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Excellence in Organizations

Managing Change and Crisis

Introduction

Jack Welch is famous for his outstanding work at one of the nations largest firms, General Electric. He is one of Americas most recognized and controversial chief executive officers. As a CEO Welch always thought he was under rewarded for his work. Each year, he would handsomely reward 20% of the company's top performers with excessive bonuses and stock options. However, while he was rewarding his top performers with additional compensation he was firing the bottom 10% of the company. This was viewed by others as both controversial and unethical. All things considered he was an incredibly effective leader, which is why he is considered to be a guru of business management. Between 1981 and 2001, Welch was instrumental in growing the market value of the company when he took control. Over his career of 41 years at GE, he was forced to lead the company in all different directions. This composition will discuss two leadership characteristics: Times of change, and leadership during crisis. Since Welch was extremely experienced in both topics, he developed a logical and successful approach to handling them.

Part 2: Who is Jack Welch

John Francis Welch Jr, commonly known as Jack Welch, was born on November 19, 1935 in Peabody, Massachusetts. At a young age, Welch learned a great deal from his upbringing in which eventually helped him in the business world. As he describes in his book, “Jack: Straight from the Gut,” he lost a hockey game and threw a temper tantrum, after which his mother said to him “if you don’t know how to lose, you’ll never know how to win. If you don’t know this you shouldn’t be playing” (2001). Lessons like these stuck with him so much so that he used that mentality with GE as well knowing that not all attempts will be wins and how to handle those losses.

Welch was a highly educated individual. In 1957 he graduated with his Bachelors in Science from the University of Massachusetts. He then went on to receive his Masters of Arts and PhD in only three years from the University of Illinois.

During his amazing 41 year career at GE, Welch soared. He moved quickly through the ranks from his entry-level junior engineer position to become the company’s youngest vice president and later its youngest CEO and chairman. He transformed the company not only to make it very profitable but also to make it stronger as a whole. In all of the industries that GE sells products, he made sure that they were the number one or two top suppliers in that industry. If he was unable to get to that desired goal he would sell that part of the business. From his start as the CEO for GE, he grew the business from a good company worth \$26 billion, to a near an amazing company worth nearly \$130 billion.

Part 3: Times of Change

Change can be scary for businesses and people. Many people by nature don’t like change, especially when it means losing a job or changing the way they have done

things for years. Jack Welch was a master of adapting to change. He develop a great process by taking change and presenting it to his staff. He believed that managers should be thinking, of how they can make the companies existing “norms” better at all times? Jack Welch’s seven-step method which is found in the book “Jack Welch and the 4E’s of Leadership” consists of:

1. Explain the new rules of engagement. Go to great lengths to explain exactly what you are trying to achieve for the company as a manager.
2. Deal with change head-on. Welch tackled change by owning it, spotlighting it, and incorporating it into the company’s shared values. Change is continual, and should be considered a rule rather than an exception.
3. Paint a vivid picture of the finish line. Get employees and managers to share a vision of the future.
4. Candor (honesty, openness) first, foremost, and always. Candor, openness, trust, “boundarylessness”.
5. “Overcommunicate”. When implementing new policies or strategies constantly repeat it to the point that you are tired of saying it because clarity is important.
6. Exploit the opportunities that change brings. Change is often a positive thing, treat it that way.
7. Reiterate that change never ends. When Welch was asked when does change, turmoil, disruption, and upset end? He responds with Never, we’ve just begun. The trick is not to make change go away; the trick is to change the way you think about it.

(Krames, 2005, p33)

This seven-step process is crucial in implementation of change because the employee's first reaction to change is fear. Often times, the key to success is to welcome change instead of fearing it. Welch also believed that if he has done his part by speaking clearly and precisely about what the change is, how to implement it, and the benefits of the changes, and there was still resistance from management, he would "move them out" or get the resisters out of their leadership rolls. As written by Jack and Suzy Welch on the topic of leading people, "if you're running a team or company now, you can't neglect one defining aspect of leadership – inventing the future" (2010, p3).

Part 4: Crisis Management

Dealing with crisis is a part of life. It will visit every person, community and business. Crisis brings chaos, confusion, and tension to organizations. Management will truly be tested when it comes to crisis management. Their decisions will severely impact the company and all its employees. Jack Welch has a five-stage process for dealing with crisis's:

Stage one: Denial, managers will say things like "the problem isn't that bad" or "it can't be, because bad things don't happen to us". Welch explains that one of the marks of a good leader is to recognize the denial quickly and shift gears to face the crisis rather than denying it.

Stage two: Containment, leaders try and keep the crisis quiet or they will try "buck-passing". Welch exclaims that trying to keep the matter quiet is useless because the crisis, especially messy ones will always get out. Managers will also try buck-passing, which is giving the crisis to someone else to solve.

Stage three: “Shame-mongering”, all parties involved in the crisis enter into a dance of passing blame, and claiming credit. Stage three activities simply wastes precious time and energy. Strong managers must avoid shame-mongering and instead quickly and effectively define the problem, outline an action plan, and get to work correcting the crisis.

Stage four: Blood on the floor, in almost every crisis, a high profile person loses their job. Welch explains that people need to feel that someone has paid dearly for what went wrong. On the occasion the fired individual may take some people with them, these individuals are usually loyal to the person fired.

Stage five: The crisis gets fixed, though the leaders of the organization, who have just experienced a crisis, may think that its all over for the company, its not. In fact as history shows, company’s who went through crisis and handled it well usually get something better out of it. The crisis shows the leaders of the company its weaknesses. Leaders will work together to ensure a crisis of this magnitude will never happen again and from this a better more stable company is born.

Conclusion

Jack Welch is one of the most successful business management professionals in the industry. He transformed a good company that GE was to a great one. Through his career he developed his abilities in many areas by mastering them quickly. Two of those areas include the ability to embrace and implement change, and the ability to deal with crisis management. To help his company adapt to change, he used a seven step method which consists of: Explain the new rules of engagement, deal with change head-on, paint a vivid picture of the finish line, candor (honesty, openness) first, foremost, and always,

“overcommunicate”, Exploit the opportunities that change brings, and lastly reiterate that change never ends. Jack also had a five step method for managing in times of crisis which consists of: Denial, containment, shame-mogering, blood on the floor, and lastly the crisis gets fixed. Managers have a great deal of responsibilities on their shoulders besides dealing with crisis and adapting to market; by understanding the natural human reaction to them, the leader can make more informed decisions when faced with these adverse business conditions. By using the five stages of crisis management, and the seven steps to help facilitate change, a leader can make a great difference in their ability to grow and maintain their organization.

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