

GE's Jeff Immelt Talks About What Makes a Great Company

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We look at three trends as we prepare for the future. First, the developing world—China, India, Eastern Europe, Latin America, the Middle East—is really the growth engine for the next 5 to 10 years. Second, volatility, in interest rates, energy costs, hedge funds on Wall Street, etc. Third, more regulations: when you have global growth and more volatility, people are afraid, and when people are afraid, more laws get passed. GE is really all about creating our own growth. Four pillars support what makes a company great. First, performance with integrity; you have to do what you say you are going to do. Second, focus on innovation and risk-taking. The one thing I believe to my bones is that technology, innovation, is the bridge between making money, commerce, and solving the world's toughest problems. Third, competing and adapting around the world, to adapt and change ahead of when we have to. Finally, invest in people. The number one thing I can do for GE employees is to make them confident and not afraid. The most important attribute to run our company is a touch for people. It is the ability to hire, promote and reward, and select the world's best people. If you do that, you can do anything.

Vernon Jordan, President, The Economic Club of Washington

As a long-time General Electric shareholder, I am aware that the GE theme this year is “Go Big.” Jeff Immelt is a big guy. GE is a big company. Being well acquainted with both the man and the company, I know that going big is the right way to go. Not that Jeff Immelt has any choice. GE is the largest company in the world, and Jeff Immelt has ambitious plans. Going small is not an option.

But, what does it mean to go big? It means setting tough targets and meeting or exceeding them. It means out-performing by every measure, financially, strategically, and ethically. It means using size as an advantage, not a liability, but at the same time moving with nimbleness and speed to capture new opportunities. Easier said than done.

One thing about Jeff Immelt, however, he is much more about doing than saying. Being at the helm of GE is unlike any other CEO job. The company has such a legacy, it is so large, so powerful, and so well respected that running it is a daunting responsibility. It is even more daunting when you take the job just 4 days before terrorists destroy the World Trade Center. From this challenging beginning, Jeff Immelt has guided General Electric with a steady hand and a keen vision. He has reshaped GE’s portfolio for long-term growth. He has reshaped the company’s culture to embrace technology, innovation, and a relentless focus on its customers. He has led the way among global leaders in making a substantial commitment to the environment, a commitment to cleaner technologies in response to global environmental pressures that many of Jeff’s peers would prefer not to think about.

GE's "eco-magination" initiative is gutsy, smart, and bound for success, just like Jeff Immelt himself. Warren Buffett recently commented that Jeff Immelt is likely to be the most respected spokesman for American business of his age. That is quite a statement. For those of us who know Jeff Immelt, it rings true. It is therefore my honor and privilege to count myself among Jeff Immelt's many friends and admirers. And it is also my great pleasure to introduce you to him tonight. Jeff Immelt. [Applause.]

Jeff Immelt

The first time I actually saw Vernon Jordan I was a senior in college. In 1978, he received an honorary degree, and if I weren't so hung over at the time I would have known I was in the presence of greatness. Over the years, I've learned that this is true and have become a good friend and admirer of Vernon.

The economy is strong. If I look across the businesses that GE is in, if I look at the consumer and industrial parts of the economy, the economy remains robust in the United States. Europe is actually improving slightly for the first time in the past 4 or 5 years. Japan has actually become stronger in the past 12 months than it has been in a long time. The consumer has a lot of debt but remains pretty strong. So, I think we are going to see in general a pretty good economy in 2006. Not without troubles, but a pretty good economy.

We look at three trends inside the company in terms of how we prepare for the future, trends that I think are going to be pretty dominant trends in the future. One is the advent of the developing world. China, India, Eastern Europe, Latin America, the Middle East, I could go down a list. This is really the growth engine for the next 5 to 10 years, and how you think about participating in those parts of the world is absolutely one of the real issues and challenges for the companies in the United States and around the world. That is the super-normal growth engine of the next decade.

Number two: volatility, whether it is in higher interest rates, higher energy costs, the advent of hedge funds on Wall Street, things like that. Management teams just have to be faster on their feet than they have ever been before, because they are just going to live in a world with more volatility in the next 5 or 10 years than we experienced in the past 20 years. You have to plan your strategies accordingly.

The third is just a world with more regulations. When you have global growth and you have more volatility, people are afraid. When people are afraid, more laws get passed and you have more regulation. So if you think of a company like GE, or any other company that is represented in this room tonight, navigating those three trends is going to be one of the more important things you will have to work on.

When I think about GE, it is really all about creating our own growth. It is a world today where countries and companies aren't going to be raised universally. It's really a world about winners and losers. So, you constantly have to be thinking, if you are in a company

or country, about how you prepare yourself in this environment, because it is not universal. The late nineties were universal. Basically, everybody did well. This economy is good, but it is highly differential. So, you really have to be thinking about how you can compete in the future. Now GE faces that from a position of strength. The company in 2005 will, on an on-going basis, have revenues of \$150 billion, up about 11%; in earnings, in excess of \$18 billion, up 12%; more than \$21 billion of cash flow. It is a real company. We make stuff. We sell stuff. It is pretty good. [Laughter]. I know there are some investors in the room tonight. So, I want the investors to know that next year is going to be even better. So, we are big and we do a lot of things. We are not big to be big, but size is a consequence of what we try to do. I would say, really, when we run the company, we try to think about three levers we pull all the time.

One is, we are in six main businesses, where we really have leadership and market share. We have multiple ways to generate earnings. We are globally positioned and technical leaders. So it is first and foremost about the businesses that we are in, and that has evolved over 100 years plus, that we have continued to evolve the company's portfolio to be in businesses that we can lead that are really systemic to the world. So we work on that all the time.

Another element of the company is that we are constantly driving initiatives in the company, common initiatives. The initiative we are driving today is to try to get organic growth, 8 percent organic growth. I've worked for the company for 24 years, and in that time period we have had six initiatives. In other words, everyone in the company

participates. We drive that across the company. I think right now, in our generation, growth is king. So learning how to drive consistent growth inside the company is what we work on today. That comes from innovation and globalization and increasing your approach to customers. We fund innovation. So, those are things that really drive growth.

The third thing that I think a lot about is people. We have 320,000 people inside GE. We are one of the biggest recruiters in the United States and around the world. We spend a billion dollars a year in training. I have probably spent 40 percent of my time on people. We constantly drive to have human excellence, and one culture. It is through this combination of business excellence, common initiatives, and focus on people that GE stays constant as time goes on. Size is an investment theme. Sometimes it can go out of style. Some companies may do it differently from others. But, for us it is this constant stream of integrating great businesses, common initiatives, and great people over generations that make a GE different. When I look again for 2005 to 2006, another year of 10 percent revenue growth, another year of 15 percent earnings growth, another year of \$25 billion cash flow. So, we are constantly thinking about what is next. What is in the future to drive our company and make it successful as we go forward?

Now, I don't want to do just a GE commercial, I do have an order pad for stock buyers later, and I am shamelessly out there, but I wanted to use the story of GE as a context to talk about a broader story. What does a successful American company owe back to the broader society? What do we do in the context of Washington not just to be successful in

and of ourselves, but to try and have a broader position? And by doing that, a more sustainable position as time goes on. I really think there are four pillars when I look at what makes a company great, what makes it sustainable, and most of all what drives trust.

The first pillar is what I call performance with integrity. The only reason you are here tonight is because we make our numbers. You are not going to come here tonight and listen to a failed company. Failure has no audience. So, first and foremost, companies must do what they say they are going to do. They have to be successful financially. They have to do it with integrity and with strong audit committees, good governance, good boards, good transparency, and the right amount of CEO pay, all the things that are right. But, basically the first foundation of building trust has to be about performance with integrity. So, that is the premise with which I come here. If we weren't doing a good job, if we weren't winning in the market place, if we weren't hitting our numbers, this room would have about five people in it. That is the way it should be. That is standard number one. But, I would say it is necessary but not sufficient to be a great company. That can make you an adequate company, and believe me if I don't do it I am going to get fired, so we want to do it. But, that is not enough.

So, the second pillar that makes a company great, and makes it not just great in and of itself for investors but also a good citizen, is real focus on innovation, a real focus on risk taking and innovation. GE as a company spends about \$14 billion a year on what I would call the intellectual content of the company: \$6 billion in R&D, we do \$3 billion or \$4 billion in programming and the NBC Universal franchise, we do \$2 billion or \$3 billion

in information technology, we invest in marketing and brand campaigns and things like that. We stand for innovation. This is the legacy of Edison inside our company. We have to continue year after year to take swings. We want to be number one. We want to be the technical leader in all the businesses that we are in, in the energy business, in the healthcare business, in the water security business, entertainment. We want to continue to reinvest. We are one of the few companies in the United States that still has basic research. We have 2,200 Ph.D.s located in four central research sites around the world. We are advancing more than 2,500 patents every year to continue to reinvest and invent the future about innovation and technology.

The one thing I believe to my bones is that technology, innovation, is the bridge between making money, commerce, and solving the world's toughest problems. We have never been remotely embarrassed about growing our earnings based on developing high-tech projects that solve big needs. Now, when I think about the two or three big needs that are going to be really prevalent in the next 5 or so years, one that Vernon talked about, is what we call "eco-magination," which is a real focus we have had on developing energy products and good environmental products. Our basic thrust is that green is green.

Basically, if you have good technology, that can solve environmental issues, we can do it in an economic way and we plan to make a lot of money all at the same time. Some of that technology will be in some things like cleaner coal. It might be in the next generation nuclear technology, it might be in renewable energy, it might be in ways to transport liquid natural gas in more economic ways, it is going to be in water desalination that gets done in the United States and around the world. But, on that kind of innovation,

on that kind of thrust we will spend more than \$1.5 billion. It will be about \$20 billion from revenue by 2010. That is the kind of technical innovation that we need companies and this country to lead in, in ways that are investor friendly, customer sensitive, and good for the broader society. Another place we are going to focus in 2006 is in what we call early health, health care re-imagined, which is the convergence between diagnostics and therapy, which we believe is going to help change the shape of the cost-curve, in terms of finding disease earlier, treating it more effectively, and improving patient outcomes and lowering cost at the same time.

I do believe that American companies, global companies, have to be the real innovation engine for the future.

The third thing we do is we compete and adapt around the world. We have to be the beacon of global competitiveness as it looks at the ways to be successful, to continue to adapt and change ahead of when we have to, and that is what good companies are constantly doing.

I am going to leave here on Saturday morning, and I am going to be 10 days outside the United States, in middle-eastern Europe. I don't go to Davos [site of the 2006 World Economic Forum] and places like that. I am selling every day. I am getting up and I am selling turbines, selling jet engines, selling our scanners from the time I wake up to the time I go to bed. That is what CEOs do. That is how you teach your organization to compete, how to win, how to give themselves confidence. A GE product sold in

Germany against Siemens is going to be sold in Japan against Toshiba, and we want everybody in our company to wake up every day with the sense that they can win any place in the world. Now, in our aircraft engines business, which is as high-tech a business as exists in this country, 90 percent of our sales go outside of the United States. A lot of those sales in a time like this are going to India, China, Emirates Airlines, and airlines in Africa. We have to get up every morning and take these products and teach our people to compete and to win in every corner of the world.

Last, we have to adapt to be competitive. Oil prices go from \$30 to \$60 per barrel. We spend a little bit of time playing defense, then we double our sales force in the Middle East. We take all the energy-efficient products that we have inside the company and we learn how to make money at \$60 a barrel, so that we can be as successful at that point as we were when it was \$25 or \$15 or \$10 dollars a barrel. So, perform with integrity, a real focus on innovation, and a real sense for competitiveness is what companies have to do. Then the last thing we have to do is invest in people. We have to be out there investing in people all the time. The number one thing that I can do for GE employees is making them confident and not afraid. Now, the way we do that is, first and foremost, we invest in them. We spend a billion dollars a year in training for GE employees, so they know that, no matter what the economy does, they are going to be more competitive for having come to work for us, whether you are on the factory floor or in an executive suite. This notion of investment in employees is very important. We invest in culture. Whether you are in China or India or Europe or the United States, you are going to be following our Human Resources Standards, you are going to following our Financial Standards every

place in the world. We have one way of doing things. It is not perfect, but we drive convergence in culture around the world. We respect local law. We respect local customs, but we only have one way that we try to do things on a global basis. Some people don't want to do it, and they can work in other places. But, this focus on culture is really important. The last thing is, we really try to help people through this generation of competitiveness. What we try to do is to live up to all our commitments we make to our employees, evolve our social plans, health care and pension plans over time, and ultimately we want to have programs and plans that retain key talent as time goes on.

I will tell you just a brief story. Two businesses we are in: One is the aircraft engines business in Cincinnati, Ohio, and the other is our appliance business in local Kentucky, 90 miles away. The business that makes aircraft engines is sold out. Hourly workers make \$60,000 per year, and we export those products every place in the world. We invest \$1.5 billion in technology. We are 20 to 30 years ahead of the Chinese or anybody else in the world. That's a great business.

The appliance business is a different story. We have invested probably \$2 billion in that business over the past decade. We have a great management team. We are going to stay in the business. We are dedicated to the business. No matter how hard we try, it is very hard to make appliances in the United States and make money. It is just the way it is. It is not because we are a bunch of jerks. We worked our butts off and have not been able to get it done. So, what do we do? Okay we will get 90 percent of these people to retirement. We are not going to throw a bomb in the middle of the place. Jack Welch

before me and now me. If we just have the last dollar, I think we would have done something a long time ago. That is not something we have done. We have bridged it over time. We will pay to retrain people who are disaffected. That is what companies can do to help people get through these trends. Sometimes people win, sometimes people don't win. But, then again, at the end of the day, you have got to help people make this transition.

So four things we owe. One is performance with integrity. You have to perform. There is no excuse, this short-term, long-term stuff. Look, guys like me know how to balance the short and long term or else we shouldn't be doing these jobs. There is no excuse for that. So, perform with integrity, invest and innovate and really focus on competitiveness and take care of people as changes take place over time. That is really what we have got to do inside the company to be competitive.

Now the one fear that all of us have probably today and the one thing that is least under our control is government, not this government, governments in general, because, no matter what you say, the population hates globalization. Not just in the United States, but everywhere in the world. The European Union loses votes in almost every country today in terms of unified union. If we took a vote of the population in the United States and asked, "Who likes globalization?" 60 percent of the people would probably vote no. So, people are afraid.

When I started with GE a long time ago, the first thing I did was go to Japan. Japan was going to kill us and cream us and we were all going to work for Japan. So we studied the Japanese. Basically, we saw great process people but limited demographics. The new competitors China and India are unlike any competitors we have seen in our lifetime, because they can bring limitless demographics and a strong technical underpinning. I mean, these are people that like being engineers, and so it is not about where the carpeting is going to get made, it is going to be about what is the technical edge and where is that going to exist around the world. So, it is a different competitor today than it has ever been before. That has made people afraid every place in the world.

Now, what I would say is technically, as the leader of GE, I could give you one answer and say, I am a global CEO and it doesn't matter. In other words we can go any place we want to go and that's what we are going to do. To be honest with you, I have to be prepared for that. In other words, I have to make GE prepared no matter how the world goes, so that we can be successful. But when I am outside the company, and I am doing an employee meeting and somebody asks, "Are you a global CEO or an American CEO?" I say, "Look, I am an American CEO. I run a global company. In order for us to be successful, we have to win every place in the world. I love globalization, but I am what I am." That is okay, and I am proud of that. So I care about the home team. I can give you a totally dispassionate view that says I don't care, but I do care.

There is one thing that is probably going to be decided in the time I run GE, or certainly in the next 10 or 20 years, and that is going to be what kind of economy we ultimately

have in the United States. The massive strength we have in this country is immense. So, look, there is no reaper at the door or things like that. I mean, Pete Peterson is a great friend of mine, but I tell him, after I read each one of his books, I tell him, "Pete, I feel like jumping out the window. I am so depressed." I love Pete, but I don't see imminent danger, but I do think there is going to be a fork in the road in terms of what I would call the status quo, do-nothing case that turns the United States into the world's financial center and a service economy. I would say that is okay. That will have a lot of jobs. So, it is not that unemployment would be bad, but I think the negatives about it are that it is very concentrated.

Look at the United Kingdom. The United Kingdom has basically turned into a service economy. It is probably the most successful economy in Europe. It has made that evolution from manufacturing to service. But the sphere of influence of the United Kingdom has declined. There is more concentration in big cities and less in small towns. So, the nature of the country changes, when this transition takes place. So you don't want to wake up one day and recognize that all this has taken place, and it is too late to go back. But, I would say that is the steady-state case that we have today.

Now, what I would advocate for is what I would call an innovation-based democracy. It is progressive and competitive, but the foundation is really innovation. I think there are four or five things that really have to be addressed in order to achieve that in the future.

The first one is, we really have to emphasize education and most importantly technical education. There is no law that can be passed that can make me put a manufacturing plant someplace. None exists. If you want good manufacturing businesses, the one single thing you can do is graduate more engineers. Lots of engineers generate good manufacturing jobs. Four percent of the kids in this country are getting engineering degrees. Thirty percent of the kids in China and India are getting engineering degrees. Now, more people will graduate in 2006 with sports exercise degrees than electrical engineers. So, if you want to be the massage capital of the world, we are well on our way. [Laughter.] But, that kind of \$20 per hour, \$25 an hour, \$30 an hour job isn't being created right now by our education system. So, unless you are willing to address that, don't jawbone, don't call us Benedict Arnold CEOs, none of that stuff, unless you are willing to stand up and create some real leadership and run education number one.

Number two, we have got to find ways to have national points of view on the two biggest input causes, which are energy and healthcare. I am not going to say industry policy because I will get kicked out of the CEO club. I do think we have to have national points of view on those two things, healthcare because it is going to be 20 percent of the U.S. GDP. So I think there has to be from the top down a real sense for what healthcare has to be in this country, of what the rate of growth should be in terms of driving national standards of care. It is just ridiculous that we should spend that much money and have no two hospitals treat things the same way. and having no information technology that can drive industrialization of healthcare. So, the government can take real leads in those activities at the same time.

We ought to have a big healthcare business. One way you can look at healthcare is as an expense, but actually we have a tremendous lead in healthcare. So, we have this notion of technology of modernization of the FDA, to make sure that the technology that we introduce continues to be thrust into the future. We have to turn consumers into real market-driven forces as it pertains to healthcare. You are going to have more knowledge. You have to have more choice. You have to have more responsibilities. We have to treat healthcare purchasing like we treat many other things, and a lot of those things people have talked about, but I do think we are going to have a national point of view on healthcare as time goes on, similarly with energy, because it impacts everybody's life in the country. We have got to have a sense for fuel diversity. We have got to take leads in environmental technology in the United States. We have to have a real sense for finding ways to build a great energy infrastructure in this country and an export industry in terms of energy. But, I think national points of view on those two areas are going to be important.

The next thing is, we have to have a couple of technical causes like putting a man on the Moon. We have got to take nanotechnology or biotech or agribusiness, you pick it. Pick five or six industries that the United States just says, we are going to lead these industries. Let me tell you, when I go to China, when I go to Germany, when I go to Russia, there is a real sense of industries they want to lead in. If the United States ever stood up and said we are going to lead in these five or six industries, people's jaws would hit the ground. Because there is nobody that has the universal infrastructure in some of the national labs

that we have that we can really do that as a way to proactively create jobs and create real leadership in terms of the country.

There have got to be more tax systems and regulatory systems and legal systems that drive competitiveness. People should not design laws around GE. People should design laws around what we want to have done, and GE should fit into that system. I can live with that world. Do we want to export? Do we want to innovate? We have to understand that the tort system we have today creates a tremendous inefficiency. Now, if society wants that, great. If not, somebody has to do something about it to create more competitiveness in the infrastructure.

The last thing is what I would call proactive legislation. I thought the energy bill, not perfect but visionary, was a start, was indicative of where we have to go in the future. So, what I am here tonight to say is this: If we believe that a manufacturing base is important, you know people like GE can have a constructive role, but some real things have to change. It is not jaw boning, it is not going to be making people afraid or threatened or things like that. It has got to be a real comprehensive plan that is out there. We are in this time period over the next 10 or 20 years where a lot of this is going to be decided. Ultimately, what we want to be is a great American company that you are proud of and is winning around the world. That is what we would like to see from a government standpoint.

I would just end tonight to talk about what an honor it is to lead GE. It is a great job and it is an honor to do it. As Vernon said, I became CEO in 2001. People who became CEOs of our companies at that time period never really got to feel what it was like to be a celebrity CEO. We never had that luxury. When I was in college, I was a janitor at my fraternity. I remember going downstairs with a mop and a bucket on a Sunday morning, looking at the basement, and I knew that somebody had fun. It was just not me that night. [Laughter.] I had a sense there was a great time that was had, but I may not have remembered all of it myself. But it is a tremendous honor to run a company like GE. I would say in many ways the past few years, whether it's been Sarbanes-Oxley or any of the things that have happened, have only made me more convinced in terms of the values of running a big company, the importance of being focused on investors, the importance of what big companies can do, the importance of being a great and a good company. So, I think it has only made me more committed.

I will leave you with two thoughts I think good leaders of businesses have in common. The first one is a tremendous disrespect for tradition. I believe in integrity. I believe in performance. I believe in all those things, treating people with respect. But, any time you run an institution at all and you are looking backwards, you think about protecting legacy, you are letting people in meetings talk about the way things were, you are going to fail. This is about being of the moment. It is about being of the time, about being unafraid to make decisions and take risks and let the chips fall where they may, and that is absolutely critical for doing this job.

The second is being an optimist. The fact is cynics don't hire people. Optimists are the ones who are going to drive change, the ones who are going to make investments, the ones who think the future is going to be better than in the past. This combination, of being focused on the future and optimistic about where change is going to take you, is ultimately where you have to go. The best compliment to me about GE employees is that I can look them all in the eye and they are unafraid. That they are optimistic themselves about the future. They think we are going to swing and swing hard in the businesses that we are in. That is the type of workforce you ultimately want to have. Ultimately, those are the kind of people inside GE who are going to make this a company great for our investors and good with respect with what we can do for the society, the economy, and for all of our teams around the world.

Thanks for having me, and Vernon, I would be happy to take a few questions.

QUESTIONS AND ANSWERS

Vernon Jordan: Why wouldn't it be better for GE to be six or eight companies than one huge company?

Jeff Immelt: Again, the way we run the company is to drive integration from a business standpoint and from a people standpoint. Now, I would ultimately say to investors that, if ever the company were underperforming from an earnings standpoint, the separate

businesses would perform on their own. We shouldn't be a multibusiness structure. Between 2001 and 2004, we went through the toughest cycle in the history of the commercial aviation business. On September 11, 2001, we had the biggest aircraft engines, we owned 1,200 aircraft. The fact that we had such in-depth knowledge between financing and corporate and in technology meant that we were able to keep reinvesting in technology through the down period, because we had the financial strength of the rest of the company. We went into the down period with about 60 percent of the market share. We came out with 80 percent. Of 1,200 aircraft, the most we ever had on the ground was three. Because we knew the assets, we knew the customers better than anybody else in the world. Now, if I can't tell you a hundred stories just like that, of how two divisions work together, how we take resources from one and put them in the other and, because of the combination, it can grow faster than the S&P 500, then we don't deserve to exist. Ultimately, if we can't grow earnings faster than the S&P 500, people ought to ask that. But, that has not been the case for over 5 years or 10 years or 20 years.

Vernon Jordan: Can you describe the process that led GE to make such a large bet on environmentally sensitive products?

Jeff Immelt: In 2004, we were doing our midyear strategy reviews and we saw seven divisions that were all working on energy efficiency or emissions reductions in some way, from appliances to energy to aircraft engines to rail to our plastics business. We kind of connected the dots. We studied it for a year. We met with non-governmental organizations. We met with customers. We met with a variety of different people.

Ultimately, we looked at the technical road map and where our customers were, and we just decided that we could connect the dots in a way that nobody else could to tie together technology, the customer base, and innovation. The last thing I would say is, one of the things as you get older is you get a gut feeling for things. It is only a question of when there is going to be emission reduction legislation in this country, so you can either take it the hard way or take it the easy way, but you are going to take it. So, I also crossed through that threshold. It was a pretty pragmatic one. Because I have been around, I have seen the Clean Air Act, I have seen other things happen, so I wanted us to get ahead of it because I thought we could make money on it and I thought it was an important public policy position for us to take.

Vernon Jordan: In the past week, there has been a lot of talk about CEO salary disclosure. Why is there so much attention to this topic?

Jeff Immelt: I am heartened to know that everyone thinks we are so underpaid. [Laughter.] I would make two comments. The first is that all the points of disclosure are right on. There is a right amount for CEOs to get paid, and it could very well be lower than it is today. I don't know. The fact is that I work as hard as I can right now and I wouldn't do a thing differently if you paid me more money or if you paid me less money. So, it's just what I do and what I love to do. So, I wish the debate would end, for one reason. If we all live 20 years from now and we think back at the year 2006 and think about what was really important in business in 2006, CEO comp will not be in the top 20. So, what I would ask the people here is, get on with it and get it over with. Because there

are so many things that are going to be so much more important, I just wish the debate would end. Tell us what you want us to make and get on with it. I think it is crowding out legitimate debates on education innovation, technology, globalization, competitiveness that are really at the end of the day what you want this whole thing to be about.

Vernon Jordan: How do you manage diversity? Is it a key component of your business?

Jeff Immelt: Diversity today has got three legs. It is how we recruit. So, we have specific targets on how people come into the company, and it is very important that we have access to the world's best people. That's how you promote. We kind of look at the top 500 people in the company and we measure increases in women, African-Americans, Asians, Hispanic Americans. Between how we recruit and how we promote, we have affinity groups inside the company that try to nurture or mentor and make sure people stay inside the company. So, we recruit from the outside. We have four affinity groups, African American, Women's Forum, Hispanic Network, and Asian. I want a 2008 roadmap to really drive this thing in the next 3 years. When you run a global company, globalization is just going to overrun companies. When we are a company that has 40,000 or 50,000 people in India or China or places like that, the classic diversity metrics aren't going to mean as much in a global setting as they mean in an American setting. So, I think, Vernon, we are in a critical 3- to 5-year time period where companies really

have to make their mark and move ahead on it. Because in a global company it just doesn't have the same resonance.

Vernon Jordan: GE has spent more on lobbying, a big word in this town, than any other corporation. Significant tax savings have added to your earnings. What is your tax lobbying strategy over the next 5 to 10 years? [Laughter.]

Jeff Immelt: We spent a lot on lobbying because we are in a lot of different businesses, so it is important that we have stakes in all of them and make sure all our points of view are heard, and that is the only mechanism we have today to be heard. There is not a person in our company who has, as we have, read the newspapers over the past couple of weeks and hasn't been concerned and shocked about the process, and so it's stuff we want to make sure we are not associated with. But, it is not like we are out there in a world that is uncompetitive. Ultimately, if we think exports are important, there should be incentives to export. If we think that U.S. financial institutions need to compete with German financial institutions in a global world, we have to look at our tax policy versus theirs. Ultimately GE's tax, what we pay in taxes, ought to be a reflection of what the U.S. strategy is for competitiveness.

Vernon Jordan: Tell us how you are readying your successor? Is he or she at GE? Are they American and what are their core competencies?

Jeff Immelt: Not too many easy ones. I would say you never know. Let's say I did the job as long as Jack Welch did it, which I can't envision right now, but my successor is probably in their early 30s right now. So, you have to work every day to get to know the people inside your company. I try to travel a lot. I try to get to know a couple thousand people inside the company to some reasonable degree, and every day I am trying to meet more people inside the company. If I do this job for another 10 or 15 years, I would like to think that anybody from inside the company, no matter where they are from or which sex, should in a truly globalized GE be able to take any job that they want. If you look at the leadership team today, about 35 percent have a non-U.S. passport, about a third are diverse women and minorities. We have a great pipeline of people. The most important attribute to run our company is a touch for people. It is the ability to hire, promote and reward, and select the world's best people. If you do that, you can do anything.

Jeffrey R. Immelt is Chairman of the Board and Chief Executive Officer of General Electric. Mr. Immelt took over as Chairman and CEO of GE on September 7, 2001, just 4 days before the world changed forever. He leads the world's largest industrial company, a company whose diverse products range from medical imaging equipment to jet engines, locomotives, and wind turbines, to GE Capital, and NBC Universal. Mr. Immelt joined GE in 1982 and rose through marketing and management jobs in its appliances, plastics, and medical divisions. From 1997 to 2000, he was President and CEO of GE Medical Systems. Subsequently, Mr. Immelt was named by GE's Board to succeed the legendary Jack Welch as CEO, having won a three-way competition for the top job. A 1978 graduate of Dartmouth College in applied mathematics, Mr. Immelt received his M.B.A. from the Harvard Business School. Mr. Immelt serves on the board of two nonprofit organizations: Catalyst, which is devoted to advancing women in business; and Robin Hood, which focuses on addressing poverty in New York City. Mr. Immelt was named *The Financial Times* "Man of the Year" for 2003.