

Welch's winning ways

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

He was crowned 'manager of the 20th century' by *Fortune* magazine, but Jack Welch – the man who as CEO took General Electric (GE) from a market value of \$10bn to \$500bn in 20 years – is that and more. I view him as a 'paradigm shifter'.

Anybody lucky enough to have attended a Welch presentation will have witnessed at work one of the best management communicators in the world, and hundreds of his 'one-liners' will outlive him.

Welch had many mentors along his journey, including the renowned management thinker, Peter Drucker. He counsels against the belief that there is a single, 'right' mentor for any individual, saying there may be several over a lifetime; he also views mentoring holistically, pointing out that a mentor can be a staff member lower down the hierarchy who passes on their knowledge.

All great leaders are great in a crisis, and Welch is no exception. He would take the necessary action, face the criticism and move on, based on his belief in the five stages of a crisis:

- 1 The crisis will be worse than it first appears.
- 2 The bad news will come out sometime so you may as well face the music now.
- 3 The press will portray the situation in the worst possible light.
- 4 There will be carnage.
- 5 The organisation will survive.

Welch was aware that many of GE's investments did not make sense but was prepared to cut the losses, admit when he had made an error of judgment and move on. If a business did not meet the strict criteria of being either number one or two in its sector, his ruthless view was 'fix it, sell it or close it'.

Welch was one of the first CEOs to talk about 'candour', by which he meant being honest and upfront with underperforming staff. One has to realise that underperforming staff members may be in the wrong place at the wrong time; encouraging them to follow their passion, to find the job in which they will excel, is the kindest thing you can do for them.

Welch adopted a 20/70/10 'differentiation' rule. The top 20% of performers should be promoted into jobs that fit their strengths; the next 70% should be assisted to meet their potential better; and the bottom 10% should be persuaded that their future lies elsewhere.

He saw recruiting and promoting people more skilled than himself as a positive thing, calling it laying the 'golden egg', and took great care choosing his own successor from the great wealth of talent who had thrown their hats into the ring. ■

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

From the library of Welch one-liners

- * 'If you are big enough you can go to bat often, take a swing and miss a few and still be in the game.'
- * 'Never buy a company with a culture that does not match yours.'
- * 'Use every brain in the game.'
- * 'Ponder less and do more.'



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 Get into the habit of reading at least three chapters a week from the great business writers.
- 3 Email me at parmenter@waymark.co.nz for a recommended-reading list of the business writers who are paradigm shifters.

For more information:

www.davidparmenter.com

