



Straight from the Stage with Jack Welch

The best companies field the best teams — and to do so, they make hiring the right people a priority, Jack Welch told the audience at the concluding plenary session of the University of Miami Global Business Forum Jan. 15 - 16, 2009. Welch, now president of Jack Welch LLC, was chairman and CEO of General Electric Company for more than 20 years, and was named “Manager of the Century” by Fortune magazine in 2000.



Since his retirement from GE, Welch, with his wife, Suzy, has become a popular columnist and author. He is also a special partner with the private equity firm Clayton, Dublier & Rice and a consultant to IAC (Interactive Corp.).

Welch is famous for speaking “straight from the gut” (the title of his autobiography), and he didn’t disappoint. Sitting down for a lively question-and-answer session with University President Donna E. Shalala, he also took on all comers in the audience.

He began with an assessment of then–President-Elect Barack Obama’s initial hiring decisions, saying that Obama got off to a great start by choosing strong people for his administration. But Welch cautioned that the new president must meld these “stars” into a strong team, managing the way they vie for his attention and preventing behaviors such as spiking other people’s ideas, leaking information and worrying about who gets credit for policies. Obama must set a standard for what constitutes good behavior, and make it clear that “bad behavior ... will be punished — with public hangings,” he joked.

One of the challenges that every CEO faces — and one that Obama will certainly have to deal with — is not letting the people close to him or her dictate the agenda. A good manager must get a wide view of the organization, but “kissing up is a popular game at headquarters,” Welch said. At GE, he tried to counter that by making sure everyone who surrounded him had their ears to

the field. He would visit the executives' assistants and tell them that they could judge their own and their boss's job security by the phone logs. If most of the calls are coming in from the field, asking for help, that's a good sign, because it means management is doing its job. "Headquarters doesn't make anything. They don't sell anything," he told the audience. "All they are is overhead. The whole objective is to get them to work."

In addition to stressing the need to stay in touch with operations in the field, Welch insisted that CEOs look at their human resources manager as the No. 2 person in the company. He gave as an illustration the Miami Dolphins, pointing out the team accountant is not the most important person in the organization; the head of player personnel is. In business, as in sports, "the team that fields the best players wins," he said.

"The idea that hanging around a boring accountant is more important than hanging around with the person who's going to place people in jobs is sick," he added. He believes CEOs and managers downplay the importance of human resources because each thinks he or she's a "people person," but numbers intimidate most of them. Chief executives and business managers — as well as university presidents and business school deans — must all place more importance on the role of human resources, Welch said.

Among those organizations that do think about fielding the best team, many concentrate only on hiring. But Welch said a company must put effort into keeping the best players and moving the rest out. His famous 20-70-10 directive says you reward the top 20 percent of performers in a satisfying, outsized way; develop the middle 70 percent through training and coaching; and let the bottom 10 percent know that they aren't measuring up, then encourage them to seek other employment or terminate them.

For this principle to work, a company must have quarterly, honest, thorough and fair evaluations of everyone, Welch continued. Appraisals should be written almost like an essay — not filled out on a form — and include dialogue. It's kinder to cut low-rated employees loose early on, rather than let them work for years under the illusion that they're good performers. "The worst thing is to take somebody in their 50s and give them surprises like this in bad markets where there aren't any jobs," he said.

Being a good manager means getting rid of the lower-rated performers and taking good care of the best, he added. In fact, the one trait all successful managers share is a deep enjoyment of seeing those who work for them succeed. From the time you become a manager, Welch said, "you are no longer the person raising your hand with the answer.... You will get promoted on the reflected glory of your people."

Another trait of a good CEO is never to do anything or greenlight anything that goes against your personal values, and never to give the go-ahead to a project that you don't believe in, Welch said. That doesn't mean he wasn't often convinced to change his mind. Welch said GE made some

250 acquisitions a year, and he and his team always started off hating each one. But if the person bringing the deal to them had tremendous enthusiasm and came back at Welch saying he was nuts not to approve it, he would often approve the deal based on that person's passion.

Following his instincts like that is something Welch wishes he'd done more of. He acknowledged making plenty of mistakes, but said he the biggest thing he would change would be to "move faster on instinct" rather than "hanging on for that last piece of data to confirm the decision."

For those who might want to be the next Jack Welch, he had some advice about mentors: "I don't think any of you should have a mentor," he said. "You cannot hook onto making yourself someone else." Instead, a person should learn from many people, picking up, for instance, how one person makes presentations and how another manages. He also said to start "reading voraciously. There's a tip everywhere."

The most important thing, Welch added, is "to get comfortable in your own shoes, [so] you like who you are every day, and you like what you're doing."

By Rochelle Broder-Singer

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