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GE's Talent Machine: The Making of a CEO

For more than a century, General Electric (GE) had been recognized as one of the world's leading diversified businesses, and regularly found itself at or near the top of America's and the world's most admired corporations. From its founding in 1878 by Thomas Edison, the company grew to be a titan in the world of electrical generation, distribution, and use—and a widely followed model of modern management practice. GE was a pioneer of centralized corporate control in the 1930s, an exemplar of the decentralized multidivisional organization form in the 1950s, a leader in strategic planning in the 1970s, and a model of the lean and agile global competitor of the 1990s.

Throughout its history, GE always promoted its top leaders from its own ranks. The company's much admired executive development practices were rooted in the cultural values put in place by Charles Coffin, the CEO who succeeded Edison in 1892. Over the next 20 years, Coffin's commitment to creating a meritocracy based on measured performance became the foundation for a culture that was to make GE "a CEO factory" as one observer called it.¹ Throughout the 20th century, this machine produced a pool of skilled managers that not only met the company's own needs, but also became a major source of CEO talent for corporate America. So powerfully enduring was Coffin's accomplishment that a 2003 *Fortune Magazine* article named him "the greatest CEO of all time."²

On September 7, 2001, when 44-year-old Jeff Immelt was named the company's twelfth leader after Edison, he faced a daunting challenge. Not only would he be leading a \$130 billion global company managing businesses from lighting to aircraft engines to financial services, but he would do so following Jack Welch, a legendary CEO who, over two decades, had generated an average annual total return to shareholders of more than 23%. (See **Exhibit 1** for selected financial data.)

As Immelt took on one of the biggest management jobs in the world, some wondered whether GE's vaunted management development process had prepared him to lead such a complex organization. But for the new CEO, the bigger question was, how could he ensure that GE's talent machine kept developing executives who could continue driving the company's superior performance?

Building the Talent Machine: History of GE's HR Practices

Building on the foundation laid by Coffin, GE's human resource (HR) policies and practices underwent significant development and change in the last half of the 20th century. Four successive CEOs each made the development of management talent a high priority, and in doing so, made GE's human resource management processes among the most sophisticated in the world.

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Strengthening the Foundations: Cordiner's Contributions

Transformed by World War II production needs, GE's sales ballooned from \$342 million in 1939 to \$3.46 billion 15 years later. A parallel burst of diversification, driven by demands for wartime products, expanded GE's traditional businesses into areas such as nuclear technology, silicones, jet engines, and radar. This diversification put strains on GE's highly centralized management structure, leading CEO Ralph Cordiner to implement a bold decentralization plan that aimed to carve out businesses that, as Cordiner put it, "a man could fit his arms around."

To implement Cordiner's commitment to "a thorough decentralization of the responsibility and authority for making business decisions," the company transferred all budgeting powers, forecasting responsibilities, and profit accountability to the managers of nearly 100 department-level businesses. These departments were to act as mini-companies, each with its own marketing, finance, engineering, manufacturing, and employee relations function.³

Because decentralization entailed unprecedented levels of delegation, it made huge demands on managers deep in the organization. Faced with a massive management development task, Cordiner built the first corporate university, known within the company as Crotonville. In 1956, GE spent \$40 million annually to support management education, almost 10% of its \$424 million pre-tax earnings.⁴

Cordiner reinforced his emphasis on education with an equally strong commitment to upgrade GE's on-the-job management development processes. A new corporate system, known as Session C, was designed to support an ongoing dialog about managers' career interests and development needs. Starting at the level of department manager, the process generated evaluations, career forecasts, and succession plans for every single management position at GE. After filling out a form requiring a self-evaluation, their career interests, and plans for their development, each subordinate would meet face-to-face with his or her boss to compare their self-evaluations with the manager's assessment, to review career interests and opportunities, and to agree on development plans. (See **Exhibit 2** for the first page of the current digitized version of evaluation summary.)

After those meetings, managers prepared an Individual Career Forecast, rating each subordinate on a six-point scale from "high potential" to "unsatisfactory." They also prepared an Organization and Staffing Plan, identifying three replacements for his or her own position and for each subordinate. These three outputs—the individual evaluations, the career forecasts, and the succession plans—were presented to the manager's superior who, in turn, rolled them up for top corporate executives. All such Session C discussions focused on plans for promoting "high-potential" employees, remedying "unsatisfactory" ratings, and implementing succession plans.

Convinced that sound personnel policies required "measured performance, enforced standards, reward for good performance, and removal for incapacity or poor performance," Cordiner also introduced a rigorous system of objective performance evaluation tied to 28 (and later 29) position levels (PLs).⁵ Printed on wallet-sized cards for employees, the PL levels prescribed entry, median and maximum level salaries for each PL. When Cordiner retired, he left GE with a system that he felt could develop enough good executives to meet the management task implied by its growth and diversity. (See **Exhibit 3** for an overview of the PL hierarchy.)

Systematizing HR Processes: Borsch and Jones

Succeeding Cordiner as CEO in 1963, Fred Borsch harnessed the decentralized management structure to implement a bold new round of diversification that saw GE expand into new businesses such as nuclear power, computers, and plastics. To fuel this growth, Borsch needed to overcome

department managers' natural tendency to hoard talent. To help him manage GE's executives as a corporate resource, he created a corporate Executive Manpower Staff (EMS) reporting directly to himself as CEO. In contrast to the existing human relations staff working on plant level industrial relations issues, EMS focused only on jobs classified as PLs 13 to 27, a group representing the top 2% of GE's 300,000 worldwide employees.⁶

Borsch challenged his business leaders to identify potential managerial talent from the engineers and professionals on their staff. He then asked his EMS consultants, as they were called, to participate fully in all Session C reviews, compile a central corporate inventory on management talent, then track all "high-potentials" to ensure they were exposed to a wide range of GE businesses. Borsch also required that all management positions be filled with candidates selected from "slates" compiled by EMS consultants.⁷ Through this process and through their deep involvement in Session C (indeed, the evaluation process became known as the "EMS review"), HR professionals eventually became the third member of each business manager's inner circle, along with the finance manager.

When Reg Jones succeeded Borsch in 1972, he sought to bring discipline to GE's sometimes over-ambitious expansion. Believing that decades of diversification and delegation had fragmented businesses and led to a preoccupation with operational efficiency, Jones introduced a more formal and structured approach to strategic planning. The demands of reviewing strategic plans developed by the 43 newly created strategic business units (SBUs) temporarily overshadowed Session C and EMS reviews which, for a time, became more formal and perfunctory than in earlier years.

Finding it increasingly difficult to monitor and evaluate the plans, budgets, and requests of 43 SBUs, in 1976 Jones added another organization layer—the sector—to aggregate business groups with common characteristics. In addition to making the review process more manageable, Jones found that the new sector level created positions in which to evaluate candidates who could succeed him as CEO. The horse race among five strong successor CEO candidates again drew attention to the depth of talent GE had been able to develop through its businesses.

Supercharging the System: Welch's Initiatives

When Jack Welch became Chairman and CEO in 1981, he concentrated on improving performance by driving business to become #1 or #2 in their industries, or face being sold or closed. This radical restructuring eliminated over 100,000 jobs, earning Welch the unwelcome nickname "Neutron Jack."⁸ As part of the restructuring, Cordiner's position levels were collapsed into seven broader employee bands (see **Exhibit 4**). And where the PL system prescribed tight salary ranges and minimally differentiated cash bonuses as incentive payments, Welch leveraged the rewards by giving them only to top performers. As part of this philosophy, options became a larger part of compensation and were also granted deeper in the organization—to 22,000 employees by 1995, up from 400 who received them in the early 1980s.

Even while he was aggressively cutting costs in the early and mid-1980s, however, Welch was investing heavily in management development. Participation in a Crotonville course changed from being a seniority-driven rite of passage (and sometimes a consolation prize for a missed promotion) to a sought-after reward and signal of future potential. Readiness for attendance to a course was closely monitored by Welch and his HR leaders during Session C wrap-ups, and Crotonville's MDC, BMC, and EDC courses were soon recognized as preparation for next band promotions (see **Exhibit 4**). Welch also saw Crotonville as a vital resource for driving cultural change through GE—"a common coffee pot," he called it. Throughout his tenure as CEO, he traveled there every two weeks, engaging with participants in energetic give-and-take sessions in the classroom and around the bar.

It was at one of these classroom exchanges in the late 1980s that Welch was inspired to create a process capable of replicating throughout the company this kind of open dialog where managers could discuss what was wrong at GE and how to fix it. The result was the “Work Out” initiative, and over the next six years, in groups of 50 to 100, over 200,000 company employees met for two or three days to discuss how their particular area of work could be made more effective, then challenged their boss to make the changes. If Work Out became the mechanism to encourage bottom-up initiative by giving those on the front line voice, Welch’s follow-on commitment to “boundaryless behavior” signaled a cultural shift towards breaking down the barriers that divided businesses, functions, and geographic regions. Through years of initiatives such as these, a new set of norms, values, and behaviors emerged that defined what Welch called GE’s new “social architecture.”

To monitor evolving cultural values and employee attitudes in the company’s worldwide operations, Welch initiated an annual employee survey that polled employees on issues ranging from GE’s overall attractiveness as an employer to personal job satisfaction and career opportunities. Breakdowns by business and region allowed him to identify potential trouble spots, and year-on-year comparisons helped him plot progress. (See **Exhibit 5** for sample survey output format in 2003.)

Among GE’s recruiting mechanisms were longstanding relationships with many U.S. schools, all overseen by line managers who usually were alumni themselves (see **Exhibit 6**). In the 1980s, realizing that they got better results from a particular candidate profile, GE began to reconsider the allocation of recruiting resources. The company resisted competing against recruiters from Wall Street and consulting firms for the most-hunted college and business school graduates, figuring that those interested in a management career would be available to GE later. Indeed, the company created an elite group responsible for internal consulting projects and corporate initiatives staffed by ex-consultants in transition into management roles. Recalled Welch:

We weren’t getting many Harvard MBAs in the 1980s, and the few we got didn’t work out very well because they didn’t become chairman in the first 90 days. So we largely abandoned that program. I felt they all ought to go to McKinsey and Bain and Wall Street for a while, get sick of that life, then join us. Since then, we’ve had a lot of them coming to GE that way.

Managers in the lean, flexible organization Welch was shaping had to be willing to work from the bottom up, take on grindingly hard work, and accept frequent relocation to learn from GE’s vast operations. The company discovered that such disciplined, self-motivated and mobile candidates were as likely to come from Midwestern engineering programs, night schools or former military officers during the post-Cold War downsizing of the armed services. A portfolio of leadership programs provided attractive entry points, great initial development, opportunities, and an internal marketplace for exposing entering talent to multiple businesses (see **Exhibit 7**).

As the new cultural changes became embedded, Welch insisted that managers be evaluated not only on their performance against objectives, but also on how they lived up to GE’s values. In the early 1990s, he began the process by using a two-by-two matrix to evaluate managers on those two dimensions, and to identify and remove so-called “Type 4 Managers”—those who got results but did so by bullying their employees, acting selfishly, or otherwise violating GE’s emerging value system. The matrix gradually evolved into a “nine block” tool that became part of every manager’s EMS evaluation. Over time, the criteria defined on the axes of the “nine block” evolved, eventually incorporating the “vitality curve” discussed below. (See **Exhibit 8** for a recent version.)

To support a focus on people development, Welch believed his business managers needed strong HR professionals on their management teams. He moved most of the EMS consultants from headquarters out into the field, to help business leaders develop their talent. In addition to acting as an information source and sounding board for the business leader, these HR professionals used their

networks with EMS peers to facilitate the transfer of managers across the organization. They also helped Welch keep tabs on the Senior Executive Band (SEB) and above, a group of 600 managers whose development and career progression he managed directly. Indeed, as he moved SEB managers into or out of a business, Welch told the business leaders, "I own these managers; you only rent them."

Breaking with tradition, Welch also took Session C reviews out from headquarters, making them a full-day event in each of the businesses. Typically, the morning was spent reviewing the business's management team, working through binders with photos, bios, and summary evaluations of each. To allow "deep dives," backup pages held the detailed self- and manager-assessments, development needs, and the EMS reports. The afternoon might then be used to check that the best talent was being applied to the strategic priorities. In the evening, Welch supplemented the formal meetings with receptions and dinners where he could get a better feel for high-potential individuals.

Towards the end of his tenure, Welch added a disciplined performance management analysis to Session C by asking each manager to rank his or her employees on a forced ranking of "the top 20%, the highly valued 70%, and the least effective 10%"—the so-called "vitality curve." He encouraged managers to focus rewards and development efforts on top performers, and urged them to counsel those who remained in the bottom 10% to improve or move out of the organization.

By the end of Welch's tenure, the formal HR systems were tightly integrated with the other elements of what he called GE's "operating system." Each companywide initiative was driven down to the business level through a carefully linked system of strategic planning, operational budgeting, and leadership performance reviews (see **Exhibit 9**). The annual calendar of reviews also provided many opportunities to evaluate the performance and potential of young managers in these high-visibility forums. In the words of one top executive, "You constantly watch for 'high potentials,' then you start taking the bets on them until they prove you wrong."

In 1982, when Jeff Immelt joined GE, he became one of the 5,000 managers being tracked and developed by this set of formal and informal development processes. Said one longtime senior executive, "In GE, it's not just a focus on people; it's an obsession."

The Making of a CEO: The Rise and Rise of Jeff Immelt

As a 25-year-old Harvard MBA, Immelt greatly impressed Dennis Dammerman, the executive overseeing GE's MBA recruiting at Harvard in 1982. "It was clear he had natural leadership traits," Dammerman recalled. "I immediately wanted to hire the guy." He was so impressed that he sidestepped the normal process of passing Immelt's name on to the corporate referral center and forwarded his recommendation to GE's Sector Executive for Consumer Products. He also suggested that Welch get involved because the candidate was being heavily recruited by a Morgan Stanley partner who told the young MBA that at GE, he would not interact with Welch for at least a decade.

Immelt entered on a commercial leadership track that included work assignments in several different GE businesses. And contrary to the Morgan Stanley partner's prediction, he and a corporate marketing group with whom he was working presented to Welch 30 days after he joined.⁹

The Plastics Experience: Building Skills

After completing the training rotation assignments, Immelt was named regional sales manager for GE Plastics in Dallas. Responsible for 15 direct reports—"from crusty veterans to young hot shots,

and everyone in between,” said Immelt—he worked to get his sales figures up in a tough economic climate. Month by month, the direct feedback from his manager focused on his results: “My manager called and said, ‘You had a terrible month. I don’t care if you have an MBA from Harvard, I’m not keeping you if you have another bad month.’ He was just that direct,” recalled Immelt. “So I learned that in GE you’ve got to get results. I also learned how to sell, and how to manage people who were different from me. I really learned a lot from that experience.”

Over the next seven years, positive Session C reviews led to successive assignments as a product manager, a sales manager, and a global marketing manager. Glen Hiner, CEO of Plastics at the time, became both a mentor and a role model because of what Immelt described as his “great touch both with customers and with people in his organization.”

Dammerman, now in an entirely different business, kept an eye on his young recruit. Aware that Immelt was being tracked—along with approximately 150 other young high-potentials—at the highest levels of the company, Dammerman watched as GE’s calendar of strategic and operational reviews brought the young manager to the attention of corporate leaders. Some of the attention could be bracing, however. Immelt vividly recalled one presentation to Larry Bossidy, the corporate executive responsible for plastics. “I proudly told him, ‘I’ve got a 30% increase versus last year, which is 2% over my stretch forecast.’ Larry only asked, ‘To what do you attribute your poor forecasting?’”

In 1987, Immelt was tapped to attend the Executive Development Course (EDC) at Crotonville, the youngest in his class. (See **Exhibit 10** for Immelt’s career timeline.) EDC was considered a gateway to becoming a company officer and, because Welch “owned the careers” of all corporate officers—from assignment decisions to compensation approval—admission to EDC also required his approval. Engaging with other highly regarded managers from different businesses and functions, Immelt found EDC a broadening experience. It also provided a great opportunity to expand his professional network. “Beyond the knowledge you gain, the best part is just absorbing the culture and the values,” he recalled. “And the networking makes you feel that you’re part of something great.”

The Appliances Challenge: The Turnaround Test

Following EDC, Immelt was expecting an assignment that would stretch his abilities and expand his experiences. In 1989, the opportunity arose in Appliances, a business with razor-thin margins, a highly unionized labor force, and extremely tough competition. Because of a compressor design problem, GE had sold more than a million refrigerators that engineers now believed were likely to fail.¹⁰ For Welch, this impending disaster was clearly a major business challenge, but also an opportunity to develop an up-and-coming young manager. Immelt recalled:

Out of the blue I got a call from Jack Peiffer [Senior VP for Human Resources] who said, “We’re thinking about moving you to the Appliances service business. We’re just in the beginning phases of a compressor recall and Jack wants somebody who is not corrupted by the environment.” So I picked up the organizational directory and looked at the operation. It was 7,000 or 8,000 people in all these service zones. I only had 300 or 400 people working for me and they were all in sales, marketing, and product management. I didn’t know a thing about appliances, or about the service business.

Immelt’s job was to understand the issue, marshal the resources, and replace the million bad compressors with new units sourced from their competitors. As a newly minted company officer and vice president, he quickly realized it was his “sink-or-swim” test in a tough situation that eventually required GE to take a \$450 million charge in 1989.¹¹ “I learned how to manage in a completely different way,” he recalled. “I was in Plastics in the go-go years: I knew how to grow. This taught me

how to operate. The degrees of freedom were extremely small, and the difference between success and failure was a penny or two one way or the other. I had to learn quickly."

With the recall going well, Immelt was asked to run the entire marketing and product management operations, a position reporting directly to Gary Rogers, the new CEO of Appliances. Rogers recalled that Immelt was "exceptionally bright, hardworking, very good at motivating people and very customer-centric"—but also with some things to learn. "Bright young people often think knowing what to do and telling people what to do automatically results in it being done," Rogers said. "It doesn't. I tried to help Jeff see the need for processes that ensure effective implementation."

This assessment was communicated in Immelt's EMS review during the Session C process. Over the years, Immelt continued to receive detailed, frank feedback in this way. He was lauded for exceptional energy and results, but was also counseled to listen better, to empower his subordinates, and to channel his appetite for action in order to bring his organization along with him. After only three years in Louisville, he had built a reputation as someone with a knack for a turnaround who was ready for a new challenge. Welch decided to bring him back to Plastics in 1992 to run a worldwide sales and marketing organization in a business he knew well.

Plastics Redux: Trial by Fire

When it was announced that Rogers would be moving to head up Plastics at roughly the same time, some expressed surprise that the rising star's new position was not a direct report to Rogers, as it had been at Appliances. Immelt recalled that Welch was aware of the signal he might be sending: "Jack said, 'I know this job is not obviously what you want to do, but sometimes you win in these moves and sometimes you serve the company. This is a time when you serve the company.'" After a year back at Plastics, Immelt took over his boss's job as head of Plastics Americas, with complete responsibility for roughly half of the Plastics business—and a direct report to Rogers.

Facing stiff competition from Dow, Dupont, and Bayer, GE Plastics Americas entered several long-term, fixed-price contracts with key customers, including the major U.S. automakers. Then, a spike of inflation changed the cost position of the Plastics operations. Rogers remembers a call from his CFO at the end of the first quarter of 1994, informing him that due to cost overruns, Immelt's operation had missed its operating margin by \$30 million, or roughly 30% of budget. To compensate, the business had tried to renegotiate prices but had experienced difficulty doing so.

The price renegotiations led to a deteriorating relationship between GE and General Motors (GM), with one press report suggesting that the automaker was on the verge of ordering its purchasing directors to "stop all business relationships with General Electric." At this stage, GM's CEO Roger Smith and Jack Welch got on the phone to sort things out. A joint statement said that GM would work with GE to identify and reduce costs.¹²

Although Immelt reported to Rogers, Welch had no hesitation in reaching down to check in on how the young manager was handling the problem. Dammerman, by this time GE's corporate CFO, described the weekly telephone conversations that he and Welch had with Immelt during the crisis: "Jeff quickly recognized that these were not just casual phone calls. We were already thinking of him as a big player, a guy you want to get to know in bad times as well as good," Dammerman recalled. "How is he on his feet? How is he reacting? So the conversations we had would be peppered with questions: What's happening with prices? How will you respond? How can I help?"

Immelt recalled that, while some friends and peers like Dave Cote (later the head of Honeywell) provided encouragement during this time, mostly he remembered it as a period of intense learning

where he wanted to be left to his own devices. "Nobody wants to be around somebody going through a low period," he said. "I wasn't hitting my numbers. I knew what I had to do. In times like that you've got to be able to draw from within. People can help you, but leadership is one of these great journeys into your own soul. It's not like anybody can give you the answer of how to do it."

The problems in Immelt's operation throughout 1994 put him in Welch's doghouse, and became the object of a very public discussion at the Operating Managers' Meeting—the annual goal-setting meeting for GE's top 600 leaders—in Boca Raton in January 1995. Immelt recalled:

I already knew the numbers were getting better. We had taken on the automotive industry and had already won on these big contracts. Jack did one more bombing run and he was in my face for 15 minutes. At the end of it, there wasn't one person within 100 yards of us. Everyone was crowding by the door and in the corner. But I just said, "Hey, Jack. You're too late. It's already fixed. So have fun." And we had a good laugh and it was time to move on.

In retrospect, Immelt felt he should have diagnosed the problems sooner, but he also believed his response was appropriate. While the easy option would have been to break contracts and raise prices unilaterally, he had refused because it would have taken a decade to recover customer relationships. "Jack had very high standards and was performance-oriented every day. But he also knew the difference between right and wrong, between short-term and long-term," Immelt recalled. "He never put managers in a situation where they had to back off their own integrity."

While Welch watched closely, throughout the crisis the decisions always remained Immelt's. His relationship with Welch, and with other influential GE managers in his career, was characterized by a clear delegation of authority, blunt business discussions, and continuous evaluation of performance and potential. Like all GE managers, he understood he would not be punished simply for making a mistake. "You can fail," he explained. "But we don't allow you to make the same mistake twice."

Medical Systems: Putting It All Together

Appointed to run GE Medical Systems (GEMS) in 1997, Immelt embraced the opportunity to run a global technology-based business that was, in his words, "a chance to put it all together." Although this \$4-billion business had been growing at a single-digit rate over the previous decade, when Immelt took over he found management was focused primarily on cost-cutting in response to reductions in healthcare reimbursement in the early-1990s. Deciding to emphasize growth, he set about expanding into new businesses and making GEMS a more global company. Bill Conaty, GE's Senior VP of Human Resources, recalled his conversations with Welch about how Immelt was doing:

When Jeff arrived in Medical Systems, he understood that to succeed at GE you have to do more than meet budget objectives. Those who move up are the ones who can change the game and expand the boundaries. Almost immediately he started acquiring companies, investing in new technologies, and restructuring the global operations to access low-cost sources and tap into technical expertise abroad. He brought the life and energy that drives major growth.

Immelt's style was to engage and energize those around him, even those who were not in his direct reporting line. For example, in pursuing his technology strategy, he captured the interest of Lonnie Edelheit, head of GE's corporate R&D center. "Soon the standing joke was that Medical Systems had pulled off a takeover of the R&D center," said Conaty. "Jeff did grab more than his share of those resources, but he did it by getting them engaged and excited. And they loved it."

In his strategy of building a major new platform in healthcare information technology, Immelt saw the opportunity to not only build a new business but to develop his management ranks and

leadership team. In 1999, Welch told Immelt about a high-potential young Harvard MBA named Greg Lucier who had been having a tough time in his first general management job running GE Railway Electronics. Welch, who had been keeping his eye on Lucier, believed he deserved another shot. Immelt immediately saw the young MBA's strategic perspective and customer orientation as an ideal fit with the medical information technology business he was trying to build. "Greg was a self-confident, independent thinker," said Immelt. "Where he needed coaching was in implementing his creative ideas and developing his skills as a team player." Over the next three years, Lucier more than doubled the sales of GEMS' new IT business to \$1.8 billion.¹³

Just as people like Dammerman, Hiner, and Welch had mentored him at various stages in his career, Immelt had given opportunities and provided support to numerous people, particularly those he thought had untapped talent or underutilized abilities. For example, he had kept his eye on Dow Wilson, a quiet but widely respected manager who had worked for him at Plastics. Believing he had considerable potential, Immelt invited him to join GEMS as general manager of global CT scanners. Over the next three years, the boss watched with satisfaction as Wilson succeeded in three big global business jobs at GEMS. "Dow was almost the opposite of Greg," Immelt reflected. "He was a superb team player who excelled in execution. Where he needed coaching was to become tougher in holding people accountable, and in developing his own self confidence." In July 2003, Wilson became a company officer, succeeding Lucier as president of GEMS' large and successful medical IT business.

In four years, under Immelt's leadership, GEMS' sales doubled to \$8.4 billion while net income increased from \$400 million in 1997 to \$890 million in 2001.¹⁴ But in the eyes of Welch, Immelt did more than stretch the boundaries to grow the business; he revitalized the organization to ensure that growth would continue. As Welch put it, "When Jeff took over Medical Systems, he let the sun shine in." It became increasingly clear that Immelt was one of the front-runners in the CEO succession race, an issue that Welch and the GE board had been thinking about for years.

The Succession Process

Beginning in 1994, Welch had made annual presentations at the December board meetings, on his succession review. Referring to his extensive hand-written notes, Welch would first get directors' agreement on an immediate successor's name as an emergency contingency.¹⁵ He then presented his list of "first glance" longer term candidates including all current business heads, several senior corporate officers, and a cast of about a dozen "young hot-shots"—a category that included Immelt.¹⁶ As was customary at GE, no outside candidates were considered. Because Welch felt that GE's new CEO would need a minimum tenure of 10 years to learn on the job and to remold the organization to a new vision, he looked especially hard at fresh young talent.¹⁷

In grooming and testing the leading contenders, Welch deliberately used several GE businesses as proving grounds. Facing strong competition and long-term highly unionized labor teams, Appliances and Lighting had long been used as places to develop managers' operations skills. Transportation Systems, Energy Systems and Aircraft Engines enhanced candidates' ability to manage through capital spending cycles. And their performances at Plastics and Medical Systems could be evaluated for the candidate's ability to exploit technological growth, acquisitions, and globalization.

In 1997, with Welch's retirement looming, GE's board began regular site visits, ostensibly to better understand the businesses, but primarily to get a direct impression of candidates. Welch did not give the business leaders an agenda for these visits, so the board could see each candidate's natural style and approach by how he conducted the visit. By 2000, widespread press speculation had narrowed in on three finalists—Jim McNerney, Bob Nardelli and Immelt. These predictions seemed confirmed when designated successors were named in each of the three executive's businesses.

In October 2000, the board discussed the three announced finalists. With his track record of exceeding expectations, expanding the boundaries of his tasks, and living the GE values, Immelt emerged as the clear early choice. After several conference call meetings, the board unanimously appointed him CEO designate. On the Friday after Thanksgiving 2000, Welch called Immelt with the news, inviting him to a low-key and very private celebratory dinner at his home in Palm Beach. On Sunday, Welch flew to Cincinnati and Albany to tell McNerney and Nardelli of Immelt's selection. Then, on Monday morning, he joined Immelt in New York and, in an NBC television studio, publicly presented him as GE's CEO designate. Not a word on the impending decision had leaked.

New Hands on the Controls: Jeff Immelt, CEO^a

Immelt called Monday, September 10, 2001—his first day as CEO—the “one good day” in his first year in that job. GE was riding high, with its stock trading at \$39.35. For the third year in a row, it had been ranked the “World's Most Respected Company” by the *Financial Times* and “America's Most Admired Company” by *Fortune Magazine*. Everything changed on Tuesday, September 11, after two planes crashed into New York's World Trade Center.

GE responded immediately with a \$10 million contribution to a relief fund for disaster victims. But the changed business climate pummeled several GE businesses, particularly its insurance and aircraft engines companies. Then, in the shadow of the Enron scandal, indictments against the CEO of Tyco, who had boasted of building “another GE,” raised questions about GE's business model and the transparency of its reporting. Furthermore, several large holders of GE stock reported selling to raise cash and bail out other investments that had failed in the spectacular crash of the NASDAQ. On the first anniversary of the 9/11 tragedy, GE stock was trading at \$28.78, never having approached its 2001 level during the intervening year. (See **Exhibit 11** for GE stock performance.)

Immelt's Priority: Leveraging Human Capital for Growth

Despite the slow economy, the post-9/11 political climate, and the traumatized financial markets, Immelt committed GE to grow. His stated goal was to improve earnings at least 10% annually, with a 20% plus return on total capital—an ambitious objective for a \$130 billion multibusiness global company. His growth strategy was based on five key elements: technological leadership, services acceleration, enduring customer relationships, resource reallocation, and globalization. But Immelt understood that implementing these initiatives had less to do with elegant strategic analysis than with identifying, developing, and deploying the right people to drive the effort.

Devoting an estimated 40% of his time exclusively to people issues, Immelt acknowledged that the company's fully developed people system was perhaps his most powerful implementation tool. “Every initiative I'm thinking about gets translated immediately into recruiting, Crotonville, and Session C,” he said. “When you step on the gas here, it really goes.”

Among the key human resource practices he engaged to drive his strategic priorities were the following:

- To support his emphasis on technological leadership, Immelt began targeting technology skills as a key organization development requirement during Session C reviews. In all GE's industrial business, the Session C agenda allocated a full block of the day to a review of the

^a For a detailed account of Immelt's new strategy, see “GE's Growth Strategy: The Immelt Initiative,” HBS case No. 306-087).

business's engineering pipeline, the organization structure of its engineering function, and an evaluation of the potential of engineering talent. (See **Exhibit 12** for the 2003 Session C agenda) In response to Immelt's concern that technology-oriented managers were under-represented in GE's executive ranks, the Session C reviews began moving more engineers into GE's senior executive band. In addition, Immelt made the very visible move of appointing two key technologists as Company Officers.

- To facilitate his emphasis on services acceleration, Immelt opened new channels of communication to put people in different businesses or geographies in touch, and created forums to bring together groups with common interests. For example, he convened a quarterly meeting of leaders of the service operations in GE's largest businesses together with experts from the global research center to share their best service initiatives. With Immelt prodding and encouraging, they started spreading across their businesses, service-based ideas such as remote diagnostics, long-term service contracts, and customer upgrades.
- Reflecting his belief in the value of enduring customer relationships, "a passion for the customer" became the first item on the new values card Immelt introduced to the 600 senior managers attending the goal-setting Boca meeting in January 2002 (see **Exhibit 13**). Backing up his Boca commitment to get more front-line managers directly connected with customers, in follow-up Session C sessions he challenged business leadership to transfer talent from business development positions to sales and marketing roles. He also oversaw the placement of senior marketing executives in each of GE's businesses, and, in an unusual step for GE, if suitable talent was not available internally, he hired in top talent from outside. Finally, Immelt named Beth Comstock, a seasoned and respected member of his leadership team, to the new role of chief marketing officer, charging her with the task of driving GE's company-wide marketing impact.
- Immelt also made key people moves to drive his globalization strategy. Three months after taking over, the new CEO appointed Ferdinando Beccalli as the company's first CEO of GE Europe and asked him to create an umbrella over a group of disparate business. Beccalli's priority was to develop an internal culture that would unite a portfolio of companies largely accumulated in the 1990s through a process *Fortune* had described as "molding a string of second-tier acquisitions into a broad, but not deep, presence on the continent."¹⁸ Then, as part of his "5 x 5 China vision"—\$5 billion in revenue and \$5 billion in sourcing by 2005—he named a new president and CEO of China to ensure that the company's businesses collaborated as "one GE" in China's massive infrastructure investment programs. To help develop Chinese management and leadership, Crotonville began offering courses not only to GE's fast-growing employee base, but also to key Chinese customers. And BMC classes containing some of GE's brightest up-and-comers were assigned to the priority Chinese and European markets, to work on projects, provide analysis and make recommendations.
- Finally, Immelt implemented his plan to rethink resource reallocation by telling his business leaders he wanted to invest in businesses that were heavy in human capital (skills and expertise) more than physical capital (plants and equipment). He challenged them to identify a few new growth platforms with those characteristics, each having the potential to generate \$1 billion of operating profit within the next few years. The business leaders identified six growth platforms—healthcare information technology, water technology and services, oil and gas technology, security and sensors, Hispanic broadcasting, and consumer finance—each able to leverage GE's human-capital-based technical resources, service capabilities, and global customer relationships. Said Immelt, "My most important job is to attract talented and loyal people who work together effectively and to support them with a culture based on performance, teamwork, and integrity."

The Talent Machine in 2003: Service, Tune Up, or Overhaul?

In early 2003, Immelt was reflecting on his first full year as CEO. It had been tough, not only for him, but also for the organization. Major layoffs had been announced in GE's power generation and other cyclical businesses, the post-Enron disillusionment with larger corporations had tarnished GE's image, and employee stock options issued over the previous four or five years were under water. Beyond a general sense of unease in the economic downturn, the employee surveys that Immelt monitored in every Session C review indicated that these GE-specific factors had taken a toll on the organization and people.

To date, however, turnover of GE's most valuable (and therefore most "poachable") employees was low. For example, among the top 600 managers, voluntary attrition was less than 3% even in the volatile period of Immelt's first year as CEO. Lower in the organization, turnover also remained well below the U.S. industrial average. But Immelt was aware that this could be due in part to a sluggish economy; he wanted to ensure that GE employees not only remained loyal, but were engaged and motivated when things turned around. As he reflected on actions he might take, there were a few HR policies and practices that caught his attention. Was it time to adjust or even overhaul some parts of GE's finely tuned talent machine?

The Vitality Curve

GE's rankings-based vitality curve had long been one of the most controversial elements of its HR practices, at least to outsiders. But inside GE, long-term employees reported they had always been ranked, even before Welch introduced the more formal process and gave it a higher profile. Indeed, they saw it as part of the company's meritocracy-based culture. Asked why so many other companies had experienced difficulty implementing performance management, Immelt replied:

Unless you are really dedicated to a whole system, it doesn't work. We give feedback, we coach, we invest in training—and we have clear performance goals. People agree on their annual goals and objectives, they know where they stand; and they know we will help them to be the best they can be. If all of those things don't exist together, it won't work—especially when people don't understand where the goal posts are.

But in early 2003, Immelt reviewed some HR data analysis which showed that, over the past 18 months, BankAmerica had recruited over 90 GE employees to its headquarters operation in Charlotte, North Carolina. While recognizing that GE employees were probably the most headhunted group in the world, Immelt was concerned with the targeting of the effort: almost all of those recruited were from "the highly valued 70%," not from the top 20% that was the headhunter's normal target. He wanted to ensure that this group—one that he regarded as the backbone of GE—did not feel that their categorization in the middle 70% meant that they were just average or middle of the road. Should the vitality curve system be modified to differentiate within this group? Should recognition and rewards be less sharply focused on the top 20%? Or, more radically, was it time to question the entire concept of performance ranking at GE?

Recruitment

As he drove the organization towards more service-intense global businesses built on customer-focused, innovation-driven strategies, Immelt began to think more about the talent pool he would need to run such businesses as they developed. In particular, he wondered if the company should re-energize its MBA recruiting activities. One proposal was to target MBAs with marketing oriented

management career interests by offering a Commercial Leadership Program entry level development track. While some recalled the MBA turnover problems of the past, others felt that GE's reputation as a great developer of management talent would overcome that concern.

In reviewing the profile of participants in its existing entry-level leadership programs, Immelt also wondered if GE was not over-reliant on its U.S.-based recruitment programs (see **Exhibit 14**). Under Beccalli's leadership, the European campus recruiting model had been extended to 17 universities. In addition, the construction of the \$52 million global research facility on the campus of the Technical University of Munich was designed as a magnet to attract technical talent from the heart of Siemens operations. But Immelt knew that GE did not yet have the reputation to make it the employer of choice internationally, and some felt that the company attracted stronger candidates by recruiting in the United States. Others however, argued that a more aggressive international approach was needed not only to reduce overseas units' dependence on American top managers, but also to align the number of non-Americans in the Officer ranks with the 40% of GE's revenues generated offshore.

Executive Bands

As he reviewed the feedback of over 150,000 employees who completed the latest GE opinion survey, Immelt became aware that some, particularly those in its international locations, felt that their promotion opportunities were limited. The company was still growing well considering the worldwide recession, and almost all promotions were from within (65% to 70% of professional band openings, 90% to 95% of executive band openings, and almost 100% of openings at the SEB level and above). The problem was that when Welch had collapsed Cordiner's 29 PLs into seven broad bands, the frequency of clearly defined job promotions decreased. In more hierarchical business cultures such as India, perceived status and level were highly valued. Even if a move from a PL 15 to a PL 16 had little real significance, for many it represented an important psychological reward.

As part of his commitment to increase GE's diversity, Immelt was looking for ways to attract and retain more non-U.S. managers. Should he compromise the clarity and simplicity of GE's management bands and create more levels in the organization, particularly abroad? Or were there other ways to respond to employee need for recognition and reward?

While each of these issues seemed like small administrative details when compared to huge strategic questions he faced, Immelt was conscious that it was through attention to such detail that his predecessors had built and improved the GE talent machine. He wanted to keep it humming.

Exhibit 1 General Electric Company and Consolidated Affiliates, Selected Financial Data (year ending December 31)

(Dollar amounts in millions; per-share amounts in dollars)	2002	2001	2000	1999	1998	1991	1981
Revenues	\$131,698	\$125,913	\$129,853	\$111,630	\$100,469	\$60,236	\$27,240
Earnings before accounting changes ^a	15,133	14,128	12,735	10,717	9,296	2,636	1,652
Net earnings after accounting changes	14,118	13,684	12,735	10,717	9,296	2,636	1,652
Dividends declared	7,266	6,555	5,647	4,786	4,081	1,808	715
Return on average share owners' equity excluding effect of accounting changes	25.8%	27.1%	27.5%	26.8%	25.7%	12.2%	19.1%
Earnings per share (before accounting changes)	\$1.51	\$1.41	\$1.27	\$1.07	\$0.93	\$3.03	\$7.26
Earnings per share (after accounting changes)	1.41	1.37	1.27	1.07	0.93	3.03	7.26
Dividends per share	0.73	0.66	0.57	0.48	0.41	2.08	3.15
Stock price range	41.84–21.40	52.90–28.25	60.50–41.67	53.17–31.42	34.65–23.00	78.12–53.00	69.87–51.12
Total assets	\$575,244	\$495,023	\$437,006	\$405,200	\$355,935	\$168,259	\$20,942
Long-term borrowings	\$140,632	\$79,806	\$82,132	\$71,427	\$59,663	\$4,333	\$1,059
Average shares outstanding (in thousands)	9,947,113	9,932,245	9,897,110	9,833,478	9,806,995	868,931	227,528
Number of share owner accounts	655,000	625,000	597,000	549,000	534,000	495,000	514,000
Employees at year end							
United States	165,000	158,000	168,000	167,000	163,000	221,000	–
Other countries	150,000	152,000	145,000	143,000	130,000	63,000	–
Total employees	315,000	310,000	313,000	310,000	293,000	284,000	404,000

Source: General Electric Company annual reports.


^aAccounting changes adopted as of January 1, 2001 (General Electric Company, "Annual Report 2001," [Fairfield, Connecticut, 2002], p. 48).

Exhibit 2 EMS Forms

Digitized EMS

Session C Revolves Around 2 Inputs ...

Employee

 **EMS-Draft:** Hire Date: _____

Education

University/Collage	Degree	Major	Grad Yr.	Location

Pre-University/High School _____ Grad Yr. _____ Location _____

Corporate Training, Languages

Other Training

Other Qualifications

Strictly Private

Manager

EMS-2001: Manager Assessment

Contributions/Performance Trend

Strengths

Development Needs

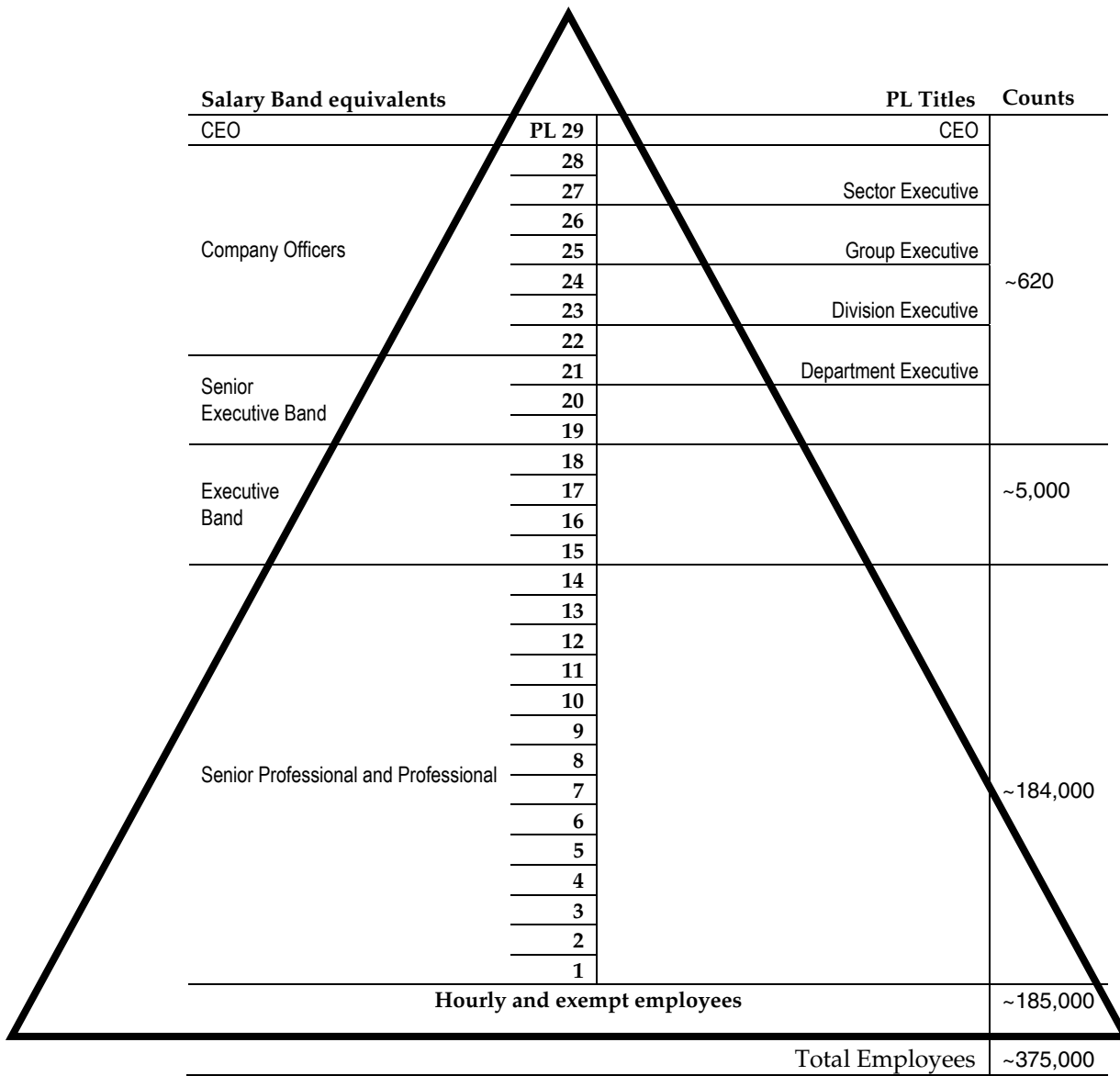
Career Interests

Strictly Private

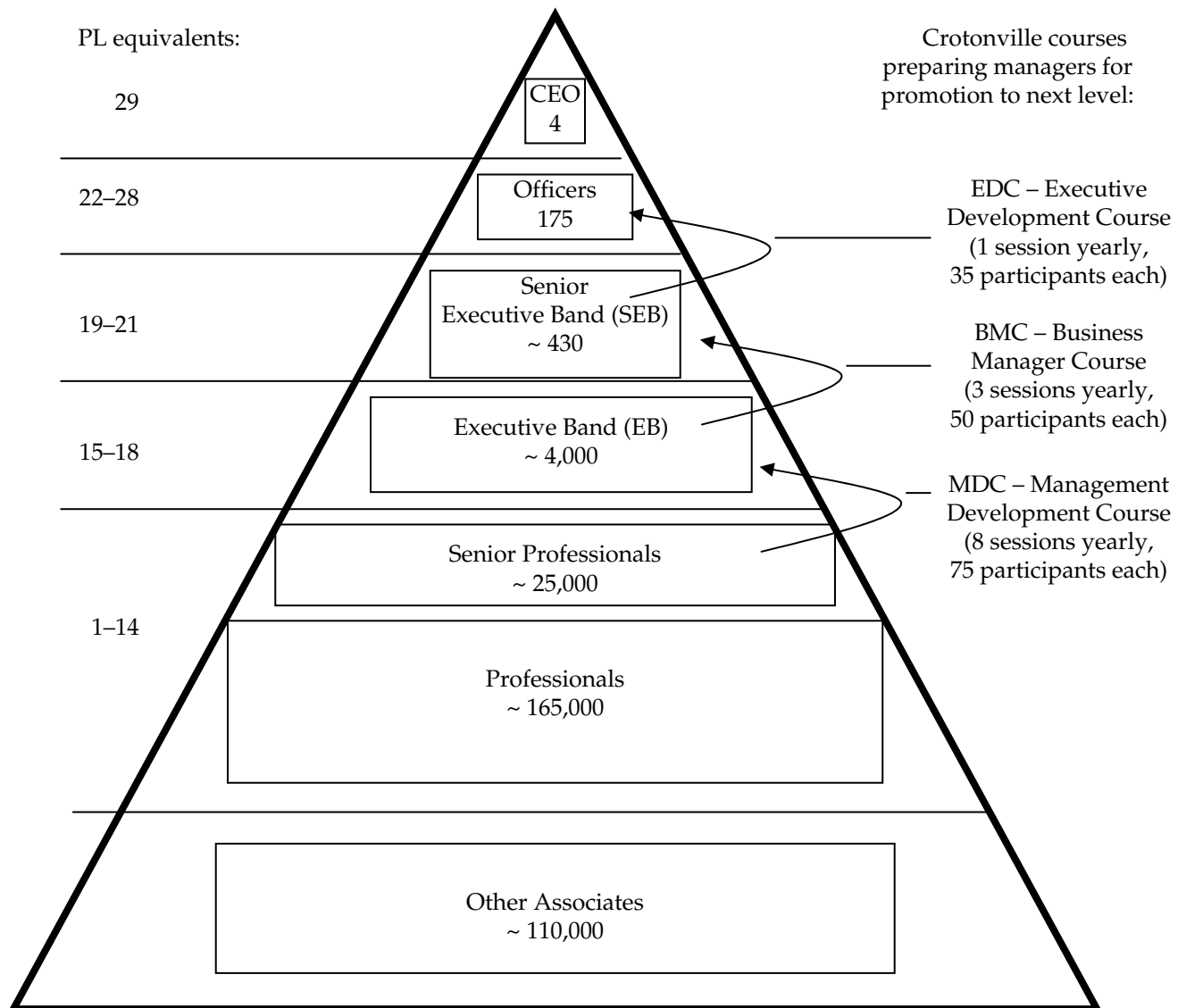
Your Internal Resume and Performance/Career Document

MOC (8-05-03) 1

Source: General Electric Company documents.

Exhibit 3 PL System and Employee Counts at General Electric, 1975

Source: Prepared by casewriters from General Electric Company documents.

Exhibit 4 Salary Bands and Employee Counts at General Electric, September 2003

Source: Prepared by casewriters from General Electric Company documents.

Summary of Questions by Categories

Job Itself	Current			Past				
	Response Count	% Fav	Diff in %	100% Neutral	% Unfav	% Fav	% Unfav	Chnge
13. I think the job I perform is considered important to my company. All employees Sample Department 1	1028 57	100 100	0	0 0	0 0	90 95	5 2	+10 +5
21. I understand how my performance on the job is evaluated. All employees Sample Department 1	1023 57	87 100	13	Percentage change between the group % fav and the group last time % fav.				
4. Employees in this company are compensated in a way that recognizes performance. All employees Sample Department 1	1025 56	70 83	13	Denotes the division between very unfavorable and unfavorable responses.				
18. The people I work with cooperate to get the job done. All employees Sample Department 1	1025 55	87 83	-4	Denotes the division between very favorable and favorable responses.				
45. My job makes good use of my skills and abilities. All employees Sample Department 1	1023 54	85 81	-4	Percentage of people responding favorably nor unfavorably to the question.				
25. How would you rate the quality of work done by your organization? All employees Sample Department 1	1023 54	85 81	-4	Percentage of people responding unfavorably to the question.				
			2	Percentage of people responding favorably to the question last time.				
				Percentage difference between the target group % fav and the comparison group % fav.				

C Significantly above Comparison Group

Significantly below Comparison Group

Source: General Electric Company documents.

Exhibit 6 GE Executive Recruitment Program: Hires by School, 2003

School	Full-Time	Intern	Grand Total
Purdue University	33	153	186
University of Cincinnati	16	119	135
University of Wisconsin - Madison	15	77	92
Georgia Institute of Technology	12	65	77
Pennsylvania State University - State College	21	55	76
University of Michigan	21	47	68
Rensselaer Polytechnic Institute	25	36	61
University of Illinois - Urbana	20	41	61
Ohio State University	12	40	52
University of Notre Dame	13	38	51
Virginia Tech	4	45	49
Cornell University	12	35	47
Michigan State University	25	22	47
Indiana University	18	24	42
University of Florida	9	32	41
Clemson University	12	26	38
Syracuse University	11	20	31
Clarkson University	14	14	28
Northeastern University	2	26	28
Texas A&M University	6	20	26
Boston University	8	16	24
University of Massachusetts	9	12	21
University of Puerto Rico - Mayaguez	0	21	21
University of Connecticut	12	8	20
Case Western Reserve University	8	11	19
Worcester Polytechnic Institute	5	14	19
Florida International University	6	11	17
NC A&T State University	7	10	17
Tuskegee University	4	13	17
Boston College	12	3	15
NC State University	5	9	14
Massachusetts Institute of Technology	3	10	13
Bucknell University	5	6	11
University of Maryland	4	7	11
Duke University	2	5	7
University of Puerto Rico - Rio Piedras	0	1	1
Grand Total	391	1,092	1,483

Source: Prepared by casewriters from General Electric Company documents.

Note: GE management recruitment drew from several additional sources.

Exhibit 7 General Electric's Internal Career Development Tracks and Leadership Development Programs

Entry-level Leadership Programs		Prerequisites	Training
EEDP Edison Engineering Development Program		Bachelors Degree	2 year, 3 or more rotations, focus on technology roles
FMP Financial Management Program		Bachelors Degree	2 or more years, 4 or more rotations
IMLP Information Management Leadership Program		Bachelors Degree	2 years, 4 rotations
OMLP Operations Management Leadership Program		Bachelors Degree	2 years, 3 or more rotations
CLDP Communications Leadership Development Program		Bachelors Degree	18 months, 3 rotations in public relations and communications roles
HRLP Human Resources Leadership Program		Masters Degree	Coursework and 2 years of 3 eight month assignments
RMLP Risk Management Leadership Program		Masters Degree	3 plus years, typically with due diligence teams on acquisitions
Experienced Manager Internal Career Tracks		Prerequisites	Training
Corporate Initiatives Group	Mid-Career, high-potential line manager	MBA plus experience at atop consulting firm (e.g. McKinsey, Bain, BCG, etc.)	2 or 3 years experience analyzing and implementing corporate strategic initiatives; in transition to line management responsibility
Audit Staff	Mid-career, high-potential general manager	Two years of business experience	2 to 5 years on-the-job training and coursework, audit team networking; up or out program
Executive Information Management Leadership Program	Mid-career, high-potential information management	IMLP graduates 3 years out, or external hires with 5 years of experience	Coursework and on-the-job training
Executive Finance Leadership Program	Mid-career, high-potential finance	FMP graduates 3 years out, or external hires with 1 year of GE internal experience and 5 years of external experience	Coursework and on-the-job training

Source: Adapted by casewriters from General Electric Company, "Leadership Programs." General Electric Company Web site, <<http://www.gecareers.com/Career/management.cfm>>, accessed December 16, 2002.

Note: Various GE businesses have their own entry-level programs.

Exhibit 8 Session C Tool Image of Nine-block Reports, 2003

		Promotability		
		High	Medium	Limited
Overall Rating (Performance, Values, Extraordinary Skills)	Top 20			
	Highly Valued 70			
	Least Effective 10			

Source: General Electric Company documents.

Exhibit 9 General Electric Operating System



Exhibit 9 (continued)

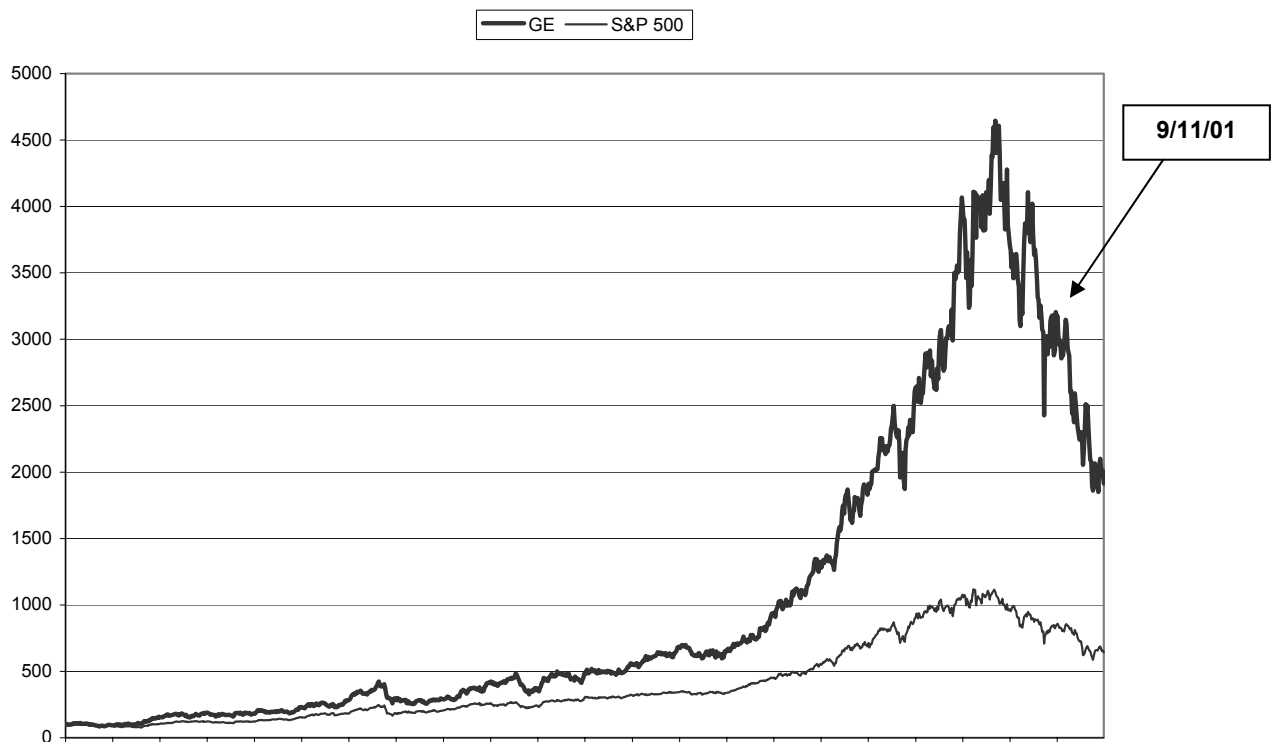


Source: General Electric Company "Annual Report 2000" (Fairfield, Connecticut, 2001), pp. 8–9.

Exhibit 10 Career Timeline for Jeff Immelt at General Electric Company

1982	Enters GE on Commercial Leadership Program
1983	Manager – Business Development/GTX Product Management, GE Plastics
1984	Manager – Dallas District Sales, GE Plastics
1986	General Manager – Western Region Sales, GE Plastics
1987	General Manager – New Business Development & Marketing Development, GE Plastics
1989	Vice President of Consumer Service, GE Appliances
1991	Vice President of Worldwide Marketing and Product Management, GE Appliances
1992	Vice President Commercial Division, GE Plastics Americas
1993	Vice President and General Manager, GE Plastics Americas
1997	President and CEO, GE Medical Systems
November 2000	President and Chairman-elect, GE. Elected to Board of Directors
September 2001	Chairman and CEO, General Electric Company

Source: General Electric Company documents.

Exhibit 11 General Electric Company Stock Price and S&P 500 Index, 1981–2002 (January 1981=100)

Source: "Price," General Electric Company, January 1, 1981–December 31, 2002, Thomson Financial Datastream (accessed September 17, 2003).

Exhibit 12 GE Session C Agenda, 2003**Business Leadership** (Business Leader and Sr. HR Manager)

- Please review/ discuss your Direct Report organization chart. We will use this format to discuss the individual, time in job/ business, their organization and their succession plan. We would like to see/ discuss the eEMS on all Direct Reports and any other VPs and SEBs.
- Provide a 9-block 20/70/10 rating/promotability on all of your Officers and SEBs.
- Please show us your organization structure for Controllers, tell us how many people are in your Controllershship organization and discuss your top Controllershship talent. Tell us about any key openings within your controllershship organization and your plans to fill them. In addition please discuss how your business approaches the technical side and the process side of controllershship.

Pipeline (Business Leader and Sr. HR Manager)

- Provide 9-block 20/70/10 rating/ promotability on all EBs. We will use this format to discuss action plans for developing the “Best Bets” and improving/exiting the least effective.
- Show your diversity numbers by band. Review your “Best Bet” diverse and global talent and development plan/ timing for each.
- Provide analysis of time in job and business for all VPs, SEBs, and EBs.
- Provide your voluntary and involuntary annual attrition rates for Officer, SEB and EB and highlight retention best practices.
- List SEB and Officer potentials. Nominate for EDC, BMC, AMMS, and GE Executive Assessments.

LUNCH/BREAK: Please invite 15–20 people involved in New Product Development to a roundtable with JRI to discuss how you are driving growth within your business.

Strategic Growth (Business Leadership Team may join)

- Describe your organization structure to support organic and inorganic growth.
- Tell us how you are transitioning resources from BD to Marketing.
- Show us the structure for your Marketing and Sales teams. We will use this format to discuss individuals at EB and above and succession plans.
- Provide a 9-block 20/70/10 rating/ promotability of all Marketing/ Sales Leaders—EB and above. List SEB/ Officer potentials.
- Update us on progress of your Sales Force since last year's Session C.

Engineering Excellence (Industrial Businesses only—Business Leadership Teams may join)

- Discuss what you are doing to create Engineering Excellence and show us your pipeline for upgrading talent within Engineering from entry level to VPs. Include numbers of Engineers by band.
- Show us the organization structure for the Engineering function. We will use this format to discuss all Officers/SEBs/EBs, their compensation package, and their succession plans.
- Provide a 9-block 20/70/10 rating/ promotability of all EB and above. We will use this format to discuss best bets for SEB and Officer.

CEO Survey

- Review your CEO survey results and action plan. Please make sure you tell us the 3 areas you will focus on for improvement and your game plan.
- Tell us what you want about your results, but we would like you to include the following common questions so we can calibrate across businesses
 - I enjoy working at GE
 - This business is very well run
 - Communication in this business is open and honest
 - My immediate manager/supervisor inspires high performance through his/her leadership
 - Considering everything, I am satisfied with GE

Source: General Electric Company documents.

Exhibit 13 GE Values Statement, Introduced Companywide in January 2002

GE Values: Driving a 21st Century GE
Respecting Always the Three Traditions of GE...**Unyielding Integrity, Commitment to Performance, and Thirst for Change.**

– **Passion for Our Customers:** Measuring our success by that of our customers...always driven by Six Sigma quality a spirit of innovation

– **Meritocracy:** Creating opportunities for the best people from around the world to grow and live their dreams

– **Growth Driven, Globally Oriented:** Growing our people, markets and businesses around the world

– **Every Person, Every Idea Counts:** Respecting the individual and valuing contributions of each employee

– **Playing Offense:** Using the advantages of size to take risks and try new things...never allowing size to be a disadvantage

– **Embracing Speed and Excellence:** Using the benefits of a digital age to accelerate our success and build a faster and smarter GE

– **Living the Hallmarks of GE Leadership:**

Passion for learning and sharing ideas

Committed to delivering results in every environment

Ability to energize and inspire global, diverse teams

Connected to workplace, customers and communities... in touch with the world

Source: General Electric Company, "GE Values." General Electric Company Web site, <http://www.ge.com/en/company/companyinfo/at_a_glance/ge_values.htm>, accessed July 14, 2003.

Exhibit 14 GE Entry Level Leadership Programs by Participant's Region of Origin (2001)

Program	Americas	Europe	Asia	Total
FMP Financial Management Program	60%	22%	18%	347
EEDP Edison Engineering Development Program	82%	10%	8%	194
OMLP Operations Management Leadership Program	66%	20%	14%	193
IMLP Information Management Leadership Program	73%	8%	19%	260
HRLP Human Resources Leadership Program	72%	18%	10%	82
CLDP Communications Leadership Development Program	100%	0%	0%	22
Total	70%	15%	15%	1,098

Source: Prepared by casewriters from General Electric Company documents.

Endnotes

¹ Geoffrey Colvin, "CEO Superbowl. Who Makes Better Managers: Elitists from McKinsey, or Bruisers from GE?" *Fortune Magazine* (August 2, 1999): 238.

² Jim Collins, "The Greatest CEOs of all Time," *Fortune Magazine* (July 21, 2003): 54.

³ Ralph J. Cordiner, *New Frontiers for Professional Managers* (New York: McGraw-Hill, 1956), p. 47.

⁴ Cordiner, *New Frontiers*, p. 73

⁵ Cordiner, *New Frontiers*, pp. 52, 109.

⁶ Wickham Skinner and David C. Rikert, "General Electric Company: The Executive Manpower Operation—David Orselet." HBS Case No. 680-122 (Boston: Harvard Business School Publishing, 1980).

⁷ Ibid.

⁸ See Christopher A. Bartlett, "GE's Two-Decade Transformation: Jack Welch's Leadership." HBS Case No. 399-150 (Boston: Harvard Business School Publishing, 1999).

⁹ Jack Welch, *Jack: Straight from the Gut* (New York: Warner, 2001), p. 420.

¹⁰ Thomas F. O'Boyle, "Chilling Tale: GE Refrigerator Woes Illustrate the Hazards in Changing a Product," *The Wall Street Journal* (May 7, 1990): A1.

¹¹ Ibid.

¹² "General Motors May Have Avoided GE Price Increase," *The Wall Street Journal* (November 17, 1994): A6; "GM, GE Play Hardball over Resin Prices," *Ward's Auto World* (December 1, 1994): 24.

¹³ "Profile of Greg Lucier, CEO of Invitrogen," *San Diego Union Tribune* (September 30, 2003).

¹⁴ Tarun Khanna, "General Electric Medical Systems, 2002." HBS Case No. 702-428 (Boston: Harvard Business School Publishing, 2002); Welch, *Jack*, p. 420.

¹⁵ Geoffrey Colvin, "Changing of the Guard," *Fortune Magazine* (January 8, 2001): 84.

¹⁶ Jonathan R. Laing, "Riding Into the Sunset," *Barron's* (February 15, 1999): 23.

¹⁷ Ibid.

¹⁸ Peter Koenig, "If Europe's Dead, Why is GE Investing Billions There?" *Fortune Magazine* (September 9, 1996).