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The Heart and Soul of corporate governance

The fourth estate is quick to jump on public and private companies, the minute they smell any si of flouting corporate governance regulations. At the slightest hint, we jump with cameras, notebooks and recorders in hand. It is of course ironic that very few of these media groups, particularly radio and television actually practice corporate governance within their own organisations.

By Benedicta Dube 5 Mar 2003

While the media is quick to demand clean and transparent administrations from others, it seems that journalists and news editors turn a blind eye when it comes to their own organisations. Some directors sitti on the boards of these private broadcasters even seem unfamiliar with the contents of the King Reports. Perhaps it is time that the boards of these entities turn the mirror on themselves.

Ramani Naidoo has written an insightful book on corporate governance. I find it to be an absolute must-rea for anyone interested in business and the economy. It touches on very pertinent management issues abou private and public companies. Naidoo unpacks corporate governance as responsible leadership of companies. She goes further to say "a country's reputation regarding governance issues is a collage of its legal and regulatory approach... and the conduct of the individual players in the economy".

Now here's the point, the first week of February was a particularly sad one for South Africa's private radio industry. Nine DJ's and seven news and programming staff members at P4 Durban were given the boot. N notice, no warning, nothing but just the boot. The DJ's were sacked with immediate effect. Even the station manager did not escape the chop. A similar situation played itself out at P4 Cape Town as well. Staff members were called into a lunchtime meeting. Don't worry no lunch was served. But stacks of retrenchm notices were dished out to those attending. The letters detailed the need for tough cost cutting measures avoid total collapse. The reason is straightforward really- the company is bleeding to death. So this has be the case at least for the past three years. The question is who dealt the company such gashing wounds th only an act of God can save it?

The company in question is Makana Investment Holdings. After the Norwegian partners P4 International ra for the door last December, Makana was left holding a 100 percent shareholding in both P4 Durban and Cape Town. Here's the catch - the Norwegians have funded the entire loss making operation since its inception. They've been looking for ways to jump ship since 1999. They even entered into a deal with New Africa Media – NAM - but the Independent Communications Authority – ICASA - rejected that deal.

So you might be asking what Corporate Governance has to do with it? Well, let's see, Makana has been in operation since 1996, as a business arm of the former political prisoners trust, Makana Trust. Since inception Makana Investments has never delivered financial statements, let alone dividends to shareholde Makana Trust – the ex-political prisoners, own fifty one percent of Makana Investments.

Regional structures of the former Political Prisoner's Council have been demanding financial statements from Makana Investments for a while. None have been forthcoming. Let's not forget ICASA's report reject a bid by NAM to take up a stake in P4 Radio Durban and Cape Town. That was in July 2001. Paragraph 27 of the ICASA ruling reads as follows; "the authority also noted that NAM and Makana would be required to contribute extra finance to the applicant. Whilst the Authority was convinced of NAM's ability to finance the applicant it could not say the same for Makana. Despite a request by the Authority for audited financial statements from Makana, none were submitted". So there, even ICASA could not secure a copy of Makana's financials.

The political prisoners held a congress last December. They were still asking for the financials at that gathering. In fact the ex-prisoners instituted a legal process aimed at forcing Makana to produce the documents. The struggle elders asked the former prisoners to withdraw the process, and they were also assured of at least a hundred million rand in the coffers. Now with the recent developments at P4 the ex-prisoners are hoping for another congress before June this year, which will hopefully deliver those financia

This takes us to the next point - the operations at P4 Durban and Cape Town. Makana Investment Holding: and P4 International – a Norwegian based public commercial radio group went into a joint venture partnership. They secured regional radio stations licenses between 1997 and 1998 for what became knov as P4 Cape Town and P4 Durban. Makana Investments owned 80% of the venture, and the Norwegians owned 20%. Both operations appear to have milked more than 60 million rand out of the Norwegians.

Just last year P4 International said in an annual report that involvement in South Africa burdened its 2001 accounts to the tune of 37 million rand. Here's a classic quote from that report; "... a cautious approach ha: been adopted in all of these assessments… says Brynhildsen, who's also pleased that P4 is finally rid of t loss-making projects in South Africa". So there you have it. So much for future foreign direct investment dealt a real good blow in the name of former political prisoners. Something functionally paradoxical about that scenario, but yes it goes back to corporate governance.

A Sunday paper quoted the Chairman of the boards of P4 Durban and Cape Town Peter-Paul Ngwenya a: saying all of these problems at both stations were a result of a lack of advertising revenue. He also called the government to "do something". If he was indeed quoted correctly, it sounds to me like the chairman of Anglo American saying, "Gold production has slowed at South African mines, in fact there's not enough gc underground and as a result Anglo American plc is struggling. Government please do something!" Let's hope that the papers misquoted Mr. Ngwenya.

Another detail from that ICASA ruling reads; "The applicant stated that financial instability and 'bad management' were the main difficulties that had faced the licensee". This was in 2001.

As for the poor staff at P4, none of them were warned in time about the financial difficulties suddenly facin the company. They woke up one Friday morning, keen to carry on with their daily duties – delivering smoot jazz and being the heart and soul of KZN and Cape Town. They were not informed individually about their demise. Instead their names were included in documents distributed to all notifying them of their fates. Th literally had to page through these documents, checking whether they were in or out. Those whose names had been somehow omitted were informed in a very cold way by a mean corporate dry cleaner - "oh, you'v been retrenched". Wow!

The retrenchment notices also stated "no short-term credit is available and no further short-term loans will made available to the company either on overdraft or at all… No party is prepared to in any way inject furth capital into the company under the current circumstances".

Let's look at Ramani Naidoo's book again; "...Improved corporate governance may directly influence a company's ability to access capital, enhancing or circumscribing its growth potential, and hence may affec its sustainability in the medium to longer term". You should get yourself a copy of this book. The title is

"Corporate Governance: An essential guide for South African companies". The business case presented compelling for all companies, including broadcasters.

ABOUT BENEDICTA DUBE

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