



# Jack Welch: Manager of the Century

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*A Research Paper*

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March 21, 2012

## Introduction

Jack Welch, deemed the manager of the century by Fortune Magazine has certainly has an amazing effect on the concept of leadership in North America; even management greats such as Warren Buffet and Bill Gates have acknowledged Jack as an incredible leader. Raised in Massachusetts, Jack received his Bachelor of Science in chemical engineering degree in 1957 from the University of Massachusetts Amherst, where he was also a member of the Phi Sigma Kappa fraternity. By 1960, Jack had earned both his Masters of Science and Ph.D. from the University of Illinois; this is when he began his career at General Electric.

In 1960, Jack joined General Electric as a junior chemical engineer for a measly salary of \$10,500 per year; in his second year he was offered a salary increase of \$1,000, which he was not satisfied with, and planned to leave General Electric. A young executive saw a great deal of potential in Jack and thought it would be wise to convince him to stay at General Electric, he succeeded and over a decade later Jack wrote his long term goal of becoming the Chief Executive Officer in his performance review. Jack became the vice president of General Electric in 1972, five years later he was promoted to senior vice president, and then vice chairman two years after that. It was in 1981 that Jack became the CEO of General Electric; during his twenty year tenure at General Electric the company's value rose four-thousand percent. (Wikipedia) Jack Welch is now a regular guest speaker on business television programs; he is also an accomplished author, a university professor, motivational speaker, and has even appeared on an episode of popular sitcom *30 Rock*.

## Part One: Jack Welch as a Leader

Jack Welch made such an incredible effect on General Electric and the business world in general; he has done so by employing some of his personal values in communication and culture, he has also helped others to be successful by using a fairly cut-throat motivation technique. Although often criticized for his views, he believes that truth, honesty, and change are all essential parts of a business. Jack says that “Good business leaders create a vision, articulate the vision, passionately own the vision, and relentlessly drive it to completion.” He calls the overall success of his leadership strategy *winning*, this paper will break down the different aspects of Jack Welch as a leader and touch on some points that make him the most successful leader in General Electric’s history. Jack Welch is often quoted, so I have included a quote that is relevant for each topic that is discussed in this paper, his quotes are valuable and can teach lessons in a moment that, if not put so succinctly, could take a lifetime to learn.

### Jack Welch as a Communicator

“Be candid with everyone.” – Jack Welch.

Jack Welch seems to almost have an obsession with the word candor; he adamantly believes that candor is “the biggest little secret in business.” (Welch, 2005) Jack believes that there are three main reason that candor is so pivotal in organizations. First, encouraging a business environment where people can be candid in their communication with each other increases the sharing of ideas as well as the dissection of ideas to improve them. Second, a candid environment makes communication happen quickly. Third, the open communication that a candid environment

provides will eliminate nonsense meetings and lengthy reporting that essentially confirms things that people already know.

So, why is candor such a relevant issue in today's society? From a young age we all learn that hurting feelings is bad. As we grow-up this seems to translate in to sparing a person's feelings even if it means telling an untruth or even partial untruth. Thus, we have ended up with a society that would rather bend the absolute truth of their thoughts and feelings if it means preserving another person's feelings. This ends up being a detrimental factor where success in business is concerned; if every employee is discouraged from speaking up and sharing ideas, the company is at a loss of thousands of potential ideas. When he became the CEO of General Electric, Jack decided that candor was going to be a key to his success as a leader so he devised a strategy of asking probing questions that would require employees to speak their true thoughts. Jack would also give praise to people for coming forward with ideas, he implemented "Work-Outs" which were two or three day-long events where groups of General Electric employees were asked to come and meet with an outside facilitator. Jack decided that having an outside facilitator would make people feel more comfortable to open up because their bosses weren't the ones that were directly receiving the information. The implementation of these Work-Outs lead to a huge increase in productivity, thus proving that open discussion and candor really works in business. Jack notes in his book *Winning* that, "A middle-aged appliance worker who was at one Work-Out spoke for thousands of people when he told me, 'For twenty-five years, you paid for my hands when you could have had my brain as well – for nothing.'"

Jack Welch creates a culture with his idea of candor that is representative of strategic conversation. Strategic conversation is described as "communication that takes place across

boundaries and hierarchical levels about the group of organization's vision, critical strategic themes, and values that can help achieve desired outcomes." (Daft, 2011, page 266) Jack encourages the use of rich channels for communication and has essentially created an open communication climate. Jack realizes the importance of ideas from all levels of the organization, his implementation of work-outs proves that open communication is very important to Jack as a leader.

## **The Power and Influence of Jack Welch**

"The world of the 1990s and beyond will not belong to 'managers' or those who can make the numbers dance. The world will belong to passionate, driven leaders - people who not only have enormous amounts of energy but who can energize those whom they lead." – Jack Welch

There is no doubt that Jack Welch had incredible influence over his followers, however his tactics for gaining power and influence is what really sets him apart. Jack brought about change in both the followers at General Electric and the organization as a business entity and leader globally. During his tenure at General Electric Jack aimed to develop his followers to become leaders, before retiring as CEO Jack ensured that the people that would be leading the company moving forward were ready and also that they had a plan to continue to move forward. Jack also realized that his followers had needs that were above basic physiological needs, he wanted his followers to be able to see themselves as important members of the General electric team. These qualities indicate that Jack Welch is a transformational leader; to further his transformational leadership he did an excellent job of painting a vision of a desired future state of the organization and got his followers on board to help him make the changes necessary to work towards the achievement of his vision.

Jack Welch seems to have had many different types of power; most obviously Jack had legitimate power, his position of CEO granted him that power as soon as he was appointed the position. In addition to legitimate power he also has reward power, expert power, and referent power. Jack has been known to give followers lavish rewards when they perform well and he made it well known to his followers that he had the ability to dole out rewards, this is an example of how he uses his reward power to influence people. Because Jack had already worked at General Electric for more than twenty years and has impressive educational credentials, he has expert power. Lastly, during my research I didn't come across anything but positive feelings from Jack's followers, his charisma and genuine care for his followers gives him referent power, his followers truly like him as a person. Based on his success as the leader of General Electric it isn't surprising that Jack has many different types of power, with these different types of power he was able to motivate and lead a large group of different people.

## **Jack Welch on Motivation**

"Giving people self-confidence is by far the most important thing that I can do. Because then they will act." – Jack Welch

Jack believed that a combination of extrinsic and intrinsic motivators would lead him to the perfect formula for motivation as a whole. Jack describes his approach on the whole as differentiation; he uses the name 20-70-10 to describe his people differentiation technique, and acknowledges that at times it may seem cut-throat. The numbers in 20-70-10 represent percentages of the employee population divided into three groups rated in terms of job performance; 20 being the top twenty percent, 70 being the middle seventy percent, and 10 being the bottom ten percent. After making this distinction he showers the top performers with increased

compensation and gifts in form of stock options, training, and praise. Jack puts the top performers on a pedestal on purpose, making them the positive example that everyone should strive to become. On the opposite side of the scale we have the bottom ten percent of performers; these are the employees that are let-go every time the evaluation of employee is completed. Jack recognizes that perhaps this seems unfair that these under-performing employees are not given another chance to improve; he believe that these people are not necessarily poor workers but that one employees that were bottom ten performers and once fired from General Electric went on to very successful careers at other organizations, General Electric was just not the right place for them to cultivate their skills. Jack identifies the middle seventy percent of performers as the most difficult to manage; they are very important to any organization and need to be motivated by training, positive feedback, and goal setting.

Jack realizes that everyone needs different motivators, but his underlying concept of motivation is empowerment. In addition to empowerment Jack seems to have used the path-goal theory of motivation, for his top twenty performers he has made it quite clear that if your perform well you will be generously rewarded. For his middle seventy performers he uses the public praise of his top twenty to encourage the cultivation of skills so that the middle seventy can one day be a part of the top twenty. Jack believes that goals should be stretched to the maximum; he thinks that this is the most effective way to get the most out of employees. Of course, he doesn't require his employees to reach their stretch goals but as long as they have extended some serious effort to reach them he believes that they will be more successful than if they did not even try.

Jack's overall theory of motivation can be described by managing less instead of more or empowerment. Essentially, he instills confidence by treating employees with respect, he gets out of

the way and allows employees to do their jobs, and he ensures that employees are aware of the organizations vision and allows them the freedom to use their own acquired skills to reach the organizations goals. Jack truly believes that making the accomplishment of the organizational vision the personal responsibility of the employees will motivate employees to work harder.

## **Jack Welch Leading Ethically**

"In these times when public confidence and trust have been shaken, I've learned the hard way that perception matters more than ever." – Jack Welch

According to Knowmore.org General Electric have areas of concern regarding business ethics. (Brown, 2010) Specifically pertaining to Jack Welch, and discovered during divorce proceedings, was that Jack's retirement package from General Electric includes a swank apartment on Central Park West in New York, the use of the company jet, a Mercedes Benz, and tickets to the Boston Red Sox, Wimbledon tennis, and Metropolitan opera performances. These perks were in addition to the \$9 Million dollar a year pension that he received. In an article in the *New York Daily News* dated September 15<sup>th</sup> 2002, Jack defends his lavish retirement package by simply saying that he's worth it because during his tenure at General Electric the market capital raised by \$400 Billion dollars. (Google, 2002) Jack, current General Electric management and numerous sources all attribute the success of General Electric to Jack's consistent and relentless drive to gain a large percentage of market-share for all General Electric products.

Besides the example in the previous paragraph there have been other ethical missteps at General Electric including fraud and financial scandals, but these ethical concerns have never seemed to affect the success of General Electric; I feel that this is attributed to the management



and leadership of Jack Welch. During my research, I found that as a leader Jack possesses almost all of the qualities listed for an ethical leader in *The Leadership Experience* textbook. According to Daft ethical leaders possess the following: they possess humility, they maintain concern for the greater good, they are honest and straight forward, they fulfill commitments, they strive for fairness, they take responsibility, they show respect for each individual, they encourage and develop others, they serve others, and they show courage to stand up for what is right. (Daft, 2011) Through my research I believe that the only quality that listed above that Jack does not possess is humility; I feel this way because of his reaction to the criticism about his retirement agreement.

Jack Welch is at the postconventional level of moral leadership, his principles are internalized and are not always popular, but they are what he believes is best for the organization. Based on the success of General Electric during his tenure, it's evident that Jack's level of moral leadership is effective for the organization to reach their goals. Also, because Jack is so focused on managing employees less and empowering employees more he has created self-responsible followers. This makes Jack a steward leader; he does not attempt to control his followers but rather defines meaning and purpose for his followers to give them the ability to reach a high level of success.

## **Jack Welch on Organizational Culture and Change**

“Don't manage – lead change before you have to.” – Jack Welch

Jack Welch has nurtured a culture of learning at General Electric; he has done so by setting forth a set of key values, assumptions, understandings, and norms and encouraging all of the members of the organization to participate in his vision. (Daft, 2011) He initiated this culture by

knocking down the boundaries of communication and including all levels of the organization in idea sharing. After making everyone a part of the conversation at General electric Jack then started to implement the best ideas that he could find, regardless of who or where they came from. Lastly, Jack would consistently follow-up to ensure that the ideas have been implemented properly and that they are working in the way that they were intended to work. (Slater, 2003)

In order to create the culture of learning Jack made searching for new ideas a priority, he would hold idea sharing meetings regularly, and he would give rewards to those who shared their ideas candidly. In addition to sharing ideas, Jack also took the time to answer the questions of his followers, Jack has been quoted saying “treasure and nourish the voice and dignity of every person.” Having a leader with such an admiring attitude towards his followers will helps to create the culture of respect and learning that Jack was successful in creating. These things combined make each employee feel responsible for the success of the company; this was Jack’s intention, to turn workers into figurative owners. Jack was very good at integrating the organizational culture into both external and internal elements of the business, he believed that customers had to be brought directly into the process to ensure that they would see and feel the quality of the products immediately; along with this he would closely monitor customer satisfaction to ensure that what they were doing was having a positive effect on customers.

Jack Welch also had an uncommon view on change; while most business leaders take the contingency approach and deal with events as they happen, Jack’s goal was to anticipate the ups and downs of the business and make the necessary changes before they would be forced to. Jack says that first and foremost business leaders need to accept change because change is inevitable. (Slater, 2003) Jack also thought that it was important to involve the employees in recognizing

change so that employees would begin to see changes as opportunities instead of road-blocks. The most common quote that I have come across in my research on Jack Welch is “change before you have to,” (Welch, 2005) Jack was always rewriting his agenda and making adjustments as he felt was necessary; this contributed greatly to capturing a great percentage of the market for every product that General Electric produced.

## **Part Two: Five Questions for Jack Welch**

In this part of my report I will consider some questions that I would be interested in asking Jack Welch, and then based on my research I will answer the questions as I feel Jack would answer them. While not all of these questions pertain to his leadership style, the answers to these questions are all rooted in my research of his leadership style; I hope that the answers are reflected as such.

**Do you think that your participation in Phi Sigma Kappa fraternity helped you in your business life?**

Yes, the Greek fraternity system is rooted in developing skills that take you outside of the fraternity and into real life. Generally, fraternity brothers are very involved in the university community, including student leadership positions, community service opportunities, and other academic organizations. (Stetson, 2011) The fraternity system at Jack’s university gave him the opportunity to experience an organization and manage relationships with the people that were involved. Having the experience of being a part of this group through during his time at the University of Massachusetts Amherst gave him experiences that he never would have had otherwise. Welch admits that his fraternity was made up of mostly football players, and that he was

the odd man out as an engineer and that his social escapades involved quite a bit of drinking and staying up late. Regardless of this he managed to be on the dean's list each of the four years that he attended university. (Lowe, 2008)

**What would your advice be for a person who believes that they have a bad boss?**

Bad bosses are generally not all bad, but possess some qualities or habits that make the extremely difficult to work with. Whether your bad boss is inept, moody, takes all the credit for your successes, is a bully, or plays favorites in the office there is only one thing that is true in each unique situation, there is no definitive resolve. The most important thing to remember is that when you do end up with a bad boss you can't allow yourself to be a victim. (Welch, 2005) The issue with acting or feeling as though you are the victim in the situation is that you are essentially creating a self-fulfilling prophecy of self-doubt which will eventually lead to your demise. Instead of wondering how your boss can change you need to shift your thinking to deciding upon ways that you can change to adapt to the situation at hand. Generally speaking bosses prefer employees that have good results; they tend to like and respect them more and will treat them better than people that they don't like. It's unlikely for a bad boss to be open to candid conversation; if he or she seems to be it's a good idea to ask your boss if there is something that you can improve on, be prepared however to walk away unemployed and have a plan in place in case that happens. (Welch, 2005)

**How would you suggest a person deal with not getting a promotion when their goal is to become a high-level leader?**

This is a situation that will occur in everyone's career, unless you are extremely lucky. It's important that you don't let a career setback be the office gossip of the day; hold your head high and act as though you haven't just received a devastating blow to your ego. If you decide that

staying at the company is the best decision for you, then work hard to prove that you are capable of doing the job that you were not selected for. The fact is that “to get ahead in business you have to want to get ahead.” (Welch, 2005) Essentially you create your own luck in business situations, think of it as taking the scenic route to your destination. Jack is all about facing reality head-on and leading and taking on challenges with absolute self-confidence.

### **How do you get others to see your vision as you see it?**

Jack speaks a lot about how to inspire people to carry out your vision as you see it; he says that there are several factors that allowed him during his time at General Electric to do just that. The first of which is managing less, he says that the things that people are capable of doing when they haven't been told step-by-step how to do something is amazing, freedom is the key to productivity. Jack also says that it is important to keep the vision simple; the more complicated a vision, the less likely it is that people are going to be able to understand it and therefore the possibility of the followers feeling responsible for accomplishing the vision decreases. Lastly, Jack believes that if you can make a workplace less formal there will be less bureaucracy to break through because everyone will be relaxed. A more relaxed work environment allows employees to listen and respond with an un-biased opinion. (Welch, 2005)

### **What is the best advice that you can give to a company that is not operating meeting their goals?**

The advice that Jack Welch would give to a company that is struggling is to behave like a small company. “Small companies have huge competitive advantages; they are uncluttered, simple, and informal. They thrive on passion and ridicule bureaucracy. Small companies grow on good ideas – regardless of their source. They need everyone, involve everyone, and reward or remove people based on their contribution to success. Small companies dream big dreams and set the bar high –

increments and fractions don't interest them. "(Haughwout, 2010) Jack Welch is obsessed with the idea of taking a big company and making it operate with the enthusiasm of a small company, he attributes the success of General Electric during his tenure as CEO to this idea.

## **Conclusion**

Jack Welch has had an incredible effect on North American business as we see it today. His ability to relentlessly drive towards his visionary goals and gain hundreds of thousands of followers along the way is nothing short of impressive. Jack spent his entire career committed to making General Electric a leader in sales for each product that they produced; he also took a genuine interest in making General Electric an organization that people were proud to be a part of. A lot of leaders could benefit from learning about Jack Welch's leadership style and modeling their own behaviors after his; while he was tough on under-performers he sincerely cared for each person that General Electric employed. In the course of researching this paper I have learned that leadership does not mean always having the answers to every problem but rather having people in place that might be able to find the answers and are willing to share them with you.

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