

‘WHAT I’VE LEARNED’

Roundly blamed for leveling the house that Jack built, GE’s former CEO Jeff Immelt offers an after-action report from his tenure, with lessons for every director.

INTERVIEW BY C.J. PRINCE

If it’s true, as James Joyce wrote, that mistakes are the “portals of discovery,” then Jeff Immelt’s new memoir may serve as a detailed map for leaders in every industry on what not to do. In *Hot Seat: What I Learned Leading a Great American Company* (see excerpt, p. 23), Immelt offers an excruciatingly detailed look into the pivotal decisions he made at GE—many of which he was later crucified for in the press and on the Street.

Immelt isn’t shirking the blame. He wants to own his mistakes—but he also wants those who laid the blame for GE’s decline squarely at his feet to fully understand the perfect storm of headwinds and crises (e.g., his second day on the job was 9/11) that served as the backdrop for his tenure. “I wrote the book the way I did because I wanted to put the reader in the cockpit of the decisions as they happened so they could draw their own conclusions as to why they worked or didn’t,” says Immelt.

As every business leader knows, mistakes—sometimes big ones—are inevitable

over the course of a career, and hindsight is always 20/20. Immelt has regrets, certainly, not least for what became of the company whose logo he had tattooed on his hip, but he isn’t looking for absolution. What he wants most now is to constructively share wisdom gained from those failures in the hopes that today’s sitting directors—who face, as he did, a rapidly changing world—may glean lessons to ease their paths.

Looking at all that went wrong at GE during your tenure, what are the top five lessons that have crystallized since then?

The first would be, right after 9/11, thinking about a different way to construct the company and dramatically slow down the growth of GE capital and pour money into industrial. We did part of that but not all of it. [What we had been doing] worked up until the financial crisis, and then it didn’t look very smart. You have certain windows of time when you’re a CEO, when you have a chance to do something profoundly different, and sometimes crisis gives you that



KEN RICHARDSON



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opportunity. Even though it was early in my tenure, crisis did give me that opportunity, and I just didn’t take it.

Number two, I would have run the company differently. I kind of ran the company at scale. I had big P&Ls of functional organizations. If I had it to do over again, I would have deconstructed the company into hundreds of P&Ls, and that would’ve made our leaders more nimble.

Number three, GE Capital was so complicated, I should have had more outside help. I should have brought in one of the big private equity firms to help us think through how to get more value out of it.

Four, particularly when we were in transition, I gave the board too much to work on. I had the role of both CEO and chairman, and it was my responsibility to simplify their lives. I gave them too much complication.

Lastly, in certain moments, the right answer would have been for me to say, “I don’t know.” Because of the size of the company, sometimes I tried to give certainty where none was available. So, a few times, I wish I had said, “I don’t know.” There are a thousand more [lessons], but I’ll stick with those five.

You wrote in the book that sharing problems when you don’t have the solution can be torture for the company, employees, stakeholders—but that sometimes you don’t have the answers. If you could do it over, how would you handle that?

There are a number of different nuances in that question, but how can you be decisive and listen at the same time? Particularly with big organizations, you need to demonstrate decisiveness because sometimes you have to act. Sometimes, you’ve listened to a bunch of people, but you can’t listen anymore. So, this ability to kind of act and listen at the same time is incredibly important. I’m not a person who uses a big vocabulary, but I’ve learned the word “cacophony” because that’s exactly what running a big company is like. You have disparate voices that are always ringing at any

given time, and you have to know which ones to listen to. You also need a couple of people you trust close to you, so that when things really are confusing, you can lean on them.

Should one of those confidantes be a board member?

Yes, a lot of them should be on the board. The board is critical. I always had good people like that on the board, but the board has its own complications. Typically, they should be the adult in the room, but they’re not always, so there’s a whole other dynamic. In the book, when I write about the global financial crisis, I talk about the board meeting where a lot of people wanted me to cut the dividend. I didn’t want to cut the dividend because I knew it would be devastating to me personally. And that’s where Ralph Larsen, who was my presiding director, just turned to me and said, “We’re going to cut the dividend. You need to shut up now.” And I always listened to whatever Ralph said. He was so wise; his intentions always so pure. Those directors that have both wisdom and are in it for the company all the time, those are rare. You have to have as many of those as you can.

In telling the story of your disagreement with the board about replacing Steve Bolze, you wrote that you wished you had done that differently. With the board dead set against the idea, how could you have done that another way?

Yeah, that was a tough time for all of us. It was during my succession, and I was walking a bit on eggshells. In retrospect, Steve wasn’t really a bad guy, and he had done a lot of good things for the company—but to have a leader who had resigned three times leading a big transaction like [Alstom], we should have had our heads examined. As CEO, you don’t want people to be loyal to you personally, but you want them to be loyal to the cause. When they’re thinking more about themselves than the cause, they have to leave, right? That’s the mistake we made. And look, I could have rolled over everybody—I was chairman—but I had done that a couple of times and I just felt like I didn’t want to do it again.

You were accused of having created a culture of “success theater.” Looking back, were people telling you what you wanted to hear or were you really getting the unvarnished truth?

The thing, though, was that I made decisions in a crowded room. If you make decisions with four or five people, you never get accused of not listening because they’re all in the room. But when you make decisions in a room of 50 people, which I frequently did, there will be people who say, “He didn’t listen to me. He should’ve known better.” People confuse being bullheaded with the fact that you can’t get consensus on everything. There were times people were telling me not to do something but I didn’t listen, and it didn’t work. But there are a lot of things that worked that people told me not to do, so in the end, it gets back to people and your own process. Particularly in a crisis, CEOs need to make decisions in a crowded room, but it makes you vulnerable for second-guessing, and you just need to accept that. Even with all the second guessing that I’ve received, I wouldn’t change the transparency I had with my board and my team.

Also, a lot of founders like the alchemy of making decisions, and they like to do it on their own. I tell the founders I coach, “OK, go ahead and make that decision, but let your whole staff engage you in that decision.” It shouldn’t be a mystery. If you have 100 people, 99 shouldn’t be wondering why you’re doing what you’re doing.

One of the things I would recommend is, we did these weekends for eight years where I would bring up a senior leader in the company and we would have dinner on Friday night with our spouses. Then we would meet in the office Saturday morning for five or six hours, and I would say, “Tell me something I don’t know about the company. What do you think about your business? What’s missing?” I got a tremendous amount of insight into them as leaders, but also into the company. We took real actions based on that. I did that to break through the systems and try to figure out what was going on and how I could listen better to the team. I tried to break down as many barriers as I could to get to the truth.

GE was known for being a place where great leaders grew up—which would indicate a solid, deep bench. Yet, you wrote that you wished you had a deeper one.

Yeah. It’s funny—we’ve placed lots of leaders throughout corporate America and the world who are good CEOs, who worked at GE and who valued their experience at GE. But what happens to companies is the world changes, right? From 2000 to 2020, just the amount of volatility, the amount of globalization, technology—you can go down the list—and all of us needed to be more nimble by 2017 than we needed to be in 2000. So, we still had really good people doing good work, but they weren’t necessarily as prepared as I needed them to be for what was next.

Was there any way for a company as big and complex as GE to have been nimble and successful?

It’s a good question. Clearly, we were too complicated over time. We tried to be simpler as time went on, and I’m not sure we ever got simple enough. You can be big and fast as long as you’re really focused and deep. That’s what’s hard to replicate when you’re broad and big, being focused and deep enough to really make fast decisions. The qualifier to that is Amazon, which was built to be fast, and they do things at scale and speed. But we were just too broad, I’d say.

To be fair, Amazon is a digital native.

Yes, exactly. Jack Welch was a fantastic CEO, but the time was so different in terms of where we live, the globalization, the technology, the scrutiny, what investors expected. So, we were trying to make the company more contemporary for the era we lived in.

Given the pace of change today and the complexity of the world we’re living in, how can leaders of a diversified business like GE keep up?

Look, some of it’s construction, right? Some of it is how you keep your company focused, how you simplify the work in the field you’re in. And some of it is the ability to recruit new talent, to help compensate for what you might be missing or where



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you need to go. Brian Cornell [CEO of Target] is a friend of mine, and Target is a great case of an old-line retailer who's been able to change dramatically to be more digitally competent. Now Brian's a great learner, and he's brought in talent from the outside, but he's also swimming in one lane. It's harder to do that when you're swimming in eight lanes simultaneously, right? So again, it's a function of simplifying your foundation, but then also recruiting from the outside to help you transition. When you do those things, scale can be a really good thing.

What advice would you give companies about scaling through M&A?

There are three things that are part of every deal. It's timing, it's what's your market thesis, and it's execution. When you get those three, M&A works. With Amersham, we were early, we had a huge market tailwind, and we had good execution. With Enron Wind, we were early, we had huge market tailwind, we had good execution. With Baker Hughes, we were probably well timed, but terrible market dynamics and good execution. And with Alstom, it was bad execution and bad timing. The reason why very few deals work is that it's hard to get all three of those right.

You wrote that shareholder activism was the wrong answer for GE. What's your takeaway for companies tussling with activist investors?

I'm an imperfect messenger on some of this, but I'll give you a few observations. One is, there's a different dynamic when they're on the board than when they're not on the board. I personally think that in a crisis, they make life worse. So, to a certain extent, if you're on a board and you think the company is really heading toward volatility, you should stand up and fight having them join the board because they just suck you internally all the time. Then, just understand that there are three levers they pull: Fire the CEO, break up the company or cut costs. It's not like there's a fourth or fifth—there's just three. So, if one of those fits, you're in relatively smooth sailing and you think you can get the stock to perform better, you have to kind of open the door. If

you're in volatility and a simple answer isn't what's needed, you need to fight it. Trian [Partners] didn't create any of GE's issues—we would have had them with or without Trian, but to a certain extent, they made it harder to solve the company's challenges. They definitely pulled the company internally and didn't help create a constructive message for a period of time.

You were ahead of the curve on diversity, particularly in creating an inclusive culture. What did you learn that might be beneficial for boards to understand?

We had a good diversity leader, and we had a good process and a strategy. So, we recruited diversity, and we had huge affinity groups. But we had an operating mechanism around outcomes. We would get together once a quarter as a leadership team and go through metrics around how many women or African Americans were at each level of the company. If the business was falling down, they got in trouble and they had to focus on getting their metrics going in the right direction. What's been missing in corporate America is outcomes. People want to have this debate around, "We hire nothing but the best and we're not gonna lower the standards, therefore we don't have quotas, blah, blah, blah." I think you have to hold two truths at the same time. One is "we hire nothing but the best," and the other is "diversity needs to improve." If you can't wrap your head around that, you can't lead in this era, in any company, in any industry. So, diversity is one of those initiatives where everybody's always shied away from metrics, and metrics really do matter.

Do you feel like you've made your peace with your time at GE?

Yes, I really have. It's complicated and there's not a day that goes by that I don't think about it. I know I've let some people down and I'll carry that forever, but I also know that I did my best. I really did love the people I worked with; I really did love the company. So, I just have to deal with that mixture of self-doubt and the tremendous reward I had of leading such a great group of people. **CBM**



‘YOU CAN’T GIVE UP’

In the following excerpt from Hot Seat: What I Learned Leading a Great American Company, Jeff Immelt shares hard-won wisdom about surviving defeat, coping with regret and moving forward.

In the three years since I left GE, I have chosen not to speak publicly about the company. I didn’t want to have my words sliced into sound bites. I wanted to tell the whole story or not say anything at all. And I wanted to give the current leaders of GE the time and space to get their feet underneath them without my voice adding to the cacophony.

I needed to take some time to think. I’ve gone through periods of despair, embarrassment and anger. I will always cheer for GE, even if it is different from the company I remember. But I’ve also learned I have to keep going, keep trying, keep learning. People often say to me, “You must have thick skin.” But no one’s skin is thick enough to fend off all pain. The haters hurt.

Now, as a venture partner at New Enterprise Associates, a Silicon Valley venture-capital firm, I spend a lot of time with founders of new kinds of companies, as well as legacy brands that are struggling to survive. That I have seen good and bad days gives me empathy, and people seem to value that. I’ve said that military history has much to teach entrepreneurs. Well, in California, I’m viewed to some extent as a combat veteran, back from battle, beaten up but still standing. People here want to learn from my successes and my mistakes.

You should know something I didn’t in 2017: that

it is possible to be happy, even when things don’t work out the way you planned. For that reason alone, you can’t give up. At GE, I learned lessons that have proved valuable to others. My mission now is to share those lessons. In doing that, I have felt satisfaction and happiness that I never would have expected when I first left GE.

Joining NEA has been a gift for me—a way to give back and to be of use. Sometimes the CEOs I advise, and on whose boards I sit, put me to work—giving pep talks before a sales kickoff, say, or closing deals or helping recruit talented executives. But a few have told me my most meaningful contribution has been empathy. Because I’ve sat in the CEO’s seat, I know that what they need from outside advisers aren’t marching orders—“Do it this way!”—but informed perspectives. And I understand how it feels to have the weight of all your employees’ futures on your shoulders. I know how lonely that can be so I make a point of being accessible and staying in touch.

Teaching, too, has given me another, valuable vantage point. At the end of each semester at Stanford, we ask our students where they hope to get jobs. I’m happy to say that these mostly twenty- and thirty-somethings are still willing to work at so-called classic companies such as GE. But they worry about how dedicated such companies are to remaining relevant. I have asked students, “Who will improve

healthcare more in the future: GE or Apple?" I watch as they consider GE's history, record, and capability. But they still say Apple. This is not merely young people defaulting to a technology leader. It is young people backing a company perceived to have the will to be great.

This is GE's challenge today: to recapture and articulate the promise of the future. When I joined GE in 1982, probably 90 percent of college grads would have considered a career there. Now that number might be 50 percent.

There are certain business icons who have created something out of nothing. I'm thinking of geniuses such as Jeff Bezos. Other leaders benefit from good luck or good timing. If you were the CEO of a bank from 2000 to 2007, you were seen as a hero. If you got the same job between 2008 and 2015, you were seen as a villain. Same person, same job, different circumstances.

Most leaders will not be perfect or lucky as they make hard decisions without a map to guide them. But especially in crisis, if they insist on waiting until the skies clear, they will never do anything at all. Inaction is bad leadership, but it can feel safer than action because to act is to open yourself up to criticism. There was never a time in 16 years as CEO that I was sheltered from the critics—the media, our investors, my predecessor. But I always had my team and our customers on my side.

We live in a world without enough nuance. Too often, complicated situations or people are distilled down to simplistic judgments. When Jack Welch died in March 2020 at the age of 84, the business press, which had glorified him in life, was critical of him and his legacy. But if you look at the totality of his contributions to GE and the broader business world, there's no question that Jack was a great leader. I attended his service at St. Patrick's Cathedral in New York City, where no less than Babe Ruth and Bobby Kennedy had been memorialized before him. Ken Langone, the billionaire businessman, and the journalist Mike Barnicle gave eulogies, but I stayed quiet in a pew at the back of the church. I'd known him, loved him, and argued with him for most of my life. His absence is surreal.

I know there are some within GE who believe that I failed them. In October 2019, when GE moved to freeze the pensions of 20,000 workers in the United States, it felt like a betrayal of trust. Many lay the blame for that setback, among others, at my feet. When I announced my retirement, the stock was at \$28.94; as I complete this book, it's trading at less than \$7. That makes my heart ache, and it always will. But I also know what my team accomplished, working

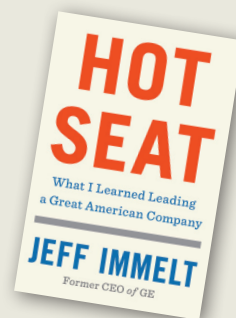
together. We weren't perfect—I've made that clear. But GE is an incredible and purposeful company.

Every spring I tell my students that in this confusing world, leaders must be able to do contrary things well—to master conflicting principles at the same time. They must make their companies be at once big and fast, global and local, digital and industrial. They must manage in a way that is both competitive and empathetic. They must think short-term and long-term. They must deal with ambiguity. In the spring of 2020, the situation we were all in—locked in our houses, uncertain about the future, staring at each other through our computer screens—brought that reality home.

In our final class, I looked into the camera and told our far-flung students that I empathized with them. "Look," I said, "this really stinks, having to finish your business school career on Zoom. You have every right to be frustrated and anxious as you face this pandemic world. But believe it or not, you're going to be better for the experience."

I could see on their pixelated faces that they weren't convinced, but I pressed on. "Your career is going to have bad days and good days, but believe it or not, you need the bad days," I said. "They make you a better leader."

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Jeff Immelt is the former ninth chairman of General Electric and served as CEO for 16 years. Currently, he is a partner at NEA and the author of *Hot Seat: What I Learned Leading a Great American Company*. Immelt has been named one of the "World's Best CEOs" three times by Barron's. During his tenure as CEO, GE was named "America's Most Admired Company" by Fortune and one of "The World's Most Respected Companies" in polls by Barron's and The Financial Times. Immelt has received 15 honorary degrees and numerous awards for business leadership and chaired the President's Council on Jobs and Competitiveness under the Obama administration. He is a member of the American Academy of Arts and Sciences and a lecturer at Stanford University.