

THE WISDOM OF WELCH

Tony Manning

Suddenly, everything is different. But while the business arena is being turned upside down, managers need to concentrate on what really makes a difference and on the few priorities that will give them the competitive edge. Jack Welch provides sage advice on how to act.

In times like these, when things are tough and turbulent, with a surprise a minute and no clarity on what might lie ahead, executives in every business have to deal with one particularly vexing question: how to get results?

This question, in turn, leads to another: which management tools are best for today?

Should you be thinking strategy? Would scenarios help? Should you take your people away on a team-building exercise? What about your core competences? Is reengineering an option? Or how about EVA (economic value added)?

A recent survey by Bain & Company, the management consultancy, showed strategic planning to be the No. 1 tool used by managers (as it has been for several years). But will it stay there? And if so, how will it be used?

Will companies still labour through the same steps as in the past: PEST (politics, economics, society, technology) and SWOT (strengths, weaknesses, opportunities, threats) analyses and vision and mission and values statements? Will they spend time on thick reports – or will the new pressure for action and rapid results lead to briefer, more user-friendly – and, above all, more *practical* – documents?

During the past decade, managers just about everywhere had an incredible ride. The world was a pretty peaceful place. Various factors combined to generate unprecedented economic growth. Both entrepreneurs and executives were able to get rich beyond their dreams. But the attacks on September 11 – what futurists call “exogenous events” because they’re right off the map as possibilities – destroyed any illusion that up was the only way to go.

Now no one knows what lies ahead. Managers who grasped so eagerly at the latest business tools in those good times will today be thoroughly confused. A lot of the fads that so excited them in that golden age just did not deliver – so what will work now and in the future? Is there something better out there? Are there other priorities?

Begin with the last question, and the answer is no, there are not new priorities. Focus, value, and costs are still the key drivers of success. Maybe they’ll now get the attention they have deserved all along.

What about some new tool? Forget it. As I have said so many times before, the No. 1 tool is – and always will be – strategic conversation. Get that right, and most other things fall into place.

Which brings us to the first question. And for some answers, let me share some of what I recently heard from the legendary Jack Welch, former chairman of General Electric, at a leadership conference in London.

In my years as a consultant, I've had the opportunity to listen to some of the world's great experts on management – Michael Porter, John Kotter, Gary Hamel, Tom Peters, Robert Reich, Peter Bloch, Rosabeth Moss Kanter, Richard Pascale, and many others. Some are brilliant, and some are also brilliant performers. Welch is in a class of his own. He is, to use a fashionable term, *awesome*.

Some 500 top executives arrived to hear him speak. Afterwards, when he signed copies of his book *Jack*, most of them stood patiently in line for his autograph. They'd come to pay homage to the man *Fortune* named "Executive of the Century", and his hard-earned wisdom and utter conviction in the rightness of his message clearly struck a chord.

Until August, Welch ran the world's most valuable company (it's also the biggest industrial company). In 20 years he boosted GE's market value from \$14 billion to \$400 billion. He oversaw some 200 acquisitions a year. He developed a huge pool of top management talent – what he proudly calls "the deepest bench in business." His record is, by most measures, without equal.

Welch is a small man, and he stutters often. But he oozes confidence, and there's no beating about the bush when he answers questions. He cuts straight to the chase with a clarity and simplicity that few senior executives can match.

He made seven critical points that managers everywhere would do well to heed:

1. **No company can prepare for times like these; the best you can do is adapt.** While this is a moment of extreme uncertainty and concern, it is also a time of opportunity. Some people will take advantage of changes now under way. Companies would do well to focus on what possibilities they might exploit rather than the risks they must avoid.
2. **Candour is a critical part of leadership.** Executives must look the future in the eye and confront the facts as they are, not as they might wish them to be. They must face reality. (When dealing with people, this means telling the under-performers early that they have a problem, rather than "calling them in and giving them a nasty surprise when they're fifty-five.")
3. **The best team wins.** "Every leader has to find a way to make his company the place to go" ... "You slip in some turkeys, and you go nowhere!" Soft values matter, and leaders must live a corporation's values 100%. They must also create an environment where ideas are easily and willingly shared, because "you need every mind in the game."
4. **"Watch the front of the horse, not the back of the horse."** Too often, says Welch, companies invest too little in their stars and too much in the sick, the lame, and the lazy. Instead of building on strength, they try to overcome their weaknesses. If they were more careful about identifying high flyers, and if they worked harder to make these people effective, the problem children would not have such a negative impact.
5. **Introduce only a few major initiatives** (Welch brought just four to GE in 20 years). Too many confuse people and cause resources to be sprayed about. How to choose the right initiatives? "Nose, smell, feel," says Welch.
6. **When a special initiative is needed, give it to your best person.** If a project is important enough to launch, then making it succeed is equally important. So it makes no sense to entrust it to whoever might be available, rather than someone who will pull it off. "Put the best and the brightest behind it."

7. **Communicate more than you think you have to.** “You have to repeat your message so many times you gag on it, says Welch. Throughout his tenure, he spent huge amounts of time in close contact with his top team. He also devoted several days a month teaching at GE’s famous Crotonville management school. By taking his message first-hand to his troops, he not only ensured that it was accurately delivered, he also coached and mentored promising people and gained a fine feel for what talent the corporation had.

But surely, you say, there must be more to success than this? Surely it just can’t be that easy – even for a Welch? And of course, you’re right. Business is a very complicated matter.

There’s no arguing, though, that managers complicate things for themselves. They seem to think that the harder it is to understand a concept, the more difficult it is to implement a new process or programme, and the more it costs and the longer it takes, the greater its benefits will be.

But they’re wrong on all counts. Most of the “breakthrough” ideas in business are not worth a row of beans. Most are re-hashes of earlier thinking. Most should be avoided like the plague.

Jack Welch made shareholders wealthy by shunning complexity, keeping things brilliantly simple, challenging and killing sacred cows, leading from the front, and repeating himself endlessly. His formula will no doubt be analysed for decades, and described in the most obscure and high-sounding ways. It will become the stuff of business school case studies and of articles like this one. With luck, some people will take away the fact that strategy is not rocket science, that people make the difference, that simplicity beats complexity, and that you have to play hard to win.

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