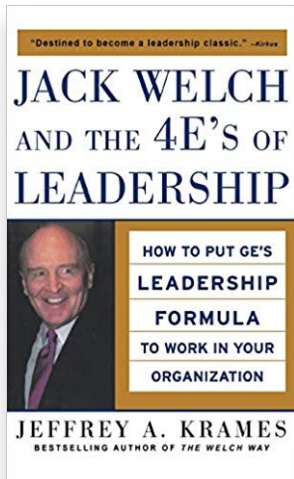


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# Jack Welch and the 4E's of Leadership

## THE SUMMARY

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### Introduction

In his 20-plus years at the helm of General Electric, Welch transformed a mature manufacturing company into an outstanding products-and-services juggernaut. He increased the value of the company more than 30 times over. He achieved all of this by defying some of GE's most venerated traditions (for example, by making hundreds of acquisitions), by making the "tough calls" (he laid off more than 100,000 workers), and by transforming GE's insular, hidebound culture (he fired the strategic planners and made sure that managers listened to workers).

But most of all, Welch selected and developed leaders. During his tenure at the helm, GE turned out more Fortune 500 CEOs than any other company in history. He once said, "The smartest people in the world hire the smartest people in the world," but the truth is that he looked for far more than smarts.

The discipline of the 4E's helped him to find and develop leaders who would fit into GE's high-octane, performance-based culture. Those who scored high on all four "E" categories were the ones who ultimately helped him fulfill his goal of building the world's most competitive organization.

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## Chapter 1: The 4E Leader Has Energy

It all begins with energy. Leaders must have other strengths, such as intelligence and decision-making ability, but it is energy that converts good ideas into measurable performance. Strictly defined, energy means a source of power, whether electrical, mechanical, or otherwise. But for our purposes, there is more to energy than its physical properties. In addition to physical energy, there is also mental energy and what might be called “emotional energy” or the kind of energy that a leader projects to help build the spirit or morale of an organization.

It is an energy that reaches across people and binds individual contributions into a purposeful whole. In that sense, emotional energy can be as important as, or more important than physical energy. Emotional energy is the passion that gets the job done.

Some books on leadership point to something called “charisma” as an essential quality of a great leader. When Jack Welch talks about the importance of passion as a component of effective leadership, he is talking about something very different than charisma. In fact, charisma (which we’ll define here as the quality of personal magnetism) has little to do with effective leadership. Passion is fuel. As such, it can be put to the wrong purposes. Lacking good guidance, people can become passionate about the wrong things.

Getting high-energy people into the room is the first step—the organizational equivalent of setting the table. The next, and bigger, task is to create an organization that converts energy into results. Bureaucracy kills passion and (as author Peter Drucker notes) diverts energy from the critical tasks at hand: “The higher up an executive, the larger will be the proportion of time that is not under his control and yet not spent on contribution. The larger the organization, the more time will be needed just to keep the organization together and running, rather than make it function or produce.”

Drucker has identified one of the great management traps. In many companies, senior managers find most of their time consumed by simply keeping the trains running on time. Of course, the opposite should be true: the higher one climbs on the ladder of a complex organization, the more time one should have available to come up with new ways of looking at things. But in a highly bureaucratic organization, senior managers spend much of their time putting out fires or simply trying to get the organization to move off the dime. Passion and productivity suffer accordingly.

Welch, an enthusiastic student of Drucker, recognized this intuitively. He was relentless in his determination to make GE the world’s most productive organization, focusing on key metrics of productivity such as inventory turns. The first two steps in this direction were a wholesale destruction of the bureaucracy and a simplification of the organizational structure. These steps alone, Welch knew, would not be enough. In addition, he had to make sure that employees and managers were exposed to new ideas and given ample opportunity to soak up those new ideas. Therefore, even while he was making drastic budget cuts elsewhere, he invested heavily in Crotonville, GE’s management training institute on the Hudson River, north of New York City.

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Welch considered Crotonville to be the glue that held the company together through all the change initiatives. Crotonville, he said, served as a “forum for the sharing of the experiences, the aspirations, and, often the frustrations of the tens of thousands of GE leaders who passed through its campus.”

One way to ensure that the energy of an organization is not drained or inappropriately diverted is to abandon things such as those tasks, processes, and products that no longer add value to the firm. Peter Drucker popularized the concept of “planned abandonment,” which, like simplification, can play a vital role in freeing energy and raising productivity. Of all the words and ideas in the Welch lexicon, few are as important as change. Welch knew that everything was changing including the marketplace, GE's customers, the competitive landscape, etc., and that he had to get ahead of that change.

From the moment he assumed leadership, his words and actions combined to send an unmistakable message: *the status quo is not good enough*. Single-digit growth is not good enough. The tried and true is not good enough. Business as usual is not good enough. Yesterday is not good enough. At the same time, he had to get his people to see change not as a threat but as an opportunity. That new mind-set would help to grow and channel the energies of the organization, thereby boosting productivity and effectiveness.

None of this would happen overnight, of course. Most leaders underestimate how long it takes to bring about genuine culture change. Welch was no exception so he was constantly chiding himself for not moving fast enough. He learned that even though he was aiming for speed (making large changes as quickly as possible) he would achieve true success only over the long haul.

Welch also learned that to truly inspire and engage, he had to give people a platform to contribute new ideas. Welch created Work-Out, the breakthrough initiative that forever changed the culture of GE. Work-Out is the town hall-style meeting that Welch created to give employees a forum for speaking out. In a typical Work-Out session (which Welch made a voluntary program at first so that people could ease into it), there were two keys to making it work:

1. Participants must be bold enough to tell their bosses nose to nose exactly what needs to be done in order to make the business better.
2. Bosses must be able to say yes or no right then and there (or, in rare instances, “I will get back to you within a specified period of time when I have more information”).

Work-Out turned the hierarchy upside down. Why? The real reason was because in a Work-Out session, it was the people who were lower on the chain of command who got to tell the bosses how to do things better.

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Welch also understood that energy did not stop with the individual. It is incumbent upon the organization to foster and harness individual energy in order to achieve organizational objectives. What good is the energetic individual if he or she is frustrated at every turn by the organization's bureaucracy and red tape? Welch recognized this early on, and through a variety of methods, he took aim at GE's labyrinth of bureaucracy. His ultimate goal was an organization that was free of bureaucracy—one in which ideas flowed freely. Later, he would characterize his leadership ideal as the "boundaryless" organization.

Boundarylessness was the somewhat awkward word that Welch made up to describe an open, candid organization that was free of bureaucracy and turf wars. It became the management concept most closely associated with the former GE chairman. Information flows freely throughout a boundaryless enterprise and anything that gets in the way of candor, the flow of ideas, and the conduct of productive meetings simply must be dealt with.

Given the sheer enormity of GE (with more than 300,000 employees) and the vast number of businesses under the corporate umbrella, Welch could have wound up with a company in which people went off in all directions, "doing their own things." To make sure that did not happen and to make sure that everyone was reading from the same sheet of music, Welch strengthened what he called the company's "operating system."

This somewhat bland phrase actually comprised the specific processes whereby the company drove knowledge and intellect sharing throughout the company. As Welch explained, "It is a year-round series of intense learning sessions where business CEOs, role models, and initiative champions meet and share intellectual capital."

At the heart of GE's operating system were the company's shared values. Being open to new ideas, disdaining bureaucracy, being customer-driven, striving for simplicity and boundarylessness all helped to define the company and its people. Another stated goal of the operating system was to "channel and focus the torrent of ideas and information" generated by GE's managers and employees.

Welch also saw the potential for a "virtuous circle." Meetings, performance reviews, and annual events were all intended to improve corporate performance by enhancing the contributions of managers and employees. Logically speaking, Welch reasoned, if he could improve the quality of these meetings, reviews, and performance appraisals, then performance might well follow. It should be stressed that GE didn't hold meetings or training in fits and starts. In fact, the company called meetings and conducted reviews on a year-round basis.

Of course, Welch's operating system and initiatives were not ends unto themselves but rather means to an end. Welch's ultimate goal was to create a learning culture inside the halls of GE. Through his words and deeds, Welch put a premium on learning and new ideas. He stated unequivocally that at his GE, it was the quality of the idea that mattered most, not the number of "stripes on the shoulder."

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## Chapter 2: The 4E Leader Energizes

The best energizers have an unvarnished, unqualified brand of enthusiasm. They can get their colleagues charged up about just about anything. People respond to them, and that response makes them particularly effective. They bring out the best in people, inject them with confidence, and give them the credit when things go right. They are the organization's confidence builders. That's why Welch decreed that "the ability to energize is the ingredient that counts." Welch also said: "You have no right to be a leader if you don't have it in your soul to build others. Nothing is worse than a whirling dervish who bores everyone. You need fertilizer and water."

"Fertilizer and water," it turns out, is Welch's metaphor for effective leadership. The 4E Leader spreads confidence like gardeners spread fertilizer. That's why, according to Welch, the most important thing a leader does is to instill confidence into the soul of the organization. Welch said that leadership is the ability to articulate a vision and the ability to get others to act on that vision. What does that mean in the context of energizing? It means refraining from micro-managing, and instead giving your people a few clear, simple goals.

Why instruct managers to focus on only a few clear goals? The reason touches another key Welch imperative: simplicity. Complexity obscures; simplicity cuts right to the heart of the matter. He admired people who were confident enough to use simple words and give simple presentations.

Another aspect of simplicity, as Welch saw it, was timing. Things did not need to be "Harvard-tough" all of the time. Employees did not need to be bombarded with multiple complex programs at once, or even in rapid succession. Instead, Welch rolled out his major initiatives one at a time every few years.

Few things got Welch more energized than new ideas. Extrapolating from his own experience, he was convinced that new ideas were the lifeblood of the organization. "The hero is the one with the idea," he once declared. Ideas, learning, training all contribute to the collective intellect of the organization.

Energizers aren't necessarily the source of ideas as they encourage others to voice their ideas. They know that few things get people more excited than having one of their ideas lead to an important "win" for the organization. Conversely, what happens when people are not able to contribute their brainpower to the organization? They feel increasingly isolated and not in control of their own destinies. When that happens, most people get into a "reactive" mode, feeling more like victims than like contributors.

One way to move the organization in this direction is to make sure that there is a mechanism in place for people to contribute new ideas. At GE, one of the main idea-exchanging centers was Crotonville. But Crotonville, as noted earlier, was a management training facility. Through the early years of Welch's tenure, there was no equivalent mechanism available to the non-managerial ranks,

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which made up the vast majority of the company's employees. One reason why Welch conceived and launched his "Work-Out" program was to ensure that all GE employees had a forum in which to contribute new ideas.

Welch made it known that there were neither boundaries nor hierarchies when it came to articulating an idea. Everyone could, and had to, contribute new ideas. "The quality of an idea does not depend on its altitude in the organization," observed Welch. "An idea can come from any source. So we will search the globe for ideas...we have a constant quest to raise the bar, and we get there by constantly talking to others."

The second critical way to energize the organization beyond searching within the company and around the world for good ideas is to make sure that the ideas are acted upon. The GE operating system was in part designed for this purpose. It was a system for converting ideas into action. Words like action, speed, and pounce began showing up regularly in Welch's speeches and documents implying that the hunt didn't end when the quarry came into view.

Welch also made sure to pick up great ideas from other companies. Ideas are everywhere. "I know if I pan this room tonight and talk to everyone here," Welch told a New York audience in 1999, "I'd learn a zillion things about how to do my job better."

The lesson? Make sure that everyone in your shop is constantly monitoring the environment, the marketplace, the competition, and so on. Welch said that the operative assumption at his firm was that someone out there had found a better way of doing something. The challenge then was to do everything humanly possible to learn what that someone—whoever he or she might be—had learned and then incorporate that knowledge into GE's own playbook.

GE's social architecture, meaning its energy-filled, high-involvement culture, provided the foundation upon which Welch could fulfill his goal of creating an authentic learning culture. In the early period, Welch used the somewhat stilted phrase "integrated diversity" to embody the sharing of ideas across all of GE's businesses. Later, he dropped "integrated diversity" in favor of the "learning organization" (or sometimes the "learning company"). "The combination of involving everyone in the game and of responding to this flow of ideas and information turned GE into what we are today—a learning company."

What, exactly, is a learning organization? Charles Handy, author of *The Age of Unreason*, explains that a learning organization "can mean two things. It can mean an organization which learns and/or an organization which encourages learning in its people. It should mean both." At Welch's GE, it did.

One of the key distinguishing characteristics of a learning organization is the interactive nature of its performance reviews. In *The Fifth Discipline Fieldbook*, Peter Senge and his team wrote of the importance of engaging employees in an interactive dialogue at annual review time. Unfortunately (according to Senge), most managers do not engage in such two-way conversations.

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To energize employees, make a habit of asking these types of questions at review time:

- What do you want to achieve in the next 12 months? What do you want to achieve in the ensuing few years?
- What is it in the organization that will help you to make your goals?
- What roadblocks will interfere with your progress?
- What else do you need from the organization to help you accomplish your objectives?
- What things do I—your manager—do that hinder your efforts?
- What is your pattern of failure?
- What danger should I look for ahead of time so that I know to come talk to you and help you?

By engaging your employees in this type of dialogue, you will learn a great deal about what makes your people tick. You will learn what energizes them and what stands in the way of their being energized. Most likely, patterns will emerge, which you can interpret and act upon. One key to success in this effort is to encourage candor by being candid yourself. People are more likely to put themselves on the line with you if you go first.

Another key to success in this effort is to hold interactive dialogues frequently. These dialogues should not be a once-a-year event. (Indeed, some business scholars argue that such a discussion is impractical when compensation issues are on the table or about to be on the table.) In the best-run companies, informal, meaningful dialogue goes on every day and in every corner of the organization.

Jack Welch was a “natural,” someone who knew intuitively what others had to learn. He understood that one of the keys to effective leadership is to build on strengths and particularly on the strengths of the individual. Welch typically took the notion of building on strengths an important step further. He believed that tapping strengths not only set the organization on the right path but also energized it. Batteries are not drawn down when you build on strengths, they are recharged. This was the theory behind both the “hardware” and “software” phases of his reinvention of GE. In a sense, the hardware phase (the restructuring of the portfolio) was an exercise in creating energy by freeing up underproductive assets. Equally, the software phase (rebuilding systems and corporate morale) aimed at energizing people.

Work-Out, as noted, was launched on the premise that the strength of the individual trumps everything else. “My view of the 1990s is based on the liberation of the workplace,” Welch wrote.

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"If you want to get the benefit of everything employees have, you've got to free them, make everybody a participant. Everybody has to know everything, so they can make the right decisions by themselves."

## Chapter 3: The 4E Leader Has Edge

To Welch, business is about winning: winning in the marketplace, winning customers, winning new business, winning for shareholders. But Welch's approach to winning was far from simplistic or one-dimensional. He knew that the path to winning is sometimes a winding one. He understood that managing less was managing more, that the key to success was producing more with less. He also knew that he had to manage many businesses while imposing a single vision, that of a learning, boundaryless organization.

Embracing complexity and paradox while still maintaining clarity of vision and edge is a difficult balancing act. Welch understood that, and he achieved it better than most.

A simple paradox of business is that you have to shrink in order to grow, and you have to give things up in order to gain things. By eliminating jobs and closing unproductive factories (difficult as those moves were for the people who were directly affected), he was creating the means to reinvigorate the places that would spark the company's transformation. If GE could not attract, train, and retain "A players" (which is how Welch referred to top performers), the company would fall farther and farther behind in the competitive marketplace.

It took some time for many to see the logic of Welch's actions, but eventually they came around. Again, the results were irrefutable. By the late 1980s, all the key metrics of productivity were up significantly: profit margins, inventory turns, and so on. By managing contradictory tugs within the organization (which were at times quite powerful) while still defending his vision, Welch demonstrated that he was a manager with edge, or someone who didn't shy away from the tough decisions. He and his team of consultants summed it up like this: "Paradox is a way of life. You must function collectively as one company and individually as many businesses at the same time. For us, leadership means leading while being led, producing more output with less input."

Welch's focus on people and the social mechanisms confirmed his commitment to developing the best and the brightest at GE. He knew that he could not do it alone. He understood that the key to genuine transformation was "getting the people part right." Here is how Jim Collins phrased this challenge in *Good to Great*: "The good-to-great leaders began the transformation by first getting the right people on the bus (and the wrong people off the bus), and then figured out where to drive it."

How did Welch do it? First, he didn't do it overnight. Leadership development takes years rather than weeks or months. Some of the tools he used have already been referred to and included establishing the GE values (and making adherence to them mandatory), implementing Work-Out, and establishing candor and trust through meetings and reviews via the GE operating system.



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But he also differentiated. Differentiation is all about being extreme, rewarding the best and weeding out the ineffective. Rigorous differentiation delivers real stars and stars build great businesses. Welch's affinity for differentiation tells us a good deal about his larger philosophy. He says that we spend the first 20 years of our life being differentiated, from first-grade quizzes through college entrance exams. Why should we stop differentiating when we enter the working world?

Critics have challenged Welch on this point time and again. To answer the critics, Welch turns to a baseball analogy. "Just look at the way baseball teams pay 20-game winning pitchers and 40-plus home run hitters." Welch says that the box scores demonstrate clearly just how valuable these "A" players are to their teams, and he likens them to A players in a corporate setting. "If you want them to play with edge, says Welch, you have to differentiate—which includes paying the most to the best."

The 4E Leader knows how to make the tough calls, particularly when it comes to the "life-and-death decisions" hiring, firing, and promoting. Few companies put more tune into these vital decisions than GE. Welch differentiated between A, B, and C players. A's were the stars; however, B's made up the biggest category, the nucleus of the company. The C's, finally, were under performers. They missed their goals and/or did not energize. In many cases, they attempted to lead by control or intimidation rather than by the strength of their vision.

At GE, managers had to differentiate by placing all their direct reports into one of three categories:

- The top 20 percent
- The viral 70 percent
- The bottom 10 percent

GE (and other companies with similar programs) called this three-tiered system the "vitality curve." While these categories do not translate directly into A's, B's, and Cs, they come close enough to use as a general guideline.

At GE, A's got stock options and generous raises. Most B's also received options. In fact, 100 percent of the strongest-performing group, "role models," received stock options, as did 100 percent of the next best group, called "strong performers" (both A groups), while 50 to 60 percent of the "highly valued" B players also received options.

What about the bottom 10 percent? Welch's rulebook dictated that the bottom 10 percent be fired every year—no matter what. It was one of Welch's most controversial tenets. How could he talk about building a confident, boundaryless organization and still fire 10 percent of his people every year?

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Once again, Welch was comfortable with these contradictory tugs. This was the kind of thing that a leader with edge did. He or she made the gut wrenching decisions according to a clear set of rules and moved forward. Along the way, Welch also argued that getting rid of people who aren't cutting it is a lot better than singing praise and keeping them in the wrong jobs for years. That kind of "false kindness," Welch argued, only hampered a person later in his or her career.

Welch never stopped talking about making GE ultracompetitive ("the world's most competitive enterprise"). But GE's very bigness—its scale, scope, and geographic reach—risked putting the company at a disadvantage. Welch felt that from this perspective, small companies often had an edge. They understood what Welch called the "penalty of hesitation in the marketplace." Smaller firms were more resilient, more adaptive, and more capable of moving quickly. This is why Welch's ideal organization was "a big company body" with a "small company soul."

As a rule, Welch despised things that moved slowly. When asked to look back on his career and say what he would have done differently, he responded that he would have done pretty much everything the same, only faster. Why? "Bureaucracy is terrified of speed and hates simplicity," he explained. "It fosters defensiveness, intrigue, sometimes meanness. Those who are trapped in it... can't be passionate, and... won't win."

## Chapter 4: The 4E Leader Executes

For years, there were only three E's at GE. As late as 1998, Welch still wrote of the three "E's." But Welch began to get the sense that something was missing from his formula. Many managers had "energy," "energize," and "edge" in abundance, but they were still coming up short on the numbers. That's when, the fourth E was added and the concept of the 4E Leader was fully formed.

Jack Welch succeeded in part because he left so little to chance. In many ways, he was a natural as things came easily to him that confounded many other managers, but he also believed that most leaders are made, not born. He wanted to know what the best were made of. Why did some leaders excel, while others only got by?

Larry Bossidy, Welch's friend and former vice chairman, and Ram Charan, consultant and author, contributed to the leadership body of knowledge with their national best-seller *Execution*. That work helped to establish execution as a distinct discipline, worthy of study in its own right.

Bossidy and Charan explained that execution is, in itself, a field of study. In essence, it is a set of "behaviors" and competencies that managers need to incorporate into their playbooks. They also describe execution as a critical success ingredient and that absent an execution-oriented culture a firm would have a difficult time maintaining any genuine competitive advantage.

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Bossidy and Charan write that many failed corporate strategies failed mainly as a result of poor execution. An organization will execute consistently only if the right culture, practices, rewards, and so on are deeply ingrained in the fabric of the company, and if top management remains involved (execution cannot be delegated). The authors also assert that managers who expend valuable company resources on other programs while ignoring execution are “building houses with no foundations.”

They define execution as a systematic process of rigorously discussing hows and whats, questioning, tenaciously following through, and ensuring accountability. Bossidy and Charan established several other important truths about execution. First, an execution-oriented culture is about getting the dialogue right, and it must be driven from the top down. Leaders can't be afraid to ask the really difficult questions. A culture of execution, however, involves many things such as setting the right goals, getting the strategy right, candor, rewards, norms, values, etc., and must be embedded deep into the company. How an organization approaches these vital tasks and systems determines how well it executes.

In order to reward for execution, an organization first needs to measure performance. People need targets or stretch goals in order to be able to quantify their performance and determine whether the division or unit is executing at the desired performance level.

Creating a performance-based culture in a large organization, however, with far-flung and diverse divisions, units, managers, departments, reward systems, and so on, is a complex challenge.

It must begin at the top, with the chief executive officer (or division head in the case of a semi-autonomous or fully autonomous subsidiary). Of course, much depends on your starting point. As a rule, however, one of the keys to developing an execution culture is the recognition that altering the culture of a Fortune 500 company takes years. There is simply no quick fix or magic potion that can change a company overnight.

The following steps summarize twenty years of deep, difficult culture change at GE.

*Establish performance as a key company priority.* From his first days on the job, Welch made it known that his number 1 and number 2 edicts would be the new standard of performance at GE. This was, followed by his “three circles” and his “fix, close, or sell” imperatives. Collectively, these edicts formed a powerful message: Execution was now the new order of things, and those businesses and individuals that could not help the company win would not be retained.

*Make sure that the company has a defining set of values.* The hardware decisions and restructuring helped position GE for growth, but it was the shared values that gave the company its soul. Every business is different. The values that best describe your organization should define your organization

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so that both employees and customers recognize your company in those values. To be worth more than the paper they are written on, they have to be authentic.

*Organize for execution.* Welch delayered the company early on. He knew that there was far too much muddled complexity, too many managers, too much bureaucracy, and so on. By delayering, increasing manager's direct reports, and giving businesses back to their leaders, he was structuring an organization that had decentralization as its organizing theme. In retrospect, it was a crucial move. Managing by control from some far-off home office is no way to develop an agile, fast enterprise.

*Use Differentiation to promote the A's, keep the B's, and fire the C's.* Welch said that differentiation was one of his most important tools in remaking GE's culture. Every organization must abandon what Welch called "false kindness." False kindness is not telling people the truth. It's keeping an individual on the payroll when you know—deep in your bones, that he or she is not cutting it.

*Make execution a key part of the reward system.* Let managers know that bonuses and stock options will be based not on seniority or job ranking but on constant achievement of vital execution goals.

*Use Work-Out or a similar cultural initiative to instill candor and trust into the fabric of the organization.* A company must be committed to performance, must be organized for execution, and must have integrity in its hiring, firing, and promotions. Reward and compensation systems have to be in alignment as well. Trust and openness will not happen by accident, nor will they happen quickly.

*Develop and train your best leaders.* A company must foster dialogue and informal meetings every day, all across the organization. Developing new ideas, experimenting with new processes and products—anything that facilitates learning in its most basic forms must be encouraged and nurtured. Finally, there must be a process in place that takes the organization's best ideas and translates them into things that can be acted upon.

*Make sure that there is an operating system in place that focuses on execution.* The GE operating system reinforced all of Welch's companywide initiatives.

*Continue to winnow out weak businesses and weak performers.* In a Welch-like organization there is no room for under performers. They will, eventually, kill the organization. Search out career "dabblers" who have hung on for years without accomplishing anything of note. To really execute, you will need people who exceed expectations on a consistent basis. This is one of the most difficult things to do, but also one of the most necessary.

## Conclusion

If you ask Welch what he considers to be his crowning achievement in his 20-plus years as CEO at GE, he is not likely to mention growth, or profits, or market capitalization. Instead, he will point to the leaders he hired, developed, and nurtured.

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No matter where one comes down on the Welch legacy, there is one aspect of his record that is indisputable: his ability to turn his organization into a leader machine. Under his direction, GE turned out a greater number of CEOs than any business organization in history. If you asked Welch what he would want written on his tombstone, he would be within his rights to choose the same words that were inscribed on the tombstone of business titan Andrew Carnegie:

*Hear lies a man  
Who knew how to enlist  
In his service  
Better men than himself*

That inscription sums up Welch's philosophy on people and leadership. He said, pointedly, that he could not make a turbine or an aircraft engine, nor could he direct an episode of *Seinfeld*. On the other hand, he knew how to hire and develop the right people while building an authentic learning organization that was designed to maximize the contribution of all GE employees and managers.

The greatest management thinkers agree that there is nothing more important to a business than the quality of its management. The management team is an organization's costliest resource, asserts Peter Hawker, and the one that "depreciates the fastest and needs the most constant replenishment."

Brasher explained that it takes many years to put together an effective management team, but the same team could be "destroyed in a short period of time." He also wrote: "Managers cannot create leaders. Management can only create the conditions under which potential leadership qualities become effective (or it can stifle potential leadership)." Welch's GE became a management-development institution without peer, and he did it through the 4E's.