

The jack welch era at general electric essay sample



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In the case, "The Jack Welch Era at General Electric", indicate that during the period of Jack Welch was a CEO at General Electric from 1981 to 2001, the company became remarkable profit. Earnings per share rose from \$. 46 in 1981 to \$1. 07 in 2001. GE is a company which has a very long history, and Jack Welch was the first working-class person that finally became the famous manager in GE history. He changed and built lots of rules to fulfill his ambition to make the company more wealthy such as eliminated workers, changed GE's culture by promoting the notion of a "boundary less" organization, used identical 20-70-20 percent curve to manage managers, and reshaped GE stocks. The story of the Welch years has the elements of legend, however, within GE businesses his powerful manage strategy turned him into a very controversial person. The lead editorial branded Welch as a corporate titan opposed to rules of society and said that his actions were "disastrous" for workers and communities. As a huge and historical company as GE, it has lots of social responsibilities.

The definition of corporate social responsibility in chapter 5 is that the duty of a corporation to create wealth in ways that avoids harm to, protect, or enhance societal assets. Since GE paid a lot taxes, it contributed our society. From the view of economic responsibilities, GE clearly fulfilled it. Although in the Welch's era, GE Company received huge economic reward and engaged in a board range of philanthropy and community activities, it cannot be denied that the company against the corporate social responsibility at some time. Welch illustrates a very narrow view of corporate social responsibility closer to Friedman's view that the only social responsibility is to increase profits while obeying the law. The first thing is that mass layoffs as Welch

remodeled GE. When he took over there were 404, 000 GE employees; when he left, there were 313, 000. In between, tens of thousands came and went. This high floatable layoff increased unemployment rate and would cause that employees transferred to low wage countries.

In the long run, it will harm to social assets by such high unemployment.

Secondly, the pollution in Hudson River, which causes a very bad influence to our society, and also it indicate that GE did not do well in complying general principles of corporate social responsibilities. In 1977, The Environmental Protection Agency (EPA) set laws to stop releasing PCBs, because of evidence that PCBs cause cancer in test animals and probably cause cancer and a range of illnesses in humans. Still now, more than 100, 000 pounds of PCBs released by GE still lay on the river bed. It is really harmful to the societal assets. The GE kept escaping the responsibility for their pollution at the beginning. But after many years of delay, the EPA finally ordered dredging in 2001. The cost to GE was estimated at \$460 million. The last thing is that during his tenure, GE committed a long string of civil and criminal transgressions. Many are for pollution hazards from GE facilities, and others are for consumer fraud. Since GE such a large and complex company, transgressions will cause bad influence. Other companies who choose GE as a model company will follow the same way GE did.

From the view of social stability, there is no protection of societal assets, but hurt the societal assets. Welch believed that having a right people in the management layer is the key reason to reach business success. He rewarded managers who achieved performance goals and got rid of those who missed them. And also he used a particular system which called " 20-70-10 curve"
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to differentiate the highly performance managers and inefficient managers. Such curve is really helpful in the beginning. Before Welch control the GE, there existed two bureaucracy problems. One was too many vice presidents and too many staffs with authority to review and approve decisions. Other was that headquarters staff practiced a " superficial congeniality". After starting the 20-70-10 curve, on the one hand it helped to cut the inefficiency manage layer staffs off, and also increase the enthusiasm of the staffs. Besides, his generously rewarded managers who achieved performance goals that turned everyone in GE work harder and with high energy level.

On the other hand, this method succeeds in stopping the generation of bureaucracy. Employees in GE can confront their bosses to express frustration with bureaucratic practices and suggest more efficient alternatives freely. Thousands of such sessions were held to drive out the bureaucratic mentality. However, some found this system is heartless, because no one wants to be the bottom 10%. It also caused the high unemployment and no diversity at the top. Welch disagreed with those who found the system heartless; he called it's a " false kindness" to feel heartless. Thus, during his tenure, profits with the mental stress of staffs growth together. Since the process was repeated annually, and each times the bottom 10 percent had to go, unemployment rate increased rapidly. Welch thought this process can lower the business costs, but it is wrong to see employees as costs of production. The decisions are designed too much to increasing the company's profitability at the expense of the employees. Using the vitality curve Welch created a high performance management team, but failed to create diversity. Welch disagreed with such dissenting

voices; he believed that it is the most efficient way to create a high performance work team. But, after Welch retired, the New York Times reported that in the GE Company, white men dominated its top leadership.