

JACK'S CATHEDRAL

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You're a newly minted CEO with a struggling global company. You make the tough call to lay off more than 100,000 people while simultaneously deciding to invest \$50 million in an executive education center. Are you flippin' nuts? "We were downsizing the company, and I needed a place where people could congregate and get the message straight from the horse's mouth, says Jack Welch, the former CEO of General Electric. "I used GE's Crotonville center as a vehicle to teach where we were going and why—our corporate values and vision." The decision was brilliant. GE is iconic for having an inordinate number of alums in CEO positions at other companies. Decades later Steve Jobs spent the last two years of his life essentially perfecting his own version of Crotonville at Apple. The corporate university model might have been around before Jack Welch, but he made it vital and sexy.

IN EARLY 1981, JACK WELCH wasn't yet known as "Neutron Jack" or the "Most Admired CEO in the World." At 45, after years ascending the company's corporate ladder, he was just starting out as General Electric's youngest chairman and CEO. He immediately stood out. In deciding to lay off thousands and restructure the company in his confrontational style, Welch transformed General Electric. But he also made a decision little-noticed at the time that would wind up influencing his entire 20-year reign. He resolved to create a world-class internal business school for GE managers. Best known as Crotonville, because of its location in a hamlet of the same name in the New York suburbs north of Manhattan, the school is now an essential part of Welch's legacy.

It didn't start out that way. Crotonville was founded by former CEO Ralph Cordiner in 1956—just a few miles away from the notorious Sing Sing Correctional Facility in Ossining, N.Y. The 53-acre retreat was designed to foster decentralization. As Welch himself explained it in his memoir, *Jack: Straight From the Gut*, "Thousands of GE managers were taught to take control of their own operations with profit-and-loss responsibility." It worked well for a long time. Instructors at Crotonville taught courses based on GE's Blue Books, which were thousands of pages of do's and don'ts. "Back in those days, the POIM (Plan-Organize-Integrate-Measure) principles spelled out in the Blue Books were like commandments," recalled Welch, who arrived at GE in 1960 as a \$10,500-a-year chemical engineer fresh out of the University of Illinois at Urbana-Champaign. "But once decentralization took hold, Crotonville was used less as a training ground for leadership development" and more as merely a forum

for delivering technical instruction or companywide messages.

By the time Welch took over at GE, Crotonville wasn't seen as a nonpareil proving ground for executive talent. Anybody could sign up for its programs—including those Welch called “the tired ones looking for a last reward.” No longer were GE's rising stars the only ones to attend. Welch thought Crotonville “was tired—real tired.” He had been one of seven contenders to become CEO—and hadn't bothered to attend a multiweek course on general management. In an earlier time not attending might have been unheard-of. Welch had one other bugaboo about Crotonville: Based on the single one-week marketing class he had taken there in the late 1960s, he remembered that the accommodations, well, stank. “Managers were being housed in barren quarters, four to a suite,” Welch lamented in his memoir. “The bedrooms had the feel of a roadside motel. We needed to make our own people and our customers who came to Crotonville feel that they were working for and dealing with a world-class company.”

So he set out to shake things up—at Crotonville, as at the entire company, whose traditional ways had produced torpor and complacency. Barely two weeks into his administration, Welch went to Jim Baughman, a former professor from the Harvard Business School who was running Crotonville. “We're going to be making all kinds of changes in this company,” Welch told him, “and I need Crotonville to be a big part of it.” Welch thought Crotonville would provide the vehicle to get his messages out to key executives “in an open give-and-take environment”—“the perfect place to break through the hierarchy.”

“We were going through radical change,” Welch told me in an

interview for this book. “We had become a bloated bureaucracy, and we had too many layers and filters on the message. We were downsizing the company, and I needed a place where people could congregate and get the message straight from the horse’s mouth. I used it as a vehicle to teach where we were going and why: our corporate values and vision.”

That was a view consistent with the center’s origins, but Welch believed the faculty, the curriculum, and the atmosphere all had to be overhauled. The first step: Fix the physical plant. Welch committed nearly \$50 million to modernize Crotonville over the course of the decade: a new residence center; a new “Pit,” the well of a brightly lit multilevel classroom center; and a helipad, so that Welch and others could whiz in from corporate headquarters, otherwise an hour’s car ride away in suburban Connecticut or Manhattan. When Baughman gave Welch a chart-filled preview of his presentation to the GE board of directors, Welch replaced the specific “payback analysis” figure on the last chart with the word “INFINITE” to underscore Welch’s belief in the limitless ROI for Crotonville.

The decision to remake Crotonville naturally had its critics. It didn’t help Welch that he was producing plenty of grist for the “Neutron Jack” mill. Within a few years of his taking charge, about 25% of the GE workforce was sent packing—more than 100,000 people. By his own admission, Welch was “adding fuel to the fire” by investing millions in items he acknowledged some might call “nonproductive,” like a gym at headquarters. The Crotonville upgrade fit into that narrative, and critics within GE took to calling the resplendent new digs “Jack’s Cathedral.” The high priest was unrepentant. “You can’t aim to be the best

company in the world with cinderblock cells,” Welch told me. “You had to have a beautiful symbol of excellence.”

Once Crotonville’s facilities became first-class, Welch demanded the same for its students. Attendance would now be by invitation only. Crotonville had become a place where you put people who could afford to be away from work for a few weeks,” Welch said. “It was not a prized assignment to be ‘sent up the river.’ I wanted it to become a place where the reaction around the company was, “Ohmigod, *he* got selected?!” (Let it be said that Jack Welch was never shy about fomenting competition inside GE.)

What actually went on at Crotonville, in the classrooms and beyond, revolutionized the company. While there still were the standard array of functional courses, ranging from new-employee orientation to marketing and finance, the crucial part of the curriculum centered conceptually on leadership. The faculty created three levels of leadership courses, each running three weeks: the Management Development Course (MDC) for potential stars who were early in their careers, the Business Management Course (BMC) for midlevel managers, and the Executive Development Course (EDC), for those Welch said had “high-potential characteristics.” The EDC was so exclusive that nobody could go without approval from the head of human resources, the vice chairmen, and Welch. The “faculty” was made up of GE outsiders, like regular faculty members from Harvard and other elite business schools, though increasingly GE executives themselves taught at least part of the courses. Similarly, while case studies—the bedrock of an MBA curriculum—were used, they were increasingly based on issues at GE rather than at other large companies.

The MDC was offered roughly six to eight times a year. With up to 100 students in each class, it was taught entirely at Crotonville. The two higher-level courses used what Crotonville called “action learning,” which tended to concentrate on a single topic, like quality control, or a single country. Sometimes the classes took place in that country. For example, on the day the Berlin Wall came down, GE was teaching the BMC there. The BMC was offered three times a year and had 60 managers per class. The EDC was taught but once annually and had three to four dozen of GE’s best and brightest. Both the BMC and the EDC culminated in a presentation of recommendations to Welch and other top executives. That was one way the participants came to understand how seriously the brain trust took Crotonville. Today, 90% of GE’s top 600 managers are promoted from within.

Welch and others viewed Crotonville’s managers qua students as in-house consultants. “They evaluated how fast and effective” GE’s new initiatives were doing, Welch said in *Straight From the Gut*. “In every case, there were real takeaways that led to action in a GE business. Not only did we get great consulting by our best insiders, who really cared, but the classes built cross-business friendships that could last a lifetime.”

By the 1990s, according to Welch, Crotonville had completely turned around, and was “an energy center, powering the exchange of ideas.” Teachers saw in the classroom that they were getting the best students GE had to offer, and the students themselves—in part because of the very fact they had been invited—bought into the notion of an in-house corporate university, much as they had when Crotonville began.

Crotonville also began inviting in major GE customers, both to

offer ideas about “best practices” and to listen to GE’s ideas about them. For prospective customers, such coveted access might be why GE ended up getting a deal over a competitor offering similar prices. Steve Kerr, who at one point ran Crotonville for GE, recalled that when a customer was deciding between, say, GE Plastic and ABC Plastic, where price and availability were basically equivalent, the trump card GE played was Crotonville. Kerr says the sales conversation would go like this: “If you purchase GE Plastic, we’ll throw in some tickets for your leadership team to participate in the highly coveted Crotonville education center. After all, it’s not about the plastic, it’s about helping you become a better leader so you succeed.”

Eventually the faculty became dominated by GE insiders, in large part because Welch read in *Fortune* that Roger Enrico at Pepsi was teaching leadership courses to his executives. These days the vast majority of Crotonville teachers come from GE. The main attraction for years was Welch. Though he had a Ph.D. and once considered the university life, he had been an executive his whole career. Even so, he fancied himself a teacher and early on often informally taught those at GE. One technician, Pete Jones, needed math help to get a degree. In Welch’s office in Pittsfield, Mass., he tutored Jones—and if Jones wasn’t picking things up fast enough on the blackboard, Welch threw chalk on him. Jones would go on to a 30-year career teaching in the local school system. Welch loved being in the Pit at Crotonville, where several times a month he held forth for four hours or more. He would usually arrive near the end of a three-week course, after other teachers had primed the audience to duel with Welch.

“It was one of my favorite parts of the job,” he recalled in his

memoir, noting that he taught roughly 18,000 students in 21 years. “Going there always rejuvenated me.” Welch’s MO wasn’t lecturing but engaging in a give-and-take, though it took a decade before the students developed enough gumption to do as much “giving” as the CEO. Before class, he would often arrange to have distributed a handwritten memo of his agenda. For one MDC, reproduced in his memoir, he wanted to cover “What are the major frustrations you deal with on a daily basis?” and “What don’t you like about a career in GE that you would like to see changed?” In the EDC class, he asked what would they do “if they were appointed CEO of GE tomorrow,” which a few of them aimed for, if not tomorrow, then one day. One manager, Jeff Immelt, did go on to succeed Welch (though Welch can’t recall whether Immelt ever answered the question in class). Sometimes the class would cover a recent management or ethical dilemma, like how to fire an employee or whether to close a domestic plant—and sometimes the line executive was even there to explain a decision. Those were “rich” and “personal” discussions, Welch wrote. “Everyone in the room left knowing they weren’t alone in facing a tough call.”

After a full day in the Pit, Welch met students in the rec center for drinks and more debate. Over time students appreciated that they were hearing about GE strategy straight from the boss, which was not always the same line they were hearing from superiors back home. Any large organization struggles with the disconnect between the message given out at the top and the message as it’s filtered by those with their own agenda or merely a bad ear. Initially that bureaucratic disconnect—Welch called it “pockets of resistance”—led to confusion and annoyance among

the students. Eventually, though, Crotonville succeeded wildly in giving the CEO of a multinational colossus a convincing, authentic way to solve that disconnect.

Welch used the liberating dynamic of Crotonville—openness, directness, responsiveness—to create Work-Out meetings at various corporate locations. “Coaching” and “listening,” rather than “preaching” and “controlling,” were the watchwords. During a session lasting a few days, prompted by outside “facilitators,” groups of 40 to 100 lower-level employees got to vent their spleens—in the service of taking unnecessary work out of the GE system. The best part may have been that managers who attended the sessions had to give yes-or-no decisions on the spot for at least 75% of the ideas suggested; if they couldn't decide, they had to give a date for resolution.

Whereas over the years tens of thousands have made it to Crotonville, hundreds of thousands began participating in Work-Outs and other training that were inspired by the lessons of Crotonville. Many programs are in the U.S., but a number of others are in such places as Shanghai, Munich, Abu Dhabi, Brussels, New Delhi, and Mozambique. “Small wonder that people began to forget their roles,” Welch wrote. “They started speaking up everywhere.” A GE appliance worker put it bluntly to Welch: “For 25 years you've paid for my hands when you could have had my brain as well—for nothing.”

That is what was wrought by Crotonville, which was aptly rechristened the John F. Welch Leadership Development Center. As of 2012, some 10,000 students come through its doors each year. Half are from abroad. The GE Women's Network puts on a Leading & Learning summit for 150 women leaders.

A “journey to Crotonville,” boasts the GE mantra, “is something of a pilgrimage—a transformative learning experience that, for many, can become a defining career event.”

Crotonville’s cultural legacy extends beyond its corporate boundaries. None other than Apple seems to be trying to emulate it. Inspired in part by how “the HP Way” proved to be Bill Hewlett and Dave Packard’s most enduring contribution to the Silicon Valley canon (see Chapter 17), Steve Jobs spent part of his final years aiming to perfect his own version of Crotonville: Apple University, a secret executive-training program that would institutionalize the surely idiosyncratic gifts of the late, great co-founder.

Shocking the world of academe, Jobs in 2009 convinced Joel Podolny to leave the deanship of the Yale School of Management to build it. Podolny’s job is somehow to put together a curriculum of people and ideas and written materials to show Apple managers how to thrive, even if they could never—and should never—seek to think as Jobs would have. Such is a formidable, perhaps impossible, task. Before GE and Jack Welch made the corporate-university model vital and sexy, it would have been an unthinkable assignment.