

Jeff Immelt
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It's great to be here today and thanks to BC. And for the Center for Corporate Responsibility. It's our pleasure to have joined the Center, to learn and share and contribute and I think we've gotten a lot out of it. So it's really been a great pleasure of ours to be associated with you and I appreciate it.

Any time you talk about a subject like corporate citizenship, I think sometimes it can be the personality of the leader, it can be a change in who the CEO is. But I think today the way I'd like to capture it, or the way I'd like to describe the imperative, because I think one of the things that any business leader or any CO has to, is pick what's right for the time, is really talk about some very broad changes in the environment that have taken place since the late 1990s, that have shaped how people feel about institutions and how they feel about companies and aren't going to go away any time soon.

We have the end of the bubble economy and the resulting recession, which caused the loss of trillions of dollars of investor wealth. We have the tragedy of September 11 and the war on terror that has added new dynamics to globalization. We've had corporate scandals that started with

Enron and Tyco and WorldCom, but go on today in a number of different areas. We have more macro volatility than we've had in the last 20 years, with oil at \$37 dollars a barrel. The dollar weaker than it's been in 20 years.

We have more competitive insecurity. The whole technology information industry existed in the state of California for about a decade, and now much of it is done offshore, hence the debate we have today and the insecurity that that's created, and an unbelievable wave of technology that makes people smarter faster than they've ever been before.

So you add all those things up and if you're running a company today, particularly one the size of GE, it has to change the way you think. And as I travel the world, not just in the United States, but around the world, there's a wider gulf between the "haves" and the "have nots" than any time in my lifetime. So when I talk about the company, and when I talk to GE leaders, I really believe we've moved, from a corporate standpoint, from an era of individual freedom, where individual freedom and individualism was valued, to an era of personal and corporate responsibility.

And my premise is, and the way in which I'm leading GE, is that if you want to be a great company today, if you want to be an admired company today, in this environment, you also have to be a good company. So I'm not going to talk today about corporate citizenship. What I really want to talk about today is how a CEO or what business leaders can do to create a great and a good company. Great in the sense of tremendous results for our

investors and for our customers, growth and profitability, and good in the sense of connection to the world, adding to the quality of our work force and our customers and the communities that we're a part of. Because profit alone cannot build reputation. And I also believe that doing things right ultimately will lead to more profitability.

Now, with that as a background, GE de facto plays a very important role because we're big. We were a \$135 billion dollar company in 2003. We'll be a \$150 billion dollar company in 2004. We have 310,000 employees, 160,000 in the United States and 150,000 around the world. We touch people every day through the products we make and, we're the broadest held stock in the world. We have over ten billion shares outstanding. Our practices are studied by people that like us and don't like us. And so through our actions and investments and the things we do, we make a difference. We're both a big target and we can have a big impact when we do things the right way.

GE plays a big role in the world and it's very important for us to be both great and a good company, because the context in that we're studied, we're watched, and people look at everything GE does. So what I'd like to do in the rest of the time that I've got today, very briefly, and then take your questions, is give you ten principles with which I lead the company to create both a great and a good company. And the first five are what I call the foundation of a company, and the last five describe the behaviors of a company. And together they build on each other to create a company that I think can be robust in any economic cycle.

The first principle for a great and good company is to set very **high standards for performance**. Strong performers are the best corporate citizens. About a month ago I was having dinner in Washington D.C. and I was sitting with a very prominent politician from the state of California who was complaining to me that corporations don't do any good any more in California. They don't give any more in California. And then this person proceeded to rattle off ten companies that used to do a lot and now they do nothing.

The fact is, these companies don't exist any more! The ten companies that this person picked have failed in the marketplace. So the first notion that I give you is that cynicism is not going to be battled through mediocrity. Great and good companies have to start with the premise of setting high standards for performance. In our annual report we always talk about performance with integrity. In other words, our investors want us to continue to grow our earnings above the S&P 500. They want us to continue to invest. They want to see us continue to be excellent in everything we do. But at the same time it has to be easily understood and it has to be accounted for the right way -- we have to achieve performance with integrity. So the premise of everything I am going to say here today is that strong companies are ultimately going to be the best corporate citizens.

Second principle. **Make compliance a core operating process**. We look at the way we do things as a key competitive advantage. Because we treat

compliance, using Six Sigma principles, using all the best process tools we have inside the company, because it's a central artery, if you will, of the company, we take on tough challenges. We're not afraid to take on tough challenges. So it starts with having clear rules.

We have a policy statement called "The Spirit and Letter," that's signed by 310,000 people with no deviations, around the world. We may do things a different way. We may have different cultures in India than we have in the United States, but we only have one integrity policy for the entire company, and sometimes it means we can't do business in a region. But that's okay.

We think that high standards are good. We've adopted Sarbanes-Oxley 404 a year before it was required. We adopted all the changes of the New York Stock Exchange and Sarbanes-Oxley before it was required. We don't have any factories that don't follow the highest standards in the world.

We have very strong and clear processes. We have a review process on compliance called "Session D." We have an active ombuds process that's very open to our employees. We have 1,200 cases that go to the ombuds person every year that results in having 300 dismissals. We have a 500-person audit staff that tracks issues throughout the company.

I run a company with 310,000 people, and I can tell you right now that there are 20 of them that aren't doing what I want them to do. Right now. I'd be nuts to think anything but that. But I would say inside the company is where we're going to find them and we're going to fire them. We have

processes, we have transparency, we have openness. I know one thing for sure is that they're not in the boardroom and they're not on the management team.

While we treat compliance seriously, we're not perfect. We're a 120-year-old company. We have big environmental remediation sites because we did things a certain way 50 years ago that we don't do today. So we spent a couple hundred million dollars on remediation. But we make compliance a core process and a competitive advantage for the company.

Third. **Build exceptional governance with a strong board.** It's very important that companies have very strong oversight with people that investors or any constituent can trust. Eleven of our 15 directors are independent. Our presiding director, who is kind of the lead director inside GE, is Ralph Larsen, the retired CEO of Johnson and Johnson. The advantage that I have in GE is people want to join this board. So I can have the best reputation, the best people, and that's constantly what we go for. We insist that the board visit the GE businesses without management present. We insist that the board visits two or three sites every year because the most important thing for a board is to be able to smell the culture, feel the culture.

GE is a big, vast company. It is very hard for the board to be as expert as I am on any particular topic, but they smell the culture, they can feel what's going on. And that kind of openness is very important.

And lastly, other than reading about Jay Leno's contract in the paper this morning, all of management works without a contract in our company. We work at will. We work essentially board meeting to board meeting. We have no long-term contracts with any management and any time anybody - the notion of standing in front of the GE board and proposing that my CFO would get a waiver to company policy is unthinkable. We work at will and we work for the board, and we think that leadership structure is very important to build a great and good company.

The fourth principle of a great and good company is a real **commitment to openness**, both internally and externally. It's called transparency. And to me, essentially what transparency means is to talk about your company externally the way you run it internally. To allow people inside, to allow employees to be able to touch and feel what's going on, to give people voice. We have more investor meetings than ever before. Our annual report this year is three times longer than it was in 1999. Tomorrow, I will do a field swing. I do this about 20 times in the United States and I do it probably another 10 or 15 times outside the United States. I have a meeting in the morning with retail investors – 500 retail investors in San Francisco. And a meeting in the afternoon with 300 customers. So I can talk about the company, what's going on, take questions, talk to the sales force, and just have a completely open set of dialogues. There's still judgment required, vis a vis, what people want to see, how they want to see it, what kind of information is required. But this is never going to go back.

The fifth principle to building a great and good company is you have to have a **culture where the company always comes first**. We believe in great people. We recruit, we retain -- we think people make a difference. But everybody in GE works within the system. And we're bound together by a common set of values. In our case, we have a values card that has four words on it: Imagine; Solve; Build; and Lead. They're aspirational words. They're the words that try to bring people together, that try to tie them together. It gives people freedom but commitment to achieve those values that we hold dear.

But I can't emphasize enough that in this environment, if you want to have good corporate citizenship, companies have to have cultures that really place the good of the company ahead of everything else.

So I think those five principles of building a good and great company really form the foundation. That gives you the basis on which you can build from a behavioral standpoint.

The behavioral principles -- in terms of building a good and great company -- begins with **developing great leaders** and leaders that have the right incentives. If you look in our company, we believe, by and large, of promotion from within. Our top 600 leaders, on average, have been with the company for 19 years. Thirteen of our top 30 leaders have served on the corporate audit staff. So nearly half of our top 30 leaders were one of those 500 people that was going out trying to build processes, trying to

figure out what was going on inside the company, that gives them tremendous perspective.

We all own a lot of GE stock. And our metrics, while some of them are short-term, the vast majority of our compensation comes through long-term metrics, through holding stock for a long period of time, for being accountable for the companies performance, over a long period of time.

In my case, I have what's called performance shares. They're allotted every year and pay out over five years. I get half the performance shares if our stock exceeds the S&P 500. And I get the other half if our cash flow growth exceeds 10% a year. So I am totally aligned with investors in everything I do. I said to my board -- we discussed this for a year -- you don't have to pay to retain me. What you ought to pay me is to align me with investors. That's what's really most important.

And lastly, every manager, every person in our company, gets measured on two dimensions, financial performance and values. It is not acceptable to be financially strong and have bad values. You'd get asked to leave the company. So this two-dimensional metric for our leaders, we think really is important vis a vis how do you build people in that kind of culture.

The seventh step to developing a great and good company is to be very **committed to people**, to developing people and building trust. We're one of the largest recruiters in the United States. We invest \$1 billion a year in training. We focus on diversity, we have big initiatives inside the company

to help women, African Americans, Hispanic Americans, to make sure that we look like the rest of the world. We focus on merit. We have compassion when people are impacted.

In other words, occasionally, from a competitiveness standpoint, we have to close a plant or we have to downsize in an area. But in that case we either retrain people to make them employable, or we help people bridge to retirement. And we protect our employees' pensions. We stay competitive so that our employees know that they can count on something over the long term. Our employees are our best ambassadors and our most important asset.

The eighth principle of building a good and great company is we've made a business out of **solving the world's toughest problems**. There is money to be made, there is business to be made, by helping solve the world's issues. The last 25 years were really about the development of information technology. My belief is that the next 20 or 25 years are going to be technology around the economics of scarcity. It's going to be about how you get more health care into people's hands. It's going to be about how you get more energy into the system. It's going to be about commodities like water. It's going to be about how to make the world more secure.

But the economics of scarcity, I think, are going to be important both to help solve the issues but also big profit opportunities. And that ain't all bad. There's nothing wrong with that. We've built a \$3 billion dollar business in healthcare information and technology in less than five years, mainly

because it helps improve quality in the healthcare system. We have a \$2 billion business in wind energy. Mainly because it can achieve economics at four or five cents a kilowatt hour that makes it competitive with fossil fuel. We have a \$1 billion business in water services to help the purification process in the industrial setting. We have a \$2 billion business in security that's a key linchpin in homeland defense.

We are the world's preeminent infrastructure company and in every way I want to try to align us to help make the world a better place by building good businesses that solve people's problems. We spend about \$5 billion dollars a year in technology and in research and development, but more importantly, our scientists really feel that they're engaged in something that's important.

The ninth principle of being a good and great company is to give back to communities, through **philanthropy and volunteerism**. In our case we have five decades of giving through the GE fund. Nearly \$140 million dollars a year. But as importantly, we have tremendous participation of GE volunteers, an association called Elfun that again is 75 years old. We complete more than 1,400 projects a year. We do more than one million hours of volunteer work. We've gone into inner city high schools in GE locations and mentored literally thousands of students. There's a high school called Aiken High School in Cincinnati where we've mentored hundreds of students over the last 10 or 15 years, many of whom have now gone to college. We do programs in Hungary and China and India, every place in the world. And so volunteerism combined with the company's

generosity really gives us a critical one-two punch, because we don't just give money, we make it work.

Now one of the places that's intrigued me and I think is an important area and a new initiative for us has to do with a project we're undertaking in Africa. About two or three years ago I was at our African-American Foundation meeting in Washington DC. And I fielded five, six, seven questions from young African-Americans in their twenties about Africa, about what was going on. And, as a company, we have a very limited presence in Africa. And so we sent Bob Corcoran and Mark Saperstein and some of our people in corporate citizenship to see what we could do. And it's not easy. It's taken us 18 to 24 months to get in the position we're in today. But basically we've made a \$20 million commitment over five years to go into one city at a time. The first one is Assesua, Ghana, a town of about a 100,000 people, where basically we're bringing together GE healthcare technology, GE water technology, and temporary power – a three-way combination to go into a town and make a deep difference to 100,000 people. And then we're going to take it to another town and another town, and in that way find a way to make a difference.

But again, if you want to have impact, it's important to add the volunteerism which makes our people feel better, along with the giving back, which we think is very important for the company.

The last principle of being a great and good company, and I'm going to go right back to where I started, which is a focus on **teaching people to**

compete. Making people confident instead of afraid. Confidence ultimately comes before compassion. I'm convinced about that. And the fact is today is that nobody is guaranteed the future. I mean, everybody in this room works for a company that, unless we innovate, unless we focus on customers, none of us are guaranteed a future.

And so I find that the best thing we can do, if we want to be good corporate citizens, is to make our own people confident. Through training, through investment, by selling every place in the world, by having tremendous capabilities, and by inspiring people to make them feel like they have the confidence, the self confidence to think about the future. And confident people who feel like they can think about the future, who dream about the future, those tend to be people that are going to build your reputation, are going to give back to the community, and make a real difference.

Now it's important today, I think-- you can't come to a setting like this and a job I have without talking a little bit about what's the company's role in the debate on globalization. Globalization is a big part of GE. We've been selling products outside this country for more than 100 years. Today we have \$60 billion of revenue outside the United States and 45% of our employees live outside the United States. Again, I've described a little bit about what we do as a company and that we're a bit infrastructure provider. There are 25 airports under construction in China today. There's been one new airport constructed in the United States in the last 25 years. If we can't do business in China, I have to lay people off in Atlanta, Milwaukee, Cincinnati, Ohio, and other places around the United States.

So globalization isn't a "nice to do." It's an absolute must for a company like GE. So what do we owe people in this journey called globalization? Well, first and foremost, I go back to absolute compliance. The fact is that we export the highest standards in the world any time we globalize. Transparent financial processes. Board structure. Each one of those things that we think is great about this country and how it runs gets exported every time a great American company goes overseas. And GE stands for those things.

We owe people, again, I go back again to the confidence to be competitive. We compete. My job, the job of any leader of a company like GE is to teach the next generation how to compete. How to invest. Where to invest. How to play. Where to go. To give them confidence so we owe everybody a sense that this is an American company that can win any place in the world. And the third thing we owe, I think, is a sense of compassion.

We're going to make jet engines in Lynn, Massachusetts and Cincinnati, Ohio. If I do this job for another 20 years we'll be making them in the same places for the next 20 years. The technology is that good, the competitive position is that good, and that will continue to be the case.

I've got a tougher game in the appliance business. A much tougher game. Despite trying for decades, investing \$2 or \$3 billion, it's tough for me to be competitive in appliances versus Mexico and China and other places. But

what I owe those people is a sense of compassion. Get them to retirement, retrain them when they're impacted, help them see what a different future is going to be. And companies have to stand for those things. Companies have to stand for compliance, competitiveness and compassion, to help people get through this.

But ultimately, again, ultimately, what I think this group helps do inside a company, what a corporate citizenship group does inside a company is help build this institutional confidence that we're doing things the right way, that we're going to be around for the long term and that people shouldn't feel afraid.

So in conclusion, every day I try to make GE a great and a good company. And that takes, really, a constant focus on 10 steps. High standards, making compliance a process, having exceptional governance, having a commitment to openness, having a culture where the company comes first, supported by strong leaders, supported by a real commitment to people, having business innovation that can solve the world's toughest problems, by giving back to the communities that we're part of, but most importantly by teaching people every day to compete.

I got to this job because I understood breadth and depth. Good business people, I always say, are trained to understand how to solve problems. Breadth and depth. Breadth meaning what products are you in and what customers do you have and what regions do you want to sell to. And

depth, meaning risk management and how do you do financing and how do you make the company run, how do you generate cash?

And so leaders tend to be very good at understanding breadth and depth. What I've found since I had the job is that there's a third dimension, and that's understanding context. Understanding how you fit in the world. You can't train for it. It's got to be a sixth sense you've got to develop any time you run a company, any time you lead a company. And that's something that I learn every day. How does GE fit in the world? What's our place? How can we be a better company? How can we use it to make more money? How can we use it to be a better recruiter? How can we use it to improve our reputation?

Together, I really believe that your job as leaders of corporate citizenship, and my job as a CEO, has to ultimately be this triumph of confidence versus fear. In this era of the haves and the have notes, in this era where fear permeates almost every country in the world, and almost every city in this country, we have to be the ones that rebuild confidence that companies stand for something, that they can be both great and good, and that we can create the future. Because strong companies that care can help create the future.

And ultimately this is a journey that's much more about action than words. Actions speak loudest. I always go back, when I think about this one, to a quote from my junior English class, from Emerson. That "what you do thunders so loudly that nobody can hear what you say." And that,

ultimately, is what happens inside this room. It's not about giving speeches. It's really about actions.

Thanks very much.