



NBC debacle is a good example of bad decision-making

By Susan Todd/The Star-Ledger

January 22, 2010, 6:00AM



Michael McGrath, chief executive officer of the Thomas Group, discusses why companies and executives exhibit weak decision-making skills.

Decisions, decisions.

NBC certainly isn't the first company to make a bad one, but the television network's controversial fumbling of its late-night talk shows could become the latest textbook example of flawed decision-making.

Michael McGrath, chief executive of the Thomas Group management consulting firm in Newton, Mass., spoke recently with *Your Business* about the unintended consequence that undid a strategy many observers, including McGrath himself, initially considered to be brilliant.

He also shared his thoughts on why companies and executives exhibit weak decision-making skills and why one business decision stands out among the best of the decade.

Q. Are there characteristics that are common to good and bad decisions?

A. There are some common ones, but it's not as simple as saying there's a single formula for making all decisions.

Q. What went wrong in NBC's decision to move Jay Leno to a prime-time slot?

A. The cost of producing television programs had skyrocketed, and in a typical hour slot, they had a hard time making money. What NBC did with Jay Leno was fascinating. It was a lot cheaper than drama. It cost NBC \$300,000 per hour, whereas a drama would have cost \$3 million per hour.

Even if viewership dropped, they would still make money. Leno's contract was up and he was going to go to another network potentially. It would have been a bigger fiasco if he went to a different network and was up against Conan O'Brien.

But what they didn't consider was the impact it would have on affiliate stations that do the nightly news. Viewers don't change the channel after the drama at 10. They stay to see the news. With the Leno show dropping in viewership, they had fewer people watching the affiliate news.

The decision had another effect that wasn't considered. They didn't anticipate the lost of viewership or the consequences it would have on the affiliates. That's the problem. They should have realized it. When NBC made the decision to put Jay on prime time, the Boston affiliate refused to show it.

There was a sign that there was a problem with the affiliates. They should have taken it into account. They either didn't care or didn't realize the possible impact. It wasn't their news that was impacted. The decision ended with themselves.

Q. There's so much at stake when executives make major decisions. How can they afford to overlook the possible consequences?

A. It happens a lot. Corporations and people are sloppy in the way they make decisions. They don't understand the techniques that lead them to make a good decision. There's the story of the Walmart that spent \$5 million to renovate the store and then as soon as the renovations were completed, the company closed the store. Executives don't look at decision-making as a skill. If you're a high school football player, you have a playbook and you practice. Executives often wing it.

Q. Why is NBC's Leno-Conan controversy likely to be studied in business schools?

A. It involves personalities, and that always makes for a good case study. People know the characters. They know the company. It's bite-size enough so they can understand it.

People can argue that the decision wasn't thought through and there were consequences that they could argue were unintended, but that NBC should have anticipated. If they had talked to the affiliates, maybe they would not have made that decision.

If they hadn't made this move, they would have lost Jay Leno or they would have lost Conan O'Brien. They'll still lose one of them now. One of the things I teach people and companies is it's best to learn from other people's mistakes.

Q. Give us an example of a good decision.

A. My favorite one is the Apple iPod, iTunes, iPhone progression of products. Steve Jobs was criticized soundly when he launched them, but the products have been hugely successful. They do \$12 billion in revenues on the line of products. The decision was well thought out. It wasn't haphazard. He made sure the products were unique. He thought through all of the details. It's No. 1 on my list of good decisions for the decade.

Susan Todd may be reached at stodd@starledger.com or (973) 392-4125.

© 2010 NJ.com. All rights reserved.