

## ***HOT SEAT (2021)***

### **JEFF IMMELT**

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General Electric, unarguably one of the greatest conglomerates in global corporate history, has embodied in its structure and culture the zeitgeist of the times it has lived through since 1892. It was a model of centralisation and Fayolian control in the 1930s. It was a harbinger of decentralisation in the 1950s. It was a benchmark of the evolving genre of strategic planning in the 1960s- becoming an acme for the same in the 1970s. Above all, it blazoned a trail for corporate restructuring and boundaryless business in the 1980s and 90s, when these notions had captured corporate imagination. Two iconic figures dominated the company in the last three decades of the twentieth century, Reg Jones ("a management legend" as Wall Street Journal called him at his retirement) and Jack Welch(Meg Vozny). The latter, who set his own distinct stamp not only on GE, but on the history of corporate management itself, merited the words memorably used by Arthur Conan Doyle about Lord Kitchener of World War 1 fame, "...he left behind him the memory of something vast and elemental....., a mighty spirit leaving great traces of its earthly passage".

In quantitative terms that carry greater credence with chroniclers of corporate history, Jack Welch during his tenure transformed GE from a \$25 billion manufacturing company into a \$130 billion conglomerate and boosted its share price from the range of 69 dollars to 103.

But alas, it is a different GE today, a shrunken entity, it's panache in tatters and market standing much diminished, having been dropped from the Dow Jones Industrial Average in 2018 as its last original component. The storied cadre of GE executives, once the company's haloed insurance against the systemic " American churn", are now scattered about in the US corporate landscape. It is now the dour lot of stock

analysts who, true to the logic of financial capitalism, are keeping the score on this once great standard bearer of American industrial excellence.

How this decline and fall took place is what readers can learn from this book "Hot Seat" by Jeff Immelt, the successor to Jack Welch as CEO and Chairman of General Electric in the tumultuous years from 2001 to 2017. It abounds in detail of the way a gigantic American corporation moves and works - and is full of instruction to students of management. Immelt has quite appositely given the subtext "Hard-won Lessons in Challenging Times" to these memoirs of his as CEO. But there is a didactic touch about the titles given to each chapter of his narration, otherwise telling, which might grate on some readers; it certainly did this reviewer.

"After Jack Welch, who? And how? ", were questions that used to be asked all round in the last few years of Welch's extraordinary leadership. While there was unanimity that the corporation would never have a chief of the tone and calibre of Welsh, the Board of Directors and Welch together would draw up in 1998, through protracted sifting from within the executive ranks of the company, a short list of three for the succession, of whom Immelt was one. He had been well tested in the years since joining the company in 1982, in the divisions of Plastic, Appliances and finally, as the chief of the GE Health Care Division which became a \$ 6 billion dollar plus business under his stewardship. The selection of Immelt would eventually be announced after two years, in 2000. Nine months spent as Welch's wingman thereafter, Immelt would take over his reins as CEO on September 10, 2001, ending the momentous Jack Welch epoch.

The legacy from that epoch was a corporation of 300, 000 employees and 13 businesses across the US and the rest of the world and one of only six US

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companies with a triple A credit rating. Never a slouch when it came to spelling out how he would have his organisation evolve and advance in the future even after he had left, Welch had laid down as his vision "a company intent on getting bigger, not smaller", increasing global thrust, continuous nurture of the quality of management and, specifically, a fourth strategic initiative following the earlier ones he had accomplished, namely, globalisation, services and six sigma.

It was no doubt exciting for Immelt to be favoured by Welch to take over from him. It was the apogee of his career in GE where his father had also served his time as a proud employee. He would, however, have little time to celebrate, for he was up presently against the back to back challenges of 9/11 and Enron and being set on a path beset with crises and turmoil, not the least the financial meltdown of 2007- 2008, in the years to follow. If succeeding Jack Welch was a daunting task even in the best of times, these whirligigs of corporate fortune took a heavy toll on Immelt's leadership of GE as he had to deal with Jack Welch's formidable legacy, not by any means an easy one, while seeking to come to grips with a different set of circumstances for the organisation that he had to contend with.

As one threads one's way through the book's narration of the principal events of Immelt's tenure as the CEO, one could get a sense of the leadership bandwidth of the man. He coped effectively with the vast damage that both 9/11 and the collapse of Enron had wrought on GE barely a few weeks after his takeover. In this initial phase of his helmsmanship, he also saw with remarkable clarity the structural flaws of the conglomerate, pivoted as it was to the performance of GE Capital in the way Jack Welch had let it evolve as a vital, but trouble-prone segment of the conglomerate. In fact, the rock solid GE as perceived by the stock market was held together by a constant legerdemain of its financial firm. And Immelt for his part chose to gradually alter the scheme of things, "trying to change the tyres in a moving car", in his own words. For the rest, whether it was pursuing acquisitions like Amersham as an established GE strategy of growth or initiatives to develop far-

reaching capabilities within the organisation such as the GE Digital Centre, he showed decision of purpose and visionary leadership no less than his predecessor. His credo, in his own words, was: "win in the market place, find out what is next, invest in technology and sell around the world". GE would need to go on from being a consumer and financial services company to a technology and innovation-based one. He would find that kind of a transformation in an established industrial conglomerate an uphill task, not the least because he was no Jack Welch and the world in the 2000s had also changed from Jack Welch's days. But high-minded and amiable as he was, Immelt could also show nerves of steel when it came to having his way within the organisation that he led with a sure hand, in his own way, evidenced by his removal of the combative chief of GE Capital in spite of all the clout he had possessed.

So where did things go wrong that Immelt had to step down in 2017, being branded as a failure? The simple answer is that he was found wanting by the governing metric, the stock performance of the company, much as he himself had believed that it was the paramount metric "GE won in the market place, but not in the stock market", says Immelt ruefully. And it had happened year after year, no matter what miracles he may have produced by way of creative ideas or fruits of leadership within the company. He saw with an acuity of vision that GE Capital was at once the anchor and the drag of the corporation, but despite the long time he had to reorder its place within the corporate's business structure, he failed to do so. In his own fateful words, he thought he had the luxury of time even as the market was calling out the vast imposture that GE's triple rating was. He made acquisitions of questionable value; in the case of Alstom in 2015 clearly overpaying for it. Despite his proven capacity for decisive action, as in the case of dealing with the troublesome Bolze, the head of the Power Division, he temporised in several instances and had driven himself into a corner by the time he was asked to step down in 2017.

No doubt the river in which Jeff Immelt stood was not the same as that where Jack Welch had in his time. There was a different set of contextual conditions

in the various verticals of the conglomerate when Jeff Immelt was in charge - and Jack Welch for his part had been much luckier than he. There was nothing like the Great Recession of 2007-8 to stymie Jack Welch's grand design in his endeavours. In dealing with the financial meltdown in which GE as the biggest non-banking financial institution in the world was plunged neck deep, Immelt had no foreknowledge and little preparation. In the book, he is seen to display masterly skills in dealing with it on different fronts, including negotiating capital infusion by Warren Buffet and assistance from the US government. But GE would no longer be the same after 2008, its triple rating which was the enabler of the source for cheap funds for GE capital's vast portfolio of financial services a memory of past glory.

What also emerges from the story in "Hot Seat" is the vulnerability of the narrator. A devout GE serviteur, he was abject in his devotion to the mission and organisational culture of his company. That, along with his innate decency and fairness, may also explain some of the contradictions in the persona of Jeff Immelt.