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STRAIGHT
FROM THE GUT

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with JOHN A. BYRNE



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What This CEO Thing Is All About

Being a CEO is the nuts! A whole jumble of thoughts come to mind: Over the top. Wild. Fun. Outrageous. Crazy. Passion. Perpetual motion. The give-and-take. Meetings into the night. Incredible friendships. Fine wine. Celebrations. Great golf courses. Big decisions in the real game. Crises and pressure. Lots of swings. A few home runs. The thrill of winning. The pain of losing.

It's as good as it gets! You get paid a lot, but the real payoff is in the fun.

Like any job, though, it has its pluses and minuses—but the good sure overwhelms the bad. The schedule is packed, with many hours blocked out a year in advance, yet every day manages to bring new crises that butcher your calendar. The days are crazy long, yet the hours race by because you're always fighting for more time. The job never leaves you no matter what you're doing—what's on your mind is always so absorbing.

There are all kinds of boring external functions, but none internally—well, at least not for me because I set the agenda. I was invited to a lot of black-tie dinners and industry association meetings. The best thing is, I didn't have to go. Some of the dinners are real special, like the White House State Dinners you wish your parents

were alive to see. I got to meet lots of bright people I'd otherwise only read about, and I found most of them self-effacing and fun.

There's no such thing as a typical day. While I was working on this book in late May, I happened to have a day that was packed wall-to-wall, with meetings from 8:30 in the morning until 8:30 at night. The next day, Warner Books CEO Larry Kirshbaum was ragging me about why I hadn't gotten more done on the book.

"For chrissakes, Larry, there was no way I could do anything yesterday. I had a crazy day."

"What happened?" he asked.

When I told him, he insisted I put it in the book.

The day started at 8:30 A.M. with what we often call "Deal Day," when the GE Capital board met for its monthly session. This time we had a full plate to review, ranging from a bid for a bankrupt life insurance company in Japan with \$5.5 billion in assets to a \$500 million loan for a power plant in Mississippi. Denis Nayden, CEO of GE Capital, introduced the rationale for each deal before the business leaders and their teams came in to pitch.

GE treasurer Jim Bunt is responsible for analyzing the deals with the GE Capital teams. The day prior to the meeting, he circulated via e-mail a one-to-two-page summary of each deal along with his personal recommendation. A GE Capital board member for years, Jim has always been the resident cynic, a brilliant madman who manages to find humor—and hidden perils—in the numbers. In the fall of 2000, I made a deal to keep him a couple of extra years because his brains and total irreverence are an absolute treasure. I wanted our new CEO to have the benefit of his sharp and witty insights.

At this latest meeting, he gave Jeff Immelt and me a real zinger for leaking our approval of a deal before he had opined. He wrote derisively: "Since the chairman and chairman-elect per attributed statements reported by Reuters on Thursday May 17, 2001, appear to want this . . . if anyone has an objection at this point, please speak now or forever hold your peace."

It took us over 4 hours to go through 11 deals, 5 of them from outside the United States. Nine got approved. One \$4 billion acquisition was sent back for a further look, while a \$111 million deal to finance four office properties in New York City was killed. We've been burned in real estate cycles at least twice. With cranes going up all over New York, everyone was worried about a glut—except Bunt, who did like the deal's structure and conceded, "P.S. I know I'm at risk of 'Bunt, are you nuts?'"

It was one of the few times we didn't go with one of his recommendations.

When the meeting broke up, I grabbed a sandwich in the hall and brought it back into a conference room for a strategizing session on our pending acquisition of Honeywell. Dave Calhoun, CEO of our aircraft engine business, had flown in from Cincinnati, and several Honeywell guys had come in from Phoenix for the meeting.

We were in the midst of a hearing before the European Commission, which was studying the impact of the deal on competition. Although I had never felt there were any antitrust issues, we were anticipating having to give up some chips to the commission to get approval of the deal. We needed to know Honeywell's views on the strategic value of each piece.

The Honeywell meeting took two full hours, pushing back our next scheduled meeting from 1 P.M. until after 3 P.M. This next session was one I always looked forward to because it was all about people: a wrap-up of the Session C field visits over the previous six weeks. Human resources head Bill Conaty prepared the material for the five-hour meeting. Jeff Immelt took the lead here, and I tried with some success to restrain myself.

During our field visits, we often "discover" three or four stars in every business and excitedly think up new opportunities for them. When we finally get to this wrap-up meeting, we inevitably find that we've slotted each new "star" in at least three to five different jobs. So among other things, this session helps us sort through what we promised in the field and leads to an intense

discussion about just which executives we'll shift from one business to another.

We went over the leadership succession plans in each of GE's businesses and discussed plans for executives ranked in the bottom 10 percent. Sometimes, the bottom 10 in one business are better than some of the people ranked in the middle of another business. This always creates a lot of heat.

This time, we reviewed the Honeywell integration, including the new organizations proposed for aircraft engines, industrial, and plastics. We spent an hour discussing which positions Honeywell executives would occupy in the postmerged company and who from GE were going to move. We selected the 35 or so managers for the 2001 top executive development course (EDC) from a nomination pool of about 50. This is a big deal, because in essence we're signaling to every one of our leaders of the future.

For many years, a key part of these sessions has been diversity. This year's detailed summaries showed that women and minorities in management have increased by over 70 percent since 1996. Over 30 percent of our 3,000-plus executive band employees are "diverse."

The number of diverse vice presidents was up to 25 percent in the last year and now represents 16 percent of GE VPs. That's not "Six Sigma" yet, but over \$30 billion of GE revenues are now being managed by women and minority executives. Our pipeline is building rapidly. Our mentoring program is working.

In the last half hour of the meeting, we reviewed the two or three best practices in each initiative found during the field visits that Jeff would highlight at our CEC meeting in June.

The meeting didn't end until after 8 P.M., and the last thing I was thinking about was going back to the damn book.

Every day, of course, wasn't this hectic. There's no pat formula to this CEO thing. Everyone does it differently, and there's no right or wrong way to go about it. I certainly don't have a magic formula, but

since I was presumptuous enough to write this book, I'll take a shot at sharing some of the ideas that worked for me. I hope some might be helpful. Pick and choose among them, or just toss them all.

Integrity

A freshman at a Fairfield University Business School forum recently asked me, "How can you be a good Catholic and a businessman at the same time?"

I answered emphatically, "I am."

The simple answer is: By maintaining integrity. Establishing it and never wavering from it supported everything I did through good and bad times. People may not have agreed with me on every issue—and I may not have been right all the time—but they always knew they were getting it straight and honest. It helped to build better relationships with customers, suppliers, analysts, competitors, and governments. It set the tone in the organization.

I never had two agendas. There was only one way—the straight way.

The Corporation and the Community

Everybody has a view about a corporation's role in society. I do, too.

I believe social responsibility begins with a strong, competitive company. Only a healthy enterprise can improve and enrich the lives of people and their communities.

When a company is strong, it not only pays taxes that provide for important services. It also builds world-class facilities that meet or exceed safety and environmental standards. Strong companies reinvest in their people and their facilities. Healthy companies provide good and secure jobs that give their employees the time, the spirit, and the resources to give back to their communities a thousand-fold.

Weak and struggling companies, on the other hand, are often community liabilities. They have little or no profits and pay few if any taxes. They're tempted to take shortcuts to save a buck—investing little in the development of their employees and workplaces. The constant threat of layoffs breeds insecurity and fear in employees whose worries about their own future affect their ability to volunteer time and money to help others.

I saw this first-hand in Pittsfield, Massachusetts, where I spent almost all of my first 17 years in GE. In Pittsfield, I saw two types of businesses—one healthy and one failing. We had a vibrant, growing plastics business. We were hiring great people and building new central laboratories. We had an engaged workforce that could give back to the community. Down the street, GE's transformer business had struggled, losing more and more money every year for over a decade. The business had become noncompetitive, and we had to close the plants in the 1980s. That money-losing business could provide no long-term help to the community.

The town of Pittsfield was angry when we had to shut down the transformer facilities. But this was never about GE or me liking plastics more than transformers, or liking one town more than another. This was all about the health of a business and the implications its sickness had on the community.

That's why a CEO's primary social responsibility is to assure the financial success of the company. Only a healthy, winning company has the resources and the capability to do the right thing.

Setting a Tone

The organization takes its cue from the person on top. I always told our business leaders their personal intensity determined their organization's intensity. How hard they worked and how many people they touched would be emulated thousands of times over. The CEO sets the tone. Every day, I tried to get into the skin of every person in the place. I wanted them to feel my presence.

When I traveled to remote locations—Europe, Asia, or wherever—the days were 16 hours long, allowing me to touch hundreds, if not thousands, of people. At Crotonville, I've led exchanges with more than 18,000 managers. At every human resources review, I met with the union leaders to understand their concerns so they could understand mine. I didn't want to be a picture in the annual report. I wanted to be someone whom everyone in GE knew.

Maximizing an Organization's Intellect

Getting every employee's mind into the game is a huge part of what the CEO job is all about. Taking everyone's best ideas and transferring them to others is the secret. There's nothing more important. I tried to be a sponge, absorbing and questioning every good idea. The first step is being open to the best of what everyone, everywhere, has to offer. The second is transferring that learning across the organization. Work-Out drove boundaryless behavior and developed the ideas. We rigorously evaluated everyone on this value to reinforce its importance. Connecting all the meetings ("operating system")—from HR to strategy—gave new ideas increased momentum and helped refine them. Crotonville helped share the learning and brought out the best in everyone.

Searching for a better way and eagerly sharing new knowledge has today become second nature at GE.

People First, Strategy Second

Getting the right people in the right jobs is a lot more important than developing a strategy. This truth applied to all kinds of businesses. I sat in rooms for years, looking at promising strategies that never delivered results. We had great plans for ultrasound, but we could never make them happen until we found the perfect person with ultrasound in his veins. We had service strategies in aircraft

engines, power, and transportation for years. Service was always a second-class citizen until we put leaders in place who had the courage to “kick ass and break glass.”

We learned the hard way that we could have the greatest strategies in the world. Without the right leaders developing and owning them, we’d get good-looking presentations and so-so results.

Informality

Bureaucracy strangles. Informality liberates. Creating an informal atmosphere is a competitive advantage. Bureaucracy can be the ultimate insulator. Informality isn’t about first names, unassigned parking spaces, or casual clothing. It’s so much deeper. It’s about making sure everybody counts—and everybody knows they count. Titles don’t matter. There aren’t epaulets on shoulders, or stiffs in corner offices making all the calls—just a wide-open spirit where everyone feels they can let it rip. “Covering your ass” is ridiculed. Passion, chemistry, and idea flow from any level at any place are what matter. Everybody’s welcome and expected to go at it.

Self-Confidence

Arrogance is a killer, and wearing ambition on one’s sleeve can have the same effect. 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 source. Self-confident people aren’t afraid to have their views challenged. They relish the intellectual combat that enriches ideas. They determine the ultimate openness of an organization and its ability to learn. How do you find them? By seeking out people who are comfortable in their own skin—people who like who they are and are never afraid to show it.

Don’t ever compromise “being you” for any damn job in any institution.

Passion

Whenever I went to Crotonville and asked a class what qualities define an “A player,” it always made me happiest to see the first hand go up and say, “Passion.” For me, intensity covers a lot of sins. If there’s one characteristic all winners share, it’s that they care more than anyone else. No detail is too small to sweat or too large to dream. Over the years, I’ve always looked for this characteristic in the leaders we selected. It doesn’t mean loud or flamboyant. It’s something that comes from deep inside.

Great organizations can ignite passion.

Stretch

Stretch is reaching for more than what you thought possible. I’ve always used the annual budget process as the best example of stretch.

You know the drill. There’s a business team in the field, working for a month on a presentation at headquarters, trying to develop the case for the minimum number they think they could “sell.” The headquarters team comes to the same meeting armed to squeeze out the maximum. The field team comes with all kinds of charts on the weak economy, the tough competition, and says, “We can produce 10.” The top management comes in that morning wanting 20.

The presentation usually takes place in a windowless room. No customers are present. You know what happens. After mountains of PowerPoint and hours of give-and-take, the budget is set at 15.

It’s an enervating exercise in minimalization.

The field team flies back, high-fiving one another. They didn’t have to give all they had to headquarters. Top management thinks it had a great day, ratcheting the objectives to new heights.

Why is this game played? Over the years, people everywhere have learned that if you made your number, you got a pat on the back or better, and if you missed your budget, you’d get a stick in the eye or worse.

Everyone plays by these rules.

In a stretch environment, the same field team is asked to come in with “operating plans” that reflect their dreams—the highest numbers they think they had a shot at: their “stretch.” The discussion revolves around new directions and growth, energizing stuff.

The team leaves with everyone on both sides of the table having a pretty good understanding of what the business will do and what they’ll try to do. An operating plan is put together reflecting that reality. The team knows they’re going to be measured against the prior year and relative performance against competitors—not against a highly negotiated internal number. Their stretch target keeps them reaching.

We’ve never yet made a “stretch operating plan.” Yet we’ve always done a helluva lot better than we ever thought we’d do—and more than Wall Street expected.

A stretch mentality isn’t easy to get, and by no means does GE have it throughout the company. Sometimes we found cases where managers at lower levels took stretch numbers and called them budgets, punishing those who missed. I don’t think it happens much anymore, but I wouldn’t bet on it.

Nevertheless, we’ll never stop “stretching.”

Celebrations

Business has to be fun. For too many people, it’s “just a job.”

I always found celebrations were a great way to energize an organization. From my first days in plastics, I was always looking for ways to celebrate even the smallest victories.

At Crotonville, I’d often get frustrated by the answer to the simple question “Are you celebrating enough?” The students turned silent or would murmur, “No.”

I loved to push back on this one.

“Don’t look at me. I can’t celebrate for you. We’re not going to have a vice president of celebrations at GE. You have to consider

yourself the manager of celebrations. You've got the authority. Go back and make it happen. You don't have to hand out a new Mercedes. It can be a keg of beer or a dinner for two.

"Your job is to make sure your team is having fun—while they're being productive."

Aligning Rewards with Measurements

You have to get this one right.

One time, I was surprised to see a great fourth quarter revenue line and no income to go with it. I asked, "What the hell happened here?"

"Well, we had a fourth quarter sales contest and everyone did a great job!"

"Where's the margin?"

"We didn't ask for margin."

That's the simplest example of a universal problem: What you measure is what you get—what you reward is what you get.

Static measurements get stale. Market conditions change, new businesses develop, new competitors show up. I always pounded home the question "Are we measuring and rewarding the specific behavior we want?"

By *not* aligning measurements and rewards, you often get what you're *not* looking for.

Differentiation Develops Great Organizations

No one likes to play God and rank people, especially the bottom 10 percent. Differentiation is as tough an issue as any manager faces. I thought it was my job to talk about it, to force it every day, to demand it from everyone. From my first days, I thought it was the key to building a great organization. For us, the vitality curve made differentiation work. We used it relentlessly to push leaders to continually upgrade their teams. Year after year, forcing managers to weed out

their worst performers was the best antidote for bureaucracy. Our surveys showed the lower we went in the organization, the louder the concerns about our weakest performers. The lower-level executives, more than senior managers, bore the brunt of laggards.

Differentiation is hard. Anybody who finds it easy doesn't belong in the organization, and anyone who can't do it falls in the same category.

Owning the People

We always told our business leaders, "You own the businesses. You're renting the people." Bill Conaty and I felt we had personal responsibility for the top 750 managers. We looked after their development, their rewards, and their advancement. We ran the people factory to build great leaders.

Our business CEOs knew they would be rewarded for teeing up high potentials. Our boundaryless culture changed the game from hoarding your best people to sharing your best.

Of course, I'd sometimes hear a groan on the other end of the phone when I'd call a business leader and say, "Sorry, you just lost X."

Giving up the best is not a natural act. Within minutes, we'd be talking about the backup slate to fill the new hole we created. With our bench, the backups sometimes turned out better than the starters.

Appraisals All the Time

Appraisals to me were like breathing. In a meritocracy, nothing is more important. I was giving appraisals all the time—whether I handed out a stock option grant or gave a raise—or even when I'd bump into someone in the hallway.

I always wanted everyone to know where they stood. Every year, I'd send a handwritten note with the annual bonus to my direct

reports. I'd write two to three pages, outlining what I was looking for in the coming year. I'd attach to it the prior year's letter, which I would mark up in red, to give continuity to the process.

These notes did a couple of things. I had the chance to reflect on each business and what I thought was important. My direct reports realized that there would be follow-up—and that I cared a lot. The process was time-consuming, and sometimes late on a Sunday night, I would wish I hadn't started it, but it was great discipline for me. (Examples of these notes to my successor, Jeff Immelt, over the last four years, are in the appendix. These are on the favorable side, especially compared to some others I wrote.)

Culture Counts

Kidder sure as hell taught me that. I saw it in the Honeywell/AlliedSignal merger. A year after those two companies merged, factions were still arguing over whose culture would dominate. When DaimlerChrysler came together as a "merger of equals," it appeared to lead to confusion.

Setting the culture straight on day one minimizes this. The sisters have to go quickly.

An organization that truly believes in maximizing intellect can't have multiple cultures. During the Internet craze of the late 1990s, we had some people in an equity group at GE Capital who suddenly thought they were geniuses. They decided they should have a piece of the action in the companies where they invested GE money.

We told them to take a hike. In our shop, there's only one currency: GE stock with GE values.

Culture is the reason we passed up a couple of high-tech acquisitions in the late 1990s in California. I didn't want to pollute GE with some nutty stuff going on in the midst of the dot.com craze.

That doesn't mean that at GE people can't be individualists or can't get paid extravagantly for great performance. When it comes to personal style and pay, our culture will bend, but we won't break it.

Strategy

Business success is less a function of grandiose predictions than it is a result of being able to respond rapidly to real changes as they occur. That's why strategy has to be dynamic and anticipatory.

Bob Nelson, my longtime financial analyst and GE's resident history buff, exposed me to this thinking when he passed on an article about the Prussian general Helmut von Moltke. Von Moltke's beliefs brought us to a series of questions that were much more useful to me over the years than all the data crunching in strategic plans.

Five simple questions brought strategic thinking to life for me:

- What is the detailed global position of your business and that of your competitors: market shares, strengths by product line, and by region today?
- What actions have your competitors taken in the past two years that have changed the competitive landscape?
- What have you done in the last two years to alter that landscape?
- What are you most afraid your competitors might do in the next two years to change the landscape?
- What are you going to do in the next two years to leapfrog any of their moves?

Competitors

Two "truths" I've learned to challenge over time dealt with competition.

One old chestnut is, "We're losing market share because our competitors are crazy, and they're giving the product away." I heard that more than a hundred times in my career. Usually, it turned out to be BS. The real truth was that a competitor had a better cost position or a strategic rationale for what it did.

It took me a while to figure out that I should have been asking, "What was wrong with us, not them?"

The other beauty goes something like this: A team comes in with a proposal to leapfrog the current position of its leading competitor. The implicit assumption is the competition will be sleeping while we're developing the new product. Doesn't usually happen that way.

Take our effort to build the GE-90 aircraft engine. The engineers convinced me that if we developed this brand-new engine for Boeing's new short- to medium-range 777 jets, we'd meet their requirements for a 90,000-pound thrust engine. They said Pratt & Whitney and Rolls-Royce couldn't stretch their existing technology to get to 90,000. Didn't happen. Pratt and Rolls found ways to get their engines to deliver as much as 94,000 pounds of thrust.

Fortunately, the project had a happy ending. Our new engine was capable of getting to 115,000 pounds, which was what Boeing needed when it later came out with a long-range version of the 777. Our engine got us a major contract on these planes.

It was tough, but we tried like hell to look at every new product plan in the context of what the smartest competitor could do to trump us.

Never underestimate the other guy.

The Field

I never really felt headquarters was the place to be, and becoming CEO reinforced my point of view. From my first job as an officer in February 1972, I wanted to be out with the people who really made things happen. I'd spend at least a third of my time with the GE businesses. I have no idea how much time CEOs should spend in the field. I do know I fought every day to get my butt out of the office.

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.

Markets vs. Mind-Sets

Markets aren't mature. Sometimes minds are. Nowhere was that more truthful than our pursuit with almost religious fervor of a No. 1 or No. 2, fix, sell, or close strategy. Looking at the same businesses from a different share perspective changed our mind-set. When we asked each business to redefine its market so they could have no more than a 10 percent share, what had looked like mature markets became growth opportunities. Even a few field horses started looking like thoroughbreds. With the same portfolio of businesses, our revenue growth rate more than doubled in the last half of the 1990s.

Initiatives vs. Tactics

In 20 years, we really had only four initiatives—Globalization, Services, Six Sigma, and E-business.

Initiatives live forever. They create fundamental change in a company. They build on one another. Everything in the GE operating system reinforces them.

On the other hand, short-term tactical moves are needed to revitalize and energize a function or company. Here are three examples. We upgraded sourcing leadership and globalized suppliers. That saved millions. We reduced foreign service employees (FSE), by bringing U.S. expatriates home. That saved millions—by forcing the businesses to promote local nationals and put a global face on the company. We reduced internal travel, using the Internet. That saved millions—and addressed the work/life balance issue. Our people got fewer Frequent Flyer miles but stayed home and had better lives.

Understanding the difference between the fundamental and the quick fix helps an organization stay focused.

The Communicator

I was an outrageous champion of everything we did—from our early need to face reality and change the culture to our major initiatives that reshaped the company. Whenever I had an idea or message I wanted to drive into the organization, I could never say it enough. I repeated it over and over and over, at every meeting and review, for years, until I could almost gag on the words.

I always felt I had to be “over the top” to get hundreds of thousands of people behind an idea.

Looking at my handwritten notes for my Boca speeches over 21 years only reminded me of how many times I said the same things from different angles and with different emphasis. “Boundaryless” was a clumsy word I could barely get out of my mouth, and I butchered it a million times, but I never stopped saying it.

My behavior was often excessive and perhaps obsessive. I don’t know if that’s the only way, but it worked for me.

Employee Surveys

We used all kinds of ways to get employee feedback: Crotonville, Session Cs, vitality curves, and stock options. These tools forced management to deal with employees in a straightforward manner. Making employee surveys meaningful was a big breakthrough for us in 1994.

We didn’t ask about the quality of cafeteria food or the benefit plans. We asked questions that got at fundamental issues around the theme: “Is the company you read about in the annual report, the company you work for?”

We didn’t run the company by polling, but the candor of our employees in these anonymous on-line surveys really helped us put the right emphasis on the right initiatives. We showed the results not only to our employees, but also to our board members and to the security analysts. The analysts were shocked the first

time I did it, but it put a helluva lot more beef behind the charts I was presenting.

Knowing—and confronting—what was on the minds of our employees was a key part of our success.

Upgrading a Function

Whenever I thought a corporate function wasn't as strong as it should have been, I would appoint myself the unofficial head of it. Take sourcing—the process of buying billions of parts, products, and services.

Sourcing was once a place to park people who hadn't quite made it in manufacturing. In the mid-1980s, when our purchasing costs weren't coming down fast enough, it was clear we needed to change things. I set up a council that brought the businesses' sourcing leaders to meet with me in Fairfield every quarter. Some of the business CEOs nearly died when they realized whom they were sending.

I usually saw the weak ones once.

We did the same thing with service leaders, Six Sigma leaders, and e-business advocates—anything that really mattered. Putting the councils together and bringing leaders to Fairfield to meet with me or a vice chairman helped surface the best and brightest from within our organization.

Once we had highly energized leaders in place, ideas flowed like water downhill to the rest of the company.

The Advertising Manager

Managing image and company reputation is one of the more obvious jobs of a CEO. I might have taken it to an extreme. For 20-plus years, I looked at thousands of storyboards for corporate and product ads. I never allowed one advertisement on the air that I didn't like.

We had great two-person advertising teams, led first by Len Vickers and then by Richard Costello. When Len set up a runoff

among several agencies for a new GE slogan in 1978, BBDO won the business. Phil Dusenberry, BBDO's creative head, came up with "GE: We bring good things to life."

I loved it the moment I heard it. Sometimes I drove the agency and our guys nuts with my micromanaging of the process. I liked playing with the ads, had a strong point of view, and wanted to be proud of everything GE put on the air. I thought that Sunday morning TV news programs were the place to reach the country's thought leaders, and most of our ad spending went there. My micromanaging continued. Just months before my retirement, I was reviewing storyboards for TV ads for a new line of energy-efficient refrigerators.

Image mattered. I was convinced it was my job.

Managing Loose, Managing Tight

Knowing when to meddle and when to let go was a pure gut decision. Although I dove into the tube problem at medical systems, I had no involvement in the planning or pricing of our biggest breakthrough in cancer detection, a \$2.7 million scanner.

A lot of this is pure instinct. I managed tight when I sensed I could make a difference. I managed loose when I knew I had little if anything to offer.

Consistency was not a requirement here. Sometimes being an undisciplined, unmade bed got the job done faster. You pick and you choose your opportunities to make a difference. I loved to go on the field when I thought I could play, and I loved cheering from the sidelines when I didn't think I belonged in the game.

Chart Maker

In December of 2000, I was probably the only 65-year-old guy still drawing business charts for analyst presentations. I've always thought that chart-making clarified my thinking better

than anything else. Reducing a complex problem to a simple chart excited the hell out of me. For every analyst meeting, I'd sit for hours with my finance and investor relations teams, sketching out and tearing up chart after chart. I loved doing charts and got so much out of them. The crazy thing about it was that we always felt the last presentation was our "best one ever."

Investor Relations

Wall Street is a big part of the job. We changed who we put into investor relations. We always had good people, but the old model was a career-ending job for financial types. They were generally at headquarters, expected to respond passively to questions from analysts and investors.

The model changed in the late 1980s when we picked young high-potential financial managers with a marketing sense. Each one of them became the chief marketing officer for GE stock, constantly on the road visiting investors and selling the GE story. The job went from defensive linebacker to offensive halfback. All those who held the job got up every morning and felt they were measured by the price of GE stock. Already on a fast track because of their financial acumen, they used the job to improve their sales and presentation skills.

The position went from a dead-end assignment to one of the most sought after. It became a terrific training ground: Warren Jensen, the first of the new model in 1989, went on to become CFO of NBC, then Delta Airlines, and now Amazon.com; Mark Begor followed him, and he's now CFO of NBC; Jay Ireland was next, and he's now president of the NBC station group; and Mark Vachon has held the job for the past three years. He's been a great sport, agreeing to stay beyond the typical two-to-three-year run to give us continuity through the CEO transition.

Our entire IR team consists of two people. That's because our rising stars are supported by a fabulous constant, Joanna Morris, a

graduate of our audit staff. Joanna, who always gets teased about training these stars, is married with two kids and wanted to settle down in Fairfield without heavy travel.

We need only two people to tell the GE story—fewer than we had 20 years ago—and now it's launching careers, not ending them.

Wallowing

"Let's wallow in this" was a phrase I often used. It meant getting people together, often spontaneously, to wrestle through a complex issue. The sole ticket for admission was know-how, not titles or positions. We wallowed in public relations problems, environmental issues, Boca agendas, and big M&A deals. The idea was to get fresh thinking without paper and memos, then sit on the conclusions for a night, wallowing some more. From wallowing came some of our best decisions.

It was all about breaking down the concept of hierarchy. Everyone knew they were equal partners at the table, where their ideas could be thrown out with informality and candor.

Your Back Room Is Somebody Else's Front Room

Peter Drucker gets credit for this one. We practiced it.

Don't own a cafeteria: Let a food company do it. Don't run a print shop: Let a printing company do that. It's understanding where your real value added is and putting your best people and resources behind that.

Back rooms by definition will never be able to attract *your best*. We converted ours into someone else's front room and insisted on getting *their best*. That worked for us so many times. This is what outsourcing is all about. It's also what many of our layoffs were about in the early 1980s as these jobs migrated elsewhere.

It always made me mad when some politicians and economists claimed that all the job creation in America was coming from small

entrepreneurial companies. Much of that, in fact, was the conscious transfer of work out of big business.

Speed

At Crotonville, a frequent complaint even in my final days as CEO is that we weren't fast enough. I learned in a hundred ways that I rarely regretted acting but often regretted *not* acting fast enough. I could scarcely remember a time when I said, "I wish I'd taken six more months to study something before making a decision."

I think acting decisively on people, plants, and investments was one of the reasons I got out of the pile very early at GE. Yet 40 years later when I retired, one of my great regrets was that I didn't act fast enough on many occasions. When I asked myself, How many times should I have held off on a decision? versus How many times do I wish I'd made that move faster?, I inevitably found that the latter won almost every time.

Forget the Zeros

In a big company, what's small tends to get lost. As businesses and companies grow, their size can become an inhibitor rather than an enabler. The disadvantages of size—the difficult communications, the layers, and the lack of informality—all work against the creation of an energizing atmosphere.

The entrepreneurial benefits of being small—agility, speed, and ease of communication—are often lost in a big company. Plastics taught me the value of being small, of "feeling like you owned it." I came to the CEO job knowing that isolating small projects and keeping them out of the mainstream was the way to grow.

We've had many great successes by breaking these projects out—and focusing on them—as separate, smaller businesses in larger entities. We did this everywhere—Noryl in plastics, CT scanners and ultrasound in medical, and vendor financing and

commercial finance in GE Capital. It didn't always work. But in every case one thing was clear: Breaking out businesses created people who were high-spirited, energized, and backed by the right resources.

The smaller ventures got high visibility and created heroes, celebrating both those who won and those who missed and driving home the value of taking risks.

We were aware of what size meant. The worst thing a company can do with size is to focus on "managing" it. Size either liberates or paralyzes. We tried every day to remember that the benefit of size was that it allowed us to take more swings.

Just some thoughts—things that worked for me, along with a lot of luck.

For the past twenty-four years, I have had a lucky charm—a brown leather briefcase—that has come with me everywhere. My assistant, Rosanne, has nicknamed it "Mr. Lucky." I won the briefcase in an Atlanta golf tournament in 1977, the year I first came to Fairfield. It has seen better days. It's battered and bruised, or, as Rosanne liked to say, "It's disgusting and looks diseased!"

I've done extremely well with Mr. Lucky. It's been good to me, and I never wanted to give it up. The only time it's been out of my sight is when Rosanne took it home for a night to stitch a torn seam back in place. It's not that I have never been superstitious. I just never wanted to push my luck.

The last day I left headquarters, Mr. Lucky came with me. As my friend Larry Bossidy always said about my briefcase, "It's Jack. He doesn't need a new one. That's the one he came with. That's the one he's going out with."