

Steps to Leadership

The Center for Asia-Pacific Exchange

Before you begin

How would you define “traditional leadership?” How is it different from modern leadership?



BUSINESS THE JACK WELCH WAY: LEARN AND LEAD

STUART CRAINER

The following chapter comes from the book, *Business the Jack Welch Way* (Capstone, 2002) in which Stuart Crainer discusses not only the secrets to Jack Welch’s successful leadership but also universal lessons for any business or career.

Overview of the chapter:

- ❖ The new model leader
- ❖ Willingness to make mistakes and admit fallibility
- ❖ Learning
- ❖ Mastering the soft stuff
- ❖ Involving people

Key Terms:

Charismatic: having the quality that gives individual influence over a great number of people

Bite the (corporate) dust: *idiom*, to suffer defeat; be unsuccessful

THE NEW MODEL LEADER

Our traditional views of leaders—as special people who set the direction, make the key decisions, and energize the troops are deeply rooted in an individualistic and non-systemic worldview. Especially in the West, leaders are heroes—great men (and occasionally women) who *rise to the fore* in times of crises," laments MIT's Peter Senge. "Our prevailing leadership myths are still captured by the image of the captain of the cavalry leading the charge to rescue the settlers from the attacking Indians. So long as such myths prevail, they reinforce a focus on short-term events and **charismatic** heroes rather than on systemic forces and collective learning. At its heart, the traditional

view of leadership is based on assumptions of people's powerlessness, their lack of personal vision and inability to master the forces of change, deficits which can be remedied only by a few great leaders."

The business leader's role is changing. Traditional views on leadership tended to concentrate on vision and charisma. Today, the message seems to be that charisma is no longer enough to carry leaders through—leaders with strong personalities are as likely to **bite the corporate dust** (as Bob Horton found to his cost at BP, John Akers at IBM, even Al Dunlap). The new model leaders include people like Percy Barnevik at Asea Brown

Key Terms:

Ambiguity: doubtfulness or uncertainty of meaning

Bone of contention: *idiom*, a subject or issue over which there is continuing disagreement

Veritable: being very true or very much so

Scrutinize: to examine in detail with careful or critical attention

Appraise: to determine the worth of

Disparate: distinct in kind; dissimilar

Orthodox: customary or conventional, as a means or method; established

Boveri, Virgin's Richard Branson and Jack Welch.

At the same time as the leader's role has been transformed, leadership has become more complex and arguably even more critical to success. Leaders must ensure that high performance levels are achieved and sustained. At the same time, they must handle growing complexity and **ambiguity**; initiate and lead change processes; ensure that the organization and its processes constantly develop; and see that people within the company are motivated, developed and rewarded to produce outstanding results. The leader is no longer simply an isolated individual at the top of the organization. Indeed, the very individualism associated with leadership is also now a **bone of contention**. The people we tend to think of as leaders from Napoleon to Margaret Thatcher-are not exactly renowned for their team-

working skills. But these are exactly the skills all-important for contemporary leaders. New business leaders have to be **veritable** renaissance men and women.

"In some cases, the needs of a situation bring to the fore individuals with unique qualities or values; however, most leaders have to fit their skills, experience and vision to a particular time and place," says psychologist Robert Sharrock of YSC. "Today's leaders have to be pragmatic and flexible to survive. Increasingly, this means being people rather than task-oriented. The 'great man' theory about leadership rarely applies-if teams are what make businesses run, then we have to look beyond individual leaders so groups of people with a variety of leadership skills."¹



Jack Welch with Jeff Immelt, his successor as CEO of GE in 2000

Indeed, the pendulum has swung so far that there is growing interest in the study of followers. Once the humble foot soldier was ignored as commentators sought out the general. Now the foot soldiers are encouraged to voice their opinions and shape how the organization works. "Followers are becoming more powerful. It is now common for the performance of bosses to be

scrutinized and **appraised** by their corporate followers. This, of course, means that leaders have to actively seek the support of their followers in a way they would never have previously contemplated," says Robert Sharrock.

Phil Hodgson of the U.K.'s Ashridge Management College has analyzed a number of business leaders. His conclusion is that the old models of leadership are no longer appropriate. "Generally, the managers had outgrown the notion of the individualistic leader. Instead, they regarded leadership as a question of drawing people and **disparate** parts of the organization together in a way that made individuals and the organization more effective."² He concludes that the new leaders must add value as coaches, mentors and problem solvers; must allow people to accept credit for success and responsibility for failure; and must continually evaluate and enhance their own leadership roles. "They don't follow rigid or **orthodox** role models but prefer to nurture their own unique leadership styles," he says. "And, they don't do people's jobs for them or put their faith in developing a personality cult." The new recipe for leadership, says Hodgson centers on five key areas: learning, energy, simplicity, focus and inner sense.

The magic that sets leaders apart has been examined by INSEAD leadership expert Manfred Kets de Vries. "They go beyond narrow definitions. They have an ability to

¹ Author interview.

² Author interview.

Key Terms:

Perennial: lasting for an indefinitely long time

Nitty-gritty: slang, the essential substance or details

GE: General Electric Company

Nebulous: hazy; vague; indistinct

Infallible: absolutely trustworthy or sure

Debacle: a complete collapse or failure

excite people in their organizations,” he says. “They also work extremely hard—leading by example is not dead—and are highly resistant to stress. Also, leaders . . . are very aware of what their failings are. They make sure that they find good people who can fill these areas.”³

In the age of empowerment, the ability to delegate effectively is critically important. “Empowerment and leadership are not mutually exclusive,” says de Vries. “The trouble is that many executives feel it is good to have control. They become addicted to power—and that is what kills companies.”

Ron Heifetz of Harvard Business School and consultant Don Laurie contend that corporate leaders and organizations are now facing “adaptive challenges.”⁴ The technical know-how to meet these challenges often exists, but that does not necessarily make life any easier. “Adaptive work is required when our deeply held beliefs are challenged, when the values that

made us successful become less relevant, and when legitimate yet competing perspectives emerge,” they write.

Adaptive work requires leadership, a skill in **perennial** short supply. Heifetz and Laurie suggest that the kind of leadership best suited to adaptive change is based on six principles. First is what they label “getting on the balcony.” Business leaders must be able to involve themselves in the **nitty-gritty** while maintaining an overall perspective. This is the prerequisite for success. Think how Jack Welch combines repeated emphasis on the **GE** vision with keeping in touch with the nitty-gritty of the business and taking time out to check on progress and performance and approve who fills managerial positions.

The second leadership skill lies in identifying the adaptive challenge. This is a somewhat **nebulous** term for getting beneath the surface and really identifying where cultural problems lie. The third facet is regulating distress. The leader must recognize that change causes stress and distress. Moving too quickly or not giving people an opportunity to relieve the pressure is counterproductive. Fourth, leaders must “maintain disciplined attention.” “People need leadership to help them maintain their focus on the tough questions. Disciplined attention is the currency of leadership,” Heifetz and Laurie write. Leaders steer people to



confront the really tough questions they would rather ignore.

The final two principles of adaptive leadership are closely linked: “give the work back to people” and “protect voices of leadership from below.” People must be involved in any process of change and must be allowed to express their opinions, even if they are discordant. What links all these elements is the perpetual need for questioning. “Leaders do not need to know all the answers. They do need to ask the right questions,” say Heifetz and Laurie, neatly concluding that, “One can lead with no more than a question in hand.”

Distilling all these points down, the new model leader is characterized by the following.

WILLINGNESS TO MAKE MISTAKES AND ADMIT FALLIBILITY

Business leaders are no longer regarded as **infallible**. The pedestal has been removed. Leaders are human. They make mistakes.

In 1986 GE bought 80 percent of Kidder Peabody for \$600 million. The Kidder **debacle** cost GE \$1.2 billion. “I’ve rewarded failures by giving out awards to people when

³ Author interview.

⁴ Heifetz, Ronald and Laurie, Donald L., “The work of leadership,” *Harvard*

Business Review, January-February 1997.

Key Terms:

Haphazard: lack of order or planning; randomness

Stir: to affect strongly; excite

Prescriptive: giving exact directions or instructions on how one should do something



Welch with his wife, Suzy Welch.

they've failed, because they took a swing," says Jack Welch. "Keep taking swings. I teach a course at Crotonville for six hours-four to six hours-on leadership. I always say, if the chairman can buy Kidder Peabody and mess it up, you can do about anything. It was on the front page of the *Wall Street Journal* 19 times. Now, if the chairman can do that and still survive, you ought to be able to take swings everywhere. You can hardly do worse."⁵

Welch claims to have built a culture in which failure is accepted as a positive thing. "Punishing failure assures that no one dares," he contends.⁶ The emphasis is on taking risks and learning from them if things go wrong.

This message is also hitting home elsewhere in industry. The CEO of one major U.S. corporation handed out awards for Best Failures during his senior executive forum. Jaws dropped at the very thought. This represented a major cultural shift in that only a year before failures-especially big or public ones were to be hidden, not celebrated.

To a large extent this is simply recognizing that the most intensive learning experiences tend to occur when we fail rather than when we succeed. "Most of the things I have learnt were not learned formally but through accidents and failure. I learned from small catastrophes," admits Charles Handy, author of *The Age of Unreason*.⁷ Handy is not alone. Most of us learn in just such a **haphazard** and occasionally unhappy way. If there were awards for Best Failures we would have a large number to choose from.

Indeed, one U.K. newspaper ran a weekly column entitled "My biggest mistake." It was riveting reading as manager after manager confessed to some appalling misjudgment. It was notable that all the mistakes were made in prehistoric times-the executives couldn't admit to recent errors of judgment and that their vital lessons stayed with the executives. In many cases they haunted them. A mistake made was a lesson learned and remembered.

We could all write similar articles. Perhaps we should, regularly. Yet though we are often shaken by our

failures, too often we are not **stirred** from our habitual behavior. We don't want to stand out by getting it wrong. We merge with the crowd. Fear of failure is a fundamental instinct, one that organizations only serve to magnify.

In organizations, fear of failure becomes a survival instinct. We go into organizations and we learn and are taught by the organization how to operate. If you start a job on the checkout counter of a retail chain, you will spend a day watching videos (it's cheap and doesn't waste valuable managerial time) about the way the corporation works, its values and ways of doing things. Good idea, but it is **prescriptive**. It won't tell us about what happens when things go wrong except that if they go too wrong you will be fired.

Another retail chain has a better idea. It throws staff in at the deep end by giving them a day at the counter to see how they deal with real customers. Then it can make a decision about whether someone is really right for the job.

Work at Decision Research, a company based in Eugene, Oregon that studies risk management strategies, suggests that people are more likely to accept risks that they perceive as voluntarily undertaken, controllable, understandable and equally distributed. Conversely, people are less willing to take on risks that they don't understand and that are unfairly distributed.⁸

⁵ Lowe, Janet, *Jack Welch Speaks*, John Wiley & Sons, New York, 1998.

⁶ Welch, John F., "Shun the incremental," *Financier*, July 1984

⁷ Author interview.

⁸ Kleiner, K., "Beware experts carrying stigmas," *New Scientist*, October 21, 1995.

Key Terms:

Anathema: a person or thing that is strongly disliked

Jargon: the language used for a particular group of people

"Punishing failure assures that no one dares."

-Jack Welch

LEARNING

"When I stop learning something new and start talking about the past versus the future, I will go," says Jack Welch.⁹ Today's leaders must lead *and* learn. This is clearly a substantial change and an even more substantial challenge.

Many business leaders are handicapped by a mental model that insists that learning is a passive activity. Also, most top managers are used to displaying their self-confidence and competence rather than admitting they feel insecure, vulnerable or anxious. Most are good at parading their strengths and rarely have the opportunity—or willingness—to discuss their weaknesses with people who

understand the pressures but have no direct business relationship with them.

Learning involves taking a risk and taking risks makes us vulnerable. People are afraid to make themselves more vulnerable, to expose themselves to potential loss of face, loss of opportunity or simply loss. As a result, executives develop what has been accurately labeled the myth of mastery. By steering clear of trouble spots and situations that make them vulnerable, executives begin to believe that they are invincible.

MASTERING THE SOFT STUFF

Macho leadership is dead. "We've got to take out the boss element. We're going to win on our ideas, not by whips and chains," says Jack Welch, a master of the soft skills of leadership.¹⁰ He coaches. He communicates. "Increasingly CEOs and directors have to be coaches. They need to coach their managers. They need to help people to develop," says Brian Chernett, founder and executive chairman of the Academy for Chief Executives. "The skill of being able to influence people is the most important skill for those at the top. The trouble is

that such soft skills are **anathema** to many. Sometimes you have to disguise them—as a modeling process or as learning from people who are highly successful."¹¹

INVOLVING PEOPLE

Says Jack Welch: "I hope you understand that business is a series of trial-and-error. It's not a great science. Mistakes are made. It's just moving the ball forward, and nobody has any great formula. If we have any one formula, it's that we believe that you've got to involve everyone in the game. You can't let anyone mind guard the game. And we work on that every day, and everybody has to play, and more people [have to] share in the victory of the game."

Welch has succeeded in involving people—empowering in management **jargon**—in the future of GE. The chief element in achieving this was the Work-Out program, which gave people a voice, often for the first time and, most importantly, a voice that was clearly listened to.

⁹ Hirata, Ikuo, "Moving toward small-company soul in a big-company body," *Nikkei Business*, February 21, 1994.

¹⁰ Stewart, Thomas, "GE keeps those ideas coming," *Fortune*, August 12, 1991.

¹¹ Author interview.

Comprehension Questions

1. What are two qualities that today's leaders need to survive?
2. List three leadership skills needed for adaptive change to occur.
3. How is failure viewed in the culture created by Jack Welch?
4. What is the most important skill for those who are at the top?
5. What helped Jack Welch to get people involved in the future of GE?

Reflection Questions

1. Using your own knowledge and the information provided in the chapter, how are today's leaders different from traditional leaders and leadership in the past?
2. When talking about learning from our failures, Stuart Crainer writes, "Most of us learn in just such a haphazard and occasionally unhappy way." How do you view failure? Is it better to learn from failure or from success?

Source and Additional reading for those interested:

Biography of Jack Welch from referenceforbusiness.com (<http://www.referenceforbusiness.com/biography/S-Z/Welch-Jack-1935.html>)

"Speed, Simplicity, Self-Confidence: An Interview with Jack Welch" from the Harvard Business Review (<https://hbr.org/1989/09/speed-simplicity-self-confidence-an-interview-with-jack-welch>)

Business the Jack Welch Way by Stuart Crainer

Winning by Jack Welch with Suzy Welch