



BACK TALK

BY SANDER A. FLAUM

Leadership and truth

Every leadership truth I know comes from Jack Welch. Well, almost every one. I read a dozen books or more on leadership every year, so I've absorbed the perspectives of many experts. But I can honestly say, of them all, I've learned the most from Jack Welch.

When Welch took over GE, in 1981, he immediately began to reorganize the company to make it competitive. He eliminated multiple and overlapping layers of corporate executive positions, costing thousands their jobs. In the process he earned his nickname, "Neutron Jack." Not satisfied that this was enough, Welch gathered his division heads and announced: "If you can't be number 1 or 2 in your category, we will sell off or dismantle your division." *Ouch!* But that's how GE managed to stay competitive—and on top—throughout his 20-year run.

While reading one of his best books, *Jack: Straight from the Gut*, you get a real sense of Welch's persona and his "damn the torpedoes" approach to developing leaders. He tells the story of creating a system to level up GE's executive teams. The concept was based on the observation that every team consists of A, B, and C players. The A players—the top 20%—are the superstars. The B's—the middle 70%—make up the core that drives the business. The C's are the underperforming bottom 10%. The A's receive the best compensation, the B's are treated well, and the C's are let go. The process is iterative, ongoing and dynamic. Welch called it the "Vitality Curve."

For him one of the key issues was how to sort the players. Which qualities identified one individual as an A? Which deficiencies made another a C? Welch developed what he called the "4 E's of Leadership"—energy, energizers, edge and execution. Energy

referred to the "do it" energy levels people brought to the job. Energizer was the ability to transfer this enthusiasm to others. Edge meant the capability to make tough decisions. Finally, execute delivered the numbers, whatever it took.

In Welch's mind, the 4 E's are connected by the P of passion, which often separates the A from the B player. Many B players have the tools of a superstar; they just need an extra boost to become an A.

Welch was just as intense when it came to evaluating new hires, to whom he gave just 100 days to prove they belonged at GE. If they weren't cutting it, they were gone. Although it's emotionally tough to let someone go after only three months on the job, Welch felt that it was essential to think with your head, not with your heart. If you've made a bad hire, everyone on the team soon will know it, and their eyes will be on you. In his view, one of the worst mistakes a manager can make is the failure to quickly rectify a bad hire.

Many people now regard his use of the Vitality Curve, with its built-in termination of the bottom 10% and 100-day probation for new hires, as heartless. Its very mention gives HR the willies. I don't see it that way.

I think the goal of continuous improvement is inspiring. But if I haven't convinced you, do yourself a favor and read *Jack: Straight from the Gut*. I guarantee you'll learn something.

Thank you, Jack Welch. Your legacy for creating true leaders lives on.

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