

### ***Jack Welch: True Leader or Successful Manager?***

“Leadership Is a Combination of Strategy and Character.  
If You Must Be Without One, Be Without the Strategy”  
*Gen. H. Norman Schwarzkopf*

The media and some authors have popularized the word “leader”. Management books, seminars and complex thesis have tried to make us understand what it is behind this recurrent word. Worse, now everybody is supposed to be leader, degrading (or democratizing?) the concept to all levels of an organization.

If we follow the concepts stated by authors like Fairholm (1998) or Northouse (2001), we can consider the former CEO of General Electric, Jack Welch, as a true leader. His book Jack: Straight from the guts is an interesting autobiography, in which Welch tries to explain his concepts of leadership and management.

The first part of this paper will address the key concepts stated in his book, based on Welch’s experiences in GE and the examples he provided. These concepts will be matched with the different leadership’s theories studied in the course. However, the second part will define the elements indicating why Welch can be considered as a successful manager rather than a real leader.

#### ***Jack’s Way***

When Jack Welch was named GE’s CEO, an important amount of people considered him as a bad election for the position. “I’ll give him two years” (Welch, 2001) was the common expression among upper management. This reaction was understandable if we

look to the profile: Welch was known, since he was a child, as “nice regular guy but always very competitive, relentless and argumentative.” (Bower, 1993)

Welch uses hockey as a figurative way to understand his style: “Hockey is the kind of game where people bang you up against the boards and then go out and have drink with you after.” (Bower, 1993) This “constructive conflict” style was not appreciated in some circles inside GE. However, he was known (and elected as a CEO) because of his astonishing achievements in the plastic division he had been in charge. During his earlier start as a fabric manager until his promotion as the divisional head of the plastic business, Welch transformed a secondary division of GE into a 400 million business in less than ten years! (Bower, 1993)

**During this first period**, it became evident that Welch was a “contingency leader”, someone who was “concerned primarily with reaching a goal” (Northouse, 2001). “A way of getting the best out of people” (Welch, 2001) is one of the multiple definitions of leadership that Welch gives us. During the period before he became Vice-president, Welch achieved impressive results, most of them due to a team who was extremely goal oriented and wanted to break the traditional way of working inside the corporation.

This mentality is reflected in his managerial lessons (Kiechel, 2001):

1. Put the right people in the right jobs
2. Come up with a few key ideas. Push, push, push them through the company until they become realities
3. Hate bureaucracy
4. Talk straight; speak your mind out even to a degree bordering on brutal candor.  
Expect others to do the same

5. Do deals, launch initiatives, and keep the army always looking forward. Act, act, act, act and do not look back.
6. Always make your numbers

As we could see, some of these lessons become much more important after Welch was named as CEO in 1981. It is evident that, as the new Chairman, he transformed his style to a more “path oriented” leadership.

**During this second period of Welch’s evolution**, points 2 and 5 show a strong recognition to the necessity to change people’s mind.

“Welch discovered that you can't will things to happen, nor can you simply communicate with a few hundred people at the top and expect change to occur. So he doggedly repeats the key messages over and over again, reinforcing them at every opportunity” (Business Week, 2001)

This transformational style was due to the urgent necessity of change. He found GE “was overgrown, laden with too many layers of management and too many people duplicating work.” (Heskett, 2000) Therefore, Welch had to become a preacher of the new framework where the company will have to compete. The decisions to make were tough: he fired more than one hundred thousand people and took out GE of more than two hundred business lines. It was this period of time when he won the nickname of “Neutron Jack” because he was “the guy who remove the people but let the buildings standing” (Welch, 2001)

**The third and last period of time**, Welch stayed as a transactional leader, someone who tried to support his new vision and culture “because it is in the best interest of subordinates to do what the leader wants.” (Northouse, 2001)

The results, over these 20 years, were (without any doubt!) impressive: “It is a model that has delivered extraordinary growth, increasing the market value of GE from just \$12 billion in 1981 to about \$280 billion today” (Business Week, 2001)

### **The Dark Side**

Welch states his concept of leadership as:

“One line summed what I thought about leadership: The people with whom I have been associated have worked harder, enjoyed it more, although not always initially, and in the end, gained increased self respect and self confidence from accomplishing more than they previously thought possible” (Welch, 2001)

In fact, this could be the definition of Management by Objectives or a highly specialized sport coach. Welch talks about the four E’s of GE leadership (energy, energize, edge and execute) but there is more likely to be like a guide to manage a project team. One important consideration is the lack of the word “relations” in his book. Welch uses 63 times the word “leadership” and 30 times the word “leader” but only 13 times the word “relations” and none the word “relationship.” Although most of the time he uses “leadership” and “leader” as synonymous of “manager” or “boss”. This subtle distinction was evident during an interview when Welch was asked, “What makes a good manager?” and he answered, “I prefer the term “business leader” (Tichy & Charan)

Most of the actions taken by Welch have been considered as a new and savage social Darwinism. The line that defines a transactional or goal-oriented leader with a simple manage-by-objectives manager is quite thin. “He is the consummate corporate villain, willing to sacrifice anyone’s job to turn a higher profit” (Malnight, 1989) The number of

jobs unionized dropped at GE from a 79% at the beginning of the Welch's era to less than 30% at the end of the 80's (Malnight, 1989) Consequently, most of the cuts made to "preserve" the competitive position of GE were made on the highly unionized manufacturer sector. The arguments for doing this were the merciless competition with the Japanese and South Korean companies on that kind of the industry.

It is interesting to observe that Germany and some of its cartels, like the heavy machinery and cars industry, faced the same situation. However the Germans decided not to abandon the sector but to improve the quality and the processes of the units.

Contrary to what Ciulla (1998) says ("The second requirement for empowerment the work place is commitment by employers to go great lengths to protect employees' jobs") Welch's first priority was always the benefit of GE. As many employees noticed, the new style provoked long working hours, a desperate need to accomplish the goal at any cost and the destruction of any kind of loyalty to the company.

Despite the fact that he promoted "candor", the results were a progressive dehumanization of the employees, competing against each other to reach the more and more attractive carrot but also in order to avoid the stick, which menaced everyone in the corporation.

This lack of human touch could be sensibly noticed in the book. The lack of childhood or University's friends is a good indicator of the inability of Welch to establish long-term relationships with another human being. It is also shocking the few explanations of his divorce after 28 years of marriage ("Carolyn and I simply found ourselves on different paths") and he just appoints out that it was on "amicable" terms (Welch, 2001)

If leadership could be measured by numbers, therefore other persons (like Bill Gates) could also use this term. The fact that Welch has obtained such spectacular results, with so few publications analyzing the cost paid is not reason enough to denominate him as a “leader”.

As Ciulla states, the leader needs as a basic premise a valid value to preserve. It is difficult to asseverate that profit could be the right value. The social cost of layoffs is not only reflected by the gains of the shares or the profit in the balance sheet.

Jack Welch, as many other personalities of the XX Century, is a complex and gray figure. Despite the financial results, it is difficult to think of Welch as an example of future managers or leaders. Today increasingly public opinion is vigilant of the social consequences of such cold and brutal ways of running a business. Therefore, this kind of “at-any-cost” management will decrease its popularity during the next years. This new wave of thinking will give us, also, a more objective view of Jack Welch and the cost-benefit of his “revolution”

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