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How Jack Welch’s Reign at G.E. Gave Us Elon Musk’s Twitter Feed

The onetime ‘manager of the century’ paved the way for C.E.O.s to moonlight as internet trolls.

By David Gelles
David Gelles, a Times reporter, is the author of “The Man Who Broke Capitalism,” a new book on Jack Welch, from which this article is adapted.

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When Jack Welch died on March 1, 2020, tributes poured in for the longtime chief executive of General Electric, whom many revered as the greatest chief executive of all time.

David Zaslav, the C.E.O. of Warner Bros. Discovery and a Welch disciple, remembered him as an almost godlike figure. “Jack set the path. He saw the whole world. He was above the whole world,” Mr. Zaslav said. “What he created at G.E. became the way companies now operate.”

Mr. Zaslav’s words were meant as unequivocal praise. During Mr. Welch’s two decades in power — from 1981 to 2001 — he turned G.E. into the most valuable company in the world, groomed a flock of protégés who went on to run major companies of their own, and set the standard by which other C.E.O.s were measured.

Yet a closer examination of the Welch legacy reveals that he was not simply the “Manager of the Century,” as Fortune magazine crowned him upon his retirement.

Rather, he exerted a powerful and lasting influence on American business, informing how workers are treated, how shareholders are rewarded and how C.E.O.s comport themselves in an increasingly divisive age. When Donald J. Trump is elected president, when Jeff Bezos argues about inflation with the White House, when Elon Musk negotiates his $44 billion deal to buy Twitter by using the poop emoji — this is the world that Jack Welch helped create.

For the past several years, I have written the Corner Office column for The Times, speaking with hundreds of executives about their careers and approaches to leadership. And time after time, Mr. Welch’s name kept coming up. Some wanted to model themselves after him, while others sought to define themselves in opposition to all he stood for. Either way, it was clear that Mr. Welch still looms over the corporate world, living rent-free in the minds of C.E.O.s around the globe.

And in more than 100 conversations for “The Man Who Broke Capitalism,” my new book, from which this article is adapted, a broad range of people said some version of the same thing: While it has been more than two decades since Mr. Welch was C.E.O. of G.E., his legacy still affects millions of American households.

Almost immediately after Mr. Welch retired in September 2001 with a $417 million severance package, G.E. went into a tailspin from which it would never recover.

His pupils, though, went on to run dozens of other major companies, including Home Depot, Albertson's, Chrysler and Boeing. Most of them failed.

And in the decades since Mr. Welch assumed power, the economy at large has come to resemble his skewed priorities. Wages stagnated and jobs moved overseas. C.E.O. pay went stratospheric and buybacks and dividends boomed. Factories closed and companies found ways to pay fewer taxes.

Beyond his enduring influence on the economy, Mr. Welch also redefined what it meant to be a boss, personifying an aggressive, materialistic style of management that endures to this day.

"Jack was the rock star C.E.O. of my era," said Lynn Forester de Rothschild, one of the rare female media moguls of the 1980s. "We all thought Jack was doing everything right and that success was defined by meeting quarterly earnings to the penny."

In retirement, Mr. Welch continued to hold sway over the business world as an elder statesman, penning books and columns, and appearing on cable news to praise the executives he had groomed and continue his assault on taxation and regulation.

Mr. Welch also pursued an unexpected retirement pastime: He became an internet troll. His old friend Donald J. Trump seemed to lead the way on many conspiracy theories that Mr. Welch embraced. But by 2012, Mr. Welch was picking fights of his own with his online adversaries, trying to own the libs on Twitter and promulgating conspiracy theories about the Obama administration.

It was a career defined by a ruthless devotion to maximizing short-term profits at any cost, and punctuated by a foray into misinformation. And it opened the door to an era where billionaire C.E.O.s are endowed with vast power and near total impunity.

G.E., too, is still reckoning with Mr. Welch's legacy. For two decades after he retired, a succession of C.E.O.s tried and failed to return the company to its former glory. Then last year, G.E. management admitted defeat and made an announcement — the company would be broken up for good.

'Neutron Jack'

G.E. was worth $14 billion when Mr. Welch became C.E.O., just months after Ronald Reagan took office. Not long before Mr. Welch retired, just days before Sept. 11, 2001, the company was worth $600 billion, the most valuable company on Earth.

But the ways in which Mr. Welch created so much shareholder value often did more harm than good.

He was a compulsive dealmaker, fueling G.E.'s growth with a relentless series of mergers and acquisitions that took G.E. far from its industrial roots and set in motion a wave of corporate consolidation that would reduce competition in industries as diverse as airlines and media.

He closed factories and fired employees by the tens of thousands, unleashing a series of mass layoffs that destabilized the American working class. He devised systems like "stack ranking," which mandated that the bottom 10 percent of workers be fired each year, and took root at other companies. And he embraced offshoring and outsourcing, sending labor overseas and turning to other companies to provide back-office functions like accounting and printing.

It was enough to earn him the nickname he hated but could never shake: "Neutron Jack," a reference to the neutron bomb, which purportedly kills people while leaving buildings intact.

But more than the downsizing or the dealmaking, it was Mr. Welch's obsession with finance that allowed him to steadily inflate G.E.'s valuation in the public markets.

G.E. was an industrial company when he took over — making most of its money selling appliances, light bulbs, power turbines and jet engines. By the time he retired, the company derived much of its profit from GE Capital, which was essentially a giant unregulated bank. Mr. Welch called it "the blob" — it was an amorphous, ever-changing collection of financial assets, capable of delivering whatever adjustments were most advantageous to the parent company in a moment's notice.

Mr. Welch with Reginald Jones, then the chairman and chief executive of G.E., in 1981. General Electric

The finance division became G.E.'s center of gravity, ultimately accounting for 40 percent of its revenue and 60 percent of its profit. With so much money coursing through the finance division, Mr. Welch used it to his advantage, shifting zeros throughout a sprawling international web of subsidiaries, and extracting whatever he needed to meet or beat analysts' estimates for nearly 80 quarters in a row, an unprecedented run. It was what one influential analyst called "earnings on demand."

Mr. Welch denied that GE Capital was employed as a tool to keep the company's stock price rising. "We managed businesses — not earnings," he once said. But his own deputies told a different story, acknowledging that the finance division was used to keep the stock price ticking up.

"There was very little transparency," said Beth Comstock, a longtime G.E. marketing executive. "G.E. had a financial army that was able to close the quarter the way we'd said we would."

Mr. Welch was never called to account for this questionable financial engineering while he was C.E.O. But in 2009, G.E. announced that it had settled sweeping accounting fraud charges with the Securities and Exchange Commission that pointed to decades of impropriety.

G.E. had been overstating profits in a bid to jack up its share price in the years after Mr. Welch retired, using myriad well-honed tactics to fudge the numbers, the S.E.C. said.

"G.E. bent the accounting rules beyond the breaking point," remarked Robert Khuzami, director of the S.E.C.'s enforcement division at the time.

This wasn't a one-off anomaly, as the S.E.C. made clear. Distorting earnings was a well established practice inside the company. In its complaint, the S.E.C. took pains to note that G.E. met or beat analyst expectations every quarter from 1995 through 2004.

The implication was unmistakable: When Mr. Welch was at the height of his powers, the same sort of deceptive tactics were being employed.

'They had the G.E. tool kit'

The roaring success Mr. Welch found at G.E. inspired countless imitators, as an entire generation of managers sought to emulate his techniques, his growth strategies and his values. And in G.E., Mr. Welch had the perfect apparatus to disseminate his ideology.

For the better part of a century, G.E. was the most influential company in the country when it came to organizational design and executive development.

Beth Comstock, a longtime marketing executive at G.E., said, "There was very little transparency" about the company's finance division under Mr. Welch. Kevin Keelan/Clarion

Pictures

Charles Coffin, who took over G.E. in 1892, was known as the "father of professional management." An influential Harvard Business School case study chronicled how G.E. became "a bellwether" for American business operations. In refining its own internal processes and training methods over the decades, the study argued, "G.E. found itself at the leading edge of management practice."

G.E. was the corporation other C.E.O.s looked to for guidance on how they ought to run their own companies, and the place where headhunters went to find talent. "When a company needs a loan, it goes to a bank," Fortune magazine once wrote. "When a company needs a C.E.O., it goes to General Electric, which mints business leaders the way West Point mints generals."

G.E. even had its own elite training ground for up-and-coming stars, a retreat where white collar gladiators could hone their skills. Known as Crotonville, the campus was spread across 52 acres in the bucolic village of Croton-on-Hudson, just north of New York City and not far from West Point.

The center was the first of its kind, and it would inspire other corporations, including IBM, Hitachi, and Boeing, to create similar centers. It served as an in-house business school for the dozens of G.E. executives who studied Mr. Welch's playbook and went on to manage other companies, including 3M, Equifax, Medtronic, Nielsen, Rubbermaid and more.

For a time in the early 2000s, five of the top 30 companies in the Dow Jones industrial average were run by men who had worked for Mr. Welch. "That's why they got hired," said William Conaty, G.E.'s longtime chief of human resources. "Because they had the playbook. They had the G.E. tool kit. And boards back then thought that was the answer."

Mr. Welch with President Donald J. Trump in 2017. Mr. Trump seemed to lead the way on many conspiracy theories that Mr. Welch embraced in his retirement. Getty Images

'A maniacal attachment to results'

The Welch protégés who struck out on their own rarely fared well. At Home Depot, Albertson's, Conseco, Stanley Works and many other companies, the same story seemed to repeat itself ad infinitum.

A G.E. executive was named C.E.O. of another company. News of the appointment sent the stock of that company soaring. The incoming leaders were lavished with riches when they took their new jobs, signing multimillion-dollar contracts that ensured them a gilded retirement, no matter how well they performed. A period of job cuts usually ensued, and profits sometimes rose for a few quarters, or even a few years. But inevitably, morale cratered, the business wobbled, the stock price sank and the Welch disciple was sent packing.

"A lot of G.E. leaders were thought to be business geniuses," said Bill George, the former C.E.O. of Medtronic. "But they were just cost cutters. And you can't cost cut your way to prosperity."

More than any company besides G.E., it was Boeing that was most directly shaped by Mr. Welch.

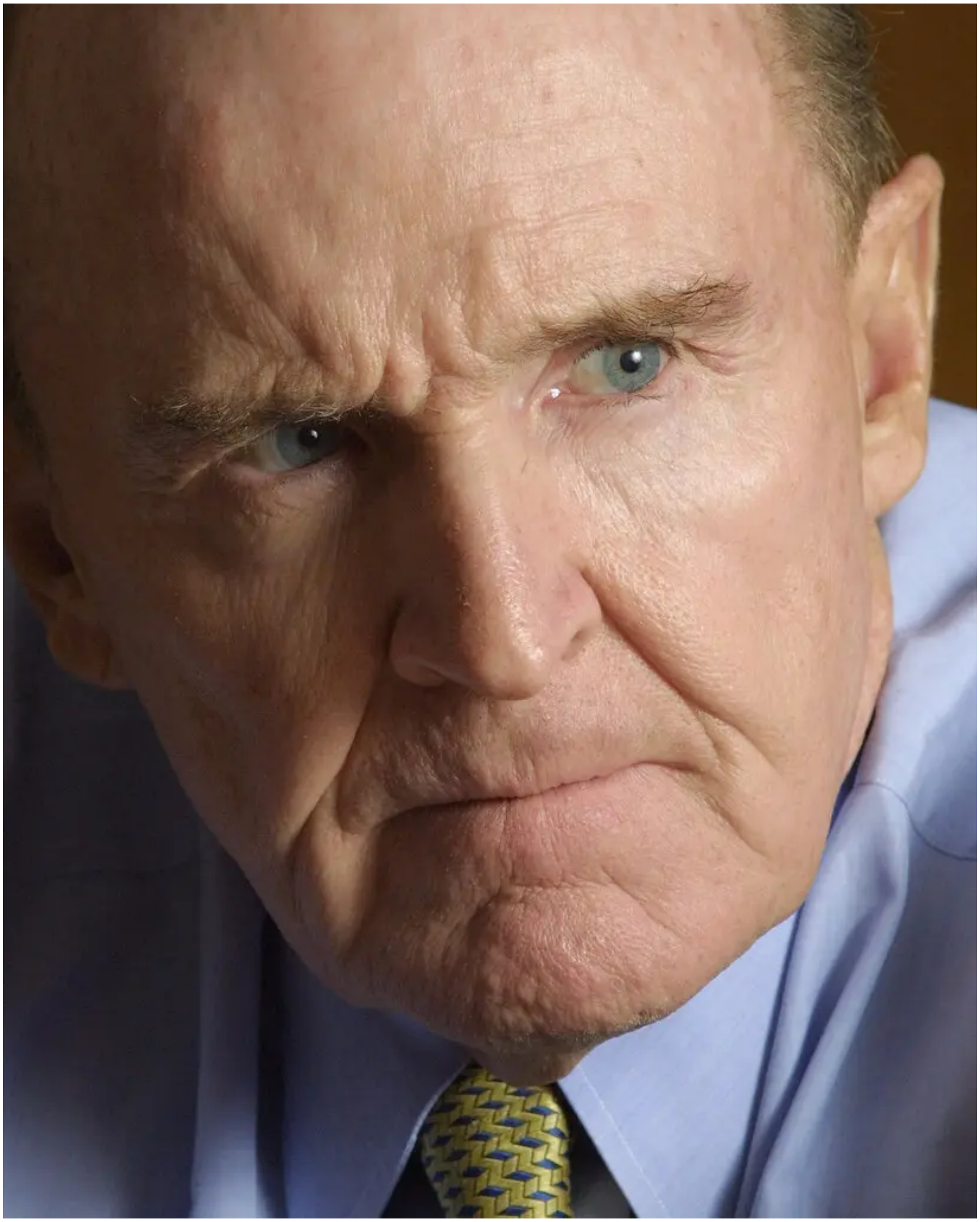
Over the past 25 years, a succession of men who worked for Mr. Welch refashioned the airplane maker's culture to resemble G.E.'s, transforming a company that once made a priority of aeronautical engineering into one that thrived on financial engineering.

The first was Harry Stonecipher, who joined Boeing in a 1997 merger. He moved the company headquarters to Chicago from Seattle to chase tax breaks, took a tough line with the labor unions and pushed the company to cut costs.

"When people say I changed the culture of Boeing, that was the intent, so it's run like a business rather than a great engineering firm," Mr. Stonecipher said in 2004. "It is a great engineering firm, but people invest in a company because they want to make money."

Next came Jim McNerney, a Welch lieutenant who was named C.E.O. of Boeing after Mr. Stonecipher was fired for having an affair with a subordinate.

Mr. McNerney moved operations to states with weak labor laws, embraced outsourcing, and in 2011 made the fateful decision to redesign the 737 — a plane introduced in the 1960s — once more, rather than lose out on a crucial order with American Airlines. That decision set in motion the flawed development of the 737 Max, which crashed twice in five months, killing 346 people. And while a number of factors contributed to those tragedies, they were ultimately the product of a corporate culture that cut corners in pursuit of short-term financial gains.



Mr. Welch's influence on American business continues to this day, informing how workers are treated, how shareholders are rewarded and how C.E.O.s comport themselves in an increasingly divisive age. Chester Higgins Jr./The New York Times

Even today Boeing is run by a Welch disciple. Dave Calhoun, the current C.E.O., was a dark horse candidate to succeed Mr. Welch in 2001, and he was on the Boeing board during the rollout of the Max and the botched response to the crashes.

When Mr. Calhoun took over the company in 2020, he set up his office not in Seattle (Boeing's spiritual home) or Chicago (its official headquarters), but outside St. Louis at the Boeing Leadership Center, an internal training center explicitly built in the image of Crotonville. He said he hoped to channel Mr. Welch, whom he called his "forever mentor."

'Mass neurosis'

The "Manager of the Century" was unbowed in retirement, barreling through the twilight of his life with the same bombast that defined his tenure as C.E.O.

He refashioned himself as a management guru and created a $50,000 online M.B.A. in an effort to instill his tough-nosed tactics in a new generation of business leaders. (The school boasts that "more than two out of three students receive a raise or promotion while enrolled.") He cheered on the political rise of Mr. Trump, then advised him when he won the White House.

Mr. Welch with Jeffrey R. Immelt in November 2000, when it was announced that Mr. Immelt would succeed Mr. Welch as chairman and chief executive of G.E. Nicole Bengiveno/The New York Times

In his waning days, Mr. Welch emerged as a trafficker of conspiracy theories. He called climate change "mass neurosis" and "the attack on capitalism that socialism couldn't bring." He called for President Trump to appoint Rudy Giuliani attorney general and investigate his political enemies.

The most telling example of Mr. Welch's foray into political commentary, and the beliefs it revealed, came in 2012. That's when he took to Twitter and accused the Obama administration of fabricating the monthly jobs report numbers for political gain. The accusation was rich with irony. After decades during which G.E. massaged its own earnings reports, Mr. Welch was effectively accusing the White House of doing the same thing.

While Mr. Welch's claim was baseless, conservative pundits picked up on the conspiracy theory and amplified it on cable news and Twitter. Even Mr. Trump, then merely a reality television star, joined the chorus, calling Mr. Welch's bogus accusation "100 percent correct" and accusing the Obama administration of "monkeying around" with the numbers. It was one of the first lies to go viral on social media, and it had come from one of the most revered figures in the history of business.

When Mr. Welch died, few of his eulogists paused to consider the entirety of his legacy. They didn't dwell on the downsizing, the manipulated earnings, the Twitter antics.

And there was no consideration of the ways in which the economy had been shaped by Mr. Welch over the previous 40 years, creating a world where manufacturing jobs have evaporated as C.E.O. pay soars, where buybacks and dividends are plentiful as corporate tax rates plunge.

By glossing over this reality, his allies helped perpetuate the myth of his sainthood, adding their own spin on one of the most enduring bits of disinformation of all: the notion that Jack Welch was the greatest C.E.O. of all time.