

# **Jack: Straight from the Gut Study Guide**

**Jack: Straight from the Gut by Jack Welch**

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# Plot Summary

Jack Welch narrates the story of his childhood, his college years and his career with GE from 1960 when he begins with them fresh out of college to 2001 when he retires as its Chairman. In five sections, Jack sets a backdrop and tells about his arrival, his management style and philosophy, his rise through the GE hierarchy and his avoidance of the company bureaucracy for as long as he could manage it. He relates his big wins, and big losses. He details the competitive process and his "dark-horse struggle" to make it into the chairman's seat, and the mistakes, successes, politics, and relationships along the way. He elaborates on his four company-evolving initiatives, his final year with GE, including his attempt to purchase Honeywell, sell-off of company sectors, and the complex procedure of finding his own successor.

From his mother, Jack learns leadership style and/or management, that there are no shortcuts, and that facts must always be faced. He becomes skilled at confidently taking risks. His mother also impresses upon him that to know how to win, one has to experience loss and recognize that even losing has its value. Jack's work ethic, motivation, and lust for current events and news originates with his father. He also learns from experience that mentors are necessary for success. As he moves up the corporate ladder, he leverages his entrepreneurial power, creatively solves problems, learns how to play the executive game, and finds himself in contention for the chairman's seat.

As chairman, Jack knows where he wants to take the company, and he creates turmoil, uncertainty, and confusion in the process. He implements his three-circles concept, sells off GE businesses, and imposes cutbacks and layoffs. At the same time, he spends millions building on his "soft values of excellence" concept.

A culture gap develops in the 1990s. GE does not become part of the developing digitized economy. Jack passes up numerous high-tech opportunities that can be good strategic fits. The diverse "ups," include the focus on GE Capital that combines manufacturing and financial ingenuity. It is significantly successful and easily expands globally, into European and Japanese markets. The RCA acquisition presents a challenge of keeping NBC strong and profitable. NBC technologically evolves by way of joint ventures with cable and with Microsoft (online news). Technology advancements and the talent aid NBC's success. Jack's basic focus on the people who make up an organization is critical. This contributes to GE industries' successes. People also contribute to the "downs," especially as they relate to government laws, regulations, false accusations, and indifference to integrity.

In the 1990s four primary initiatives are pursued: globalization, product services, Six Sigma (quality and excellence), and e-Business. Initiatives are seeds put into the operating system to grow. Globalization grows from Paolo Fresco's passion for it. Product services grow after a Crotonville class recommends to define the markets more broadly. GE finally initiates Six Sigma in 1995. It reduces costs and increases revenues and overall efficiency and quality, internally as well as for the customers. GE enters e-

Business late, but the Internet increases exposure and supplier and customer bases. E-Business reinvents and transforms GE.

One of GE's most intensive and unsuccessful acquisition attempts is for Honeywell. Although both companies agree on a deal, which is similar to GE's RCA deal years earlier, the European Commission conducts an extensive antitrust review that is ultimately rejected. The companies make two more attempts but to no avail.

Jack contends that finding his own successor is the most difficult thing he has had to do. He alters the business-centric process as a result of 20 years of GE evolution. The final three candidates do not undermine each other at any time, making a team Jack is proud of. Their individual businesses operate as part of the review process and generate record margins, market shares, and exceptional employee morale. As a result, Jack's choice for his successor is one he can live with for a long time.

# Prologue

## Prologue Summary and Analysis

Jack Welch prefaces the autobiography of his early years and career with GE by beginning at the end. He passes the CEO baton on to Jeff Immelt, Thanksgiving Day, 2000, and reminisces about the day in 1980 that GE Chairman, Reg Jones announced *him* as Jones's successor. Jack considers his initial appointment as Jones's successor to be one of the most painful moments of his career. Jones appoints Jack because he believes Jack is the person who can most effectively help the company change and grow.

In a lengthy *Business Week* magazine interview, Jack says he quickly learned that changing the company to become more competitive did not mean that he should change the person he is. Instead, he realizes that working collectively in an informal environment does more to effect the desired and necessary changes toward modernizing the company. Many write to Jack saying they also feel organizational pressures to change themselves, fit their careers, be successful, and appreciate Jack's insight.

Jack comes to GE when he was 24, fresh out of a college PhD program. He begins as a junior engineer with modest ambitions. As he's promoted, his ambitions grow. He moves up through the ranks, managing to avoid corporate bureaucracy while running as much as \$2 billion of GE's businesses.

Jack emphasizes that this book is not the perfect business story, nor is it a gospel or management handbook. Rather, he emphasizes the basic ideas of maintaining a simple and direct approach and keeping an open mind. Jack stresses that his story is as much about the many smart, self-confident and energized people with whom he surrounds himself as it is about his experiences in reaching and remaining at the top.



# Chapter 1, Building Self Confidence

## Chapter 1, Building Self Confidence Summary and Analysis

Jack begins his story as a senior at Salem High School, north of Boston. His hockey team loses to their rivals for the seventh consecutive time. Jack angrily pitches his stick down the ice and goes into the locker room. Moments later, his mother appears in the locker room and scolds Jack, telling him that he has no business playing if he does not know how to lose as well as how to win. She teaches him the value of competition.

Jack's mother is his primary influence. She shows him how to lead through toughness, aggressiveness, generosity, and warmth. She instills management beliefs in Jack that include competing to win and facing reality. She teaches him diligence, and he learns that people are motivated through reward and discipline. There are no shortcuts and facts must always be faced. Jack declares that his self-confidence is the greatest single gift his mother has given him. He adds that a large part of leadership involves building self-confidence in others, which allows them to take greater risks and advance further.

Jack attributes his work ethic and fondness for current events to his father. "Big Jack" Welch is a railroad conductor who leaves promptly at 5 a.m. every morning without fail. Jack's father piques his interest in what goes on in the world outside their hometown by bringing home newspapers passengers leave on the train each evening. His father also introduces Jack to the game of golf. He encourages his son to get a job caddying. He feels it is essential that Jack learn the game since all the *big shots* Mr. Welch overhears on the train talk about their golf games. Jack makes some money, but more important, he learns the sport.

Jack describes his hometown as a scrappy and competitive place. He and his friends indulge in hockey, football, and baseball. The neighborhood is broken up into areas that naturally create rivalries. In addition to caddying, Jack holds such mundane jobs as delivering newspapers, working for the post office during holiday seasons and as a commission-only shoe salesman. When money runs out, Jack and his friends industriously collect bottles and turn them in for spare change.

Jack loses his college scholarship, awarded by the Country Club where he caddies, when he insults one of its members, throws down the man's clubs, and storms off the course. An even greater disappointment, however, is his Naval ROTC rejection. Losing that four-year scholarship forced him to change his plan of going to Columbia or Dartmouth. He "settles for" the University of Massachusetts where the tuition and competition are less. The biggest obstacle Jack must overcome his freshman year at UMass is homesickness. His mother makes the 3-hour drive to check on her son, but she brooks no nonsense. As a result, Jack perseveres, joins a fraternity, and makes the Dean's List all four years. He is one of UMass' top two graduating chemical engineers, but, he admits, if he'd gone to a more competitive college, he'd have fallen to the middle



of the pack. His experience also teaches him that mentors are essential for success. Jack has many job offers when he graduates, but he's persuaded to pursue his master's degree.

Jack's graduate school mentor is Dr. Harry Drickman, chairman of the Chemical Engineering Department at the University of Illinois. For the first time, Jack has academic competition, but he remains near the top of his class. When he finishes his master's degree in 1958, the country is in a recession. Job offers are scarcer than three years earlier, making his decision to continue into Illinois' PhD program an easy one. The most important lesson he learns is that the thought process is what counts. As in business, he finds there are no finite answers to many questions. He also suggests that he is not the smartest scientist, but he is focused. He observes that more intelligent people in his PhD program than he cannot finish, only because they cannot bring their research to a conclusion.

In 1960, "Dr. Jack Welch" leaves Illinois with his PhD in chemical engineering. He has established, long-term friendships; a focused method of thinking through problems; and a wife, Carolyn. GE invites him to work in the company's new chemical concepts (plastics) development group. Jack's first professional mentor is Dr. Dan Fox, creator of the groundbreaking Lexan plastic product. Jack is unaware when he begins at GE how quickly he will become frustrated by its bureaucracy.





## Chapter 2, Getting Out of the Pile

### Chapter 2, Getting Out of the Pile Summary and Analysis

After one year with GE, Jack gets a \$1,000 raise, but so do the other three men he shares his office with. Jack believes he deserves more for his expanded efforts. He is frustrated and resentful at being lumped in with the group.

The red carpet treatment Jack experiences when GE initially woos him quickly rolls up after he is hired. Jack also finds it difficult to adjust to the company's penny-wise behavior. He enjoys traveling to the R&D lab to sell his projects and ideas to the plastics (PPO) inventors, but they are funded completely by corporate, and trying to get them excited about any innovation is difficult. These scientists like research, not commercialization or business. It frustrates Jack that that they are content and not overly motivated, experimental, or eager to try much that is different or out of their comfort zones. They do not care to be noticed and do not set themselves or the company apart from the other plastics producers. Jack decides that that's fine for the R&D guys, but he does want to be noticed. He has expended the effort to go beyond minimal expectations and resents being lumped in with the rest of his work group. He tells his boss, Burt Coplan, who is unsympathetic. So Jack quits.

Jack knows the one way to "get out from under the pile" and be noticed and rewarded is to give the boss more than is expected. It is Coplan's boss, Gutoff, a young executive, who picks Jack out from the pile. Gutoff recognized Jack as a junior development engineer who provides complete, detailed, long-range cost reports, and competitive analyses of GE's new plastic products. He has seen Jack's comparative analyses with similar products made by competitors, DuPont, Dow, and Celanese. This, Gutoff knows, is exceptional effort for a junior engineer. As a result, if Jack agrees to stay at GE, Gutoff offers to triple the \$1,000 raise, expand Jack's responsibility, and provide bureaucratic air cover so Jack can work without interference. Jack does not give him an immediate answer, but he is encouraged that Gutoff has noticed Jack is different from the rest, and, to Jack's satisfaction, he is willing to reward Jack for it.

Differentiation is a fundamental element of Jack's management style. He looks for individuals who offer more. He also concludes that strong teams are built "by treating individuals differently." It's a way to weed out the ineffective and reward the best. Differentiation, Jack says, "... delivers real stars ... and stars build great businesses."



# Chapter 3, Blowing the Roof Off

## Chapter 3, Blowing the Roof Off Summary and Analysis

Three years into his GE career, Jack blows up one of the factories. The incident is terrifying, but Jack's 100-mile drive to explain it to Charlie Reed, a corporate group executive and Gutoff's boss, is worse. To Jack's surprise, Reed is more concerned that no one is hurt and that product problems are learned now, rather than later. How Reed handles the incident makes a lasting impression on Jack. Reed asks only three questions about the incident: "What have you learned from the explosion?" "Can you fix the reactor process?" and "Should we continue the project?" He tells Jack, "When people make mistakes, the last thing they need is discipline." Restoring self-confidence and encouragement is more effective than discipline to prevent more serious events resulting from a lack of confidence from happening in the future. Jack agrees, having seen the "GE Vortex" operate. The GE Vortex is a phenomenon that occurs when normally strong, competent, brilliant, and self-confident managers, responsible for billion-dollar businesses, panic, lose confidence, and succumb to self-doubt even if so much as a deadline is missed or a bad deal is made. Self-confidence is an important element and should be protected and nurtured.

Jack contends that it is important for managers to know when to hug and when to kick. It prevents the organization from becoming risk-averse and keeps those who will not learn from their mistakes checked or gone (or kicked). On the other hand, good employees and managers who beat themselves up over mistakes must be helped through the process (or hugged) so they can resume full functionality and self-confidence. Both positive and negative role models are useful examples to larger groups. Mistakes, poor judgment, or innovative risks that succeed or fail may serve to make a point.

There are big swings that miss. To avoid developing risk-averse cultures, small ideas with potential should be supplemented with resources and positive role models to develop the ideas into big business. Some innovative ideas succeed, and some fail. For example, when the environmentally friendly Halarc light bulb endeavor fails, those involved are still celebrated for their environmental effort. Some are given cash management rewards. Some are even promoted.

As GE's plastics improve, approval for a new plant is granted. Jack wants the general manager's position to advance his career; however, it is a marketing position, introducing a major plastic product. Jack has no experience in marketing, but he convinces Gutoff to promote him. Unfortunately, Jack finds he's lobbied himself into a potentially career-killing challenge. The product has a flaw with no clear fix, and it is not suitable for its intended and very significant market. Jack industriously works alongside his engineers and scientists to find a solution. The collaborative effort results in finally finding a fix, 6 months later. The product is a resounding success.



In 1968, eight years after coming to GE, Jack is promoted to general manager of the \$26-million plastics business. He is in the big leagues with all the trimmings. He relishes in every early promotion, bonus, and raise. He travels the world on GE's expense account and in private jets. He celebrates major orders and customer additions. His team works as a family, and the plastics business continues to grow.



# Chapter 4, Flying Below the Radar

## Chapter 4, Flying Below the Radar Summary and Analysis

Jack has a great career and family as he enters a transition phase. It begins with the passing of his mother and then his father shortly thereafter. He also moves from being "Dr. Welch," the engineer, to "Mr. Welch," the businessman. Jack becomes less humble and more of a braggart, feels he inherited gold when he got the entire plastics operations, and, as he says, "... was so completely full of myself." His only redemption is that he remains insulated from the GE bureaucracy and flies far enough under the radar to still operate as he chooses to do.

Plastics grows fast in the 1970s. Jack adds marketing people and hires celebrities for TV ads and radio spots in prime time. Billboards advertise Dr. Fox's miracle plastic, Lexan, which is intended to be used *everywhere*. Jack pushes to replace metal in airplanes and vehicles with Lexan. Boeing's 747s and Detroit's bumpers and trim join hair dryers, color TVs, and disposable razors. This kind of marketing is unique for industrial plastic.

Jack is being considered for vice president of the \$400-million sales group of businesses that comprise the chemical and metallurgical division. Regardless of his successes, not everyone is convinced Jack is corporate material. Roy Johnson, director of GE's human resource department, reports that Jack's attitude and methods are contrary to corporate routine. The prospective promotion draws attention to Jack's "anti-establishment attitude toward GE outside his own sphere." Jack's candid opinions are considered rude by many, and his passion for constructive debate is considered outwardly aggressive. Although the director concludes that Jack is proven to be adept at getting into and out of complex situations, he believes Jack relies too heavily on his quick mind and intuition rather than on solid homework and staff assistance.

Jack is unaware until years later that his promotional consideration hangs in the balance between his excellent performance and his arrogance and emotional overreactions. Vice Chairman Herm Weiss supports Jack's promotion against the human resource director's advice.

As vice president, Jack implements his brand of organizational structure. Those who cannot fit into his informal, entrepreneurial environment are asked to leave. Jack makes sure this is never a surprise. By the time managers are asked to leave, Jack has met with them several times to express his disappointment. Conversely, those who deliver take home big salaries and bonuses, like Jack does.

Jack enters a phase that impacts the rest of his career. He knows plastics, but he is not familiar with the other businesses in the portfolio he assumes. The people are all different, too. Competing in the laminating business is particularly difficult. Distributors



are weak, and American Cyanamid's Formica brand, the major competitor, dominates the market. It is the first time Jack sees sadness in people grinding it out in a lousy business against an invincible competitor. Having tried everything he can think of, Jack finds he cannot compete. It takes a toll on his people.

To this point, Jack's concept of business has been to put money into research and create new products for future growth. This time, Jack is faced with the real world of bad business. He begins to resolve the problem by making it his priority to understand the people in each of the businesses for which he is responsible. He does a great deal of promoting, firing, and hiring. To avoid using the bureaucratic candidate hiring list, Jack hires his picks into positions where corporate approval is not necessary. Once they are inside, he moves them around to the most beneficial positions possible. Sometimes Jack beats the system. Sometimes the system bends for him.

Jack has no intention on tilting with any windmills, however. By 1973 Jack writes in his performance review that his long-range career plan is to become the Chairman and CEO of GE. Jack makes up his mind that he is not going to "blow [his] dream by complaining about the system."



# Chapter 5, Getting Closer to the Big Leagues

## Chapter 5, Getting Closer to the Big Leagues Summary and Analysis

At 36, Jack is a GE vice president. By June 1973 Jack is promoted to head of strategic planning for the entire company. He still remains responsible for the chemical and metallurgical division. As group executive, Jack adds a more diverse portfolio and global operations. Jack becomes highly visible to the corporation and is very much *on* the radar screen. He is expected to move to New York corporate headquarters. In typical Jack Welch fashion, he convinces Herm Weiss to allow him to remain in Pittsfield. He rationalizes that he has built solid relationships during his more than 13 years there, and that his new position will require him to be in the field with businesses most of the time. He also promises to arrive on time for monthly meetings at the corporate headquarters.

Jack recounts what he has learned from mistakes. A primary lesson is what kind of people get the job done. In the beginning, Jack hires the image and the package, which results in many "empty suits." When he does not know the language or culture, he mistakenly hires candidates who speak English well. This happens with a Japanese candidate. Jack is also guilty of hiring according to his own prejudices. Academic pedigrees impress him. Jack forgets from where he graduated. If engineering candidates have graduated from MIT, Cal Tech, or Princeton, they are automatically hired. He learns the hard way that where they come from is not indicative of how well they will perform. Jack also realizes that resumes that list many college degrees in different disciplines often indicate a lack of focus on the part of the candidate, rather than diverse intellectual scope. Bucking the system, Jack proceeds to hire an outsider on image rather than promoting a more deserving internal candidate and friend. When the hire backfires, Jack has to correct his error quickly.

From GE veterans, Jack learns that routine appraisals are no more than routinely written forms of false kindness. Regardless of actual performance, appraisals are typically written where the author's career objective is his or her boss's job. The boss's response is that the individual being appraised is fully qualified to assume the next position. Putting this false kindness on record can create future problems if layoffs become necessary, which is exactly what happens during GE's future downsizing phase.

Another of Jack's disappointing career experience occurs when he is forced to address new businesses that hold no interest for him. The Semiconductor industry is one of these. It is a high-growth business, but it requires large amounts of capital. It takes Jack nearly a decade to get out of it. His first experience with the government concerns the use of PCBs (polychlorinated biphenyls) in capacitors in Hudson Falls, NY. The PCBs



function as electrical insulators. The EPA considers them hazardous material. Cleanup and disposal issues result.

Jack learns a valuable lesson from placing people he knows in strategic businesses. Not every one of them is a good fit for the position. He learns the importance of supporting the best people and removing the weakest, regardless of his personal familiarity with the individual. Similarly, he learns to support high-growth businesses, while getting all he can from slow-growth operations.

The safety of Jack's ventures, as well as Jack's ambitions, does not go unnoticed by those at the top. Reg Jones, calls Jack into his office and informs him that if he wants to succeed, he must learn *all* about GE. At that point, Jack had seen only 10 percent of the company. Jones informs Jack that he will move up the GE hierarchy ladder one more time. It is a big move, involving Jack's preparation to compete for Chairman Reg Jones's job.



# Chapter 6, Swimming in a Bigger Pond

## Chapter 6, Swimming in a Bigger Pond Summary and Analysis

Moving up means moving to Fairfield. Jack's move is a big promotion to a newly created layer of management. Jack is one of five sector executives and two corporate staffers publicly identified as candidates for Reg Jones's job. Each candidate is put in charge of a group of businesses to see who is best at managing multibillion-dollar portfolios. Jack is responsible for the consumer products and services sector. Unfortunately for him, his boss, Vice Chairman Walter "Dave" Dance, favors another candidate. Jack proceeds on his own because of a lack of support from Dance and creates his team. Regardless of the process, Jack knows what he wants, and, he says, it won't take long to find out whether he is going to get it.

The succession process is a political nightmare. Jack is fortunate to be supported by a talented team. Jack's top pick is Dennis Dammerman, who will eventually be Jack's CFO and CEO of GE Capital Services and vice chairman of the company. His other top pick is Bob Nelson, who will eventually be Jack's vice president for financial analysis. Both are experienced in the appliance business, and Jack will rely on their good judgment until the day he retires.

Appliance operations need changes in direction to expand. Part of Jack's plan is to downsize. Unpopular layoffs in Louisville and scrapped plans for building additional Appliance Parks make the company more competitive and profitable, but it does not solve all the cost problems. Layoffs that begin in 1977 continue over the next 20 years. Many products have to be manufactured, more cheaply, overseas as well.

The most promising of all businesses is the GE Credit Corp. It is started in 1933 to help dealers move appliance inventory. The business is filled with growth potential and requires few employees, but few pay much attention to it. Jack considers it a gold mine since leveraging brainpower is easier than grinding out products. It remains a way to help dealers move appliance inventory and then finance construction equipment. It eventually finances diversified real estate loans and private-label credit cards. It involves finding smart people to work creatively with GE's strong capital. GE Credit becomes the company's most important growth business. Its profits grow annually, but not as fast as Jack likes. He replaces half of his leadership with "A players."

Jack negotiates with Cox Communications cable and broadcasting operations to increase GE's exposure in that sector. He believes cable has a great future and sells Reg Jones on the idea, but the contract is not binding. Negotiations are disastrous for Jack during the politically charged succession race. Cox increases its price at each meeting, exercising an option to sell at its discretion. Using price as a factor, it becomes clear the Cox family does not want to sell. Jack walks away from the deal. He must explain the rationale for calling off the deal to Reg Jones, who insists Jack explain it





further to the company's directors at the annual board meeting. The directors, concerned with Jack's competitiveness are actually happy to find he can walk away from a deal.

Roy Johnson, the human resources executive who said Jack was too young and impulsive to be vice president years earlier, keeps him off the original list of CEO candidates. The new human resources executive who replaces Roy Johnson pushes meritocracy, and with Jones's help, Jack is listed. Months pass and Jack's self-confidence wanes. Jack is courted by headhunters, and the temptation to take one of the offers and leave GE is great. It is better Jack is unaware his name was not included on the original list.

Reg Jones has already selected Jack when he narrows the successors list to three. The directors are concerned that Jack, only 44 years old, might remain in the CEO position too long. In the future, five of the six directors will play important roles for Jack. Reg Jones throws a huge party to introduce Jack to his friends and to transfer his relationships.

Politics continue after Jack is officially selected. Paolo Fresco, credited by Jack for making GE a truly global corporation, immediately offers Jack his resignation because he supported one of Jack's competitors. Jack refuses to accept it. Fresco eventually becomes instrumental in the globalization of GE.



# Chapter 7, Dealing with Reality and "Superficial Congeniality"

## Chapter 7, Dealing with Reality and "Superficial Congeniality" Summary and Analysis

Jack finally has the job. Outside, he is cocky, self-assured, decisive, quick, and tough. Inside, he is not as self-confident as he appears. He realizes he does not have many of the external CEO skills necessary to deal with government and the media. Over the years, government has become more involved in business, but Jack rarely deals with anyone from Washington, DC, and his only media experience has been his introduction by Reg Jones at the scripted press conference.

The only thing Jack is sure of, is what he wants GE to be. He wants to change the image from strong and steady, to fast, agile, and quickly adaptable to external changes. His vision is spontaneity and creativity. He does not want to script presentations or waste time with empty reviews. He immediately cancels hierarchy's role to review and approve passively designers' and engineers' new products each spring.

Jack wants the company to be filled with self-confident entrepreneurs. GE's command-and-control culture needs restructuring. Jack attempts to create his desired environment by taking his executives off-site for a golf-and-business retreat. Half of the group immediately engages in Jack's agenda, but the 2-day outing does not build the kind of consensus for change he is seeking.

Jack proceeds to eradicate the superficial congeniality at headquarters. On the surface, the bureaucracy is pleasant. Underneath, there is distrust and backstabbing. The first step is to get the company to face realities of situations and conditions. This is difficult since many organizational layers act as insulators against reality. Jack changes tradition, empowering managers with delegated authority.

To reinforce his reality theme, Jack tells the story of "Elfun's" transition. Elfun is an internal, elite, white-collar organization whose members consider themselves management candidates. The organization functions as a venue from which members may be seen by their boss's boss. Jack addresses the group, realistically stating that, in his opinion, they represent no more than a hierarchical social and political club. The message hits home, and Elfun changes its vision and mission. Following President Reagan's call for volunteers to fill in where government's role is reduced, Elfun refocuses and becomes an army of GE volunteers. They mentor students, build parks, and aid the blind. No one is excluded from joining the organization. Twenty years later, they have 42,000 members in communities around the world.

Jack also uses GE's nuclear [energy] business as a model for his reality theme. He admires the nuclear team's passion, but the reality following the Three Mile Island

incident is that nuclear reactor orders and profits are predictably and significantly decreased. The business needs to be restructured toward fuel and services. As Jack speculated, only four reactors are ordered over the following 20 years, and none of them come from the US. It proves that service is an important element in GE's future.



# Chapter 8, The Vision Thing

## Chapter 8, The Vision Thing Summary and Analysis

In the 1980s, the typical GE analyst meeting is structured right down to the weeded-out questions on note cards collected from the audience for the speaker. Jack's first public statement, presenting the "New GE" to Wall Street broke with this traditional form. Instead of giving the analysts detailed financials, Jack gives them his vision for the company and its future. His first analyst presentation fails miserably. The platform is changed. Twenty years later, analysts are better informed about what the investors expect and the company's strategic direction and outlook. There are intellectual debates, and there are no scripts.

The accepted business philosophy in the 1980s is that if a business is profitable, there is no reason to get out of it or to change it. Jack reasons, on the contrary, that for the business to be sustainable, it must have a long-range competitive solution. Jack uses concepts from the business management works of Peter Drucker to support his central ideas of good and bad business.

Jack implements a simplistic, "No. 1 or No.2, fix, sell, or close strategy." It requires facing up to realities. In the 1980s business mode, "commoditized businesses" experience little or no competitive advantage if they are No.1. Strong multi-trillion-dollar niche businesses similarly find being No. 2 less of a critical situation. Departing from this, Jack illustrates his No. 1 or No.2 vision for GE using overlapping circles. Any GE businesses that are marginal or in low-growth markets fall outside the circles. They are reviewed and either sold or closed. *Forbes* magazine features Jack's new concept in a March 1984 cover story. It generates insecurities for those in businesses that fall outside the strategy circles. Union leaders and city fathers complain, but sales of low-performers and weak operations to market leaders create a win-win for everyone. Being on a winning team boosts morale and generates profits, which are reinvested in improving the company's competitiveness. It is a proven success formula.

Jack also adopts a consistent earnings growth theme. GE manages businesses, not earnings. The theme concept provides for fixing or strengthening one business when funds become available as a result of a divestiture. Jack follows this theme, selling GE's air-conditioning business to Trane, the market leader. He follows this sale with sales of Utah International, a highly profitable metallurgical company, and GE Housewares. Utah was an uneventful sale. Housewares generated firestorms of letters from employees. The sale is necessary because of reduced brand loyalty, high costs of manufacturing, and increases in Asian imports. Nevertheless, employees of the sold business feel rejected and abandoned.



# Chapter 9, The Neutron Years

## Chapter 9, The Neutron Years Summary and Analysis

Many do not understand Jack's philosophy to downsize on one hand, while spending millions to build fitness and conference centers on the other. He must explain his investments. Jack contends the critics' focus is not on the invisible \$12 billion spent on new plants and equipment, but rather on the \$75 million spent on furthering his "soft value of excellence." Jack believes that if he preaches the need for excellence in everything, his actions must demonstrate that. For instance, Jack believes the gym is an informal place where all shapes, layers, sizes, and foundations of the organization can congregate and exchange thoughts and ideas.

According to the media, however, Jack becomes "Neutron Jack; the guy who removes the people but leaves the buildings" intact. Jack believes in doing more with less--producing more output with less input. This expands some businesses and reduces, or forces sales of, others. The effort creates diversity, which demands different styles. Critics contend that the company looks too good, too strong and too profitable to be restructuring. Simply put, "Neutron Jack" and GE are doing what Chrysler did earlier, only Chrysler's actions were prefaced by a government bailout and publicized struggle to avoid bankruptcy. GE is accused of putting profits before people at a time when solid companies like IBM promote lifetime employment. Jack reminds his people that realistically, only satisfied customers can provide job security.

Jack wants to treat the people in a first-class way, so GE can attract and keep the best. The results speak for themselves. In the 1980s, GE becomes the first big, healthy and profitable company taking action toward becoming more competitive. Addressing a group of Harvard MBAs, Jack says that regardless of downsizing and sales, he has been too slow to close uncompetitive facilities, taken too long to restructure corporate staff and has been negligent in removing the sector structure that functioned no more than as an insulating layer of management. Jack moves the executives from the sector oversight jobs into positions that successfully run the business.

One of the important changes is putting the right person in the right position. While the media focuses on layoffs, Jack focuses on the "keepers." He promotes Dennis Dammerman to CFO in charge of GE's Financial operations. Bureaucracy and non-essential internal data are cut, and audit staffs are re-indoctrinated to roles as business partners. Similarly, the legal arena is restructured. Ben Heineman, a constitutional lawyer and appellate Supreme Court litigator in Washington, DC, has an impressive resume, and in turn, hires only employees with credentials from the "A" list. They design the work, plot the strategies, and closely coordinate with outside partner firms.



# Chapter 10, The RCA Deal

## Chapter 10, The RCA Deal Summary and Analysis

The Japanese threat results in a business-altering deal for GE. At the time, GE's \$6.3-billion purchase of RCA is the largest non-oil deal in history. Purchasing RCA expands GE's own small semiconductor, aerospace division and TV set businesses. The companies mesh perfectly. The deal is announced December 12, 1985. GE and RCA are integrated but kept separate from NBC. Bob Wright, former president of Cox Cable, heads NBC. Non-strategic RCA assets, including records, carpeting, and insurance are sold immediately. Aerospace and semiconductor businesses are integrated, too. The fourth business is government services and satellite communications.

GE's TV manufacturing business is traded to France's government-owned electronics company, Thomson, for their losing medical business. Thomson acquires economies of scale and market position with the TV manufacturing business. GE triples its market share in Europe, gaining a presence against main competitor, Siemens, with the acquisition of Thomson's medical business. The trade is not a short-term success. Both GE and Thomson lose money in the first decade. Nevertheless, after remaining on course, GE has a more global, high-tech medical business whose one-year income from patents is more than the previous decade in the TV set business.

Other businesses on Jack's "sell" list include semiconductors, aerospace and satellite communications. The semiconductor operation is a losing business that requires large capital outlays. In the aerospace sector, "there is too much capacity chasing too little business." Since GE expanded the satellite communications business to access every cable company in the US, GE must make a big acquisition, sell the business, or merge with a partner to be significantly profitable.

The semiconductor business is sold in September 1988 for \$206 million in cash. It is the largest aerospace deal in history at that time. Initially, Martin Marietta cannot raise the \$3 billion to close the aerospace deal. A convertible preferred stock structure that helps fund the deal and makes GE 25-percent owner in Martin Marietta doubles Martin Marietta's size, initiating a massive aerospace industry consolidation. Martin Marietta eventually merges with Lockheed. Divesting holdings of the GE-expanded satellite communications business results in a great network and station lineup with strong cable assets, significant global position, and a 27-percent stake for GE. In short, the RCA deal is a strategic win for GE.

During this period, Jack's 28-year marriage dissolves. Being a workaholic and never missing a weekend of golf with his friends might contribute to the cause. Jack meets and marries Jane, 17 years his junior, in 1989. Jane becomes more of a partner to Jack. She learns to play golf, while he attempts to appreciate the opera.



# Chapter 11, The People Factory

## Chapter 11, The People Factory Summary and Analysis

Jack contends that people are GE's core competency, and he has been known to hire in unusual ways. A strong people focus, passion, and intensity, define GE's management. To ensure that every employee knows the rules of the game, formal human resource "Session C" meetings are held at each business location. April and November "Session C" review meetings discuss the organization and people, diversity, and game-changing initiatives. They focus on careers, promotions, vitality curves, strengths and weaknesses, mentoring program results, initiatives, and meetings with local unions. Informally, an unspoken personnel review happens every day in hallways, lunchrooms, and meetings.

The "360-degree evaluation" works for several years, revealing "horses-asses and kiss-ups." The system is replaced when people find a way to "game" it, saying good things about each other to ensure good ratings. Jack develops the "Vitality Curve," which makes leaders differentiate people in their organizations according to the top 20 percent, bottom 10 percent and the vital middle 70 percent. Underperformers are generally asked to leave. Top performers are significantly rewarded. To remain in the top, however, one must continually demonstrate why he or she deserves to be there.

Differentiation denotes "A," "B," and "C" players. "A" players are passionate, innovative, open-minded, and creative. They have "the 4-E's of GE leadership, which include, high *energy*, the ability to *energize* others, the *edge* to make tough "yes or "no" decisions and the ability to *execute* and deliver on promises. Managers who cannot differentiate their employees can find themselves in the "C" category.



# Chapter 12, Remaking Crotonville to Remake GE

## Chapter 12, Remaking Crotonville to Remake GE Summary and Analysis

Jack's vision for the Crotonville training facility is to revitalize it, making it a world-class center where ideas are spread in an open environment without the interference of layers of hierarchy. Jack wants programs that connect with managers deep in the organization. In 1981, in the midst of portfolio restructuring and company downsizing, Jack asks the Board for \$46 million to overhaul and expand the facility. The payback, Jack tells the Board, is, infinite. With the Board's approval, Crotonville becomes GE's most important learning factory. Instead of using other companies' case studies in instruction, real GE issues are used. Class and field leadership development courses such as executive development, business management and management development for fast-trackers, are central. Restructured classes become action-oriented. Courses become an important indication of achievement. Crotonville's curriculum shows GE leaders there is no single way of doing things and that there is often an alternate, better way. It takes a decade to achieve Jack's energy center vision successfully for Crotonville. By 1991, only "A" players who receive grants are invited to attend Crotonville.

Eighty-five percent of Crotonville's faculty are also GE leaders. Jack teaches there, too. He relays his past case experiences and expects each person to describe a leadership dilemma they have faced within the previous year, such as a plant closing, work transfer, difficult firing, or sale or purchase of a business. Crotonville becomes an invaluable place to clarify confusion over organization initiatives, such as those associated with GE's early globalization and e-Business entries.

People voice their frustration that everything that works at Crotonville is not how it works in their respective workplace environments. Responsively, Jack attempts to recreate a Crotonville environment, in which people feel free to speak, throughout the company with his "Work-Out" program. Work-Outs create a culture where everyone plays a part, everyone's idea counts, and leaders lead, rather than control. Managers present challenges or issues and leave. Employees discuss and brainstorm, presenting solutions to the facilitators, who pass them onto the managers. Managers are expected to give a "yes" or "no" decision to at least 75 percent of the proposed resolutions presented by employees. They are not permitted to bury proposals, and questions that cannot be answered immediately must be answered within a determined amount of time. The program is a huge success, and Jack is happy to beat the bureaucracy with so many ideas flowing so fast throughout the company.





# Chapter 13, Boundaryless: Taking Ideas to the Bottom Line

## Chapter 13, Boundaryless: Taking Ideas to the Bottom Line Summary and Analysis

Jack takes his idea-sharing to the next level, initiating "boundaryless behavior." His "boundaryless company" has no barriers among company functions such as engineering, manufacturing, marketing, etc. It also makes customers and suppliers part of a single process, eliminates race and gender walls, and puts the team ahead of the ego. Those who develop good ideas, as well as those who invent them, are rewarded. Leaders are encouraged to share the credit for ideas with their teams. The company is also open to the best ideas and practices from other companies. "Finding a Better Way Every Day" is the essence of boundaryless behavior and sums up GE's core values and expectations.

Boundaryless is evident in the revised compensation system. Jack broadens the stock options plan. With the strong stock market, holding stock in employee savings plans and stock options make GE employees the single largest shareholders in the company. Jack reviews weekly lists of employees who exercise the stock options, using the gains to pay for kids' college, take care of elderly parents, supplement retirement or buy a second house.

In action, offering stock options for all employees is the beginning of boundaryless. Creation of an operating system and learning cycle from linked meetings follows. A human resource evaluation of boundaryless focuses on the concept of idea-sharing, and a corporate initiatives group is formed to escalate boundaryless changes.

"Quick Market Intelligence (QMI)" is originally a Wal-Mart concept that is adapted to the GE culture. Leaders hold weekly telephone calls with their sales teams in the field. CEOs and top marketing, sales, and manufacturing managers are on-call so issues, such as delivery, price, or product quality, can be immediately addressed.

GE's goal is to become a \$100-billion company with \$10 billion in profits by 2000. They need new ideas of how to reach their goal. Crotonville classes conduct interviews with senior leaders at 10 GE businesses with key customers and executives at high-growth companies. They ask their opinions about GE's growth prospects to see what can be learned from outside GE. A War College colonel suggests that GE's intelligent leaders understand the No.1 or No.2 strategy so well that they can define their markets narrow enough to remain No.1 or No. 2. A mindset change is recommended. Mind- and market-expanding are implemented to produce positive growth results exceeding their \$100 billion/\$10 billion target.

# Chapter 14, Deep Dives

## Chapter 14, Deep Dives Summary and Analysis

Jack's final deep dives include his CNBC cable show. By May 2001 Jack's CNBC *Business Center* show is directly competing with CNN's Lou Dobbs' *Moneyline* show. Jack contends with CNN's heavy promotions by lengthening his show's format, spending an additional \$2 million to promote his show and by arranging prime promos during the NBA playoffs over the weekend. By Thursday of the opening week, Jack's audience is larger than Dobbs'.

Jack also wants to do more with noninvasive, non-radiation ultrasound imaging technology. He rejects an expensive acquisition to improve GE's competitive position and instead, turns to internal development, headed by an ultrasound expert who's worked for a major competitor. Within four years (1996-2000), the company goes from zero to No.1. GE's CT system is so good, it is difficult to determine how to make the tube for it better. It takes 5 years to expand the tube life from 25,000 scans to 200,000 scans to 500,000 scans. The tube improvement results in GE's *LightSpeed* CT scan machine becoming the fastest-selling CT scan.

GE has produced industrial diamonds since the 1950s. It is a new consumer business Jack knows nothing about. The Antwerp network stops at nothing to freeze GE out of the market. GE offers gem diamonds at a discount to employees. The second full year generates \$30 million, which is still one-third less than the original plan.

Finally, is the challenge of how to best compete with the Japanese. Jack decides that the best way to differentiate GE from Japanese companies is to focus on women. He offers Anne Abaya, a Japanese-speaking US woman in a senior position, \$1 million for an ad campaign promoting GE as the employer of choice for women. He appoints her head of GE Japan's human resources in Tokyo. On a trip over to Japan, however, he discovers GE already has 14 high-potential women ranging from CFO of GE Plastics Japan to marketing director of GE Consumer Finance Japan operating there. He meets with his senior female executives and is very impressed with the caliber and how big the opportunity truly can be.



# Chapter 15, Too Full of Myself

## Chapter 15, Too Full of Myself Summary and Analysis

Fresh from the RCA and Employers Reinsurance successes, Jack feels invincible. He believes he can make anything work. He decides to acquire Kidder, Peabody, one of Wall Street's oldest investment banking firms. Logically, the Kidder acquisition makes sense, but rather than providing GE access to new distribution without paying the big brokerage house fees, GE finds itself in the middle of a huge public Wall Street insider trading scandal. Marty Siegel, a Kidder superstar investment banker admits to trading insider stock tips in exchange for suitcases full of cash.

Although the illegal trading occurs prior to GE's acquisition, GE, as the new owner is legally responsible to investigate, cooperate with the SEC and Giuliani, and determine the weakness of the firm's control system. Jack calls former GE Board member, Si Cathcart, to come to New York to stabilize and recover Kidder. What Si discovers is that office attitudes are symbolic of a much bigger problem. Annual bonuses at Kidder are much larger than GE's. They are so skewed that an entitlement culture exists feeding individuals' overvalued ideas about themselves.

Si puts controls in place and hires some good people. After 2 years, Mike Carpenter, a big player in the RCA deal from GE Capital, agrees to take over. Although finally stabilized, a deal with Primerica collapses. Shortly afterwards, Joseph Jett, Kidder's 1993 Man of the Year and manager of Kidder's government bond desk, takes advantage of a flaw in the company's computer system and makes numerous fictitious trades to inflate his own bonus. The perpetrator disappears, leaving \$350 million charged against first quarter earnings.

Jack assumes the blame for the acquisition, for not asking questions about Jett's success with Kidder and for the impact the issue has on GE stock, which hurts every GE employee. Instead of Kidder employees helping the situation, they complain about how the disaster is going to affect their bonuses. No one assumes blame there. No one sees anything. No one knows anything. The contrast between Kidder and GE cultures is dynamically different. Jack learns that culture does count.

Kidder costs GE years of problems and some executive talent. A deal is made to sell Kidder to Paine-Webber for \$670 million plus a 24-percent stake in Paine-Webber. In mid-2000, Paine-Webber is sold to Swiss bank UBS for \$10.8 billion, making over \$2 billion for GE.

GE is not part of the new emerging economy. There is a big culture gap. In consideration of that, Jack chooses not to "pollute" GE with the technology-based culture developing in the late 1990s. As a result, he passes up opportunities to acquire high-tech companies that are otherwise good strategic fits.



# Chapter 16, GE Capital: The Growth Engine

## Chapter 16, GE Capital: The Growth Engine Summary and Analysis

In 1978, GE Capital earns \$67 million on \$5 billion in assets. By 2000, GE Capital earns \$5.2 billion and more than \$370 billion in assets. Jack credits the phenomenal growth of the business to incredible amounts of intensity, ingenuity, and entrepreneurship.

GE Capital's double-digit growth occurs in four distinct stages: 1977--1985, when some of the best people are lured to the business; the second half of the 1980s, when the business is aggressively grown, making GE Capital an "acquisition machine" and in the 1990s, when deal making and a global financial services business is created and the current global franchise expansion brings Six Sigma and digitization to financial services. In the 1970s, the focus was on consumer lending (mortgages and auto leasing). In the 1980s, the focus shifts to stronger growth with tight risk control. When Europe is in a slump in the 1980s, GE Capital takes advantage, buying banks in Budapest, Hungary, Poland, and the Czech Republic. All are modestly profitable. GE proposes a deal to buy Pet Protect, a UK company selling pet life and health insurance. The UK market is second only to Sweden. Skeptical at first, assuming that Swiss bankers wouldn't sell anything that is profitable, GE Capital eventually buys two Swiss companies in 2001 for \$78 million. They are personal loan and auto financing companies, and the Swiss are more interested in bigger global investment deals.

Similarly, when Japan opens to foreign investment in the mid-1990s, GE Capital is there. Years before Japan permits foreign investing, Gary Wendt, "the priest of growth," scouts the potential opportunities. When the opportunity presents itself, GE Capital has a head start on its competition. In 1998, major life insurance and financial services in Japan put GE Capital on the map as a big financial services player.

Jack loves the idea of melding manufacturing and financial ingenuity, and it works really well. People, especially creative people, make the difference. GE has extraordinary pools of talent. Talent from GE's industrial business is used to transform GE Capital from a purely financial business into a thriving business using deal making for operational skills. Approval levels never change. Equity deals exceeding \$10 million and commercial risks/customer exceeding \$100 million are still brought before the board. Gary Wendt is responsible for making business development a key part of GE Capital's culture.



# Chapter 17, Mixing NBC with Light Bulbs

## Chapter 17, Mixing NBC with Light Bulbs Summary and Analysis

The challenge of acquiring RCA, in 1985, is how to keep NBC going and profitable. Although its entertainment unit is strong, it becomes clear that with the onset of cable, NBC is lagging and stuck in the past. People, again, become important in the overall success. NBC President Grant Tinker leaves, assuring Jack that with his leadership team in place, NBC will stay on top. Jack retains the young president of entertainment, but hires his own CEO, Bob Wright.

Costs must be cut in the news sector. Recommended by Tom Brokaw, Mike Gartner becomes the NBC News president. The news section recovers its ratings by the 1990s with talent and successes such as *Meet the Press* (Tim Russert), *Today* (Katie Couric, Matt Lauer) and *Dateline* (Jane Pauley, Stone Phillips).

The only cable asset in 1987 is the one-third financial interest in the A&E Channel. Tim Wirth expands NBC's cable efforts by purchasing Chuck Dolan's (pioneer of the cable TV business) Rainbow Properties. The \$140 million acquisition gives NBC interest in *Bravo*, *AMC*, *Sports Channel USA* and regional sports. They later buy stakes in *Court TV*, *the Independent Film Channel*, *History Channel* and *Romance Classics*. New ideas generate CNBC, the business news network, which does not take off until NBC expands the concept with the acquisition of bankrupt FNN in 1991. The deal more than doubles distribution, and FNN talent is retained. Regardless, profits fall.

To compound the entertainment slump, David Letterman leaves for CBS after Jay Leno is chosen to follow Johnny Carson as host on the *Tonight Show*. Grant Tinker releases a book co-authored by a disgruntled former NBC PR head. The book blames Jack for NBC's failures, from Leno's selection as being dead wrong, to CNBC being in the dead-air category. The decision to do a cable Triplecast of the 1992 Summer Olympics is also a flop.

CNBC is revitalized by Roger Ailes, a former political adviser to President George H. W. Bush and executive producer of Rush Limbaugh's TV show. He promotes personalities such as Chris Matthews, who energizes Washington mishaps. Microsoft becomes interested in CNBC's news-gathering operations to develop online news channels. For them, cable is secondary, which makes negotiations difficult. NBC and Microsoft agree to create a joint venture, MSNBC. Ailes leaves and creates his own startup, the Fox News Channel.

By 1992 NBC profits fall from a peak in 1989. The entertainment sector slumps. There are no new shows and advertising is in its worst slump in decades. On the table are issues such as who should replace Carson on the *Tonight Show*, Letterman or Leno? The cable Triplecast of the '92 Summer Olympics, with long runs without commercial

interruptions, adds to the disaster. Although *Seinfeld* is successful, it takes show developer Warren Littlefield to turn the entertainment sector around with *Frasier*, *Friends*, and *ER*.

NBC loses the NFL (1998), tries the XFL (1999) and pulls off the ultimate coup (1995) being awarded broadcast rights without competitive bidding, by the International Olympics Committee, for the 2000 Sydney, 2002 Salt Lake City, 2004 Athens, 2006 Torino and 2008 games. In 2001, CNBC is the leader in financial news, MSNBC is the top-rated cable news network, and NBC, although in third place, leads among 18-49 yr. olds.



# Chapter 18, When to Fight, When to Fold

## Chapter 18, When to Fight, When to Fold Summary and Analysis

Jack sees government at its best and at its worst. In 1991, accusations by Ed Russell, a disgruntled former general manager in GE's industrial diamonds business, result in investigations by the Department of Justice, followed by grand jury indictments. Russell falsely accuses his boss of price-fixing with DeBeers of South Africa. The FBI and others wanting to make names for themselves by bringing down a big company spend 3 years and an enormous amount of money chasing nothing. The assistant attorney general hires outside lawyers at the government's expense. GE attorneys destroy the government's conspiracy theory, and the criminal antitrust case is dismissed.

Jack preaches integrity, but a year earlier in 1990, it is discovered that an employee, Steindler, has a joint Swiss account with an Israeli air force general for the purpose of depositing laundered money they divert from major GE contracts to supply engines for Israeli F-16s. The money goes through a fake New Jersey subcontractor owned by Steindler's friend. The New Jersey business is used to divert nearly \$11 million to the joint Swiss accounts owned by Steindler and the Israeli general. GE is ordered to pay criminal fines and civil penalties and is set to the task of finding out who knows what about the scheme. All 21 long-term GE employees on the particular aircraft engine team are given the opportunity, with lawyers hired by GE, to state their cases. Some of the employees have worked at GE for as long as 37 years. Jack makes it clear that no one is exempt. "Sergeants don't get shot while generals and colonels continue as if nothing happened." Disciplinary recommendations are made for each employee, resulting in 11 of the 21 being fired or being asked to resign. Six are demoted, and the rest are reprimanded. One officer is demoted and the other resigns. Jack concludes that "chiefs got shot for being indifferent to integrity."

One of Jack's most frustrating issues is PCBs and the government's intent on punishing large global corporations for suspected environmental and human contamination. In the last decade GE has one of the best environmental and safety records of any global company. However, in 1975, regardless of testimony by a biologist expert, GE's legal usage and its state permits, the company is charged with "PCB contamination" as a result of corporate abuse and regulatory failure. GE agrees to pay \$3.5 million to a river cleanup fund, support PCB research and cease using the chemical.

The settlement is made on the basis of animal studies. Jack wants to know the cancer-causing effects on humans and launches his own GE-funded research with his own environmental scientists. Westinghouse, as well as GE, employee studies indicate false alarms concerning the hazards. Congress passes the Superfund Act addressing PCB site cleanup. EPA issues the order in unlimited scope. Although there is no link between PCBs and cancer, GE and others are forced to comply, lest they be accused of circumventing the Superfund order and incur damages, daily fines, and hearings that



may extend to years in the future. By 2000, the EPA contends their Superfund law, which promotes their dredging-out proposal, has made the Hudson safe for swimming, boating, and wading and for drinking water. Bald eagles and wildlife are flourishing. Jack contends that nothing has changed in 20 years except the politics, and that PCB levels in fish have declined 90 percent.





# Chapter 19, Globalization

## Chapter 19, Globalization Summary and Analysis

GE has always been a global company. It comprises many smaller companies, which have proven to be the most successful partnerships. GE eventually acquires plastics ventures Jack forms in the 1960s. A small Japanese distributor, Nagase & Co., becomes GE's new partner after the Mitui Petrochemical (Japan) deal. It provides the knowledge of Japan's complex distribution market. Local plastics plants Nagase and GE invest in becoming the heart of GE's Asian plastics business. The relationships and deals last more than 25 years.

GE's only true global business in the 1980s is plastics. Paolo Fresco becomes the "father of GE global activity." He comes to GE in 1962 and dominates the old international organization. Globalization escalates in 1989. The chairman of the UK company, GEC, negotiates a series of joint ventures and acquisitions with GE to avoid threats of a hostile takeover by another company. The agreement gives GE a solid industrial business and a foothold in European gas turbines. To secure Hungary's Tungsram lighting company, the largest (and communist), behind Phillips, Siemens, and GE, Paolo and Jack set up the following day's negotiations over a telephone line to which, they believe, the Hungarians are listening. Their suspicions prove correct, and they close the deal they want by disclosing strategies over the unsecured line. The following day, the Berlin Wall falls, and GE finds it has made its first deal in the new Eastern Europe.

The next negotiations Paolo and Jack conduct are in India. GE seeks a high-technology partner to develop low-end, low-cost medical systems products. The 50/50 joint venture significantly expands Wipro's software capabilities, and GE's medical venture thrives. Jack becomes a supporter of India's rapidly growing, highly educated, English-speaking entrepreneurial middle class. However, lighting and appliance companies in India fail. Financial services and plastics enjoy only modest success, and power generation is sporadic. Only the medical systems have been successful.

GE's main globalization focus in the 1990s includes GE Capital's global expansion in Europe through its acquisition of insurance and finance companies and into Japan that finally opens to foreign investment. GE expands its production base through acquisitions and joint ventures in Mexico. There are no overnight successes. It takes a decade for Thomson medical to work. China's first experience with lighting is not successful because of miscalculations by competitors. GE thinks it will compete with typical global players. Instead, local mayors are building light bulb facilities. Philips N.V. (the Netherlands) breaks off the deal twice after agreeing to it. The lack of trust and integrity leaves a bitter taste.

Globalization accelerates GE's development. The decision to reduce US expatriates is also critical to its success since it reduces costs. Jack believes globalization is good for

the developing countries, where nationals become leaders and the middle class can grow.



# Chapter 20, Growing Services

## Chapter 20, Growing Services Summary and Analysis

Growing services is all about people. Most of GE's businesses are considered after-market services. Medical systems is the first business to introduce long-term service contracts. Redefining markets more broadly in 1995 creates a turning point for services. The aircraft engine industry is the first to be reorganized. GE acquires a large shop in Wales from British Airways and a shop in Brazil, which reduces the cost of servicing GE engines. Greenwich is acquired soon after they acquire a large engine overhaul service. GE engineers are moved from designing to upgrading. Service revenues go from under 40 percent in 1994 to over 60 percent in 2000.

Acquisition plays an important role in service growth. Acquiring technology and information systems and incorporating them at every step of the operating system, triples initial investments. Investing in technology for service changes GE's service business fundamentals. Long-term service agreements would not be possible without the technology investments and commitment to Six Sigma. Technology investments result in greater customer intimacy.

# Chapter 21, Six Sigma and Beyond

## Chapter 21, Six Sigma and Beyond Summary and Analysis

Jack avoids the quality movement for years. By April 1995, employee surveys indicate quality is a main concern. Because of Jack's recent heart bypass, his colleague, Larry Bossidy, presents Six Sigma at the CEC meeting. Six Sigma requires fewer than 3.4 defects per million operations in a manufacturing or services environment. For GE, Six Sigma's quality increase will potentially save \$7--\$10 billion and increase sales 10 to 15 percent. A permanent head of Six Sigma is brought in. Jack gets positive feedback and weighs the elements: employees want it, the team loves it, Larry is enthusiastic about it, and the cost/benefits analysis cannot be ignored.

The program begins January 1996, changing the company's culture. "Black Belt" projects include improving call centers, increasing factory capacity, and reducing billing errors and inventory. "Green Belts" are trained to improve everyday performance in their current positions. Early successes include GE Capital and GE Plastics. In 2001, 51 percent of medical revenues come from Six Sigma designs. Stock options are rewarded to the best of the Black Belts. Jack decides no one will be considered for management with less than Green Belt training.

As with every initiative, Six Sigma has a reward program. Stock options go to "the best" Black Belt leaders. Jack decides no one will be considered for management without having at least the Green Belt training.

Internally, Six Sigma, measured according to average improvement, works, but variations and span reduction are necessary for customers to see a difference in GE quality. When the span is zero, customers always get the products when they ask for them. Plant managers use Six Sigma to reduce waste, improve products, solve equipment problems, and create capacity. HR managers reduce employee hiring-cycle times. Sales managers improve forecast reliability and pricing strategies and variation. It takes 3 years before Six Sigma operates effectively.

# Chapter 22, E-Business

## Chapter 22, E-Business Summary and Analysis

GE enters the Internet revolution late, but it already has an established brand, does not require increased advertising, and does not need to build warehouses to ship goods. E-Business allows GE to expand markets and find new customers. The supplier base will become more global.

New and younger technology/Internet-savvy talent is recruited. The biggest cost benefits come from using the Internet to streamline internal processes. GE finds a new route to more efficiency. "The buy," "the make," and "the sell" opportunities increase through greater access to more suppliers. Paper is reduced, which enhances customer services.

Part of the annual \$50 billion in goods and services is transferred to online auctions, gaining greater access to more suppliers and lower costs. Backroom operations that generate mounds of paper are also minimized. Customer service is also improved. Orders are filled faster, and customers can track shipments.

GE makes mistakes during the learning curve, but e-Business changes the way GE does business. Salespeople's roles change from order-takers and expeditors to consultants. Medical anomalies that doctors or radiologists experience are corrected through GE's medical systems. Local utility engineers can use GE's power systems homepages to compare heat rate and fuel burn in turbines. E-Business has reinvented and transformed GE.



## Chapter 23, "Go Home, Mr. Welch"

### Chapter 23, "Go Home, Mr. Welch" Summary and Analysis

Although Honeywell's business complements GE's in various areas, none of their products directly overlap. Honeywell's high-tech avionics fits well with GE's aircraft engine industry, putting GE into a market where there is no competition with Rolls or Pratt. A deal with Honeywell is similar to the RCA deal; it expands existing businesses. It would double GE's aircraft business and introduce high-tech avionics as the brains of the aircraft. Jack's plan is to push services aggressively and add Six Sigma and e-Business initiatives to Honeywell's operations. The downside for Jack is that he would have to postpone his retirement if the deal went through.

The deal is clean. Jack offers 1.055 shares of GE stock for every single share of Honeywell stock. Everyone concerned on both sides agrees. The European Commission is the stumbling block. They insist on an extensive antitrust review. The loudest complaints come from EC constituents, Rolls-Royce and Thales, and US competitors United Technologies and Rockwell Collins. Two days of hearings follow the EC's submittal of 155 pages of formal objections. GE has only 15 minutes to respond, and the prosecutor is also the judge. By the time the Commissioner reads the decision, divestitures amount to \$5 billion to \$6 billion, taking the merger off the table. Two more attempts, one presented by GE lawyers to the Commission, are also unproductive. Similar to the EPA's Superfund law, the European Commission's rejection of the Honeywell acquisition shows no viable review process. In the US, antitrust authorities must get a court order to stop a deal. In Europe, they do not. It is time for "Mr. Welch [to] go home."



# Chapter 24, What This CEO Thing Is All About

## Chapter 24, What This CEO Thing Is All About Summary and Analysis

Jack shares ideas about what has worked. Integrity tops the list. Honesty and single agendas build better relationships. Equally important is social responsibility. It begins with a strong, competitive company and CEO responsible for ensuring its financial success. Healthy companies provide good and secure jobs and meet or exceed safety and environmental standards. The leaders' intensity determines the organization's intensity. The CEO sets the tone and shares the best ideas and knowledge. People-fit is important for successful ventures. The best strategy cannot work without the right leader developing and owning it.

Getting the right people is more important than strategy development. Bureaucracy strangles and informality liberates. In large companies, creating an informal, entrepreneurial atmosphere creates a competitive advantage. Free idea exchanges ensure that everyone counts. Self-confident (not arrogant) and open individuals welcome change and are not afraid to have their views challenged. They determine the ultimate openness of an organization. Free-flowing information and ideas energize and ignite passion within an organization. Passion encourages "stretch" and striving for more than is originally thought possible. Field teams offer operating plans that reflect dreams according to the highest numbers they feel they have a chance of getting approved. Stretch targets encourage growth.

Business has to be fun. Celebrations energize the organization. They encourage productivity. Similarly, rewards acknowledge and encourage continued productivity. Activity must be measured, however. The changing market must be measured too, so specific, desired, behavior is what's rewarded. Differentiation between worst, mediocre and best performers is difficult, too, but it weeds out the weak and is the best antidote for bureaucracy since it applies to everyone in the organization. Jack emphasizes to his leaders and managers not to hoard their best people. The boundaryless culture requires that the best talent be shared.

An important concept Jack learns is that culture counts. Multiple cultures, from mergers, for example, are not conducive to maximizing intellect. Strategies must be dynamic and able to respond rapidly to real changes. The competition must not be underestimated. The field generates ideas and gives a better picture of what really goes on.. Apparently mature markets generally are not. They often become growth opportunities when they are redefined. Initiatives create fundamental changes that are long lasting. Conversely, tactical moves are for the short term, intended to revitalize and energize a function or the company.



Jack emphasizes communication. His excessive, or obsessive, behavior gets his point across. A variety of employee surveys provide feedback. The communicated image matters. Leaders emerge, and the energized ones are put in place to dispense ideas to the rest of the company. Jack never lets an advertisement air that he does not like. Charts are tools Jack uses to clarify his ideas and reduce complex problems. He also presses the concept of wallowing, which encourages people to sit down together spontaneously to hash out a complex issue.

Wall Street is a large part of the CEO's job. Investor relations require periodic change.

Knowing where a company's real value lies is essential. Acting decisively is critical. Size impacts decisions. The disadvantage of size is the difficult communications, layers, and lack of informality larger companies typically experience.





# Chapter 25, A Short Reflection on Golf

## Chapter 25, A Short Reflection on Golf Summary and Analysis

Golf combines Jack's love for people and competition. He is a self-taught player, learning the game when he was a young caddy. He muses on games with Warren Buffet, Bill Gates, and Frank Rooney. At the end of the first hole, Warren made par. Bill declared, "The match is over." Buffet and Gates made a \$1 bet that the first to make par wins. If neither has made par by Hole 9, the lowest score wins. The game with the four of them continued through all 18 holes.

*Golf Digest* ranked Scott McNealy of Sun Microsystems No. 1 CEO golfer. They ranked Jack No. 2. McNealy sent Jack a challenge. If he was going to be No.1, he wanted to be sure. They played a 36-hole match in Nantucket for the "Welch Cup." Jack won.

It is teaching Jane Welch the game and breaking down the focus and mechanics for her that improves Jack's game. He considers the most celebrated game he's played is on Wayne Huizenga's course, the Floridian, in 1998, with Matt Lauer and golf pro Greg Norman, whom he beat.



# Chapter 26, "New Guy"

## Chapter 26, "New Guy" Summary and Analysis

Picking a successor is Jack's most difficult task. He begins the process 7 years before he is due to retire. He approaches the process differently from the business-centric model used when he was selected. His primary goal is to 1) be sure his successor is GE's unquestioned leader, 2) take the politics and divisiveness out of the process, 3) deeply involve the board, so they will be united behind one person, and 4) pick someone young enough that he or she will be in the position for at least a decade; time enough for the CEO to live with his or her decisions and mistakes. Most important, Jack wants to take the politics and divisiveness out of the process.

The task of selecting 23 candidates to be Jack's successor begins in 1994. Eight remain by June 1998. The basic criteria are narrowed to main objectives, such as being the strongest leader and having the best mix of corporate executive officer skills. The process should minimize dysfunctional competition and create opportunities for close personal observation.

The most important lesson Jack learns from administering his own succession is the need to remove all internal politics. Even after selection of the final three in 1998, none of the contenders does anything to undermine the others. Jack's intention is to create a team where the vice chairman positions help the new candidate. The final three are Bob Nardelli, power systems, Jim McNerney, aircraft engines, and Jeff Immelt, medical systems.

Jack asks each man how he feels about the final selection and decides the final three should begin 6 months of training their replacements. The 300,000 employees do not know who their chairman will be, but they do know exactly who their new CEOs will be. All three run their businesses impressively. They publicly support each other. Jack is proud of the team of three, and picks Jeff Immelt as his successor. Jim and Bob take the news graciously and within 10 days, Jim is chosen to be CEO of 3M and Bob is chosen to be CEO of Home Depot.

Jack attends an economic briefing to which a number of CEOs are invited by President-elect George W. Bush. Jack's opening is brief, and he turns it over to the chairman-elect. Watching the videotape later, Jack is sure he made the right choice.



# Epilogue

## Epilogue Summary and Analysis

Twenty years earlier, Jack gave Wall Street analysts his vision for what he wanted GE to become. Then Jack took the bureaucracy and shook it up, creating a world-class organization whose excellence is accepted around the world. He is confident that he leaves a true meritocracy, a place full of involved and excited people with good values and high integrity. During the first 10 years Jack says it is like war, which is the result of changing ahead of the curve. There are no modest revolutions or transformations. Jack believes he is too cautious, regardless of what his reputation indicates.

Jack leaves a century-old institution embracing change with a passion to learn and share new ideas, which allow diverse businesses to grow faster and perform better. Globalization is only one outcome of the stretch for the best products and intellect.

Jack hesitates to predict, but he concedes that there are clearly forces altering the way business thinks about markets, organizations, and management. He does predict that the capitalist genie is almost out of the China bottle, and they will have an enormous influence in the new century. China is more than a market. It is the fastest-growing competitor.

Jack's final farewell is the annual GE 550 top leaders meeting in Boca Raton. There were speakers, Jeff's kind words, and a toast and standing ovation. Jack reminds the group that he comes from the same place most of them do. He just got lucky because of all their good work, and thanks for being special.

"The night was something!" Jack recalls. He just wishes his mother could have been there.



# Characters

**Jack Welch**

**Carolyn**

**Jane**

**Reg Jones**

**Roy Johnson**

**Jeff Immelt**



# Objects/Places

## Peabody, Massachusetts

Jack Welch was born here on November 19, 1935. His mother was 36 and his father 41 at the time.

## Salem, Massachusetts

Jack's parents buy their first house here, on 15 Lovett Street, in an Irish working-class section of town. Jack is 9 years old.

## Pickering Grammar School

Jack attended elementary school here. At 12, Jack is a quarterback on a six-man football team that wins the championship. He isn't fast, but he has a good passing arm. He also pitches a sweeping curveball and sharp drop on Pickering's baseball team.

## Salem High School

This is the high school Jack attends and from which he graduates in 1953. He plays ball, is senior class treasurer, and is captain of the hockey team.

## ROTC

Jack and two high school friends take the exam to receive a free, four-year naval ROTC college scholarship. All three pass the initial exam, submit the recommendation letters, and are interviewed. Jack's two friends are awarded ROTC scholarships, but Jack is not. Jack never finds out why.

## Dartmouth and Columbia Universities

Jack wants to attend college but does not after being rejected for a ROTC four-year scholarship.

## UMass

University of Massachusetts at Amherst is the state school where tuition is \$50/semester. For less than \$1,000, including room and board, Jack could get his undergraduate degree. Jack did not receive his acceptance letter until a few days



before he graduated from high school. It is assumed he has been on the wait list. Jack attends from 1953-1957, majoring in chemical engineering.

## **University of Illinois at Champaign**

Jack receives a fellowship to study chemical engineering. Illinois is ranked among the top five graduate programs for chemical engineering. He receives his master's degree in 1958, in just one year. Jack continues to pursue his PhD, receiving it in 1960. Jack also meets his first wife, Carolyn, who is attending on a master's fellowship.

## **Pittsfield Massachusetts, a.k.a. "the Pit"**

The location of General Electric's new chemical development operations is on Plastics Avenue, in Pittsfield, MA. Lexan and other plastics concepts are developed here in the 1960s. It is also where Jack is offered his first job with GE. He begins work at the facility on October 17, 1960, working with the new PPO thermoplastic.

## **Lexan**

This is a plastic created by GE's, Dr. Dan Fox. GE began selling it in 1957 as a potential replacement for glass and metal. Its variety of uses includes everything from electric coffeemakers to light covers on supersonic aircraft wings.

## **PPO**

Polyphenylene oxide is to be the next great thing (of the 1960s). It is a thermoplastic that withstands high temperatures with the potential to replace hot-water copper piping and stainless-steel medical instruments.

## **Fairfield, Connecticut**

This is the executive headquarters. It houses CEO, GE Chairman, Vice Chairmen, and sector heads.

## **Three-Circle Concept**

This is Jack's strategy for determining winners and losers, whether they are businesses, product lines, acquisitions, joint ventures, or investments. In chart form, three circles that overlap in the center are labeled "Services," "Technology," and "Core Manufacturing," with respective businesses inside each circle. Businesses outside the circles are those that need to be fixed, sold, or closed. These businesses are marginal performers, low-growth markets, or poor strategic fits.



## Soft Values

These are areas that define GE's new company culture. They include reality, quality, excellence and the human element. Reality is a prerequisite to executing the central idea (being No.1 or No.2). Quality and excellence create a cohesive environment for employees. The human element fosters an environment in which employees are comfortable and encouraged to be innovative. These, coupled with hard message of winners and losers, make up the No.1 or No.2, "fix, sell, or close" strategy.

## Crotonville

Crotonville is built in the mid-to-late 1950s to push the idea of decentralization down into the ranks. After decentralization takes hold, Crotonville is used as a leadership development training facility, and then for teaching management, during the inflationary period of the 1970s. Until Jack reinvents the facility in the 1980s, the open enrollment programs do not generate much interest. The facility residence center, training facility, and program are upgraded to encourage interaction, communication, and creative and collective problem-solving. By 1984, management classes are overhauled, and action learning is introduced. Many actual GE dilemmas are resolved by Crotonville classes.

## Boundaryless System and Behavior

Originated by Wal-Mart's Sam Walton, this type of system is entrepreneurial, putting the team ahead of the ego. It is GE's core values and expectations. The system encourages leaders to share credit for ideas and big wins with their teams. The developers, as well as the creators of good ideas, are rewarded. There are no barriers among company functions. Jack expands GE's compensatory program to encourage innovation and creativity and idea-sharing. The motto of idea sharing is "Finding a Better Way Every Day."

## Vitality Curve

This replaces the "360-degree evaluation" after people have found ways to subvert it: saying good things about each other to get higher ratings. The vitality curve requires that leaders differentiate employees according to the top 20 percent, bottom 10 percent, and the vital middle 70 percent. In Jack's organization, underperformers are generally asked to leave while top performers are significantly rewarded.

## Six Sigma

This program is launched in 1995 as a result of an employee survey that indicated that GE's quality was adequate but could be better. Employees are asked whether they agree or disagree with this statement: "Actions taken by this business clearly show that

quality is a top priority." In 1995, 19% of 700 senior executives and 25% of 3,000 executive band employees disagree. That drops to 8% and 9%, respectively, in 2000.





# Themes

## Competitiveness and Self-Confidence

Jack Welch grows up in a competitive environment. He is surrounded by competition. As a first-grader, Jack rushes home from school for lunch just for the chance to play gin rummy with his mother, who generally beats him, putting the winning cards on the table and shouting, "Gin!" Jack gets angry, but he can't wait to return home to get the chance to try again to beat her. That, Jack contends, is the start of his competitiveness, which flows over onto the baseball and football fields, hockey rink, golf course and business. When he is 9, his parents move to Salem. His friends are competitive, and they collectively form football, baseball and hockey teams and have intense neighborhood rivalries. Jack continued to compete in elementary and high school on football, baseball and hockey teams. He is his senior class treasurer. As an executive and CEO of GE, Jack's primary concern is to maintain the company's competitive advantage in a global environment through acquisitions, sales, trades, deals, partners, and investments.

As a result of his career experience, Jack declares that there are two "truths" he has learned to challenge with regard to business competition. The first has to do with the company's losing market shares because the competitors are practically giving their products away. This is entirely false. The reality in the world of business is that the competitors simply have a better cost position or strategic rationale for what they are doing. Jack concludes that the more effective response is not what the competitors are doing wrong, but rather what [our] company is doing wrong. The second fallacy is to assume that a team with a proposal to leapfrog over the leading competitor's position will be able to do so without the competitor's realizing what has happened until it is too late. This is typically not the case, regardless if it happens in business, on the ball field, or in a card game. Simply put, never underestimate the competition. Jack is emphatic about this throughout the book in all cases and scenarios, from childhood games, through college, and through the process he underwent to become CEO.

Jack does not always win, but he does not quit. Jack credits his mother with giving him his greatest gift: self-confidence. Jack makes is a point of looking for and building self-confidence in every executive who comes to work for him. Jack understands that self-confidence gives a person courage, which enables employees to extend their reach. Self-confidence allows a person to take greater risks and achieve more. Building self-confidence in others is a large part of leadership, which comes from providing opportunities and challenges.

Legitimate self-confidence is a winner. On the down side, arrogance is a killer. Wearing ambition on one's sleeve can have just as devastating an effect. Self-confident people are not afraid to have their opinions challenged. In fact, it is Jack's opinion that they welcome the intellectual combat that enriches ideas. He suggests that you never compromise who you are for the sake of an organization and to seek out those who are truly comfortable in their own skins, for those are the self-confident people.



## Bureaucracy

Throughout the book, Jack reiterates, "bureaucracy strangles." It stifles creativity and innovation, which in turn, slows growth and production. Informality, Jack concludes, is liberating. Jack challenges GE's hierarchal philosophies over many years. He ruffles a lot of powerful feathers in the process. He risks not being promoted by holding his entrepreneurial and informal philosophies of how operations should effectively be run. Roy Johnson, head of GE's human resources, is a traditionalist and holds tightly onto bureaucratic procedures and routines, including candidate hiring and promotion lists and protocol. Jack's openness and creative solutions are viewed by Johnson as immature and anti-establishment. He cautions that a risky situation will be created if Jack is given too much responsibility.

Nevertheless, Jack proves that bureaucracy can serve only as an insulator. Informality, on the other hand, ensures that everyone counts. Interaction, idea-sharing and open exchanges are encouraged. Performance is more important than titles. Open competition is encouraged, and employees with the most passion, best chemistry, and freshest ideas from any level at any place are what matter.

As a result, Jack avoids corporate headquarters for as long as possible, continually proving that his informal operations are more effective than the bureaucracy. It isn't until Jack becomes a candidate for Reg Jones' job that he concedes the need to move closer to the sterile bureaucratic center. The end reward, however, is the power to change the structure for the better, which he does.

The most effective process to combat the bureaucracy is Jack's "Work Out" program, which removes any unnecessary work from the system. Each manager issues a challenge to the team over a short period of time. The team discusses duplicate or ineffective operations and disputes that require attention. Ideas flow. A facilitator passes the team's recommendations to the manager, who corrects the deficiency. The hierarchy is replaced by people sharing ideas and excellence around the world. People are excited and involved with good values and integrity. They are rewarded for excellent performance and removed for substandard achievement. The bureaucratic layers have been blown apart. When Jack leaves GE 20 years later, the hierarchy is dead.

## Boundaryless

As the CEO, Jack improves GE internally, using "Work Out." Bureaucratic barriers are destroyed and replaced with an informal and entrepreneurial environment of exchange and encouragement. Jack wants to do the same externally. A boundaryless company tears down external walls, making suppliers and customers part of a single process. It eliminates race and gender walls and puts egos aside. Not only does the inventor receive credit, but those who develop the inventor's idea as well. Jack has always been a proponent for just recognition and differentiation between expected performance and exceptional achievements.

Boundaryless also opens the company up to accepting the best practices and ideas of other companies. Ideas from Japanese companies, such as just-in-time inventory and kanban manufacturing are implemented. Jack establishes the motto, "Finding a Better Way Every Day." It creates a new momentum and a spirit of competition and cooperation.

Boundaryless is applied to behavior as well as to a system of breaking down barriers. Someone who does not share an idea, or a manager who does not share personnel is accused of not exercising boundaryless behavior. Reviews grade managers on their degree of boundaryless behavior. In Jack's way of demanding cooperation and performance, managers who rate low have to change or leave. Excellence is Jack's way to compete and keep a competitive advantage. Boundaryless behavior is not a slogan, but an expectation.

All of Jack's themes typically relate back to the basic concepts of competition and self-confidence.

# Style

## Perspective

Jack writes this autobiography from a lifetime of experience. He chronicles his childhood, pointing out how, where, or from whom he acquires his natural competitive nature and self-confidence, as well as his people skills and curiosity and reach. He exemplifies that learning to lose is as important as winning and how failures, more often than not, are learning experiences. There is also such a thing as staying too long in one place, position, or job rather than risking change.

Jack discusses how he methodically prepares for and executes his technical abilities as a professional chemical engineer. He is fortunate to arrive at GE during the cutting edge development stage of plastics. It is his mentoring and innate ability to associate with all types of people that help him throughout his life and career.

Jack's audience ranges from post-high school to career professionals. Student readers can understand basic personal and academic development and the effort necessary to prepare for a career. Jack also makes it clear that, although he does not consider himself to be the smartest scientist, he does have focus., This provides him with the ability to concentrate problem-solving, innovation, and knowing when the project is complete and there is nothing more to be gained. It is a good read for those who are beginning their careers or trying to find direction. It is encouraging with respect to Jack's suggestions of what qualities a big corporation looks for and expects from new entry level employees, as well as how to excel and move up the corporate ladder.

Readers who are business professionals gain insight into strategies, theories, management practices, and organizational structures; what works and what does not; and the value of ethics, integrity, and people. For the business professional, Jack reveals himself to be a brilliant leader and teacher. He took a significant corporation and turned it into a global giant. He gives the professional insight into weathering the unexpected, motivating and inspiring excellent performance, handling reasonable challenges, and expecting excellent results. He does not hold back the consequences for those who do not perform or refuse to play on the team.

Any reader understands the importance Jack places on the people factor, whether they are mentors, partners, spouses, co-workers, bosses, or social contacts. As he says, every meeting is an interview.

## Tone

The tone is very upbeat and positive. When Jack describes one of his major failures or mistakes, he does so as a teacher, instructing the reader to be cautious and avoid certain pitfalls.

In the Author's Note, Jack apologizes for having to write the book in the first person. He states humbly that everything he's done in his life has been accomplished with other people. Because of this, he implores the reader to read the narrative "I" as "we."

## **Structure**

The book is an easy read. It has approximately 485 pages, including the Prologue, 26 chapters, an Epilogue, Acknowledgments of others not directly addressed in the chapters, Appendices of notes and memos, and an Index. There is an additional photo gallery including Jack, his parents, Carolyn, Jane, family, and friends.

The chapters are relevant, not rambling, and they are grouped according to periods of Jack's personal phases or career and company growth periods. They are chronologically sequenced for the most part. There are occasional dated references regarding various deals or activities GE is involved in that go back and forth in time. This is necessary because of the nature and interrelationships of multiple deals, acquisitions, and internal changes occurring simultaneously. The variable timeline does not detract from the flow of the book.

## **Language and Meaning**

Jack is very good about using layman's terms and common, conversational, language. When he describes GE's plastics development, business strategies, management and internal workings, he is very good about quickly defining a term or process. Notes he keeps during his initiatives and strategic planning are included as visual references. Overall, it is an easy-to-read and informative book.

## Quotes

"There is no straight line to anyone's vision or dream." Prologue, p. xvi.

"If you don't know how to lose, you'll never know how to win!" Chapter 1, pp. 3-4.

"But differentiation is all about being extreme, rewarding the best and weeding out the ineffective. Rigorous differentiation delivers real stars - and stars build great businesses." Chapter 2, p. 25.

"They say that differential treatment erodes the very idea of teamwork. Not in my world. You build strong teams by treating individuals differently ... From my days in the Pit, I learned that the game is all about fielding the best athletes. Whoever fielded the best team there won." Chapter 2, p.25.

"People who couldn't fit into this informal and entrepreneurial environment left or were asked to leave. I cut my losses quickly on bad hires that didn't perform. People who were arrogant or pompous didn't last very long. Those who delivered took home outside salary increases and bonuses, just as I now did. I 'kicked,' but I also 'hugged.'" Chapter 4, p. 43.

"Finding great people happens in all kinds of ways, and I've always believed, 'Everyone you meet is another interview.'" Chapter 11, p. 156.

"E-Business is the only activity I've seen where targets set only 30 days earlier can look ridiculous 30 days later because the learning curve is so steep. We were always shocked when we looked back at what we *thought* we knew." Chapter 22, p. 350.

"I never had two agendas. There was only one way - the straight way." Chapter 24, p. 381.

"There is a fine line between arrogance and self-confidence. Legitimate self-confidence is a winner. The true test of self-confidence is the courage to be open - to welcome change and new ideas regardless of their sources. Self-confident people aren't afraid to have their views challenged." Chapter, 24, p. 384.

"Great organizations can ignite passion." Chapter 24, p. 385.

"I always reminded myself: Headquarters doesn't make anything or sell anything. Banging around the field was my best shot at getting some idea about what was really going on." Chapter 24, p. 391.

"Great people, not great strategies, are what made it all work." Epilogue, p.432.

"Hierarchy is dead. The organization of the future will be virtually layerless and increasingly boundaryless, a series of information networks in which more electrons and fewer people will manage processes." Epilogue, p. 433.

"While information will be available as never before, it will always be human judgment that will make the organization go." Epilogue, p. 434.



## Topics for Discussion

Jack Welch championed initiatives such as Six Sigma, e-Business, and globalization. He also created a unique philosophy and operating system, which relies on a boundaryless sharing of ideas, a focus on people, and an informal, entrepreneurial environment and style.

Compare and contrast the traditional bureaucratic structure of corporate organizations with Jack's boundaryless, entrepreneurial environment and organizational structure and operations.

Describe Jack's definitions of the four types of managers, and discuss why a Type 4 manager is not conducive to an organization whose key value is boundaryless behavior.

Discuss Jack's No.1 or No. 2, "fix, sell, or close" (three-circle concept) strategy with regard to low-margin, low-growth, high-margin, high-growth business and products.

If differentiation comes down to sorting out A, B, and C players, discuss the ideal employee, according to Jack.

Discuss the "four E's" of GE leadership, what they are connected by, and how they apply to all organizations.

Discuss principles of Six Sigma and how they relate to productivity and employee satisfaction.

Discuss how far globalization has come since the 1980s and since Jack left GE in the Fall of 2001.

Discuss the implications of e-Business on major corporations.