The Man Who Broke Capitalism: How Jack Welch Gutted the Heartland and Crushed the Soul of Corporate America—and How to Undo His Legacy

Jacob Morgan 00:00
Hey, it's Jacob, I'm excited to announce that my brand new book leading with vulnerability is now available for pre order. And I can promise you that after reading it, you will never think about and approach leadership the same way ever again. This book flips the conventional ideas and wisdom of vulnerability on its head. In fact, I argue that you should not be vulnerable at work. But instead, you should lead with vulnerability. And there is a very clear and specific distinction between those two. Now, how do you do it? How do you approach it? How do you tap into vulnerability in the right way, because there is a right and a wrong way to do it. To figure that out, I surveyed over 14,000 employees, and I interviewed over 100 CEOs of companies around the world. And I put all of that together into my brand new book, aptly called leading with vulnerability, which you can now pre order it's coming out October 3, but you can now pre order a copy by going to lead with vulnerability.com. And if you grab a hardcover copy, I will give you access to a couple exclusive CEO interviews, including those with the CEOs of GE, the CEOs of American Airlines, Edward Jones, and a couple others. I'll give you a sneak peek of the book, I'll send you a few chapters of it. And I'll invite you to a private and exclusive webinar that I am hosting, which will take place before the book comes out so I can introduce some of the concepts and ideas to you. Again, all of this is available by going to lead with vulnerability.com

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I don't have a beef with Jack the man and I really took pains to make this book I hope about a system and about an economy and about a way of living that we're all a part of.

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My guest today David Gillis, he wrote a best selling book called The Man Who broke capitalism how Jack Welsh gutted the heartland and crushed the soul of corporate America and how to undo his legacy. What's your beef with Jack

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my beef with Jack is that at the end of the day, he more than anyone else is the individual I believe is responsible for so many of the problems we have in our economy today. When you look at anything from income inequality, to the way that corporations run roughshod over communities to the way that they treat their workers as a cost rather than an asset. Jack Welch is the one that set the precedent.

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Hey, everyone, welcome to another episode of great leadership. My guest today, David Gillis, he wrote a best selling book, which I've been getting actually a few requests to get you on the show, David. And the name of the book is called The Man Who broke capitalism, how Jack Welch gutted the heartland and crushed the soul of corporate America, and how to undo his legacy. It's a very, very brutal title of a book. David, thank you for joining me. Thanks for having me. So of course, first, I have to ask, what's your beef with Jack?

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You know, I don't have a beef with Jack the man. And I really took pains to make this book. One that was not so much about an individual, as it was, I hope about a system and about an economy and about a way of living that we're all a part of. But since you asked my beef with Jack, is that at the end of the day, he more than anyone else, is the individual, I believe is responsible for so many of the problems we have in our economy today. When you look at anything from income inequality, to the way that corporations run roughshod over communities, to the way that they treat their workers as a cost rather than an asset. Jack Welch is the one that set the precedent.

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Let's start off with business before Jack and then we can talk about some of the things that Jack actually did. So before Jack was CEO, and you're saying talking about income inequality, and things like that, what what was it like before? Jack? Yeah, I guess you could say, influenced his reign, or made all these changes.

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So we have to go all the way back in history to the post war years. And I try not to be overly pollyannish about this. There were always problems. There are deep inequities, minorities and women did not have nearly an equitable share of the economic pie. So let's say all of that up front. It It's also true that big corporations had a fundamentally different relationship with their workers and with their communities than they do now. They're the presiding ethos of the day from call it the late 40s, through the early 70s, was that well, what was good for the company was good for the country, and vice versa. So it wasn't this winner take all mentality where corporations were trying to maximize their short term profits at the expense of everything else, you know, like society and communities and the health of our national balance sheet be damned, there was a really a sense that we were all in it together. And what that did was informed decisions about how CEOs treated their workers, how they compensated their workers, you know, what they considered when it was time to make a big acquisition, or what it was, you know, what was on the table when something went wrong, right, when profits dipped, was the reflexive instinct to a turn to mass layoffs, and fire 20,000 people's Like, it wasn't, that's not what happened, until Jack came around. So again, I don't want to overly romanticize it. But it's important to know that there was a different version of capitalism, that was really, you know, the provide the prevailing ethos for the sort of glory days, the heyday of the late 20th century, when a lot of people think this country was at its best. Yeah.

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But you know, back in the day, we also had things like, or people like Frederick Winslow Taylor, and we had these ideas of, you know, unless you're a manager, you're too stupid to know the role of your job.

And you should really just be focusing on the task, not about, you know, kind of the management, the leadership aspect, and let's try to shave seconds off of the tasks that you're doing. So there, there were some challenges to in the past, but it sounds like what you're saying is Jack really kind of blew things up with a lot of the things that he implemented.

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Yeah, I mean, I, there's so many different ways, we can look at this very complex thing of like, what is work and who was doing it at what level of a corporation at any moment in history. And to your points, there's no doubt that there was probably not the same opportunity for individuals on the frontline to make an impact in a big organization. I think Jack deserves some credit for that his whole work out philosophy was really rooted in trying to get frontline men and women, the tools and the autonomy, they needed to fix company wide processes that maybe weren't going as well. I think it's also true that, you know, there was certainly entrepreneurial spirit in America back then. But we didn't have anywhere near the sort of dynamic, vibrant economy and the startup culture that we have today. So again, like not saying everything was perfect back then, however, I keep coming back. And really the through line of this book is when a corporation is making millions or hundreds of millions or even billions of dollars in profits each year. How are they allocating it? What are they doing with those profits? Like who benefits and the the undisputable truth? Is that back in what again, sort of was called the golden age of capitalism, perhaps overly romanticized. They were giving more money to workers. They were giving more money to the government in the former taxes. They were taking better care of their communities. They were investing in cities like Schenectady and Erie, and Cincinnati, instead of reflexively turning into offshoring and outsourcing, and they're in, in my mind buys a huge part of the meta narrative of this country for the last several generations the last 75 years.

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Yeah, it's interesting. While you were talking, I was also looking up the pay gap of the 60s versus what it is today. And I guess in the 60s, the CEO, the pay gap was 21 to one, meaning the CEO would make 21 times as much as I believe the is it the lowest is the official criteria, the lowest paid employee.

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No, it's the median, the median voice, it's not that low, 21 times

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medium. And today, it is closer to 351 times the median. So it's ridiculous. It seems like more money is going to be CEOs than ever before.

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And it gets a lot higher than that. At some of our best known companies. I've written about CEO compensation for years now. I remember there was a moment when I did the the story. There's always like a news cycle around this usually sort of mid year ish, when all the proxies are finally out, like April or so. And the Walmart, you know, Doug McMillon, who is doing a lot of good stuff, right. And I think he's trying to do right by his associates in many ways. But let's face it, right, that ratio, which is an SEC mandated disclosure now was like 1000 to one. So Doug McMillon was making in one year, what it would take his median associate 1000 years to make, but there's nothing like not that there's no way I

think that feels good. Now for an individual contributor. I can't imagine it feels good for management, and certainly doesn't feel right for society. Yeah, it's

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crazy. Well, let's talk about some of the unique practices that Jack implemented. I think you talk about a couple in the book downsizing, dealmaking financialization. And, you know, a lot of people hear stories of Jack and they probably know that he was known as neutron Jack. But I also don't think a lot of people really know exactly what Jack did. And that's why I like some of the way that you unpacked it in the book and even I had no idea about a lot of these things. So maybe we can jump into some of those practices. Are those the three main ones that I get those right downsizing deal making financialization?

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Yeah, thank you for reading so closely, and those are sort of the three pillars of what I sort of described as welfarism. Right, I got to invoke invent my own verbiage for this book. So

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let's talk a little bit about what those are. So let's start off with downsizing. So what what did he do and why is downsizing such a bad thing? Because we hear about that. That phrase is used all the time in corporate America. Anytime a company is going through layoffs or downsizing, we're letting people go, it's kind of like daily business jargon.

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Yeah. Layoffs can be unnecessary. You know, I've never run a business. So you know, who am I to say that a company can't lay off its workers? I'm not that naive. I've been writing about business for 15 years. I get it right. There are moments when the numbers don't work. And headcount reduction is like an unfortunate necessity. But that's not what Jack did. You know, when Jack Welch took over General Electric in 1981, the company had just printed a $1 billion annual profit billion, which is pretty dumb. billion with a be pretty darn good for 1980. Right? Pretty darn good. And the stock hadn't moved much in the last decade. To be sure. There was certainly a lot of change afoot in the global economy, right? The post war era was shifting. Wall Street was coming online with new and more innovative products, Germany and Japan were out there as real industrial competitors. So things were there was a sense that things were going to change. But GE was doing just fine when he took it over. But what did he do? If you look at those first couple of years, he was running. GE, he unleashed a wave of downsizing and mass layoffs, and factory closures, the likes of which corporate America had simply never seen before. We are talking 10s Or depending on how you accounted even a hundreds of 1000s of jobs eliminated in a matter of months. And he did it this is what's so critical. He did it not because those businesses were failing. He did it because he wanted to reduce headcount, reduce the amount of money GE was spending on its people, and tighten the business in a way that allowed it to focus on only the most profitable divisions. And you might say like, well, what's wrong with that? Well, in principle, nothing. But the end result was by doing that much downsizing, mostly layoff but all it was a certain amount of outsourcing and offshoring. In such a short amount of time, he fundamentally destabilized the American middle class. It just got to the point where, you know, whole towns that had their economies essentially built around GE, suddenly had the rug pulled out from under him. And that of course, is when to your earlier point, Newsweek, in 1983, dubbed him neutron Jack, because there was this sense that like, like

the neutron bomb when it purportedly went off, the buildings would still be standing, but there are no people left inside. And that immediate wave of downsizing was so shocking to corporate America. Yeah, it got the attention of 60 minutes and Newsweek, which did stories about it. But it also critically gave cover for other CEOs to start doing the same thing. Because here, we gotta just, if you'll permit me take a little history lesson and understand that GE, for most of the 20th century had been the most important company and iconic was the one. It Forget being an iconic brand. Yes, it made toaster ovens and refrigerators and jet engines and X ray machines and everything you could imagine. But inside the world of management in the world of the, you know, CEOs and business schools, it was really the Pace Setter, as GE went, so went the rest of corporate America, and its CEO always had this sort of outsized ability to set the tone for corporate America and what it what that CEO did, was sort of okay for other CEOs to do. And other companies wouldn't mirror GE org charts. And its its training apparatuses. And so when Jack gets out there and starts firing people by the 10s, and 50 1000s, other CEOs say, Oh, we can do that, too.

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So it seems like what Jack Welsh did, it's, it's not the fact that he did these things, but he did it, not because the businesses were struggling, he was doing it to, like you said, kind of tighten the business and to make the balance sheet look even better. So it's, it's not, it's maybe the reasons why he was doing it as opposed. Like, for example, let's say GE was on the verge of bankruptcy, they had to close all these plans, they had let go of 10s, hundreds 1000s of employees. And that case, maybe would have been more understanding or realistic for why they were doing it. But it sounds like what you're saying is the company was profitable, the business was doing well. And Jack just went in there and said, You know what, I want to be looking even better. And that's why we're gonna let go of all these people and shut down all these factories and mess things up.

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That's right. And I mean, he was chasing margins, and he was chasing quarterly earnings. And listen, I even questioning that I recognize is like blasphemous, right in, in capitalist America, because it's so engrave that like, Well, yeah, that's what it's all about dummy. But But what I try to remind people in this book is like, that's actually not a, what it has to be all about. Be, there's no law that says that's what it's all about this notion that like, you have to put shareholders first. Everything else be damned is like a collective illusion that people have created. And see, right? Doing so has consequences. You spend for 20 years as CEO, as he did, putting profits first. And people last, like there are real effects on culture, on communities, and ultimately, on the business itself.

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It's funny, because depending on who you talk to, some people say he was like the greatest CEO of the generation. And some people were like, This guy was a complete bastard, he caused so much harm. So I like I find it very interesting that there's two sides of this. And I've interviewed a lot of CEOs on this podcast who've worked with or for Jack Walsh, one of them was Frank Blake, the former CEO of the Home Depot. And he told me that you never took a meeting with Jack Welch sitting down because he would get you know, fired up. And you'd kind of be like pacing while you're on the phone with them. And it's funny, the Conversations frequently separate between Jack Welsh as the person versus Jack Welsh as sort of the the CEO and the business decisions that he made. So why do you think that's the case?

And I'm also really curious, do you think if Jack Welch was not the CEO of GE, let's say he was the CEO of, I don't know, Pepsi? Or or some other brand that wasn't maybe as influential in the world as GE was at the time? Would his impact had been the same? Like was it more of a Jack Welch thing or more of the fact that he was the CEO of a GE thing?

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Like I alluded to earlier, you know, GE was singularly influential. And so that's part of my argument is that the fact that this one individual had so much influence and such an extreme posture and extreme playbook at the most influential company in corporate America, that created this situation where he has really unmatched influence on the last 50 years of American capitalism, I would write down and to your point you've interviewed lots of people worked with him. He mentored more proteges than absolutely right. Unbelievable run and influence and that in you know, In my research, it became so clear, he was able to spread his fingerprints all over the economy. Because these men and they were almost all men, took his playbook and went did the exact same damn thing and all these other companies, whether it was Jim McNerney at 3am, and Boeing, whether it's Bob Nardelli at Home Depot and Chrysler, whether it was Dave Calhoun, who's still to this day, running Boeing, having previously been CEO at Nielsen and done serious stints on some other companies. These men are all over the economy, dozens and dozens of them which I catalogued in the book, and almost to a man, they did the exact same thing they got in there, they immediately did a round of headcount reductions to try to boost margins, they use dealmaking to try to create tons of inorganic growth, to drive

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deal making actually. So what exactly is deal making?

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I mean, we all know what deal making is on this podcast, right? You're like buying and selling companies. I got my start as an m&a Reporter. So I was in the trenches with these dealmakers said

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why is deal making? Why was the way Jack did it that?

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Well, two different questions right I'm far be it for me to say the deal making is inherently bad I get there good acquisitions. Of course. The way he did it, though, it's all about the why right? The way he did it, and why he did it is crucial here. He was doing it to essentially grow. GE is top line in the service of growing its stock price, right? We all know that there is a correlation between just you know, revenue, and overall market cap, inevitably, right seems natural. That was not lost on him. And when he went looking for growth, with this intention to make ge the most valuable company in the world, he understood early on, like organic growth wasn't gonna get him there. You could sell all the refrigerators you want, it was never gonna be the biggest company in the world. So he goes looking for targets. He goes after RCA right, which gives him essentially like monopolistic share in certain industrial businesses, gets an NBC as well gets into the media business. He goes after Kidder Peabody, which gets him in to the finance business way deeper than GE, you know, what, what had been this tiny little unit of GE Capital, but gives him sort of the building blocks to go and do what was the majority of his

acquisitions, all of which were in the service of GE Capital, you know, turning what was effectively like a small little loans business helping companies like amortize the purchase of a big industrial piece of equipment into what was effectively by the time he retired in 2001, an unregulated bank, they had commercial real estate portfolios, they had Thai auto loans, they had high interest credit cards, they were doing private equity bridge loans, they were doing everything you could imagine. And it was absolutely the furthest thing you can imagine. From the GE we all have in our imagination, right? The GE that helped peep put people on the moon, you go back and watch the Apollo 13 footage. There's GE engineers in there, the GE that helped America win World War Two with sophisticated radar technologies and early jet engines. The GE that like made possible transatlantic flight with real jet engines on the wings of Boeing wide body jets. Like that was the GE the Jack Welch turned his back on. Instead, he was fascinated by Wall Street. And he tried to make his company as near a real competitor to the big investment banks that he envied as he could.

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So was the problem with his approach with deal making. Because obviously, he made a ton of acquisitions, but it sounds like what you're saying is he made the acquisitions purely to drive the top line numbers and then kind of turn those backs on turned his back on those companies or what, because some people might be listening to this thinking well, so what's wrong with that? Like he made a bunch of acquisitions, he grew this big business well, like I don't get it.

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But he took what was an industrial company and turned it into a financial company. And in doing so, he let go of what I argue is like the DNA of GE, you look back for the first 100 You know, the majority of the first 100 years of this company, and it was the best maker and designer of industrial products in America, right? It was the most important industrial company in the century, when America defined its dominance in the world by its industry. Trailer manufacturing prowess, he turned his back on that. And as he was spending all this money, I had this quote in the book right from from the former CEO of the Financial Services Division, Gary, when he says, we would all get together all the heads of the different divisions, and he would tell everyone else to shrink their business to stop spending on r&d. And he would tell me, the financial production to grow, grow, grow. And so we saw r&d fall off, we saw GE start to sell its historic appliances, businesses late in business, all the businesses that had like defined GE, were cast aside over the years. And they got to the point where, you know, in pursuit of margins and trying to make GE Capital ever bigger, General Electric in 2005, admittedly, shortly after Welch have retired, goes out and buys WMC Western acid Asset Management Corporation, the largest holder of subprime mortgages, right, like that's the kind of assets GE was getting after, with ones Jack Welch took over. Yeah. And

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aerospace company.

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Yeah. McDonald's buying,

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like, crypto, yeah, it's just like out of left field, it doesn't make sense.

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It was a femoral. And it had nothing to do with who they were all about.

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So what was the impact of that? So, you know, you could chalk that up to just well, you know, Jack was just making some bad business decisions. And you know, he made mistakes and this and that, but did that have negative repercussions on the economy on GE as a company on the lives of employees, like what was? What was the outcome of this deal making that he was doing?

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Well, one of the most remarkable things and no one would ever take this away from him. And I don't try to in the book is that he got away with this. You know, this playbook worked for most of his 20 years as CEO, he did make General Electric, the most valuable company in the world. He did keep it there for like the better part of a decade, he did go out close to the top. And it's also true that the, I mean, it's legend at this point, but Jeff Immelt, second full day on the job was September 11 2001. So you know, Jack always had a knack for time. And you got out it just the right way. I had

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Jeff on the podcast, too, as well.

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Yeah, yeah. And I talked to Jeff at length for this book. So you know, he, we have gone back and forth about this subject matter for years and years. And I, you know, a lot of respect for him. And he's got his version of what happened, and this is fine. But so, in that moment, right, in those in those tragic and complicated and confusing months after September 11 2001, one of the many things that happen is that analysts, other executives started looking really closely at what GE was all about. And they really didn't like what they saw, right, Bill Gross, the bond king, he suddenly is like, I'm out, he you know, for so long, a boozer of GE, really digs in, and he realizes Wait, this like looks like a house of cards. And what they see is that, you know, a generation of starving the industrial divisions of r&d of failing to be on the leading edge of product development, of failing to invest in the workforce of becoming evermore reliant on suppliers, and at times inferior overseas manufacturing operations, has left GE in that moment, with a real crisis. They were not nearly as competitive as they needed to be. And the one division that had to had the undisputed mandate to grow, grow grow. GE Capital, was totally exposed in a world turned upside down by the terrorist attacks. And at that moment, which is really the beginning of Jeff Immelt tenure, marks the beginning of the end for the company, which is of course today, in the process of being broken up once and for all.

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Yeah, yeah. I mean, today, it's who knows what's even going on over there. It's hard to even keep track. But it seems like the brother splitting

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it up right there were three divisions left, and they're selling them, right. They there are three independent companies, they're spinning them out one by one, there's going to be aircraft engines, there's going to be medical devices, and there's going to be power. And who knows, right? Like those get gobbled up by private equity. But what we know is that General Electric, as we know, the General Electric that was founded with Thomas Edison, as a core part of its DNA, the General Electric that was a paragon of modern management philosophy. For all of the 20th century, the General Electric that a one point accounted for 1% of the gross domestic product of the United States of America, the General Electric that Jack Welch took over with a billion dollar profit in 1981, that General Electric is gone forever.

Jacob Morgan 30:18
I started out with a very basic question when I wrote this book, is vulnerability for leaders the same as it is for everybody else? And it turns out, the answer to that is no. So how do the world's top leaders tap into vulnerability in the right way, so that they can lead through change, unlock the potential of others drive business performance, create trust, if you want to find out, preorder your copy by going to lead with vulnerability.com. And you'll get access to some really cool bonuses there as well. Again, that's lead with vulnerability.com.

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In inside of an organization or four leader, what do you think some of the variables are that encourage vulnerability,

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first of all, leading by example. And secondly, when you see somebody struggle, or when you on a certain area saying, Hey, buddy, it's okay, in front of a group, it's okay, be courageous enough to ask for help.

Gary Smith 31:11
People have got to admit that we're not all perfect leaders jobs are really to make sure that the teams that you create are in a safe environment, and you've got diversity of view is is genuinely encouraged.

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It's interesting. It's almost like he tried to be amazon before Amazon was Amazon. Like he tried to do, he tried to be the everything company to everybody, which is kind of like what Amazon's trying to do. I mean, it's Amazon is in every setting rockets to space delivery. I mean, they're in every nook and cranny that you can think of, which is kind of interesting, because maybe Jeff Bezos approached it in a in a different way. But it seems to me like what Jack Welsh did is he focused a lot on the short term without looking at the long term of where the company's going in 1020 3040 50 years, he was just very, and that's probably a good case study of what happens when you focus on short term value instead of long term growth. But I don't know how much you follow anything that Jeff Bezos is doing? Do you see any comparison there like is Jeff Bezos just approaching it differently? Because when you look at the stuff that he's doing, to me, it seems very similar to maybe what Jack Welch did not in terms of downsizing, necessarily, but the deal making side like getting into every possible business.

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In the book, I make it clear, there's no obvious and perfect comparison between a company today and a company like GE At its heyday. But I say in the book, you know, the nearest approximation is amaz. Now, and I say that for some of the reasons you mentioned just now, but I really focus not on the strategy so much as I do on the treatment of the workers. And when you look at the ways that Jeff Bezos, from the inception of Amazon, tried to create an arm's length distance with his workers, to the point where, you know, the churn at a lot of the warehouses is over 100% a year. There's literally like, they cannot keep someone for a year. We've done a bunch of reporting on this at the New York Times. So in just how brutal and thankless and tireless those jobs are, that has such distinct echoes to me, of what what was known at GE as the campaign against loyalty. Right? Early on in Jack Welch. His tenure, he as he went to the war with the unions, as he unleashed this wave of downsizing, as he made it clear that no one was safe at a company where you could previously sort of have expected lifetime employment. He was it was called internally the campaign against loyalty. And when I say Bezos has done yeah insisted in systematically creating a culture that disincentivizes people from really staying with the company in a way to limit the organization's exposure to the high cost of labor in this country. Well, that is in my mind, like just about the nearest approximation as you can get to Jack Walsh today.

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But the last element and I guess we kind of touched on this was the financialization. Can you expand on that a little bit?

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Yeah, we did. I mean, you know that to me all comes back to GE. GE Capital existed before Jack Welch took over it was called something else but basically, it was a little division inside the company that would issue essentially loans to to corporations, if they wanted to spread out the purchase price of a big piece of industrial equipment over, you know, months or even years, what he saw in these early 80s, as Wall Street is suddenly a totally different animal, animal spirits were stirring out there, there was all this interest, all this new understanding of what could happen. Now that technology was being able to move money around the global economy was getting integrated with the American economy. He understood, and he says this, in his autobiography, he says, After a life are going to get us a little wrong, but he says something to the effect of after a life of like bending steel, I understood, it was a lot easier to make money with money now than it was by trying to bend some steel. And there was just this innate, you know, accurate recognition that if you're in financial services, and you can come out on the other end of trade, and I'm just looking at private equity and hedge funds, Dave, you're taking two and 20. It's sort of hard to screw up that business. And that's a that's a business model that looks a heck of a lot better to Jack Welch than refrigerators. But But Jack Welch didn't get hired to run a bank, Jack Welch got hired to run GE. And So therein lies sort of this, like cardinal sin, you know, and I didn't say it quite like this in the book, but it's almost like, you know, it's almost like he got hired for one job and did a different one at the end of the day. Right. And most people get fired for that. But the upshot is he made a lot of money for himself a lot of money for some of his executives, not only for GE shareholders, if you bought at the right time and sold at the right time. But you got to think about those GE pensioners who thought the giving their lives to this company was going to be worth at at the end, and then saw the value of their shareholdings just plowed once people understood what was really

going on at that company. And those people were left high and dry. As Jack Welch was, like, still living in Trump Tower, getting all of his amenities paid for by today's GE shareholders.

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Do you think part of this comes back to the debate between shareholder over stakeholder value?

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Yeah, absolutely. And I get into that towards the end of the book, and I don't think you know, it's not black and white, right? Shareholders are really important stakeholder. And I am not one to sit here and say like, I don't believe in profits, and we shouldn't have profits, right. I work for a for profit company. And I'm proud and grateful when we're turning a profit because then we have money to reinvest in the important work we do and shirt like spread the wealth a bit, all good things. It's all about the extremes, though, right? Jack Welch did it to the extreme. And to the exclusion, he focused on shareholders to the exclusion of all other stakeholders. And this is this sort of perverted view, perverted interpretation of the Milton Friedman phrase from the 1971 New York Times essay, you know, the social responsibility of businesses to increase its profits. That line which is, you know, somewhat been taken out of context, not entirely, but somewhat, has over the years become a justification for all manner of corporate bad behavior. And Jack was like public enemy number one, when it came to that offense. He took that that aphorism which he repeats in his own autobiography, and uses it as a justification for turning his back and his companies back on the people that made a great on the communities that had played home to its factories and its offices for so long. And ultimately, I argue, turning his back on the whole country.

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How would you change that statement, then? I mean, if you said that the purpose of an organization is to make more money for shareholders, but in a human way, would that be more applicable? Or is it no longer just about making the greatest profit that you can? Because as you know, there's a big debate today, I think you've written about this as part of your column as well. But whether you look at DTI, or whether you look at corporate social responsibility, you look at ESG. It's a very, very polarizing topic, right? Where some people say the rule of business, they should stay out of these issues. And it's not up to the business to decide where my money goes. It's not up to the business to you know, focus on social causes. Like that's not where the business goes, I just care about making as much money with the company as possible. And then the flip side of that, is other people say, No, businesses shouldn't be investing in those social causes and dei and it's like this very polarizing debate. I'm curious to hear where you stand on that.

39:54

Yeah, it sure is. And as an AI it's far better for me that I I can be the one to decide the murder. Debate. Right, right. So I won't dodge it. But I also want to distinguish a couple of different things. Let's come back to businesses and their role in the social and political and cultural wars debates. That's a that's a real and important issue. But in my mind, it's actually separate from what we're talking about here. We're talking about in my mind, when we talk about how Jack Welch ran GE, the choices he made, the trade offs he made, it really gets down to that framework I had earlier in the conversation of like, great companies making a billion dollars, how are you spending? Right, who benefits? How are you distributing those profits? In my mind? The real question is, if you're returning a ton of capital to shareholders, in the form of buybacks, or dividends, are you doing so knowing that all the people in your stack are taken care of? The question I always like to ask CEOs is, What is life like for the person on your payroll? Who makes the least amount of money? Really? I mean, like, that's a serious question. And a lot of them don't have a answer. Because they don't even know. And a lot of CEOs, when they really get right with themselves and ask that question in an open way, and look at the answer head on, they do not like what it feels. Now, they do not like what it looks like. And that's a powerful moment, because some many CEOs that go through that journey, actually then wind up making big changes and taking better care of their workers. And that, to me, is super powerful. So listen, profits are great. But are you making a profit while also taking care of your people? That's the real question I'm trying to ask. And I agree, and that's separate from the social stuff.

42:10
Yeah. And I also know, you write about climate and stuff like that. And your art. I mean, you covered about a lot of different things. As far as the role the business plays, the role, the politics plays, and all this. So I'm really curious to get your top your thoughts on some of these topics, too. But to your point, I completely agree, right? I mean, as long as the business is taking care of its people like inside the organization like that's, I think, a huge, huge priority. I think the question becomes, what about outside the business? Does the organization should the organization play a role in anything outside of the business outside of the people who work there?

42:47
Listen, every company's got its own answer for that. Yeah. And I don't there's no, there's there, there truly is no right or wrong answer to this. The CEOs who tell you we are leaning into this will tell you, we need to, because my employees expect me to. And when Texas passes an abortion ban, and I don't say anything, I get lots of emails from my employees in Texas, and then wondering why I don't have their back. And that's a powerful, real dynamic. Other CEOs will tell you, you know, like, I am here to run a business, I'm here to deliver a product and a service and take care of you good employees, and take care of my shareholders. But I am not going to use my voice are the company's voice to wade into really charged issues, where, irrespective of your politics, there are very strong feelings about really, really intense topics, whether it be abortion, or gun ownership in this country or immigration, right. Like, in our own little corner, we may feel like there's only one right answer to it. But the truth is, like half the country feels the other way. And so these are these are active social debates. The CEOs that I think have had the most success in navigating this very sort of fraught and cultural waters are those that early on, you know, absent a crisis when they are not in the headlines, and they have the sort of the clarity of the time to think and be deliberate. It's the ones who say, here's what our company is about. Here's our history. Here's our industry, here's our product, here's our legacy. Here's the two or three things we really care about. And that might be public health, that might be safety, that might be you know, child mental well being. There's like any number of legitimate issues where corporations may feel like they have a uniquely powerful role to play in a societal debate. That is a benefit of their many years of really studying the issue of working in those communities. The CEOs who say like, here are issues, when stuff comes up in these lanes, yeah, we're gonna take a stand, and you can take it or leave it. But we're not going to take a stand on every issue, just because some of our employees may feel that way. Those are the CEOs. And those are the companies that in my estimation, seem to be sort of navigating all of this with the most success these days. Yeah,

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it's tough. I mean, I interview a lot of CEOs on here. And sometimes, you know, when the camera's not rolling, they're candidly telling me they're like, Yeah, we don't know what the best option is, like. You know, it's a world of like, canceled culture, people are gonna come after you, but people want you to speak up. And it's kind of like we're where do you go, you know, the social media and technology, it's so easy for anybody to come after you at any time. So we have a few minutes left. Usually the last part of the show, I like to transition to something called the leaders toolkit, where we talk about more actionable stuff that people can implement in their leadership journeys. And so for this episode of the leaders toolkit, I wanted to start off by talking about what specifically leaders today not necessarily CEOs can learn from Jack Welsh. And maybe we could start with anything good. Was there anything good that Jack Welsh did, that you would advise leaders today, to also do in their organizations or in their teams? If you want more of my conversation with David Gillis, as well as many of my other amazing guests, CEOs, best selling authors, thinkers and leaders, head over to great leadership.substack.com. Every single week, we released one of these bonus episodes, and in a few weeks, we will release the one with David Gillis, where we talk about what Jack Welsh did well, so some of the good things that he did, as well as some of the bad things that he did and what leaders can learn from that. We're also going to look at how to fix and change some of the approaches that Jack Welsh implemented. And what are some of the alternatives to the jack Walsh approach. Again, this will be coming out in a few weeks. But in the meantime, we released one of these every single week, as well as something called what I learned this week, and the five minute leader, which is a short five minute video where I share a leadership pack and a tip that a CEO has shared with me if you want to get access to all of this and much more, including my best content and my latest thinking again, that is great. leadership.substack.com We have an awesome community over there. I hope to see you there.