MFSA goes bust owing millions

By Louise Marsland

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The Marketing Federation of Southern Africa (MFSA) is bankrupt and owes more than R5 million to creditors. The organisation will be dissolved, the MFSA confirmed last night, Sunday, 2 October 2005, following a Board decision on Friday after a due diligence investigation revealed that the organisation had liabilities far exceeding its assets.

The unprecedented decision to shut down the MFSA was taken by the MFSA Board at a meeting on Friday when current caretaker MFSA CEO, Brendan O'Donnell, presented the results of his first month in office: a due diligence report stating that the MFSA's liabilities to creditors exceeded its assets. Debts are believed to total R5 million.

Quite simply, the MFSA is broke, despite painful restructuring last year just prior to Loeries - which it ran then - and owes millions. And its lofty transformation ambitions for the industry have come to nought... and what of Government-private sector partnerships around 2010 of which the industry was involved? And the various regulatory lobbyist roles and thought leadership marketing events? Surely this industry which has such an essential role to play in the knowledge economy of today cannot afford to just let its voice die?

MFSA Chairperson, Jabu Mabuza confirmed yesterday, Sunday, that despite many attempts and various changes of leadership at management level, the outcome of the due diligence undertaken by the current MFSA CEO had proved that without a major recapitalisation of the organisation, the MFSA was not sustainable as a business model. "We have a situation, where we either have to go to get a financier, which would have required a process we cannot back. We have done the right thing: dissolved the MFSA, and sensitively delt with that dissolution.

"It is unfortunately sad. However... for us to continue to trade one more day, knowing we have more liabilities than assets, would have been irresponsible."

Mabuza confirmed that the figure of R5 million being touted in MFSA liabilities "is not out of the ballpark".

When asked what the industry would do now, Mabuza added that the Industry had the opportunity to set up a new organisation if they wished.

"Without detracting from the sadness, shock and anger the industry will feel... the industry needs a forum, but maybe the industry needs to pay for such a forum. To ask of the directors, who are maybe not appreciated at this point... to ask them to sign personal sureties, I couldn't ask more than what they have already done."

So who is to blame?

Mabuza was candid: "I am disappointed that I could not lead the federation in a better way than I could have. We are committed to sensitively dealing with all committed stakeholders and creditors. People will be fairly angry and blame whoever, but it would be inappropriate for me to play that blame game. The buck stops here, and if blame has to be meted out, well then, so be it."

And on the huge debt and rumours of fiscal irregularities following Loeries last year, Mabuza said that although he did not rule out litigation if compromise could not be found with creditors, "there was no money to steal in the MFSA in the first place!"

In an odd statement after news began leaking out over weekend, the MFSA Board (by way of mitigating its decision?) claimed it "first had to intervene to save the coveted Loeries Awards of the advertising industry when it became clear that it was under threat". As was reported at this time last year, the Loeries was under threat of extinction *from* the MFSA! In fact, it was the creative industry that stepped in to save the Loerie brand with a detailed plan [Bizcommunity.com, 23 November 2004], saying they would go ahead with or without the MFSA, if needed, to save the industry's premier awards. Following negotiation, the MFSA became part of the advertising industry-led Section 21 company which is in charge of running this year's Loerie Awards, being held in Margate for the first time in two weeks time: October 14 - 17.

Why the MFSA statement focussed on the Loeries, rather than its role as industry lobbyist and regulator is unclear, unless it feels that is its only claim to fame in its past murky year?

Caretaker CEO, Dee Blackie, seconded by MTN to get the MFSA into shape this year, has not escaped criticism, with industry pundits asking why a mere three months ago, Blackie made the following upbeat statements on her first '100 days' in office, after taking over from controversial MFSA CEO, Mpho Makwena, who resigned suddenly on 8 December 2004: Blackie said that membership was up 10% (and the MFSA hoped to get it to 10 000 members by year-end); the Marketing Directors Circle had been launched; the Chartered Marketing programme had been relaunched; key relationships rebuilt with educational stakeholders; and the first of two annual marketing festivals launched - the Winter School of Marketing Excellence in Sandton in June, culminating in the controversial Brand Excellence Awards; as well as the Summer School of Marketing Excellence and Marketing Awards, due to be held in September 2005, but which were later 'postponed' to 2006.

Blackie left the MFSA a month ago on maternity leave. Brendan O' Donnell (formerly with ABSA) was then appointed, the MFSA says, to conduct a due diligence on the organisation.

Only option

On receiving the report on the future of the MFSA, the Board decided that the only responsible and prudent option was to instruct the MFSA management to wind down the organisation.

"I have done a thorough review of the future financial viability of the MFSA, but it simply has too much baggage to be able to save it in its current form," stated O'Donnell in the MFSA statement. He said that the MFSA would require a recapitalisation that would not be possible to fund and therefore the Board is doing the right thing by ensuring that the organisation is wound down before its resources are even further depleted. "The winding down of the MFSA will be done with sensitivity to its employees, creditors and all other stakeholders and every effort will be made to find ways to ensure the continuation of its important programmes."

Mabuza said in the MFSA statement that the MFSA will be wound down in a voluntary, orderly process. "The Board applied their minds to the options available and decided to take the tough but prudent course of action," said Mabuza. He said that the decision leaves the marketing community free to set up a new representative body. "The MFSA Board wishes to thank the staff who continue to do their best despite difficult conditions," said Mabuza.

Questions are now being asked in the industry, as to whether the board should not be held accountable for the MFSA mess.

'Hold the MFSA Board accountable'

Marketing analyst and Fellow of the Marketing Federation, Chris Moerdyk, described the dissolution of the MFSA as an absolute "tragedy".

"The Board should not be allowed to walk away from this thing. They should be held accountable. And it's no use pointing fingers at management and saying this or that wasn't done... ultimately it is the board's responsibility.

"What I find absolutely despicable, is that after a fairly desperate situation last year, that they make this announcement in June as to how everything is wonderful, that membership was up and that it was expected to be doubled up by the end of the year. This was irresponsible," Moerdyk said.

Moerdyk echoed the sentiments of many in the industry who are aghast that the organisation, formed in 2002 with such high ideals, could face this inglorious death. The Marketing Federation was established in October 2002 following the amalgamation of the Institute of Marketing Management (IMM), the Direct Marketing Association (DMA) and the Association of Marketers (ASSOM) - and officially launched in March 2003 - 'making it the most powerful marketing body in the country' according to reports at the time.

Moerdyk said it was perplexing how this industry dropped the ball on issues that had massive impact, whether with Government or business.

"The industry has been talking about playing a serious role in the economy. Marketing needs to be taken seriously, but all it seems to be doing at the moment is giving business every reason not to take us seriously. The Vodacom/MTN branding fiasco was a case in point.

"Government is in fact taking marketing seriously, but I wouldn't be surprised if they look at the industry now and think they are run by a bunch of palookas!"

Moerdyk has urged the country's top marketers to get together and form an industry association with the stature that Government, business and the media can talk to.

"This is very very sad. A tragedy and the Board must hold themselves accountable. Someone has screwed up very badly."

According the MFSA website, the Board consists of the following industry individuals, many from global marketing firms such as Unilever, Toyota, MTN, Sun International and leading banks: Jabu Mabuza (Chairman); Michael Judin (Vice Chair); MR Mashishi (Vice Chair); Santie Botha; CY Duval; Thebe Ikalafeng; Michelle Perrow; JD Rollason (British); BP Vundla; JJ van Zyl; N Koza; Brendan O'Donnell; BF Mohale; and G Klintworth.

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