Welch workshop

In the second article in a two-part series, David Parmenter looks at what finance teams can learn from the wisdom and motivation techniques of leadership expert Jack Welch, who set sparks flying at General Electric

Jack Welch has a natural affinity with psychology. Throughout his leadership roles he has been able to motivate teams to achieve extraordinary results. He recognised that besides financial rewards, factors that leaders can use to enhance motivation are:

* Enjoyable co-workers (great care in recruiting can ensure a good team mix).
* Interesting work that challenges and helps them grow.
* Plenty of recognition (it is free).
* Celebrations, and plenty of them. As Welch says: 'Work is too much a part of life not to recognise moments of achievement'.
* A shared goal (this requires great communication and selling).

Welch focused incessantly on the future and was therefore at the forefront of many of the moves General Electric (GE) made under his leadership. He saw change as an opportunity. He led the e-commerce and the Six Sigma revolutions that were to have such a profound impact on GE. He is quoted as saying: 'Control your destiny or someone else will.'

He was also clear in 'defining the mission'. Leaders need to define, establish and communicate to all layers of staff the organisation's mission, values, vision and strategy. As Welch says: 'Everybody then has the same set of facts.'

Perhaps Welch's greatest gift is his drive for simplicity. He believes that strategy can be documented on five slides:

1 What does the playing pitch look like?
2 What have our competitors been doing?
3 What have we done?
4 What future events keep us awake at night?
5 What is our winning move?

He calls the winning move the big 'Aha' for the business: a smart, realistic and relatively fast way to gain sustainable competitive advantage. He sees strategy very simply as getting the right people in the right jobs to drive the 'Aha' idea. He wanted his organisation to 'ponder less and do more'.

Innovating, challenging, stretching

Welch was a champion of innovation and wanted it to be part of the GE culture. Workshops were called a 'work-out process', where groups discussed better practices, at least 75% of all recommendations from the brainstorming sessions had to be given a 'yes' or 'no' by the manager at the close of the workshop, and the remaining recommendations had a maximum 30-day gestation period before a decision had to be made. This technique forced the decision-makers to give innovation a go, allowing for some failure, but getting much success at the same time.

Welch noted that the annual planning process led to a 'splitting-the-difference negotiation' – a target that would minimise risk and maximise bonus, and one that looked merely at some small incremental improvement on last year's performance. Instead of setting a fixed target in the future, Welch introduced relative measures. In other words, bonuses would be assessed after the year end, when results could be assessed against market conditions and market share, etc.

He liked to see goals that were a mix of the possible and the impossible. He went on to say: 'Effective leaders are not afraid to envision big results.' By raising the bar so high, staff and management were forced to totally rethink the route plan.

Finally, Welch was an avid reader of the financial and management press and journals. He makes it very clear that it is a leader's role to be up to date. While truly great leaders are probably born, not made, many good qualities can be embedded in one's makeup. Welch has gained an insight into leadership that very few alive today can match. ■

David Parmenter is a writer and presenter on measuring, monitoring and managing performance

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Next steps

1 As a priority, read *Winning*, by Jack Welch with Suzy Welch, published by Harper Business in 2005, available at **bit.ly/1JrBZ7W**.
2 Find yourself a cluster of mentors and use their wisdom.
3 Email me at **parmenter@waymark.co.nz** and I will send you an article about Jack Welch's leadership style.

For more information:

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