

# Ge's Two-Decade Transformation: Jack Welch's Leadership

Group #4

Wednesday, March 12, 2014

BU413

## General Electric

- Founded in 1878 by Thomas Edison
- Power Generation, Household Appliances, Lighting, Aircraft Engines, Medical Systems, Diesel Locomotives
- Focus: constant change (keeping up with the times)



imagination at work



## Reg Jones

- CEO beginning in 1973
- Voted CEO of the year 3 times by his peers
- Dubbed CEO of the decade in 1979 by a well known business journal
- Focused on strategic planning
- Budgeted based on internal evaluations

## The Employees

- Welch wanted to be "unencumbered by staff"
- 50% reduction in strategic planning staff (remember that this was Jones' focus)
- the employees were stressed and overworked
- the employees were not trusting due to lay offs
- between 1981 and 1996, Welch laid off 50,000 salaried workers and 64,000 hourly workers
- In the late '80s and early '90s, Welch had every employee ranked on a 1 to 5 scale
- This would separate employees into those worth keeping, those worth training, and those worth laying off.

"We don't need the questioners and checkers, the H&B's who bog down the process... Your next great person has to ask, "How do I get better?" How do I make people on the line more effective and competent?" Welch

## Jack Welch

AKA: Neutron Jack

- CEO beginning in 1981 during a recession
- Pressure to live up to the accomplishments of Reg Jones
- Focused on management
- Budgeted based on external evaluation
- drastic restructuring of company



I own the people. You just rent them.

## Pursuing Company Growth

- Welch achieved 29% annual shareholder return during his 2 decades as CEO
- International revenues doubled
- Customers in Asia, although many were laid off, the customers were gradually repaired
- Best Practices
  - The program studied successful companies and implemented their "best practices"
  - Boundary-less company structure
  - Pushed for constant improvement and collaboration
- Six Sigma Quality Initiative
  - This program was designed to increase the quality of GE products and processes



## Class Discussion

Please get out your cell phones in order to participate in our class discussion.



## Leadership

- Welch focused on developing leaders
- 10% of his time was spent on people issues: development and training
- \$40 million went into improvements of GE's Cranston management development facility
- Welch could be found at Cranston twice a month teaching and mentoring his employees
- Strategy
  - This program allowed goals to be set, milestones set to track employees, and penalties for not meeting goals.



## The Welch Era

- #1 or #2: Pk, Sell, or Close
- Freed up over \$1.1 billion in capital by selling over 200 businesses in 1983-9 years
- Invested over \$21 billion for 310 acquisitions
- Walk Out
  - Required managers to make almost immediate decisions to implement proposals
- Going Global
  - Saw economic downturn in other countries as a buying opportunity



## Group Discussion

- Is there a moral difference in laying 1 person off and 27.2 and 27.8 and 2007?
  - Do we view this issue differently than Ben Christians?
  - Assume GE has 50,000 employees of which Welch laid off 30,000. If Welch were to have started a new company instead of taking over as CEO of GE, should he have given options for only hiring the 20,000 employees?
- If you were brought in as CEO after Jones' success, would you attempt to maintain what Jones had set in place, build off of what Jones had achieved, or undo what Jones did and implement what you believe is the best strategy to running GE?

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"We don't need the questioners and checkers, the Hibernians who bog down the process... Today each staff person has to ask, "How do I add value?" How do I make people on the line more effective and competent?" Welch

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- \$40 million went into improvements of GE's Cranford management development facility
- Welch could be found at Cranford twice a month teaching and mentoring his employees
- Strength
  - This program allowed grads to be on emergency call to serve 8 employees, not penalized for not working grads



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- Between 1981 and 1988, Welch laid off 59,290 salaried workers and 64,160 hourly workers
- In the late '80s and early 90's, Welch had every employee ranked on a 1 to 5 scale
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