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Control Your Destiny or Someone Else Will CD
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The Jack Welch Era: How Will History Remember Him?
by Stratford Sherman

Were people crazy to admire Jack Welch? As General Electric's feisty chief executive prepares for retirement and the release of his \$7.1 million autobiography, *Jack*, public worship of this most esteemed of business executives may be giving way to skepticism. Journalists first scorned Welch as "Neutron Jack," then idolized him as the best executive in the world. The latest reversal began in June with a *New Republic* cover story, titled "Overvalued: Why Jack Welch Isn't God." Recent events appear to support the skeptics. First, Welch blew GE's proposed merger with Honeywell, a career-capping deal initially valued at \$48 billion. Then, despite Welch's vigorous opposition, EPA Administrator Christie Whitman ordered GE to fund a controversial, \$500 million-plus cleanup of PCBs from the Hudson River. Meanwhile, GE shares have fallen 30% from their twelve-month high. So should we conclude that Welch was worthless after all?

On the contrary. These setbacks don't amount to much on the outsized scale of Welch's career achievements. And no one who knows Jack Welch — with the possible exception of his mother — ever claimed he was perfect. During Welch's early years at straitlaced GE, for instance, he had a reputation as a carouser; he also produced superior financial results and won rapid promotion. All along, he has operated with the understanding that life is risky, becoming a heavy hitter by taking lots of swings and connecting more often than he missed. Inevitably, that approach has produced some howlers, such as the purchase of Kidder Peabody, an investment bank whose employees twice enmeshed GE in front-page scandal. Overall, though, GE has produced an extraordinary record of achievement since Welch took charge in 1981. The Honeywell fiasco — the result of a European Commission veto of the proposed transaction — is gigantic. But overshadowing this failure are the 993 acquisitions completed during the Welch era (total value: \$130 billion). As for those PCBs: GE had dumped the potential carcinogens into the Hudson — legally — long before Welch became boss. When environmentalists demanded dredging, Welch chose to defend GE, as is his right. (Not all of Welch's admirers agree with this decision.) Finally, though GE's stock price certainly has tumbled, amid a general stock-market slump, Welch still raised the corporation's market value from \$13 billion in 1981 to a recent \$404 billion. Not bad for a guy who isn't God. Welch's born-again critics seem to have forgotten why Welch won admiration in the first place. The *New Republic*, for instance, based its revisionist argument on a false premise, writing that "Welch will ultimately be judged by his impact on GE's bottom line." No: Welch will be judged by the impact of his *ideas*. Who cares whether, by a particular measure, GE ranks first or fifth among all companies in the world? GE's financial performance clearly is superb — but it is significant only as evidence that Welch's ideas have worked. No contemporary business leader can match the influence Welch has earned by demonstrating effective responses to great challenges, such as the emergence of brutal global competition, the obsolescence of bureaucratic management techniques, and the ceaseless disruptions of technology. Behind each of his initiatives — from the intense productivity push of the 1980s to the ongoing effort to "digitize" GE's operations — has been a fierce commitment to face reality and adapt, even when doing that causes pain. During the 1980s, while America's leading industrialists cowered before competitive assaults from Japan and Germany, Welch dismantled the old GE and then built something new. This reconceived enterprise has since shown the value of Welch's thinking, thriving no matter how the business environment shifts. This value cannot be measured by numbers alone: GE's greatest asset may be the skilled leaders it has produced in unmatched abundance. With their help, Welch has proved that even a business with annual revenues of \$129.8 billion can move nimbly and fast. Perhaps most important, he has fostered an informal corporate culture whose participants know how to learn. Welch and his colleagues make plenty of mistakes, but their blunders usually make them smarter. That is why GE continues to gain strength, and can be expected to prosper under Welch's successor, Jeffrey Immelt. It would be a mistake to dismiss Jack Welch. Don't worship him, either — learn from him.

— Stratford Sherman, with co-author Noel Tichy, recently revised *Control Your Destiny or Someone Else Will*, the best-selling study of Welch's transformation of GE.