

The Consultant Made Me Do it by Charles B. Wendel

How's this for an article title that lets you know the writer's perspective: "Jeff Immelt Oversaw the Downfall of G.E. Now He'd Like You to Read His Book." The article features a picture in which Immelt looks more like Bruce Arians than a big league exec. Taking over from management God Jack Welch had to have been challenging from day one. (Like the guy at halftime at this year's Super Bowl coming the year after JLo and Shakira.)

And, as the *New York Times* article states, day two of Immelt's CEO-dom was September 11, 2001. Many observers believe Immelt may have been dealt a bad hand but then played it disastrously. He resigned in 2017 with GE's stock down 30 percent.

After he departed GE the *Wall Street Journal* reported a story of corporate excess that seemed extraordinary even for a self-important globe-trotting CEO. As retold by CNBC: "Former General Electric CEO Jeff Immelt used to fly with two corporate jets when he would travel, a nearly empty jet following the one Immelt was traveling in...the alternative jet would park at a distance from the other one to avoid attention, the paper added, and crew members were discouraged from discussing Immelt's travel arrangements." The New York Post reports both planes stocked lobster and steak.

Immelt may still operate with some of the noblesse oblige approach indicated by dual jets. Asked by the reporter if there exists "a fundamental misalignment between compensation in this economy, when the outcomes for the people in factories and executives are just worlds and worlds apart," he replied by stressing that he worked 24/7 and "I was going to do that whether you paid me \$5 million or \$10 million." Wow, he would have been willing to work 24/7 for a mere \$5mm. That is an inspirational leader who, the article states, received more than \$200mm in compensation from GE.

But Immelt did not operate in a vacuum. A highly critical book on GE, *Lights Out: Pride, Delusion, and the Fall of General Electric* states, "The board didn't entirely understand how GE worked, and ...Immelt was just fine with that." In my view most CEOs would also be just fine with that. Some GE investors were also unaware of the company's focus. As Immelt tells it, after 9/11 GE's largest investor sold half its position. "And so I called the investor and I said, you know, 'Hey, give us a break here. You know, this is a tough day.' And they said to me, 'Look, we had no idea that G.E. was so big in the insurance business.' So you sit there and say, 'Here's your largest investor who doesn't know that you're in one of the largest businesses that you're in.'"

Weak, overpaid Board members. Lazy Investors who focus on the rising stock price and dividends (dividends it turns out GE was borrowing to fund). A leader who believes his own BS. The *Light Out* book tells of the HBR article Immelt wrote (or had a PR team write) titled, "*How I remade GE*" and quotes the article, "It will take years for GE to fully reap the benefits of the transformations...I'm confident that I'm handing over a company that will flourish in the 21st century."

Equities.com and the *New York Times* reported that “After General Electric lost \$1 Billion prior to the financial crisis in 2007, CEO Jeff Immelt told the press that the company heeded the advice from none other than, McKinsey & Company,” blaming them as one factor in the company’s demise. But who hired the consultant and who examined the recommendations and accepted them? CEO and BOD.

The GE story is not relevant to banks, right? Certainly, the scale of GE’s fall exceeds what we have seen from any banks. And most, but not all bank leaders seem more self-aware and operate under tougher, more involved Boards than GE. But Immelt types and Immelt like situations can and do exist in banks no matter their size. They erupted during the 2008-2010 timeframe, and it is fair to say that at least a few unaware, self-obsessed male and maybe even female CEOs are still out there doing damage.