

LETTER OF THE DAY

How corporate governance fails in plain sight

There is a defining moment in every failing institution when everyone knows, yet no one speaks. Not because the evidence is unclear, but because the cost of speaking feels heavier than the cost of silence. Reports are circulated, risks are formally "noted," minutes are unanimous and precise, and everything appears orderly. It is within this orderliness that danger takes root. This is the silence before the fall.

Corporate failure rarely begins with scandal. It begins quietly, in boardrooms where hesitation is mistaken for prudence and restraint confused with wisdom. Governance does not collapse because directors lack knowledge; it collapses because knowing is safer than acting. The failure is not technical. It is moral.

Corporate governance emerged from necessity; at the moment ownership separated from control and trust became fragile. Shareholders entrusted capital to managers they would never meet, and boards were created as stewards, guardians of assets they did not own but for which they bore ultimate responsibility. Over time, stewardship gave way to performance anxiety. Earnings became the dominant language of success, losses intolerable, and complexity a convenient refuge from accountability. Directors appointed for prestige or comfort grew dependent on executive narratives. Oversight softened. Skepticism faded.

Then came the collapses.

Enron was not undone by ignorance. Its board approved structures it failed to interrogate, relied on assurances it did not robustly challenge, and accepted auditor comfort where doubt was required. The warning signs were visible, but inconvenient. By the time the truth surfaced, governance had al-



ready failed, not in the market, but in the room where questions should have been asked.

The global response was decisive. Laws hardened, codes multiplied, and governance became professionalised. From Sarbanes-Oxley to the OECD Principles of Corporate Governance, the world articulated with increasing precision what good governance should look like: independent boards, transparent disclosure, ethical leadership, robust risk oversight, and accountability. Yet one uncomfortable question endured: why do boards still hesitate when action is most required?

Across much of Africa, governance failures rarely announce themselves dramatically. They unfold through prolonged underperformance, inefficiency, and a slow erosion of trust. Uganda is not short of governance frameworks. The Companies Act, Cap 106, imposes fiduciary duties of care, diligence, and loyalty. Regulators issue governance codes. State-owned enterprises operate under accountability regimes designed

to safeguard public value. On paper, the architecture is sound.

In practice, governance falters in spaces the law struggles to reach: influence, loyalty, fear, and entrenched internal interests. Boards meet, reports are tabled, and risks acknowledged, yet difficult conversations are consistently deferred. Executive authority remains largely unchallenged, even amid persistent losses and opaque decision-making. Concerns around mismanagement, insider dealings, and ethical lapses are quietly recorded but rarely escalated. Governance becomes procedural rather than principled, and failure, when it comes, is cumulative.

The story of Kenya Airways illustrates this reality. Often framed as a financial collapse, its deeper lesson is governance failure marked by weak oversight, inefficiency, and allegations of corruption. Recovery demanded not only restructuring, but reckoning. Board composition changed, roles were clarified, and transparency, though painful, restored cred-

ibility.

Uganda Airlines, still in its formative years, now stands at a similar inflection point. Its challenge is not ambition, but governance resilience: the ability to insulate oversight from internal distortions, preserve clear lines of accountability, and entrench transparency before strain hardens into structural weakness. The difference between collapse and course correction is rarely legal design; it is whether boards are willing to act early, independently, and decisively.

Behind closed doors, governance fails for reasons no statute can fully cure. Boards are human institutions shaped by relationships, hierarchies, and unspoken loyalties. Dissent carries a cost. Consensus becomes refuge. Silence, dressed as civility, becomes strategy. Managers control information, boards grow dependent, and oversight turns symbolic.

Yet the evidence remains uncompromising. Well-governed institutions attract cheaper capital, perform better, withstand shocks, and earn trust, an asset no balance sheet can replace.

Uganda does not need more governance codes. It needs governance conviction: enforcement with consequence, boards that understand independence as duty, and directors who recognize fiduciary responsibility as active, not passive. The future of corporate governance will not be decided in statutes or charters, but in moments of discomfort, when the room goes quiet and loyalty is tested against duty.

The rules are clear.

The question is no longer what boards must do. It is whether they will do it, before silence hardens into complicity.

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