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**STEVE KERR AND HIS YEARS  
WITH JACK WELCH AT GE**

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# **Steve Kerr and His Years with Jack Welch at GE**

by

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## **Steven Kerr Bio**

*Steve Kerr is Chief Learning Officer and a Managing Director of Goldman Sachs. Until March of 2001 he was vice president of leadership development and chief learning officer for General Electric, including responsibility for GE's renowned leadership education center at Crotonville. He was formerly on the faculties of Ohio State University, the University of Southern California and the University of Michigan, and was dean of the faculty of the USC business school from 1985-1989. Dr. Kerr is a past-president of the Academy of Management. His writings on leadership and "on the folly of rewarding A, while hoping for B" are among the most cited and reprinted in the management sciences. During the last few years he has been the subject of interviews in Business Week, Forbes ASAP, Fortune, Human Resource Executive, Intranet, Investors Business Daily, The New York Times, Organizational Dynamics, Knowledge Management, Organization Science, and The Wall Street Journal.*

## **Author's Introduction**

This interview with Steve Kerr is about two intriguing phenomena at GE—the obvious one is Jack Welch's leadership role, and the less obvious, while not intended by him, is Steve's role in the background acting as Welch's skillful consultant for 11 years.

In 1994, many people in academe were surprised and perplexed when Steve Kerr left the comfort of tenure and scholarly fame for a full-time job at General Electric. But if you know Steve it may not have been such a surprise. He is a person who is always moving on, from Ohio State to U.S.C. to Michigan to GE, and now to Goldman Sachs.

No doubt Steve likes power and hefty rewards ("who doesn't?"), but that isn't what comes through in this interview. It is a story of his intense desire to explore and learn from a new situation and to play a key role in determining what is likely the "corporate success story" of the century.

Most academics never get close to the likes of Jack Welch, let alone to act as their consultants. In doing so, Steve gives us his insights about the many ways in which Welch (and other leaders there) moved the company forward; it is a glimpse that would never emerge from a dry empirical study with a large sample size, or even from Welch's recent bestseller, "Straight from the Gut."

It is also clear that Steve Kerr contributed significantly to GE's transformation, although he does not take much credit. We are delighted that he still maintains his strong roots and contacts in academe. And this interview is one example.

### **Interview with Steve Kerr**

**Greiner:** Steve, I will always remember you at U.S.C. as a strong researcher who loved academe and liked to write good journal articles. You were also President of the Academy. Yet you left academe for GE. Why? What was the transition like?

**Kerr:** I'll tell you, it was gradual. I got asked by GE to commit to 25 days a year in 1989 to consult as a facilitator for its emerging Workout program. It was for 2 days a month, which I figured was about my only free time. I was an administrator, as well as a professor at U.S.C. I loved U.S.C.

**Greiner:** But you got more involved at GE?

**Kerr:** I got lucky. The best job in the world is an easy job disguised as a hard job. They put me into their Nuclear company for Workout. I was the only professor from the West who was chosen, since Nuclear was the only GE business headquarters there. GE thought Workout would go poorly in Nuclear because it was one of most regulated businesses at GE. But it went well, and I ended up looking good. So they gave me more and more businesses to consult to within GE.

**Greiner:** Was it all Workout, or were you getting into other activities?

**Kerr:** It was mainly Workout, although there were some offshoots, like I did some training sessions on dealing with difficult people. GE wanted more and more days from me, and so in 1991 I went on leave from U.S.C. By 1992, I was working 210 days for GE. Also, in 1992, I formally left U.S.C. and joined the Michigan faculty. That was because it was in the right time zone, and they were more flexible than U.S.C. I wanted to stay with U.S.C. but it wasn't possible.

**Greiner:** Had you met Jack Welch during this time?

**Kerr:** I was one of the many people meeting him in the spring of 1989, and by about 1990 or '91, he was using me as his outside consultant--basically, for four years, all beginning with Workout, which was a key program of his. Along the way, I turned down a couple of offers to go inside, and then in March of 1994, I took the inside job as the head of their main training facility at Crotonville, New York.

**Greiner:** So Welch made you an offer you couldn't refuse?

**Kerr:** Welch used me as his "poster-boy" for Workout in the beginning of 1990. He wanted to get some of their businesses moving faster, and he put me there and we got some good results. So the message from Welch to his senior executives was, "Look at this, Kerr's doing it in

Nuclear, so why the hell aren't you?" Then some of them fired their Workout consultants, and they asked me to take on another business, then they asked me to take on a third business. I had a stand-up role...I was a facilitator. It wasn't too dissimilar in the beginning from what most academics do. The transition wasn't abrupt; it was just, as I say, by inches.

**Greiner:** What was your title and responsibility at GE?

**Kerr:** My title was Vice-President, Leadership Development based at Crotonville. Then a month after I started, I did a Workout session with some top people, and people there suggested I do some new things, and said I ought to be the Chief Education Officer. So, I went to Welch and said, "I'm going to be a CEO just like you." And he laughingly said, "There's only one of those at GE!" Then he said, "You can be Chief Learning Officer." So I had that title, but it was not why I took the job, and when I had the title no one knew what it was, including me. I had the title and then I had to devise a job description.

**Greiner:** Were you reporting to Welch?

**Kerr:** Welch was the one who courted me. The Crotonville facility rolls-up to HR. So, in that sense, it reported to the top HR officer. But I always reported to Welch. From the beginning he called me and gave me direct orders... we would meet and have lunch once in a while, not frequently, but regularly. My replacement reports to HR now, and that was the way it probably would have happened for me as well. But because I always worked for Jack for years before, he just kept calling me and I just kept responding. Plus at Crotonville, leaders of the corporation taught 60% of the senior level courses, and Jack was often there in front of a group. I worked for Jack, and Jack "worked for me". So it just kind of stayed that way; we didn't do it formally.

**Greiner:** What did you do as the Chief Learning Officer?

**Kerr:** Well, it was funny--the New York Times put my picture in the paper, and they said now GE has both a CIO (Chief Information Officer) and now a CLO (Chief Learning officer)...it was my 15 minutes of fame. Then I had to figure it out. The job of the CIO, and we had a very good one at GE, was to improve peoples' ability to move information across boundaries. CIO's worry about hardware and software incompatibilities, protecting data on the internet, bandwidth, that stuff. I said, "You know, what people are not worrying about is the motivation to communicate across boundaries." In my view, the most important reason why people don't communicate and don't share information is because they don't want to. That's not something the CIO typically worries about. So my job became to identify the barriers. What is it about the way we organize work and build rewards? What is it that keeps people from wanting to communicate, and what adjustments in rewards, and norms, and so on, would create more motivation? That was the division of labor...the CIO worked on ability to communicate, and the CLO worked on desire to communicate.

**Greiner:** What kind of programs were you doing to spread knowledge practices around? I remember you gave a talk at U.S.C a couple of years ago, something about your becoming a "911" person?

**Kerr:** You have to give people a “911” if you want to increase learning in a company. They need a number to call, places to go to share good ideas, or if they want to search for something out there. For example, if you’re at U.S.C. and you want to find out if there is any part of U.S.C. that’s really good at managing alumni relations, or good at fund-raising, or good at recruiting minority students? At USC you could ask, but you wouldn’t know who to go to, because there’s no one place you could find out. If Biology did it well, Math would never know it. So, a corporation is the same way. I used the term “911” because the “911” guy never comes to your house directly. He brokers supply and demand. Somebody calls and says, “I have a fire.” The “911” guy sends the fire department. So that’s why I used that metaphor...that’s the job of the CLO. Sometimes you have people saying, “I need to know, is there anybody out there who does a good job on educating about quality?”

**Greiner:** You were looking around inside and outside GE for best practices and then communicating them across the company. How did you do that?

**Kerr:** We’d occasionally do best-practices conferences at Crotonville, and I was able to locate good ideas from the outside because I was an academic. Remember, before me in my job at Crotonville was Jim Baughman from Harvard who came up with the idea for Workout in conversations with Welch; and before him was Noel Tichy from Michigan. I think Jack wanted an academic in my job because we were plugged in not only to what other corporations were doing, but also through the Academy of Management and the OD Network. So, for example, I knew when re-engineering got started, and I knew when mass-customization got started.

**Greiner:** It seems Crotonville, and your leadership of it, was playing an important role in helping Welch bring about change at GE. Tell me more about Crotonville and the role you and it played.

**Kerr:** Not counting the road shows where we went out into the company, we had five to six thousand GE managers and executives coming through per year, and if you add customers, it went up by a couple thousand more. There was also a third group, the divisions, which would sometimes just rent the room, so to speak. So if you counted them all, the total number going through Crotonville per year had to go over 10,000.

**Greiner:** Was there a key program that Welch focused on...where he came to Crotonville and spent some time with a group?

**Kerr:** There were three programs that were the executive series. The first was given seven times a year and it had about 65 people each time. They were high potential middle managers that typically had 8 to 10 years in the company. That one received a big focus by Welch and the other senior leaders. It was a four-week course, which later we cut to three weeks, and almost all the faculty were insiders. Welch, for example, taught a four-hour class to each of those, so seven times a year he taught a class called “leadership and values.” The Vice-Chairman taught, the CFO taught, etc. The next course called “Business Management” was taught three times a year, and that had a big action-component, so there wasn’t much classroom time, but Welch and others always taught in that one. The final course, taught once a year, was the executive course. We also ran that one, and there were often a half-dozen corporate officers as participants in each

course, or likely future officers. So those three courses got senior level attention. The top two of those involved action-projects to present their implications to Welch and the Corporate Executive Council...we had two hours with Welch and others to listen. These programs had huge focus, and major decisions were taken as a result ...we were not just patronizing the students. Huge decisions were made from these sessions.

**Greiner:** So Welch and other senior level people would sit in and listen to the presentations and often act on the recommendations?

**Kerr:** There would be presentations by the class to Welch and the top 30 people...one example; members of the class went to South America to benchmark us against competition. They came back and said, "We are all talk and no action. ABB is there, Siemens is there, and we're not there. We should either get in or get out." As a result, GE created a South American operation, put an officer as the CEO for South America and built big results.

**Greiner:** So when you say, "big decisions were made", were the participants asked to study these issues beforehand or were they meeting on them while at Crotonville?

**Kerr:** They got a topic before they came. Then they got a few days at Crotonville to begin work on the issue. For example, the topics ranged from, "Should we use Russia for manufacturing, or sourcing?" Or, "Should we double our investment in India?" Other times it was based on a technology, "Should we penetrate a certain market?" Other times the topic would be a general one, "How do we get better at Six-Sigma? How do we get better at e-business?" So after a few days of what they needed to know, the class would go off, usually in pairs. Collectively they would conduct more than 200 interviews, and we had people whose full-time job was just to set up these classes every year. The Indian group met Mother Theresa one time. Others met heads of state; they met heads of unions; they met heads of corporations. GE's presence, and the fact that GE might invest were sufficiently powerful, so often you'd get a very high-level of interviews. They would go off, they would ask questions, and then they would come back to Crotonville, spend a few days triangulating their data and preparing their briefing, and then they would present, as I mentioned, to the top 30 people. Another example of a big decision was when one of the classes identified a gap in the value chain of one of our businesses. GE then went out and bought a very expensive, big company to fill the gap.

**Greiner:** Were decisions there handled on the spot like in Workout sessions? Or would the senior people go back and think about what they heard?

**Kerr:** No, there were no ground rules. Sometimes it was the senior people going back to think about it, but other times it was immediately reacted to, especially if Jack loved the idea.

**Greiner:** You could see Welch react right there?

**Kerr:** Sure, one class came back and told Jack that his favorite mantra of "first or second in market share, or fix, sell, or close" was now dysfunctional. They said, "Jack, it might have been right when you put it in, but now the closer you get to 100%, the lower the up-side potential." They proposed to Jack, and he implemented it, that all his strategy meetings he should have

people answer the question: “Imagine your market share is less than 5%. Describe your market?” So, for example, at NBC, their management said in answer to that question, “Well, every time somebody turns on a box for information or entertainment, that’s our competitor.... therefore, Nintendo is a competitor”. These insights took many of our companies in new directions.

**Greiner:** What was your role in these sessions—did you lead them or sit in?

**Kerr:** I sat in on all of them, and usually I would have a module. I would teach a little bit, just as one of the faculty. We had people who would work with the class on presentation skills, getting it together, sometimes if it was on a topic where I could be helpful I would hang around more than others. Sometimes I just went because it was fun to be there. Like I went with a group to Russia, because I had never been to Russia. But I wasn’t essential. We had a staff, and a lot of peer learning. They were always getting good ideas from benchmarking.

**Greiner:** How did Crotonville evolve while you were there?

**Kerr:** I globalized it, but I don’t mean to take credit. Anybody in my job in 1994 would have had to make that change. GE was moving from a US company to getting large numbers of employees and revenue from overseas. When I got there, there were two people outside the US who were working for Crotonville. By the time I left, we had a Crotonville-Europe located in Brussels and a Crotonville – Asia. I had people on the ground in Singapore, Beijing, Hong Kong, New Delhi, and especially Tokyo. And then I had a small operation based in Mexico City to service Mexico and Latin America. The other major change that I introduced was getting into the business of client education. This had been done before, but it was only a small part of the business. By the time I left we had, on the average, four outsiders a day requesting permission to come to Crotonville to visit us, or to benchmark us, or study from us.

**Greiner:** What was your relationship with Welch like during all of this? Did you go and talk to him or suggest things to him, or would he ask you?

**Kerr:** I always had his ear. He was at Crotonville about twice a month, and I was in Fairfield (corporate headquarters) occasionally. I was a member of the corporate council, and I was a member of the corporate staff. So, we were around a lot together. I always had his ear...I mean, I won some, and I lost some. Sometimes I had ideas that were taken seriously, and sometimes he refused to do what I wanted him to do. If I said, “This is a session you ought to kick off,” he would usually do it. But I knew how busy he was. I tried to protect his time. We were never close, but we were colleagues...we worked together for 11 years.

**Greiner:** In the Harvard GE cases, we teach about the many waves of major change at GE, and how Welch always seemed to be out front as the leader. There was the initial period of portfolio re-structuring, and then there was a phase of efficiency with Workout, and later globalization and e-business. Was Welch the leader of all these?

**Kerr:** Looking back, I think the company got over-dependent on him. Charismatic leaders make you lazy. So, as big as GE is, senior managers often looked to Welch’s personal touch to signal

this or that was important. If you got Welch behind something that made it a corporate initiative --launching at Crotonville made it a corporate initiative. Now, Welch was not the originator of all the ideas. He hesitated on implementing 6-Sigma because he just felt it was not GE. In fact, I believe we got into it because Welch had heart surgery and missed the Corporate Executive Council meeting where the decision was made ...by coincidence, the speaker that day was Larry Bossidy (CEO of Allied Signal and former GE senior executive) who had just gotten into Six-Sigma the year before and said we ought to do it. Bossidy said, "I know you guys, and if you decide to do Six-Sigma, you'll write the book on it.", and he got everybody so excited that by the time Welch came back even he couldn't stop it... he just said we've got to try it. Once Jack got on board, he became the champion and the leader...but he didn't come up with the idea. The same thing happened with e-business...a lot of the younger people were more interested in the computer and the internet than Jack, and, in fact, one of our businesses, medical systems, was way ahead of Jack. But once Welch realized it's importance, he got in front and made it his corporate initiative. Every once in a while he did find one. Demand-flow technology he brought in because he was going out with customers and he became excited about it.

**Greiner:** Did Six-Sigma make a big impact at GE?

**Kerr:** Oh, yeah! It was very powerful, but it was a surprise for several reasons. It was put in to be a statistical control and quality improvement technique. But the surprise was that it became a fabulous leadership developmental experience. We put thousands through it and then with all the Black Belts we were running people through rotating assignments and they became much better leaders because of that experience. The second surprise is that we got on to the use of scorecards for the first time. It enabled GE to really look at the world through the eyes of their customers, and so it became a fabulous device for getting closer to the market.

**Greiner:** Did Welch change much during this period of changing and introducing various programs? He was "Neutron Jack" at one point and then some have said he mellowed out later.

**Kerr:** Yes, he changed. I wasn't there in '81, and I've heard Jack was difficult but that later he got more thoughtful about how he did things. After his heart operation, he seemed "over-oxygenated"! When you give an operation like that to a CEO, you ought to give the same one to their immediate supporters. Welch became very fatiguing to be around, and I don't know if he was just physically stronger or had a sense of mortality with time passing. But I found he became more impatient, more demanding. He did it in a more acceptable way, so he was a better leader than he had been in 1981. Sometimes I felt that he would make decisions without checking with the right people. He had a lot of faith in his own intuition, and I think in the area of HR, for example, he didn't respect it enough. He wouldn't do a deal without checking with the merger team. He wouldn't sue or settle without checking with legal. But he had the feeling that large parts of HR are basically common sense, so he would select the stock option plan, or the pay formula for compensation, without getting in touch with what the existing research and theory in that area, and I felt this was to his detriment.

**Greiner:** But I've heard he spent a lot of time on people...in evaluating and rewarding them.

**Kerr:** Yes, absolutely. It wasn't because he's cuddly. Once in a meeting with some CEO's, he said, "At the end of the day, I don't know how to build a jet engine." And he said, "I don't know what should go on Thursday night now that Seinfeld is off the air." He said, "I can't know that, and I'll never get that technical skill, so I have to trust the people." So he says, "The problem is that when people bring me stuff, they've got a good idea and they want more money than I have. They're going to move the nozzle to get better noise control, or better fuel emission. You've got to know who you're talking to." So Welch said, "I have to judge the people because I can't judge the technical merits." All that part about him and people is true, but it doesn't follow that he was a great apostle of HR.

**Greiner:** You recently left GE to go to Goldman-Sachs in a similar job? What got you to leave GE? And why not go back to academe?

**Kerr:** I kind of thought I would leave when Welch left. I met with an old mentor of mine a few months before, who told me, "If you haven't got it done in five years, why don't you give somebody else a chance?" I was on leave from Michigan, and I had intended to go back...I still love academe. But Goldman came to Crotonville to observe, and they fell in love with the approach we used. So they were courting me for most of the year. I was flattered. I mean it's the premier investment bank on Wall Street. I just felt it was such a classy outfit. Then, I lost my Mom, and my Dad's living alone in lower Manhattan. One of the factors was that I'd be closer to my Dad.

**Greiner:** How do you find Goldman-Sachs now? How different is your role from the one at GE?

**Kerr:** I didn't know what I would find. I'd never worked on Wall Street. I had watched the Michael Douglas movies. You know, obviously if I thought the people were like that I wouldn't have come. I can't tell you what an honorable and classy outfit this place is. The integrity, they'll walk away from money in a minute if it's a wrong deal for the client. That's not to say GE wasn't like that... Welch was always very rigorous about integrity. I've also found Goldman to be very considerate of its employees...here's just one example out of 10,000. I lost my home in the terrorist attack, and there were many other employees who were also dislocated. So an e-mail came out, saying, "On October 15<sup>th</sup> there is going to be \$1,000 extra per family member in your pay envelope. Use it to buy clothing if you were affected by 9/11." And then they said, "If you have money left over, please donate it to the firemen/police relief fund." No request for receipt, it was just so classy.

**Greiner:** So you've been pleasantly surprised by the high ethics at Goldman?

**Kerr:** Friends told me, "You're selling your soul to Wall Street." Nothing could be further from the truth. In terms of some of the stereotypes, it's true. They're the smartest people in the world, unlike GE, which tended to hire BAs from state schools. At Goldman, they hire summa cum laude from places like Harvard and Stanford. There is pride. I won't call it arrogance, but there is pride. They're very good and they don't have a lot of time to spend. This business is very quick. So it's kind of, "I'm smart, talk faster.... I'm smart, gotta go now." GE gave me four weeks to design a class, and then they said to cut it down to three weeks. In contrast, Goldman says, "I'll give you two days, but please don't take the whole second day." So I'm fighting for

airtime. On the other hand, they're smart and they love puzzles. I'm doing a lot of Socratic things... I'm not competent in trying to tell them what they're doing right or wrong, but I do have a lot of lenses from Crotonville that work very well here.

As one example, I start one session by saying, "Come to this session having identified a decision that you saw made very quickly and another one that took a long time." Then, when they arrive, I say, "Ok, give me your quick decision." and they do. Then I say, "Give me your slow decision." Finally, I ask them, "What's the pattern here? When does Goldman take forever, when don't they? Is this good? Is this the right thing to do?" Those kinds of approaches work well here.

**Greiner:** Steve, as you look back so far on this experience, what have you learned from all this that you didn't learn in business school? Why go to Goldman Sachs and not back to academe?

**Kerr:** Well, as I mentioned, it was more a pull by Goldman, and a bit of geographical propinquity, rather than a decision to go against the business school. I still teach once in awhile at the University of Michigan, and in Bill Starbuck's class at NYU. I was at Boston University not too long ago, and at Wharton in June. So, I still keep my hand in it.

**Greiner:** But you still chose industry over academe?

**Kerr:** The pace of decision-making in academe would prove frustrating were I to go back, as would the diffusion of power. I've already mentioned there are dangers to having a charismatic, powerful leader like Welch. But it's also appealing. At GE, I once had to put on a course in eight days, of which two were weekend days. In six business days I put on a course, whereas with the university catalog, you go a year before you even get it printed up for the students. I certainly would not go back to academe and be a Dean again... that would be too frustrating in terms of the time required to make decisions. But don't get me wrong...I'm not advocating a brutal dictatorship...Goldman is a very consensus-driven firm, and GE practiced empowerment.

**Greiner:** If you went back to teaching, what might you do differently?

**Kerr:** For example, when Mintzberg put out, "The Nature of Managerial Work", we academics were surprised that business people have to do something different every two minutes. Having learned that, though, I still don't think we teach enough about the dynamism of working and decision-making. It's just the pace of stuff. We still tend to hold on to linear forecasting models, and to think of strategic planning as a formal process with complex models.

**Greiner:** If you take strategy, for example, what would you say about strategy, or strategizing that you've learned is different from how it might be taught in business schools?

**Kerr:** Welch says, "Don't depend on planning or strategy. A lot of the stuff is over-intellectualizing. Your opportunities are going to come, startlingly new, all of a sudden." Welch's view is that adaptation...adaptability... is much more important than strategy. Yet we still have strategy courses and strategy majors in business schools. Where is the adaptation stuff?

**Greiner:** Well, what about organization or leadership? Your old domains?

**Kerr:** Some leadership models, like the Fiedler model, I don't think any practitioner would use, it's too much of a black box. But I still find very useful the Vroom model...it's a thoughtful way to decide when you consult, when do you delegate, when do you make a unilateral decision. There are also elements of the path-goal stuff; again, I love the "ability x motivation = performance" You have to understand peoples capacity to do things. And you also have to increase their desire to go do them.

**Greiner:** What about your old classic," The Folly of Rewarding A While Hoping for B?"

**Kerr:** It's funny, only two weeks ago, a colleague sent me an e-mail, "By the way, you should know, I just used your article in one of my staff meetings." It's ironic, because it was built around a false assumption, which is that these things happen through ignorance, and here's the article and people read it, and read it, and read it, and yet these things continue to happen. So, my guess about causation must be wrong, because if I was right we should have had the capacity to fix it. There's something odd about how people build reward systems that are divergent with the goals they hope to attain. There's got to be something quirkier, or more deep-rooted in the human psyche, because we just keep doing it. We still don't incentivize people enough. If for example, at GE, if you want to cross-market, and you say the commission is going to be \$110,000, who gets it? Well, is it 80/ 20% or 70/30%? Or 50/50%? The result is fighting, and the bickering. I remember Welch saying, "Here's what we're going to do. If the commission is \$110,000, if two departments or two people share it, they each get 100%." In one swoop, you now have a tremendous incentive to cross-market.

When I was Program Chair at the Academy, I reserved 25% of my Chairman's time, and I said, "You can't get at this program time unless two or more divisions jointly submit something." So all of a sudden I've got Management History working with OD, and OD is working with OT.

**Greiner:** I know you have to go now, Steve. It's been great talking with you, and we still miss you here at U.S.C. Any final words?

**Kerr:** I had a great time at U.S.C. I learned a lot. It was sort of the golden era there...Lawler arrived and then Bennis. I also learned a lot from the Dean, Jack Steele. I learned about character from him, things where he would just look people in the eye and say, "We have the money but I'm not going to do this." Instead, most of us would hide with an excuse, "Oh, there's no budget." He would look at me and say, "I'm not going to do this." A lot of what turned out to be, I guess, marketable skills, came out of my U.S.C. days. Certainly, they didn't come out of Ohio State, because that was more the classical research tradition.

### **Author's Post –Interview Reflections**

All interviews are like Rorschach's—the reader sees what he/she wants to see. Having done this interview, and then written it up and looked it over several times, I am struck by the following

observations that we probably all know but don't emphasize enough with our students or in our consulting activities.

**Corporate management education can be much more than a “packaged” training program**

Jack Welch's use of Crotonville, and the shape that Steve Kerr gives to it, come through clearly as making a substantial contribution to GE's remarkable performance and growth. Crotonville does not house a kind of education that represents fashionable training in mundane skills—that's where much corporate education seems to be mired. Rather Crotonville represents education in the real sense of the word—a forum for probing, questioning and debating—albeit, tailored to GE's needs. In doing so, Crotonville's educational focus and results become highly integrated with the corporation in supporting its strategic change efforts---involving senior leaders, and creating and spreading new ideas and practices across the company. Crotonville's brand of education provides a stimulus to awaken the intellects of hundreds of employees and asks them to look at work, their relationships and the company differently and more innovatively than before.

**Jack Welch is a great leader but it takes several more than “two to tango”**

One also sees in this interview that there is a strong cast of multiple leaders at GE, including Kerr—ones who are not deferential to his highness but who talk back and who make major decisions even when Welch is absent. It becomes clear that a major aspect of Welch's leadership approach is to actively use Crotonville as a “greenhouse” to spawn new major programs and new leaders who then move out across the company to involve thousands of employees in new ways to solve performance issues. But it is not Welch making these decisions while charismatically riding out front on a white horse; rather, it is the support and inspiration he and others give to the newly empowered GE workforce. Workout is a great example where thousands of employees assume leadership and make important “real-time” decisions.

**Corporate transformation is created through dialogue among leaders, not through formal plans and strategies**

Too often we teach that management is a formal and directive activity among top management as it drives companies forward through plans, budgets and controls. To be sure, these mechanisms are important. But at GE we also learn from Steve Kerr that Crotonville provides a Socratic forum for dialogue and creativity among hundreds of GE leaders. Welch sets the standard for senior leaders at Crotonville by engaging them in both continuous discussion about how to move the company forward. Real-time issues become the topic of the day, not the latest management theory. In addition to major decisions being made through these discussions at Crotonville, new programs are invented and spread across the company to stimulate further dialogue among many GE managers and frontline employees as they search for new solutions.

**Are “programs” simply crutches for bad management, as many academics contend?**

Academics frequently criticize companies for succumbing to the latest “program” fad sold by consultants, popular books and training firms, such as MBO, TQM, and Six Sigma. A quick scan

of the literature reveals virtually nothing in organization theory and research that address the value and function of not only these particular programs but the concept of “programs” in general as potentially creative structural designs. Are companies as naïve as many scholars contend? I doubt it. This interview makes clear that the programs at GE become a temporary and useful structural innovation for organizing management resources and channeling them horizontally and vertically across the corporation to solve immediate performance issues. GE launches a sequence of programs over several years-- Workout, Best Practices and Six Sigma—that deal respectively with efficiency, knowledge and quality. Some of these programs are borrowed from outside and other aspects are tailor-made. Even Crotonville houses programs on leadership where Welch and other senior managers become the teachers. Should academics give programs another look before prejudging their value?

### **Knowledge management depends on social interaction, not computerized information systems**

Many consulting firms are now selling a brand of knowledge management as if it is a data set contained in an information system. These consultants mistakenly assume that knowledge management consists of factual information about who is doing what with whom, and that these data can be captured in a computerized system. Instead, we learn, to the contrary, from Steve Kerr that knowledge management at GE is a social networking process that depends upon senior leadership and employee involvement. Crotonville serves as GE’s center of knowledge management where corporate strategies and practices are discussed, created and communicated not only to employees but also to customers. The outcomes of Crotonville’s complex infrastructure can hardly be reduced to bytes on an information system. Instead, it is the firm’s senior leadership, not outside gurus or corporate trainers or desktop icons that orchestrate the learning process and the spread of knowledge at GE. We also see that Steve Kerr himself becomes the “information system” as he acts as a 911 operator to facilitate the spread of “best practices” throughout GE. By using an intensely personal and informal process, GE leaders contact Steve in person, on the phone, and by email, and he contacts them, to identify knowledge, ideas and practices from inside and outside the corporation that might be useful to them. These managers, in their quest for knowledge, are no doubt motivated to pay a lot more attention to Steve because of who he is and who he is close to than if they were left on their own to search through an expensive automated knowledge management system installed by a consulting firm.

### **Is academe out-of-touch with contemporary business practice?**

Toward the end of the interview, Steve unintentionally lets us know that academe may not be keeping up with what is needed to train students for leadership positions in business. He does not argue that Crotonville should be a replacement for business schools—they serve different purposes. But he is reluctant to return to academe because it appears slow in its ability to act due to a diffuse power structure. Perhaps we need this slowness and collegial sharing of power in universities to perform contemplative research that is insulated from daily performance pressures. But then again, Steve can’t recall many theories that are of use to him in the real world. For example, he chastens the strategy folks for not making their models more dynamic and adaptive. In these days when most young professors rarely encounter real managers except

through a survey questionnaire, one wonders with Steve if business schools are falling behind the “real world.”

### **Some take-aways for management theory and research**

Kerr is clear that our management theories, if they are to have practical relevance, need to become more dynamic, real-time and interrelated. One wonders what might happen if our journals adopted these criteria. As noted above, research and theories of knowledge management need to focus on the kinds of organizational and human network processes we see operating at GE as Crotonville and Kerr’s 911 turn tacit knowledge into explicit knowledge. Network theory and knowledge management theory clearly need to be joined. Organization theory also needs to forge a closer and more interactive link with strategic theory, and vice versa. Welch and Kerr target their strategic efforts, not on formal strategic planning, but on the organization and its leaders, empowering them at Crotonville to come up with new directions for GE. Dynamic strategy-making as a leadership process has eluded many of our strategic theories. Finally, academic research has failed to study managerial learning and re-learning in the senior echelons of management. Too often we academics, including senior managers as well, believe that management education applies only to young and mid-career managers. But we see at GE that advanced education is operating among its senior leadership as they are engaged and transformed by their experience at Crotonville, moving on to alter their behavior and make decisions not possible before in the GE bureaucracy. Interestingly, the causative stimulus at Crotonville lies in dialogue and debate that is orchestrated by the leaders whom the participants admire. Welch, Kerr and others take the Socratic method beyond the MBA classroom to engage the most senior levels of management in an intense intellectual and emotional exercise with real-world consequences. Academics also need to broaden their leadership theories to focus more on its “teaching” role. Jack Welch was not a “lecturer” in a traditional sense, but surely he was a wise teacher as he aroused others to act through his constant barrage of questioning and debate. What leadership theory includes “debating” style as a key dimension, let alone teaching ability? Welch’s behavior goes far beyond the traditional notions of one-on-one mentoring found in most academic theories of leadership.