

General electric under jack welch case study sample

[Business](#), [Company](#)



Introduction

GE was under Jack Welch's leadership for 20 years. During the period, GE achieved impressive financial results and high production effectiveness. The success of the company was, without a doubt attributed to the vision and leadership style of Jack Francis Welch that gain his popularity as a leader, among other qualities, for the creative approach to management. For the purpose of this analysis, it is important to mention that the leadership qualities and vision of Welch as a CEO, where influenced by his personal background; he comes from a working class family and goes through all the stages of professional development within the company.

Q1: Corporate Social Responsibility (CSR) under Jack Welch

The era of Jack Welch is an enormous layer of GE history that takes its roots back to the stage when the company was yet to define its attitude towards "green" policy values as well as learn from the social and economic environment the core values of CSR responsibility as a company asset. Jack Welch assumed the company with complex matrix structure, employing 404,000 employees and 50 businesses reporting units. Given that the first and the foremost responsibility of the GE's business leader was to bring new organizational structure and culture that would meet the operational and productivity needs of changing market environment. Competition became stronger and employee-oriented with higher salary levels and, consequently lowers profit margins. With that, CSR responsibility, falling into the category of long-term, at that time majorly intangible, benefit, was outside of his

visionary scope.

The outcome of the Welch strategy was numerous lay-offs and business closures. The objective was achieved through business outsourcing and elimination of “waste”, such as non-core businesses and unnecessary complex HR structure. This epoch gave Jack Welch a nickname of “Neutron Jack” and facilitated the development of his anti-strategic HR thinker, while other competitors started to look at HRM as a strategic asset (Kreitner, 2009). To answer the question about the fulfillment of the CSR responsibilities in general terms, therefore, it is enough to state that Welch’s strong belief was that right people on management position by itself is the key factor for the success of the company.

Q2: Comparison of Welch Business Philosophy with Friedman View

Jack Welch implemented salary differentiation strategy based on employee performance, separating employees in three categories, based on their performance. Very soon, however, the defectiveness of the system started to correct itself. Strong belief of the CEO that loyalty is an old-fashioned way to measure job satisfaction, he placed financial compensation and job stability for “motivated” employees on top of the organizational performance pyramid. A lot of employees, consequently, became unsatisfied with their category B or C ranking, and this put a lot of pressure on overall levels of performance in the organization. There is a clear benefit and purpose in the strategy chosen by Welch to lay-off employees and substitute, where possible in-house operations with outsourcing. This, without a shadow of doubt reduced operational costs and, probably, led the company to its

current position. The impact that this policy and strategy had on CSR and community was devastating. Employing more than 40, 000 union employees in 1981, by 1985, GE downsized its in-house operations to 16, 000. This limited view on CSR created a lot of debate and negative image of GE in the global community.

It is possible to argue that the above mentioned approach is more likely to be the result of the Friedman´s approach to CSR than modern sustainability view, adapted by GE competitors. Moreover, the results and implementation strategy, supported by openly presented views of the CEO on human resources serve as evidence of practical application of Friedman´s philosophy.

Q3: CSR Compliance Issues

Another argument that should be done to support the above position is the fact that, as a member of the community, GE invested significant funds to independent educational, infrastructural and the built environment project. This serves as one more evidence of embryonic stages of integrated CSR approach. The issue that should be discussed in these regards, however, is the gap that is evidenced in the company´s external CSR policy and its internal application.

Evaluating the ethical and moral side of the GE strategy under Jack Welch´s, it is not possible to leave without attention the human factor. Weak corporate aspect of the relationships and “loyalty are old-fashioned” vision of GE´s CEO at the time reflects the failure to recognize human capital as one of the main strategic assets of the company. With that in mind, Jack

Welch failed to recognize the need for strategic HRM and wealth value of employees.

Q4: GE View on HRM Relationships

Major downside of this strategy is inability to create long-term strategic asset in the form of HRM relationships and human capabilities. At times, when of innovation and market responsiveness play the key role in organizational success, human loyalty and unique internal capabilities seen in people assets are critical to achieve competitive advantage of a large company. Welch's strategy left GE behind in this sense. One could argue that retirement of Welch as CEO in 2001 was the right timing to drastically change organizational culture and HRM strategy and, thus, rebalancing priorities at that point in time was not yet late. I would like to emphasize that considering labor as the cost of production in mass production is not wrong, I contrary, realization of this cost is critical (Jones, 2010). There are various methods, tools and strategies that modern HRM offers to address this cost and reduce it, which could be a good alternative to the strategy chosen by Jack Welch.

Works Cited

Jones, G. (2010). Organizational theory, design, and change. 6th Edition. Upper Saddle River, NJ: Prentice Hall.

Kreitner R. (2009). ' Principles of Management'. Boston: Houghton Mifflin Co. Print.