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LEADERSHIP SECRETS OF WELCH

From the Book, "29 Leadership Secrets from Jack Welch",
Robert Slater, 2003

JACK WELCH

- CEO of GE from 1981 to 2001.
- GE sales rose from \$25 billion to \$130 billion.
- GE earnings rose from \$1.5 billion to \$14 billion.
- Fortune selected GE as “America’s Greatest Wealth Creator”

THE VISIONARY LEADER:

**MANAGEMENT TACTICS FOR
GAINING THE COMPETITIVE EDGE**

1. HARNESS THE POWER OF CHANGE

- Accept change. Business leaders who treat change like the enemy will fail at their jobs. Change is the one constant, and successful business leaders must be able to read the ever-changing business environment.
- Let your employees know that change never ends. Teach your colleagues to see change as an opportunity – a challenge that can be met through hard work and smarts.
- Be ready to rewrite your agenda. Welch always encouraged his managers and employees to be prepared to re-examine their agenda and to make changes when necessary.

2. FACE REALITY

- Face reality. Business leaders who avoid reality are doomed to failure.
- Act on reality quickly! Those who truly face reality can't stop there. They must adapt their business strategies to reflect that reality, and they must do so quickly.
- Turn your business around. Stick your head in the sand, and you will fail. Face reality, and you may turn a bad situation into a great one.

3. MANAGING LESS MANAGING BETTER

- Manage less. Teach your managers to manage less, even though their training may be to manage more.
- Instill confidence. Treat employees with respect and build their confidence.
- Get out of the way. Employees do not need constant supervision. Let them do their jobs. You will be surprised at the results.
- Emphasize vision, not supervision. Managing less lets managers think big thoughts and come up with new ideas to benefit the business.

4. CREATE A VISION AND THEN GET OUT OF THE WAY

- Business is simple. Complications arise when people are cut off from vital information.
- Always keep the five key questions in mind: What does your global competitive environment look like? In the last 3 years, what have your competitors done? In the same period, what have you done to them? How might they attack you in the future? What are your plans to leapfrog them?
- Managing is allocating people and resources. Put the right people in the right job, give them what they need, and then get out of the way.
- Managers lead with vision. Managers must persuade others to implement through the force of vision.

5. DON'T PURSUE A CENTRAL IDEA; INSTEAD SET ONLY A FEW, CLEAR, GENERAL GOALS AS BUSINESS STRATEGIES

- Set out a general framework for your team. Do not try to set a detailed game plan for every situation.
- Create values that are consistent with the company vision. Values should reflect the vision, culture, and goals of the organization.
- Make sure there is room to maneuver. Core values should be constant, but the strategies may need to change with the competitive environment.

6. NURTURE EMPLOYEES WHO SHARE THE COMPANY VALUES

- Give employees more responsibility, and they will make better decisions. By making your employees more accountable, you make your organization more productive.
- Nurture the employees who live up to company values, even if they don't make their numbers. Consider re-assigning them if their numbers continue to falter.
- Eliminate employees who do not live the company values, even if their numbers are good. Difficult, yes, but absolutely necessary.

IGNITING A REVOLUTION:

**STRATEGIES FOR DEALING WITH
CHANGE**

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7. KEEP WATCH FOR WAYS TO CREATE OPPORTUNITIES AND TO BECOME MORE COMPETITIVE

- Don't stick your head in the sand. Keep a close tab on those key variables that create opportunities and challenges for your business.
- See things for what they are. Allocate resources to market-leading businesses, fix ailing companies, and jettison those that are not competitive.
- Begin with a vision. Nothing changes without a clear vision of where change is supposed to lead. The boldest vision may be the best vision.

8. BE NUMBER ONE OR NUMBER TWO AND KEEP REDEFINING YOUR MARKET

- Develop market-leading businesses. Number one and number two businesses can withstand downturns, but laggards fall further behind when times get tough.
- Define markets broadly. Don't make the mistake of defining markets so narrowly that you shut yourself out of growing market segments.

9. DOWNSIZE, BEFORE ITS TOO LATE

- Even in the good times, regularly review expenses and head counts. Don't assume that because all is well at the moment, it will stay that way. (And are you sure all is well?)
- Don't lead by polls. CEOs should not run companies as if they were popularity contests. Do what you know is right for the long-term health of the organization.

10. USE ACQUISITIONS TO MAKE THE QUANTUM LEAP!

- Go for the quantum leap, even if it goes against company culture.
- Think outside the box.
- Keep hunting for the little opportunities. The big, bold moves need to be part of a patient, systematic approach to mergers and acquisitions.

11. USE BOUNDARYLESSNESS AND EMPOWERMENT TO NURTURE A LEARNING CULTURE

- Emphasize idea sharing inside the company. Does your company have a way to make sure ideas are exchanged at every level and from every corner of the company?
- Find and implement the best ideas, no matter where they come from.
- Make sure that great ideas are followed by implementation. Unless the idea is acted on, it will have little impact.

12. INCULCATE THE BEST IDEAS INTO THE BUSINESS, NO MATTER WHERE THEY COME FROM

- Make searching for new ideas a priority of every employee. In today's competitive environment, organizations can't afford to leave anyone out.
- Hold idea-sharing meetings on a regular basis. Get a diverse group of managers together regularly. Make sure their ideas are translated into action.
- Reward employees for sharing knowledge. Find a way to reward managers and employees for sharing ideas and putting best practices to work at every level.

13. THE BIG WINNERS IN THE TWENTY FIRST CENTURY WILL BE GLOBAL

- Get your house in order first. Make sure your domestic base is solid before venturing abroad.
- Think globally and locally. To compete in the global economy, companies must develop a distinct strategy for each international market. Businesses, not companies, are global.
- Recognize that there are phases in globalization. Exporting often comes first. Local production may come second. Finally, local sourcing (by companies run by local managers) may be your third phase of globalization.

REMOVING THE BOSS ELEMENT:

**PRODUCTIVITY SECRETS FOR
CREATING THE BOUNDARYLESS
ORGANIZATION**

14. DELAYER: GET RID OF THE FAT

- Get rid of any layers of management that do not add real value to the process. Ask yourself: How can I improve communications with the folks down below on the factory floor? If the answer is “lose layers,” then lose them.
- Don't let emotions get in the way. Cutting executive jobs can be one of the most difficult decisions a manager has to make. Make the call based on objective criteria, not relationships.

15. SPARK PRODUCTIVITY: SPEED, SIMPLICITY AND SELF CONFIDENCE

- Promote the three “S’s”: speed, simplicity, and self confidence. These three attributes build organizations that are able to change with the changing environment.
- Start with a simple message. The most effective communications are those that are easy to understand. Making the vision clear sparks people’s passion and productivity.
- Establish systems that foster self-confidence. Help people understand how their efforts are helping the company to succeed. Find ways to let people take risks and win.

16. ACT LIKE A SMALL COMPANY

- Assume that your big company can act small.
- Structure for smallness. If your organization is too bloated, consider restructuring, removing layers, boundaries, approvals-in short, anything that bloats and slows the company.
- Check reality: Do you know your customers? This is a good yardstick. Do you know your customers, and do they know you? If not, you have your work cut out for you.

17. REMOVE THE BOUNDARIES

- Root out boundaries. Anything that disrupts communications between departments and employees or between employees and outside constituent is bad.
- Model behaviors with senior managers. They also set a positive pattern for others in the company.
- Involve everybody. To achieve boundarylessness in your organization, involve everybody.

18. UNLEASH THE ENERGY OF YOUR WORKERS

- Unleash productivity by involving everyone. Make sure that everyone knows how important his or her contribution is to the overall effort.
- Turn workers into owners. Owners - literal and figurative - have a far greater stake in the business.
- Have patience; attitudes don't change overnight.

19. LISTEN TO PEOPLE WHO ACTUALLY DO THE WORK

- Turn hierarchy upside down
- Enable people to speak out freely. The success of this sort of program depends on employees speaking candidly, without fear of penalty.
- If a full-blown Work-out session is not possible, consider a half-day mini-session.

20. GO BEFORE YOUR WORKERS AND ANSWER ALL THEIR QUESTIONS

- Search out practices that have stopped making sense. Every company has these foolish habits that should have been abolished years ago. Root them out and eliminate them.
- Build programs on a foundation like Work-Out. Think of Work-Out as a prerequisite to more ambitious initiatives such as Six Sigma.
- Nourish Dignity. The most important thing a leader does, is “treasure and nourish the voice and dignity of every person.”

NEXT GENERATION LEADERSHIP:

**INITIATIVES FOR DRIVING AND
SUSTAINING DOUBLE-DIGIT GROWTH**

21. STRETCH: EXCEED YOUR GOALS AS OFTEN AS YOU CAN

- Get the most out of your employees. Each employee should be “stretched” to the maximum.
- Set stretch goals and then push to exceed them. If people don’t reach those goals, fine-as long as they’ve truly tried to stretch.
- Push for the impossible. Instill in your employees the idea that they should go beyond ordinary goals.

22. MAKE QUALITY A TOP PRIORITY

- Tackle quality head-on. Don't rely on other company initiatives or strategies to tackle the problem of quality. Attack it directly.
- Find the "hidden factory." Don't let low quality standards necessitate endless reworking.
- Use quality to make sure that your products are your customers' only actual value choice. Quality can be just as important as price, features, and so on.

23. MAKE QUALITY THE JOB OF EVERY EMPLOYEE

- Think about quality universally. When implementing a Six Sigma like quality program, look at *all* products and processes.
- Start with a quality cadre.
- Link compensation to quality performance. As soon as pay and promotion prospects were linked to Six Sigma, participation soared and change took root.

24. MAKE SURE EVERYONE UNDERSTANDS HOW SIX SIGMA WORKS

- Understand the component parts of Six Sigma quality. Measure, analyze, improve, and control to achieve a new discipline in your company.
- Nothing is more important than follow-through. You will need to make sure that quality does not fall off in the future.
- Your customers know quality. Consider initiating customer surveys to assess your quality effort.

THE SIX SIGMA QUALITY PROGRAM

- Measure
- Analyze
- Improve
- Control

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THE SIX SIGMA PLAYERS

- Champions
- Master Black Belts
- Black Belts
- Green Belts

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THE SIX SIGMA PROCESS

- Customer Satisfaction
- Cost of Poor Quality
- Supplier Quality
- Internal Performance
- Design for Manufacturability

25. MAKE SURE THE CUSTOMER FEELS QUALITY

- Customers must be brought into the process. Make sure that your customers feel the results of your quality program as quickly as possible.
- Don't assume that the customer is as happy as you are. Monitor customer reaction to the initiative on a continuing basis.
- Keep the customer as the main focus. Make sure your employees are aware that the point is to satisfy customers.

26. GROW YOUR SERVICE BUSINESS: IT'S THE WAVE OF THE FUTURE

- Think hard about the services that might be directly associated with your products. Is your company leaving money on the table by not pursuing aftermarket service opportunities?
- Think equally hard about services that are further removed from your core product lines.
- Stay flexible. As you make the move into services, be aware that some of your long standing ideas about your business may need to be adjusted.

27. TAKE ADVANTAGE OF E-BUSINESS OPPORTUNITIES

- Look before you leap into e-business.
- Look for appropriate e-business opportunities. Web brochures are not enough. What products can you sell in cyberspace?
- Take advantage of the Web's efficiencies. E-business, with its minimal transaction costs, can be highly profitable.

28. MAKE EXISTING BUSINESSES INTERNET READY:

- Adapt your business model to the Internet. Don't worry that your business model will not work on the Internet.
- Think "Web enabled" rather than "Web threatened." Your goal should be to take existing products and processes on-line rather than attempting to build up from zero.
- Think inside and outside. On the Internet, as in most aspects of business, the two key challenges are (a) to develop great people inside and (b) to present a compelling value proposition to the customer.

29. USE E-BUSINESS TO PUT THE FINAL NAIL IN BUREAUCRACY

- Manage in Internet time, using the latest technologies. The Internet, in combination with intranets, allows managers to communicate instantly with employees.
- Reinvent the company to compete in Internet time. Think in terms of days and weeks rather than years. Exploiting Internet time will change the fundamentals of your business.
- Build on strengths. Success on the Internet in part grows out of being a fundamentally strong company.

SOME QUOTES FROM THE FILES OF JACK WELCH

- The mindset of yesterday's manager - accepting compromise, keeping things tidy - bred complacency. Tomorrow's leaders must raise issues, debate them, and resolve them. They must rally around a vision of what a business can become.
- The art of leading comes down to one thing: facing reality, and then acting decisively and quickly on that reality.
- The operative assumption today is that someone, somewhere, has a better idea.