

Jack welch's leadership flashcard



**ASSIGN
BUSTER**

Name as "Manager of the Century", Jack Welch has made General Electric "Most Admired Company in the world". This case, from an extensive perspective, describes us how Welch made such a legend during his two decades working in GE. After Welch became CEO in 1981, he initiated a series plan from structure redesign, incentive method changing, to culture building. By his continuous efforts, Welch finally delivered the world an astonishing achievement: GE has achieved average 23% annual growth during two decades, which will surely be a tempting story for us. We will wonder whether we can duplicate such a success.

To answer this question, let's unveil the secret firstly. Since Welch's joining in GE, he initiated his first priority to restructure GE. Welch set up a new standard for each business to become #1 or #2, which resulted in the selling of scores of business and made GE more lean and agile. Then he chipped away bureaucracy, including scrapped strategic system, eliminating sector level and reducing number of hierarchical levels. GE reduced employee from 404,000 in 1980 to 292,000 by 1989, while at the same time increased operating profit from 1.6 billion to 2.4 billion.

Welch has laid down a good foundation for future development. Fatherly, Welch began to strengthen GE's edge from "soft power". He intended to foster up a culture of speed, simplicity and self-confidence by two initiatives of Work-out and Best-practice. At the same time, Welch globalized GE based on the facts that they already got a solid base in US. Besides the implementation of global thrust and cultural initiative, Welch also focused on developing leaders. The use of session C, overhauled compensation package,

Crotonville facility and 360o feedback process helped GE to achieve this goal.

Based on the previous foundation, Welch endeavored to fatherly make GE a boundary less company, while also transferring focus to services business. In his later stage in GE, Welch never stopped his passion, he adopted six-sigma method to improve quality, and to leave a quality heritage to his successor, he continued to upgrade quality deep in organization: keep A-plus talent and weed out the unqualified. Finally, we are also impressed by his foresight to set up E business. Completely, Welch transformed GE into a success model company for the world.

Welch's success rests in many aspects. While from the view of organizational process and behavior, we can clearly find his recipe from three lens.

STRATEGIC LENS In the 1930S, GE was a model of highly centralized corporate, then by the 1950S, GE tended to decentralize. But " profitless growth" in the 1960s caused the development of planning system to strengthen its corporate staff. In 1973, Reg Jones, overlaid 10 groups, 46 divisions and 190 department into 43 strategic business unit to support the strategic planning, which was central to GE's management process.

Then in 1977, to cope with the problem of review burden, GE adopted the layer of sectors. In April of 1984, Welch became CEO of GE. At that time, economy was in a recession. To leverage performance in GE's diverse portfolio of business, Welch challenged to restructure the whole company. In 1985 he eliminated sector level to ensure all business reported directly to him. The downsizing, destaffing and delayering resulted in the profit growth

from 1.6 billion to 2.4 billion. We can see, one of the recipes of success comes from the right and timely changing of organization structure.

Organization structure is the framework in which all the organization activities are carried through. The framework decides how the whole organization works and the direction of development. So an appropriate structure which complies with company's strategy can accelerate the whole company's development, for the right structure can eliminate the structural resistance force. Before Welch's era, GE was mainly featured by functional, then by SBU-based structure, then with innovation inserted by sector level.

They can well support GE's development at every specific period. After Welch took the lead, his mission priority was to restructure GE, and he needed to push many radical ideas through the whole company. If the whole structure was still as bureaucratic as before, he cannot move one step. So Welch began to slim the whole organization and finally eliminated sector level. With the new structure, the whole company can move lightly and easily. Welch is very strong-minded, but if he is just a tyrant or an ego-centric person.

He couldn't build up his authority finally. Through this case, I do see Welch has adopted many political techniques to help him carry out his plans. In the beginning to set up work-out Welch let some key person be involved in very early stage, and then they developed the idea together. This method will help him get support easily from others. When implementing it, he firstly formed a small implementation team and then made the company-wide

program rollout. As a good politician, this is a method to avoid the possible risk for whole company.

To globalize GE, Welch appointed Paolo Fresco as head of International Operation, and in 1992 made him a vice-chairman and member of his four-man corporate executive office. Welch showed his greatest support to Paolo Fresco and delegated enough power to him, which benefited the implementation of an important strategy through the whole company.

Welch's political power also attracted outside resources. In 1995 to cope with quality complain from employee, Welch successfully get help from his old friend, Lawrence Bossidy to set up six sigma system.

Political power has helped Welch get support from inside and outside, and set up his authority step by step, more importantly, helped him carry out the entire strategic plan into the whole company. Welch paid much attention to cultural element. For every cultural concern, he would make a clear statement inside company or in public firstly. It is good practice to ensure every employee can share the same vision. Welch also knew how to repeat story to strengthen the cultural buildup. When he wanted to make GE a boundary less one, he repeated the story of a small New Zealand appliance plant in Canada intentionally.

Story can propagandize the key concept more efficiently than slogans. For people's interest can easily be aroused by a story. He also involved himself into the cultural build-up to set up a model and to influence others directly. Usually, involvement of the top management will already be a half success to that cultural build up. When transferring the company concept to service

business based, he named a cadre of rising executive to focus on issue. The exploiting of key person can strengthen the execution of ideas from top management to lowest level.

Besides, the more effective way is the evaluation mechanism. We can see the incentive method run through the whole process of culture build-up: when changing leader's mindset, Welch overhauled the compensation package into bonus based; He rated top-level managers not only in their performance against profit target but also on the extent to which they "lived" GE values; Later he introduced a 360 feedback process to backup his commitment; When setting up boundary less culture, Welch changed the criteria for bonus and options awards to idea-seeking and sharing.

The mechanism greatly helped to induce the employee to the direction of new cultural concept. Culture can be described as the way how people will think, work and interact with each other. It can influence people in an invisible method, but once it is formed, the power is enormous. Welch did enhance the whole edge of GE by cultural power.