

## Jack Welch, Guest Presenter | Panel Discussion

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**Speaker 1:** Good morning to you all. Prime Minister good morning! I'm sorry about hiccups but if you have implementation problems I'm here to advise you I'm recently retired and if you –

It's my pleasure to be here with the well known who needs very little introduction, Jack Welch.

Jack Welch told me that first and foremost, although he is a second generation American he's not afraid to tell people that he is an Irishman; and I think that he was asking me many questions before we came in about – Do we in the Diaspora and in North America and in Europe, do we claim our heritage in the same way that he does; and he puts a lot of pointed questions to me, and he has had an illustrious career which I think everybody is aware of and I'm not going to waste his time as he has certain commitments, but just to say that he represents one of the foremost speakers, practitioners, authorities and is in great demand to talk about leadership and its effect on businesses across the world that he has been involved in, and a person with a very, very keen interest in world affairs and how these are affecting countries like ours here in the Caribbean.

So I'm going to ask the Manager of the Century, Jack Welch –

**Jack Welch:** It's always good to retire at the end of a Century because the journalist will remember you. If you were a good manager in 1932 no one knew you.

**Speaker 1:** And I'd also like, in extending the welcome to Jack Welch, to his dear wife Suzie, who has also put several pointed questions to me as well. Without further ado, may I invite you to welcome Mr. Jack Welch!

**Jack Welch:** Thank you! Do I say anything other than I'm glad to be here? I will say one thing, I only caught the end of the Prime Minister's comments about getting from A to B and no one agrees with him more than I do.

The problem is, my wife and I on our last book tour, spoke to 35 business schools and they asked us a lot of questions about – from Harvard to Stanford and all in between. From NCI to London Business School of Economics; they asked us quite often about, *what do you need?* And I said you don't need a lot more courses in Disruptive Technologies, and you don't need a lot more courses in Excel Spreadsheets. You need a lot more courses in getting people from A to B and getting there rapidly, and I think the Prime Minister who talked about that—when we were hiring people, we presumed they were smart enough and would understand all the ramifications of things, but we wanted people that could inspire passion in

people, excite them, show them the vision, show them why it was good to get there, for the company and for themselves, and their own personal gains; and get people on board that rocket ship, if you will, to go get there.

One of the problems I've had and I'm going to ask you a lot about as we talk today is, I don't know what the dreams are for Barbados. I've studied Barbados for two days on *Google*, I talked to James and to some of the young people here for an hour this morning, and I still don't have in my mind a crystal clear view of what the dream is for Barbados, and I hope as we talk today I'll get the dream, where it wants to go, how it's going to get there and who's going to take it there. Because I think everybody, whether you're in a company, a country, you've got to have a vision of where you want to go, and you've got to have the energy and passionate people to drive you there.

So with that opening, that's the longest opening speech I've ever given in the last six years, because I really want to hear from you and from James on Questions and Answers that I can sort of not yell at you, but try and answer questions that are on your mind about anything you want to talk about; from the sub-prime crisis in the United States to the trade deficit, to the dollar and in between.

**Speaker 1:** Could I start by just asking you to just give us the short version of how did the young Irish – How does a second young generation Irishman make it in the world? Did you come from Royalty? What's your story?

**Jack Welch:** My story very quickly is that, I was the only child of an Irish mother who had me when she was forty. So you can imagine, that every morning I woke up I felt the sun was shining on me, I felt I was the most important thing that ever lived. She made me feel I was 6 ft. 5 inches tall even though I have a speech impediment, a stammer which you'll notice as we go along, if you haven't noticed it already; and she always told me about my speech impediment, "The reason why you have this speech impediment—this stuttering, is that your brain works so fast your tongue can't keep up with you".

So I had every moment of every day being infused with self-confidence from mother's knee, and man if you can guess – and I believe leadership is all about self-confidence. It's taking incremental steps, having them work, then taking a bigger step, having it work, and each one is a building block some people get at their mother's knee, some people get it with good grades in school. Some people get it because they achieved some risk-taking thing in an entrepreneurial way at work. Some people do it in politics by being a smaller counselor and winning the election and then going on with more risks to bigger jobs, etcetera. It's all about piling that self-confidence into your body, that's what makes you what the end product is.

Then to get where I got, as head of the No. 1 [inaudible 07:20] company in the world, we made it that you have to have a hell of a lot of luck.

**Speaker 1:** I'm going to just ask a few questions which people have been kind enough to submit before, and I'm going to ask that those persons who want to ask questions, if you'd be kind enough to get straight to your questions so that we get as many answers and as many of the insights from Mr. Welch as we would like to have.

The first one: Has your experience taught you that people are born leaders?

**Jack Welch:** No—I just answered that. I think we are all born with a certain ingredient but in the end these are developed skills. These are skills that come from the self-confidence discussion that we just had. These are skills that come from playing sports, from doing all kinds of things that give you reinforcement, and the fact that you can get people to follow you is developed. You see it happen, people come around you. Now if you're born with an introverted personality and you're dull as hell, you've got a big strike against you. But if you've got an extroverted personality, and you can develop the necessary skills to lead—I always say leadership consists of 4 E-s and a P.

- E number 1 is *Energy*. In a global world you'd got to have lots of energy. Things are happening fast, you've got to move, you've got to be everywhere.
- The second E is *Energize*: It doesn't do you any good if you can run everywhere but you can't excite the people around you, you can't energize those people, you can't engage them in the mission, you can't energize them to reach new levels and dream.
- The third one is *Edge*: Edge is yes, or no, and not maybe. Too many damn managers and 'maybe' people—come back in a week, come back in two weeks and we'll look at it again. How long? Yes, or no and go for it.
- And finally *Execute*: The fourth E. Get it done. Deliver, and do all this with a passion, that big P.

Wrap all those four Es and P. Care more, care about your people, take care about winning. Winning is great stuff. Did you ever watch a sports team, the losing locker room after the game, and the winning locker room? Which one would you rather be in? You want your people to feel that, you want them to get the benefits of that, you want to excite them about that. Those four Es wrapped in that P you can take it to any level.

**Speaker 1:** So following up on that one: Can management's best practices and principles be applied across all industries and across all companies?

**Jack Welch:** I believe that. We had a company that had a network, *NBC*, that had a jet engine, one that builds all the jet engines along with Rolls Royce in the world. A power plant company, a plastics company, and we transferred intellectual ideas across businesses. We were not a conglomerate that sat there and took the results, the financial results. We had three jobs in our place: transfer the best people from Business-A to Business-B and I believe managers can manage anything. True, transfer ideas, you see a great idea at Cave Hill you better take it to Mona, you have to take it to St. Augustine. You've got to take these ideas and transfer them with lightning speed; and you can do that, and then you allocate dollars. Barbadian dollars, American dollars, you allocate them to the places where the opportunities are greatest and you starve those where there are no opportunities.

You don't sprinkle the dollars so everybody gets a little bit of everything. You might have to do that in politics Mr. Prime Minister, but not in business. You starve the businesses that don't deserve the money. You pour money into the ones that deserve it.

**Speaker 1:** Well following through on that one and Prime Minister, with due deference to you: How do you find breaking through long, established bureaucratic traditions that tend to intimidate the support that's necessary for those that have a future?

**Jack Welch:** Well my own view is, the leader sets a set of values and behaviors, and these values and behaviors aren't things like excellence, integrity, those are givens, if you don't have integrity don't show up, putting a value on his integrity is nonsense. Why would you want a crook in your place anyway? So put values in, things like, hate bureaucracy and the damn bureaucrats that practice it, and publish that, and walk around all day making fun of those damn bureaucrats and making sure that you don't get PowerPoint and slides that are this thick. PowerPoint was the worst thing ever invented. Lights go down and some boring bureaucrat starts putting slides out instead of having a rich dialogue and an engaging battle over the issue.

So you put that boundary-less behavior. What does that mean? It means ideas from anywhere. The best idea counts, not the number of stripes you have on your shoulder. The source of the idea is the quality of the idea that wins the argument, and you fight that all day and you reward people who do that, you reward people that aren't bureaucrats, you reward people that attack bureaucracy; you make them role models. You reward people that take an idea from James and transfer it over here to this table.

Look! If I take this table here, no offence Prime Minister, and I take the six of you there. If I got the best out of each of you, all six of you, it will be better than any one of you alone. So the job of the leader is to get the best out of every morsel of person at that table and pile them into every mind.

That's what boundary-less thinking is. It gets rid of race arguments, it gets rid of gender arguments, it gets rid of [silo 14:40] arguments. It takes right out of each mind the best and then you all debate it and you all learn. I know if I sat at that table and learned everything that was here, I'd be a hell of a lot smarter than I am now. That is how – you go to work thinking, and you go to Cave Hill everyday, and you go to your own operation everyday, with not a slogan, but a firm belief in your body. *Finding a better way everyday*; that's how you think. That's how you wake up in the morning, that's how you go to your job, and you find it in another company and you adapt it. You find it in another person, you adapt it.

But finding a better way everyday is engraved in your forehead and it runs through your blood.

**Speaker 1:** The last question. When they sight potential areas of concern before they become crisis situations?

**Jack Welch:** Look, one of the worst things in business – I can't speak for Barbadian businesses, but I can speak for universities in general, and I can speak for American businesses; the bottom of the totem pole is the Human Resource manager. It's the dumbest organizational theory in the world. The people in your universities in America, the strategy professors get all the money. They're the higher ranking professors. The organizational professors—the human resource professors, they're sort of the rookies in the room.

Just think if you owned, I guess, a soccer team, and you were the owner of the team, would you want to be talking all day to the team accountant, or the head of player personnel? If you were filling out your soccer team; it's obvious, you'd want to hang out with the head of player personnel. Making trades for players, doing that.

Why then do all CEOs want to hang around with the damned accountant, the boring financial executive, with the green eyeshade? It makes him feel comfortable, and the CEO feels very good because how many people in here think they're people persons? Everybody I'm sure. But how many people here can calculate a discounted rate of return, not too many of us; and so therefore the accountant gives you the security blanket to stand next to. It's stupid. Don't do it. Put your best people in human resources, find your best plant manager and make them the head of HR, find your best sales manager who knows people, make him the head of HR. Make them the No. 2 person in your company.

They're the people who are going to field your best players, and the company that fields the best players wins. This is no different than a sport. You get the best player on the field you win. It's not that complicated; and you just peeling out people and the weakest you push away, and the

strongest you keep paying more and rewarding and you build a meritocracy that wins. It's a very simple process once you get to believe it.

**Speaker 1:** We're open to questions. Please remember we're getting some very, very frank and instructive answers here, so let's make the questions short.

**Speaker 2:** Welcome to Barbados!

**Jack Welch:** Thank you.

**Speaker 2:** I should tell you though that many Irishmen came to Barbados in the Seventeenth Century courtesy of Mr. Cromwell, many of them. I wish your people had come. Suppose the Barbadian goes to the United States as you came here, and asked the questions you asked? You asked, "What is Barbados about?" Supposed the Barbadian went there and asked you what is the United States about; what would you have to tell them?

**Jack Welch:** The United in my view is about giving everyone an equal opportunity. You can be that son of a union organizer on a railroad and gets to run the biggest company in the country. It is, in general, a meritocracy, it listens to all voices, makes it kind of messy politically because all voices are yelling at all times, but it is a country that winning is a good thing. Getting wealthy is a good thing. People don't begrudge people who are successful, they cheer them on. Bill Gates is a national hero; Michael Dell is a national hero. People find companies, they grow them and they didn't come from anywhere, so if you Sergey Brin from *Google*, these guys can come and they can do things, and the population and the young people cheer them on, and that's why we have more entrepreneurs than anywhere else.

Europe doesn't cheer on entrepreneurs, Europe cheers on stewards of businesses who keep pressing them along in a hierarchy. America cheers its young. Its young are its most exciting thing, and America has one huge break. Now it's got its problems, it's having a tough war, it's not doing well here and there, all those things we're not going to talk about, but we can if you want. But that isn't what it's about, it's about the matching of young, enthusiastic, well educated, hungry kids with barrels of money, which is what the venture capital markets have, and that marriage of hunger with money creates *Microsoft*, *Dell*, *Google* and you can list thousands more; and the people who achieve that are celebrated. Jack Welch is celebrated, because he came from nothing, built a lot of people and built a lot of general managers, and created over 5,000 millionaires in his own company—that's celebrated. That's okay, it's good stuff. That may not be good stuff for you, I don't know. I love it! But that's what it is.

It's a marriage of ideas with money and energy and no chip on the shoulder. Where you came from, what school you went to. I went to a State school; my wife went to Harvard so I'm okay. It's a meritocracy.

**Speaker 3:** Thank you very much. First of all let me thank you for your words of wisdom and your very interesting discussion so far. I wanted to –

**Jack Welch:** So far!

**Speaker 3:** But you're not done yet, uh.

**Jack Welch:** I'll ask you for an evaluation at the end.

**Speaker 3:** I wanted to ask a question about the ability to transfer those ideas from the Private Sector to the Public Sector. The idea of buying into a vision is not new in Barbados, for example, we have a 20-25 vision ourselves. We have lots of strategic plans, and so on, developed; but there are areas pertaining to the culture of the place, the systems, the way in which organizations and entities relate to each other, which can sometimes be a drag on the implementation of that vision. Now in the Private Sector in the United States, and here to some extent as well, it is easier to move from the vision to the implementation of that vision because you have control of everything. Now I don't believe that in the United States that there is a view that their public sector is performing in the same way as the private sector.

**Jack Welch:** And I would agree with you.

**Speaker 3:** But there must be a way to translate all these –

**Jack Welch:** I don't know how to do it.

**Speaker 3:** You don't know how to do it.

**Jack Welch:** I don't know how to take these damn public sector bureaucrats and change them. My system doesn't work in the public sector. I'm sorry.

**Speaker 3:** Isn't it for greater accountability, that the kind of accountability that one sees in the private sector needs to be transferred to the public sector and the evaluation and assessment of the future of the employees has to be linked to their ability to deliver, and I think that this is one of the problems, both for the public sector in the United States and the public sector in most of the developing world.

**Jack Welch:** [It's our 24:30] world. You can't fire people, there's tenure, there's all these sinful things. There's no meritocracy. You've got a civil service that is unionized to the hilt. You can't have evaluations that are rigorous. I mean, it's a very big problem. It's a problem in the United States. It's a huge problem; and people come in with all these promises and they're quickly dissolved into mush.

**Speaker 4:** Okay, you just actually said the magic word just now.

**Jack Welch:** Mush?

**Speaker 4:** No, not 'mush'. The one before that; you used the word 'unions' and let's just simply talk about your system. You clearly outline that your system cannot work with the public sector. How does your system work in dealing with strong unions? A lot of your writings – let's keep it like that, with strong unions, and you talk about the reward system and getting rid of non-performers. What is your experience in that? Share that with us.

**Jack Welch:** Our system was one where we had no professional employees unionized; and in most American companies there are no professional employees that are unionized. It's an hourly workforce that is unionized, and my experience with that is, dealing straight up with candor. I never went to a plant, and I went to thousands in over 21 years as CEO where I didn't have lunch with the local union leadership. I would meet with the executives and do all our stuff, but I'd always have lunch with the union people. I would always tell them where we're going, what was in it for them. Now they would never let me differentiate with their group. I would never give stock options to our best union people, I had to give it to all of them; so I didn't give them any. No—we had big debates about it. You must give it to everyone. No, this is not a dental plan, this is a meritocracy plan; and so we completely dealt with the unions straight up on the table, they fought like hell to get what's called 'card check', Card check in America is if they get more than 50% of the people to check a card that says they want a union – they can have one without an election.

The Democrats—if Hilary Clinton is President in 2009, the Democrats will put in 'card check'. They got it through the House this year; that means there's no secret ballot for a union in America. The secret ballot, which has been one of our great traditions, is over, and union organizers can go to – I can go to James' house, sit across at the table, "Sign this card James". That wouldn't be called intimidation, would it? We'd have a little chat, and then James would check it off. If they get 51% unionize, no secret ballot.

Now the unions are telling every candidate in the House of Representatives and the Senate, the Litmus test for running for election in 2008 is the true sign of an approved 'card check'. Because unionization in America has dropped off dramatically. In the private sector, it's gone from 18% down to 7%. Now in the public sector it has remained high, but in the private sector it has gone down dramatically.

Global competitiveness doesn't allow you to have a non-meritocracy based company, you can't survive. We had a thing in America; the Governor of Indiana became a hero, which is a great story in my mind. He became a hero because he immediately stopped outsourcing IT work to India. In the

State of Indiana he says, “I only want Indiana companies – Indiana is our home to do the IT work”. He brought it back and he raised taxes, he didn’t have any competition. These Government bureaucrats can do that. In the private sector you can’t do that, if you’re not competitive your goods don’t sell—it’s over. So this guy became a hero because he recognized Americans needed those jobs back. All he did was raise taxes to pay for it. That doesn’t work in a free enterprise system.

So my view is, you deal with unions straight up; you give them respect, you tell them exactly what you’re going to do, you fight like hell over principles, but you never treat them with anything but total respect and candor. I’ve never had a strike in 21 years, not one. Now we’ve had violent disagreements—myself and the union leaders. But the people in the local plant knew we had their interests at heart in being more competitive.

**Speaker 1:** Jennifer?

**Speaker 5:** Mr. Welch, in one of the books – or the many books written about you, that author suggested that one of your secrets of success, if it’s a secret, is that you evaluate people all the time, and that as a leader—that was one of the ways that you built General Electric. It was the culture of the company, that evaluation was not event, that it was ongoing; it was a way of life.

**Jack Welch:** It was at least four times a year.

**Speaker 5:** At least four times a year?

**Jack Welch:** I would sit down with people and I wouldn’t have those damn big corporate forms, I’d have a piece of paper, and I would say, here’s what I like about what you’re doing and here’s what you need to do to improve; and we would have a 15 minute dialogue about that. If you’re a manager – how many people in this room manage people? Could you raise your hand please?

Okay, the vast majority. Now how many in this room can tell me, looking straight in the mirror after they’re through with this session, and tell me that everybody that works for them knows exactly where they stand in the organization and in your eyes? One hand – two hands maybe? That’s what’s wrong. You have no right to be a leader if the people that work for you don’t know exactly where they stand. What’s good about what they’re doing and what’s not good about what they’re doing; and what they have to do to improve; and if they don’t improve they’re going to have to leave. No one can leave as a surprise. You have no right to ever surprise somebody; you’re not a kind person, you’re a cruel coward, that’s what you are? You’re a cruel coward, because what you’re going to do is you’re going to keep those people in your place, and they’re going to be 53 and 55 years old, and then the economy is going to go down, or something is going to happen

and your boss is going to come to you and say we've got to cut 10% of the cost; and you walk down the hall and go to Joe's office, or Mary's office, and say: "Sorry, my boss told me we've got to cut cost and you have to go"; and they look up and they go: *Why me?* And you say, "Well you weren't very good, you haven't been doing this". Then they say: *But we've been here 37 years, why didn't you tell me?*

That's not funny, that's actually what happens. It's awful, it's cruel; it's criminal.

[END OF AUDIO-1]

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[START OF AUDIO-2]

**Speaker 6:** Earlier this morning Dr [Locke 00:12] Jack said that in the Caribbean, he couldn't find good CEOs in the Caribbean. I know that you don't know the Caribbean. It's a concern to me because for example you have an organization that's running this summit at the moment producing MBAs, there are lots and lots of MBAs being produced in the Caribbean. What then could be wrong? If we have all of these people who are qualified and yet the leading business entity says, I can't find good CEOs. What makes a good CEO?

**Jack Welch:** Let me just say that I don't know the Caribbean well enough, but in many established cultures where culture is a big part of the society, do people get a chance early enough here to take risks? Do young MBAs coming out of school here get big jobs, or do they get put in training assignments, then they have to work their way up, and of course they get to 45 years old before they get a decent job. I was running a business when I was 26 years old, in a big bureaucracy and I made a million mistakes. I blew up a factory, I actually did. I screwed up more things than you can imagine, but I was always trying stuff, and the rules of the road is they'd let me do it.

I don't know this – can you answer that question for me, do people get high-risk jobs early enough in their career, or is it wait your turn?

**Speaker 6:** Wait your turn.

**Jack Welch:** Well that stinks. You won't get 35 and 38-year-old CEOs filled with passion if you demand that, you won't get them. Give them a chance, let them take risks, let them make mistakes, not mistakes that will sink the company; no, but mistakes that are contained risk. We always put our young people running projects, the high-potential people, and they blow them up

sometimes, they make mistakes but they're not big enough to sink us. But they get experience and self-confidence when they win.

**Speaker 6:** But does having an MBA necessarily mean that you are a leader?

**Jack Welch:** Oh no—no.

**Speaker 6:** I'm coming to this issue of leadership, because often there are leaders –

**Jack Welch:** An MBA does one thing for you, and only one thing. An MBA gives you another notch on your belt. It says: I competed with the best and brightest in the business game right here and I did well. I got into the school, I did well and therefore I'm back to my self-confidence point, it makes me feel self-confident. But the day you join a company, forget your degree. It means nothing; it's what you deliver, how you execute, how you do it. But you should come out of the degree with more self-confidence, and more tools to excel.

**Speaker 6:** Thank you.

**Jack Welch:** I'm happy to discuss this more if anybody wants to come back at it because this –

**Speaker 1:** We have one question coming up here and another one on the side.

**Speaker 7:** As a young graduate here at the university I have a question, you had said before that in America you don't look at persons with their background—what type of car they drive, and so on, unfortunately that's the type of situation that I find that I live in, in the Caribbean and that may be cause of the scythe of our countries, seeing that we're rather small. How can we develop as young people in a society where they look at where you come from? How can you build yourself up and also change the society to be the society which builds leaders?

**Jack Welch:** Mr. Prime Minister, do you want to answer that? She's asking the question: in a society that values more where you came from and who you are, in which she's claiming that the Caribbean does—How do you break that cycle to change that? Is it true, one; and is the cycle being broken?

**Speaker 8:** I think my brother is perhaps more qualified to talk to that.

**Speaker 9:** I think it's because of the small societies that we have actually where everybody knows everybody, everybody knows the family, and as a result of that I think that it's only natural half the time that people say, well okay fine, where are you coming from. But generally speaking I think most people who are doing the hiring, most CEOs we are hearing, like to know that the attitudinal aspect of the person coming in would probably plays a

bigger part that the skill bank, in respect to the knowledge. I prefer a good attitude than in respect to knowledge—the question is, how do I know you have a good attitude when I'm employing you: So therefore I track your background and I say okay fine, because they can do that in a small society. I know you came from a good home, I know you're honest, I know you're this, I know you're that or the other. However, needless to say, but it's terrible from a point of being egalitarian where you need to look at other people coming in and say: okay, fine you haven't had the chances, or you didn't come from this family or that family, and therefore you stand just as good a chance. But it's a matter then of risk taking.

So you get this type of thing and very, very small societies, it maybe wrong but you do get it, and I understand what she's talking about.

**Speaker 10:** But I think we're making progress. I think as we become more competitive and as the issue of management and leadership come to the fore, I think there is a greater appreciation of these things. I think we're making progress, we're not quite there yet, but we're getting there.

**Jack Welch:** Why don't we ask the crowd the question that was raised: How many people feel where you came from is critical to where you're going in these societies? Well I'd say you made a lot of progress. The question was there, there were very few people that are agreeing with the question.

**Speaker 5:** Can I say something?

**Jack Welch:** Yes.

**Speaker 5:** I think we have to be fighters, you don't buckle because you didn't make it the first time, you keep on, you get back up and you go again, and if you get knocked down a second time, a third time, you get back up and eventually if you're sure that you can deliver, you will succeed, but I think that we have to convey to the young people that they cannot give up because their objectives are not achieved immediately. Life is a struggle.

**Jack Welch:** Right. But I think one of things that's probably clear is; we're probably not giving enough young people a chance early enough. I mean, I can almost feel that in the room.

**Speaker 1:** I think we have a follow-up here followed by Mr. Burton in the back and then this lady at the microphone. So we have a follow-up here?

**Speaker 11:** I just want to support Dr. Gonzales comment that I think we are improving and one of the reasons is the education. I think the opportunities for education are much more abundant throughout the whole region, even up to the tertiary level. So I think that is helping a lot.

**Speaker 1:** Well just to help out Mr. Welch on this one. Don't you think that part of that is because we're moving more freely among the fourteen Caribbean countries than we used to move before? So its background is not really as relevant as in the previous smaller communities?

**Speaker 11:** Well we are moving, I don't know if we are moving as much as yet, but we are moving because the market is there, the single market, but I think each country is doing its own in terms of educating its population, I don't know that the job opportunities, which is the next level, are as abundant as we would like them to be, and as you said, within the jobs, the kind of development that's needed, the early exposure to risk and so on, we're getting there, but the lower level, I think that that is –

**Jack Welch:** How does the society respond to “different”; people that are not in the know? How does the society accept entrepreneurs who drop out of school, who try things, who scramble? Is society welcoming to non-traditional behavior, or is it yes, or no?

**Group:** No.

**Speaker 11:** Maybe. You don't like that word.

**Jack Welch:** So the society has to be more open to “differences”. Don't we need that?

**Speaker 1:** Erwin?

**Speaker 12:** Mr. Welch, most organizations tend to have their own cultures. I think you have acquired a lot of companies around the world. How have you dealt with those cultures?

**Jack Welch:** Well we made over 2,000 acquisitions, I'd say more than 70% of them have been successful; not 100% by any means, but the best way in our view is, before we go into the deal, we know whether that culture can adapt to our culture. Where we have made our mistakes, and where most people make their mistakes in acquisitions—and not in the spreadsheets. The spreadsheets always come out right. The numbers will always look like 25% return on investment. The problem is, because anybody can put residual value on the backend and make the calculation. So the numbers you know are going to work. Where you screw it up is where you don't get the cultures are totally different.

Like for example if you've got a culture based on meritocracy and the other place has got one based on seniority, forget about it, it's never going to work. If you get one that's somewhat close to you, but then don't get your views by: are we going to take your culture or our culture? The biggest mistake ever, I think, was the *Daimler-Chrysler* acquisition – Daimler's acquisition of Chrysler. They spent two years; they rented two A-320

planes. Every week one flew from Stuttgart to Detroit; their bathing. Whose budget system? Whose human resource system? How the raises would be given? Which one was better?

Look! Daimler didn't want to admit they bought Chrysler, they bought them. Major of equals is one big joke, it doesn't exist. One person buys the other one and that's the game, and that's the culture, and you either buy into it or get the hell out. Two years were wasted traveling back and forth. So if you want to transform a culture, you get one that's relatively close to yours, you make the acquisition—here's the human resource system, here's how the financial system works, here's how we give appraisals—sign on.

**Speaker 1:** Lady in the back has a question. You've been waiting some time.

**Speaker 13:** Thank you very much. I'm here with Knowledge Works Consulting. Mr. Welch, Mr. Lock said something which was referred to by another person asking a question. They expressed some disappointment in terms of his saying that to find CEOs in the region is difficult. I'd like to tie that to the question you asked us about the importance of where you live, or where you come from. If you had asked that question in Jamaica you'd have got the same response, but we're not being honest. The truth is, my experience is, where you come from is a big deal, and most of the people in the communities that go into companies for work will tell you that they change their addresses and will use the address of a relative who lives in an acceptable area in order to gain entre.

The second thing, our HR Managers are saying that people with MBAs come into the companies but they do not have the confidence to make decisions, to problem-solve and to think on their feet. I'd like to tie all of that together, Sir, in a question. How important is how people feel to success?

**Jack Welch:** Well you're back to that thing we talked about at the very opening when I made a couple of remarks about self-confidence. Look! If you've got people – Cave has to graduate people on [fire 14:49]. They've got to be turned on; they've got to be willing to conquer the world. They can't be ready to be graduating from here and signing on – I mean the idea of changing your address is beyond [inaudible 15:03], I give that to the politicians to deal with, I don't deal with that one, but the idea that the graduates—The graduates have got to think – Now the problem we have in the United States, may be the opposite of the one you have here.

In the United States you get these young MBAs who are a pain in the ass because they think they should be running the company the first day. The first hour and they want to run the place, so then you've got to calm them down a bit, and here it seems you have to fire them up a bit, and so I think maybe the middle ground is where we have to get to here. But Cave ought to be graduating people who just want to take over, who can't stand these

slow movements here. *Cave* has got to be teaching leadership about: *come on you guys, get out there. You men and women take on the system, make a difference*; and not preparing them to be assistants to somebody. Make their ambitions huge.

As I said, in America, we've made them probably too high, but it's a better problem to deal with those people than it is to try and energize people.

**Speaker 1:** Gentleman in the front has a question; and then lady in the back and over here.

**Speaker 14:** Hi Jack, welcome to the Caribbean! And I said 'hi Jack' as opposed to "hi Mr. Welch". A part of the pop cultural problem is that we still call each other Doctor, Mister and so on. So we kind of embrace this bureaucracy a lot, even in how we talk. So hi Jack, how are you?

**Jack Welch:** How are you?

**Speaker 14:** Great. My question for this afternoon is, we're hosting a panel, and part of the panel is, how do we grow companies like Mr. Locke Jack's company, or I'll extend them globally if you will, because what's happening in the Caribbean as well now is that there are a lot of companies that have grown organically that are now ripe for the picking. So companies from across the world are now coming to invest in Trinidad, Barbados—in the Caribbean, we are big players now. One of our big banks that was grown organically just got acquired by the parent bank.

So what are some of the suggestions for growing outwardly? How does a company that was grown organically grow into markets internationally and feel like a player in those new environments?

**Jack Welch:** I would suggest that everybody in the Caribbean; every leader in the Caribbean, every Prime Minister, spend time in Iceland.

Iceland is a little, tiny country filled with entrepreneurs and the education system is very good just like it is here, but Iceland is taking them on; companies in Canada, buying companies from the continent. Now they have one huge advantage, they have geothermal power underneath their soil so everyone has free power and free heat, but on the other hand it is a very small place with people and they are going outside – they're not letting their companies be eaten. They're doing the eating. You can either be the food or the biter, and you've got to decide with your culture, what you want to be. Iceland is not much different than the Caribbean, other than the temperature. But the size; the education levels, are the same and you have no reason not to be another Iceland. They don't have any great raw materials other than this geothermal thing, but the rest of it is a very tough sledge; and they've built great banks, great financial institutions and they're

buying them all over the continent, but Iceland ought to be a role model for here.

What I see in Cave University, excuse me, who's the chancellor for Cave, who's the boss here from Cave?

**Group:** Cave Hill.

**Jack Welch:** Cave Hill.

**Speaker 15:** He's not here.

**Jack Welch:** But you are though, right? So what you have to do – are you studying in Iceland? Have you brought Iceland to the forefront over here and had cases on it. In all of your studies—what they're doing, how they did it? We ought to do that, it's the same population type thing; 200,000 people and they grew organically and instead of being eaten by the Danes and the Brits, went out and ate them. Big move though, and something you ought to think about as an educational institution here, to study and the Caribbean ought to think about it.

**Speaker 1:** Question in the back—please.

**Speaker 16:** Hi!

**Jack Welch:** Hi!

**Speaker 16:** My question goes back to the issue of fear of failure and risk-taking. You talked about your experience as a young person being allowed to take risks and gain confidence in companies, and you also commented that these risks weren't enough to sink the company, and this culture, in my opinion, one that's afraid of taking risks, or allowing young people to take risks. Can you give examples of the differences between these types of risks/opportunities?

**Jack Welch:** Sure. Assume you're running a reasonable sized company here, and you've got a new idea, any new idea should be given to the youngest, highest-potential person you've got in the place; and let them go out and build something all on their own. Get the bureaucracy off their back. We used to call them Venture Managers. Whenever we had a new idea we would create a venture manager, take a young MBA and say, *Okay here's some money, go swing with it*, and frankly some of them would fail miserably, and I would advise them after they've failed miserably to probably move on to another company because you get taken—you do get taken, but you've got to take those instances, because you'll get some that will grab it and succeed, and that's how you build leaders. But every time you get a new thought; a new idea, to try a new product, a new design—try it with a new

person. Somebody you believe in, with energy, etcetera, give them a shot. That's how you do it, and you get about a 50% yield from that process. No better than that, may be less.

**Speaker 1:** Two questions here and then the final one. You've been waiting for a while; sorry go ahead please.

**Speaker 17:** Mr. Welch, I want to go back to your technique of differentiation and [culling 22:20] the weakest of the lot, that's a very good basis. One of our challenges here, especially if you're selling professional services, is that we have a shortage of professionals, accountants, engineers and so on, and you often tend to be a little – you tend not to be as tough as you need to be because you don't want to lose your people. How can you make your tough techniques work in an environment where you are short?

**Jack Welch:** Well I think everybody is short of good people. I don't know a country in the world that has a surplus of good people. That's not a strong argument. In general you want to build the greatest team, and so you can't carry along baggage that's not going to deliver top performance. You've got to maybe pay a little more, maybe you've got to do all these other things, make your atmosphere more exciting, make promotions come faster, do all these things, but you can't afford to go into the thing with: *we don't have enough people.*

Every company in America is outstanding-people-short, every country in Europe, outstanding people short. There aren't that many great people, so you've got to be constantly fighting to get them and peeling off the bottom, all they do is discourage people anyway. All they do is lower the level of excellence in the place, so keeping them doesn't do a thing for anybody.

**Speaker 1:** Two questions back here and Mr. [inaudible 23:49] has a question.

**Speaker 18:** Mr. Welch, I'm sorry—I don't know you well enough to call you Jack as yet, but maybe by the end of the day.

**Jack Welch:** Well, I thought we're going to fix that problem one day right here.

**Speaker 18:** Yeah, by the end of the day. There's a view in some circles that the concept of business ethics is an oxymoron. In the context of leadership, especially with some of the issues that have taken place in the US over the last few years or so—Where would you say ethics dwell in the whole question of leadership, and is there such a thing as ethical leadership, and how would define ethics in that context?

**Jack Welch:** Somebody that knows the difference between right and wrong, and always does the right thing. So somebody who will use – for example, one of the problems most people have is somebody does something wrong in a

company and because they don't have a candid appraisal system, they generally get rid of the person, and they say this: *Mary*, who stole for Christ sake—stole something, *Mary left for personal reasons, to spend more time with the family*. What we did, we hung them in the square. *Mary was caught cheating. She stole and therefore she had to leave the company*. Every time you have an ethical violation, you make it a teaching moment.

You can't do this nice thing and say, "Oh they left to spend more time with the family". When you see that you know it's nonsense, and the people know it's nonsense, and the people know they can get away with something. You have to use ethical violations as teaching moments, and you will not have a problem with that.

**Speaker 1:** I think we're getting to the end of it now. Another three questions here to come.

**Speaker 19:** I'd like to ask two questions, the first one is: Whenever I approach, sometimes senior people who are incumbent over me about change, they raise this issue about, that is not our culture. It wouldn't work here because that's not our culture. Like in what you said just now; you propose those things and then people say, it worked over there but that's not our culture.

The other thing I want to ask is, in your younger days and so on, I understand that you were known for removing the lower non-performers – 20% or so.

**Jack Welch:** [Crosstalk 26:36]

**Speaker 19:** Would you consider that to be an appropriate action for today, or would you abandon that approach?

**Jack Welch:** Today, I've used it maybe 15 instead of 10. Look, I think the idea – Do any of you follow baseball or any of those American sports? I mean soccer teams here, you don't keep the bottom players, you get rid of them, you trade them or you don't let them play. It starts out in high school, and grade school, the people that are good, get to play, the people that are not, don't play. Now you have no right to be unfair to these people, that's why I say you can't surprise them, you've got to give them constant appraisals, so they're never shown the door and have to say: *Why me?* They know why because you've been talking to them 3, 4, 5 times a year, but that's critical to this. Absolutely, why wouldn't I do it today—you've got to do it? You can't play in a global world with a minor league team.

**Speaker 1:** Question?

**Speaker 20:** The position is that we really have fantastic visions, we have great strategies, and we've got good action plans. At the end of the day we don't

really execute too well. Aren't the urgency on productivity in Barbados and the Caribbean is pouring out. I know that you achieved that at GE, I mean you got people – how exactly did you do that?

**Jack Welch:** By doing what we just talked about there. By weeding out those that didn't have energy, didn't energize, didn't have edge, didn't know how to execute, evaluating them on those four principles and throwing them out, if they didn't deliver; but telling them why over the course of a year or two.

You just said, "We've got vision, we've got strategy, we know exactly what we're doing". Tell me what they are. Tell me what the strategy for Barbados is, I've been trying like hell asking this gentleman, asking three other people, looking at Google for two days, I don't know what it is.

**Speaker 21:** [Inaudible 28:49].

**Jack Welch:** How?

**Speaker 21:** [Inaudible 28:55].

**Jack Welch:** You were going to be that in 2008, and you moved it back to 2035. Yes, it says so right in the document, it does. I'll show it to you. You can't tell me you want to be the first developed nation in the Caribbean without telling me what that means. What does that mean? Why don't I ask the guy with mike who said he has fantastic strategy. Go ahead and tell me what it is.

**Speaker 20:** I can't tell you the strategy for Barbados, I could tell you the strategy for DaCosta [inaudible 29:32]. We want to be one of the leading retailers in the Caribbean and we want to be really a force to be reckoned with.

**Jack Welch:** But that's your company?

**Speaker 20:** Yeah. When it comes to Barbados you'll have to ask – I should know it as a Barbadian, I think should know it, yes.

**Jack Welch:** Well I'm not here to challenge you on that. I think one of the things that we sort of talked about here today is: Do we in the educational institutions here, are we developing leaders, or are we developing technocrats? I think we have to challenge ourselves with that constantly; and I think Cave Hill has to ask themselves that issue. In our companies, are we giving those leaders that they will develop the chances to excel early enough in their game and the opportunity to grow.

Do we believe that every person, independent of their origin, has a chance to reach the top? And if we don't' what are we going to do about it? These are the things I think I heard today, and I think these are questions that

people can wrestle with, and I hope you will. It's been a tremendously engaging audience. I've loved being here and we're going to have lunch together, I guess, and we can talk about it some more, and we'll put the Prime Minister to work, and he can answer questions for a while.

Thank you very much.

**Speaker 1:** Ladies and gentlemen, I think a number of you have some other questions, and we'll be able to interact with Jack over lunch. One of the things about being successful in business is that Jack doesn't have a plane to catch, but there's a plane to catch Jack. So he has limited time with us but I wanted to thank him clearly for defining, and putting it out in the open, many of the problems that confront us but which, by our own culture, we are afraid to talk about in the open.

So on behalf of everyone here, Jack, I'd like to say thanks for the candor, thanks for the straight-dealing. Thanks for dealing with meritocracy and being really frank on differences, can we resolved the Public and Private Sector differences, and being very candid on all of your suggestions here, and finally for the suggestions.

So those of you who have winter coats, as we thank Jack, let's see if we can get a plane to Iceland.

Thank you for your attention, I think we'll have lunch now.

[END OF AUDIO 2]