DOCUMENT RESUME

ED 347 873		HE 025 635

AUTHOR	Silbergleid, Michael Ian
TITLE	The Importance of Teaching Management's Role in Capital Equipment Purchases.
PUB DATE	92
NOTE	16p.; Paper presented at the Meeting of the Broadcast Education Association (Las Vegas, NV, 1992).
PUB TYPE	Viewpoints (Opinion/Position Papers, Essays, etc.) (120) -- Speeches/Conference Papers (150)
EDRS PRICE	MF01/PC01 Plus Postage.
DESCRIPTORS	*Administrator Education; *Broadcast Industry; *Capital Outlay (for Fixed Assets); Curriculum; Higher Education; Participative Decision Making; *Purchasing; Telecommunications; *Video Equipment

ABSTRACT

This essay discusses broadcasting and telecommunication management curricula and makes an argument for including instruction in capital equipment purchases. The argument is based on recent changes in the role of the television station department managers who in economically competitive times are involved in decisions about equipment purchasing. In particular, it is asserted that instructors should present a thorough evaluation of how and why purchases are made, including knowledge of technical capabilities and an understanding of how current economic conditions affect their station's capital equipment budget. Following a look at several aspects of "cost," sources for instructors are listed covering trade magazines and actual television stations. There follows a discussion of purchasing options, including questions of buying new or used equipment and advantages of purchasing over leasing, as well as the unique capital equipment funding situation at Public Broadcasting Stations. The next section discusses data on the role of various station personnel in equipment purchase. A conclusion emphasizes the importance of course instructors in preparing students for the tasks that will confront them in the workplace. Includes 19 references. (JB)

The Importance of Teaching Management's Role in Capital Equipment Purchases

Michael Ian Silbergleid

2201 48th Street East, #904

Tuscaloosa, AL 35405

(205) 553-9153

Graduate Student

Department of Telecommunication and Film

The University of Alabama

Poster Session·Courses and Curricula Division

Broadcast Education Association

Las Vegas, 1992

Abstract

The purpose of this paper is to point out the need for instruction in the area of capital equipment purchases in the curriculum of broadcasting and telecommunication management classes. Instruction in this area is necessary since television station department managers are now called upon to make decisions regarding what capital equipment expenditures are made at their station. Today's students need to be taught how and why these expenditures are made in order for them to make valid business decisions when they enter the professional workplace.

The Importance of Teaching Management's Role in Capital Equipment Purchases

Only a few years ago, a chief engineer in a broadcast television facility could virtually order equipment at will, but in today's troubled economic climate those days are gone (Moore, 1991). Today the majority of decisions regarding equipment purchases are being made jointly by the chief engineer and the general manager (Rosenthal, 1991b). In some cases, other department heads such as news, programming, and creative services also sit down with the general manager and chief engineer to voice their opinions about what equipment should be acquired (Rosenthal, 1990b, 1990c, 1990d, 1991a). It is clear that the acquisition of television equipment is no longer the sole domain of the engineering department, and that other department managers must prepare themselves for the task of becoming members of their station's buying team.

To understand the task that awaits these new buying team members, instructors of broadcast and telecommunication management classes need to present a thorough evaluation of how and why purchases are made in order for their students to be able to make valid business decisions in the future. This includes a sufficient knowledge of the technical capabilities of equipment that various departments use (Rosenthal, 1990b, 1990d), as well as an understanding of how current economic conditions affect their station's capital equipment budget (i.e., purchases over $3,000). This will help to enlighten those students who thought that they would never have to make a management decision based on technical criteria.

When talking about capital equipment purchases, the cost of the equipment is essential in determining whether or not a piece of equipment is to be purchased (Tube, 1991). "Cost," however, does not just refer to the invoice amount for the equipment, but the life cycle costs or total life cost (TLC) of that equipment. TLC is the evaluation of capital equipment in terms of its annual operating costs over its total predicted life plus the initial invoice amount (Paulson, 1990). On an annual basis, TLC is referred to as annualized total life cost (ATLC), but whatever its designation, purchases today are chosen on the basis of operation, maintenance, expected life, and depreciation (Rosenthal, 1990d). As Thomas Griesdorn, vice president and general manager of WXYZ television of Detroit said, "It's much more a matter in today's competitive environment of spending smarter and reallocating dollars rather than just cut spending" (Cavanagh, 1990, p.26), but future managers need to be aware of why the dollars are being spent in the first place.

These reasons can range from advertisers and the public not accepting poor quality television in this age of cable and music videos (Moore, 1991), to the obvious replacing of equipment, upgrading of equipment, the outfitting of a new facility, or just plain necessity.

Unfortunately, the reason behind why vast amounts of money are spent on equipment and the justifications for those expenditures are not dealt with in the standard broadcasting or telecommunication management text. It is therefore up to the instructor to prepare the student for the tasks that will be expected of them.

Sources For The Instructor

It is no surprise that most of the research and articles concerning capital equipment expenditures in broadcast television are not found in the scholarly literature but in the broadcasting and video trade magazines such as BME/Television Engineering, Broadcast Engineering, Broadcasting, Channels, Corporate Video Decisions, Electronic Media, Government & Military

Video, Television Broadcast, Video Manager, Video Systems, and Videography. Technical matters regarding the use of non-traditional broadcast technologies used in broadcast situations are typically handled by the communications industry trade magazines such as Data Communications and Fiber Optic News, as well as the standard broadcast engineering trade magazines noted above.

One specific area of information is Television Broadcast magazine's recently introduced section entitled "Broadcast Management/Engineering." This section was added to the magazine because the editorial staff feels that "...in today's troubled economic climate, it's important that the GM [general manager], the CE [chief engineer] and every other member of the buying team be given both the technical and business background to invest in the future with confidence" (Rosenthal, 1990d, p. 6).

Another valid source for instructors is the area television station. Asking general managers if they rely on department heads to make recommendations and why they feel this input is important would expose the management student to typical situations that they are likely to encounter.

Typical case. Rosenthal (1991a) reported that the creative services department at WPIX television in New York has spent over $5 million building two in-house promotion suites. Instead of producing their on-air promotions out of house at a cost of $10,000 per day, WPIX runs the two suites 40 hours a week, realizing $50,000 a week that's not being paid out. WPIX estimated that the suites will pay for themselves in two or three years. To make further use of their new in-house capacity, one of the suites is used to edit movies and other programming when not being used to edit promotions.

It is up to the managers of today and tomorrow to be able to approach their superiors with this type of plan in order for their station to survive financially.

Purchasing Options

There are two options future managers need to be aware of when deciding to acquire equipment; they are (a) should the equipment be new or used, and (b) should the equipment be purchased or leased?

Used Equipment. Used equipment has become an attractive economical alternative to buying new, more expensive equipment (Mozzillo, 1991a). Typically, it is the smaller market stations that purchase used equipment (Mozzillo, 1991a) whether it be through a factory refurbishment program or a private dealer. Although serving smaller market stations, the demand for used equipment has benefitted the large and middle sized market stations as well. Equipment trade-in options are being used increasingly by large and middle sized market stations to lighten the financial burden of purchasing new equipment (Mozzillo, 1990). Manufacturers such as Ampex have an ongoing trade-in system where old equipment (not necessarily their own brand) is bought and new equipment is sold and installed, with the possibility of that equipment being bought back from the station when it becomes time to purchase new equipment again (Mozzillo, 1990).

Leasing. Leasing has also become an attractive option (Mermigas, 1991). In a mail survey to television station chief engineers conducted by Television Broadcast magazine in 1991, it was found that 37% of all stations responding occasionally lease equipment (Rosenthal, 1991b). In addition, CBS is currently exploring the option of leasing rather than owning some of its newsgathering, satellite transmission, and other expensive equipment (Mermigas, 1991).

In addition to leasing equipment, the option still remains to go out of house to get certain work done.

NBC typically hires freelancers with their own equipment to shoot their replacement season on-air promotions (Taylor, 1991).

The Non-Broadcast Option

One of the most attractive options when purchasing new television equipment has been to avoid the higher quality and higher cost "broadcast quality" equipment. Industrial use formats such as Super VHS (S-VHS) and highband 8 mm (Hi8) have found themselves in mainstream television broadcasting due to their lower cost, lower maintenance, and lower tape prices (Mozzillo, 1991b). Although not "broadcast quality," the industrial formats are used because, as one professional put it, "I've gotten away with it, and no one notices any difference [when mixing industrial quality Hi8 with broadcast quality Betacam]" (Mozzillo, 1991b, p. 38).

Currently considering the expanded use of small non-broadcast formats are the networks, especially CBS. This is primarily due to the results achieved while covering the Persian Gulf War with the less expensive equipment (Mozzillo & Rosenthal, 1991). Foreseen by the president of CBS Television Stations by 1996 is a return to the days of old when a one-person reporter/cameraperson would accomplish both jobs with the smaller equipment (Rodgers, 1991).

Public Broadcasting Service (PBS)

The instructor needs to inform future managers of the unique capital equipment funding situation that exists at PBS stations. The National Telecommunications and Information Administration (NTIA) provides public television stations with funds for new equipment purchases on a dollar for dollar matching basis (President's, 1991). However, this matching fund only applies to certain types of new equipment that have a direct influence on the delivery of a public broadcasting signal, such as transmitters, master control switchers, cameras, and video tape machines (President's, 1991).

Management's Function

In a survey conducted by Television Broadcast editor Edmond M. Rosenthal (1991b), it was found that general managers in broadcast television now have a greater say in the purchase of equipment; 50% of all general managers and chief engineers jointly make the decision to purchase a particular piece of equipment.

The question of why general managers are increasingly involved in capital equipment purchases is an important question that needs to be understood.

Current economic conditions (Berry, 1990; Rosenthal, 1990d) as well as the high costs of equipment (Rosenthal, 1990c) have driven the general manager to become involved in the purchase of such equipment. Sony estimates that between 25% and 30% of all current broadcast sales now involve meetings with the general manager compared with 5% just a few years ago (Rosenthal, 1990a). Joe Gianquinto, Group W's Television Group vice president of broadcast operations and technical services defined the current role of general managers when purchasing new equipment this way, "General managers used to attend [meetings with equipment representatives and their chief engineers] if they could. Now they clear their schedules. They're now going to [the] NAB [convention] and SMPTE [Society of Motion Picture and Television Engineers] [convention], which they didn't when engineering was left to the engineers" (Rosenthal, 1990a, p. 54). It should be clear that management decisions have moved from the simple "yes" or "no" to decisions involving product details and vendor selection.

In deciding about new equipment, general managers are asking two big questions of their department heads; (a) will the viewer or advertiser see and appreciate the difference (Rosenthal, 1990a, 1990c), and (b) how will the equipment aid in efficiency and productivity (Rosenthal, 1990a). Of course the technical details are still of to the engineering staff, but general managers a. the ones who are mostly concerned with reliability and operation costs (Rosenthal, 1990c).

Conclusion

It is obvious that today's department managers need to know their role in capital equipment purchasing decisions before their opinion is asked. This role could be anything from a chief engineer asking a department manager what they would want a new piece of equipment to do; to the general manager asking the department manager what specific pieces of equipment they desire. What all this comes down to is that television station department managers must prepare themselves to make knowledgeable choices about equipment so that they can effectively participate in the purchasing decisions of their station. It is up to the course instructor to prepare future industry managers for the tasks they will be expected to accomplish.

References

Berry, J. F. (1990, January). Indies write chapter 12. Channels, pp. 58-59.

Cavanagh, C. (1990, December). GMs tread gingerly when news budgets come under scrutiny. Television Broadcast, pp. 1, 26.

Mermigas, D. (1991, March 11). CBS hunting for 10% budget cut, sources say. Electronic Media, pp. 1, 39.

Moore, R. (1991, February). Realities of 1990 demand solutions. Television Broadcast, pp. 25-26.

Mozzillo, P. (1990, December). Stations gain financial hedge through trade-in programs. Television Broadcast, pp. 1, 51.

Mozzillo, P. (1991a, January). Small stations think big, buy used. Television Broadcast, pp. 1, 52-53.

Mozzillo, P. (1991b, March). Small's getting big. Television Broadcast, pp. 38-39.

Mozzillo P., & Rosenthal, E. M. (1991, February). Hi8 serves with honor as networks cover Gulf. Television Broadcast, pp. 1, 11.

Paulson, B. (1990, December). Management briefing on transmitters. Television Broadcast, pp. 20, 22.

President's budget proposes fee for use of FCC. (1991, February 11). Broadcasting, p. 64.

Rodgers, J. A. (Speaker). (1991, March 7). Management from the perspective of Johnathan Rodgers, president, CBS Television Stations. (Cassette tape available from Dr. James Brown, Department of Telecommunications and Film, University of Alabama, Box 870152, Tuscaloosa, AL 35487)

Rosenthal, E. M. (1990a, August). GMs make $ the issue in new equipment buys. Television Broadcast, pp. 1, 54.

Rosenthal, E. M. (1990b, August). Scaling the industry's ivory tower. Television Broadcast, p. 6.

Rosenthal, E. M. (1990c, December). The GM as buyer. Television Broadcast, p. 20.

Rosenthal, E. M. (1990d, December). Speaking management's language. Television Broadcast, p. 6.

Rosenthal, E. M. (1991a, January). Promo suites yield payoffs for b'casters. Television Broadcast, pp. 1, 54-55.

Rosenthal, E. M. (1991b, February). TVB survey shows bigger spending on equipment in smallest markets. Television Broadcast, pp. 1, 56-57.

Taylor, T. (1991, March/April). Video shooters. Location Update, pp. 11-14.

Tube cost pushes stations to CCDs. (1991, February). Television Broadcast, p. 11.