

Gee's cornerstone management development facility

[Business](#)



By the end of the sass's Welch had reduced Gee's size from 404, 000 employees in 1981 to 292, 000 in 1989. " (Christopher A. Bartlett, Gee's Two-Decade Transformation: Jack Wheel's Leadership, 2005). These cuts transformed GE from its big and slow bureaucratic structure to a decentralized, nimble organization poised for growth. Secondary Problem Addiction counselors claim " the first step is admitting the problem", Welch took the first step when he identified Gee's core problem as being " Big and Slow'.

Wheel's second step was arguably more difficult, transforming the organization to overcome he Gee's addiction to bureaucracy.

Welch demanded " out-of-the-box" leaders to implement his new light and nimble business strategy to tackle the challenges of the century on the horizon. He inherited managers who found safety in bureaucracy and stovepipe structures; a compensation structure that failed to encourage " ground-up" solutions, an employee performance review system that ensured mediocrity. Leadership Development Welch grew up in Gee's leadership and was no stranger to Gee's Cornerstone Management Development Facility. He rightfully recognized that Cornerstone was armorial used as a reward or consolation prize for those who missed on promotion.

Welch viewed Cornerstone as a powerful engine of change in his transformation effort. While cutting budgets everywhere else in the company Welch spent \$45 million to make Cornerstone a top-tier leadership development center and tool to advance his vision of Gee's future.

Compensation As Welch evaluated Gee's corporate " software", he

determined its compensation structure did not line up with his corporate strategy. The system Welch started with was a system of narrow-range increases in base salary supplemented by bonuses based on one's business performance that inherently rewarded a "rice-bowl" mentality.

Welch re-engineered the bonus system by replacing cash bonuses with stock options to incentivize managers to contribute towards Gee's overall bottom line as opposed to focusing solely on their respective divisions.

Additionally, he expanded the bonus eligible list of employees from approximately 300 to 30,000 to enlist more personnel in Gee's stock performance. Personal Review System Welch held a strong personal belief that good people were Gee's key assets and had to be managed as a company resource. (Gnarl Electric, 2014) The performance review system Welch started with laid a solid foundation but in his mind did not go far enough.

While the existing approach did evaluate each manager's performance and potential, it did it in a stovepipe. Welch dedicated much time each April and May to personally visit his top 3,000 managers and focused heavily on the top 500.

Eventually he leveraged these visits to develop his own appraisal system, energy, ability to energize, edge, and execution. By making performance appraisal a personal priority Welch motivated his subordinate executives to do the same. Solutions Jack Welch assumed command AT Ana Immediately went to work transforming from big and slow to lean and agile.

Change is rarely fun and never easy and the scale of Wheel's change rocked Gee's long established structure to its foundations. GE employees were no longer guaranteed 30 years and a gold watch for showing up and working hard, they now had to compete and win. Welch challenged GE to become #1 or #2 in each market they competed in or else.

“ Soon after taking charge, Welch set the standard for each business to become the #1 or #2 competitors in its industry - or disengage. ”

(Christopher A. Bartlett, Gee's Two-Decade Transformation: Jack Wheel's Leadership, 2005).

This strategy came with a very high cost when measured in the impact to Gee's workforce and was met with harsh criticism. Almost 100, 000 people lost their jobs because of Wheel's new strategy for GE.

Another view may be that over 300, 000 employees kept their jobs and GE grew year-over-year under Welch and was positioned to compete in the new Global economy. Portfolio Change During his first eight years at the helm of GE Welch determined that over 200 GE business subsidiaries were not part of his vision for Gee's future.

These divestitures provided GE with \$11 billion to reinvest in lighter, faster companies that would help GE grow. Welch sold off overhead heavy businesses in manufacturing, mining and oil and gas. Welch essentially took the \$11 billion in capital gains and doubled it with another \$10 billion to acquire over 370 lighter businesses in the service, credit and leasing

industries. Like any portfolio manager, Welch was looking to maximize return on investment (ROI) in the short-run.

Welch and GE have long been criticized for killing American Jobs by closing U. S. Factories only to open new ones in foreign ands.

This is a fair criticism; Wheel's actions did cost American Jobs. He also re-engineered GE to become the first truly global companies and the fruits of his efforts have benefited U. S.

Investors. Most of the companies GE sold during Wheel's early years as CEO have continued to operate under different names and those in the mining and oil and gas industries have in fact thrived. Some would point to the natural resources sectors as an opportunity lost by Welch and they may be correct. Others would simply point out that a company cannot be everything to everyone and

Gee's concentration in the service and tech industries have served them and their investors extremely well. People Change Among the 100, 000 employees who lost their Jobs during Wheel's first eight years were many senior leaders.

Welch did exactly what every young leader dreams of; got rid of the old establishment and replaced them with his own team. In August of 1986, Welch replaced 12 of 16 business heads earning him the nickname " Neutron lace. (Christopher A. Bartlett, Gee's Two-Decade Transformation: Jack Wheel's Leadership, 2005). His new team was committed to breaking the old GE rules and to align GE with Wheel's vision.

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Welch believe in stress and pressure, he pioneered Gee's workout sessions that engaged middle managers to find solutions to big challenges and then put their boss to the test. During these sessions, the business head was compelled to make decisions on the middle managers idea's within a few minutes and in front of a live audience that included their own boss. Additionally, Welch challenged his executives to add direct reports and "stretch" themselves towards their personal limits. The strategy of added direct reports seems to be in conflict with Wheel's attempt to make individual business units smaller and faster. Sums more authority with generous stock options and cash bonuses while trimming Gee's salaried payroll by 59, 000 Jobs. Constraints Wheel's re-alignment of Gee's portfolio meant that many small towns that were dependent on GE for employment and their local economy would see their GE plants either close and move offshore or downsize significantly.

Welch often used the "sacrifice the few for the good of the many" rationalization to justify his vision that did require the divestiture of over 200 GE subsidiary companies and the loss of almost 200, 000 solid blue collar Jobs in the United States.

Obviously, these decisions were met with harsh criticism and resistance from labor and political representatives. Limiting Factors Welch was limited to some degree by the old guard of GE. "GE executives scoffed at Welch and insisted that no change was needed. GE employees greeted Welch with disdain, disbelief, often with outright fear.

" (Slater, 1999). Transforming Gee's century- old business model was a daunting task in and of itself but getting the existing team at GE onboard was an even bigger challenge. Welch was limited in what he could accomplish by the speed he could gain acceptance to his vision.

Justification for Corporate Structure Change Welch took the helm of GE at a critical point in history, the last decade of the Cold War. Call it luck or intuition, Wheel's crystal ball accurately predicted and aligned GE for the changes and opportunities that would come when the walls between countries began to crumble.

" Globalization markets, instantaneous communications, travel at the speed of sound, political realignments, changing demographics, technological transformations in both products and production, corporate alliances, flattening organizations? all these and more are changing the structure of the corporation.

The once very rigid and unbreakable boundaries of business are fading in the face of change. " (Canter, 1991). The Fortune 25 in 1980, just before Welch became CEO, looked very different by 2000, just before his retirement. A common thread of this list through the years of General Electric, one of only seven companies to remain in the top 25 during his tenure and one of two that moved up on the list.

Welch drastically transformed GE through several major initiatives. His most important transformation was changing Gee's archaic management and decision-making structure this provided the foundation and blueprint for his

pubescent changes. A decade from now, I would like General Electric to be perceived as a unique, high-spirited, entrepreneurial enterprise :

(Christopher A. Bartlett, *Gee's Two-Decade Transformation: Jack Wheel's Leadership*, 1999). Changing the operational mindset of GE from a rigid and formal corporation to that of an entrepreneurial enterprise allowed Welch to make subsequent changes in portfolio and leadership. Looking back and analyzing several of the companies who fell off the Fortune 25 and in many cases off the Fortune 500, present clear evidence that Welch was right.

For example, DuPont occupied the #16 spot on the list in 1980 but by 2000- it slide to #42 and today rest at #72. DuPont was global company by sass's standards but did not recognize the competition on the horizon and failed to realign its structure to meet new challenges. GE may have suffered a similar fate had Welch failed to see the warning signs of the new world order. " Few American business leaders noticed when toners, especially ten Japanese, Degas to steal customers Dye seducing them with higher-quality products bearing cheaper price tags. " (Slater, 999).