.unizik.edu.ng/jcpl/article/view/4694>> accessed 24 July 2025

requirements, best practices, and board procedures.⁴³ Their independence ensures that proper governance protocols are followed, protecting both the board and the company.

Finally, the integrity of the board is reinforced through robust evaluation processes.⁴⁴ Regular, objective assessments of the board, its committees, and individual directors (including the Chairman and CEO) are essential. These evaluations, ideally facilitated by an independent third party or led by INEDs, provide constructive feedback, identify areas for improvement, and ensure that the board collectively and individually remains effective and independent.

Ultimately, these evaluation mechanisms hold directors accountable for their performance and adherence to governance principles, reinforcing the drive for independence. When all of these mechanisms are fully operational and embraced within a culture of transparency and accountability, the separation of the Chairman and CEO roles can indeed serve as a powerful catalyst for genuinely independent board oversight and improved corporate governance outcomes in Nigerian public companies. The analysis will now delve into whether these mechanisms are robust enough in practice to overcome persistent challenges

Separation of Chairman/ CEO Roles and Impact on Corporate Governance Outcomes

The separation of the Chairman and CEO roles, as underscored above, is aimed at enhancing corporate governance outcomes by fostering board independence, which can lead to significant improvements in company management. In the Nigerian context, this separation is expected to yield several positive impacts, although challenges may arise in its implementation.

One anticipated benefit is enhanced transparency and disclosure. An independent board is more likely to demand accurate and timely financial and non-financial disclosures, thereby building investor trust and facilitating informed market participation. This transparency is essential for reliable financial reporting and effective stakeholder communication.

Additionally, the separation of leadership roles improves accountability and reduces agency costs. With a distinct Chairman overseeing the CEO, the board can more effectively hold management accountable for performance and ethical conduct. This structure mitigates the risks of managerial opportunism and aligns interests between management and shareholders, ultimately lowering agency costs.

Moreover, an independent board can strengthen risk management and internal control systems. By ensuring that robust controls are in place and that risks are systematically assessed, the board can enhance organisational resilience. The non-executive Chairman plays a crucial role in focusing on systemic risks, rather than solely relying on management's evaluations.

The presence of a strong, independent board also serves as a deterrent against corporate misconduct and fraud. With unbiased oversight, the effectiveness of internal whistle-blowing mechanisms is likely to improve, fostering a culture of integrity and reducing the likelihood of legal and reputational damage.

Furthermore, the independent board contributes to sound strategic direction and long-term value creation. While the CEO leads strategy formulation, the board provides critical oversight and diverse perspectives, ensuring that strategies are aligned with shareholder interests and focused on sustainable growth rather than short-term gains.

⁴³ On the duties of the company secretary, see CAMA, s. 335 (1)

⁴⁴ NCCG, principle 14

Lastly, an independent board enhances stakeholder protection by considering the interests of a wider range of parties, including employees, customers, and the community. This holistic approach to corporate responsibility can lead to improved labour practices and community engagement.

Overall, a well-governed company with an independent board signals reliability and trustworthiness, which can increase investor confidence and attract both domestic and foreign investment. This improved perception of governance quality is vital for the development of Nigeria's capital market and broader economic growth.

CHALLENGES AND LIMITATIONS IN REALISING INTENDED OUTCOMES

The realisation of intended corporate governance outcomes in Nigeria faces several significant challenges and limitations. One major issue is the 'Form-Over-Substance' syndrome, where companies may comply with legal requirements superficially, failing to internalise the essence of independent oversight. This superficial compliance can prevent meaningful behavioural changes within the board.⁴⁵

Another challenge is the difficulty in quantifying the direct impact of separating the roles of Chairman and CEO on governance outcomes.⁴⁶ Various external factors, including economic conditions, industry dynamics, and regulatory environments, complicate the assessment of this impact on financial performance and governance health.⁴⁷

Moreover, inadequate enforcement and sanctions from regulatory bodies can diminish the incentive for companies to genuinely embrace the principles of separated roles. Without effective monitoring and consequences for governance failures, companies may view governance as a mere compliance obligation rather than a strategic necessity.

Cultural barriers also play a crucial role, as deep-rooted norms such as deference to authority and a preference for consensus can hinder the effectiveness of independent directors, even when roles are formally separated.

Information asymmetry is another critical challenge, as executive management typically has superior access to vital information, which can hinder the board's ability to make informed decisions.⁴⁸ Furthermore, the effectiveness of independent non-executive directors (INEDs) is often compromised by personal relationships, limited financial independence, and a lack of understanding of their oversight responsibilities, leading to a culture of compliance rather than challenge.⁴⁹

Thus, while the separation of Chairman and CEO roles is a vital structural step towards improved governance, its effectiveness in Nigerian public companies is influenced by a range of mediating factors.

⁴⁵ Dan R Dalton and Catherine M Dalton 'Let's get real on role separation' (*Directors & Boards*, 1 July 2009)

<<https://www.directorsandboards.com/board-duties/corporate-purpose/singlelets-get-real-role-separation/#:~:text=Among%20the%20enduring%20debates%20in,CEOs%20grading%20their%20own%20homework.>> accessed 5 February 2026

⁴⁶ Academic research on separating the board chair and CEO roles remain inconclusive. Multiple studies indicate that board leadership structure has neither no statistical impact or only a negligible correlation with a company's long-term success. See, Matteo Tonello, 'Separation of Chair and CEO Roles' (*Harvard Law School Forum on Corporate Governance*, 11 September 2011) <<https://corpgov.law.harvard.edu/2011/09/01/separation-of-chair-and-ceo-roles/>> accessed 5 February 2026

⁴⁷ Ibid

⁴⁸ Executive managers serve as internal agents with continuous, day-to-day involvement in operations, while Non-Executive Directors (NEDs) function as external overseers who typically dedicate only a few days per month to the organisation's affairs. This creates a structural gap where management can—intentionally or unintentionally—filter, delay, or overwhelm directors with data to shape the board's perception of reality. See for instance, Niamh M Brennan, Collette E Kirwan, and John Redmond, 'Accountability Processes in Boardrooms: A Conceptual Model of Manager-Non Executive Director Information Asymmetry' *AAAJ* (2016) 29 (1), 135-164 <<http://dx.doi.org/10.1108/AAAJ-10-2013-1505>> accessed 5 February 2026

⁴⁹ Kayode Sofola & Associates 'SEC Bans INEDs from Becoming CEOs: What This Means for Nigerian Companies' (*KS Legal*, 18 December 2025) <<https://kslegal.org/sec-bans-ineds-from-becoming-ceos/>> accessed 5 February 2026

Achieving the full potential of this separation requires not only adherence to legal frameworks but also the development of a genuinely independent board culture, robust enforcement mechanisms, and a collective commitment to transparency and accountability from all stakeholders.

SUMMARY OF FINDINGS AND RECOMMENDATIONS

This doctrinal research has critically examined whether the statutory separation of the Chairman and Chief Executive Officer roles in Nigerian public companies genuinely enhances board independence and improves corporate governance outcomes. Drawing upon key corporate governance theories, the agency theory and the stewardship theory, the study analysed the evolution of Nigeria's legal and regulatory framework, which now largely mandate this separation.

The analysis reveals that the statutory separation of the Chairman and CEO roles represents a fundamental and necessary structural reform towards strengthening corporate governance in Nigeria. From an agency theory perspective, this separation is crucial for mitigating conflicts of interest and enhancing the board's monitoring function.

Stewardship Theory, while suggesting a less adversarial view of management, is largely counter-argued by the inherent power dynamics and the need for independent oversight in large public entities.

Moreover, the research identified some mechanisms intended to work in synergy with this separation to bolster board independence, including the pivotal role of Independent Non-Executive Directors,⁵⁰ the strategic functions of board committees (Audit, Nomination, Remuneration), transparent information flow, and robust board evaluation processes.

However, the study concludes that while the legal framework provides a strong foundation for separation and independence, persistent challenges often impede the full realisation of its intended benefits. These challenges include the potential for an autocratic chairman, undue influence from dominant shareholders, lingering information asymmetry, and, critically, the appointment of INEDs who may lack true independence or the courage to challenge. Furthermore, deficiencies in regulatory enforcement and pervasive corporate cultures that discourage dissent can undermine even well-structured governance frameworks.

Therefore, while the statutory separation of Chairman and CEO roles is a vital and positive development, it does not automatically guarantee genuinely enhanced board independence or comprehensively improved corporate governance outcomes in Nigeria. Its effectiveness is contingent upon a complex interplay of strong supplementary mechanisms, vigilant enforcement, and a deep-seated commitment to the spirit, not just the letter, of good governance principles. The journey towards optimal corporate governance is on-going, requiring continuous effort beyond mere structural compliance.

Recommendations

The findings of this doctrinal research present several recommendations aimed at enhancing board independence and corporate governance in Nigerian public companies. For regulators such as the Securities and Exchange Commission, Financial Reporting Council of Nigeria, Central Bank of Nigeria, and Corporate Affairs Commission, it is crucial to strengthen enforcement mechanisms by moving beyond superficial compliance checks to conduct thorough reviews of governance practices, particularly regarding the actual independence of directors. This includes implementing rigorous monitoring, timely investigations into breaches, and applying consistent sanctions for non-compliance with governance principles.

⁵⁰ Hereinafter referred to as INEDS

Additionally, regulators should periodically refine the criteria for director independence, considering evolving challenges, and explore more robust vetting mechanisms for independent non-executive directors.

Mandating regular external evaluations of board effectiveness and promoting capacity building for regulatory staff are also essential steps. Furthermore, encouraging public companies to provide standardised data on governance practices will facilitate better research and policy adjustments.

For public companies and their boards, prioritising the spirit of independence is vital. Boards should internalise independence as a core value, fostering a culture of open debate and inquiry. The selection of INEDs must be rigorous and transparent, with nomination committees led by independent directors to ensure merit-based processes.

Continuous development and training for all directors, particularly INEDs, on fiduciary duties and governance nuances are necessary to empower informed contributions. Ensuring adequate information flow from management to directors is critical, as is cultivating an ethical corporate culture that encourages transparency and dissent.

Strengthening the effectiveness of key board committees, ensuring they are composed of truly independent directors, is also essential for challenging management appropriately.

Last but not the least, shareholders and investor bodies play a significant role in governance. Active engagement from both institutional and minority shareholders is necessary, as they participate in Annual General Meetings, exercise voting rights, and demand accountability from boards. Supporting the appointment of genuinely independent directors who exhibit integrity in their oversight roles is also crucial.

By adopting a comprehensive approach that combines robust legal frameworks with effective enforcement, proactive board practices, and engaged shareholder oversight, Nigeria can enhance corporate governance outcomes, contributing to a more stable and attractive business environment.