

## Management Summaries

Occasional synopses of modern management writings

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### The Alternative Jack Welch Story

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Apparently, Jack Welch, the former head of GE is visiting London in a couple of week's time to share his tips and hints on leadership. He's one of a number of celebrity CEOs who can attract large audiences, and no doubt there will be a good number here too.

Sometimes though it is worth asking ourselves how much we can learn from their experiences. Jack Welch, for example, rarely answers the questions that more dispassionate observers would like answering.

A comprehensive analysis of his so-called exceptional success at GE can be found at [www.robwalker.net/html\\_docs/welch.html](http://www.robwalker.net/html_docs/welch.html). The verdict? Good, but not earth shattering, and exactly how much was down to his leadership is open to debate. Indeed, his claims of exceptional performance were slightly marred when the company had to admit that it invented \$350 million in nonexistent profits.

His pension alone is apparently worth \$9M per year, despite the fact that GE is contracted to provide him with all his living expenses until he dies. I suppose if he is going to tell you how to swing that one past your HR Director it might be worth listening to.

I'm sure we could all learn a lot too from the man who is reported to have described a typical Al Gore voter as "someone who needs all these goddamned social programs because she's too goddamned dumb to keep her legs crossed and too goddamned lazy to get an abortion."

But then he is also the man who told us that work-life balance was something you earn, not a given: "Flexibility is something that's earned-it's not something that's handed to you," he said. "If you deliver, you'll earn the flexibility to manage competing priorities." Comments about his extra-marital relationship, membership of four country clubs paid for by GE, top tickets at sporting events, lifetime all-expenses paid occupancy of an apartment at the Trump Tower, and other little luxuries, would be inappropriate, I'm sure.

Of course, you may be lucky. Perhaps at this talk he will give a few explanations as to how, under his leadership:

- GE attempted to pay a \$1.25 million bribe to a Puerto Rican official for a \$92 million dollar power plant contract and three GE executives were imprisoned as a result;
- GE defrauded the US army on a \$254 million contract for battlefield computers and paid tens of millions of dollars in fines;

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- GE allegedly also overcharged the US army for battle tank parts and then paid a \$900,000 settlement;
- GE paid a \$32 million settlement for discriminating against women and minorities;
- GE defrauded the US air force on a missile contract and paid \$1 million in fines;
- GE was identified as being responsible for at least 47 Superfund toxic cleanup sites;
- GE paid a \$3 million settlement for allegedly altering labour vouchers in order to overcharge the Pentagon on jet engine contracts;
- GE paid an undisclosed amount for knowingly selling defective nuclear reactor parts.

That will make entertaining listening.

It's easy to criticise the former leader of an organisation, and we should always remember that his quality improvement programme (Six Sigma) was revolutionary. Not because of its improvements in product quality but for GE's nearly complete disregard for the environment and public safety while it was underway.

But before we look at their environmental record, there's a question that I can't fathom about their Six Sigma programme. Jack Welch is proud of his 20-70-10 performance appraisal system. Essentially if you are in the bottom 10% of performers in the company each year, you're fired. Now, to my way of thinking (which I admit is also that of the other major proponent of Six Sigma, Motorola) that means that in 10% of your recruitment decisions each year you made a mistake. How then can you claim to be 99.9997% fault-free?

To go back to a few other faults that GE seems to have made under Welch's leadership, and during it's Six Sigma programme, since 1992, GE has been ordered to pay hundreds of millions of dollars in court judgments and fines for endangering US citizens by illegally and repeatedly dumping toxic waste and chemicals, operating unsafe workplaces, and engaging in deceptive advertising,

In terms of environmental abuses, it was fined for:

- Contaminating the Hudson and Housatonic Rivers
- Selling defective nuclear reactor parts (again)
- Allowing safety violations at a fuel fabrication plant
- Polluting the air and contaminating the soil and groundwater in several US states
- Creating asbestos-related health hazards in England
- Contaminating drinking water in Puerto Rico
- Bribing the Puerto Rico Water Resources Authority
- Polluting several northeastern states with PCBs

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Now, you might believe that commercial success at all costs is the imperative, so you won't be expecting him to outline how GE also, under his leadership, came to be fined in the US courts for:

- Overcharging on mortgage insurance
- Practicing money laundering and unfair debt collection
- Bribing a foreign government, and
- Knowingly broadcasting a false news story.

Welch prided himself on his knowledge of the workings of every part of his empire, and many GE managers apparently perceived him as a "micro-manager" and yet, he always claimed ignorance of any of GE's wrong-doings while he was at the helm.

I shalln't mention the complex story of his manipulation of the output from NBC (the GE-owned media giant), or the implicit confession under oath by Andrew Lack, NBC's president, that Welch had actually attended the NBC News studios and exerted editorial influence in favour of George Bush in the closing hours of the Bush-Gore election fiasco. [Oops, it slipped out after all.]

Now, if you want to learn from a man of that calibre, then the £100 a ticket might seem a fair price. On the other hand, you might like to reflect on the fact that £100 would feed 15 children orphaned through HIV/AIDS in Malawi for a whole month.