Chapter Five - *ThisDay* Newspaper and the South African Media

In chapter two, this study analysed perspectives from Curran and Gurevitch (1996), Bagdikian (2000), Murdock and Golding (1973), who all argue that media companies are first and foremost commercial organizations which produce and distribute commodities, and must behave like real businesses if they are to survive. Therefore, as a new media entity doing business, the success or failure of your product could depend on the effectiveness of the strategies employed by your management team. A few major groups dominate the South African media market. This concentration of media ownership and its stranglehold on the channels of printing and distribution makes the market a very difficult one to venture into and succeed as a new comer. It is possible however, with the right approach and strategy to find a foothold and even succeed. The previous chapter discussed findings on the concentration of media ownership and its effect on a new media entity. This section will discuss findings that incorporate the outcome of a series of interviews with key players at *ThisDay* newspaper. The purpose of the interview questions was to create an insight into *ThisDay* newspaper and reconstruct the processes that led to its entry and demise.

The interviewees were encouraged to express their views on the South African media and its relationship with *ThisDay* newspaper, answer specific questions on the inner workings and the relationship between various facets of the organization, the management and the editorial staff of *ThisDay*. The interviewees also discussed various issues raised by the research questions as well as a range of other firm and individual-specific questions. For this chapter, the interviews were aimed at examining *ThisDay's* strategies in their attempt to break into the South African market. It will examine the specific strategies used by *ThisDay's* management to attract advertising as a key source of revenue and how the failure or lack of such strategies could have played a contributory role in the collapse of *ThisDay* newspaper.

5.1 *ThisDay* Newspaper in South Africa

This study has established that *ThisDay* was an excellent general quality newspaper in South Africa. This is a major reason why its management's was able to attract the quality of editorial staff the paper had. For most of the staff, their experience at *ThisDay* newspaper was the best they ever had in all their years as journalists. They attributed this to the opportunity of working from very posh surroundings at Sandton, the business hub of Johannesburg. This cost the firm a monthly rent of 360,000 rand for two floors. They also received decent salaries, and the vibrant nature of the newspaper with its collection of the best editorial staff and talent to be represented in one newsroom in South Africa, was any journalist's dream. Working at *ThisDa,y* according to Harber (2003), became the "journalistic equivalent of a gold rush: that heady promise that makes talented people give up senior posts at established media for the thrill of shaping a new product". The brief that Obaigbena gave the journalists he headhunted, painted a picture of newspaper that would fulfil all the promises made only in journalism textbooks: editorial freedom, tons of money for financing fantastic marketing campaigns, a good pay package as well as excellent working conditions.

ThisDay was a very image conscious publication; its office was rented space from the Rand Merchant Bank in Sandton. The idea behind this was to be seen as operating from the very heart of corporate South Africa, the niche that would become being *ThisDay's* targeted market eventually. While it was rumoured[46] that *ThisDay's* financial backers had very deep pockets, this may have been a marketing strategy to send signals of financial stability to corporate South Africa. *ThisDay's* introduction into the South African media mirrored the intention of contributing to the national debate as well as becoming a political voice in Africa. As it was the first major daily in South Africa since the end of apartheid, as well as not having previous political leanings, it was expected that *ThisDay* would be instrumental in boosting the political debates that gave birth to or bolstered vibrant democracies.

[46] This may have been a cleverly manufactured piece of information strategically leaked by Obaigbena's public relations machinery.

5.2 *ThisDay* Management

It has been *ThisDay's* proprietor, Funder and Editor-in-chief Nduka Obaigbena's dream to own newspapers in other places in the world after the success he recorded with *ThisDay* newspaper in Nigeria. *ThisDay* represented the first major financial investment from Nigeria to South Africa as opposed to the huge influx of South African investment into Nigeria, so his entry into the South African market had political as well as financial implications. During a courtesy call on Nigerian President in 2003, Obaigbena disclosed that *ThisDay* newspaper being the first major Nigerian investment in South Africa, would employ about 300 South Africans and about 20 Nigerians. He stated that the new paper was in South Africa more importantly to advance the dreams that President Obasanjo and President Thabo Mbeki have on the New Partnership for Africa's Development (NEPAD) in trying to unite the African continent to fight poverty and underdevelopment (Matisonn 2005).

The first major recruitment was John Matisonn the editorial director who was hired in September 2002. He became a key part of the team that was responsible for the strategy and business plan. Matisonn's first assignment was to put together a fine editorial product, choose an editor, help choose the staff, and determine the editorial direction. He recruited Justice Malala as editor, identified the key staff and presented them to a team of interviewers that included the Editor and himself. The top editorial positions were chosen during these interviews. By the end of January 2003, *ThisDay's* core management team of 30 was in place, they included, Justice Malala- the Editor, Graeme King- the Chief Executive Officer, Sidney Clay- the Financial Director, Gbenga Oni Olusola- Managing Editor. These as well as senior members of the editorial management formed what was arguably a formidable team. In the initial briefing document circulated to the designers and editorial management, *ThisDay's* vision was to become a world class newspaper in Africa, a mix of *The New York Times*, *The International Herald Tribune* and *The Guardian*. The formula was to offer the best reporting in politics and business. In his initial brief, Obaigbena told his team that he had at his disposal 100 million Dollars for the paper.

In the initial management plans were consultants foremost of which were Philips Consulting, a Nigerian owned financial consultancy with offices in major cities of the world. The consultants were supposed to have been in charge of all the market surveys, due diligence assessments and development of the business plan. The consultants - Philips Consulting in particular did not have a firm grasp of the South African media landscape. They were not media specialists but general consultants. However, to their credit, they were dealing with a very strong willed entrepreneur. The consultants claim that the business plan was written by Obaigbena and that he refused to take any advice. However, *ThisDay* also had positive inputs from other consultants like Michael Herman, who had been the African editor for the *Financial Times* in London for 25years. Incidentally, he left *ThisDay* after falling out with Obaigbena and his reason for leaving was that he did not want to be associated with what he saw as a sham. He believed that Obaigbena was not being truthful by pretending he had money when he was actually insolvent. He was one of the few people who could stand up to Obaigbena and the only adviser who refused financial remunerations for his services. While he was involved with the paper, he gave quality advice at no cost (Malala, 2005). The first few months (Jan-Sept 2003) were spent on hiring staff, getting the right equipment in place and strategizing on how to break into the South African media market effectively.

5.3 *ThisDay* Management Strategies

Empirical studies are constantly investigating the relationship between concentration of media ownership and the control of news. This form of control or agenda setting as McCombs and Shaw (1972) would see it is most often motivated by the values of commercialism and entertainment. A more disturbing phenomenon, however, is the increasing interwoven relationship between the concentrated ownership of corporate media and corporate business. Wikipedia, the free encyclopaedia, argues that the long-term consequences of this are significant in conjunction with the continuing concentration of ownership and control of the media, leading to accusations of a ‘media elite’ having a form of ‘cultural dictatorship’[47].

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[47] http://en.wikipedia.org/wiki/Mass_media_and_public_opinion#Agenda-setting_function_of_modern_mass_media.

Media control could also be used for personal or political gain. The debate over the enormous influence yielded by media barons Rupert Murdoch who owns News Corporation, one of the three largest international media groups, operating in most sectors and most continents and The Right Honourable Conrad Moffat Black, Baron Black of Crossharbour, PC, OC (born August 25, 1944, in Montreal, Quebec), a British biographer, financier and newspaper magnate is one example. This control and its long-term effects on the media, is the subject of numerous studies.

In South Africa's version of control over agenda or editorial policy thrust, former *Sunday Times* editor, Mathatha Tsedu who was dismissed in late 2003, has argued that one of the reasons for his dismissal was that management and advertisers did not support his attempt to 'Africanize' the *Sunday Times* (Bennet, 2004). Tsedu's dismissal was one of the most contentious issues facing the industry in 2003. The dismissal led to a series of bitter accusations from Tsedu and Johnnic Communications CEO, Connie Molusi. In an official statement, Molusi noted that "Tsedu had failed to edit the newspaper in a manner consistent with his contract which, was to produce an independent quality newspaper that sustains democracy, is trusted by its readers and advertisers, is targeted at those people in LSM categories 6-10 and is profitable" (I-Net Bridge, 2003). Molusi also noted that Tsedu "was all too often not at his desk when key decisions had to be made." Tsedu argued in a series of newspaper reports that he was dismissed because there was much internal unhappiness over his refusal to run Ranjeni Munusamy's story on the allegations against Scorpion's boss Bulelani Ngcuka and because he was perceived as being anti-ANC (Sefara, 2003). *Sunday Times* publisher, Mike Robertson responded by pointing out that most of the journalists who had left the paper under Tsedu's editorship were black, contradicting Tsedu's claim that it was white senior staff that pushed him out (I-Net Bridge, 2003) (cited in Bennet 2004).

In a major departure, the editorial management at *ThisDay* were given the independence to determine the editorial policy of the newspaper. This it believed, would free the editorial team from what is often considered an overbearing oversight, letting them focus on birthing a product unrivalled in South Africa's media history. *ThisDay's* vision was lofty. Its management realised the major input needed to break into the South African market, thus the need to model it editorial after some of the worlds greatest publications. However, the management also realised that an excellent editorial content alone does not make a successful newspaper, this underscored the two-pronged strategy outlined for their product; the Management Strategy / the Editorial strategy. In its attempt to break into the market, ThisDay's management spent close to a year in strategy, while this was seen as a waste of time and resources, in essence putting in time to strategize could be an excellent exercise provided that the strategies work in the final analysis. This stage attempts a reconstruction of management's initial strategies to its marketing strategies.

5.3.1 Initial Strategies

The first strategy of *ThisDay* management was the recruitment of those they perceived as representative of the best editorial staff South Africa had. This was a major part of the strategy as Obaigbena believed that the best marketing of a newspaper was in the product itself. With a projected circulation of 100,000 for the first year, Obaigbena was certain that this target was attainable if the editorial team delivered on their mandate, which was an excellent paper with unparalleled news content. Another strategy from management was consulting with the staff on strategy. Fred Khumalo (2005) noted that staff were approached frequently by management for their input on the design, marketing and the future of the newspaper. Whether these interactions between the staff and management added value is still being investigated by this study.

In the strategy the management set a launch deadline for March 2003. This was to be proceeded by a major national road show to introduce the publication to all the stakeholders, the distributors, the advertising agencies, and the printers. The reason this was deemed an important part of the strategy was because the management figured that to break the printing and distribution monopoly, they would have to rely instead on the small town printers who printed the “Knock and Drops”[48] in most of the major centres that would serve as *ThisDay’s* launch pad. The next major strategy that was to complement the printing was to find a national distribution strategy. This subsequently led to the acquisition of the CNA stores.

The acquisition of the 71 former CNA stores and subsequent conversion to *ThisDay* stores became Obaigbena’s managements’ first financial mistake that considerably damaged his reputation as a financial guru[49]. The idea behind the acquisition was that CNA stores would become the distribution wheel of *ThisDay* newspaper. With those stores, it was assumed that *ThisDay* would have at its disposal 70 distribution points where people could access the newspaper. The acquisition would have added no significant advantage to the paper’s distribution, since the CNA’s main connection with newspapers was to provide a distribution channel for the sales of newspapers-any newspaper. “CNA would have distributed the paper whether we owned it or not” (Matisonn 2005). The decision was clearly a misreading of The South African market. Although distribution has its difficulties because the main distributor of the English speaking daily press, Allied newspapers was controlled by the competition namely the Independent Group and Johnnic Publishing limited, the difficulties however, were not insurmountable and CNA’s acquisition was not the solution. The solution would have been to target street sellers and cafes rather than a set of news agents.

ThisDay faced a severe lack of funds right from the beginning, which restricted its management from creating a sustainable demand for it as a product. It also reduced its effectiveness as a competitive product. The Central News Agency (CNA) stores that Nduka Obaigbena the Owner and Editor-in-Chief acquired were noted as being the failed stores of the group, the better ones having been bought by the EDCON group. The stores were eventually resold at a massive loss. This resulted in a severe shortage of funds. These stores contributed to *ThisDay’s* financial troubles and from then on it became

[48] Free circulation community newspapers now used as a major source of information and advertising in most South African towns.
[49] The financial success recorded by Obaigbena with his Nigeria publication had earned him respect and admiration with financial circles.

almost impossible to rectify the situation. Malala (2005), Davie (2005), Matisonn (2005), all argue that Obaigbena or his consultants never conducted a due diligence before the stores were bought. They all agree that management had hired consultants who added no value to the company's planning process. These consultants were not versed with the workings of the South African media industry. Malala (2005) noted that his advisers could have misled Obaigbena, though anecdotal evidence shows that he made a unilateral decision to buy the stores.

Matisonn (2005) argues that the decision to buy the stores was solely Obaigbena's, without consultation with his management. His management headed by Matisonn at that time tried to show him that the CNA stores were not a viable investment having already failed at the top and lower end of its market; at the upper end, with books and better related products, by the well-run and growing Exclusives chain, and at the lower end, with mass stationery such as exam pads and pens, by Pick 'n Pay, which sells such basics more and more on a mass basis to schoolchildren, etc (Matisonn 2005). Obaigbena in reassuring his management insisted among other things, that he had entirely separate funds and shareholders for the CNA business. He also promised to bring in from London, WH Smith the major players in this type of retail, a world expert on this type of business to run it. Matisonn (2005) recalls that the CNA acquisition delayed the start of planning for the paper, "I was asked by Obaigbena to spend most of the remainder of 2002 helping with various problems arising from the purchase of the stores, dealing with leases and PR, among other things".

A challenge encountered by *ThisDay* was the inability to acknowledge the market forces that prevailed upon the South African press. Market forces are external forces based on structures and choices in the market place. *ThisDay's* decision to go national seems to have posed its first challenge, as its management did not observe the due diligence needed to operate a paper of that magnitude. Justice Malala (2005), former editor of the paper, noted that if *ThisDay* had been structured as a regional paper, it probably would have stood a chance. Its target market was to comprise of educated elites who occupy the LSM6-10 and were likely to appreciate thoughtful serious quality journalism over sensationalised material. This segment of the market is highly competitive and *ThisDay's* circulation figures were not big enough to convince the advertisers of *ThisDay's* access to the market.

5.3.1.1 Marketing Strategies

The next strategy involved marketing the *ThisDay* brand to South Africa, Obaigbena who started his career in marketing, understood the need for serious marketing. He understood that a great editorial could only go so far, so he promised to spend about R15million on marketing alone. Obaigbena retained the services of Jupiter Drawing Room, an advertising agency in Johannesburg that has an excellent reputation and were thought to be the kind of people who understood newspapers. Nobody knows how much money was spent on the agency as Obaigbena dealt directly with them but the only significant advertising done was a CNN advert on *Inside Africa* that cost the company Two million rand. Matisonn (2005) notes that this money was spent without the knowledge of the management and he wondered why such a huge amount would be spent marketing to the wrong people when the real audience in South Africa was neglected.

The marketing drive could not take off, as the finances were not available, there was very little money to do any advertising. Consequently *ThisDay's* launch date of March 2003 never materialised. By the time of the launch in October, *ThisDay* only had three pole advertisements and three billboard advertisements in Johannesburg. There were no television advertisements in South Africa. The only radio adverts they had were discontinued after two days; the stations realised that they weren't going to be paid for it. The speed posters were also not very helpful, in the first instance; there was very limited space for the so many newspapers that advertised. Whenever *ThisDay* did appear, it was placed on top of the pole. These often confused consumers, since *ThisDay's* brand was not established yet, customers thought that the posters meant This Day's news on *The Star* (McAuliffe 2005). Consequently the only marketing that *ThisDay* got was from the personal appearances of *ThisDay* top management on radio talk shows, the editor Malala spent a large deal of his time speaking on air but like he acknowledges, "it was no replacement for money" (2005). The billboard advertisements however were a first in

South African media history. It was considered innovative and has consequently been copied by other media groups like the Nova newspaper billboards scattered around the Johannesburg metropolis. The only real marketing done by *ThisDay* were the adverts they had inside the newspaper. This was also a ploy to fill up space but that could only continue for two months as the 32 page spread was quickly cut down to 24 pages due to lack of finances. Eventually all the management could hope for was that the number of subscribers would grow through word of mouth. This kind of street-level buzz had proven to be very successful with the Nigerian market.

A major problem at *ThisDay* was the continued assumption that Obaigbena would somehow find some money to fulfil the staff expectations. There was never a time where people faced up to the fact that these promises from Obaigbena were just empty promises which kept up the false facade of bravado. Malala (2005) in recollection, notes that Obaigbena has a charismatic way of talking to his staff, such that even when they had threatened civil action, he always managed to calm frayed nerves. Since there was no money to go on with the marketing ideas and plans, *ThisDay's* management had to resort to having their printing and distribution done by Allied Printers; a company owned by their major competition the Independent Group. This, as shown in chapter four, coupled with the fact that they were not paying their suppliers went on to cement their doom.

5.3.2 Editorial Management Strategies

On the editorial side, it is safe to assume that the strategies developed were mostly successful. The editorial's first mandate was to create an up market daily national paper, with a fresh and bold coverage of national issues as well as Africa in general. It was to be printed in four centres, Johannesburg, Cape Town, Durban, and Port Elizabeth. *ThisDay's* editorial strategy focused on how to develop a paper that would break out of the conservatism that was a trademark of South African newspapers. They wanted to develop new ways of reporting and not stick to the safe haven of copying each other's headlines. To Davie (2005), it was like being given a blank cheque to design a quality newspaper; an exciting opportunity that did not happen often.

Matisonn (2005) notes, that the newspaper needed the promotional spin of being the first daily paper under democracy that would document the vibe of the new South Africa. A part of the strategy was to own stories on media/information economy, from the entertainment and business point of view, *ThisDay* needed to break news to build circulation, and have strong analysis. The editorial felt the need to focus on the cities, setting the agenda on issues like Blue IQ[50] and the movement back into the cities. It however began to look as if the strategising was taking too long to achieve. This earned *ThisDay* the name *SomeDay* in most rival newsrooms. However, Malala (2005) believes that had it not been for the financial constraints, they would have been able to deliver as early as April, since the core team were already in place and rearing to go. In consolation the editorial staff spent their time brainstorming on ideas for dummies.

A major consultation process went into the dummies that were produced before the paper was launched. These dummies were supposedly used to test the target market on a survey for feedback. In spite of all the time spent brainstorming, *ThisDay's* first dummy edition was only completed in June 2003, three months before its launch. While it is hard to say why it took so long, a major factor was that the editorial had set very high standards for the paper so they just would not accept anything and with some of the best editors in the country they could only strive for excellence. A proof of the high standards at *ThisDay* was the dismissal of a young journalist who was caught plagiarizing TV reviews meant for the first edition. She was caught before *ThisDay* even went to press. The circumstances that brought about the launch is quite interesting. Charmeela Bhagowat who the news editor at the time, recalls that Obaigbena came into the office one day, called his management together and told them that they had to go to press and from then on it was rushing to put everything in place for the launch (2005).

ThisDay met with stiff competition from its rivals, as its entry was first perceived as heralding a price war. *ThisDay's* copy price of three rand immediately sent out signals

[50] Blue IQ is a multi-billion Rand initiative of the Gauteng Provincial Government to develop economic infrastructure for specific major projects in smart industries, high value-added manufacturing and tourism. Blue IQ works in partnership with business and government departments as a catalyst to promote strategic private sector investment in key growth sectors of the Gauteng economy (http://www.blueiq.co.za/what.asp).

that it was an attempt to under cut *The Star's* copy price of three rand fifty cents. This can actually be said to have been a major blunder. While Picard (2002) argues that switching costs - which are the costs consumers are willing to pay to shift loyalties to new products, could become a major barrier to entry. *ThisDay* was aiming at a target market that had a lot of disposable income, therefore selling the paper at five or six rand would not have mattered to the consumer. Malala (2005) notes, that the management should have priced the paper higher, "it should have been cheaper than *Business Day's* copy price of five rand (that was then, *Business Day* cost a lot more nowadays) but more expensive than *The Star*".

On the other hand, since *ThisDay* did not have a marketing budget, Davie (2005) argues that its pricing could have been a marketing strategy to acquire more readers. Fierce competition existed on the quality of news content. *ThisDay's* general quality news approach with its excellent business news coverage, became a major attraction to consumers who were switching from the competition. This prompted the overhauling of content and format by major titles of the competition. *The Star* re-launched it front page format- with screaming tabloid style headlines and photographs. It even became a little more sensational in its news coverage. It headlines and those of *the Citizen* or *the Sowetan* became increasingly similar. *Business Day* for one was worried. For months it introduced new writers, features, inserts and strengthened its business analysis in a bid to stay attractive to its customers.

5.4 Management and Corporate Governance

In the midst of all the problems faced by the newspaper, serious cracks were already showing in management. The first problem started with the non-payment of staff salaries. In South Africa, most workers expect their paycheck by the 24th day of the month. At *ThisDay,* because of irregularities in the payment schedule, the staff were not getting their salaries on time; they were even owed for two months at one time. As staff was already showing signs of discontent, this situation added to their disillusionment. A lot of them were already in financial crisis; many had to pay property bonds, school fees, and other bills and were not meeting their payments. The junior staff was most affected as most of them were blacklisted and their properties repossessed. Frank Nxumalo, a journalist who joined *ThisDay* four months to its closure, was one of the affected staff. He blamed management and the huge salary bill for his misfortunes; he argued that a major problem was that whatever little money came in as revenue would have to be used to pay the fat salaries of a management he considered the worst in South Africa's contemporary media history. He laments bitterly that, "It is an abnormal situation when money comes in from Nigeria, lets say around four million rand and its not even enough to pay ten salaries, which triggers a lot of resentments who gets into the front of the queue as far getting paid was concerned"(2005).

Management also was at war with itself; they were not united enough to provide a united front that would confront Obaigbena on these issues. Malala (2005) noted that those bold enough to disagree (like Michael Herman, Charmeela Bhagowat) also quickly left, but the rest of the management were either too afraid to confront Obaigbena or were busy fighting over their turf. Malala admits that maybe they were all too scared to jump; after all, they were earning a lot of money. Malala admits that he was paid 1.2 million rand a year. It was not a big deal he would like to believe, as he knew of other editors who were give a package that included a salary of R800.000 a year, a sport utility vehicle as official car as well as stock options and bonuses at the end of the financial year. He believed that these huge salaries played a big role, "Management were covering their asses. If Herman left, what did that say about the rest of us? We did not have integrity and that is a big thing to me. I do not absolve myself of blame; it was an indictment on us" (ibid). While they were civil to each other on the surface, the cracks had deepened and there were divisions amongst the loyalists and those who wanted positive change. Malala recalls that when *ThisDay's* problems started surfacing, some members of management had already formed camps with the intention of getting a competitor to do a hostile takeover.

> At the beginning I did not believe that a hostile takeover would work or was the right thing to do, I felt that some of the motivations had racism as their foundation. I did not believe that politically it would work and most importantly I did not believe that any one of them in management had the right to do that. Four months into the launch, I went to Obaigbena and told him that some of them were planning a hostile takeover (ibid).

Malala argued that he believed they (the dissidents) saw themselves as future media moguls and wanted to take away what Obaigbena had started.

There was also a clash of cultures in the way the South African staff and the Nigerian staff reacted to the crisis within the organization. The Nigerian staff were accused of displaying a reverential attitude towards Obaigbena and would never criticize his policies when the other staff were doing so. This brought about a level of mistrust amongst the staff. However, this could have been a reflection of the Nigerian culture. In Nigeria, salaries payments are often late, and in some extreme cases not paid for long periods of time. This development was not unusual to the staff members who were Nigerians; they were used to being owed salaries. The management of *ThisDay* never had the chance to evolve or adapt to the South African business culture. There was no corporate governance at *ThisDay*[51]. Gompers, Ishii and Metrick (2003) argue that companies who observed corporate governance ethics benefited on the long term because, firms with stronger shareholder rights ultimately ended up with higher firm value, they also achieved higher profits, higher sales growth, lower capital expenditures, and fewer corporate acquisitions.

At *ThisDay*, the staff had no established culture of organizational or financial accountability and there was no real organizational structure. While there were a few attempts to change things, the will to do so was not there. There was no clear chain of command. T*hisDay* staff and management however operated on the assumption that they had access to ‘tons of money’ as Harber (2003) would put it. Obaigbena led his team to believe that he had an inexhaustible source of funding; spending it was not meant to be a problem. In the midst of this spending spree and with the irrefutable evidence that the phantom source of funding had been exhausted, there were no mechanisms in place to properly manage the funds that they had access to or lines of credit they expected to

[51] Sir Adrian Cadbury in his speech on the ‘Global Corporate Governance Forum’ defined corporate governance as “being concerned with holding the balance between economic and social goals and between individual and communal goals” (2002). He noted that the corporate governance framework was there to encourage the efficient use of resources and equally to require accountability for the stewardship of those resources. The aim was to align as nearly as possible the interests of individuals, corporations and society. (http://www.google.co.za/search?hl=en&q=What+is+Corporate+governance&btnG=Google+Search&met)

access. It is tempting to blame this on staff salaries. While the remuneration received by *ThisDay* staff was certainly above the existing industry standard, most proponents felt that they were finally earning a living wage[52]. In South Africa it is a known fact that journalists (especially the junior ones) are normally paid a pittance compared to the amount of money the newspapers earn from sales and advertising. However, a few respondents (Davie, 2005; Cruz, 2005; Mcefa, 2005; Nxumalo, 2005) were in agreement that the remuneration received by management – many of them actually redundant was ridiculous. *ThisDay* top management earned between themselves about 50% of the overall staff salaries.

ThisDay had amassed a large staff (175 staff members at one time) that in most cases was not doing anything and freelancers also earned top rates at *ThisDay*. The salary bill at *ThisDay* was its biggest cost, a major source of financial drain as resources were channelled to the wrong purposes. *ThisDay* management's decision to locate its office in Sandton, the most expensive business district in Johannesburg and its monthly rent of 360,000 rand for two floors was totally unreasonable. It should have been located in an area like Park Town, which is a predominantly affordable suburb on the outskirts of the Johannesburg CBD; there it could have paid a fifth of that amount. Other major groups like the Independent stay in downtown Johannesburg which offers the lowest rates for commercial purposes. *The Star* however owns its premises; it has been operating from the same address for over four decades. Former editorial director John Matisonn notes that he personally resisted the move but was overruled by Nduka (2005).

Obaigbena was the chief and financial director; the final decision on any matter often rested with him. There was the major complaint that even after an attempt at consultation with his management, he would go ahead with his decision anyway. Obaigbena, in his Nigerian operation treated the organization like a family business. This is based on personal observations made by this researcher and interactions with personal friends who have worked at *ThisDay* Nigeria. But with the South African situation, it is easy to

[52] Cruz (2005) emphasized that for the first time in her twenty years as a journalist she felt that she was being paid what she deserved.

speculate that he could not adapt to the business culture. Davie (2005) notes that "Obaigbena ran his operations the Nigerian way... he ran things like a big popshop around his personality".

The top management felt that their roles in that paper was being eroded, they believed that they were constantly undermined by Obaigbena, Matisonn (2005) notes that, "my role as Editorial Director was completely eroded over time... Instead of us doing our jobs and being held accountable to a board, we tried to do our jobs and then Nduka would go direct to our staff and set different directions". Matisonn believed that it was an intolerable intrusion that made his job impossible. He also noted that critical meetings to discuss editorial content either were so large that the opinions of administrative staff with no newspaper background were given equal weight to his, which further eroded his authority. This approach led all staff, managerial and editorial, to believe they could ignore their bosses provided they jumped when Nduka called. One manager said, "When Nduka says jump, I ask how high?" (ibid). Obaigbena, to his credit was a charismatic leader admired and respected by most of the respondents. They felt that he was a visionary with a lot of bravery, inspite of his administrative slip-ups. They admired him for his charisma and entrepreneurial abilities. Until the very end when *ThisDay* shut down, most of the remaining staff still believed that like a magician he would wave his magic wand and make everything okay.

Obaigbena fits the profile of the mega executive in Finkelstein's (2003) book -*why smart executives fail*[53], which asserts that a company's failure could be attributed to the individual running that company. While failure of this nature could be attributed to the whole senior management team and not the Editor-in-Chief, Obaigbena however was so domineering that the very senior executives could not disagree with any direction he decided to take, and since they did not, it lead to serious consequences. Obaigbena had in more than one instance disciplined or threatened to dismiss the more outspoken ones. A solid corporate governance approach with oversight from a board of directors would have

[53] Sydney Finkelstein decided to study failure experienced by companies and their executives instead of doing the popular success story cum biography.

saved *ThisDay's* organizational structure but empirical evidence reveals that most entrepreneurs who cannot separate themselves from their companies often employ a weak ineffective board or at least people who are loyal to them.

5.5 Crisis Management at *ThisDay*

5.5.1 A newspaper in Trouble

At *ThisDay* finally, came the realization that assessing funds from Nigeria was becoming more difficult. To compound the situation was the inability to access credit facilities from the South African financial sector. The widening cracks revealed a newspaper in serious trouble. Payment of staff salaries at *ThisDay* became even more irregular, the staff medical aid scheme also fell apart from lack of payments. Further investigations revealed that *ThisDay's* management had defaulted on their tax payments as well as contributing their quota to the staff pension funds. These revelations by the gleeful competition sent out signals of distress to the South African media and staff began shopping for new jobs. Muller (2005) notes that these happenings at T*hisDay* went a long way in ruining the little credibility *ThisDay* management had with its stakeholders, advertisers were worried that if a newspaper could not pay its salaries; what guarantees did the industry have that it would survive?

Further revelations of *ThisDay's* indebtedness to its printers, its distributors, its suppliers of furniture, computers were made public. It became public knowledge that *ThisDay* was haemorrhaging from all corners and yet it kept up with the facade of opulence. Malala (2005) recalls that Obaigbena seemed obsessed with not being seen as desperately needing money so he kept up with his promises of accessing more money. To *ThisDay*'s office manager Sumitra Cruz, his method of throwing in an extra thousand rand or two into the staff salaries whenever he finally paid kept the staff satiated (2005).

However as it became more difficult to access credit, *ThisDay* management went into crisis mode, the importance of advertising revenue was magnified and all various strategies were explored to access advertising for the newspaper. Charlotte Bauer recalls that during that period, the strategies for getting more advertising were getting more and more desperate from the management. The editorial came under pressure from people like Graeme King every week to try something different, “in the end, the really one good thing we had going for us which was our editorial content, was being messed with, because there was this kind of wild, unfocused, lost the plot, out of control desperation to get the ad spend in” (2005). Louise McAuliffe who worked at the circulation department however recalled that she continually challenged the staff to be proactive at individually selling circulation,

> But they were weary of my optimism, they mostly said, can somebody please hold this woman down because she’s just driving us all mad! I mean, I would send out an email saying if each member of staff, say perhaps 250 people each went out and sold 5 subscriptions per day, we could increase circulation by x percent. And I then went further saying, if we sold 10 subscriptions each per week of circulation would increase by…. And I sort of worked it out that over a month, if everybody who worked in the building just did a little bit, even just tried to help by selling 2 to 10 a month; it was incredible what our circulation would have actually built up to (2005).

The staff did not emulate her optimism and the pressure from management did not also cease; if the circulation had increased, then maybe they would have avoided the crisis that the newspaper encountered over circulation.

5.5.2 <u>The MTN Yellow Paper</u>

A most desperate and significant strategy to get advertising presented itself when Mobile Telephone Networks (MTN)[54] approached the Marketing department in February 2004 with a proposal to mark MTN’s anniversary with a full paper advertisement. Normally, that would have been a great idea. The catch however was that they wanted the whole paper printed in Yellow which is MTN’s corporate colour. This generated a lot of debate. The marketing personnel in-charge Naomi Mackey was almost lynched by journalists in the newsroom the first time the idea was broached. It took the management three months to make a decision, the major motivation for the MTN yellow paper was money. *ThisDay*

[54] MTN, which started as a South African company, is now a growing multi-national company that is seeking to expand its African Footprint and expand into the Middle East. The company already operates GSM networks in eight African countries that collectively service the needs of more than 17 million subscribers as at June 2005 (www.mtn.co.za).

was in serious financial straits and the money offered would even out the advertising for the month. Although some editorial people expressed their concern, business editor Kevin Davie (2005) explains that when tempers had cooled, the editorial team's excuse became, we may not be very comfortable with this but we are giving it a go, we are a new paper, "from the marketing angle if you said to me was it a success or a failure? I'd say to you it was a success".

While *ThisDay* might not have been the first publication worldwide to do that, - *The New York Times* has had '*wrap a rounds*[55]', Malala in retrospect notes that it was a terrible mistake made out of desperation; a theme that is re-echoed by Anton Harber (2005), "the yellow paper for me smacked of desperation, it show that *ThisDay* was in trouble financially. In journalism you don't do that, you are compromising the paper's editorial stance and reputation". Davie in the newspaper's defence stressed that he felt that the paper's reputation was not compromised, "we wrote very hard hitting stuff about MTN after that so you need to judge the paper on what it wrote, what it said" (2005). He notes that the low marketing effect was good. It got people talking about the paper, but he however conceded that it only would have worked as a one off thing. *ThisDay* became a laughing stock in rival newsrooms through out South Africa. Journalists from all walks registered their outrage and spoke at length of the danger of giving the advertiser too much leverage in the newsroom.

McManus (1994) supports this theory by noting that newspapers have exchanged their journalistic motivations for a more ominous business agenda. From the advertising point of view, the MTN yellow paper was seen as an innovative breakthrough; advertisers believe that the so-called editorial stance was nonsense. Muller (2005) stresses that newspapers should realise that the only way to make money was to offer an irresistible vehicle to advertisers, the economy he noted would benefit in the long run.

[55] This is a form of advertisement which involves wrapping a newspaper with an advertiser's corporate logo.

5.5.3 *ThisDay* Circulation Crisis

ThisDay's woes worsened when the editorial director Matisonn walked into an editorial meeting and delivered very disturbing news. He announced that the South African Advertising Research Foundation (SAARF) was coming out with ABC figures that show that *ThisDay's* circulation of 32,000 copies had been falsified; the actual sales figures were put at 18,000 copies pay day. Until today, *ThisDay* management has never made a formal explanation to the industry on what happened, but this study reveals that the management never audited their circulation[56]. Fred Khumalo attempts an explanation, "we would do what we call bulk sales and we would be corporate sponsors of an media event and we would give them newspapers at a discounted price and we billed that as distribution and actually this is what the major groups are doing. You go to the Rand Show and you get *The Star* for free and they bill that as their ABC circulation figures" (2003).

The circulation of a newspaper is determined by counting the number of copies that have been returned to the office after sells; at *ThisDay* this was not done. Malala (2005) while acknowledging that as editor he could not absolve himself from blame, notes that the CEO King and the distribution manager kept the whole management in the dark. They had claimed in their defence that they worked on the basis of the figures given to them by the printers and not the returned figures. Management was actually told in meetings every Monday that the paper was doing great in circulations. He reveals that when it became apparent that the circulation figures were not true, heads should have rolled, and they should have given themselves up to the ABC which management never did. Obaigbena however sacked the distribution manager and it was business as usual. Malala notes, "Nduka claims he was misled, I am claiming I was misled, everyone's claiming they were misled" (2005). Matisonn also resigned form the paper soon after this period.

[56] The Audit Bureau of Circulations of South Africa (ABC) has formally adopted new guideline on circulation figures. This matches a global trend to provide information on a more frequent and transparent basis to the advertising and marketing industry, the ABC will now report audited circulation data on a quarterly basis. Although the changes were initiated more than a year ago, the new rules will apply to circulation data for the first quarter of 2006 and will be reported by the ABC in mid-May 2006. http://www.mg.co.za/articlePage.aspx?articleid=257143&area=/breaking_news/breaking_news__national/

5.5.4 Crisis management

The culmination of these problems faced by *ThisDay* resulted in shift by management into a crisis management mode; a more effective initial move would have been to cut down on its lavish spending. They tried this but could not succeed, as they needed even more money to effect the reforms, the last option left was to approach outside investors to invest in *ThisDay*. This move had been suggested earlier by a faction within the management but had been effectively diffused by Obaigbena's hardliner tactics. He did this by threatening to dismiss or take disciplinary action against anyone he believed to be sowing seeds of dissent. Malala (2005) notes that management approached several investors without Obaigbena's knowledge, there were various elements to the approaches; Obaigbena as a partner, a new company formed etc. Other members of management went to other media companies for help but met with a brick wall, these companies were not going to take the plunge because of their interest in Nigeria; "Management was not united; it was at war with itself, covertly and overtly. We approached almost everybody we could think of" (ibid).

Matisonn also tried to persuade Obaigbena on taking on partners, he notes,

> When I saw the company did not have the cash Nduka had given us to expect, I talked to him about alternative investors and went and found serious investors and negotiations were begun. He called me all the way to Nigeria, and when I got there told me never to do this again (2005).

In a masterful stroke at curbing what he saw as dissent amongst the senior management, Obaigbena had a meeting with them – one by one and gave them ultimatums, to leave or stay loyal, the management opted to stay. Obaigbena in retrospect did not seem to want a partner, he wanted to be their friend (potential investors) and equal, he did not want to be seen as desperate for help from investors. This is a theme echoed by most respondents of this research, Davie (2005) notes, "I was of the view that it would be rescue, but Nduka, would not want to be a minority shareholder, but it became clear towards the end that if you were buying it you were buying all kinds of liabilities" (2005).

5.6 *ThisDay's* contributions to the South African media

It would be a disservice to posterity to conclude that everything about *ThisDay* was bad news. It made major contributions to South African journalism. This study would like to acknowledge some of the noteworthy ones. *ThisDay's* major contribution to the South African media was its excellent editorial, both in staffing and content. In this aspect, it led the pack on several levels; the direct result of this was that the competition had to elevate its level of journalism to stay relevant. Picard (2002) argues that the amount of competition between media and media units would affect the development and success of those media firms. *ThisDay's* editorial focus was on issue driven journalism; a sharp contrast to the events driven stories that its competition turned out daily. Because of this approach, it was able to lead the national agenda with several stories that it broke, some notable ones include,

- The 'Off the record' story which involved former National Prosecuting Authority's (NPA) National Director Bulelani Ngcuka. The off the record story arose from the investigations into the South African arms deals in which Ngcuka, in an informal briefing to Black editors, noted that he had *prima facie* evidence to show that the then Deputy President Jacob Zuma was involved in corrupt practices to enrich himself. The principal actor in this he said, was Schabir Shaik, Zuma's financial adviser, the brother of Chippy Shaik, a government arms procurer. Schabir Shaik was a director of a company that won a R400 million tender in the arms deal. In August 2003, Ngcuka, then the director of public prosecutions, announced that though *prima facie* evidence existed against Zuma, he would not be prosecuted.

- This resulted in the Mac Maharaj / Bulelani Ngcuka apartheid spy allegations. This was a direct response to the 'off the record' saga by Ngucka's opposition, Maharaj was furious that his name had been impugned both by leaks from the NPA and allegedly, in comments made by Ngcuka's off-the-record briefing. The opposition then leaked allegations of his involvement as a spy to the apartheid government. This led to a huge controversy and resulted in litigation. Investigations into these allegations are still going on to date.

- The follow up on the Schabir Shaik Arms Deals. This has resulted in the conviction of Shaik on corruption charges and consequently, former deputy President Jacob Zuma, who is alleged to have been the beneficiary, has been indicted for corruption as well.

- *ThisDay* engaged in excellent investigative journalism. One example is the 'Travel Gate Scam' in parliament that exposed Members of Parliament (MPs) who were accused of fraudulent practices with their travel vouchers. Most of the affected MPs have since resigned and others have been indicted in court.

- Commentary on the Black Economic Empowerment (BEE) and the Standard Bank deal. The shares the banks were floating were said to only enrich a group of black elite. *ThisDay* set the agenda for the analysis of the BEE, the model that other papers are following today.

- *ThisDay* raised the standard of journalism in South Africa, its stylish cover design and page setup made it the best looking daily newspaper in South Africa (Khumalo 2005). The effect this had on the competition was profound, *The Star* and other dailies had to re-design their papers as well.

- *ThisDay's* excellent business coverage was issue driven. It differed from the usual lacklustre reports that business journalists gave out. This prompted consumers who would normally have bought *Business Day* to switch allegiances (Davie 2005).

The Shaik / Zuma affair is still generating a large amount of interest two years after *ThisDay's* demise. *ThisDay* is also the first newspaper that made an attempt at decent remuneration for its staff. Although the mismanagement of this aspect also contributed to its demise, journalism has not been the same in South Africa. Journalists now know that it is possible to take home a decent wage. *ThisDay's* billboard advertisement was also acknowledged as an innovation. This was the first time a newspaper publicly advertised its product using billboards. As a result, major newspaper groups now resort to billboards in marketing their products. The *Nova* that has just been closed down was an example; its giant billboards were displayed prominently in Gauteng province.

5.7 The Final Closure

ThisDay's last days reveal a newspaper fighting for its life, but it was a half spirited fight as the signs leading to its closure were already apparent. It was heavily indebted to creditors, suppliers and staff. Talks or threats of litigation hung over its management. On the other hand, *ThisDay* was haemorrhaging staff and talent. Advertisers were already talking of pulling out of their contracts with the marketing department. A palpable air of uncertainty and tension reigned in the newsroom. Louise McAuliffe (2005) recalls that the remaining staff had reached the point where they felt that every new day would be the newspaper's last.

By the last month of its existence, the news editor had decamped and the task of editing fell on Charlotte Bauer who recalls, "The night the paper closed down I was sitting on the news desk as the news editor, something I hadn't done in 15 years because the news editor had walked" (2005). *ThisDay's* final closure was a culmination of events which finally caused the withdrawal of advertising support from the newspaper. While the paper's advertising revenue for the last month still peaked at about four million rand, the ominous signs of advertisers staying away were already present. With the reports of *ThisDay's* falsification of circulation figures circulating around the South African media, *ThisDay* had ceased to be a viable vehicle for advertisement.

While the whole industry waited for *ThisDay* to fold up (a situation fuelled by rumour driven speculations), on 26th 0ctober 2004 in a press conference, *ThisDay* management's headed by Obaigbena announced that the paper was suspending publication until Monday November 1st pending negotiations with strategic and financial partners. A date for resumption of publication was to be announced on Monday. Obaigbena noted that management would work out a comprehensive plan to deal with debts and hope to clear staff debts in a few weeks. At the conference, *ThisDay* management gave a strong impression that negotiations with enthusiastic shareholder groups that would culminate in a decision on a strategic and financial partner for the current shareholder were going on, and management promised to make an announcement soon.

Monday 1st November 2004 came and went and there was no announcement. *ThisDay* newspaper never again went to print. Its staff had either dispersed or was re-absorbed into the major media groups. Obaigbena however, retained a core group which he noted would help strategize on *ThisDay* re-launch as a weekly newspaper. Eventually, they also have dispersed to other newspaper groups or other businesses. The only notable member of staff who is not currently employed in the press since *ThisDay's* demise is Malala who is on the final stages of launching a financial magazine.

5.8 Conclusion

Inspite of the excellent editorial content that *ThisDay* came out with, this did not prevent its closure. It had to grapple with too many challenges, most of them internal. The strategies that its management adopted, as well as the business plan, were way off the mark. It also had problems with its corporate governance culture. This further crippled the newspaper and eroded staff morale. The underlying reason for most of the problems management encountered was the constant shortage of funds to run a paper of *ThisDay's* magnitude. With the realisation that sources of financing were drying up, management was forced to adopt radical ways of attracting revenue. This led to the MTN yellow paper.

The crisis at *ThisDay* climaxed with the circulation scandal, this prompted the few advertisers who had a relationship with the newspaper to withdraw their support. Although many bad things happened to *ThisDay,* it also made some noteworthy contributions to the South African print media and theses contributions are still being felt today. With the demise of *ThisDay* newspaper and recently the *Nova*, it seems that the South African print media environment has closed its doors to new entrants.