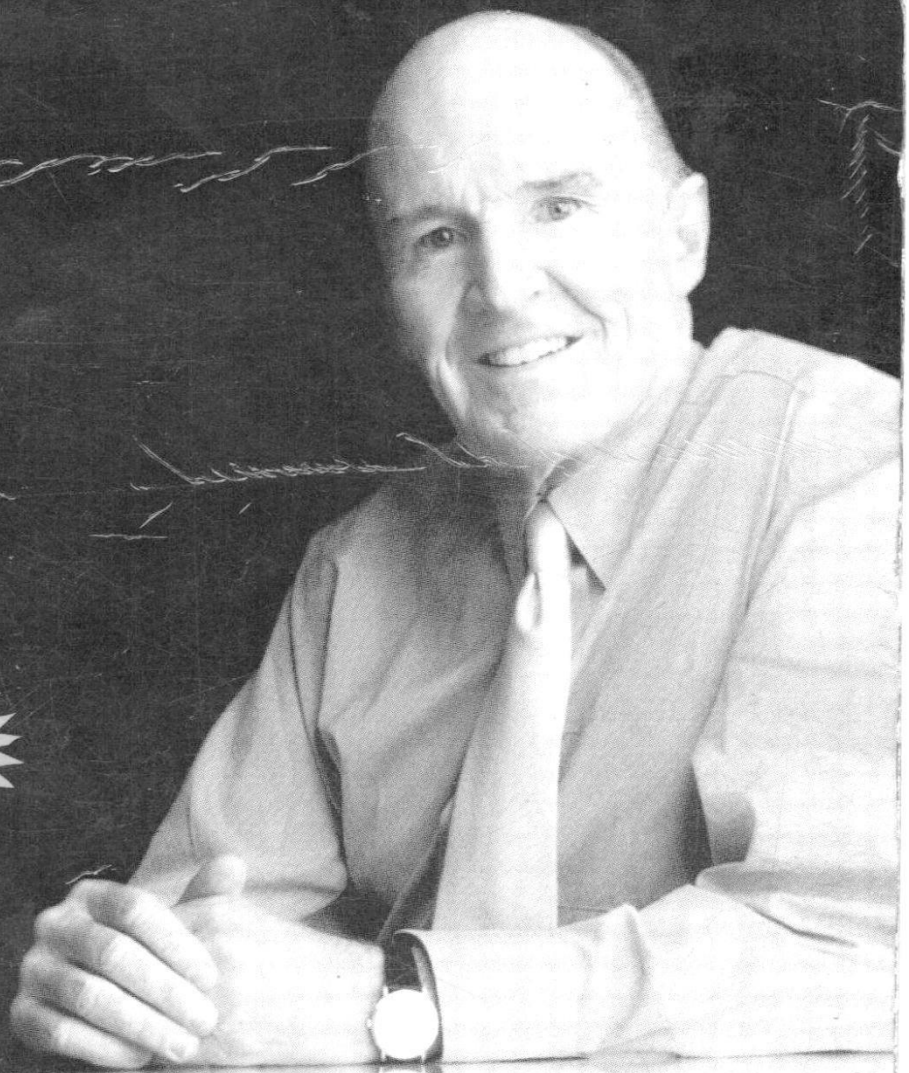
Abridged from *Get Better or Get Beaten*

29 LEADERSHIP SECRETS FROM JACK WELCH



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Robert Slater

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PART IV

NEXT GENERATION LEADERSHIP: INITIATIVES FOR DRIVING AND SUSTAINING DOUBLE-DIGIT GROWTH

PREFACE

Jack Welch, the long-time Chairman and CEO of General Electric, has been hailed as the greatest business leader of our era and deservedly so. It was Welch who headed GE from April 1981 to September 2001 and who pioneered some of the most important business strategies of the past two decades. We now take these strategies for granted as part of the way American business is done: restructuring, the emphasis on being number one or number two, making quality a top priority (through his Six Sigma initiative), and so on. Moreover, Welch, unlike most other business leaders, created a tightly woven, carefully scripted business philosophy that provided brief, crisp guidelines for every aspect of business.

Welch's main leadership secrets, spelled out in this book, continue to resonate throughout the business world. Few other business leaders have articulated how to achieve maximum performance with such clarity and forthrightness.

Before Welch took over at GE, the business world had revered large bureaucracies as critical for close monitoring of personnel; it had placed great faith in a command-and-control management system, encouraging senior management to overmanage; it had allowed the employee to attain a protected status by being assured of a job for life. Jack Welch punctured holes in each of these notions. His legacy is that he has forever altered these myths and has inspired managers of corporations around the world to behave far differently: Bureaucracies are much smaller, with fewer management layers; managers manage much less, delegating far greater authority to empowered employees; the right to a job for life is no longer guaranteed as management runs much tighter, more productive ships.

Welch's performance at General Electric lent mighty credence to his ideas: When he assumed the post of Chairman and CEO of GE, the company had annual sales of $25 billion and earnings of $1.5 billion, with a $12 billion market value, tenth best among

American public companies. In 2000, the year before Welch retired, GE had $129.9 billion in revenues; and $12.7 billion in earnings. In 2001, GE's revenues stood at $125.9 billion; and earnings rose to $14.1 billion.

From 1993 until the summer of 1998, GE was America's market cap leader. Under Welch, the company reached a high of $598 billion in market cap (but settled in at about $400 billion during Welch's final years as CEO). *Fortune* magazine selected GE as "America's Greatest Wealth Creator" from 1998 to 2000.

Anyone in business, from the most powerful corporate managers to the hourly factory worker, has much to learn from Jack Welch and his ideas. Studying his leadership secrets tells us what American business was once like, and outlines how the tactics he pioneered have changed business for the better in so many ways.

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LEADERSHIP SECRET 14

DELAYER: GET RID OF THE FAT!

FROM THE FILES OF JACK WELCH

Every layer is a bad layer. Now we don't have all that nonsense. If Delhi wants something, they fax me. It's much easier.

Most of Welch's early moves at GE—downsizing; number one or number two; fix, close, or sell—were designed to bring focus and discipline to a company that had been complacent far too long.

He had one more such step in mind: cutting out excess layers of management.

All those layers slowed things down, Welch thought, and prevented senior managers from spotting trouble early enough. And ultimately, bureaucracy sapped the company's entrepreneurial spirit.

A FOUNDATION OF BUREAUCRACY

In the pre-Welch era, GE more or less assumed the existence of a large bureaucracy. In fact, "bureaucracy" was not a dirty word at GE. It implied a strong organization, a certain orderliness. There were bosses, and there were channels. People could "manage by memo," and that was assumed to be efficient.

But bureaucracy has a way of creeping. Of the company's 400,000 employees at the time of Welch's arrival, some 25,000 held the title of "manager." Approximately 500 were senior managers, and 130 were vice presidents or higher.

In other words, there was a huge officer corps, whose members did little except paperwork. They reviewed other people's memos and wrote memos to their own superiors.

One culprit was the planning system, which had grown cumbersome.

> **We hired a head of planning and he hired two vice presidents and then he hired a planner, and then the books got thicker, and the printing got more sophisticated, and the covers got harder, and the drawings got better. The meetings kept getting larger. Nobody can say anything with 16 or 18 people there.**

DELAYERING LETS PEOPLE FLOURISH

Welch decided to slice away at management in a process he called "delayering." He explicitly disagreed with critics who complained that getting rid of these levels would diminish GE's vaunted command-and-control capabilities and harm the company.

> **We attempted to eliminate the command portion while keeping the subtleties of the control. Big corporations are filled with people in bureaucracy who want to cover things—cover the bases, say they did everything a little bit. Well, now**

we have people out there all by themselves; there they are, accountable for their successes and their failures. But it gives them a chance to flourish. Now you see some wilt. That's the sad part of the job. Some who looked good in the big bureaucracy looked silly when you left them alone.

Welch had two goals in mind. First, he wanted to turn the strategic planning function over to the businesses. Second, he wanted to remove the obstacles that prevented direct contact among the businesses and between the business and the CEO's office. Control would survive; command would be diminished. The pace of business would pick up.

Delayering speeds communications. It returns control and accountability to the businesses, which is where it belongs.

We got two other great benefits from the sector delayering.

First, by taking out the biggest layer of top management, we set a role model for the whole company about becoming lean and agile.

Second, we identified the business leaders who didn't share the values we were talking about: candor, facing reality, lean and agile. We exposed the passive resisters.

In retrospect, Welch was convinced that he had acted properly by trimming GE's bureaucracy. "By the time you get through the levels, the barn has burned down, and you've got to get closer to the game," he said in 1997. "Every layer is a bad layer. Now we don't have all that nonsense. If Delhi wants something, they fax me."

Delayering requires a certain kind of resolve. It's one thing to lay off lower-level employees at distant factories, far from the corner offices. It's quite another to ax an associate, or a buddy, in the next office.

But this is the kind of resolve that may be needed to transform a low-performing organization into a higher-performing one or to push a high performer to the next level. Deadwood and redundancy in the executive suites can cost a company dearly in money, flexibility, and spirit.

WELCH RULES

- Get rid of any layers of management that do not add real value to the process. Ask yourself: How can I improve communications with the folks down below on the factory floor? If the answer is "lose layers," then lose them.

- Don't let emotions get in the way. Cutting executive jobs can be one of the most difficult decisions a manager has to make. Make the call based on objective criteria, not relationships.

LEADERSHIP SECRET 15

SPARK PRODUCTIVITY THROUGH THE "S" SECRETS: SPEED, SIMPLICITY, AND SELF-CONFIDENCE

FROM THE FILES OF JACK WELCH

It takes enormous self-confidence to be simple, particularly in large organizations. Bureaucracy is terrified by speed and hates simplicity.

In the late 1980s and early 1990s, Jack Welch began to outline a new vision for GE's future. In September 1989, for example, he noted:

> **The biggest mistake we could make right now is to think that simply doing more of what worked in the '80s will be enough to win the '90s. It won't. . . . We have to turn in the**

'90s to the software of our companies—to the culture that drives them.

Welch summed up his prescription for that culture in three words: speed, simplicity, and self-confidence.

THE FIRST TWO "S'S": SPEED AND SIMPLICITY

Speed, obviously, meant having people make decisions in minutes. It meant cutting back on paper flow and staff work.

Simplicity, as Welch defined it, meant different things in different corners of the company:

To an engineer, it's clean, functional designs with fewer parts. For manufacturing, it means judging a process not by how sophisticated it is, but how understandable it is to those who must make it work. In marketing, it means clear messages and clean proposals to consumers and industrial customers.

And most important, on an individual, interpersonal level, it takes the form of plain-speaking, directness—honesty.

Writing to shareholders in 1995, Welch elaborated on the importance of simplicity:

Simple messages travel faster, simpler designs reach the market faster, and the elimination of clutter allows faster decision making.

In the case of senior management, a critical component of simplicity is a powerful, easily graspable core message—a vision:

Whatever it is—we're going to be number one or number two, or fix/close/sell, or boundarylessness—every idea you present must be something you could get across easily at a cocktail party with strangers. If only afficionados of your industry can understand what you're saying, you've blown it.

THE THIRD "S": SELF-CONFIDENCE

The third S, self-confidence, is intimately related to the first two. In fact, argues Welch, one can't really embrace simplicity without a healthy dose of self-confidence:

> **One of the hardest things for a manager is to reach a threshold of self-confidence where being simple is comfortable.**

Where does this self-confidence come from? Welch's answer has several parts:

> **Some people get it at their mother's knee, others through scholastic, athletic, or other achievement. Some tiptoe through life without it. If we are to create this boundaryless company, we have to create an atmosphere where self-confidence can grow in each of . . . us.**

But many attributes of large organizations, such as the turf battles, the parochialism, and so on, work *against* the development of self-confidence:

> **Self-confidence does not grow in someone who is just another appendage on the bureaucracy, whose authority rests on little more than a title. Bureaucracy is terrified by speed and hates simplicity. It fosters defensiveness, intrigue, sometimes meanness.**

Even if a company can't manufacture self-confidence, says Welch, it can work against the confidence-destroying aspects of corporate culture. It can provide people with opportunities to dream, take risks, and win. And it can make sure that employees can see how their work contributes to the overall effort:

> **We can grow a work ethic that plays to our strengths, one that unleashes and liberates the awesome productive energy that we know resides in our work force. If we can . . . create an environment where each man and woman who works in our companies can see a clear connection between what he or she does every day, all day, and winning and losing in the**

real world, we can become productive beyond our wildest dreams.

This was one reason GE devised its Work-Out program: to design a process that gave people a voice and got them talking to one another and learning to trust one another.

Again, the three S's are interrelated and mutually supportive. In his 1995 letter to shareholders, Welch commented:

Self-confident people don't need to wrap themselves in complexity, "businessese" speech, and all the clutter that passes for sophistication in business—especially big business.

Self-confident leaders produce simple plans, speak simply, and propose big, clear targets.

Speed. Simplicity. Self-confidence. They emerged and endured as key watchwords in the Welch management philosophy.

WELCH RULES

- **Promote the three "S's": speed, simplicity, and self-confidence. These three attributes build organizations that are able to change with the changing environment.**
- **Start with a simple message. The most effective communications are those that are easy to understand. Making the vision clear sparks people's passion and productivity.**
- **Establish systems that foster self-confidence. Help people understand how their efforts are helping the company to succeed. Find ways to let people take risks and win.**

LEADERSHIP SECRET 16

ACT LIKE A SMALL COMPANY

FROM THE FILES OF JACK WELCH

Small companies move faster. They know the penalties for hesitation in the marketplace. What we are trying relentlessly to do is get that small-company soul—and small-company speed—inside our big-company body.

The goal of most big corporations is to get still bigger. Bigness is considered a virtue (or at least a necessary evil) in the corporate environment.

When Jack Welch took over at GE, the company was then one of the largest in America, with more than 400,000 employees. Through restructuring and downsizing, Welch pared the company down to 270,000 employees. But meanwhile, GE's acquisitions were adding many more people to the payroll, as was Welch's Six Sigma quality initiative. By the summer of 2000, GE had 340,000 employees.

But simple head counts can be misleading. Even as GE was

getting bigger, Welch was making his company *act* as if it were much smaller. He achieved this goal by simplifying GE's complex hierarchy and by creating programs that unleashed empowered workers.

BIG HAS ITS ADVANTAGES

Does "big" have its advantages? Of course, says Welch:

> **Big allows us, for example, to spend billions on development of the new GE90 jet engine, or the next-generation gas turbine, or positron emission tomography [PET] diagnostic imaging machines—products that sometimes take years of investment before they begin producing returns.**
>
> **Size gives us staying power through market cycles in big, promising businesses . . . Size will allow continued heavy investment in new products . . . Size gives us the resources to invest over a half-billion dollars a year on education: cultivating, at every level in the organization, the human capital we must have to win.**
>
> **Offshore, "big" permits us to form partnerships with the best of the large companies, and large countries, and to invest for the long term in nations such as India, Mexico, and the emerging industrial powers of South Asia.**

SMALL COMPANIES CUT TO THE CHASE

Big, it seems, can be beautiful. So what is it about small companies that Welch loves? His answer:

> **For one, they communicate better.**
>
> **Without the din and prattle of bureaucracy, people listen as well as talk; and since there are fewer of them, they generally know and understand each other.**
>
> **Second, small companies move faster. They know the penalties for hesitation in the marketplace.**
>
> **Third, in small companies, with fewer layers and less cam-**

ouflage, the leaders show up very clearly on the screen. Their performance and its impact are clear to everyone.

And finally, small companies waste less. They spend less time in endless reviews and approvals and politics and paper drills. They have fewer people; therefore they only do the important things. Their people are free to direct their energy and attention toward the marketplace rather than fighting bureaucracy.

Welch loves the idea that small companies are uncluttered, simple, and informal.

They thrive on passion and ridicule bureaucracy. Small companies grow on good ideas—regardless of their source.

They need everyone, involve everyone, and reward or remove people based on their contribution to winning. Small companies dream big dreams and set the bar high; increments and fractions don't interest them.

And he loves the way small companies communicate:

with simple, straightforward, passionate argument rather than jargon-filled memos, "putting it in channels," "running it up the flagpole," and worst of all, the polite deference to the small ideas that too often come from big officers in big companies.

Everyone in a small company knows the customers—their likes, dislikes, and needs—because the customers' thumbs-up or [thumbs]-down means the difference between a small company becoming a bigger company tomorrow or no company at all.

So size alone, says Welch, is no longer enough in a brutally competitive world marketplace. Big companies must acquire the soul of a small company. While you are growing, Welch cautions, don't lose your soul.

Don't permit the attributes of bigness to overwhelm you.

Get bigger, but protect the soul of the more nimble organization that you once were.

WELCH RULES

➤ **Assume that your big company can act small.** Welch had to work at it, but he knew he could instill the

passion and informality of a small company into the soul of GE.

- **Structure for smallness.** Welch removed layers and sector heads that did not add value. If your organization is too bloated, consider restructuring, removing layers, boundaries, approvals—in short, anything that bloats and slows the company.

- **Check reality: Do you know your customers?** This is a good yardstick. Welch likes to compare his company to the corner grocery store. Do you know your customers, and do they know you? If not, you have your work cut out for you.

LEADERSHIP SECRET 17

REMOVE THE BOUNDARIES!

FROM THE FILES OF JACK WELCH

Our people must be as comfortable in New Delhi and Seoul as they are in Louisville or Schenectady . . .

When Jack Welch came on board, General Electric had hundreds of boundaries.

Those boundaries kept people within the company from communicating easily with one another. And by extension, they kept GE personnel from communicating with outside constituents.

When Jack Welch assumed command, he tried to identify all the debilitating boundaries within GE. He knew that if he could eliminate boundaries, it would go far toward creating the open, informal business environment that he believed was essential.

THE GENESIS OF BOUNDARYLESS

Welch called upon GE to become *boundaryless.* The term was certainly not in any dictionary. And as Welch was quick to acknowledge, the made-up word was clumsy at best. But people soon understood what it meant.

Welch first began using the term in the early 1990s. At that time, he acknowledged that the business strategies he had employed in the 1980s—restructuring, reducing the number of management layers, and the like—were too incremental. They took too long to affect the company.

Something new was needed. The answer was *boundaryless.*

WHAT'S IN A WORD?

The boundaryless company, Welch notes, is one in which "we knock down the walls that separate us from each other on the inside, and from our key constituents on the outside." The boundaryless company:

- Removes barriers between functions
- Removes barriers between levels
- Removes barriers between locations
- Reaches out to important suppliers and makes them part of a single process

We no longer have the time to climb over barriers between functions like engineering and marketing, or between people—hourly, salaried, management, and the like.

How does one get rid of boundaries? At GE, it was easiest to get rid of the vertical ones—the boundaries of hierarchy—and the company made great strides in this area in the 1980s.

What happens after getting rid of the boundaries?

Instead of hierarchies, there are cross-functional teams.

Instead of managers, there are business leaders.

Instead of workers who are told what to do, there are workers who decide what to do.

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 decision by themselves.

By the summer of 1993, boundarylessness had become one of the core values at GE:

If you're turf-oriented, self-centered, don't share with people, and are not searching for ideas, you don't belong here . . .

Being boundaryless allows us to jab one another and have fun. We rag each other when somebody starts to protect turf.

THE CEC MODEL

One powerful force for boundarylessness at GE is the Corporate Executive Council (CEC), which includes the top 25 to 30 executives of the company. It meets every 3 months, from a Monday to a Wednesday, for a free-flowing exchange of ideas.

In the bad old days, says Welch, GE functioned like a classic conglomerate. "Each business quarter," he explains, "the divisional manager phoned the finance person to report the numbers."

GE is very different today. Through the CEC, leaders don't merely discuss numbers; they exchange ideas.

By design, CEC sessions have no formal agenda. The point is to *keep it loose.*

A senior GE official may distribute a brief memo in advance of the get-together to alert the executives about the main topic of the meeting. But that's about it in terms of structure. The

whole purpose of the meeting is to foster learning about problems being faced by other businesses and to pick up good ideas that might work in one's own business. Structure would work against these goals.

The CEC is, in a sense, a model and metaphor. Welch urged his colleagues at GE to *break down boundaries*, wherever they existed, from the CEC level on down. The fewer the boundaries, the more likely that employees could do their jobs well.

WELCH RULES

- **Root out boundaries.** Anything that disrupts communications between departments and employees or between employees and outside constituents is bad.
- **Model behaviors with senior managers.** Welch credits his CEC meetings with helping to spread the flow of ideas throughout all of GE's diverse businesses. They also set a positive pattern for others in the company.
- **Involve everybody.** To achieve boundarylessness in your organization, involve everybody. If boundaries are deeply ingrained, consider holding a Work-Out session (see Leadership Secrets 18 to 20).

LEADERSHIP SECRET 18

UNLEASH THE ENERGY OF YOUR WORKERS

FROM THE FILES OF JACK WELCH

The way to get faster, more productive, and more competitive is to unleash the energy and intelligence and raw, ornery self-confidence of the American worker, who is still by far the most productive and innovative in the world.

The first phase of Jack Welch's revolution at GE, in the early 1980s, brought massive change:

- 350 businesses transformed into 12
- The core electrical manufacturing businesses replaced by high-tech and service as the focus of the company
- Selected plants closed, and others made state of the art
- Payrolls slashed, and layers of management pared away

Jack Welch called these years the "hardware phase." And although the hardware phase boosted GE's bottom line, it also disconcerted many employees. They had been moved to new plants, given new bosses, assigned new tasks. As a result, few felt secure in the new GE.

By the late 1980s, Welch knew that a serious issue confronted him. As a result of downsizing, GE's remaining employees were expected to carry a far greater work burden. They had to develop the belief that they were not just cogs in a giant machine but valued contributors.

They had to be made to feel like *owners.*

TURN EMPLOYEES INTO OWNERS

This was a tall order. At the time, a spirit of animosity prevailed between management and workers.

"We spent 90 percent of our time on the floor figuring out how to screw the management," an employee later confessed to Welch. "That was all right because you guys spent 95 percent of your time figuring out how to screw us."

So in the fall of 1988, Welch launched the second phase of his revolution. It centered on shifting authority from managers to employees.

> **The way to harness the power of these people is to protect them, not to sit on them, but to turn them loose, let them go—get the management layers off their backs, the bureaucratic shackles off their feet, and the function barriers out of their way.**

In the past, managers had carried the burden of boosting productivity; from now on, this would become the job of the men and women on the factory floor.

> **Before at GE, we generally used to tell people what to do. And they did exactly what they were told to do and not**

one other thing. Now we are constantly amazed by how much people will do when they are not told what to do by management.

A new concept had been born. Welch gave it a name: *empowerment.*

As GE managers were fond of saying, workers tended to park their brains at the factory gate each morning. No longer! Henceforth, managers had to find a way to harness the brainpower of the work force. They had to permit workers to make decisions, contribute ideas, and organize their own workdays. They had to give their employees more power, make their workday more fun and interesting, and otherwise enable them to raise their own level of productivity.

Welch later confessed that he regretted having waited 7 years to empower the work force. But starting earlier would have been impractical. In the "hardware phase," there was too much uncertainty, as employees worried whether they would still have a job at the end of each day. And of course, there were too many bureaucrats.

Empowering and liberating and exhilarating a bloated bureaucracy in the beginning would have been impossible. It would have produced a mixed message because we were shocking them. I'm not sure you could have sold that and been credible.

In 1990, Welch unleashed the next phase of his "empowerment revolution": a program he called Work-Out. As we will see shortly, Work-Out was all about building up employees and showing them that they were contributing directly to the health of the enterprise.

Welch had at least one ulterior motive in effecting all this change. He continued to be irritated by Wall Street's persistent assessment of GE as a portfolio of businesses lacking coherence and focus. A spirit of common purpose would eventually impress outsiders and perhaps even the skeptics on Wall Street.

But this was a secondary concern. At their heart, Welch's

changes were about treating employees as an integral part of the business.

WELCH RULES

- **Unleash productivity by involving everyone.** Make sure that everyone knows how important his or her contribution is to the overall effort.
- **Turn workers into owners.** Owners—literal and figurative—have a far greater stake in the business.
- **Have patience; attitudes don't change overnight.** Welch waited until 1988 before implementing Work-Out. He knew that other aspects of his plan had to take effect before he could make his move.

LEADERSHIP SECRET 19

LISTEN TO THE PEOPLE WHO ACTUALLY DO THE WORK

FROM THE FILES OF JACK WELCH

Our desire to tap into this creativity . . . to listen more clearly to these ideas . . . led us to a process we call Work-Out.

The subject of this chapter began as a GE paradox.

Jack Welch, one of the country's toughest and most aggressive bosses, brought forth a program designed to let workers become their own bosses.

By doing so, he changed his company.

THE NAME AND THE MODEL

Like all ambitious programs, this one needed a name.

Welch had been talking about "working out the nonsense of GE" and dealing with problems that needed to be "worked out." Not surprisingly, the name became "Work-Out."

The model for Work-Out was the New England town meeting in which residents charted the town's course through dialogue with each other and with the town leaders. Welch hoped the Work-Out program would help GE accomplish four important goals:

1. **Develop trust among employees**
2. **Empower employees**
3. **Eliminate unnecessary work**
4. **Spread the GE culture**

At the heart of Work-Out were two assumptions:

1. Employees had to be in a position to make suggestions to their bosses face-to-face.
2. Employees had to be able to get a reply on the spot, when possible.

Work-Out began in the fall of 1990. Welch wanted all GE employees to complete at least one Work-Out session within a year. Thus, the initial emphasis was on getting as many employees through the program as possible rather than on developing and refining specific techniques.

THE SPECIFICS

Once organizers decided who should attend a Work-Out session, they sent out invitations, explaining what Work-Out was all

about. A subsequent letter, containing details about when and where the session would occur, was mailed to those who expressed interest.

The sessions were conducted far enough from the workplace, often at a hotel, to get people's undivided attention. Workshops usually lasted 3 days. There might be as many as 50 participants or as few as 20. They represented a cross section of GE personnel from senior and junior managers to salaried and hourly workers. During the first 2 days, no one was allowed to take notes. (Welch was concerned that taking notes would "bureaucratize" the exercise.)

Generally, the leader of any GE business, large or small, kicked off the first-day session, talking about the strengths and weaknesses of that business and explaining how the business fit into GE's overall strategy. Then, for the time being, he or she left.

A facilitator then arranged for participants to break up into small groups of 8 to 12 people. The groups brainstormed about some of the weaknesses the keynote speaker had identified. The facilitator shuttled from one room to another, keeping the breakout sessions on track.

The facilitator had no veto power over what topics were discussed. However, he or she was concerned with process. In particular, senior employees weren't allowed to dominate conversations or bully others in the room.

Eventually, the facilitator reconvened the minigroups in a plenary session. The participants then discussed their ideas about the business's problems, paying particular attention to four criteria: reports, meetings, measurements, and approvals. What should be eliminated? What should be reinforced? Their ideas were summarized in a series of proposals, which might number as many as two dozen or more.

In the final hours of the third day, the boss returned to undergo a fairly remarkable experience.

TURNING HIERARCHY UPSIDE DOWN

It was this final session that gave Work-Out its special power. For 2 full days, employees had spent hours discussing not only their business but also their boss. Employees were expected to be completely candid in their critiques of both, and most often, they were.

The result was a fairly dramatic shift of power. Previously, the boss, standing in the front of the room, had an unchallenged aura of authority. No more! Now, the boss had to listen and learn.

The participants put forward their proposals, and the boss could make one of three responses: (a) agree, (b) say no, or (c) seek more information. In this last case, the manager would be required to come up with an answer within a month.

The big surprise? Some *80 percent* of the proposals got immediate up-or-down answers. Work-Out suggested that, given the right circumstances, it's not difficult to reach decisions and make changes in a business.

A participant was chosen to record all the proposals discussed, along with the steps to be taken by management to determine the feasibility of a certain proposal. After all other participants certified the accuracy of this summary, it was distributed to everyone else in that particular GE business.

Next to each recommendation was the name of the Work-Out participant who raised the issue—the issue's "champion"—who followed up on the recommendation and informed the attendees of progress.

The goal of Work-Out was to come up with specific, actionable items. (Recommendations with fuzzy language were dropped.) Each recommendation could comprise as many as three action items, and each action item came with a deadline. The Work-Out leader assigned a "roadblock buster," who made sure that each deadline was met.

WELCH RULES

- **Turn hierarchy upside down.** The Work-Out program was clear evidence of Welch's commitment to transferring power within GE. Managers who could not deal with the requirements of Work-Out were fired.
- **Enable people to speak out freely.** The success of this sort of program depends on employees speaking candidly, without fear of penalty.
- **If a full-blown Work-Out session is not possible, consider a half-day minisession.** Follow the guidelines presented in this leadership secret but compress the entire session into a half-day program.

LEADERSHIP SECRET 20

GO BEFORE YOUR WORKERS AND ANSWER ALL THEIR QUESTIONS

FROM THE FILES OF JACK WELCH

The people who are closest to the work really do know it better.

At the outset of the Work-Out program, the invisible walls between managers and employees often loomed large and inhibited communication between the two constituencies.

The chains of history and tradition were too strong to be broken so quickly. Initially, there were many awkward silences.

But over time, Work-Out began to catch on. Someone would summon up the necessary courage and talk.

A question would get asked.

A problem would be put on the table.

Once the ice was broken, others in the audience overcame their timidity as well. And then things started to happen.

A CASE IN POINT

Armand Lauzon, a GE manager, faced Work-Out attendees (from a GE facility in Lynn, Massachusetts) on the final day of a session.

One by one, the group's 108 recommendations were put to him for one of three responses: "yes," "no," or "need more information." The proposals ranged from designing a plant-service insignia to building a new tinsmith shop.

To 100 of the 108 proposals, Lauzon said "yes" on the spot.

One of the approved proposals was to permit Lynn's employees to bid against an outside vendor on new protective shields for grinding machines. (An hourly worker had sketched a design for the shields on a brown paper bag.) Ultimately, the internal group won the bid for $16,000, far less than the vendor's quoted $96,000. It was an ideal Work-Out result: saving GE money, bringing work to the Lynn plant, and empowering employees.

RATTLERS AND PYTHONS

At some Work-Out sessions, facilitators divided problems into two separate categories: rattlers and pythons.

Rattlers were problems that could be resolved on the spot; that is, they could be shot and buried in real time, like a rattlesnake.

Pythons, by contrast, were issues that were too complicated to unravel straight away, comparable to a python wrapped up in itself.

One rattler example involved a young woman who published a popular monthly plant newspaper and had run into a wall of bureaucracy. GE policies required her to secure *seven signatures* before she could go to press. She pleaded her case to her boss at a Work-Out session: "You all like the plant newspaper. It's never been criticized. It's won awards. So why does it take seven signatures?"

"This is crazy," he replied. "Okay, from now on, no more signatures."

At the Research and Development Center in Schenectady, New York, an employee at a Work-Out session asked why managers got special parking places. No one could think of a good reason. The privilege was rescinded on the spot.

At a Work-Out session for the company's communications personnel, a secretary asked why she had to interrupt her own work each time something landed in the "out tray" on her boss's desk. Why couldn't he drop the material off on her desk the next time he left his office? On the spot, the change was made.

Pythons, by definition, are tougher to unwind than rattlers.

At one Work-Out session, field-service engineers griped about having to write reports used to forecast which turbines might need to be replaced the next time an outage occurred.

Their complaint was that no one was *reading* the reports, which sometimes ran as long as 500 pages.

This problem was knottier. People actually did need some version of this information, although clearly not in its current form.

Eventually, as a result of some intense Work-Out sessions, the huge reports were scrapped. In their place came briefer, more up-to-date reports, which were actually read!

THE KEY ELEMENT

Jack Welch, for one, was ecstatic about Work-Out:

Work-Out is many things . . . but its central objective is "growing" a culture where everyone's ideas have value . . . where leaders lead rather than control [and] coach rather than kibitz.

Work-Out is the process of mining the creativity and productivity that we know resides in the American work force . . .

In 1997, Welch spoke again as an advocate of high employee involvement:

The most important thing a leader has to do is to absolutely search and treasure and nourish the voice and dignity of every person. It is in the end the key element.

The Work-Out program continues today. According to one senior executive, it has proven itself as a "best practice which targets bureaucracy and all its waste, pomposity, and nonsense."

WELCH RULES

- **Search out practices that have stopped making sense.** Every company has these foolish habits that should have been abolished years ago. Root them out and eliminate them.
- **Build programs on a foundation like Work-Out.** Think of Work-Out as a prerequisite to more ambitious initiatives such as Six Sigma.
- **Nourish dignity.** The most important thing a leader does, Jack Welch asserts, is "treasure and nourish the voice and dignity of every person."

PART IV

NEXT-GENERATION LEADERSHIP: INITIATIVES FOR DRIVING AND SUSTAINING DOUBLE-DIGIT GROWTH

LEADERSHIP SECRET 21

STRETCH: EXCEED YOUR GOALS AS OFTEN AS YOU CAN

FROM THE FLIES OF JACK WELCH

Boundaryless people, excited by speed and inspired by Stretch dreams, have an absolutely infinite capacity to improve everything.

Most managers feel that reaching goals and meeting budgets translate into doing a good job.

That's not good enough for Jack Welch.

He feels that goals exist to be exceeded and even to be blown away. He calls this business strategy "Stretch."

Set the bar very high, advises Welch. If you don't, you'll never know how much your workers can really achieve.

MAKING STRETCH HAPPEN

Stretch begins with the definition of performance targets that are within a company's capabilities.

The second aspect involves setting those sights higher—much higher—toward goals that seem beyond reach, requiring an almost superhuman effort to achieve.

> **We have found that by reaching for what appears to be the impossible, we often actually do the impossible; and even when we don't quite make it, we inevitably wind up doing much better than we would have done.**

Reaching and stretching, according to Welch, avoid the mediocrity that can arise out of compromise:

> **People work for a month on charts and presentations and books to come in and tell the CEO that, given the economic environment, given the competitive scenario, the best they can do is a 2. Then the CEO says, "I have to give the shareholders a 4." They eventually settle on 3 and everyone goes home happy.**

So Stretch means shooting for the stars. But what happens if employees fail to reach goals? Welch considers this a crucial Stretch issue.

> **If they don't have the team operating effectively, you give them another chance. If they fail again, you hand the reins to another person. But you don't punish for not meeting big targets.**
>
> **If 10 is the target and you're only at 2, we'll have a party when you go to 4. We'll give out bonuses and go out on the town and drink or whatever. When you reach 6, we'll celebrate again. We don't waste time and money budgeting 4.12 to 5.13 to 6.17.**

Jeff Immelt, former head of GE Medical Systems who ultimately succeeded Jack Welch as CEO, observed that when Welch began the Stretch concept in the early 1990s, he focused on financial goals. By the late 1990s, he was concentrating on getting

GE business leaders to stretch goals dealing with process (the new introduction of products, cycle time, etc.). "You'll never get there if you don't do process," says Immelt.

STRETCH DOES HAVE RISKS

Too much Stretch can be a bad thing.

"It makes you think that your plan won't get you to the Stretch goal," explains David Calhoun, head of GE Lighting in the late 1990s. "So you might think about acquiring a new company, [or you] might decide to drop prices out of the bottom to get to the Stretch goal. In other words, stretching forces them to do stuff they wouldn't otherwise do."

And Stretch can lead to internal frictions. There was the example of a lower level employee who worked hard to improve on the previous year's numbers. At the end of the year, that person did indeed get his numbers up. Yet the person's boss, who was seeking a far higher Stretch target, scolded the worker for "only delivering" what the boss deemed to be mediocre results.

The result, not surprisingly, was an unhappy manager and an unmotivated employee.

Welch understands that Stretch is not an easy concept, and it takes time to implement.

If you have a lousy relationship where a boss takes a Stretch goal and stamps it as a plan and then nails you because you didn't reach it, the Stretch program is dead.

WORTH THE RISKS

To some business leaders, Stretch may be out of reach.

And indeed, in Welch's early years, Stretch was out of reach

for GE. It would have been too much to ask of his GE colleagues in the difficult years of restructuring. They first needed to regain confidence in themselves and in their businesses. Once they did, Stretch became possible.

Reach for the stars, Welch exhorted his people.

The worst that can happen is that you will fail.

Indeed, you probably *will* fail.

But by stretching yourself and stretching your business, you may actually *reach* the stars.

WELCH RULES

- **Get the most out of your employees.** Each employee should be "stretched" to the maximum.
- **Set Stretch goals and then push to exceed them.** If people don't reach those goals, fine—as long as they've truly tried to stretch.
- **Push for the impossible.** Instill in your employees the idea that they should go beyond ordinary goals.

LEADERSHIP SECRET 22

MAKE QUALITY A TOP PRIORITY

FROM THE FILES OF JACK WELCH

As boundaryless learning has defined how we behave, Six Sigma quality will . . . define how we work.

When Jack Welch embraces an idea, that idea becomes a passion. This was true when he embraced quality—specifically, "Six Sigma" quality—in the late 1990s. He was convinced that focusing on quality would make General Electric the most competitive company on earth.

A HIDDEN FACTORY

GE had long been associated with quality. But in the 1990s, it was becoming painfully clear that GE's quality was not world class.

It's gotten better with each succeeding generation of product and service. But it has not improved enough to get us to the quality levels of that small circle of excellent global companies that had survived the intense competitive assault by themselves, achieving new levels of quality.

It wasn't as if Welch had ignored quality. But he had assumed that he could attack the issue of quality through other strategies. For example, the Work-Out program captured Welch's most important "cultural" goals: openness, informality, boundarylessness, high involvement, self-confidence, productivity, and so on. Welch hoped that Work-Out (among other efforts) would help keep GE's quality high.

But by the mid-1990s, employees were arguing that greater productivity was not possible without higher quality standards. Too much time was being spent on reworking products. One senior manager referred to the "hidden factory" in which all of that reworking went on.

So Welch gradually became convinced that being as good as the next guy, or even a little better, wasn't good enough.

We want to be more than that. We want to change the competitive landscape by being not just better than our competitors but by taking quality to a whole new level. We want to make our quality so special, so valuable to our customers, so important to their success, that our products become their only real value choice.

The question was: *How*?

As it turned out, the answer was Six Sigma. Simply put, this measures mistakes per million operations. One sigma means that 68 percent of the products are acceptable. At six sigma, only 3.4 defects per million operations occur.

Pressure from Japanese competitors convinced American companies like Motorola that it was time to rethink things. The quality of American goods was then hovering at around four sigma levels. Japanese manufacturers of products like electric equipment, cars, and precision instruments were already at six sigma levels.

In the late 1980s and early 1990s, Motorola pioneered Six Sigma, increasing its quality from four sigma to five point five sigma. This yielded $2.2 billion in savings, and other companies soon launched their own Six Sigma programs.

A PHILOSOPHICAL PROBLEM

So Welch found himself in a dilemma.

He agreed that GE needed to push quality improvement. But he worried that Six Sigma was inconsistent with his business strategies. It was centrally managed. It seemed too bureaucratic with its reports and standard nomenclature. It assumed specific, agreed-upon measures.

Work-Out had been designed to *eliminate* reports, approvals, meetings, and measures. Six Sigma seemed likely to put them back in. "I don't know that it's us," he told one colleague.

THE CONSENSUS: WE NEED QUALITY

In April 1995, a survey showed that GE employees were dissatisfied with the quality of the company's products and processes. Many of them knew that a number of other companies had achieved dramatically higher quality levels through a disciplined, rigorous approach.

A few months later, Larry Bossidy reinforced the message. Bossidy had been a GE vice chairman, but he left in July 1991

to become CEO of AlliedSignal, where (in 1994) he launched a Six Sigma program.

"GE is a great company," Bossidy told GE's leaders. "I know. I worked there for 34 years. But there is a lot you can do to become greater. If GE decides to do it, you'll write the book on quality."

Welch was impressed. Ultimately, he and his colleagues decided that GE had to put together a serious quality program. But they also decided to do it in a way that was *special.*

As former Vice Chairman Paolo Fresco commented: "When GE decides to do something, it goes after its own objectives with a vengeance, with an intensity which is unique."

Within a few years, Six Sigma had become more than a GE program.

It had become the new corporate mantra—a *battle cry*, as much as a quality initiative.

WELCH RULES

- **Tackle quality head-on. Don't rely on other company initiatives or strategies to tackle the problem of quality. Attack it directly.**
- **Find the "hidden factory." Don't let low quality standards necessitate endless reworking.**
- **Use quality to make sure that your products are your customers' only actual value choice. Quality can be just as important as price, features, and so on.**

LEADERSHIP SECRET 23

MAKE QUALITY THE JOB OF EVERY EMPLOYEE

FROM THE FILES OF JACK WELCH

By 2000, we want to be not just better in quality, but a company 10,000 times better than its competitors.

In January 1996, at the annual gathering of GE's 500 top managers, Jack Welch formally launched the Six Sigma initiative. GE aimed to become a Six Sigma quality company by the year 2000, producing nearly defect-free products, services, and transactions.

Welch considered Six Sigma the most difficult Stretch goal GE had ever undertaken. But if successful, he said, the program would be "the biggest opportunity for growth, increased profitability, and individual employee satisfaction in the history of our company."

GOING FOR SIX SIGMA

Prior to Six Sigma, GE's typical processes generated about 35,000 defects per million operations, or three point five sigma. GE's goal through the Six Sigma program was to cut defects to fewer than four per million operations. To reach six sigma, therefore, GE needed to reduce its defect rates by 10,000 times. And to hit this goal by 2000, it would have to reduce defect levels an average of 84 percent a year. But Welch was optimistic:

> **Very little of this requires invention. We have taken a proven methodology, adapted it to a boundaryless culture, and are providing our teams every resource they will need to win. . . .**

Motorola had gotten to six sigma in 10 years. Welch wanted to get there in 5. Was this possible? Again, Welch was optimistic. Motorola had to pioneer the program. GE could learn from Motorola's experience and also had a Work-Out culture to reinforce the quality initiative.

> **There is no company in the world that has ever been better positioned to undertake an initiative as massive and transforming as this one. Every cultural change we've made over the past couple of decades positions us to take on this exciting and rewarding challenge.**

The Six Sigma program relied on the creation of a new "warrior class" within the company. This group—comprising Green Belts, Black Belts, and Master Black Belts—would be made up of managers who had undergone the complex statistical training of Six Sigma and could implement its procedures.

Despite Welch's enthusiasm, Six Sigma was at first considered by many to be another new management fad. So Welch turned up the heat. At the GE operating managers' meeting in January 1997, he hammered away at the importance of the quality program:

You've got to be lunatics about this subject. You've got to be passionate lunatics about the quality issue. You've got to be out on the fringe of demand, and pressure and push to make this happen. This has to be central to everything you do every day.

Only the quality-minded individual, Welch warned, would prevail at GE:

In the next century, we expect the leadership of this company to have been Black Belt–trained people. They will just naturally only hire Black Belt–trained people. They will be the leaders who will insist only on seeing people like that in the company . . .

Welch also put teeth behind his words. In March 1997, he sent a fax to GE managers around the world directly linking advancement opportunities to Six Sigma. Effective January 1, 1998, Welch wrote, one must have started Green Belt or Black Belt training to be promoted to a senior middle-management or senior management position. Effective January 1, 1999, all of GE's "professional" employees, numbering between 80,000 and 90,000, and including all officers, must have begun Green Belt or Black Belt training. And in case anyone still missed the point, Welch tied 40 percent of his 120 vice presidents' bonuses to progress toward quality results.

After Welch's fax, the number of applicants for Six Sigma training programs skyrocketed.

BACK TO THE LEARNING ORGANIZATION

A reporter asked Welch what the quality program meant to the average GE factory employee.

"Job security," Welch replied. "Enhanced satisfaction. Not wasteful rework. Growth." Without the quality program, he continued, the factory employee might get laid off. And because the

quality program focused in part on *finding out what customers wanted*, the employee could increase his or her long-term job security.

This is a key point: Welch believes that quality is, at its heart, about the *customer*. When customers think they derive more value from *your* products and services, they remain your customers.

The drive for quality is not some GE drive. The only reason for the quality is to make your customers more competitive . . .

It has nothing to do with what you want. All these things are done in a way that the customer drives them. The customer manages your factory.

Welch insisted that the quality initiative was simply the next step in creating the learning organization:

Quality is the next act of productivity . . . Out of quality you eliminate reworking. You get salesmen's time improved dramatically. They're not spending 30 percent of their time on invoice errors. . . .

Quality is the next step in the learning process. Getting rid of layers. Getting rid of fat. Involving everyone. All that did was to get more ideas. The whole thing here is to create the learning organization.

WELCH RULES

- Think about quality universally. When implementing a Six Sigmalike quality program, look at *all* products and processes.
- Start with a quality cadre. Welch identified a core group, with clear qualifications and characteristics, to lead the quality charge. Then he broadened the base.
- Link compensation to quality performance. As soon as pay and promotion prospects were linked to Six Sigma, participation soared and change took root.

LEADERSHIP SECRET 24

MAKE SURE EVERYONE UNDERSTANDS HOW SIX SIGMA WORKS

FROM THE FILES OF JACK WELCH

Quality is the next act of productivity.

Following Motorola's lead, General Electric designed a Six Sigma quality program comprising four steps to be applied to every process and transaction:

1. *Measure.* Identify the key internal process that influences "critical-to-quality" issues (CTQs) and measure the defects generated relative to identified CTQs. Defects are defined as out-of-tolerance CTQs. The end of this phase

comes when the Black Belt can successfully measure the defects generated for a key process affecting the CTQ.

2. *Analyze.* The objective of this phase is to learn why defects are generated. Brainstorming, statistical tools, and so on are used to spotlight key variables (*X*s) that cause the defects. The output of this phase is the identification of the variables most likely to drive process variation.
3. *Improve.* The objective of this phase is to confirm the key variables and then: (a) quantify the effect of these variables on the CTQs, (b) identify the maximum acceptable ranges of the key variables, (c) make certain the measurement systems are capable of measuring the variation in the key variables, and (d) modify the process to stay within the acceptable ranges.
4. *Control.* The objective of this phase is to ensure that the modified process enables the key variables (*X*s) to stay within the maximum acceptable ranges.

THE SIX SIGMA PLAYERS

There are four groups of key players in the GE Six Sigma effort:

1. *Champions.* These are senior managers who—although not on Six Sigma full time—define, approve, and fund projects and are responsible for the success of the overall program. Most Champions report directly to the business leader, and a GE business might have up to 10 Champions, each of whom receives a week's training. Several hundred Champions have been selected.
2. *Master Black Belts.* These are full-time teachers with heavy quantitative skills as well as teaching and leadership ability. They mentor Black Belts. Master Black Belts are trained for at least 2 weeks. In the fall of 2000, there were 500 Master Black Belts.

3. *Black Belts.* These are full-time quality executives who lead teams and report to the Champions. In the fall of 2000, there were 5000 Black Belts.
4. *Green Belts.* These are members of Black Belt project teams who do not work on the projects full time and have other jobs in the company. In the fall of 2000, there were 100,000 Green Belts.

THE SIX SIGMA PROCESS

Each of the four phases—measure, analyze, improve, control—takes 1 month. Each begins with 3 days of training, followed by 3 weeks of "doing" and 1 day of formal review by the Master Black Belts and Champions.

A "successful" project is one in which (a) defects are reduced 10 times if the process began at less than three sigma (66,000 defects per million operations) or (b) there is a 50 percent reduction in cases where the process started at greater than three sigma.

GE defined five corporate measures to help its businesses track progress in the Six Sigma program:

1. *Customer Satisfaction.* Each business conducts customer surveys, asking customers to grade GE and the best in a category on critical-to-quality issues on a one-to-five scale, where five is the best. A defect is defined as less than best in a category or, even if best in a category, a score of three or less.
2. *Cost of Poor Quality.* There are three components: appraisal (mostly inspection), internal costs (largely scrap and rework), and external costs (mainly warranties and concessions).
3. *Supplier Quality.* GE tracks defects where the defective part either (a) has one or more CTQs out of tolerance

and therefore must be returned or reworked or (b) is received outside the schedule.

4. *Internal Performance.* GE measures the defects generated by its processes. The measure is the sum of all defects in relation to the sum of all opportunities (CTQs) for defects.
5. *Design for Manufacturability.* GE measures the percentage of drawings reviewed for CTQs and the percentage of CTQs designed to Six Sigma. Most new products are now designed with CTQs identified. This is an important step because the design approach often drives the defect levels.

THE VERDICT

Since Six Sigma began in January 1996, the results have far exceeded Welch's expectations. He noted the progress in his letter to shareholders:

> **The Six Sigma initiative is in its fifth year—its fifth trip through the operating system. From a standing start in 1996, with no financial benefit to the company, it has flourished to the point where it produced more than $2 billion in benefits in 1999, with much more to come.**

Consistently throughout this ramp-up period, Welch stressed that quality-mindedness was critical to success at, and by, GE:

> **In the next century, we will neither accept nor keep anyone without a quality mindset, a quality focus. It has been remarked that we are just a bit "unbalanced" on the subject. That's a fair comment. We are.**

WELCH RULES

➤ **Understand the component parts of Six Sigma quality.** Measure, analyze, improve, and control to achieve a new discipline in your company.

- **Nothing is more important than follow-through.** You will need to make sure that quality does not fall off in the future.
- **Your customers know quality.** Consider initiating customer surveys to assess your quality effort.

LEADERSHIP SECRET 25

MAKE SURE THE CUSTOMER FEELS QUALITY

FROM THE FILES OF JACK WELCH

It's really gone from a quality program to a productivity program to a customer satisfaction program to changing the fundamental DNA of the company.

In his 1999 letter to shareholders, Jack Welch proudly explained the program's impact on the company.

During the initial 2 years, he noted, GE had invested some $500 million in training its work force. It had also dedicated some of its best talent, literally thousands of employees, full time to Six Sigma projects.

Nearly every professional worker at GE had become a Green Belt, with 3 weeks of training and one Six Sigma project under his or her belt.

Another 5000 full-time Black Belts and Master Black Belts were starting and supervising Six Sigma projects. A number of those Master Black Belts and Black Belts had already been promoted into key leadership posts.

As for the financial returns from Six Sigma, they were better than expected. Savings in 1998 due to Six Sigma projects amounted to $750 million, over and above GE's investment. Billions more would be saved due to increased volume and market share.

In 1998, GE introduced its first major products designed for Six Sigma. These products were "designed" by customers and incorporated every feature the customer deemed critical to quality. The first such product was LightSpeed, a CT scanner that revolutionized medical diagnostics. Thanks to LightSpeed, a chest scan that once took 3 minutes to perform now took only 17 seconds.

SIX SIGMA AT WORK

Here are some other examples of how Six Sigma has worked at GE:

Example 1

GE's lighting business had a billing system that didn't mesh very well electronically with the purchasing system of Wal-Mart, one of GE's most important customers. This caused disruptions, delays in payments, and wasted time for Wal-Mart.

A GE Black Belt team secured a $30,000 budget and went to work. Within 4 months, defects dropped by 98 percent.

Example 2

Employees at GE's Capital Mortgage Corporation were handling 300,000 telephone calls a year from customers. When necessary, they relied on voice mail. Although GE personnel always

returned these calls, sometimes it was too late: Customers had already taken their business elsewhere.

A team led by a Master Black Belt got involved. It discovered that one of the corporation's 42 branches was able to answer its phone calls the first time around. The team figured out how and spread the word across the other 41 branches, leading to millions of dollars of additional business.

CUSTOMERS FEEL VARIANCE

However, by 1999, Welch and his senior colleagues were aware of a major problem. Although the company was saving significant sums through Six Sigma, *customers weren't sensing these improvements.* Why? The answer lies in a concept called *variance.*

Consider a hypothetical example, presented in the chart on page 113.

It appears there have been substantial improvements in customer service: The mean delivery time has been cut from 17 to 12 days. But there are wide variances in the delivery times. Yes, customers sometimes received the product in 4 days but other times didn't receive it for 20 days. And although the average performance has been improved, lots of deliveries still take up to 20 days.

Welch focused on these still-frustrated customers:

> **These customers hear the sounds of celebration coming from within GE walls and ask, "What's the big event? What did we miss?" The customer only feels the variance that we have not yet removed.**

The challenge he laid out to his top managers was to turn the company's outlook "outside in." This meant two things: (a) measuring the parameters of customer needs and processes and (b) working toward zero variability.

He explained this new priority in the 1999 annual report:

Customer Dashboard: Customer XYZ
Dashboard Dial: Order to Delivery Time
Order by Order Delivery Times

Starting Point	After Project	
28 Days	29 Days	
Mean Aspect		
18	6	Big Change
6	10	
23	13	
5	4	
8	10	
16	13	
Variance Aspect		
19	10	No Change
33	20	
11	13	
Average Performance		
17 Days	12 Days	

Today, Six Sigma is focused squarely where it must be—on helping our customers win. . . . The objective is not to deliver flawless products and services that we think the customer wants when we promise them—but rather, what customers really want when they want them.

And a year later, he presented another Six Sigma status report to GE shareholders, this time against the backdrop of e-business:

We have the hard part, hundreds of factories and warehouses, world-leading products and technology. We have a century-old brand identity and a reputation known and ad-

mired around the globe, all attributes that new e-business entrants are desperate to get. And we have one other enormous advantage—Six Sigma quality—the greatest fulfillment engine ever devised.

WELCH RULES

- Customers must be brought into the process. Make sure that your customers feel the results of your quality program as quickly as possible.
- Don't assume that the customer is as happy as you are. Monitor customer reaction to the initiative on a continuing basis.
- Keep the customer as the main focus. Make sure your employees are aware that the point is to satisfy customers.