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Abstract

Jack Welch, the CEO of General Electric, is a corporate chieftain. Countless publications have praised him as a modern legend, that he is a hero, and that they also incorporate his management style. On Welch can be compared with counterlegends that were launched during the Reformation to fight the impact that traditional legends had on people's faith. They then try to explain why managers read texts that praise the uniqueness of a manager like Welch and yet do not contain precise and detailed recipes for effective management. Finally, the authors discuss whether the shareholder value of a company can be increased by an effective communication policy as it is practiced by Welch.



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1.

1. The chroniclers do not apply psychological theories to delineate Welch's character. Thus, they do not refer to Freud (1961) who was convinced that men who as children were adored by their mothers are predisposed to become heroes: "I have found that persons who find themselves preferred and distinguished by their mothers show that specific self-confidence, that unshakable optimism that makes them appear as heroic and force real success" (Vol. 2, p. 404, footnote).

2.

2. Welch just received an advance of \$7.1 million, the highest advance ever paid for a nonfiction book (another miraculous record for Welch!) from Time Warner Trade Publishing for a book on his ideas that

- he will write with John A. Byrne, one of his most eager chroniclers, and that will appear in 2001 ("Jack Welch erhält als Autor," 2000).
- 3.
3. One of our anonymous reviewers urged us to present evidence in support of this claim. We approached a number of colleagues who are experts on capital markets. They were in agreement with our hypothesis but assured us that so far, there is only anecdotal evidence.
- 4.
4. The turnover rose from \$28.9 million (1984) to \$50.1 million (1998) (after the start of the management program the increase was less but still good: a turnover of \$62,304 in 1992). The increase in profit was significantly higher than in turnover (11% from 1988 to 1992). GE's performance was significantly better than the average of the *Fortune* 500 companies.
- 5.
5. Although the Standard & Poor's Index had recovered by 21.4% after the stock market crash, GE's share only increased by 0.9% during the same time frame. When reporters asked Welch to explain why GE's return on equity was "only" nearing the high point of 20.2% from 1979, he exploded and threatened to break off the interview: "Then he calmed down and answered: `From peak to trough, it's a 10% change! If you were talking about a 30 percent drop, maybe you'd have a discussion'" (Slater, 1993, p. x).

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