



Get better or get beaten: 29 Leadership secrets from GE's Jack Welch

By – Robert Slater

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Jack Welch built GE into the most successful American corporation of the late 20th century. He accomplished this by focusing on quality, insisting on innovation and forging a series of business strategies that transformed GE from an overly bureaucratic, slow moving and self satisfied dinosaur into a lean, agile competitor.

This book handles all the possible business situations the way Jack Welch would have done it – with clarity, purpose and a singular focus on achieving the bottom-line results.



PART 1

The visionary leader: Management tactics for gaining the competitive edge

Harness the power of change

Jack Welch was the firm believer of the idea that change is the only constant thing that exists in business environment. In his career of 18 years he grew GE four folds, but the driving factor of this achievement was that he prepared everyone in the organization for the changes that were taking place in the environment. He saw the technology changes and the global competition coming much before they actually arrived, he acknowledged them as powerful enough to rock the business foundation. He was not scared of change on the contrary he found it exciting, bold and even freeing. He gave GE a vision that made each employee value change.

He asked his employees to treat everyday on job as the new day; to look at the situation with fresh perspective and think towards getting the maximum out of it. He imbibed the fact in his employees that to sustain in the changing environment and to come out of it with flying colors it was imperative for them to be number one or two in any they business that they were in. This made the employees challenge the status quo and gave them the confidence of moving against the tide. While doing that he also made it a point that GE had knowledge management system in place so that each employee contributed towards the success and the tacit knowledge got institutionalized in GE. He promoted quality not only to fair well in competition but also to reach the ultimate stage in the minds of the customer.

Face reality

Some of the Jack Welch's most important business strategies from the early days were designed to ignite the revolution he promised for the company. The goal of the revolution was to be the best or near the best in the world. For this he defined a strategy by which the employees of the company will see the world as it is and not the way they wish it to be. This was meant to give entirely new look to the GE's business. For this he advocated taking certain kind of risk while dealing with their own company. He proposed that it was better to be going forward with any decision with positive frame of mind than getting into the bureaucratic rut. He mastered the art of determining the reality about the people, situation, products and then acting decisively and quickly on that reality. He exhibited this quality on more than one occasions. He early 1980s he restructured GE so as to focus on the core businesses. In mid 1980s he went for mergers for high tech growth. He gave voice to the employees in the company. In 1990 he went for six sigma quality and also committed the company towards the avenues that internet had in store. He believed that facing reality allows one to look at his business environment as constantly changing and hence he searches for the ways to cope up with and to compete with the environment and immerge as the winner.

Managing less is managing better

One of the things that the managers enjoy doing a lot is to control the employees under them. This gives them the feeling of 'working'. Jack Welch was opposed to this kind of thinking. He believed that the managers had much bigger roles to play than just control. He thought they should create vision for their employees and should make sure that vision is always on the mark. He wants to stop getting in the way of the people who work for them. They should treat them



with respect. Make them feel about whatever they are doing, give them the confidence and make them feel that they are contributing in a big way to the company. By this the managers get more time to think big, be more creative, to focus on ways to help the other GE businesses. This not only motivates the employees to work for the success of the company but also makes them ready for acquiring the leadership in future. This kind of succession planning has been the secret of the GE producing such an array of leaders.

Create a vision, get out of the way

Jack Welch did not believe in the theories that doing business was complex thing, he though it was the simple most profession in the world. He believes that the actual process of management is pretty simple where the difficulty arises is in getting the right information for managing the business successfully. He thinks that answering four to five questions about the business and its competition the managers can really get the direction for the future. Thinking that the business is complex make the managers get involved a bit too much in the smaller aspects of the business without looking at the big picture.

He always believed that the manager should only interfere to the extent of allocating the right people and the right amount of resources on a particular task and then get out of the way of the juniors. The managers should recognize their performance and reward them so that they constantly pursue their goals. He strictly believed in lean organization structures with lesser layers but wider span this makes the controlling act much difficult for the managers and they automatically start focusing on the strategic issues.

Don't pursue a central idea; instead, set only a few clear, general goals as business strategies

Many a times the perception that leaders have about the showing the way is giving the clear cut action plan to their employees but Jack Welch was against that notion. Instead of directing GE's businesses on the basis of specific, step-by-step strategic plan, Welch preferred setting out only a few clear, general goals. This would permit his employees to be free, yet still obliged, to exploit any opportunities that came their way. He thought that setting only the broadest of objectives and emphasizes seizing the unforeseen opportunities as they arose. For him strategy was not lengthy action plan, it was revolution of a central idea through continually changing environment. Nevertheless he ensured that the broad plan that he set were consistent with the values that he had nourished all throughout his career, the GE values. In those he stressed upon customer focus, accountability and commitment, passion for excellence, empowerment, global focus, quality etc.

Nurture the employees who share the company's values

Definition of good manger, according to Welch was the one who does less supervising and delegates the key decisions. Someone who lets his subordinates develop the business plan, and plan out their own budgets. He develops the vision and allows the employees to grab it in their own way. He takes responsibilities for the employees' decisions.

He divided the employees on the basis of two parameters commitment and values as shown in the following diagrams.



| | | Commitment | |
|--------|------|--|--|
| | | Low | High |
| Values | Low | Do not keep him for long Unpleasant but easy decision | Difficult decision because they always deliver |
| | High | Give him a second chance in a different environment | Future is bright Onward and Upward |

The employee matrix based on commitment v/s values

For every quadrant there is a different treatment that is given to the employees. The employees who are high on both are the ones that the company always looks for. Employees who have none of them are an easy decision, remove them immediately. Employees with high values and lower commitment can be motivated by changing the efforts-rewards forces and can be given another chance in may be some different environment. The biggest decision for the organization is the employees in the quadrant of high commitment but low values. These are difficult decision because they always perform and bring home the numbers that the organization is looking for but the way of doing it may not exactly match with that of the organization. But Jack Welch was a firm believer that these employees if retained for much long can deteriorate the values of the organization too. The organization can not afford to talk something and walk in different direction by retaining and awarding these employees as this will degrade the trust built into minds of the other employees and they too will be encouraged to employ unethical ways to achieve the numbers.



PART 2

Igniting a revolution: Strategies for dealing with change

Evaluate your business with a fresh eye and decide what needs fixing, what needs nurturing and what needs to be jettisoned

When Jack Welch took over the GE's mantle, it was going through a bad phase. Its vision of being number one or two was restricted to only three of its businesses and else were contributing only a third of the GE's profits. The main problem in this case was that the global markets and economies were getting flooded with high quality, low cost Japanese equipments. Also the American economy was in bad shape. But thanks to the multi product presence strategy of Welch GE could sail safely through this crisis.

When Welch took over the company's affairs the company was being praised from all quarters for the hierarchies of management which gave it superior command and control over its affairs. But he knew that the environment was changing and it was changing fast. This structure could have worked in old environments but in changing times it was making GE lethargic to react to sudden changes in the business. He evaluated this and jettisoned the structure to make GE more slim and trim. He gave it a new vision of becoming a unique, high spirited, entrepreneurial enterprise, a company known for its unmatched level of excellence. He wanted to make GE the most profitable and diversified company on the face of the earth. He went forward and did it.

Be number one or number two and keep redefining your market

In order to not only survive in he inflation but also benefit from it Jack Welch devised this strategy of being the number one or number two in every business. This would mean that the inflation results in killing the nearest competitors which means that the competitors die before GE. He one said that the winners of the slow growth will be the ones who search out and participate in the real growth industries and insist upon being number one or two in them. This ensures lower cost, quality goods and excellent service and technological edge in global markets. Also being in the leadership position allows these players to employ aggressive tactics. These players control their own destiny.

This strategy nevertheless had some disadvantages. The prime one of them was that the GE managers were defining the markets much too narrowly in order to ensure the number one or two position in the market. This meant that they were turning blind to the opportunities just because of fear of not being able to achieve the top or the next best spot. It neglected many smaller but business point of view strategically important areas. Welch was quick to admit this and he modified his strategy to a certain extent. He launched into services which were the auxiliary to the businesses of GE. He gave up this strategy on these fronts which meant that serving customers better with the service aspect of the product even if it means not being able to keep the top or the next best spot.

Downsize, before it is too late!

Welch firm believed that GE should be in businesses which will take it to the next century and it should get out of the businesses that did not have much potential. This meant that he had to make some heart wrenching decisions. But it ensured that GE would be sleek, aggressive and



competitive. To achieve this it was not enough just to reshape the company but it also needed resizing it.

Up to 1980s it was considered that downsizing should be the last resort of the company as it brings bad name to the company, it results in job losses and the general negative image about the company in the minds of the citizen of the country. It also was thought that it would keep the best of talent away from the company. Even the political circles were in favor of this feeling. But as usual Welch was ready to go against the tide. He thought to be competitive in the global era it was necessary for the companies to be technologically superior and hence remove the employees which were no more needed.

But this stance of his made him extremely unpopular in America. He was given many nicknames which indicated heartless fellow who did not care a bit for the men who work for him. But Welch was very strict in this regard he thought that his main objective was to sustain and grow the company and only growth would result in higher employment. He did not allow anything to come in his way of pursuing this strategy.

Use acquisitions to make the quantum leap!

Before Welch came to lead GE, it was considered unethical to grow by acquiring the outside businesses. But Jack was not the one to get into traditional rut, if he found buying out a business more profitable than building it he would always go ahead with the plans. He went ahead with RCA merger which made GE the 7th in Fortune 500 companies and brought the technological capabilities, financial resources and global scope to the table. Also it reduced dependence of the GE's fortunes on the slow moving manufacturing sector. Just before he retired in 2000 he also brought about the merger with Honeywell which proved out to be a great fit to GE. With this merger GE had more employees than any other company which proved that GE's strategy of survival of the fittest amongst the employees ultimately resulted in more employment. Though Honeywell was an old economy company it was still the best technological company with sound business foundation, and ability to make use of the emerging technologies. During the Honeywell deal Jack Welch was put a condition that he should not retire if the deal is to forward at least till end of 2001. For this Welch had to postpone the retirement plan but he was hurt a lot when the allegations were made against him that he took Honeywell just to extend his period in GE. It shows that even the great moves by great leaders are not perceived correctly many a times by groups so called advocating the corporate ethics.

Learning culture !:Use boundarylessness and empowerment to nurture a learning culture

Jack Welch always thought that the diversity and the complexity that GE had was a perfect ground for building up the learning organization. Learning organization means the organization which searches for new ideas within or outside the company and shares them amongst everyone working in it. The operative assumption behind this learning culture was that someone somewhere has better idea of doing the things in better manner. It was necessary that the company finds out the better idea, learns it and puts it into action as soon as possible. He made GE a boundary less organization in which the ideas shared at each and every level not only within the company but also from outside of the company. He created this boundary less nature by de-layering and destroying the organizational silos and made use of new technologies like internet in aiding this mission.



Learning culture !!: Inculcate the best ideas into the business no matter where they come from

He asked every manager to assume that he can learn something from someone around. He did not mind indulging into 'legitimate plagiarism' of stealing the ideas from the environment. He did not think that GE is the company others should learn from, he always advocated that GE's secret of success was that it was a learning organization and it can not afford to get arrogant about what ever it has achieved so far. Even much talked about six sigma concepts that GE used with so much effectiveness was not its in-house production. In GE there was a pervasive and insatiable thrust for new ideas; there was a compulsion to share them and premium put on implementing them. For this 30 GE managers hold a two day meet at some place after ever quarter and everyone is asked to present any new ideas that their department invented or found out from some other sources. They are literally scared of getting caught implementing best practice alone without spreading it.

The big winners in the 21st century will be global

Jack Welch saw globalization as a new reality and as a great opportunity for GE. And he was unafraid of the change that he would be required to make for going global. But prior to going global he made sure that company was on the firm ground in the local markets. Slowly but surely GE spread its wings in the emerging markets of Asia like Japan, India etc. While focusing on these countries it judged each country by its own and demerits. India for instance was identified as limited market with huge talent pool but government control made life difficult here. Chinese government wanted foreign companies to invest without expecting profits. One of the objective of this global mission was that hire local leaders from small markets and use them in the global arena to achieve more for the company.



Removing the boss element: Productivity secrets for creating the boundary less organization

Delayer: Get rid of the fat!

Ridding the company of its excess baggage he was convinced was the one way to free everyone from senior managers to the employees on the factory floor. To complete the liberalization, Welch set his sights on peeling away the excess layers of GE management. Once considered beneficial layers of management now had to be dealt with. Looking at GE's old ways, Welch thought all those layers slowed things down and prevented managers from spotting trouble early enough. Worst of all, it sapped the entrepreneurial spirit that was so important to a large company like GE.

GE was built on the foundations of the bureaucracy. It was governed by the “manage by memo” culture. This culture meant that the organization under the excuse of systematic control kept on getting fatter and fatter and hence slower and slower. Welch came and targeted the command and control system by de-layering the organization. The main objective behind this was to turn the strategic planning function over to the business and to remove the obstacles that prevented the interaction between the businesses and the business and the CEO's office. In this he did not allow the emotion come in between the decisions in any manner while axing the executives.

Spark productivity through the “S” secrets (Speed, Simplicity and Self confidence)

Welch was a firm believer that what worked in 80's was bound to fail if applied straight away in the competitive arena. The mantra that he gave for the new era was of Speed, Simplicity and Self-confidence. Speed refers to the speed of taking decisions without getting into the rut of the bureaucracy. Simplicity means concentrating on the right things that make the organization succeed without worrying about some of the unexplainable nature of events. It means giving a clear vision to every activity that is being performed in the organization. Self confidence is the important parameter which is the basic attribute that the people in the organization have because only if they are confident of themselves they can contribute in any decision making process in the organization. Also he thought the insecurity that the people see around can be harmful to the organization. It makes people resist change because they see change only as a threat and not as opportunity. The best way to imbibe self confidence is to provide a process which gives them a voice, to get them talking to one another and hence trusting one another.

Act like a small company

Small companies perform better because they are small. Each one out there knows one another and hence results in greater understanding. They move faster because they know the market well. Their performance management is simpler and clearer to everyone. And finally they waste much less. They do all this because they thrive on passion and not the rules. Nevertheless size has its own advantages. It allows more spending on technology, ability to bear huge marketing costs. It increases the staying power in unfriendly environment. It allows one to partner with the best in the world to get more out of it.

But Welch was not the person who was going to be overawed by the size. His passion was agility of the small and the strength of the big. For achieving this he did away with the layers of



management, he changed the culture from the bureaucratic to a competitive one. He gave more say to the employees in the decision making processes.

Remove the boundaries!

GE had many boundaries, most of them at senior levels. This prevented it from talking to customers, suppliers and also one another. Welch was very quick to notice that. He found that the top managers never really spoke to one another unless that was direct reporting. He knew that the open and informal business environment was must if GE had to become as competitive as possible. For that he first targeted those layers but without making things complicated. He removed barriers from functions, levels and locations to bring about this change. He stressed upon cross-functional teams, developed good leader instead of managers and empowered the workers by giving them responsibility and authority. Also he never had fixed agendas; he liked to keep everything really loose so that informal discussions were encouraged in the meetings.

Unleash energy of your workers

When Welch took over, he had a massive challenge. Due to the downsizing and the transfers that he brought about to give new look to GE, there was a turmoil that was created in the organization. Employees were not feeling secure and yet were supposed to be more productive than ever. There was an atmosphere of instability through which he had to take GE out and imbibe ownership in the employees. This was done by giving them the freedom they wanted to carry out the tasks better, they were made to feel secure by removing the controlling measures that were there on them before Welch took over. But there lied another challenge; the autocratic managers were reluctant to give up the control so easily. But Welch had made his mind on making the day more enjoyable and interesting for the average worker. For this he decided to make use of the employees' brains to solve the operational problems. He made them feel that they had stake in the company and by working in the company they were actually serving themselves. He trusted them and considered them the integral part of the business.

Listen to the people who actually do the work

Welch was perceived to be an aggressive boss but soon after he took over he was talking about giving the freedom to the employees and asking them to become their own leaders. He named the program for doing this as “Work Out”. He established four important goals for achieving this. For developing trust amongst the employees he proposed to make them feel comfortable while talking to their bosses, they need not worry about getting fired anymore; they could bring their ideas to the table now. For empowering them he allowed them to solve the problems at their level without waiting for the boss. He granted them more power and asked for greater responsibility towards their jobs. He also eliminated unnecessary work which was no longer relevant in the changed environment. This program involved a day out at some outside location for a set of people. There discussions about both the business and non business issues were encouraged. Both bosses and their employees were treated on the same level during these discussions. The mangers who were not comfortable in such situations were straight away fired.

Go before your workers and answer all their questions

Welch ensured that he started with the mechanism of allowing the employees to talk straight with their bosses, ask questions to them, give suggestions etc. But the employees who were asked for twenty long years were not really convinced about the goals or fairness of the program but slowly



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but surely everything started falling in place and the dialogue between the workers and the managers improved. The issues raised were divided into two categories, one which can be resolved on the spot and the others which will take some time to be resolved. Even the issues that were solved on the spot surfaced a lot of inefficiencies that were built into the system just keep everything under control. The other set of problems were more stubborn. But they exposed serious problems that the system was gripped in just in order to be more 'systematic'. The most important thing that the leaders were asked to do is to search, treasure and nourish the voice and dignity of every individual.



Next generation leadership: Initiatives for driving and sustaining double digit growth

Stretch: Exceed your goals as often as you can

For Jack Welch the goals were not something that it could be achieved, they were something that could be exceeded. He used to set two kind of goals before the employees one the goal that was must and the another one that was 'stretch goal'. He obviously wanted everyone to try for the stretch goal. If a worker puts a lot of effort but still can not make it to the stretch goals even then he was awarded for beating the normal goals. These were the goals which were almost impossible to achieve but still in some case the employees did manage to achieve them.

But there was also a problem with stretch goals. The employees felt that they were forced to take some drastic measures in order to march towards the stretch goals which they otherwise wouldn't have taken and this resulted in lack of rational thinking in the organization. Also in some cases the lower managers actually came down on their employees for not reaching the stretch goal which attacks the basic concept of stretch goals. Hence Welch withdrew the stretch program and re-introduced it when the organization had completed the restructuring and had become mature with the new kind of work environment.

Make quality the top priority

Jack Welch chose quality, specifically six-sigma quality, as the next big thing. He was convinced that quality was a breakthrough program that would make GE the most competitive company on the earth. It was not that GE was not known for quality in the past but it did not have world class quality that was being reflected by some other players like Motorola, Toyota, HP etc.

Till now Welch had assumed that if he had a great organization with proper processes in place the quality will be an automatic byproduct. But then a stage had reached in which the quality had reached saturation and hence such an explicit program was required. In GE the quality concerns were from within in the sense that the GE employees felt that their quality was not up to the mark. And the management directed the efforts in the right direction by launching this program. This was the program that was not perceived to be belonging to Welch as such but the whole organization started aligning with it.

Make quality the job of every employee

GE devised its six sigma initiative by having a three tier system in which the managers taking trainer were allotted one level according to the results they display. Welch also defined the characteristic of the true six sigma leader. The company was focusing its quality effort on reducing or eliminating processes that cost the company precious time and money. He made it clear that no GE employee will survive in the organization unless he makes this effort his way of life. Acquiring certain competency level was made compulsory for every level of promotion.

He convinced the employees that this change was forced not by any one else but by the customer of the company. So the employees could only be required if the customers like their job.



Make sure everyone understands how six sigma works

The basic methodology of the six sigma program was that the company probes, measures, analyses and controls the root causes of the problem. Measurement is the key internal process that influences the critical to quality areas and measures the defects generated in it. Analysis concentrates on the reasons of the defects are generated; improvement involved bringing it to the acceptable quality levels and control means maintaining the results in long run. Also different hierarchies were created in six sigma initiative amongst the employees. The key performance indicators were also identified as customer satisfaction, cost of poor quality, supplier quality, internal performance and design for manufacturability.

Make sure that the customer feels quality

The main problem with the six sigma initiatives was that though the company was successful in saving costs and getting other benefits out of it, the customer who were reading about these quality initiatives did not see any remarkable quality difference in the quality. The main reason was that though the quality improved substantially the variability did not go down so some customers did encounter delayed deliveries and making the perception go down. What was lacking was consistency. So after this observation every six-sigma initiative in the company was communicated to the customer and his reactions were studied in this regard. Also every activity was planned with the end in mind and that is making the customer happy.

Grow your service business – it's the wave of the future

GE had its core competency in manufacturing but the future lied ahead was belonged to the service sector. This sector was undergoing very high growth and the potential was tremendous. In service sector the profit margins too were significantly higher. The stress on the services market was not really consistent with the Welch's earlier business strategy of being number one or two in the businesses but as described earlier to venture new markets and to look at the opportunities with open eyes this was important for GE.

Turn you company in E-company

The concept of E-company involves two major thrust areas which are to handle the business processes and to sell products online. GE was quite late to enter this internet game. GE had presence in the internet sector but it never really considered it as serious distribution channel. Welch's manufacturing background had much to do with this. Welch could not keep away from growing excitement about the internet for much too long and decided to enter this arena in 1998. He then quickly utilized this distribution channel and generated phenomenal sales through the internet.

Make existing businesses internet ready – don't assume that the new business models are the answers

The new competitors of GE were trying to defeat GE by having superior business model in place. GE noticed this and started working towards this. It hired a new breed of tech savvy guys and asked them to determine various business models that could be harmful to GE. It quickly used to adapt the suggestions. But GE also knew that it was its responsibility to grow this market. During this process GE realized that it was not necessary to launch a new business model but the company should be e-enabled so as handle the technological issues of the business. For this



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Welch defined a new vision which involved upgrading people and retaining top talent, leveraging IT to create competitive advantage for your business that the customer can see and feel; and to aid the internal business processes with IT.

Use E-business to put the final nail in bureaucracy

Creating a true e-company in Welch's view meant not only transforming business processes, but taking advantage of the company as well. Jack made it a point that he sent email to each employee personally. The employees were elated to receive the mail from Jack and saw the changes that their company was going through in the information era. They were then allowed to communicate with their bosses on the emails; a transaction able site was launched. GE was transformed from the organization which only dealt in years was now dealing in internet time that is in terms of weeks and days. But still the fundamentals of the business still remained the same and those were market leading businesses, six sigma quality program, top-notch fulfillment capability, reliability, brand etc. and that is why we see that the leader in the form of GE has continued its legacy.



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