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GE's CROTONVILLE: A STAGING GROUND FOR CORPORATE
REVOLUTIONS - LESSONS FOR THE CEO

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INTRODUCTION

Radically altering the genetic code of a large successful corporation requires revolutionary action. Since 1981, Jack Welch, CEO of GE, has been struggling to break the old genetic code of GE which was built around a core set of principles based on growth in sales greater than GNP with many SBUs (Strategic Business Units), relying on financial savvy, meticulous staff work and a domestically focused company. The new genetic code is to build shareholder value in a slow-growth environment through operating competitive advantage with transformational leadership at all levels of the organization.

After five years of this effort, including downsizing GE by over 100,000 people, divesting six billion dollars in businesses, acquiring thirteen billion dollars, RCA being the largest, doubling investment in plant and equipment and R&D while increasing earnings and shareholder value (moved GE up to number three in market value from number ten in the U.S.), Welch was asked "What was your biggest mistake?". He answered, " I was too timid and cautious. I did not move fast enough...bureaucracies need quantum change, not incremental change...".

To accomplish the quantum changes in GE, a new breed of leader is required. These are leaders who can:

- 1) Transform the organization - creatively destroy and remake organizations around new visions supported by revamping the social architecture of the organization. This is needed at all levels of GE and is a continuous process.

- 2) Develop global product and service strategies - as GE more aggressively looks to world markets, it is faced with developing world class products and services at world class cost. This means changes in product and service design, production, distribution and marketing. The leaders must be able to:
- . Create new forms of design teams
 - . Make strategic use of sourcing
 - . Drive world class standards for design, service and performance
- 3) Develop strategic alliances - in order to deliver on global strategies, more and varied alliances are emerging -- these are partnerships which are needed to gain market entry, price competitiveness, gain technology, develop new learnings about management, etc. The success of these alliances will be determined by a set of leadership factors, skill and pre-screening of potential partners, proper negotiation, the right condition for partnering and good coordination and integration mechanisms.
- 4) Global coordination and integration - as the boundaries of GE span wider geo-political and cultural diversities, so does the difficulty of integrating the organization. Communication, cultural integration will be required -- all of the human resources systems will be impacted.
- 5) Global staffing and developing - growing world class leaders will be the key to competitiveness. Staffing and development systems

are outmoded and are undergoing total revamping throughout GE to develop a new brand of leadership.

This article chronicles the evolution of a revolutionary agenda. Welch increasingly relies on Crotonville, GE's management development institute, as a key lever for radical transformation of GE's cultural. The overall Crotonville strategy and particular developmental stage craft will be discussed. Finally, lessons for other CEOs are articulated. The article is based on my two years leading the last phase of Crotonville's transformation.

CROTONVILLE HERITAGE AS A LEVER FOR CHANGE

In 1956, when Crotonville launched its first 13 week advanced management program, Cordiner, the CEO, was using development as a direct lever for change. After World War II, it became painfully apparent that GE needed to decentralize. They hired Harold Smitty, a former Booz-Allen consultant, to head up the project. They quickly saw that GE did not have the managerial talent, multi-functional general managers, to run a decentralized company. A major effort was launched to design an advanced management curriculum and build Crotonville, a campus like setting. The design of the curriculum drew upon academic experts from around the country and resulted in the creation of a multi-volume set of books on how to be a multi-functional general manager in GE. These books were referred to, as the "GE blue books", which were the catechism for Crotonville to teach. The critical point was that Crotonville's birth was as a CEO driven change lever. However, after its early birth as a change lever for the CEO, it receded into the background for twenty years

until the Welch era when it again became a centerpiece for the CEO to make change happen at GE.

The Early Welch Era

The first act of the transformation is creating a sense of urgency for change and dealing with the inevitable resistance to a new order (Tichy and DeVanna, 1986). This was very tough at GE from 1981 until 1985 while delayering, downsizing, changing the portfolio, Welch worked closely with Crotonville and its leader, Jim Baughman, who joined GE after years on the Harvard Business School faculty, to get the message to thousands of managers, to try and impact their hearts and minds. What evolved through the various experiments and innovations during this period was a totally new Crotonville strategy, curriculum and philosophy of development. By 1985, when I arrived, the revolution was well along the way and a new vision was emerging for Crotonville. This was a vision that embodied much more than a development agenda but a centerpiece in the transformation agenda for GE and its culture.

WELCH'S SECOND ACT: CRYSTALIZING THE VISION

By 1985, Crotonville was well on its way to becoming a lever for change. Ironically, a series of evolutionary experiments and changes led to a revolutionary agenda. Although the following were never explicit assumptions made by Welch or senior executives in GE, they were clearly implicit assumptions based on the behavior and actions taken regarding the role of Crotonville at GE.

Premise 1: Revolutionaries do not rely on the chain of command to bring about quantum change - they carefully control the police, media and education system. So did Jack Welch.

- a) The chain of command is where much of the resistance resides - vested interests - therefore, there is a need to stir up the total populace of the organization and begin developing new leaders for the new regime.
- b) There is a need for a new set of values and templates in the organization.
- c) There is a need for mechanisms to implement all of these - new socialization and new development processes is required.

Premise 2: Revolutionary change occurs by blending the hard and the soft issues.

Welch understood this blending of hard and soft issues quite well as it was the hallmark of his experience in building the plastics business in GE. On the one hand, he was a tough business person while at the same time investing a great deal of time and energy in coaching and development of players and team building. Thus the cornerstone of his strategy for building an organization and a winning team is this blending of the hard and the soft.

- a) The hard issues - budget, manufacturing, marketing, distribution, headcount, finance, etc.
- b) The soft issues - values, culture, vision, leadership, style, innovative behavior, etc.
- c) He felt that the U.S. and GE leadership were weak on both the hard and the soft issues from World War II through the late 1970s until Japan and global competition created a rude awakening.
- d) Since the early 1980s, GE was very aggressive and getting strong leadership on the hard issues, downsizing, reducing levels of management, and driving productivity. However...
- e) Driving solely the hard issues can only work so long as it primarily focuses on bottom line improvement and you can only squeeze so far. The long term need is for top line growth via new markets, products, innovations, etc. Driving the hard issues also takes the excitement out of the organization and can suck the psychological reserve out of people. The challenge for GE by the mid-1980s was also to be strong on the soft issues.
- f) Welch utilizes Crotonville as a lever for blending the hard and the soft, for getting at the hearts and minds of thousands of high leverage middle managers for testing, revising and inculcating new GE values. It enables him to cut through the chain of command and get at the grass roots, from new college hires on up through officers.

Premise 3: Revolutionaries rewrite the textbooks and revamp the education systems. Welch did the same.

- a) The GE "blue books", the twenty-five year old Crotonville bible was symbolically burned. Welch repeatedly said there are no more textbook answers. Leaders must write their own textbooks.

THE NEW CROTONVILLE - GE's GIANT WORKSHOP FOR STAGING REVOLUTION

The trend, started in the early 1980s under the leadership of Jim Baughman, was to move Crotonville from the Ivory Tower training end of the spectrum toward a workshop for wrestling with real organizational and people issues. During this period, more and more GE live cases were brought into the curriculum. Outward bound type activities were introduced for team building. And there was an increased CEO and officer personal involvement in teaching throughout Crotonville programs.

In 1985 this trend was explicitly recognized and a new mission statement was articulated for Crotonville along with a new development strategy followed by a rapid shift toward the workshop end of the development spectrum.

The mission for Crotonville was spelled out:

To leverage GE's global competitiveness, as an instrument of cultural change, by improving the business acumen, leadership

abilities and organizational effectiveness of General Electric professionals.

Figure 1 (see attachments) lays out the strategic concept used to transform Crotonville. The framework conceptualizes development along two dimensions. Along the top of the matrix the focus is on depth of developmental experience. This ranges from one end of the spectrum which is developing awareness, followed by intellectual cognitive understanding, to development of skills, to new ways of solving problems to the deepest level which is fundamental change. The other dimension refers to the target of the development experience. Here it ranges from change targeted at individuals to change targeted at the organizational level. Historically, Crotonville, as is true of most university business schools, was primarily focused at cognitive understanding of individuals. Managers from all over GE would attend Crotonville programs as individuals and participate in classrooms where they would learn finance, marketing, accounting, organizational behavior largely through case studies, readings, discussions, simulations, etc. The major impact was cognitive understanding with some skill development. The problem with this, as with executive education in business schools, is that when the individuals return to their organizations, they have a difficult time in translating experiences because they haven't fundamentally changed and, as importantly, their organizations often resist individuals bringing back new learnings. They do not have a support system of a team that has gone through the experience with them. That was the challenge facing Crotonville, how to move development toward the upper left hand part of the matrix to help deal with the revolutionary agenda of transforming GE. The challenge was to take a large volume, approximately eight thousand participants a year, 53-acre 145

bed residential campus educational center and move it as far toward the workshop type experiences as possible, while dealing with the economies of scale issue, which meant customized workshops were not the answer.

The shift in Crotonville mindset from a training to a workshop mentality led to totally new design of programs: teams increasingly come to Crotonville wherever possible. Participants bring real business problems and leave with action plans. Leadership behaviors are rated by participants' direct reports, peers and boss before coming to Crotonville so the change can be linked back to the work setting. GE businesses bring unresolved live cases to Crotonville for participants to help solve. Executives consult to real GE businesses on unresolved strategic issues. Teams spend up to a week in the field consulting to GE businesses on unresolved strategic issues. Officers come to Crotonville to conduct workshops on key GE strategic challenges along with members of the CEO.

The development experiences are increasingly unsettling, emotionally charged. People are made uncomfortable via feedback from their back home organization. They wrestle with very difficult, unresolved problems, not case studies. They make presentations to senior executives, argue among themselves and work through intensive team building experiences including a good deal of outdoor "outward bound" type of activity. The measure of success shifts from the participant evaluation of how good they felt about the learning to how impactful was the experience on their back home organization and their leadership behavior over time.

Who Gets Developed?

The other key strategic issue for GE was deciding what populations participate in Crotonville experiences. The assumption at GE is that over 80% of development is through life experiences, on the job learning, therefore, there is an opportunity for contributing to about 20% of someone's development through highly leveraged formal development activities. In GE, with its diverse, large businesses, most of the 20% of formal development occurs out in the businesses. Therefore, Crotonville represents only a small percentage of the formal development resources. The critical question is "who gets to come to Crotonville and at what point in their careers?"

This challenge resulted in a relook at leadership development from campus up through CEO in the GE of the 1990s and beyond. The career model for leadership development was worked on with the CEO to identify key transition points in people's careers when there are "moments of opportunity" to have impact. These key transition phases were worked out over time with the CEO who intuitively kept vertically integrating Crotonville all the way back to new college hires. The attempt was to identify key transition points in people's careers where they could and should be impacted by a GE corporate set of shared values and leadership characteristics. The result was that by 1986 a core development sequence was put in place. It extends from new college hires up through the officer population. As a result of rethinking the strategy, the following stages, presented in Figure 2 (see attachments), emerged as the core Crotonville curriculum.

Stage 1: Corporate Entry Leadership Conferences I and II.

Close to two thousand new off-campus hires come to Crotonville within three months of joining GE to understand global competition, what it takes to win on that global playing field, what is GE's strategy for winning, what are the changing GE values and a personal examination of their core values vis-a-vis the GE values. They come in groups of 100. Officers, senior human resource executives and young managers teach and lead these programs. At the end of each year, two hundred facilitators, thirty officers, thirty human resource executives have taught in this program. All of them are the target of change. As many senior officers comment, "there is nothing like teaching Sunday School to force you to confront your own values."

Three years later this group returns for a program on total business competitiveness. They have real projects, are taught by GE executives and have to go back to their organization with change agendas. These young professionals are impacted again with a total GE strategy and value mindset.

Stage 2: New Manager Development Program

New managers, - all come to Crotonville, over one thousand a year to deal with people and value issues of leading in GE. They get feedback on a leadership survey from their direct reports to help them plan ways of improving their leadership. Focus at this stage is making sure that they have the right soft people skills for hiring, appraising, developing, motivating, building high

performing teams that are needed by this critical group of middle managers.

Stage 3: Senior Functional Programs

Senior functional managers come for several weeks of leadership development. These programs range from marketing, finance, information systems, human resources, to manufacturing. In all cases they have change projects, some of the programs actually require the participants to invite senior line managers to attend several days at Crotonville to wrestle on change projects. The executives who come to Crotonville are the bosses or major clients of the functional staff. Obviously, making real change happen and leadership are the agendas.

Stage 4: Executive Programs

There are three four-week executive programs which are taken over a five to eight year period by GE managers. These programs integrate outdoor leadership challenge experiences, consulting team projects as well as CEO projects.

One program, the BMC (Business Manager Course) is organized around consulting projects. The head of a GE business presents a difficult, unresolved strategic business problem which is carefully packaged prior to the start of the program - market and industry analysis, financials and other data pulled together as well as a

clear project statement and set at deliverables specified by the head of the business. Teams of BMC managers spend the third week of the program in the field interviewing customers, managers, and competitors, and collecting background information to make recommendations. During the fourth week of the program the heads of the businesses involved with projects come to Crotonville for the presentation and recommendations. The sessions are electric - hard hitting business recommendations are made as well as how to implement the recommendations, with special emphasis on the "soft" human side of change. The participants are given feedback on both the "hard" and the "soft" issues. They debrief their own teamwork providing each member with concrete behavioral feedback on how to be a more effective GE leader based on the intense four weeks of teamwork - solving real strategic business issues, a much more powerful and valid database than "outdoor" team building, simulation, etc. The participants and business clients reconvene six months later to follow-up on the implementation and recommendation and each participants' leadership agenda.

Stage 5: Officer Workshops

Officer workshops are held periodically to tackle real time issues facing GE. These are groups of twenty to thirty officers who wrestle for several days on unresolved company-wide issues. The CEO actively participates in these sessions.

Elective Programs

In addition to the core sequence, Crotonville provides a portfolio of focused, corporate-wide programs. These are elective programs which are deemed to be appropriate corporate work. They range from programs on leading change, such as the experienced manager course, to functionally specific courses on information systems, marketing and human resources. This portfolio of offerings is constantly in flux as the needs of the corporation change.

LESSONS FOR OTHER COMPANIES AND CEOs

Crotonville is not unique. It does not require a huge campus and bricks and mortar investment to use development as a tool for both bringing about quantum change in organization and developing future generations of leadership. In order for this to happen, the leadership challenge for the CEO is as follows:

VISION - In order for the CEO to leverage change via development, he/she must have a reasonably clearly articulated future vision for the company. This vision must include the likely organization culture and shared values needed in the future. Such an articulation must go well beyond the faddish articulation of values triggered by the excellence fad in the early 1980s when everyone had their list of company values that read like the Boy Scout handbook. The values must be closely integrated into the imperatives of winning in the marketplace.

CHARACTERISTICS OF LEADERS - The CEO must be able to articulate the characteristics of leaders who will fit with the culture and shared values of the future organization. All too often companies undertake competency studies focusing on who successful managers and leaders are today. This will insure that development is focused backward and recreates history, yesterday's successes, as opposed to the harder task of thinking through what's the new template for leadership in the future for our industry, and our company. This is not a task to be delegated to some human resource staff people who often have little idea of where the industry, the business and the company are headed. Only the CEO can lead this effort, albeit with strong staff support.

CAREER TRANSITION POINTS - In order to maximize the impact of any formal development experience, timing is critical. The challenge is to have a clearly articulated "theory of the case." This enables the organization to deal with the 80/20 dilemma. That is, 80% of development really taking place due to life experiences and on the job development with 20% being the potential for using formal development to leverage. Again this is a CEO responsibility, with strong human resource support, to be able to have a framework that provides guidelines in blending on the job development, other developmental tools like secondary assignment activities, coaching and counseling emphases with formal development experiences. At each career phase, work needs to be done to articulate what tools will be used for what purposes in the organization.

CEO INVOLVEMENT - In order for development to leverage the kind of change and impact discussed in this article, the CEO must visibly lead the development process by participating in the overall design and architecture,

in delivery and the integration of the development process as it gets tied to succession planning and as it gets tied to reward processes. This is not a voluntary, open university type approach to development. It is seen as a very personal tool of the top leadership of the organization as well as a very central part of organization effectiveness.

CEO ROLE MODEL - No CEO should undertake the challenge of using development as a lever for change and as a creator of the new shared values in leadership without understanding that unleashing such a process will put more pressure on the senior leadership to be able to personally demonstrate adherence to those values. An open dialogue, interactive development process also means that criticism must be taken at the top. Hypocrisy will be uncovered and a great deal of back pressure will be created up the system for leaders to overcome the cultural schizophrenia often found in changing cultures where people in the middle rightfully point out that there's a great deal of lip service from above but in reality the practice is "do as I say, not as I do." The CEO must lead a critical mass of senior executives to undergo the same kind of rigorous self-examination as participants in the development process. For example, if middle managers are being asked to have surveys filled out by their subordinates, the CEO and the top team must also undergo such activities.

ORGANIZATIONAL RESISTANCE - Perhaps the final and real test of the CEO will be in dealing with resistance and time required to move development from the more comfortable awareness and cognitive learning portion of the matrix in Figure 1 to the area of fundamental change where a great deal of emotion and turmoil are stirred. This means that for the development and human resource

staff, they will have to deal with the fact that the daily "smile sheet," evaluations of how happy participants are with each day of the program tend to go up and down during real transformative experiences. Not everyone is always happy. Officers will go to wrestle with business problems with participants and be made to feel uncomfortable. Sometimes accused of being hypocrites. And there is a tendency for some people to think that things are getting out of hand. It is here that the CEO must stay the course. It might serve them all well to remember that no one ever rated their drill sergeant high during the middle of boot camp.

CONCLUSION

This article has laid out a challenge to many CEOs who are wrestling with the transformation of their organizations for global competitiveness. It's my contention that one of the most under utilized levers for change is the rather elaborate investment in development that most large corporations make. The problem is a tremendous disconnect with the CEO. The challenges laid out in this article are not for everyone. There is no getting half pregnant. Once CEOs decide to utilize development as a lever for change, they must make the commitment and follow through on the six principles outlined above. Going down such an avenue will be a test of leadership for all those involved.

Developmental Services Matrix

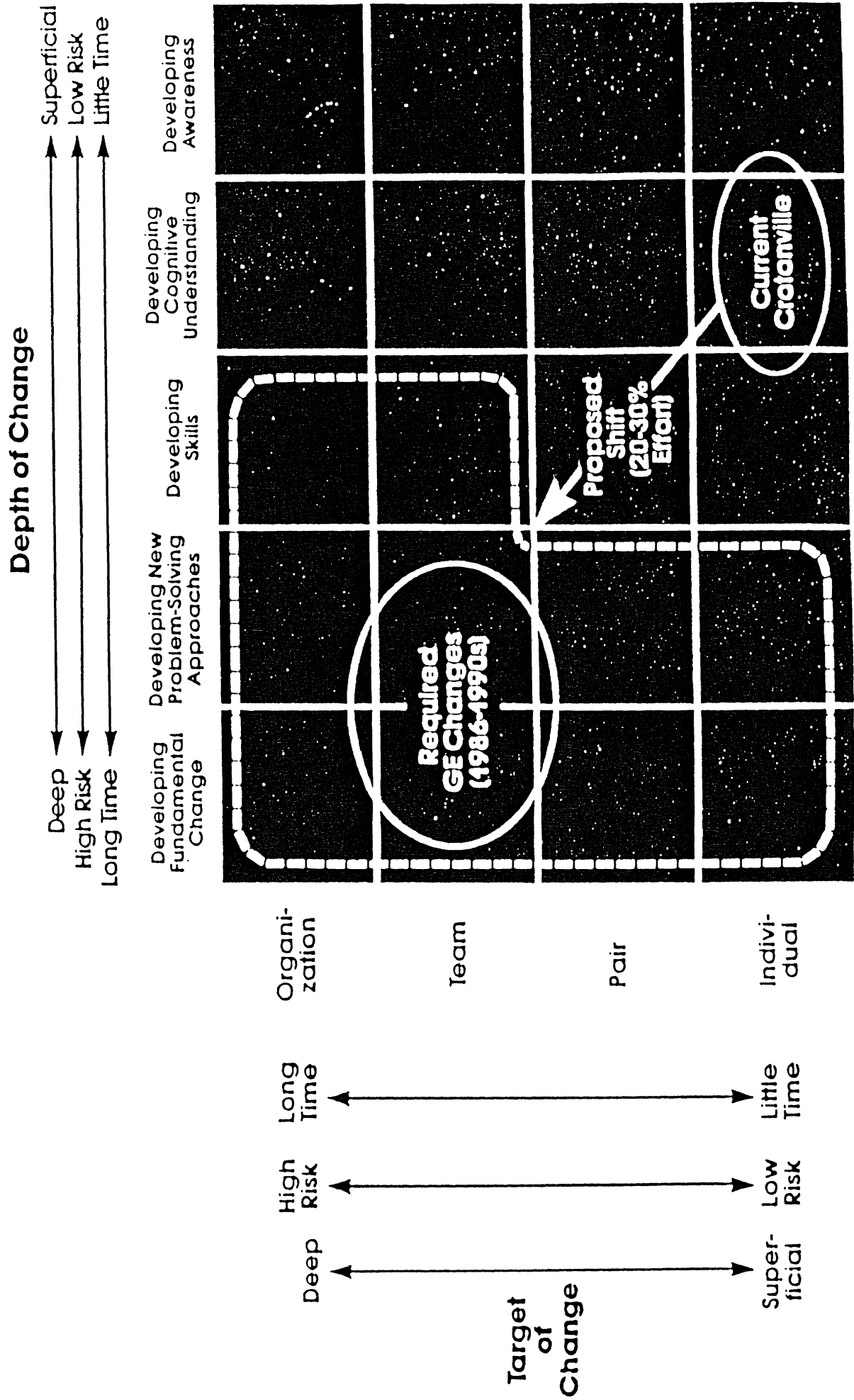


Figure 1

Core Development Sequence

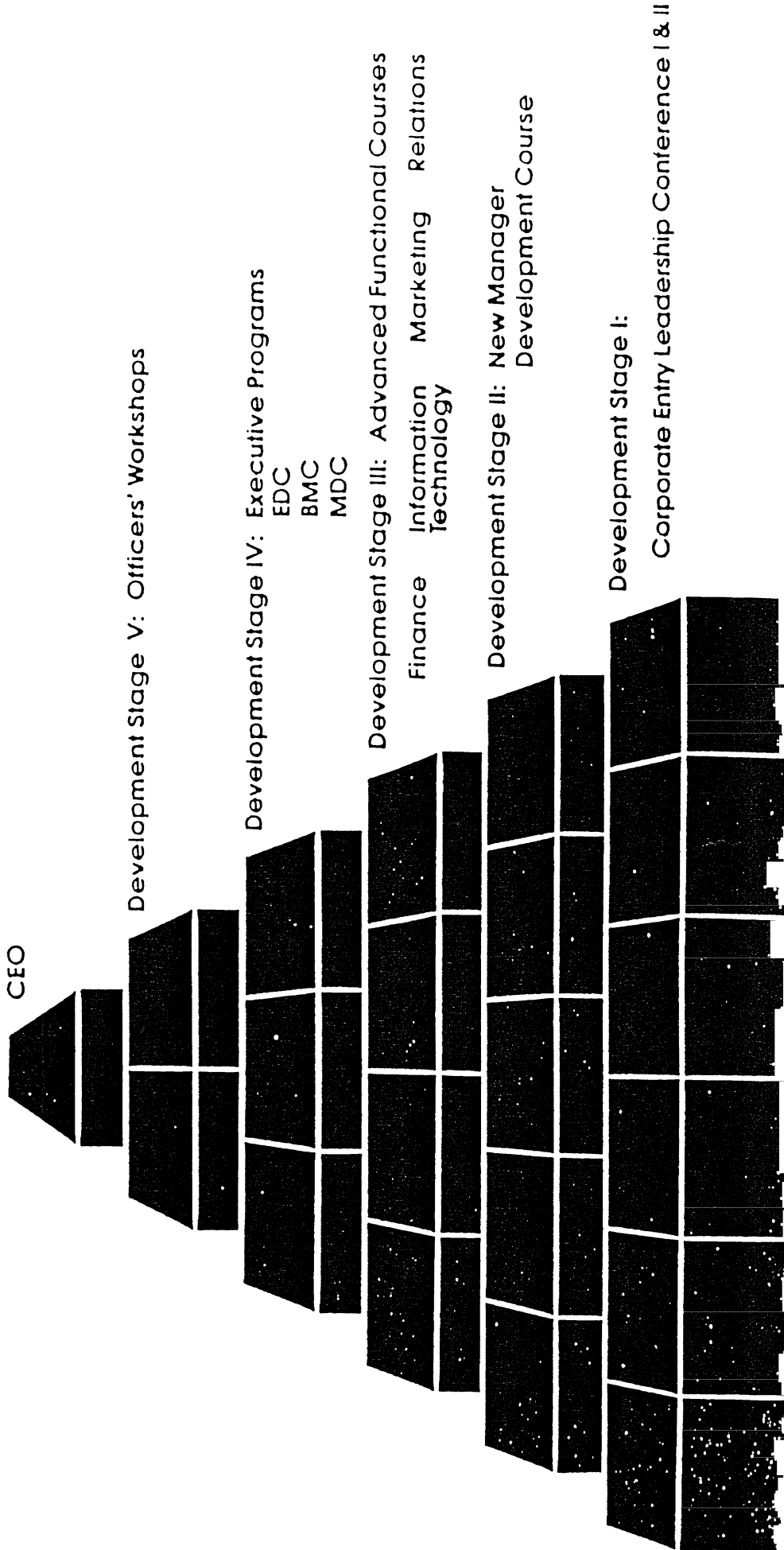


Figure 2