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## CORPORATE GOVERNANCE IN AFRICA CASE STUDY SERIES: NO 3

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### The iniquities of corporate dysfunction – A case study of Dikgang Publishing Company (Pty) Limited and its associated organisations

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He arrived at 9 am for the Annual General Meeting of Mmegi Publishing Trust (MPT). At the gate, he saw a big white tent, packed to the hilt by the people attending the meeting. This uncomfortable situation was compounded by people's exposure to the glaring sun, in spite of the early hour. The author of this case study had no choice but to squash in. He was new to this group. Most of the people were probably asking themselves 'Who is this guy?' However, when question time arose, he raised several issues. His searching questioning gained him a seat on the MPT Board of Trustees. From that day, the author became active in this elite group of volunteers who had unreservedly committed themselves to contributing to the democratisation process in Botswana through the development of the media.

*This case study outlines the issues that are destroying the values that were created over the years by a group of like-minded people who contributed their professional skills for the national good. This unfortunate turn of events can be partly attributed to inertia and lethargy, as well as other upheavals experienced by members of the group, which diverted their attention from constructive business and advocacy activities to 'dysfunctional value degenerating issues.' While the case study gives the reader the opportunity to analyse and contribute to the theory of leadership/management/governance, it also attempts to highlight the issues that could be transformed into opportunities to turn the fortunes of the Group of Companies around.*

#### Useful acronyms in this case study

DPC	-	Dikgang Publishing Company
MBC	-	Mmegi Broadcasting Corporation
MIH	-	Mmegi Investment Holdings
MPH	-	Mmegi Publishing House
MPT	-	Mmegi Publishing Trust

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## 1. The private media in Botswana

Private media existed in Botswana and the region even before independence, but expanded as the country's education and literacy levels grew and with the country's economic development and political awakening. The following table gives a brief history of Botswana's newspapers and magazines, and the reason for their establishment.

**Table 1 – The history of Botswana's and the region's media**

Period of publication	The name of publications and reason for their establishment	Publishers
<p><i>First Phase: Pre-colonial publications</i></p> <p>1) 1856 – 1857</p> <p>2) 1857 – 1859</p> <p>3) 1833 – 1889</p> <p>4) Around 1930</p> <p>5) 1962 – 1964</p>	<p>1) <i>Molekodi wa Batswana</i>: published for religious propaganda and to influence a peri-cultural way of life. Enjoyed wide readership in South Africa and Bechuanaland Protectorate.</p> <p>2) <i>Mokaedi wa Batswana</i></p> <p>3) <i>Mahoko a Batswana</i></p> <p>4) <i>Lesedi la Batswana</i></p> <p>5) <i>Kehilwenyane</i></p>	<p>1) Missionaries</p> <p>2) Missionaries</p> <p>3) Missionaries</p> <p>4) Missionaries</p> <p>5) Missionaries</p>
<p><i>Second Phase: Colonial publications</i></p> <p>1) Around 1901</p> <p>2) 1914</p> <p>3) 1930 – 1944</p> <p>4) During the same period</p>	<p><i>These newspapers were official publications to inform the world about Botswana.</i></p> <p>1) <i>The Bechuanaland News</i></p> <p>2) <i>Vryburg Chronicle</i></p> <p>3) <i>The Northern News</i></p> <p>4) <i>Lebone la Batswana</i>: Defined education, social and public policy issues.</p>	<p>Colonial Government (CG)</p> <p>1) CG</p> <p>2) CG</p> <p>3) Not stated</p> <p>4) Not stated</p>
<p><i>Third Phase: Independent newspapers</i></p> <p>1) 1901 – 1908</p> <p>2) Later</p> <p>3) During the same period</p> <p>4) 1962</p> <p>5) 1963</p> <p>6) 1965</p> <p>7) 1967</p> <p>8) 1968</p> <p>9) 1972</p> <p>10) 1980</p> <p>11) 1986</p>	<p><i>Nationalist orientated newspapers</i></p> <p>1) <i>Kuranta ya Batswana</i>: Financed by Silas Molema, edited by Solomon Plaatje</p> <p>2) <i>Naledi ya Batswana</i>: Quett Masire as Kanye correspondent</p> <p>3) <i>The Mafikeng Mail and Guardian</i>: Still survives in both English and Setswana. Supplement <i>Tswana Mail</i></p> <p>4) <i>Kutlwano</i>: Monthly magazine introduced for the purposes of culture and national development</p> <p>5) <i>The Bechuanaland Newsletter</i></p> <p>6) <i>The Bechuanaland Daily News</i>, a precursor to the current <i>Daily News</i>, was published from 1966 on</p> <p>7) <i>Linchwe</i>: Community news financed by Bakgatla</p> <p>8) <i>Mmegi wa Dikgang</i>: Became attractive to the community</p> <p>9) <i>Puisanyo</i></p> <p>10) Sports Magazine: Sports news</p> <p>11) <i>Mag</i> magazine: Social, political and economic development</p>	<p>1) Silas Molema</p> <p>2) Solomon Plaatje</p> <p>3) Not stated</p> <p>4) CG</p> <p>5) CG</p> <p>6) CG</p> <p>7) Mochudi Community Centre</p> <p>8) The Printing Brigades in Serowe</p> <p>9) Botswana Christian Council</p> <p>Felix Chalwe</p>

<i>In the 1970s</i>	<i>Political newspapers advancing political messages to the public (potential electorate)</i>	
1) 1962	1) <i>Masa</i>	1) Botswana People's Party (BPP)
2) 1966	2) Monthly newspaper whose headquarters were in Kanye, edited by Quett Masire	2) Bechuanaland Democratic Party (BDP)
3) Year not stated	3) <i>Puo – Phaa</i> (Straight Talk), a monthly newspaper, headquarters in Mahalapye	3) Botswana National Front (BNF)
4) About the same period	4) <i>Maloma Tsebe</i> : A critical newspaper to counter <i>Puo Phaa</i>	4) BDP
5) 1967	5) <i>Naledi ya Masa</i> ( <i>Morning Star</i> ) published by Botswana Youth Federation	5) BNF
6) 1981	6) <i>Dumela</i> magazine	6) Not stated

Other newspapers were *The Economist* (1993), the *Southern Post* (1993) and *The Okavango Observer* (1993). The magazines were *Marung* (1988), *Motswana Woman* (1993), the *Clarion Call*, *New Dawn*, *Botswana Political Diarist* and *Botswana Business*.

In the electronic media, Radio Botswana 1 started hitting the airwaves after independence. About 80% of readers and listeners were reached through state media coverage countrywide. Even though it was free, the Botswana media was only sustainable because of financial support from the state. In the later years, the private media stage was occupied by South African newspapers, magazines and radio stations. The daily newspapers that dominated the streets during these years, especially in Gaborone, were *The Rand Daily Mail* and later *The Star*, *Sowetan* and magazines like *Drum*, *Pace* and *Ebony*. The Botswana Book Centre reports that it carries more than 60 publications including foreign newspapers and magazines, mainly from South Africa. Radio Setswana began broadcasting in the country in the 80s; later Radio Bophuthatswana from the former homeland became popular, as did other small radio stations such as Radio 5.

In the 80s, it became increasingly evident that the local commercial private media needed to resuscitate the earlier newspapers, which had experienced some ups and downs. In 1968, *Mmegi Wa Dikgang* was published in Serowe on a small scale but later disappeared from the streets. In 1982, the former government economist, Brian Agner, started publishing a weekly private newspaper called *The Examiner*, which went bankrupt in 1983. The fate of *The Examiner* and *Mmegi wa Dikgang* spurred other investors in the private market to start a new newspaper in 1982, *The Botswana Guardian*.

In 1984, *Mmegi* was resuscitated and a mid-weekly newspaper called *The Gazette* also added to the media pluralism. By 1989, *The Botswana Guardian* was fully established and started considering diversifying. As a result, a mid-weekly newspaper called *The Mid-week Sun* was set up. In 1990, *The Newslink* was launched with a bang, only to go bankrupt in 1991. *The Voice* newspaper began hitting the streets in 1993, initially concentrated in the northern part of the country (particularly in Francistown). About three years later, in 1996, *The Mirror* newspaper started business in Selebi Phikwe.

After 2000, the publishers of *Mmegi* newspapers decided to diversify their readership focus by introducing an additional mid-weekly then called the *Mmegi Monitor* (currently re-branded as *The Monitor*). From then on, the media industry in Botswana experienced a proliferation of emerging newspapers. Six new titles hit the market comprising *Morongwa* (now defunct), *Mokgosi* (a *Mmegi* splinter in Setswana, now defunct), *The Sunday Standard*, *The Tribune*, *Ngami Times* and *The Echo*. The owners and staff members of both *The Sunday Standard* and *The Echo* were a breakaway from other newspapers including mainly the *Botswana Guardian* and *The Mid-week Sun*, which were the most affected newspapers and as a result nearly collapsed.

There was also a proliferation of magazines, many of which, exposed to the harsh realities of the media industry, disappeared within a short spell. Magazines locally read but published in South Africa currently include *Soccer Laduma*, *Auto Teacher*, *Drum*, *Farmers Weekly*, *Finance Week*, *Financial Mail*, *Sunday*

*Times Magazine, You, Time, People Magazine, Kick off and TV Plus.* Magazines specifically published in Botswana are *Fame, Flair, Peolwane, Mining Botswana, Monyadi, Lapologa, Farmers Botswana, Hotel and Catering, Building and Construction, Farming* and the latest, launched on 10 February 2009, *What's New Magazine*.

There are three private radio stations, the latest established in 2006. They are GABZ FM 96.2 (owned by foreign investors, Mmegi and a local consortium of investors), Ya Rona FM and Duma FM. Investors in the electronic media took advantage of the opportunities presented by the establishment of the National Broadcasting Board (NBB) regarding the regulation of the airwaves. The electronic media was also enhanced by the Gaborone Broadcasting Corporation and GTV, although the latter is under liquidation. Channel facilitators like Multichoice and Philibao link the nation to a wide variety of television stations. The expansion of the airwaves has started to increase the broadcasting radii of the private radio stations and will require enhanced capitalisation of the current radio stations, which will certainly have spillover results that will increase their market share.

## 2. The peculiarities and challenges of the private media

The private press has to date experienced phenomenal growth and development and this is evidenced by 12 private newspapers in operation, three radio stations, 10 local magazines, 60 from other countries (mainly South Africa) and two television stations. The main challenge for the private media is the intrinsic peculiarity of running a commercial newspaper or radio station that needs advertising from the very clients that they sometimes report negatively about. Trade-offs in these relations need to be forged or fostered to ensure the survival and sustainability of these businesses.

The private media is in competition with the state media, which currently comprises *Daily News, Kutlwano, Radio Botswana 1, Radio Botswana 2* (the latter became a commercial radio on inception) and *Botswana Television*. The issue with the state press is that their commercialisation is not at arm's length. This assertion is evidenced by their low advertising prices and the lack of serious attempts to collect from debtors, which effectively affords advertisers' free advertising. The state's market monopoly was compounded by the commercialisation of the *Daily News* around 2003, which had the effect of mopping up the bulk of advertising in the country. During 2000–2001, the government sanctioned *The Botswana Guardian* and *The Mid-week Sun* for 'irresponsible reporting', which nearly caused the collapse of these two newspapers which were rescued by the Mmegi Group and another offshore investor.

In addition, the foreign media takes part of the market share. The diversity of media compounds the competitive situation as advertisers need not confine themselves to the print media only. The country's small population also contributes to media market constraints. In addition, the market demographics, to a certain extent, are perhaps not conducive to private media consumption. The media in general needs a cosmopolitan population; by contrast, the largest part of the country's population is in the rural areas.

The table below illustrates the distribution of the urban population in Botswana in relation to the national population.

**Table 2 -- Distribution of the Urban Population in Botswana (1971--2001)**

Urban centre	1971	1981	1991	2001
Gaborone	17 713	59 657	133 469	185 891
Francistown	18 613	31 065	65 244	84 406
Lobatse	11 936	19 034	26 052	29 747
Selebi-Phikwe	4 940	29 467	39 722	50 012
Orapa	1 209	5 229	8 827	9 244

Jwaneng	-*	5 567	11 188	15 179
Sowa Town	-	-	2 228	2 877
<b>Total</b>		<b>54 111</b>	<b>150 019</b>	<b>286 779</b>
<b>National population</b>		<b>574 094</b>	<b>941 027</b>	<b>1 326 796</b>

Source: Constitutional Law in Botswana, D D Ntanda Nsereko, as adapted (2004).

Note: Where the population is not indicated, it denotes the non-existence of the town or city at that time.

Some of the major factors that are peculiar to the media industry are the unfriendly media laws, comprising the old Security Act and more importantly the recent Mass Media Bill of 2008. Its assent by the National Assembly was precipitated to circumvent opposition debate. According to the newspapers, the Bill underwent a subtle change before becoming law in December 2008. Apparently, a change was made following a threat by the Press Council of Botswana to take the government to court for seeking to take over the Council. In 2009, after the above Bill was promulgated as law, the Media Institute of Southern Africa (MISA)-Botswana Chapter published an article to the effect that they did not recognise the law. However, on the whole, the political setting of the country does not necessarily hinder the private press's ability to do business in the country. In fact, in comparison with the region, the country's environment is fairly conducive to running a media operation.

In 2007, MTC Marketing & Research Solution conducted research in the media industry in which the newspaper *Mmegi* featured prominently in relation to the company's market share. The following table is an interpretation of the survey:

**Table 3 -- Botswana All Media and Products Readership Measurement Survey – MTC Marketing & Research Solutions, 2007.**

Demographic Factors	Survey Participants	Interpretation of Survey Results
1) Daily readership audience (market share)	1) <i>Mmegi</i> , <i>Daily Sun</i> , <i>The Citizen</i> , <i>The Herald</i> , <i>The Mercury</i> , <i>The Star</i> , <i>Daily News</i> , <i>Daily Dispatch</i> , <i>Cape Times</i> and <i>Sowetan</i> .	1) The survey indicated that <i>Daily News</i> has a 44% share of the readership audience followed by <i>Mmegi</i> at 33%. The other newspapers that indicated significant readership are <i>Sowetan</i> , <i>Daily Sun</i> , <i>The Star</i> and <i>The Citizen</i> in this order.
2) Readership audience for the local dailies by gender	2) <i>Mmegi</i> and <i>Daily News</i> .	2) The survey determined the readership audience by gender for the two local dailies. Both papers were mostly read by females. <i>Daily News</i> registered 58% female readers and 42% male readers while <i>Mmegi</i> was 56% and 44% respectively.
3) Readership audience by area	3) Gaborone, Lobatse, Mochudi, Kanye, Molepolole, Palapye, Francistown and Maun. The comparison is between <i>Mmegi</i> and <i>Daily News</i> .	3) <i>Mmegi</i> takes the lead in Gaborone with 31% readers and <i>Daily News</i> 20%, 20% and 19% in Molepolole and 17% and 13% in Francistown respectively. However, <i>Daily News</i> also has a stronghold in some areas such as in Palapye ( <i>Daily News</i> 28% and <i>Mmegi</i> 7%). It must be borne in mind that the <i>Daily News</i> is free.
4) Readership audience by work sector	4) Public and private sectors. Only <i>Daily News</i> and <i>Mmegi</i> were compared.	4) The readership audience by work sector indicates that in the public sector <i>Mmegi</i> readership is 41% while <i>Daily News</i> readership is 47%. In the private sector <i>Mmegi</i> readership is 59% while <i>Daily News</i> registers 53%. The lead in the readership of <i>Daily News</i> in the public sector may be attributed to the fact that

5) Readership audience by age groups	5) The survey only considered <i>Mmegi</i> and <i>Daily News</i> .	it publicises government projects and is also distributed free in offices. <i>Mmegi</i> has the competitive edge since it is sold.  5) The survey interviewed people of 18 years old and above. In the 25--34 year age group, <i>Daily News</i> is read by 43% while <i>Mmegi</i> registers 41%. In the 21--24 group, <i>Mmegi</i> is read by 26% while <i>Daily News</i> is read by 15%. <i>Mmegi</i> is read by 11% of the 15--20 year age group, while <i>Daily News</i> registers 7%. On the whole, <i>Mmegi</i> enjoys a younger readership compared to <i>Daily News</i> .
6) Readership audience by education level	6) The survey considered <i>Mmegi</i> and <i>Daily News</i> .	6) Up to primary school level education, <i>Mmegi</i> is read by 4% while <i>Daily News</i> registers 16%. Up to high school, the figures are 54% and 56% respectively. Up to university degree completed 14% and 11%; professional level 22% and 13%; technical 6% and 4%; leaving 'other' at the lowest level of 1% each <i>Mmegi</i> and <i>Daily News</i> respectively. Both papers are mainly read by people with high school level education followed by professional and university graduate level.

Source: Botswana All media and Products Survey (BAMPS) as adapted (2007)

The survey indicates a favourable audience response for *Daily News*. However, to really measure the paper's competitiveness, the survey should measure readership of all news publications in the market, including the weeklies. *Mmegi* was also favoured by the Audited Bureau Circulations of South Africa.

### 3. The problem facing Dikgang Publishing Company (Pty) Ltd and its executives

Dikgang Publishing Company (Pty) Ltd was incorporated on 27 January 1992, as a result of a deliberate decision to commercialise the publication of the newspaper *Mmegi wa Dikgang*. Initially the newspaper was published by the Mmegi Publishing Trust (MPT), which received financial support from donors at the time. The Mmegi brand name started during the formative stages of the brigade movement in the country. The newspaper was initially published by Cooperative Printers in Serowe and the first publication hit the streets in 1968. At the time it was not only read as a newspaper but also used as a tool for promoting adult literacy in the Serowe area.

*Mmegi wa Dikgang* experienced many ups and downs, collapsing at one stage and being resuscitated in 1984. On its revival, it changed ownership from the brigades to the Foundation for Education for Production (FEP). Following its revamp, the paper developed further and relocated to Gaborone while the printing site remained Serowe Printers. In 1988, FEP decided to relinquish its ownership of the newspaper. The newspaper's growth and priorities were no longer consistent with those of FEP, which was a non-profit organisation.

The ownership of the newspaper was then assumed by Mmegi Publishing Trust (MPT) which then relied on donor financial support from Scandinavian countries and Holland, among others. The government of Botswana also supported the project through its adult education programme. During MPT's initial ownership of *Mmegi wa Dikgang*, Botswana's economic rating changed from a developing to a middle-income country and consequently donor countries started to withdraw from the country, including the Swedish International Development Agency (SIDA). This period of transition precipitated a period of critical thinking among the members of MPT.

Because of the above turn of events, people and organisations of like minds decided to raise funds to incorporate a company limited by shares called Dikgang Publishing Company Ltd (DPC) trading as Mmegi. The ownership structure of the company is as follows:

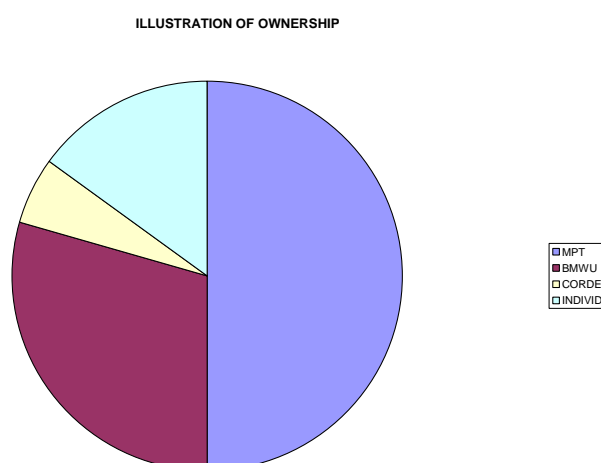
**Table 4 -- DPC ownership structure**

Shareholders	Percentage of shareholding	Number of representative directors
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Mmegi Publishing Trust	50.09% (initially 51%)	3 directors
Botswana Mine Workers Union (BMWU)	29.46% (initially 30%)	2 directors
Cooperation on Research Development and Education	5.48% (Initially 6%)	No representation
Individual investors	14.97% (Initially 13%)	Most of the shareholders are members of MPT. However, there was an emergent partnership that had 1 director representation

Source: Assetman Consulting (Pty) Ltd Report as adapted (2003)

**Figure 1 – Further illustration of ownership**



The initial shareholding was diluted by the subsequent shareholders option scheme which included the company employees. The shareholding structure also reflects the governance on a proportionate basis to its shareholders. The Board of Directors comprises six non-executive directors plus one executive director holding the Managing Editor position who is also the Board Secretary. The company has three committees: Finance and Audit, Human Resources, and Editorial. In any session, the committees have at least three members who are appointed by the Board of Directors including their chairman.

Members of the management team are the ex officio members of these committees and part of their function is to discuss projects in their initial stages and review reports before they are presented to the Board. For example, the Finance and Audit Committee reviews the audited financial statements before they are approved by the Board. This committee also reviews budgets and the management accounts.

Members of DPC Board are periodically appointed by the respective shareholders to the company and, in particular, the MPT Board of Trustees is entitled to appoint three directors from among its Trustees (until that right was transferred to Mmegi Investment Holdings (Pty) Ltd (MIH) Governance Committee). Due to appointments by their respective shareholders, the directors mostly bear allegiance to their appointing authority and do not necessarily act in the best interests of the company. In other words, acting in the best interests of the company remains a theoretical expectation of the company while in practice there is an allegiance to the appointing organisation. In the course of the tenures of the various DPC Boards of Directors, there have been feuds influenced by both MPT and BMWU members. This has mostly been motivated by a power struggle and the desire for personal gains. The following table contains the names of the current Board members and Committees:

**Table 5 -- Members of the Board of Directors and the Board Committees**

Board of Directors	Finance and Audit Committee	Editorial Committee	Human Resources Committee
1) Burton S Mguni (Dr) (Chairman) 2) Pako R Kedisitse 3) Chimidzani Chimidza 4) Barolong Seboni 5) Sebusang Sebusang (Dr) 6) Golekanye Mogende (lately deceased) 7) Titus Mbuya (Managing Editor)	1) Pako R Kedisitse (Chairman) 2) Howard Sigwele (Dr) 3) Ben O Magogwe <i>Management Members:</i> 4) Titus Mbuya (Managing Editor) and 5) Raymond Sibiya (Finance and Administration Manager)	1) Barolong Seboni (Chairman) 2) Patrick van Rensburg 3) Lebang Mpotokwane <i>Management Members:</i> Titus Mbuya Gideon Nkala and Kagiso Sekonkonyane	1) Chimbidzani Chimidza (Chairman) 2) Mogami Mogaodi <i>Management Members:</i> Titus Mbuya and Raymond Sibiya

In addition to the above governance structures there are staff committees that ensure that staff members interact with one another on a mutual basis. The Staff Welfare Committee is an example of a very important committee. However, management is concerned about the lack of commitment on the part of these staff committees, resulting in poor attendance of meetings and a breakdown in the groupings.

Former members of the Board are:

- Kitso Dingake (Appointed on 27 January 1992)
- Modise Maphanyane (Appointed on 27 January 1992 and resigned on 14 June 1993)
- Ditiro Saleshando (Appointed on 14 June 1992 and resigned on 1 September 1995)
- Gavin Anderson (Appointed 14 June, 1993 and resigned on 1 September 1995)
- Elias Mbonini (Appointed on 14 June 1993 and resigned on 1 September 1995). Represented BMWU.
- Vincent T Seretse (Appointed on 14 June 1993 and resigned on 2 June 2003). Former Chairman and representative of MPT.
- Balekamang Gabasiane (Appointed on 1 September 1995). Represented BMWU.
- Mark Zulu (Appointed 1997). Represented BMWU.
- Gaebepe Senna (Appointed on 13 October 2000 and resigned on 31 March 2006). Represented BMWU.
- Michael Makin (Appointed on 7 February 2003 and resigned on 20 April 2007). Represented Leepile/Makin Partnership.
- Monageng Mogalakwe (Dr) (Appointed on 8 March 2003 and resigned on 26 January 2007). Represented MPT.
- Baagi Lebotse (Appointed on 11 April 2003 and resigned on 31 June 2006). Represented BMWU.
- Metlhaetsile Leepile (Appointed on 2 June 2003 and resigned on 26 January 2007). Former Chairman, former Managing Editor (Appointed in 1991 and resigned in 1994). Represented MPT.

The Managing Editor is Mr Titus Mbuya, who joined it in 1989 as the Sub-editor. In 1992 he was promoted to the position of the Editor of the newspaper. In 1994, he was appointed the second Managing Editor of the company, the position he currently occupies. Mbuya holds a BA (Humanities) from the University of Botswana. He is also a Hubert Humphrey Fellow in Journalism which he attained from the University of Syracuse, New York. He has written two books: *Mosekela Mpeng* (1990) and *Pabala tsa Nnete* (1996), both published by Botsalo books. *Mosekela Mpeng* has been prescribed for use as a textbook in secondary schools. Mbuya is the Chairman of the Media Institute of Southern Africa (MISA) Legal Defence Fund. He is also a board member of Mmegi Publishing Housing Company (Pty) Ltd and a Trustee of Kgosi Sechele 1 Museum in Molepolole.

Prior to the appointment of Titus Mbuya to the position of the Managing Editor, it was held by Metlhaetsile Leepile who resigned and joined MISA as an Executive Director in Windhoek, Namibia. The services of the two Managing Editors complemented one another: Leepile led the transition of incorporating and commercialising DPC and facilitated the role change from MPT to the company; Mbuya took the company to the next level of development and sustainability.

The Chairman of DPC is Dr Burton Mguni, the former Deputy Vice Chancellor of the University of Botswana. Dr Mguni is currently on sabbatical leave. He is the Chief Executive Officer of the Gaborone Institute of Professional Studies (GIPS). As a quasi-businessman, he holds directorships in several companies, including Kingdom Bank Ltd.

#### 4. Proliferated formation of subsidiary companies

DPC experienced both organic and lateral growth, which was characterised by a state of adhocacy. The MPT Board of Trustees saw opportunities emerging from the company's traditional core business and as a result, authorised the incorporation of related sectoral companies to anticipate that line of growth. The following table lists the companies that have been formed to date and the purpose of their initial formation as well as their status of operation and challenges.

**Table 6 -- Emergent Post-DPC Companies**

Company	Date of incorporation	Purpose of incorporation	Status of operation and challenges
Mmegi Publishing House (Pty) Ltd	27 April 1998	To develop indigenous school and other books; writing and publishing.	Inadequate capitalisation but doing well. Winning government tenders for school books.
Thebe Printing & Publishing Co. (Pty) Ltd	9 November 1998	To hive away a printing press from DPC to minimise the legal risk to the newspapers.	Still pending transfer of assets. Requires capital to start operating independently.
Thebe Properties (Pty) Ltd	9 November 1995	To acquire and develop a plot in Mochudi; manage the plot and the printing press building in Tlokweng; manage other new estate acquisitions of the Group of Companies.	Also pending formalities of transfer and capitalisation.
MBC (Pty) Ltd	6 November 1996	To invest in companies relating to the electronic media.	Also pending formalities of transfer and capitalisation.
Mmegi Investment Holdings (Pty) Ltd	25 June 1998	To be the Group Company for all Mmegi Companies.	Pending formalities and capitalisation.
CBET (Pty) Ltd	2001	To assist the Group to control print media in the country. Titles include <i>Botswana Guardian</i> and <i>Mid-week Sun</i> .	It has been running at a loss for some time. It is now under dispute and therefore for sale by either of the two shareholders. Performance has improved.
Bonesa Distribution Co. (Pty) Ltd	25 July 2003	To undertake all distribution jobs of the Group and seek other external jobs.	Partly started but DPC still retains some of the distribution.

Source: Assetman Consulting (Pty) Ltd Report as adapted (2003)

### 5. DPC and restructuring of the associated companies

After four years of incorporation, DPC was operating in a buoyant economy and hence enhanced its profitability. The directors of the company appeared to become complacent and merely concentrated their thinking on DPC. At that time, some MPT members felt that the company's potential for growth was not optimally leveraged in line with the available environmental opportunities and the strengths of the company. In particular, those members were concerned about the lack of implementation of the establishment of several companies following DPC's incorporation. In view of that state of corporate radicalism, there were suggestions to the effect that the existing Board of Directors be changed to bring in new blood. The issue was fast-tracked and a policy for regulating the tenure of service by directors on the Boards was drafted.

The new corporate regime then decided to focus on DPC and the restructuring of the associated companies. A consulting company, Assetman Consulting (Pty) Ltd was, as a result, engaged to carry out consultancy work in 2003. A SWOT analysis of the Group's Strengths, Weaknesses, Opportunities and Threats was carried out resulting in the following outline:

**Table 7 -- DPC 2003 SWOT Analysis**

<p><b>Strengths</b></p> <ul style="list-style-type: none"> <li>• A well diversified cluster of related companies spanning the media industry</li> <li>• A reasonably well capitalised newspaper company</li> <li>• A dedicated team motivated by a common purpose</li> <li>• A very strong brand name (Mmegi)</li> <li>• A state of the art printing press</li> <li>• A strong relationship among the company, its vendors and suppliers</li> </ul>	<p><b>Opportunities</b></p> <ul style="list-style-type: none"> <li>• Further deregulation in the media industry</li> <li>• Maximising the shareholder value and management of risk through restructuring</li> <li>• Inducement of external investment in Bonesa Distribution Co. and Thebe Printing and Publishing Co. to enhance economies of scale and sharing the risk</li> </ul>
<p><b>Weaknesses</b></p> <ul style="list-style-type: none"> <li>• Weak accounting function</li> <li>• Non-existent financial strategic competencies</li> <li>• Sub-commercial culture</li> <li>• A weak marketing function</li> </ul>	<p><b>Threats</b></p> <ul style="list-style-type: none"> <li>• Possibility of media re-regulation</li> <li>• Competition becoming increasingly unbearable</li> <li>• The authorities may become uncomfortable about the growing market share of the company as it is 'politically the third force'</li> <li>• Improper implementation of the restructuring may end in the loss of the envisaged benefits and opportunities</li> <li>• Likely weakening macro-economic environment which will impact on monetary and fiscal policies</li> </ul>

Source: Assetman Consulting (Pty) Ltd Report as adapted (2003)

The main objectives of the restructuring were summarised as: 'To isolate and insulate the rest of the Group against legal risk associated with newspaper publishing, rationalise the group with a view to fostering better leadership/management focus and achieve operational efficiency in all the operating units and hence maximise the shareholder value, respond to any real or perceived growth opportunity and minimise the risk of hostile takeover.' The issues raised are outlined below:

- *The need to manage legal risk* -- This refers to legal suits, mainly defamation of character, against reporters. The following table indicates claims against Mmegi over a period of four years:

**Table 8 -- Mmegi: Defamation suits (1999 – 2002)**

Year	Number of cases	Amount claimed (Pula)
1999	2	8 350 000
2000	6	4 745 000
2001	6	8 800 000
2002	1	5 000 000

Source: Assetman Consulting (Pty) Ltd Report as adapted (2003)

If this risk were not anticipated, the company could go bankrupt if ordered to pay a large claim. The restructuring process aimed to explore potential risk, measure it and invoke countermeasures for minimising or eliminating it. The other strategy would be to hive away the other businesses linked to DPC to operate on a stand-alone basis, such as the printing business, property investment and newspaper distribution.

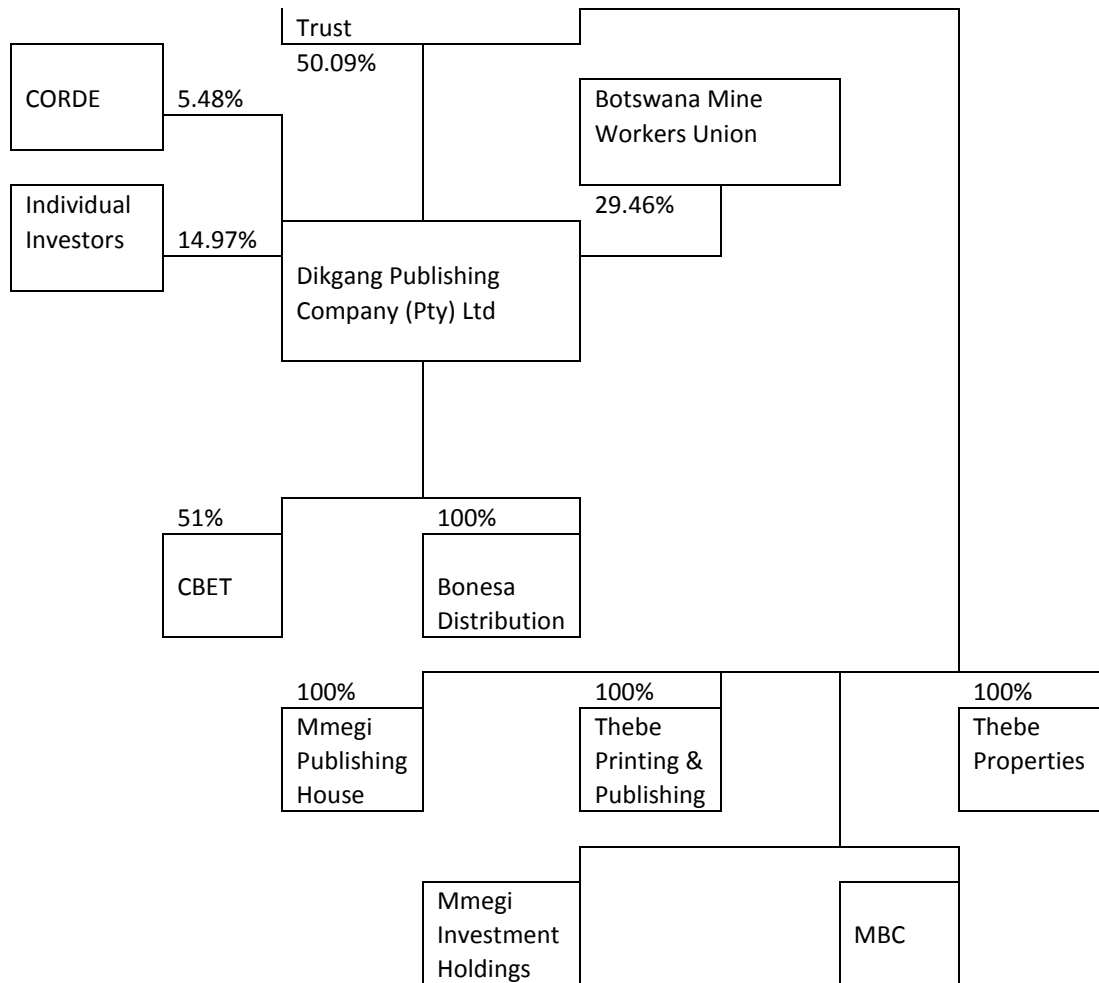
- *The need to achieve management and operational focus* – This was needed to enhance the efficiency of the operating units. However, any rationalisation would have to be mindful of synergistic benefits that could arise from several units being run under one company as against incorporating companies for each operational unit. They both would have advantages and disadvantages and therefore the one chosen would depend on comparing all relevant factors.
- *Scope of synergies of unbundling DPC* – The idea would be to separate the distribution company making it a separate entity. This would enable it to service the Mmegi Group of Companies and the other external potential customers who might not have brought business had they known that the company was associated with Mmegi. Alternatively, the company could be co-owned with competitors, which would afford it economies of scale and therefore enhance efficiencies. The same was true of the printing company. This would stop other newspaper houses being preoccupied with guarding against competition, as opposed to looking at the big business picture.
- *The need to position the Group for any future listing* – The restructuring process and its concomitant improvement in corporate governance would pave the way for listing on the Stock Exchange through MIH, which would need to be converted to a public company. Even though this would dilute the owners' stake in the company, this would be another avenue of fundraising.
- *Managing the risk of hostile takeover* – The maximisation of shareholder value is one of the most effective defensive strategies against any possible takeover threat. Maximisation of shareholders value can be achieved through the optimal utilisation of business assets. Corporate competitive strategies would need to be articulately communicated as well as sustainable competitive advantages and measures implemented to turn the fortunes of the company around.

## 6. Steps involved in restructuring

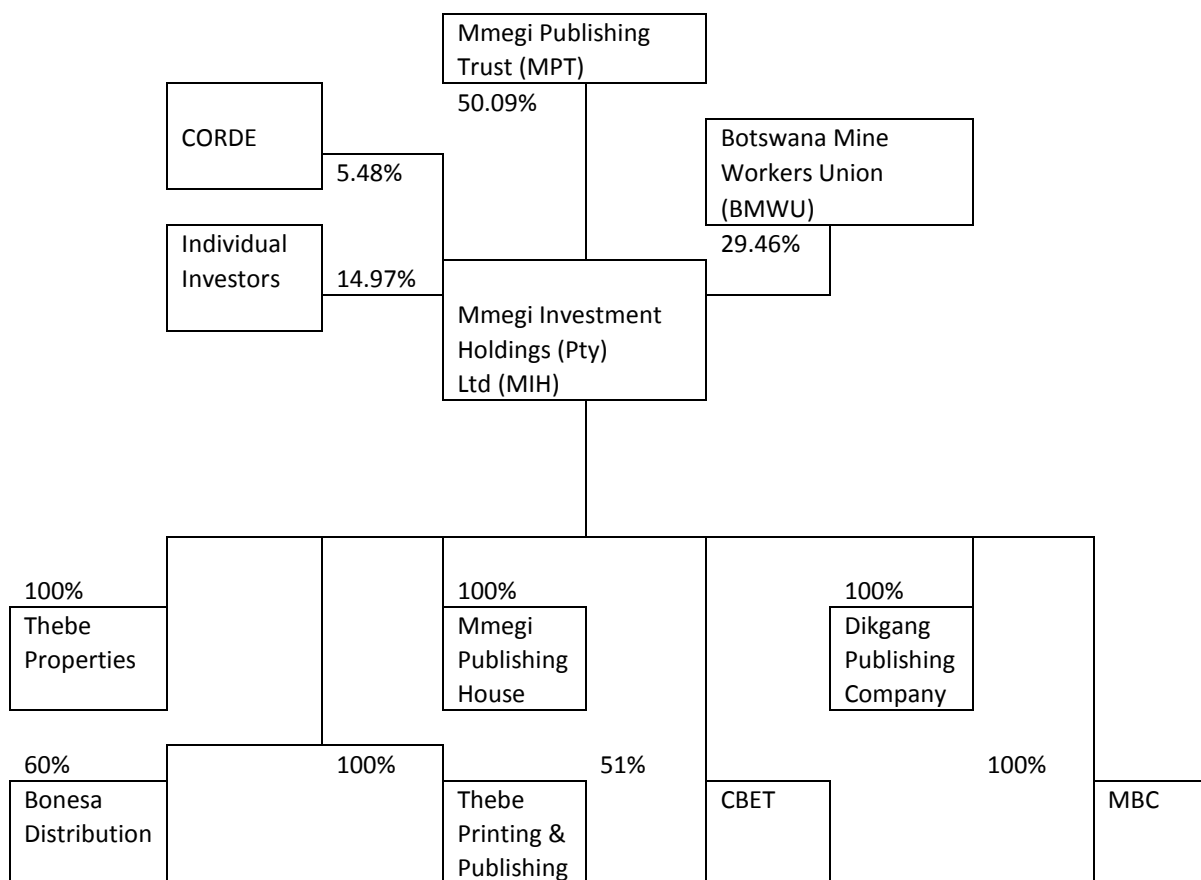
The main aspects of restructuring were the re-arrangement of companies according to ownership and governance as well as the possible financing strategies. This is illustrated by the pre- and post-restructuring diagrams below.

**Table 9 -- DPC and the related Group of Companies pre-restructuring structure**

Mmegi Publishing
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Source: Assetman Consulting (Pty) Ltd Report as adapted (2003)

**Table 10 -- DPC and the related Group of Companies envisaged post-restructuring structure**

Source: Assetman Consulting (Pty) Ltd Report as adapted (2003)

The steps for the restructuring of DPC and its associated companies illustrate the likely value or adverse results that could emerge from restructuring process.

#### *The first step*

Two alternatives emerged. The first was a shareholding swap between DPC and MIH. It was decided that MIH should acquire DPC and as a result re-issue shares to all DPC shareholders. In addition, the company would issue additional shares and use debt capital to facilitate the entire expansionary restructuring. In this case, the Tenth Schedule of the Botswana Tax Act Paragraph 2 would apply which exempted the company from Capital Gains Tax. However, the issue of additional shares would attract P8.00 for every P1.000.00 of shares issued.

The second option was to wait for the company to be converted into a public company and listed on the Stock Exchange to fundraise through public floatation and debt capital. The conditions required for these latter methods were: the concerned companies needed to be resident in Botswana; the beneficial ownership in the companies involved should remain unchanged after restructuring; and no shareholder should benefit at the expense of another.

#### *The second step*

At this stage, MPT would be required to transfer companies comprising MBC (Pty) Ltd (P92.000.00); Thebe Printing & Publishing Company (Pty) Ltd (P2.00); Thebe Properties (Pty) Ltd (P2.00) and Mmegi Publishing House (Pty) Ltd (P78.645.00) to MIH; they could then be valued as indicated in each company. The acquisition of the above companies would cause MIH to pay their value to MPT or to create additional shares and swap them with MPT in return for the companies. This method attracted

the payment of stamp duty which was a small amount and therefore made it possible to issue shares by MIH in the transaction. However, the Capital Gains Tax could be avoided by invoking the Tenth Schedule of the Income Tax Act.

#### *The third step*

This step would see through the transfers of Bonesa Distribution, CBET, Tlokweng property (housing the printing) and Pilane property to their respective companies. In the case of CBET, the value of DPC 51% shareholding in the company could be purchased on a cash basis by MIH as the creation of additional shares for swapping with DPC would lead to complexities of cross-shareholding which would also attract stamp duty. The cash purchase was recommended as an advantageous way for MIH to use idle cash for that particular transaction. However, if there was no available cash, it could be done through inter-company loans.

The assets and liabilities attributable to Bonesa Distribution could be valued at arm's length and sold by DPC to Bonesa before transferring ownership to MIH. The Tenth Schedule of the Income Tax Act would also apply.

The property housing the printing press was part of DPC's investment in the printing press. Therefore, it would need to be transferred to Thebe Properties (Pty) Ltd and the Tenth Schedule of the Income Tax Act would need to be invoked. Pilane property would also be transferred to Thebe Properties (Pty) Ltd. The attorney for the Group of Companies had already legally advised that the transfer of tribal property held under a memorandum of lease of agreement did not attract transfer duty.

In considering the transfer of assets, the implications of Transfer Duty, Capital Gains Tax and the stamp duty were discussed. The Value Added Tax (VAT) at 10% was not discussed, although it was noted that VAT would affect the transfer of Pilane and Tlokweng properties to Thebe Properties (Pty) Ltd, second-hand assets from DPC to Bonesa and the transfer of the printing press from DPC to Thebe Printing and Publishing (Pty) Ltd. However, the advantage of VAT payment is the possibility of claiming it back; conversely, the time lag of approximately two months could constrain the business cash flows. The main issue at the time was to precipitate the VAT registration for companies that were not registered but were eligible for registration and plan for cash requirements taking into account VAT payments.

#### *The fourth step*

The assets and liabilities attributed to the printing business needed to be transferred to Thebe Printing & Publishing (Pty) Ltd. There would not be a beneficial ownership effect on that transaction and therefore the Tenth Schedule of the Income Tax Act would apply.

Table 10 above illustrates the envisaged restructured corporate structure, resulting from the procedure outlined above. On the basis of the available information and the above illustration, the question is: 'Would the new structure would actually have assisted the Group to achieve its restructuring objectives?'

The answer is: 'It would have resolved the issue to the extent of insulating the other businesses from the legal risks associated with the newspaper publishing business, for example, the publishers of *Mmegi* and *Monitor* and the publishers of *Botswana Guardian* and the *Mid-week Sun* would have been separated.'

The issue of involving other investors such as *The Gazette*, *The Voice* and other newspapers to buy their loyalty and assistance in businesses such as distribution and printing should be considered for the second phase of the restructuring. This was of great importance as it would increase the volume of services and cut unit costs of printing and distribution. The Southern African Media Development Fund (SAMDEF) was also considered as the potential partner in the printing business for the purposes of reducing the cost of capital and the level of corporate gearing. The other incidental spin-off benefits could still be realised after the restructuring process.

Corporate governance issues became one of the main ingredients of the restructuring process and the leadership/management of the companies, which also included some recommendations.

- **Corporate governance**

Consultancies on restructuring Mmegi were not only confined to the assets, liabilities, functions and ownership transfers, but also to the amount of complexity and the level of responsibility involved in governing the Group of Companies. It was also recognised that the non-trading entities would start trading and that this would therefore require the establishment of new governing structures. On the basis of that information, it was decided that the Group of Companies would rearrange and redeploy the current directorship and engage new ones to anticipate the dictates of the restructuring. The Group of Companies' 2003 governing structure is illustrated by Table 11a during the time of preparing the restructuring report.

**Table 11a - Profile of group governance structures (2003)**

MEMBERS OF BOARDS	MPT	MIH	DPC	MPH	CBET	Bonesa	MBC	'Your Friend'	No. of Boards per Individual
T Mbuya	1	1	1	1	1				5
M Mogalakwe (Dr)	1	1	1				1		4
P Kedisitse	1	1	1	1					4
M Ntebela	1			1		1		1	4
M Mophuting	1	1						1	3
B Badisang	1	1		1					3
B Mguni (Dr)	1	1					1		3
M Maphanyane	1			1					2
M Leepile		1	1						2
B Lebotse			1		1				2
B Seboni	1								1
V Seretse		1							1
B Magogwe		1							1
G Senna			1						1
M Mogobe (Dr)				1					1
M Makin			1						1
D Smail					1				1
M Molatlhegi (Dr)						1			1
B Maphage						1			1
K Keatimilwe							1		1
	<b>9</b>	<b>9</b>	<b>7</b>	<b>6</b>	<b>3</b>	<b>3</b>	<b>3</b>	<b>2</b>	

Source: Ontiretse Ben Magogwe and Frontier Capital as adapted (2006)

**Table 11b -- Profile of current group governance structures (2009)**

MEMBERS OF BOARDS	MPT	MIH	DPC	MPH	CBET	Bonesa	MBC	'Your Friend'	No. of Boards per Individual
T Mbuya	1		1	1					3
M Mogalakwe (Dr)							1		1
P Kedisitse	1		1	1					3
M Ntebela	1			1					2
M Mophuting	1							1	2
H Sigwele (Dr)								1	1
B Badisang	1			1					2
B Mguni (Dr)	1	1	1				1		4
M Maphanyane	1			1					2
M Leepile									0
S Sebusang (Dr)			1						1
B Lebotse									0
B Seboni	1		1			1			3
V Seretse		1							1
B Magogwe						1			1
G Senna									
C Chimidza		1	1						2
G Mogende			Deceased						0
V Raseroka		1							1
R Khan		1							1
L Masilo		1							1
M Mogobe (Dr)	1	1		1					3
M Makin									0
D Smail									0
M Molatlhegi (Dr)									0
B Maphage						1			1
K Keatimilwe							1		1
	<b>9</b>	<b>9</b>	<b>6</b>	<b>6</b>	<b>0</b>	<b>3</b>	<b>3</b>	<b>2</b>	

Source: Ontiretse Ben Magogwe and Frontier Capital as adapted (2006)

Seven companies and a Trust had governing boards. Only Thebe Printing & Publishing Company (Pty) Ltd and Thebe Properties did not have boards. Decisions on appointing boards to the above two remaining companies would depend on their sizes and strategic and operational complexities.

The size and composition of the boards vary from one Group of Companies to the other as described below:

**Table 12 – Appointment of directors to DPC and associated companies**

<b>Company/Trust</b>	<b>Sources of directors and how they are appointed</b>
Mmegi Publishing Trust (MPT)	Representatives to the Board of Trustees are drawn from the Trust membership only. Election to the Board is by ballot during the Annual or Special General Meetings. The chairperson and deputy are elected by the Board. MPT initially appointed directors to MIH, MPH and MBC. Currently, the Trust can only nominate directors to MIH.
Mmegi Investment Holdings (Pty) Ltd (MIH)	Representation initially comprised chairpersons, CEOs and other individuals who were otherwise MPT members. More recently, two external directors were appointed to the Board. Minority shareholders have also been considered for representation to the Board after swapping shares with DPC.
Dikgang Publishing Company (Pty) Ltd (DPC)	Representation is based on shareholding. According to the shareholders agreement, MPT appoints the chairperson and two other directors, two members from BMWU. According to the agreement, this includes any shareholder with at least 10% and therefore one member nominated by Leepile/Makin Partnership. The Board then nominates one member, the position currently held by the Managing Editor. The current Board represents 85.9% leaving the 14.1% minority shareholders unrepresented. However, the shares have been transferred to MIH which has now become a sole shareholder.
CBET (Pty) Ltd	This Board is also based on shareholding. DPC is entitled to appoint three directors and CBES two directors. At the time of restructuring, one director had resigned from DPC side while CBES had only one director by their design. Appointments were usually done by DPC Chairperson and ratified by the Board. Due to disagreements the Board and the GM have been asked to leave.
Bonesa Distribution Company (Pty) Ltd	Shareholding based. DPC has two directors and Maphage one director.
Mmegi Publishing House (Pty) Ltd	There were and are six directors appointed from the MPT membership, some of whom were and are the employees of the Group of Companies.
Mmegi Broadcasting Corporation (Pty) Ltd	The names of people listed under 'Your Friend' are assigned to represent the Group of Companies on that company in proportion to their shareholding. The company was designed to represent the group interests in electronic media related investments. However, 'Your Friend' directors are not the same people as those of MBC initial promoters. Currently, MBC is dormant. Appointments to 'Your Friend' are usually done by the DPC chairperson, the MPT Board and ratified by the DPC Board.

Multiple board membership in various companies of MPT members is apparent. However, if the profile of governance structures of 2006 is compared to the current one, the sources of concerns have slightly abated, as the highest number of board positions per director is four. From 2003 to date, there have been five resignations and one person has died. As a result, some seats were taken by the members at the time and new members to the Group of Companies' directorship. Five new directors joined the group, including new non-Mmegi directors (who were recommended in the 2003 report).

Except for the MPT Executive Secretary and DPC Managing Editor, all Board members are non-executive. However, they are not, strictly speaking independent since they are involved in Mmegi Group issues and

corporate politics. However, as stated in MIH, there are two independent members appointed to that company. At the time of restructuring in 2003, only DPC had appointed Board Committees. Since then, other companies in the Group have followed the appointment of relevant Committees to their boards, such as MIH, CBET and MPH.

New directors are not usually inducted before serving as directors and there is also no policy on training and development for directors. There is also no update on new relevant legislation, such as the Companies Act or codes on corporate governance. Therefore, upon joining the Group's directorship, the new directors must fend for themselves and muddle through in carrying out their duties and observing their responsibilities. There is no regular review of the mix of skills, experience and the other attributes of directors contributing to or vitiating their effectiveness. Each member runs his term and is subjected to the process of elections, although there do not seem to be predetermined criteria for the electing directors. There is no board performance assessment which could facilitate feedback on individual directors or on the board on a collective basis. However, the 2006 second restructuring report influenced several changes, in spite of a lack in systematic logic on advancing the processes. One of the changes was drafting charters for boards and committees. The drafts were done in such a way that they could be adapted to each company's environment.

The remuneration of DPC Board members is too low to attract the best available skills. The low remuneration might be due to the legacy of voluntarism carried over from the Trust. Board members are paid P700.00 as a sitting allowance and the chairperson earns P950.00 while committee members are paid P470.00 each and the chairperson receives P600.00. However, board members can be paid on a discretionary basis for certain board assignments that take up considerable time.

The second 2006 restructuring report reiterated the need for fostering the principles of corporate governance on the boards of the Mmegi Group. A case for good corporate governance was explained at the time by the following issues resulting from the restructuring:

- As functions and/or assets were transferred from one company to another, the amount and complexity of work and the level of responsibility involved in the governance of some entities might change. Therefore, the governing structures would need to be changed to align with the current setting.
- The non-trading entities would start going into business and therefore need their own governing structures.
- The change of ownership and in particular the DPC and MIH shareholders have now switched positions and therefore the boards might need to be rearranged to anticipate this change.

The company that illustrates the above major change is DPC as it would be transferring the assets and responsibilities to Bonesa, Thebe Printing and Publishing (Pty) Ltd, Thebe Properties and CBET (Pty) Ltd. According to the report, the appointments to the boards should follow a formal and transparent process; they should be done through the Governance Committee comprising a majority of independent directors. The 2006 second restructuring report outlined the following recommended mandate of the Governance Committee:

- to recruit non-executive directors who are of the desired calibre and credibility, accompanied by the necessary skills and experience to be able to bring judgement to bear
- in appointing directors, to ensure a balance of power and authority to avoid a situation where one member dominates the board
- to ensure that the boards meet the required mix of skills, experience and other qualities, such as demographics and diversity
- to ensure that the curricula vitae of potential directors and directors seeking re-appointment are reviewed before the appointments and re-appointments to the boards are made
- to ensure that all directors meet a fit and proper test before the appointments and re-appointments are made
- to reconsider the extent of multiple directorships for each director to ensure mutuality of benefit between that particular director and the company

- to assess how the directorship of the executive directors interferes with their day-to-day work and responsibilities
- to ensure that the respective companies receive the full benefit of the non-executive directors' expertise
- to ensure that there is induction and training for directors on a regular basis
- to encourage the appointment of board committees to further add value to the duties and responsibilities of the boards.

The governance structures of the Mmegi Group of Companies, in theory, could enhance corporate governance. However, due to pervasive infighting and corporate politics, compliance is merely quantitative. It has become increasingly apparent that there are members of the Group of Companies, especially members of the Trust, who are not prepared to carry out business procedurally. Recent activities and meetings are evidence to that effect.

One example was the recent MPT meeting held on 24 January 2009. The MPT members who elected the recent Board of Trustees were a mix of members of MPT who did not hold shares in any of the companies in the Group. It should be borne in mind that the MPT Trustees are allowed to elect three members to the MIH Board whose Governance Committee will subsequently elect the boards for the other companies.

Table 13 illustrates what happened at the meeting of 24 January 2009 as a typical example. Twenty-five members attended the meeting, of whom 24 were eligible to vote. The arrangement of the Trust is such that the votes are weighted equally for both members of MPT only and those who are also the shareholders of the companies. As such, out of 24 members of MPT who voted, 13 were not shareholders of any company in the Group; that number translated into 54% of members who determined the monetary decisions of the MIH members and indirectly members of the other companies. The situation was further compounded by the fact that out of 23 MIH shareholders, ten are not members of MPT and as a result their financial fate at MIH and indirectly to the other companies is decided by people who are not shareholders of any company in the Group of Companies; this figure translates into 43%. Fourteen people signed a petition to cause the MPT Special General Meeting to take place; included in the above number were ten Trust members who did not own shares in any of the companies in the Group. There were also three people whose membership admission did not follow the right procedures. However, their membership was ratified by the Special General Meeting in breach of the Deed of Trust. That was done disregarding the Trust Board agreement that they should not be considered for voting.

**Table 13 -- MIH Shareholders and MPT Members**

<b>MPT Members</b>	<b>MIH Shareholders</b>	<b>Common members to both MIH and the Trust</b>
1) B Seboni	1) B Mphusu	1) B Mguni (Dr)
2) M Mophuting	2) B Magogwe	2) B Magogwe
3) B Mguni (Dr)	3) BMWU	3) M Leepile
4) P van Resburg	4) C Mannathoko (Dr)	4) T Mbuya
5) B Magogwe	5) CORDE	5) M Maphanyane
6) M Leepile	6) B Otlhogile (Prof.)	6) M Mogalakwe (Dr)
7) T Mogobe (Dr)	7) J Ramsay (Dr)	7) P Kedisitse
8) T Mbuya	8) L Mpotokwane	8) V Seretse
9) B Phirie	9) L Ntoko	9) B Otlhogile (Prof.)
10) K Kebiditswe	10) M Moeti	10) M Moeti
11) M Maphanyane	11) M Leepile	11) M Ntebela
12) M Mogalakwe (Dr)	12) M Makin	12) C Mannathoko (Dr)
13) P Kedisitse	13) MPT	
14) S Sechele	14) M Maphanyane	
15) H Sigwele (Dr)	15) M Monnaatshipi	
16) B Badisang	16) M Ntebela	

17) V Seretse	17) M Mokgare	
18) B Otlhogile (Prof.)	18) P Kedisitse	
19) P Sechele	19) T Mbuya	
20) B Maphage	20) W Kgomoetsile	
21) K Segwai	21) M Mogalakwe (Dr)	
22) M Moeti	22) B Mguni (Dr)	
23) M Dingake	23) V Seretse	
24) M Ntebela(Secret'ry)		
25) S Sebusang (Dr)		
26) B Molatlhegi (Dr)		
27) B Maswibilili		
28) K Keatimilwe		

### 7. Dilemmas and challenges facing the company (value destruction)

Since its incorporation, DPC has faced the ups and downs of business and harsh economic realities. The company was incorporated against the backdrop of initially being an NGO that was economically reliant on donors who were at the time withdrawing due to the country's positive economic status. The company started from humble beginnings and during the early years, a state of receivership was intermittently imminent. There were times that directors recognised the fact that they were unlawfully trading as the company was technically insolvent and its potential to be profitable was gloomy. However, their tenacity was influenced by their undying hope of potential growth and sustainability of the private press.

However, during its third year of trading, the company's fortunes were turned around and it became profitable for several years in succession following the transition. At the same time, the spirit of advocacy and voluntarism increasingly faded away from the MPT members. Monetary priorities and preoccupations started pervading the membership. That state of affairs seems to have ushered in personality clashes among the group and was characterised by a shift in strategic and operational priorities; personality clashes started to take precedence over both advocacy and business imperatives. These events reached their peak when the originally appointed directors started experiencing coercion from some company members, who objected to the length of their directorships.

At the time there was no policy stipulating the number of years each director could serve on boards. That aside, the concerns were legitimate since other members also wanted to participate in the commercial arena of Mmegi as directors. However, the approach to the issues left much to be desired. Secret meetings which later turned into legal interventions took place. All this led to a corporate directorship policy that governed the appointment, re-appointment and termination of the services of directors, which coincided with the proliferated registration of companies for the Group. Unfortunately, the registration of the companies preceded the definition of their purpose and statements of project appraisals.

Based on the above, the founding directors' services were unceremoniously terminated, except for one who was later persecuted. The directors felt that they had been unfairly treated and that their fellow members were ungrateful about their contribution to the commercialisation of Mmegi. The new regime started engaging in projects that were not thoroughly appraised and which, as a result, later siphoned off money from the Group. An example was the creation of *Mokgosi*, a newspaper that collapsed owing DPC over P1 million in printing and rent. This debt and other dysfunctional decisions caused DPC to run into losses of close to P2 million during the 2003/04 financial year. The new regime's Group restructuring became a prominent feature of their agenda and as stated above, it started in earnest in 2003.

The restructuring of the Group seems to have compounded the problem of the company losing operational and strategic value as evidenced by slow decision-making in the implementation of the recommendations in the restructuring reports. There was a loss of drive regarding initiatives which, in

the beginning, seemed to appeal to almost all members of the Group. Some of the recommendations were half done while others seemed to have been implemented merely for expediency. Three years after the restructuring began, in 2006, nothing much had been done to respond to the consultants' report. Instead, the consultants were further engaged to unpack the original report into something that could be easily implemented. To date, nothing much has been done to implement the restructuring, in spite of the money spent on the two consultancies. The 2006 report outlined the outstanding items for implementation as follows:

- Bonesa had not yet been effectively spun off from DPC as a stand-alone company.
- The printing business had not yet been spun off from DPC to Thebe Printing and Publishing (Pty) Ltd.
- Properties from Pilane and Tlokweng had not yet been transferred to Thebe Properties (Pty) Ltd.
- Rationalisation of the ownership of 'Your Friend' as a subsidiary of MBC but not for DPC had not been carried out. Some funds were loaned to 'Your Friend' to relieve the company's financial situation. The loan was intended to either be converted to the share capital or debt loan. To date, the intention has never materialised and that has resulted in the money losing its opportunity cost since it has been used freely by third parties.
- Not all the companies that were scheduled to register for VAT had been registered.
- Shareholders agreements had not been prepared, or those prepared such as MIH, had not yet been signed by the members as intended.
- The distribution business had been transferred to Bonesa. However, 10% of the business had been retained by DPC. This was contrary to the initial spirit of enhancing efficiency and relieving DPC of the services not closely related to the core business so as to enable the company to concentrate on the core business. The 2006 report indicated that the remaining 10% of services retained by DPC cost the company 11% more than the 90% work done through Bonesa. The outstanding transfer of fixed assets to Bonesa would prejudice DPC as a shareholder if the previous asset values were not kept since current business positions had completely changed.
- The printing of *Mid-week Sun* was and is currently done by a competitor, Printing and Publishing Company of Botswana (Pty) Ltd (PPCB). The implications of this are that monies are paid to the competitor, and at the same time, the Group's printing press loses economies of scale it could have achieved by printing the additional paper; it also leaves a gap in the press that should be utilised. DPC is also losing the opportunity cost of about the sum of P2 million owed by CBET for printing services.
- DPC had also not been optimally managing the investment at CBET and its problems were escalating. The business was bought in 2001; DPC invested 51% and the off-shore investor 49%. The amount paid for goodwill was very high, in spite of the economic sanctions imposed by the government on the two papers' advertising for alleged irresponsible reporting. The company was poorly performing and, as a result, in need of resuscitation by a credible newspaper business, such as Mmegi. The company had started without optimal capitalisation and the situation was compounded by the loan provided by the two shareholders, which pitched the company into overgearing. In view of this situation, the 49% shareholder representative had been enjoying the above lapses and therefore advantageously benefiting from it at the expense of the 51% shareholder (DPC).

The chairmanship of the company was in the hands of CBES, the 49% shareholders by default because of DPC laxity. Many decisions seemed to be in favour of CBES. In the course of time, the General Manager bought a stake in CBES, apparently without disclosing that interest to his Board of Directors, resulting in some DPC directors doubting his loyalty. The General Manager started favouring CBES at the expense of DPC in most cases. Apparently, transactions were performed behind the backs of the CBET Board of Directors in connivance with CBES representatives. CBES started interfering with the appointment of directors to CBET by DPC, in spite of the express articulation of the shareholders agreement of the procedures for the appointment of directors. There were queries about some proposed external investments which had some bearing on the dilution of DPC shares in CBET. Disagreement between DPC representatives to the CBET Board and CBES (and the General Manager) ensued.

When those disagreements persisted, CBES unilaterally declared a dispute and suggested that a mediator be appointed. DPC, on the other hand, wanted to first hold discussions with CBES before facing mediation. When that was still being negotiated, some members of MPT and one member of the DPC Board held an Extraordinary General Meeting purported to be a CBET shareholders meeting.

Legally, in any negotiations with DPC the Board was the rightful representative of the company. Prior to the holding of the above meeting, DPC decided that the entire Board would represent the company at the shareholders meeting. This decision was opposed by some members of MPT, in spite of repeated explanations from the legal point of view. During the meeting, some decisions were made which were detrimental to DPC investments and the general sustainability of the Group.

On the basis of that, DPC had no option but to go to court to interdict the meeting and annul its decisions. Due to cross-board membership, the respondents to the interdict were some of the individuals who had attended the meeting. It was not clear if other members from BMWU, MPT, UPT and MIH would oppose the order.

Because relations between CBES and DPC and the owners of CBET seemed to be irreconcilably strained, among other things, the Court order decided that CBES and DPC should part ways, and gave orders that the company be valued within 30 days and upon submitting the report, DPC was to purchase the company within 60 days. If DPC failed to purchase the company, CBES was to be allowed 60 days to buy it. If CBES failed to purchase it, the company was to be sold to a third party. In view of the disagreements that had pervaded the company for some time, the Court further ordered that the Board and the General Manager's services should be terminated forthwith. An accountant was then appointed in accordance with the order to replace the Board and the editor of *The Guardian* was appointed to act as General Manager. The return date for the Court was 6 February 2009, and this date was rescheduled to a further return date of 27 March 2009.

In the meanwhile, members of MPT, some of whom had been involved in the disputes, petitioned the Board of MPT to hold a Special General Meeting. The discussions to be covered related to disputes between DPC and CBES. In addition, the meeting would elect the new Trustees of the Trust. Some members of the Group felt that the petition was in contempt of the court order in the sense that when boards are changed, the positions are likely to be different, and this meeting would possibly be prejudicial to the sale/purchase transaction as part of the members of the Group had joined forces with CBES. Even the date of the meeting was disputed. However, the MPT Special General Meeting was held on 24 January 2009 as scheduled. After the elections, only four of the previous Trustees were re-elected while another four were new.

- According to Tables 9 and 10, MPT holds more shares than the other shareholders. In most cases, the Trust is forced by some members to make decisions that are prejudicial to the minority shareholders in connivance with non-shareholders (See Table 13 and its explanation). Entry to membership of the MPT board is through the ballot box: members, some of whom are not necessarily shareholders for the Group of Companies, vote. After the elections, attempts were soon underway to change the Board of Directors of MIH, disregarding the continuing contracts of the current Board members.

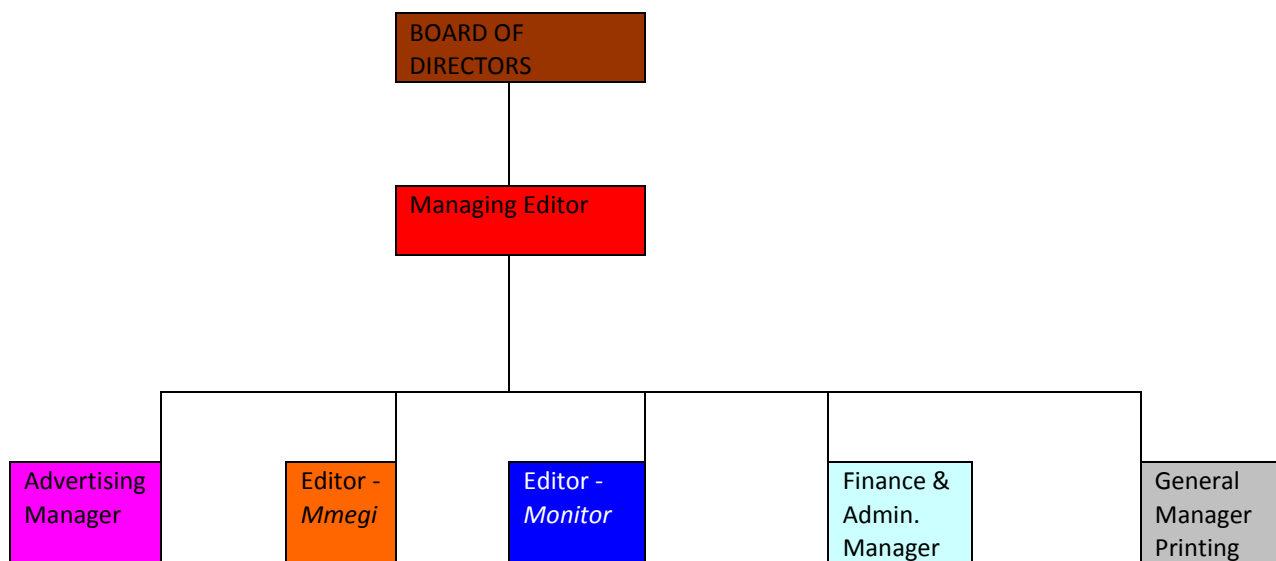
Essentially, the Trust is one organisation that destroys the value added by the companies. Some members of the Group have a strong feeling that people should choose between being an employee and participating in the boards of the Group of Companies. This should be treated in a serious light in the sense that employees, especially at senior management level, are allowed to take part in petitions, many of which would be against their Board members. Petitions usually result in the election or removal of Board members; this diverts attention from addressing the real corporate issues. Apparently, in some cases, the instability in the Boards and the Group at large is in management's favour; new board members must start from scratch studying their new environment before they can become productive. As a result, all Board appointees are new all the time and merely muddle through in the process, while actually being controlled by management.

- There is no drive as yet to implement corporate governance issues by DPC and the Group at large. However, the events that occurred previously as stated above indicate that the Group first needs to practise basic corporate law before even considering issues of corporate governance, or they need to adopt both corporate law and corporate governance principles concurrently. One of the recommendations of the Court in the *DPC v CBES Order* was asking DPC to co-facilitate a buy-in meeting to be held by MIH members around the sale/purchase transaction. All the events leading to the interdict were actually in breach of the shareholders agreement between DPC and CBES and the Companies Act. Therefore, to avoid a proliferation of cases, the judge wanted the individual shareowners other than the companies to discuss the issue at MIH level, in spite of the fact that DPC was the legitimate shareholder. Certainly, there are overlaps between corporate governance and corporate law. However, corporate governance is a 'nice-to-have practice'. It is recommended that any company needing to adopt corporate governance best practice should start with the basics of corporate law and at the minimum, the Companies Act.

Issues of corporate governance are often thrown up when discussing DPC. There are governing structure tools in place such as the Board and Committee Charters, dividend policies, shareholders agreements for some companies, the Companies Act etc. However, these are not put into practice and therefore there is an element of quantitative governance (or box ticking). This is the issue haunting the Group. On the face of it, corporate governance is being practised, but the reality is that the practice is at zero level.

#### **8. Current resources and corporate performance**

DPC has 156 full-time employees and 42 freelancers. The staff members are deployed in various departments, including the printing press. These numbers exclude employees indirectly employed in companies where Mmegi has investments, such as CBET (two-titled newspaper company), 'Your Friend' (GABZ FM 96.2 Radio) and Bonesa (a distribution company). Tables 9 and 10 illustrate the Group of Companies' pre- and post-network relationships, and below is the DPC organisational structure which reflects the main functional positions; it has left out clusters of other small positions below the main ones.

**Table 14 -- DPC current organisational structure**

Source: DPC Review of Strategic Plans (2008)

As DPC had been inherited from a Trust or formed by the Trust, the company faced financial difficulties in its early stages. The company's share capital was P6 million, sourced from the initial shareholders plus some amounts in the form of debt capital and overdrafts. However, the above amount of capital has since risen to P1.1 million. Production and distribution costs compounded the situation at the time. Paper sales still did not meet the required optimal numbers. During the first year of incorporation, the company ran at a P200.00.00 loss; during the second year it lost P169.000.00 and in the third year the company realised a break-even figure of P4.300.00. After that year, the company's performance improved, as evidenced by the results of the fourth year when the company declared a dividend. From then on, the performance of the company improved every year until the negative winds of change caught up with it and permeated the entire Group.

During the early years of running *Mmegi* newspaper, it was perceived as an opposition paper. This perception came about because the newspaper had started as a newsletter of the brigades' movement in Serowe. At the time, especially in the government arena, the brigades were perceived as cells for socialist ideas, and their ideologies were associated with the opposition. Also at the time, due to the weakness of the opposition, the ruling party tended to marginalise divergent views. Anyone who expressed such views was lumped with the opposition. However, since the 1989 general elections, this perception has faded away. This is currently demonstrated by *Mmegi* being accepted by a large cross-section of Botswana society as a quality and credible newspaper.

In view of the above information, *Mmegi* has been a good business and over the years has re-branded its products to remain in touch with clients and the newspaper industry. The newspaper has, to date, uncovered corruption and other scandalous malpractices, especially during its early years of publishing. It was involved in uncovering issues relating to a defunct newspaper called *Newslink* which was suspected of carrying out espionage activities in Botswana. In executing its social responsibility programme, the company has received many accolades and awards. These gestures clearly indicate its constructive interaction with society, which has improved the image of the company and its products. The following table show the awards it has received over the past 16 years:

**Table 15 -- Mmegi Social Responsibility Awards (1992 – 2008)**

Award	Year of Award	Awarders and Sponsors
1) Newspaper Publisher of the Year	1992, 1993, 1994, 1995,	Awarded by the Botswana

	1996, 1997, 1998, 2000, 2002.	Institute of Bankers and sponsored by Bank of Botswana
2) Promotion of Volleyball in 1994 Press Award	1994 and 1995	The Botswana Volleyball Federation
3) By CCP Records for their outstanding contribution to sales in excess of 20.000 units of HHP Album YBA 2 NW	2007	HHP Album YBA 2 NW
4) Annual Sports Award	2000	Botswana National Sports Council (BNSC)
5) Montsamaisa Bosigo Ke Moleboga Bo Sele	2004	Junior Achievement Botswana
6) Patronage of Sport	2003	BNSC
7) Print Media House of the Year	2002 and 2004	BNSC sponsored by Barloworld Botswana
8) Print Media House of the Year	2003 and 2005	BNSC sponsored by Barloworld Botswana
9) Print Media House of the Year	2008	BNSC sponsored by Orange
10) The Third Botswana Music Awards	2001	Sponsored by Mmegi, the beneficiary was Botswana Music Association (BOMA)
11) Newspaper rated No 1 overall by the Botswana business, SOEs/Parastatals and national/Local Government	2005	Awarded by PMR (Africa Professional Management Review)
12) Dedication and Outstanding support for Pudulogong Rehabilitation Development Trust	1999	Sponsored by Mmegi
13) Valuable contribution and continued unwavering support to the BNSC and its affiliates in the development of sport in Botswana	2000	Awarded by BNSC
14) Recognition of its contribution and continued support to Karate in Botswana	2002	Awarded by Botswana Karate Association

But with the change in the corporate regime, the company lost stability and its performance deteriorated. At one point, it was P1.900.000.00 below the profitability mark. The deterioration in performance could be attributed to the high propensity to invest without regard to 'due diligence' to projects; in other words, disregarding project appraisals and their implications for the entire portfolio of investments. Dysfunctional decisions were the order of the day in the Group due to disagreements among its members. Some members believe that the management also lost its entrepreneurial flair and ran out of the steam it needs to grow and be sustainable. To date, the company has produced mediocre results and no one seems to be surprised by the marginal performance. It seems it is business as usual every year. There are no targets set for management to psyche them up to reverting to the original initiatives that made the company tick or to do better or to change strategy. In spite of this, the company continues with its social investment projects, which detract from the profitability of the company as they are not properly co-ordinated so as to promote corporate mileage. The performance of the company for the past five years is indicated by the following financial results:

#### Key Figures in the Income Statement

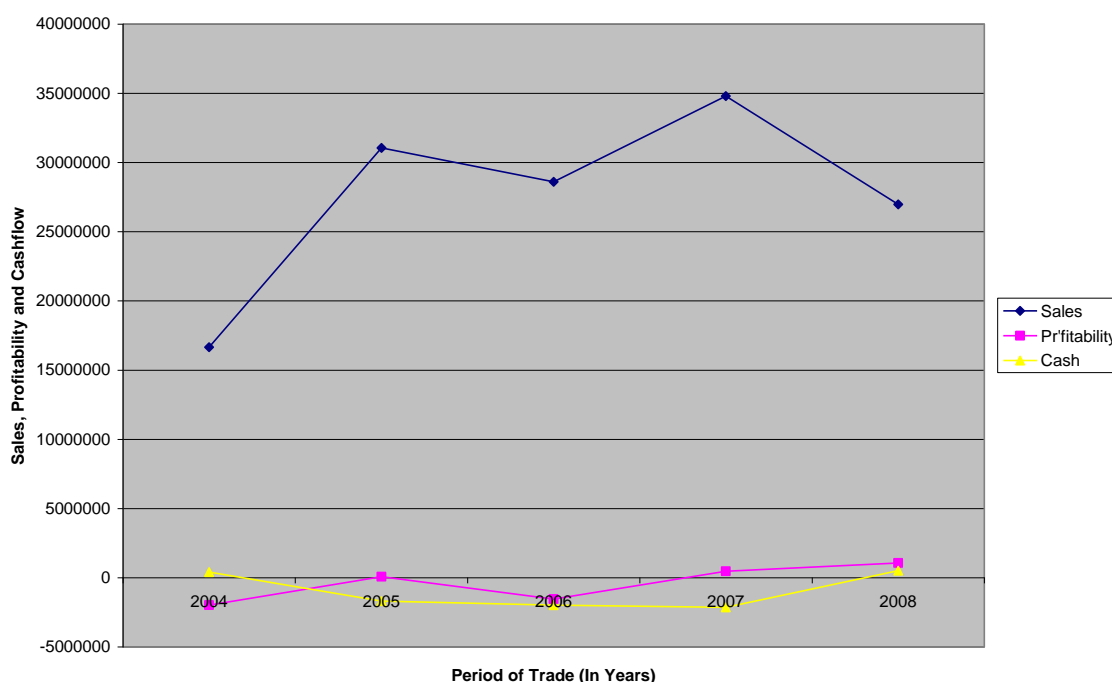
	2007/08	2006/07	2005/06	2004/05	2003/04
Revenue	26 966 050	34 796 627	28 604 664	31 046 640	16 661 297
Cost of Sal	(11 942 031)	(22 680 218)	(18 540 221)	(20 322 537)	(9 096 027)

Dist. Costs	(2 862 281)	(2 791 283)	(2 771 903)	(2 838 494)	(4 554 372)
Adm. Cos	(10 735 518)	(8 240 305)	(8 251 934)	(6 319 324)	(4 549 607)
Fin. Costs	(719 641)	(915 522)	(1 030 715)	(1 243 380)	(1 079 684)
Loss/Pro	1 059 252	459 315	(1 540 484)	74 839	(1 982 848)

### Balance Sheet

Invest.	1 475 287	2 648	2 648	2 648	399 187
Cash	502 212	(2 141 920)	(1 977 990)	(1 693 038)	410 974
Receiv	10 365 067	7 982 832	6 024 592	6 648 287	2 353 122
Payab	(4 599 909)	(7 349 648)	(6 035 898)	(4 572 178)	(3 981 110)

### THE FIVE-YEAR COMPANY PERFORMANCE



## 9. Future considerations and strategy

During some of the strategic reviews of the company, a SWOT analysis was done for every department and a consolidated corporate SWOT analysis was also derived. It noted that the company was not doing well and, in addition, had become self-destructive because of the behaviour of its executives, leadership and members. The relationship between the management and the Board was cause for concern. These issues persist today. There is infighting among the shareholders of the Group of Companies, members of the Trust and those who commonly share membership of both groups of organisations. Dysfunctional decisions continue to be made, to the detriment of the welfare and sustainability of the Group of Companies. Some members feel that the senior management of some operating companies are not helping the situation.

The managing editor of DPC is also a director of the company, a shareholder of MIH and a former MPT Trustee. This makes him one of the contributors to the dilemma of whether employees, who are also shareholders, should be debarred from directorship in view of the resulting leadership chaos. When his views were sought, Mr Mbuya had the following to say:

'I think the issue of participation of senior management employees in boards of subsidiaries of MIH needs careful discussion to come up with a clear policy. This would also relieve such employees from

being lobbied by faction oriented shareholders, and MPT members. A clear policy should be made to determine whether or not one's employment nullifies one's status as a shareholder of a given company. The conflict of interest that can arise from this situation needs to be discussed comprehensively, and settled once and for all.'

The recent Trust meeting did not show any potential reconciliation among the members of the Group of Companies and the Trust. It was initially hoped that the new Board of Trustees would constructively chart a way forward and call for reconciliation to achieve a lasting solution. On the contrary, right from the end of the Special General Meeting, some members made remarks that manifested a spirit of vengefulness. However, some members still feel that further avenues of reconciliation can be explored, failing which third parties should be brought in to run the Mmegi businesses, pending decisions on whether to continue together or part ways.

In the meanwhile, the company should review its strategy in view of the following considerations which are the foundations of the prior strategic plans:

- The realisation that the company's core business is the news and that it relies on packaging and delivering the news. Any form of competitive advantage should be based on improving the quality of the news.
- Building on the above point, the two newspapers, particularly *Mmegi*, should rekindle their strategy as investigative and news-breaking newspapers, the ideals which sustained them for several years. The newspapers are read by a wide cross-section of society and so should strive to present a strong content mix to cover the entire demographic readership.
- *Mmegi* newspaper through its editorial section usually expresses its opinion on unfavourable policy issues in order to pre-empt approval and implementation by government. The paper has on many occasions influenced changes in government decisions that are inconsistent with public policy. Staff should be trained regarding how to report on public policy issues.
- The company should optimally harness technological change in the newspaper industry to anticipate changes in the industry so as to bolster its competitive strategy.
- The Business Week is a part of *Mmegi* newspapers that is experiencing phenomenal growth. The purpose of introducing a pullout was to attract advertising as well as enhance business public relations. It has become the business community's source of business news, both nationally and internationally.
- Columns in the newspaper have also given *Mmegi* a competitive edge over other newspapers. Columns are monitored on a regular basis so that they can be phased out if they become stale.
- Newspaper graphics is the other area that requires development in line with current newspaper technology. The possibility of segmenting it as a cost and income centre to enable it to outsource its products so as to fully employ its capacity needs exploration.
- Another aspect of the strategy is to develop strategic alliances with other newspapers around distribution transport and printing. This can only be achieved by inviting interested parties to buy shares in companies involved in these services so that the *Mmegi* stigma as a competitor is removed from such businesses.
- There should also be a call for capacity building for staff members. Some departments lack the required competencies and capacity, for example the finance and administration department. Weaknesses in this department manifest in the poor quality of presenting strategic management accounts, lateness in producing statutory financial statements and poor internal controls.

In discussion with the Chairman of the company about issues relating to the poor performance of the company compared to past years when shareholders received a dividend almost every year, he looked at me pensively and made the following nostalgic comment:

'The dilemmas and challenges faced by the company are multi-dimensional, and certainly, threats to the welfare of the company are based on the dysfunctional members' attitudes of digressing from the common goal of advancing corporate imperatives to personal gains. My wish is for all members to consider the shareholders' expected returns, especially since the declaration of a dividend has long dried up. Of course, in terms of development, our paper is doing well and there is potential for growth

on the other fronts, but the current priority or missing link is the consideration of financial returns before the shareholders run out of patience.'

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