

— In One Decade: — From Letterman to Seinfeld

“I love Seinfeld. I think it’s sensational television. It somehow hits every bone I’ve got. I wouldn’t chase any other program.”²¹

Welch had plenty of reasons to adore the trendy NBC television sitcom. *Seinfeld* was the most successful television series of all time. It was the first to command more than \$1 million a minute for advertising—a distinction previously limited to the Super Bowl. Not only was *Seinfeld* wildly popular, but its vast viewership has enabled NBC, a General Electric subsidiary, to slot shows around it on the schedule to maximize their popularity.

In 1997, NBC dominated prime time television, plus morning, evening, and late-night news ratings.

Ratings, naturally, led to higher advertising rates and higher profits. In 1996, NBC made seven times more money than ABC, the only other network to be profitable. NBC profits, plus another \$500 million kicked in by cable and television station operations, added up to nearly \$1 billion in GE's operating profits that year. *Seinfeld* contributed \$200 million a year to those profits.

NBC, home to the *Milton Berle Show*, *Bonanza*, *Cheers*, and dozens of other classics, proved its ability to present memorable television programming. Yet despite the track record, *Seinfeld's* popularity and NBC's profitability were rousing personal victories for Jack Welch. The NBC saga was the Jack Welch story in a nutshell.

When he announced in December 1985 that GE would buy RCA (NBC's parent company) for \$6.3 billion in cash, Welch was euphoric. Not only was it the largest corporate acquisition up to that time, but the deal brought a lost child home. GE founded RCA in 1919, shortly after buying the rights to Guglielmo Marconi's radio technology. In 1933, to the great disappointment of company executives, the threat of antitrust litigation forced GE to sell the subsidiary.

"Welch foresees no indigestion from swallowing RCA," wrote *Newsweek*. "He will continue to run RCA

with the hands-off supervision that is the essence of his management style. Speaking of NBC chairman Grant Tinker and his team, [Welch] says, ‘They’re our type of people. They know how to be number 1, and we know how to give people who know how to be number 1 money.’”²

Not only was RCA a golden asset, Welch explained:

*“The network business acts as a counterbalance to more cyclical manufacturing businesses.”*³

But it wasn’t long before NBC and GE were locked in one of the most publicized culture clashes of all time. There was an instant and acid reaction to the acquisition from NBC late-night talk show hosts, especially David Letterman, who, among other things, called GE’s management “knuckleheads.”

Right after the announcement came, Letterman hauled a camera crew to the old GE building in New York City. “You never know what you’re in for when you get a brand-new boss. So when General Electric bought the company, RCA and NBC, I thought I would drop by the GE building here in midtown Manhattan, meet my new employers, kind of, you know, get things off on the right foot.” The videotape showed Letterman ambling down Lexington Avenue, a basket of fruit clutched in both hands: “Sometime in August, I guess, the takeover will be complete; and we’re all getting a little curious as

to what kind of effect it's going to have on NBC as we know it today—the program and, I guess, specifically, how is it going to influence me? And what I'm really trying to get at here is, am I going to have a job? So this is the General Electric building, and I have a little gift, and we thought: What the heck? Let's just drop in and say hello, just see how it's going. They can't object to that, can they?"

At the door of GE headquarters, a voice blasted from a speaker: "This is not a building to film in. Clear the front of the GE building please." A woman stepped out of the revolving door with a security guard at her side. "I'm not sure you're able to do this. We haven't gotten any authorization." "You mean we need authorization to drop off a fruit basket? Oh, this is going to be fun to work with these people, isn't it? To drop off a fruit basket you need paperwork," Letterman chided.

Letterman politely persisted his way into the building, where the security guard demanded that the cameras be turned off. Letterman agreed, then reached out to shake the security guard's hand. The guard reached out, but thought again and pulled his hand away at the last minute, jabbing his thumb in the air. "Shut off the camera, please." Finally, the guard put his hand over the camera's lens.

The "security gentleman" became a star on Letterman's show. "Maybe you didn't realize that we got to see a

glimpse of the official General Electric handshake,” Letterman hooted. Then he showed the hand-out/thumb-up gesture over and over again as the audience rolled in laughter.

Welch said he wasn’t upset. The video was shown in the GE boardroom and at GE’s training facility at Crotonville.

“It was fun.” (Welch laughed.) “From then on, we’d tease the guard when we went in the building—give him the GE handshake.”⁴

But Letterman wouldn’t let it go, cracking that the head of GE’s small appliance division would push for a mini-series on the development of the toaster oven. When asked by a student at Harvard Business School if he minded David Letterman frequently calling GE executives “pinheads,” Welch said he didn’t care, as long as Letterman’s ratings kept rising.⁵

Soon, however, NBC did feel heat from GE. Despite NBC’s prime-time domination, Welch thought they could be more profitable, especially the money-bleeding news operation. In 1987, NBC news was losing \$150 million annually, which Welch believed was unnecessary.

Because of their important role as part of the fourth estate of democracy, news executives felt their first responsibility was to produce excellent programs. The

entertainment arm, always profitable, could pick up the slack. Some members of the news operation were insulted that Welch didn't put their business on a higher moral plane than other GE businesses.

Welch, however, maintained that all of GE's products, everything from lightbulbs to refrigerators, carried the responsibility of public trust:

*"Every GE engine attached to a plane, people bet their lives with. That's a public trust and greater in many ways than a network."*⁶

Laying off hundreds of GE turbine employees, Welch said, was no worse than cutbacks in TV news. News may be responsible for informing the public, but turbine workers were important, too. They, in fact, were at a disadvantage:

*"They have no press to write about them."*⁷

Welch was particularly irritated when NBC paid \$300 million for the rights to broadcast the 1988 Seoul Olympics but attracted only a 30 percent viewer share. Welch contended NBC's Olympic presentation was dull. Welch complained:

"They are running a semi-news operation rather than a heroic sports event. It's as if the [space] shuttle went

up, and they were talking about Franco-American relations.”⁸

Grant Tinker, who made NBC number one and who left even though Welch wanted him to stay, explained the change that had occurred: “My idea of running NBC was to get it up to top speed, make a lot of money; and so we spilled a little, who cares? To the extent it becomes just a maximize-the-bottom-line kind of company, some of the air will go out of NBC.”⁹

Differences between GE and NBC flared on other fronts.

- When NBC’s headquarters at 30 Rockefeller Plaza in New York City were remodeled, employees wanted to replace the large RCA on the building with the network initials. Welch reinforced the relationship between the network and the company by insisting that the GE “meatball,” the intertwined G and E, replace the historic RCA logo.
- GE dumped its Miami affiliate, WSVN-TV, and replaced it with WTVJ-TV, previously a CBS affiliate. It was the first time a network had acquired a station aligned with a rival network. GE paid an eye-popping \$270 million to do so.

At NBC’s 1987 management conference in Fort Lauderdale, Welch painted his vision of GE and NBC’s

place within it. He asked a question and then answered it himself:

“Was NBC better off under RCA or GE?”

“I’d say for the good people, it’s a dynamite deal. For the turkeys, it’s only marginal.”¹⁰

Welch then chilled the audience by suggesting that the turkeys didn’t have much of a future at GE and shouldn’t hang around.

“We’re going to demand from you earnings growth every year. And don’t give us any shrugs about that. Those are the rules of the road. . . . You take charge of your destiny. If you don’t, we will.”¹¹

Welch assured executives that he loved NBC; furthermore, if the network kept its ratings high, GE could push past Exxon to rival IBM for the company with the largest market evaluation in the world.

“And the more value this company has, the more things we can buy.”¹²

GE and NBC were slam dancing by now.

“These guys [Welch and his appointed NBC chief Robert (Bob) Wright] have no commitment to the business they’re in,” said Larry Grossman, former president of NBC news. “They buy and sell companies. GE is a

venture capital company. That's what makes the light shine in Jack's and Bob's eyes. . . . There's no commitment to people or product."¹³

But not everyone was offended by Welch's remarks at the Fort Lauderdale conference. "I wasn't intimidated; I was inspired," said Warren Littlefield, who apparently grasped Welch's full message. Littlefield later became president and then chairman of NBC Entertainment.¹⁴

Oddly, while network executives and the NBC news organization struggled with Welch's ideology, NBC's California entertainment contingency seemed happier: Michele Brusten, head of NBC's comedy production unit, said, "None of us liked RCA. We were like children to them." GE, on the other hand, respected and encouraged the creativity, debate, and free flow of ideas from Hollywood.¹⁵

Heads rolled and management changed at NBC. David Letterman, after he was passed over as Johnny Carson's successor, moved to CBS. NBC's *Tonight Show with Jay Leno* became the leader among late-night talk shows.

Despite the tighter budgets and higher financial goals, in 1989 NBC set records, boasting 68 consecutive weeks as the top-rated TV network.

Even after NBC management accepted the notion that it must maximize efficiency as much as possible, the heat wasn't off. At a subsequent management conference, Welch was pressed with the question: When

will it—the pressure to be more profitable—end? Welch replied:

*“In the world of the ’80s and the ’90s, it won’t end.”*¹⁶

Wounds healed slowly. In 1992, NBC employees still hadn’t recovered from the shock of meeting Jack Welch face-to-face. One executive told *Working Woman* magazine: “Most people here would either prefer to be back in the days before GE or to be working for another company.”¹⁷

But by 1997, when NBC paid more for *Seinfeld*—\$120 million—than had ever been paid for a TV show, NBC was the undisputed leader in all segments of network TV. Quality remained high and profits blazed. *Fortune* wrote that Robert C. Wright, Welch’s so-called know-nothing lawyer picked to run the network, had turned it into a “powerhouse TV business.”¹⁸

Comedian Jerry Seinfeld, star of the show, decided to call it quits at the end of the 1997–1998 season. He wanted to bow out while the show was still a hit.

By then, NBC was a core in GE’s information business, and 1997 was its most profitable year ever. The message? Good management practices apply to any business. You can be both excellent and profitable. In fact, the only hope for long-term survival is to be both.

Welch was right on another count. The pressure didn’t end. In the mid-1990s, television viewing overall

was on the decline, and even that viewership was split between a growing number of new networks and a vast range of cable programs.

By the summer of 1997, all the networks were cutting costs and laying off people. “The future is going to be very different,” said John Eck, NBC’s newly appointed quality officer. “This is all about survival.”¹⁹

For Welch, the realignment of attitudes at NBC was just part of his job. Welch explained:

*“People say, ‘Jack, how can you be at NBC? You don’t know anything about dramas or comedies. . . .’ Well, I can’t build a jet engine, either. I can’t build a turbine. Our job at GE is to deal with resources—human and financial. The idea of getting great talent, giving them all the support in the world, and letting them run is the whole management philosophy of GE, whether it’s in turbines, engines, or a network.”*²⁰

NOTE: When GE purchased a majority interest in Vivendi, NBC was merged into that business, becoming NBC Universal. Despite fairly high program ratings, financial results at the subsidiary have not been up to expectations; and some analysts have urged GE to put the unit on the market. GE chairman Jeff Immelt says that GE has no intention of selling NBC.