The correct decision or the right decision?
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In company life, all decisions are taken under conditions of uncertainty because the available information is never complete. When decisions are strategic and there is a turbulent environment, the future of the company is at risk. Bertelsmann’s new CEO’s decision to shed its online businesses is a good example of that.

Three or four years ago, a series of new generation companies (Amazon, Napster...) started to threaten the traditional players, of which Bertelsmann is one of the biggest. Prospects for this kind of project were very optimistic and the “now or never” perception prevailed. In this atmosphere, the German media group decided to invest in Bol, the online bookstore, and later on, in Napster, the popular music-swap service. However, many questions made it difficult to decide whether to participate in the Internet businesses.

For instance, in the case of Napster, uncertainties about content security (copyright protection) and quality of downloads stood out. The evolution of these two variables let us foresee four possible scenarios: 1) high quality and secure content, where digital music would replace the traditional one; 2) content protection and low quality, in which a parallel low price music market would be created but with sparse demand; 3) low quality and insecure content, with digital music becoming a complementary resource without any incidence in the market; and, 4) high quality and insecure content, which would lead to the practical destruction of the traditional record industry. The last scenario –that seems to be gaining ground— was the only one capable of damaging Bertelsmann. In all the other eventualities, the alliance with Napster placed the company in better conditions than its traditional competitors regarding digital music, allowing it to even block access to them.

Given the uncertainties of the moment, the former management team of Bertelsmann more than likely took the correct decision, after analysing all the possible scenarios, but that doesn’t mean Bertelsmann got it right. Time has passed and at present there is more information about how Internet works in this sector. However, the dilemma is repeating. Is it worth investing in a service that, at the moment, is not profitable but can help to place the company in a good position in a market with a future? According to Bertelsmann’s new chief executive officer, it isn’t. The alternative chosen could mean that the development of strategic assets will be slowed down and that may be of great importance if Bertelsmann wants to be able to compete in the future.

In this case, at least two important doubts can be distinguished: the development of the market and the behaviour of the competitors. Only the future will tell us if the decision is right. Whether it is a correct decision will depend on the fact that those responsible have considered the foreseeable consequences with the information available today.