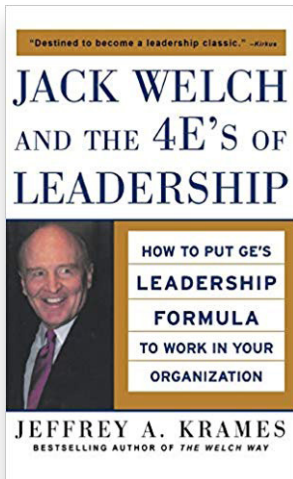


EXECUTIVE BOOK SUMMARIES

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Jeffrey Krames is a bestselling author and frequent guest on CNN, CNBC, and Fox News Channel. He has written for the New York Times, the Wall Street Journal, and The Los Angeles Times.

Jack Welch and the 4E's of Leadership

THE NUTSHELL

McGraw Hill 2005

The discipline of the 4E's helped Jack Welch 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.

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. It is an energy that reaches across people and binds together 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.

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 meaning one in which ideas flowed freely. Later, he would characterize his leadership ideal as the "boundaryless" organization.

Jack Welch and the 4E's of Leadership

Boundarylessness is 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; anything that gets in the way of candor, the flow of ideas, and the conduct of productive meetings simply must be dealt with.

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 up. 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.

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, and training all contribute to the collective intellect of the organization. Energizers aren't necessarily the source of ideas; more likely, 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.

The 4E Leader Has Edge. To Welch, business was 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 was 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.

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."

Jack Welch and the 4E's of Leadership

The 4E Leader Executes. 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. Execution 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.

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."

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, and so on, and must be embedded deep into the company. How an organization approaches these vital tasks and systems determines how well it executes.

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. Welch's GE became a management-development institution without peer, and he did it through the 4E's.