GE executive to be paid $89,000 a month for not working

By David Walsh
7 August 2012

General Electric (GE) executive John Krenicki is leaving the giant firm at the end of 2012, bound up with the company's decision to break up his energy division, where he functions as chief executive and president, into three separate operations.

In return for agreeing not to go to work for any of GE's rivals for three years, Krenicki will be paid a "retirement allowance" of $89,000 a month for ten years, or some $10.7 million. The allowance is a portion of an exit package worth at least $28.3 million, according to the *Wall Street Journal*.

Krenicki's deal also includes nearly $15 million worth of stock options and restricted stock units, and a bonus for 2012 equal to last year's $2.8 million.

These obscene amounts have become entirely standard in America's boardrooms. If the media treats the issue in more than a passing fashion, the tone tends to be one of awe or jealousy, rather than outrage. This is the narrow world of the American aristocracy.

Mark Reilly, an expert in executive compensation, told the *Journal* that Krenicki's exit allowance represented "a generous severance package in exchange for his noncompete agreement." Considering Krenicki's rank of GE vice chairman and his 29 years of service, Reilly asserted the package was "fair."

Krenicki ran GE Energy Infrastructure, the conglomerate's most important division, a $50 billion business, which he had pledged to increase to $100 billion. As a stand-alone company, GE energy division would have ranked in the top 60 of the Fortune 500.

In addition to the splitting up of Krenicki's division, which his success in the position apparently helped bring about, *Fortune* speculates that the GE vice chairman left in part because current CEO Jeff Immelt, now 56, was not likely to depart his position until age 65. By that time, Krenicki—one of the top five figures at GE—would be 59 and an unlikely candidate for the chief executive spot. "It may have become increasingly clear that Immelt has no plans to go anywhere anytime soon, making it plain that Krenicki's chances at the top job were slim," writes *Fortune*.

As a side note, Barack Obama appointed Immelt chairman of his Council on Jobs and Competitiveness in January 2011.

What was Krenicki up to at GE? A *Fortune* profile in December 2011 provides some indication. "GE Energy operates three divisions—GE Power & Water, GE Energy Management, and GE Oil & Gas—and a total of 15 business lines, 13 of which generate more than $1 billion in annual revenue. With the scramble for energy resources intensifying all over the globe, GE Energy is almost an emerging-markets business."

In one of the piece's more revealing details, it points inadvertently to the real driving forces behind the US invasion and occupation of the Middle East: "Krenicki's biggest deal to date was a $3 billion contract for gas turbines in Iraq in 2008, a contract he signed in the same room where President George Bush had had a pair of shoes thrown at him two days earlier."

And there is the matter of future US-led wars of aggression, against China in particular. *Fortune* continues, "And now Krenicki is making a big push into sub-Saharan Africa… He's got an incentive to be speedy, because competitors are flying in from all over. Commercial flights from Johannesburg to Luanda, the capital of Angola, are carrying a lot of Chinese laborers."

In any event, with or without the $89,000 a month from GE, Krenicki was not in danger of missing a meal. A week and a half after the announcement in late July that he was leaving GE, Krenicki found employment with private equity firm Clayton, Dubilier & Rice (CD&R), for an undisclosed, but no doubt fabulous salary.

Notes the *Journal*, “Mr. Krenicki will run into some old colleagues at CD&R, whose senior advisers include former GE Chief Executive John F. Welch Jr. and former Procter & Gamble Co. CEO and current GE board member A.G. Lafley.”

The private equity firm, which “tends to invest in industrial and service companies, often ones carved out of larger companies,” has some $13 billion under management.

CD&R’s chief executive Donald Gogel recently chided Barack Obama for his criticisms of Republican rival Mitt Romney’s activities at Bain Capital, another private equity operation. Gogel, who was a strong Obama supporter in 2008, told an interviewer, “I just don’t think it makes sense to point to private equity as the villain.”

Shortly after the interview, Gogel and New York-based CD&R were accused by franchisee dealers of water treatment company Culligan International of asset stripping, firing employees and outsourcing manufacturing overseas.

According to the plaintiffs, the case involves a leveraged buyout of Culligan by CD&R in 2004, and the private equity firm’s subsequent actions “in stripping Culligan of its assets and burdening Culligan with debt,” to its own benefit. The franchisees charge that CD&R, after it bought Culligan, “fraudulently conveyed the cash assets of the business to its private equity partners by issuing a repayment of capital and a stock dividend and paying itself exorbitant consulting fees, thereby leaving Culligan heavily in debt, insolvent and unable to pay its debts as they came due.”

The lawsuit continues, “At the end of the day, CDR pocketed some $400 million, and left Culligan in financial ruins.”

Again, this is par for the course in American business today, where parasitism and speculation prevail.