

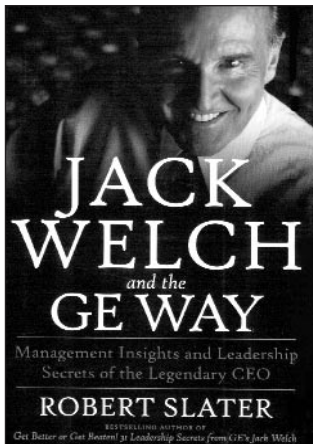


FILE: STRATEGIC MANAGEMENT

Key Management Techniques of General Electric's CEO

JACK WELCH AND THE GE WAY

By Robert Slater



THE SUMMARY IN BRIEF

Jack Welch had his eye on the horizon when he took over GE in 1981. What he saw there concerned him. The previous decade's high inflation rate and encroaching competition from Japan were changing the rules of the game. Welch knew that while GE looked healthy enough to outsiders, it had to "get a lot better, faster."

That meant change — a lot of change.

Welch slashed the size of the work force, delayed management, and reduced the number of business units.

For this, he earned the name Neutron Jack.

Welch also tore down internal boundaries, improving communication and speeding up operations. He implemented programs that cultivated ideas and rewarded quality. He expanded the corporation's global reach.

For this, *Fortune* magazine voted GE the most admired company in America in 1998 and credited Welch for having "rewritten the book on management while keeping GE huge, nimble, and immensely profitable."

Management guru Warren Bennis added that Welch raised GE from "big and good" to "big and great."

Welch molded GE into the powerhouse it is today, raising its revenues to record levels by the late 1990s. And he did it his way.

By understanding his role as a leader.

By unloading the bureaucracy that weighed it down.

By looking for new ideas inside and outside GE.

By driving quality throughout the organization.

The style may be quintessential Welch, but your company can follow his example. You can — and should — speed up your business processes, constantly focus on innovation, and make sure you put only your best players on the field. Above all, says Welch, you should never forget that business isn't rocket science; it's simple.

Want to know more? Read on.

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Understand Your Role as a Leader

“I don’t *run* GE,” says Jack Welch. “I *lead* GE.”

Leaders inspire employees by creating a vision of how things can be done better. They get people to perform at levels they didn’t think possible.

Then they get out of the way.

Simplify

When it comes to visions, Welch keeps them simple. He advocates having what he calls an overarching message: “something big but simple and understandable.

“Every idea you present must be something you could get across easily at a cocktail party with strangers,” he says. “If only aficionados of your industry can understand what you’re saying, you’ve blown it.”

One of Welch’s visions, for example, was to have every GE business be number one or two in its market. Clear and simple.

Spread the Word

Welch takes advantage of every opportunity to promote his vision. He drives home his message in his annual Letter to Share Owners, in his speeches to the GE board, and in talks with financial analysts.

He makes sure everyone gets the

same message. “I don’t say one thing to outsiders and another to insiders,” he notes.

The CEO expects GE employees at every level to be able to identify, as well as to commit to, the company’s values, for example.

Get Real

Welch believes leaders must face reality about situations, products, and people, then act quickly and decisively on that reality.

Facing reality means acting on the knowledge that the world is becoming increasingly competitive. It means understanding that no job is guaranteed for life. It means rejecting the bureaucratic approach to management. And it means acknowledging that business is simple.

Facing reality means making some hard decisions sometimes. But Welch is convinced that most mistakes come from *not* facing reality and then acting on it. He says his biggest mistake was not acting fast enough to implement some major changes at General Electric, for instance.

More specifically, he regrets not buying a food company early in his tenure as CEO — an investment he believes would have paid off. But he was too slow to make a decision.

Promote Your Values

Values are such an integral part of GE’s culture that Jack Welch had them inscribed on wallet-size cards and gave every worker one of these “Values Guides.”

The cards say that GE leaders, always with unyielding integrity,

- have a passion for excellence and hate bureaucracy,
- are open to ideas from anywhere and committed to Work-Out (see page 5),
- live quality and drive cost and speed for competitive advantage,
- have the self-confidence to involve everyone and behave in a boundaryless fashion,
- create a clear, simple, reality-based vision and communicate it to all constituencies,
- have enormous energy and the ability to energize others,
- stretch, set aggressive goals, reward progress, yet understand accountability and commitment,
- see change as opportunity, not threat,
- have global brains and build diverse and global teams.

When you make a mistake, admit it, advises Welch. Better yet, learn from it. ☆

Jack Welch and the GE Way by Robert Slater

Selected by Soundview as an Outstanding Book for Business People

The author: Robert Slater has over twenty-five years’ experience with *Time*, *Newsweek*, and UPI. He has written several business books, including two others about Jack Welch.

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Decide What You Do Best and Do It Better

Jack Welch believes only the strongest survive. Weak businesses don't have the resources, muscle, and power to compete globally.

Early in his tenure as CEO, he made it his mission to strengthen GE by weeding out its weak businesses.

Number One, Number Two

In the early 1980s, GE boasted 350 GE businesses in forty-three strategic business units. Only three GE products — plastics, gas turbines, and aircraft engines — had a respectable share of the export market. And just one of these, gas turbines, was a market leader abroad.

Welch believed GE could, and should, do better.

He developed a “number one, number two” plan to boost GE's competitiveness. The strategy called for every GE business unit to be either first or second in its market. Those businesses that weren't, or that didn't have a technological advantage, risked dismantlement even if they were turning a profit.

“When you're number four or five in a market, when number one sneezes, you get pneumonia,” noted Welch. “When you're number one, you control your destiny.”

Purpose and Focus

Part of Welch's strategy was to

sharpen GE's purpose and focus. He chose to keep and nourish businesses that concentrated on at least one of the following three functions:

- **core functions** such as lighting, major appliances, motors, transportation, turbines, and contractor equipment
- **high-technology**, including industrial electronics, medical systems, materials, aerospace, and aircraft engines
- **services** like GE Capital as well as information, construction and engineering, and nuclear services

One hundred seventeen businesses and product sectors that did not fit these categories — from toasters to coal mines — were either sold or shut down.

Rightsize Your Work Force to Efficiency

One of Welch's long-term goals has been to make GE as lean as possible, as fleet as a small company. Developing a sharper focus helped, but it wasn't enough. GE's work force had to be cut and reshaped as well.

Delayer Management

The GE of the early 1980s was a large bureaucracy, employing 412,000 people.

Welch hates bureaucracies. He believes they promote sluggishness

The company also bought assets worth \$16 billion. These new acquisitions did fit the three categories. For example, the purchase of RCA, which owned NBC, and investment bank Kidder Peabody enhanced GE's services function.

Broader Markets

By the late 1980s, Welch had achieved strategic dominance at home and turned his attention to the global arena.

He told business unit managers to redefine or broaden their target markets. This set the bar a little higher, forcing unit leaders to reevaluate the business of their businesses.

The result: By fall 1997, many GE businesses attained first or second status in their markets worldwide. ☆

and choke initiative. He was determined to tear down GE's bureaucracy in order to make the company more competitive.

A slimmer GE meant fewer jobs. One-third of the work force was cut, leaving roughly 270,000 jobs intact.

A faster GE meant fewer managers. There were 25,000 managers when Welch took over as CEO. Five hundred were senior managers; 130 were vice presidents or higher.

Welch set about delayering GE's management structure. He eliminated sector and group-level managers. He reduced the number of vice presidents within each business to ten. He decreased the number of managers between himself and division chiefs from nine to between four and six.

He directed GE's fourteen business leaders to report directly to him or to one of his two vice chairs.

Welch's delayering strategy improved communications within GE. As a result, decision makers got the information they needed more quickly and were able to get products to market faster. ☆

Give Bureaucracy the Boot: Think Small

Jack Welch believes small companies offer some very big advantages, like those he outlined in his 1992 Letter to Share Owners.

“Most small companies are uncluttered, simple, informal,” he wrote. “They . . . grow on good ideas — regardless of their source. They need everyone, involve everyone, and reward or remove people based on their contribution to winning.

“We love the way small companies communicate: with simple, straightforward, passionate argument rather than jargon-filled memos, ‘putting it in channels,’ [or] ‘running it up the flagpole.’

“Everyone in a small company knows the customers — their likes, dislikes, and needs. . . . Small companies have to face into the reality of the market every day, and when they move, they have to move with speed. Their survival is on the line.”

Get Rid of the Boundaries That Interfere with Business

Most companies have too many boundaries, says Welch.

There are boundaries between management layers. Boundaries between divisions. Boundaries between organizations and their clients. Boundaries between companies and their suppliers.

These boundaries get in the way of doing business.

The Problem with Walls

Perhaps Welch's most critical objective has been to reduce GE's boundaries, particularly those between the company and the outside world. He believes these barriers support a deep-rooted corporate prejudice against any idea not generated within GE — a bias he refers to as the “not invented here” (NIH) syndrome.

In a message to General Electric shareholders in 1996, Welch wrote that NIH “limited our ability to learn from suppliers, our customers and other global companies that had ‘best practices’ that could be of enormous use to us.”

Furthermore, boundaries prevent information from flowing internally. At one time, for example, GE's plastics, lighting, and motors divisions sold their products to the automobile industry separately instead of coordinating their sales efforts.

Similarly, GE engineers sometimes designed a product that was difficult to manufacture, hard to sell, and nearly impossible to service. The left hand simply didn't know what the right hand was doing.

Becoming Boundaryless

When you break down barriers, you empower employees. Boundarylessness opens channels of information to them and gives them opportunities to contribute ideas and make decisions. It encourages cooperation across the board.

Welch introduced the Work-Out program, described on the following page, to help people stop “wrestling with the boundaries, the absurdity

that grows in large organizations.” This program improved communications, enhanced innovation, and reduced NIH by providing an impetus to search the world's best companies for better ways of doing things.

Making GE boundaryless has meant bringing suppliers and customers into GE's design and manufacturing processes.

GE managers are encouraged to ask themselves, What parts of the business are slowing us down? What are the obstacles in our way? And then remove every possible roadblock that stands in the way of getting a product to market quickly.

A Bonus Benefit

Tearing down boundaries offers another benefit in addition to improving communications and speeding up processes. It creates an environment that fosters self-confidence.

Self-confident employees are more likely to embrace change because they see it as an opportunity, not a threat. They are less likely to engage in the type of turf battles and in-fighting that characterize bureaucracies. They don't need to “get credit” for every idea they originate.

Self-confident leaders are less afraid of looking simple so they are more willing to simplify. They don't need the protection of bureaucratic barriers.

When GE tore down barriers, it gave all GE employees a greater voice. They began to talk with, and listen to, one another. They began to trust each other. GE's leaders were given more independence and allowed to take bigger swings.

“If you and I and the business leadership of the country can have the self-confidence to let people go,” notes chairman Welch, “to create an environment where each man and woman who works in our companies can see a clear connection between what he or she does every

day, all day, and winning and losing in the real world — we can become productive beyond our wildest dreams.”☆

Barriers Create Waste

Boundaries, even subtle ones, cause waste. This is one more reason why Welch is on a crusade to fashion GE into a boundaryless organization.

The chair once discovered that whenever he called a meeting, some people spent hours preparing for it, trying to answer questions they thought he might ask them. They were trying to erect a protective barrier between Welch and themselves. And they spent a lot of time doing it. Welch told them to stop it.

In response, the staffers placed an assistant on call, ready at a moment's notice to research answers they didn't know. This was yet another barrier. Welch knocked that one down too.

No boundaries, says Welch. If you don't know something, admit it. Then take steps to find out. You'll waste less time and effort.

The idea is gaining ground at GE.

Shortly before GE's Corporate Executive Council was to meet one quarter, executive Steve Kerr noticed a man sitting outside the meeting hall. Kerr asked him what he was doing.

The man replied he was there to handle “technical problems.” Like what? asked Kerr.

“Well,” the man replied, “let's say a bulb in the overhead projector has to be changed.”

Kerr was stunned. “There are five engineers in that meeting, including the chairman,” he told the man. “I'll bet one of them could change a light bulb!”

He sent the man back to his regular duties, reducing the number of barriers at GE by one.

Assemble a Team of Type “A” Employees

Only A players need apply at GE. These are people who subscribe to GE values and perform outstandingly. They have vision, courage, integrity, determination, and excellence — “the best in the world,” says Welch.

A’s go beyond their defined roles, as engineers or finance people, for example, to improve their value to the company and increase the company’s value in the marketplace. Welch wants only A managers and he urges GE’s managers to hire, and take care of, their A players.

“It’s too bad that we can’t define people in business as easily as you can on a basketball court or a hockey rink,” says Welch. “If the guy couldn’t skate, you wouldn’t have him at left wing. If the guy couldn’t shoot, he wouldn’t be the forward. He wouldn’t be on the team. And it’s no different in the business team you have to build.

“Always get the best people. If you haven’t got one who’s good, you’re shortchanging yourself.”

Not everyone at GE is an A player, of course. Type B’s share GE values and are productive but need to improve. They should be nourished, suggests Welch.

As for Type C’s, people who don’t exhibit the right stuff or share the corporation’s values: “Push C’s on to B companies or C companies, and they’ll do just fine,” says Welch. “Move them on out early. It’s a contribution.”

Hire Energetic Managers

Most managers *overmanage*, says Welch. They enervate rather than energize, depress rather than excite.

The GE CEO looks for senior managers who are bursting with energy, who can develop and implement a vision, and who know how

to fire up enthusiasm in others.

He seeks middle managers who embrace GE’s values — people who are team players and coaches. Mavericks, no matter how talented, aren’t welcome.

Always get the best people. If you haven’t got one who’s good, you’re shortchanging yourself. Welch admits this approach means sometimes you may have to

bypass, or even get rid of, some otherwise impressive people. But, as he noted in GE’s 1993 annual report, if your managers can’t motivate and coach others, “their debilitating effect on the team can outweigh the benefits of their individual talent.” ☆

Get Everyone to Work Out Solutions

In 1989 Welch instituted a ten-year program called Work-Out. Its purpose was to provide the opportunity for *all* GE employees to help solve problems and offer good ideas. Engaged workers, he reasoned, were more productive workers.

Welch made it clear to his managers that everyone’s ideas counted. “If there are three people, I want three ideas,” he told them. “If you’re only giving orders, I will get only your ideas. I’d rather select from the ideas of three people.”

How It Works

Modeled after the New England town meeting format, Work-Out allowed employees to make suggestions directly to their bosses and get a response — immediately, when possible.

Each three-day workshop was devoted to a specific agenda or goals, such as cost reduction or new product introduction. Organizers invited who they wanted but invitees didn’t have to attend. Ultimately, forty or fifty people from both staff and management might attend.

Typically, workshops at each plant opened with an address by a GE business leader or boss. Then

The Personal Touch

Welch is confident all the senior managers on GE’s team are Type A players. And he is determined to keep it that way.

The chief executive makes a point of getting to know all of the five hundred top GE managers and personally signs off on their promotions. He also interviews anyone hired to fill those posts.

His personal approach seems to work. Management recruiters in a 1997 *Business Week* survey named five GE managers among the twenty executives most likely to become CEOs at major corporations within five years.

the boss would leave and participants were divided into small groups to brainstorm. A facilitator made sure senior employees didn’t dominate discussions or pull rank.

These brainstorming sessions continued into the third day when the boss returned to listen to the ideas and respond to the proposals.

Bosses had only three options: Agree to implement a proposal. Refuse the proposal. Ask for more information, in which case the boss had to authorize a team to get the information by a certain date. As a rule, only 20 percent of the decisions were postponed.

Work-Out may have been tough on bosses, but it yielded good results for GE. Consider the following:

A proposal to allow aircraft engine workers in Massachusetts to bid against an outside vendor on a project saved the corporation \$80,000.

A proposal at a Pennsylvania factory to purchase paint from one supplier instead of two improved paint consistency thus eliminating rework and reducing delays.

A proposal to unseal vents and buy fans at a Kentucky plant enhanced working conditions there. ☆

Find and Grow Ideas in a Learning

GE feeds on ideas and is constantly looking for more food. It searches everywhere and anywhere.

Work-Out feeds it from within by encouraging a free flow of ideas at every level.

Likewise, GE businesses share the ideas they get with each other. For example, GE's Medical Systems learned how to detect and repair from a distance malfunctions in hospital CT scanners. Med Systems shared this technology with GE's Aircraft Engines, Locomotives, Motors and Industrial Systems, and Power Systems businesses.

Now, these businesses have the capability to monitor the performance of jet engines in flight, locomotives and paper mills in full operation, and turbines in power plants.

But the days when NIH — not invented here — reigned supreme are long gone.

Welch urges people to look for ideas "from any source. So we will search the globe for ideas," he says. "We will share what we know with others to get what they know. We have a constant quest to raise the bar."

Welch openly admitted to share-

holders in 1993 that GE had benefited from a host of ideas from other companies.

Over the years it has adapted new-product introduction techniques from Chrysler and Canon, effective-sourcing techniques from GM and Toyota, and quality initiatives from Motorola and Ford. GE also used advice and best practices from IBM, Johnson & Johnson, and Xerox, among others to move effectively into the Chinese market.

The CEC Factor

One way ideas get around at GE is via the Corporate Executive Council (CEC). This group includes the corporation's thirty or so most senior executives. Every quarter they meet for two or three days to go over forecasts, share war stories, and discuss any new initiatives.

Often one or several GE business leaders will adopt another business's idea or best practice. When the head of GE Capital announced at one meeting that a full day of his employee orientation program is devoted to quality training, for example, several other leaders decided to follow suit. Others chose not to.

No one has to adopt anyone else's idea. The purpose of the CEC is to provide a learning experience as well as a forum in which to exchange ideas.

"It's a whole different way of thinking. 'Let me learn,'" says Welch. "If everybody in our place gets up every day trying to find a better way, it'll all take care of itself."

Everyone Benefits

The learning culture Welch has nurtured at GE has benefited the corporation in a number of ways.

Operating profits have risen to the 15 percent level in the last five years after hovering under 10 percent during the last century. Increases in company revenues reached double-digit levels in the mid-1990s. Inventory turns created a record \$6 billion in cash in 1996.

Employees also enjoy the rewards of this learning culture. Welch offers generous compensation and makes it clear that sharing ideas is critical to earning one's keep at GE.

Additionally, workers have the satisfaction of knowing what they do matters. According to one survey, in fact, 87 percent of GE's employees believe their ideas count. ☆

Challenging GE's Leaders In and Out of the Classroom

GE's learning culture is augmented by its Crotonville Leadership Development Center in New York's Hudson Valley. Junior and senior heads of GE businesses around the world come to the management institute to brainstorm and to learn.

Crotonville courses, some nearly a month long, teach strategy, global competition, diversity, and a host of other business skills.

The center has given birth to a variety of ideas that have been implemented at GE. The idea for Work-Out was born here, for instance. And GE's values were debated for countless hours by

Crotonville participants before appearing on the Values Guides.

Open interaction and frank discussion rule the classrooms; titles and seniority afford no protection. Junior executives are expected to question conventional wisdom, even when it means challenging their bosses. Senior executives, in turn, expect to be subjected to close scrutiny.

Welch loves the open confrontational style that characterizes learning at Crotonville. Nearly every month he drops in on classes to lecture on business strategy and philosophy and to chat individually with participants.

Like GE leaders before him, Welch appreciates Crotonville as an invaluable tool for spreading his message. That's why he has invested heavily in the institute, even during those early years of his tenure when he downsized much of the corporation.

But Welch also frequents Crotonville to learn. It helps him keep his finger on the pulse of GE. Walter Wriston, a longtime GE board member, once told him that as chair and CEO, Welch would always be the last to know when something was going on at GE. Welch is determined not to let that happen.

Make Quality a Priority in Your Company

Quality has always been important at GE. But the company doesn't have a reputation for world-class quality yet. Welch is determined to change that.

Why Now?

In the eighties and early nineties, GE had the luxury of choosing its market battlegrounds. It simply abandoned businesses where it did not have an edge.

By contrast, companies like Motorola, Texas Instruments, and Hewlett-Packard had to improve their quality levels in order to survive against Japanese competitors.

Benchmarking against these companies revealed that GE needed to improve its quality standards. Too much time was spent fixing and reworking a product before it left the factory. This increased waste, reduced speed, and lowered productivity.

Welch has decided to make quality a critical management focus. He doesn't want GE to be equal to, or even better than, its competitors. He wants to take quality to a whole new level.

"We want to make our quality so special, so valuable to our customers, so important to their success that our products become their only real value choice," he says.

The solution is six sigma.

The Six Sigma Concept

Six sigma is a measurement of mistakes per one million discreet operations. Fewer errors mean higher quality.

Six sigma means that there are only 3.4 defects per million operations. By contrast, at three and a half sigma, there are 35,000 defects per million operations. This is average for most firms, including GE.

Motorola pioneered the six sigma initiative in the 1980s in an effort to reduce the number of defects in the communications equipment and semiconductors it produced. Other firms soon followed suit. All

achieved dramatic results.

Welch initially was concerned that six sigma was too bureaucratic and centrally managed to work at GE. But others at the company, including participants at Crotonville, urged him to reconsider.

In 1995, Welch decided to initiate a six sigma program at GE.

Getting There

The first step in the six sigma process is to identify a project. Next, characteristics critical to quality are defined. Then a six sigma team of specialists, called master black belts and black belts (see box below), take the project through four steps. They

1. measure the defects generated by a key process,
2. analyze what variables cause the defects,
3. improve the process by determining the maximum acceptable range of these variables,
4. control by making sure the variables stay within this range.

The control phase is crucial. GE audits its quality initiative projects for six to twelve months initially and every six months thereafter. This ensures that once a problem is fixed, it stays fixed.

GE launched two hundred projects in 1995. Three thousand were completed the following year. The average project takes about four to five months and yields an 80 percent

Six Sigma Works

GE Lighting had a problem. Its electronic billing system wasn't a good fit with Wal-Mart's purchasing system. This caused disputes, delayed payments, and made Wal-Mart unhappy — not good because Wal-Mart was one of Lighting's best customers.

A GE black belt team applied six sigma methodology, information technology, and \$30,000 to the problem. They reduced system defects by 98 percent in just four months.

Disputes and delays dropped off. Wal-Mart improved its efficiency working with GE.

reduction in defects. This translates to \$70,000 to \$100,000 in savings.

Although GE has spent considerable money on quality initiatives, its return generally is double the investment.

Improved customer relations have proved another advantage. In the past, GE personnel felt they knew what was important to the customer. But six sigma taught them different.

To date, most quality efforts have focused on improving business processes that help customers become more productive. The next step is to improve GE's existing products.

Ultimately, Welch intends to incorporate six sigma thinking into every new product design. ☆

The Martial Arts of Quality

It takes a new category of employees to make sure six sigma works. At GE, these people consist of champions, master black belts, black belts, and green belts.

Champions are the senior managers who approve projects, fund them, and troubleshoot.

Master black belts are full-time teachers. They also mentor and review black belts.

Black belts are full-time team leaders who measure, analyze, improve, and control key processes that influence customer satisfaction or productivity growth. They report to champions.

Green belts are team members who work on six sigma projects while holding down other jobs at GE. The ultimate goal is for every one of the firm's professional employees to become a green belt.

Focus on Services as a Growth Strategy

In 1980 only 16.4 percent of GE's profits were from service businesses. Today nearly 60 percent are from services. Jack Welch would like that percentage to top eighty.

This phenomenal growth is no accident. Welch understood early on that GE's growth would have to come from services and he took steps to make it happen.

NBC and GE Capital are two of his success stories.

Turning NBC Around

In 1985 Welch arranged for GE to buy Radio Corporation of America (RCA). The \$6.28 billion purchase included television network NBC.

The network had the highest ratings of the three major networks at that time but also the lowest profits. The NBC News budget, for example, had increased from \$207.3 million in 1983 to \$282.5 million a year later.

Welch and his newly appointed head of NBC, Robert Wright, cut costs, turning the network around quickly. Forced to face reality, NBC's profits rose from \$333 million in 1985 to \$750 million in 1989.

By 1992, however, profits fell to \$204 million and NBC slipped to third place among the networks. Gulf War coverage and competition from cable companies for ad dollars reduced some revenues. The wrong people in place reduced others.

Welch had a choice to make: Fix the network, close it, or sell it. He chose to fix it. He did this by hiring the right people — people who, like Wright, adhered to the GE way.

Wright and these other "A" leaders sharpened NBC's focus, slashed expenses, and made quality a priority. Under their direction, NBC launched its "Must-See TV" line-up, including such strong new shows as *Frasier*, *Friends*, and *ER*. It reduced its work force by more than 3,000 and expanded into a dozen cable networks. And it moved fast to sew up broadcast rights for five of

the next six Olympic Games.

By 1997 NBC had become one of GE's most lucrative businesses.

The Rise of GE Capital

Another jewel in GE's crown is GE Capital Services (GECS). It began in the Depression as GE Credit, lending money to financially strapped people who wanted to buy major appliances. In the 1960s, it began financing other products and changed its name to GE Capital.

Today GECS is the driving force behind services at GE thanks in large part to Welch's efforts to push GE's service industries. It boasts twenty-seven businesses, from credit cards to satellite leasing to computer programming. Nineteen of these had double-digit growth in 1997.

Acquisitions have accounted for a

large part of Capital's growth, particularly in the 1990s. Since 1994, for instance, GECS has spent \$11.8 billion on dozens of acquisitions including First Colony of Lynchburg, Virginia, a leader in term life insurance, and high-tech firm Ameridata Technologies.

It expanded its global influence in the nineties, helping to finance power projects in Mexico and China and an airport privatization project in Hungary.

Despite embarrassing failures, such as the fall of investment bank Kidder Peabody and the bankruptcy of Montgomery Ward, GECS still posted an 18 percent average annual profit growth rate from 1991 to 1996.

Its success is a testament to GE's strong credit rating, savvy leadership, and commitment to the GE way of doing business. ☆

Global Markets Hold Risk and Opportunity

Welch has long been determined to increase GE's global reach. His efforts began in earnest in 1987 when GE exchanged its TV set business for a medical imaging company owned by French electronics firm Thomson S.A. The deal, which took only half an hour to clinch, marked GE's move into Europe.

After Thomson there were joint ventures with German industrial engines firm Robert Bosch and Japanese electrical equipment specialists Toshiba. GE Lighting bought a majority interest in lighting companies in Hungary and the U.K. And there were others.

In fact, since 1989 GE has invested \$17.5 billion in Europe, half on new plants and facilities and half on acquisitions. The strategy has worked. In 1995 GE's European operations raked in roughly \$1 billion profit on revenues of \$14.1 billion.

GE's success varies with its business interests, however. GE Capital Services Europe does well. On the other hand, consumer appliances have been disappointing.

Asia is another target market for growth, despite economic problems in Japan in the late nineties. Welch even is determined to crack the notoriously tough Chinese market although he admits GE may not make it in China.

"There's no expansion globally that isn't fraught with risk," he says. "But you can't stay home. Clearly, the risk side is long, but the opportunity side's longer. That, I think, is the difference." ☆

Stretch to Reach Goals

Jack Welch believes in setting goals that seem almost out of reach, a strategy he calls stretching.

Stretching is daring to dream. It's being more creative about your business. It's knowing you might fail and trying anyway because it's the best way to grow.

Stretching, says Welch, "replaces a grim, heads-down determination to be as good as you *have* to be and asks, instead, how good *can* you be?"