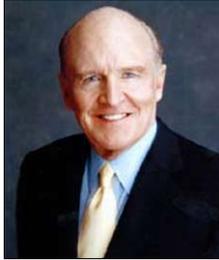


An interview with Jack Welch

Interview by Anna Torrance



Jack Welch is the most admired CEO in the world. His 20-year reign as the head of General Electric brought the company from bureaucratic behemoth to dynamic and revered powerhouse. During his tenure, GE market value grew from \$13 billion to \$500 billion.

In the process, Welch's management innovations have made him the most influential CEO of his era.

In this exclusive interview, Welch talks about the state of the economy, his role at GE and what effects the recently introduced Sarbanes-Oxley act may have on business.

How optimistic are you about the state of the economy both in the US and globally?

Jack Welch:

Generally we are seeing economies recover. Europe is a little slower than most, but if you look at Australia and so on, this is the most convergent economic growth we have had in some time. For example, the economy grew 17 per cent last quarter (Q3, 2003). Can you sustain that without greater inflation? I do not know. There are also questions to be asked about how long this will continue for and whether we are putting too much steam into it. But in general the outlook is extremely positive for economic growth, although you always have this aura of terrorism that hangs over you – that is the wild card.

Do you think anyone, especially in the US, will ever escape this aura of terrorism?

Jack Welch:

No, it is with us for life now. But you live through it and find ways to cope, although it is tough as it can dislocate what looks like a very smooth recovery. So any bets you want to make always have to be tempered by what could happen.

But I do think there is a tendency to focus too much on defence. I moderated a conference last Friday in New York called the G100, which is a give-and-take between 100 CEOs. We began in the morning with an hour-long session on the subject of China, focusing on all the things that were going on in terms of outsourcing and competitive forces. Some experts came in to talk and then we all fought with each other about what we were doing about it, or not doing about it in some cases. Then we ended the conference at

one o'clock with a round table on retaining our stars. However, as companies, perhaps we need to be spending more time thinking about our offense rather than how to react to external pressures.

What sort of a role do you think leaders have to play in this era?

Jack Welch:

They have to communicate. You always have to communicate with employees in order to stop them feeling bad. Because business felt bad with what was happening. I have talked to a few thousand people over the last two years and if you ask them how they feel about being in business, they say it is not a very nice place to be – it is almost rated alongside being a politician! Whereas ask them if they know of anything bad that is going on within their company, they all say "no!"

There are millions of hardworking people out there every day doing a great job, and some bad apples have caused a real stink, which has made people start to feel bad about being in their job. The real role of the leader is to be out there making sure his or her company is conforming ethically, is winning and is enjoying it. Businesses should be feeling the fruits of winning both in the wallet and in the soul.

Is this what you practiced at GE?

Jack Welch:

All my life.

Recently, Jim Collins was talking at a conference about great leadership and your name cropped

up. His theory was that a leader could not become truly great until his successor does a better job than him. What do you think of this?

Jack Welch:

Well he has done very well selling that book on that theory so I cannot quarrel with him. He took a number of companies that had relatively quiet CEOs and they had great successes but now some of those have run into trouble if you look at them. Jim has done a good job and he has got a theory and a critical job of the CEO is to pick the right successor. You would hate to think that all you did for all those years was gone because you picked a bum! So I believe his theory in general is right.

And do you feel that you have picked the right successor in Jeffrey Immelt?

Jack Welch:

I have. I have no doubts about it, but I cannot say for sure until 10 or 15 years' time.

In your book you mentioned that in 1995 you introduced Six Sigma. However previous to that you had not been a fan of quality. It was only when you carried out a questionnaire with employees and they raised quality as a concern that it came to the fore. Did you have any difficulty deciding when to listen to your employees, when to listen to the board and when to trust your instincts?

Jack Welch:

It is a blend of all three; there is no easy answer to that one. Polling employees happens to be a very successful way to run a company. You really get a pulse with blind surveys. Not asking about the food or the cafeteria or anything else, but asking whether they are feeling the company that they are part of. That is a very important thing.

What people are doing outside the company is another useful benchmark. It is very important to get best practices – it is a search for better ideas. For example, I spent countless Fridays and Saturdays at Wal-Mart in meetings where they show you how they pulse the customer. They know if it is cold in Minneapolis and if they do not have enough blankets in these stores, they move them from Detroit where it has been warm the last week. They have got every person out there pulsing – the weather, the buying patterns, everything. They have the high-tech people in the back who move stock and the high touch people in the field all week who fly out and touch the customers, come back and report on what they

saw. It is remarkable – it's why, when you go in a Wal-Mart store, you rarely find out of stock items.

Do you still carry out consulting work?

Jack Welch:

Yes with GE, JP Morgan and Inter-Active (Bhear Grylls company). I absolutely love it and do not miss GE at all – it is a whole new life.

“Sarbanes-Oxley had to happen. We needed to get confidence back in the investment community. And now the question is what are the unintended consequences? How much are we spending, not money but time?”

One thing that came over in your book was that when you had an idea you would really take it and run with it. Does consulting still give you the opportunity to do that?

Jack Welch:

Not at the same level. You have to suggest, you have to push, but in the end you do not have the authority to make it happen. So it is different in that way, but you give it your best shot. In business, if you run the company you can take these things and really drive them.

At GE, you would not necessarily acquire businesses for the people that ran them, yet people are perceived as the main focus of GE. How did you manage the potential conflict that exists there?

Jack Welch:

Let's take the credit card business where we bought an Irish company. The CEO of that whole business is from the company that we acquired so very often we got great talent. Sometimes we did not always optimize the best talent that we found. Sometimes people that take over other firms jump on top of it. But when you buy a company you want to buy its best ideas, its best talent and its position in the market place and you do not always do that. You mess up one of the three anyway but you keep doing it. Many of

the UK leaders today in GE are from Ireland and the UK, you do not see many Americans any more because we hired a lot of great people in this Irish finance company.

Judging by the investments you made at Crotonville (GE's corporate university), development and learning is obviously very important to you. Do you still teach there?

Jack Welch:

I do, but not as often as previously because I get myself a little in the way when I go there. Now I teach at JP Morgan and a few other places. The intention was for me to teach all the time at Crotonville but then you question who is who in terms of authority and leadership. It is best for me to be consulting with GE quietly, privately on the telephone or face to face but not in front of the Crotonville classes – I let Jeff Immelt do that.

In terms of people and learning, do you think there is a certain balance between keeping up with the latest knowledge yet coming up with your own ideas?

Jack Welch:

Well obviously you like to have both but there are plenty of great ideas out there. All you have to do is search and most companies are more than willing to show you their ideas. They come to these conferences, and they stand up and share what everybody is doing. So you can just sit there and pack the notes, take what you like, throw what you do not like, then go.

There is still a great focus on Integrity within GE. Was there anything in particular that you did to drive this value to the heart of the organization?

Jack Welch:

Whenever we had bad examples (and in 350,000 people you are not going to have the perfect 350,000) we did not hide it. We didn't say they left because they were sick of it or they were going home to their parents, we publicized it. We publicized the incident and made sure that everybody knew the violations were reprehensible.

Everybody knew the game. We had integrity policies and we meant them. Integrity is in your bones. It is not something you can teach. If you do not have it you make an example of it and make sure everybody understands it.

Do you think the Sarbanes-Oxley is an effective way of bringing integrity into an organization?

Jack Welch:

First of all, Sarbanes-Oxley had to happen. We needed to get confidence back in the investment community. And now the question is what are the unintended consequences? How much are we spending, not money but time? The CEO and CFO always had to sign the financial statement – that is not new. The only new bit is you can now go to jail for it!

If you have a code of ethics in the company then nothing has really changed except the consultants have got one hell of a business as they are called in to create process maps and the like. Most companies have pretty good governance policies anyway, so for those that did not, Sarbanes-Oxley is a good thing.

I do not have the whole answer. That is why I went to one of the sessions at this summit. I was trying to get a handle on how people were asking questions and I would say that the crowd in there was 50:50 as to whether it had gone too far. The speaker was very much for flow charts or outside consultants and the crowd challenged him. But I don't know the answer; I am not there every day. The Sarbanes-Oxley codifies behaviour. And behaviour has to start at the top. It has to be in the blood, and every day preached. Whether or not charts and flow charts and other things are going to make a bad person behave better I do not know. □