



Neutron Bomb...

The Seventh in a series of An Executive Summary for Busy Managers.

I saved the best for lucky number seven (if I do say so myself). This is your opportunity to get a taste of what lies in store for you in one of the best “Corporate Stories” ever told. Marriot, Iacocca, Ford, Trump, and others can only hope that their co-authors will imbibe their own toils with enough useful information to be considered valuable. “Neutron” Jack Welch did it. He made it to the top of the heap and he is kind enough to tell you how.

Grab your spill-proof coffee cup because this is going to be an exciting ride.

General Electric has annual net earnings of \$17B (that’s billion with a “B”). On a bad year their net earnings alone qualify them for the Fortune 100. They will probably do \$160B in revenue this year and be number four or five on the Fortune 500. More importantly, they will probably do it again next year and the year after that and the year after that. GE is a formidable opponent in any arena which they chose to play. I know this from firsthand experience. No matter what “good idea” we thought we had I would always find something extremely similar already on the darn GE website.

So what do you do when you identify a worthy opponent? You go out and learn every little thing about them that you can possibly learn. And, what better way to learn this than listening to the man who ran the company for more than twenty years. In Jack, Straight from the Gut, Jack Welch tells the story of how he personally made it from the bottom to the top. This is no laughing matter. Just to get in the top 100 or even top 1000 of employees at a company that employs over 300,000 people is a feat of amazement. In addition to his personal conquest, Welch describes how he and his leadership team challenged the managers to increase earnings and profits in even the most dire of circumstances.

Jack Welch describes a personal business history that makes it sound like a romp on the playground. He cordoned himself and his team off from the rest of the GE corporate mongers in a small office complex in Massachusetts. He describes parties to celebrate small wins, big victories... almost anything that was positive was a reason to celebrate. That was until he received the call from on high and was summoned to open up shop in the corporate office. It is hard to feel bad for the guy when it was publicly announced that he and the others that now resided at headquarters in Connecticut were being considered for the CEO succession plan.

Welch had a few guiding principles that he brought to the front office at GE. Perhaps the most controversial of which is the idea of differentiation (try saying that five times fast). Welch wanted GE to be a meritocracy. Since the first \$1,000 raise he received in his first year he thought it was BS that people all get rewarded the same just to keep peace amongst the ranks. He felt that it was extremely important to identify the key



contributors both publicly and financially. This is a practice that GE follows to this day even under the new CEO Jeff Immelt. In order to be able to distinguish people Welch put in place measuring techniques that would allow people to know where they stood. He forced all of GE to start using annual appraisals as a tool instead of just an accumulation of fairy tales. Not only did he implement a system of true merit rewards, he insisted that the weakest performers were culled from the group. I know this sounds harsh, but what would happen if every year you replaced the weakest 10% of your workforce with people that you hired because they appeared they could be top performers. After three or four years I am willing to bet that you would have a team that would be second to none. This would definitely redefine the term intestinal fortitude for functional managers that have to relay the bad news. A company with 100 employees would have to replace 10 workers per year. Wow... just spend a minute contemplating that. However, that is the kind of system that you have to consider to become one of the best corporations in the world. In his book Welch describes the details associated with how you can develop a counseling process to ensure that none of those bottom 10% are surprised during appraisal time.

In case you are wondering if any of this stuff really works, just look at the number of GE employee's during Welch's reign that went on to become CEOs or even senior leaders in other companies. When Immelt won the follow-on GE CEO spot almost all of the others considered were readily accepted by The Street to run different companies. It was common knowledge that the leadership training program in GE was top notch. You may not agree with the theoretical implications of holding the general employee population to a higher standard but once you look at the data there is no doubt about the positive effect it has on the overall organization. During Neutron Jack's tenure, GE created some of the best and brightest leaders in America. Perhaps the greatest testament to Welch's vision is that he knew that he could not stop after creating one set of high performance leaders. He knew that these types of people required a constant challenge that he would not always be able to provide. This would cause turnover in the leadership ranks. The only way to combat this effectively is to constantly train new individuals to step in and grab the reigns when the opportunity presented itself. By creating somewhat of a perpetual training machine Welch was able to minimize the impact of losing any of his high performance players.

Jack Welch authored a second book titled Winning. To sum up the books I describe Straight from the Gut as "Empirical Jack" and Winning as "Theoretical Jack". Winning is where Jack answers questions of people who ask him what he would do in such and such a situation. It is all very interesting and even a good read, but if you only have time for one, definitely check out Straight from the Gut!

Just my opinion and we all know what "they" say about opinions...

Thanks
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