BusinessSummaries

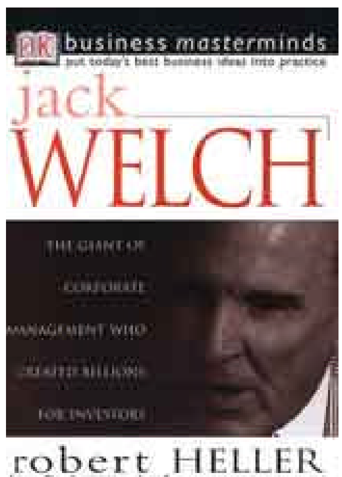
WISDOM IN A NUTSHELL

PRESENTS

INSIDE THE GURU MIND SERIES

Jack Welch

"America's No. 1 Manager"



By

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Jack Welch

At the core of Welch's philosophy, he emphasizes the distinction between leaders and managers and necessitates the transformation of the latter into leaders in order to achieve success.

Making Managers Lead

Welch had a seven-point program for management: (1) Develop a vision for the business; (2) Change the culture to achieve the vision; (3) Flatten the organization; (4) Eliminate bureaucracy; (5) Empower individuals; (6) Raise quality; and (7) Eliminate boundaries.

The difference between a leader and a manager is likened to that of a general and an officer down the line. A leader's job is to allocate resources available (people and money) rigorously in order to generate optimum results. The results, in turn, will be gained under the "management" of the "officers". The role of a manager is not to spread resources out evenly (to Welch, this is bureaucracy) but to make dynamic choices.

Controlling Bureaucracy. Welch waged a war on bureaucracy. He removed layers upon layers of heads who were, according to him, harmful and whose roles where vague, who slowed decision-making, blurred responsibility, and created undoable jobs.

Sharing Information. Welch believed in the power of sharing information. He uses meetings and committees not as a form of control but as his most powerful management tool. The critical sessions are what he called Corporate Executive Council (CEC) which is attended by the company's top executives and where he checks on progress, and exchanges ideas and information. The leaders in these sessions shared their lessons of successes and failures, transferred new ideas.

Pursuing Best Practices. The principle of "best practices" is also deeply rooted in Welch's philosophy. Welch uses these regular meetings to share and publicize achievements of other groups and the methodology behind them. The decision to adopt these practices, however, is left to the individual businesses and their leaders.

Delegating Responsibility. Welch's leadership theory depends heavily on the power of delegation. Welch, however, does not just relinquish all power to good people. He balances hands-off management – giving his business heads full autonomy and the power of decision – with hands-on leadership. He keeps his "direct reports" on their toes by the unpredictability of his interventions in sometimes, lesser matters.

Exceeding Commitments. Welch leads by having clearly setout goals for productivity, inventory turns, quality, working capital, customer satisfaction, and so on. These goals are treated as rock-solid commitments. As Welch believes in the survival of the fittest, the meetings become jungles where the combatant who comes out top in exceeding commitments wins.

Winning Hearts and Minds. Welch saw the liberation and empowerment of middle managers as the key to productivity gains. In order to win them over, Welch recipe was as follows: (1) Free managers to manage – and to rise; (2) Defeat bureaucracy and rigidity; (3) Generate and use new ideas; (4) Empower workers to flourish and grow. In addition, Welch believes leadership must be personal. Nobody at GE gets a formal letter from him – it comes in his own handwriting and rewards are always accompanied by frank, face-to-face evaluations. The rewards were tremendous as long as performance matched and exceeded expectations.

Knowing the People. Welch's greatest pride is in his ability to find and nurture highly able managers. To Welch, these people must possess what he describes as "E to the fourth power" where the "E" stands for *E*nergy, *E*nergizing others, competitive *E*dge and *E*xecution. A leader should really get to know the top people in the organization.

Looking to the Future. Toughness is an essential element in the leadership that Welch practices and admires. The demands include the stipulation that senior executives should strive to develop their own excellent replacements. The ultimate test of a leader is not what happens during his or her leadership – but what follows after he or she has departed. Welch's ideas about his own successor, therefore, sounded much like a self-portrait. Among the characteristics are: Incredible energy, Ability to excite others, Ability to define a vision, Finding change fun and not paralyzing, Feeling comfortable in Delhi or Denver, Ability to talk to all kinds of people.

IDEAS INTO ACTION

- ✓ Develop a vision for the business, and change the culture to achieve the vision.
- ✓ Insist that managers share their ideas, information, and experiences with their colleagues.
- ✓ Let people manage their delegated business as they see fit.
- ✓ "Ginger up" management by making unexpected visits and engaging in confrontational argument.
- ✓ Fix goals for all important measures, and treat them as solid commitments that management must keep.
- ✓ Brief yourself fully on everybody who works for you and make sure you recognize them.
- ✓ Be tough, but do not be hard, with everyone with whom you have dealings.

Masterclass 1

Managers today are expected not only to master all the traditional techniques of management but also the new-style management skills that make them leaders who think for themselves.

Management Techniques	
Old-style management skills	**New-style management skills**
Planning	Counseling groups
Organizing	Providing resources
Implementing	Encouraging ideas
Measuring	Thinking for yourself

Leadership still revolves greatly on personal attributes.

- Enormous energy and passion for the job
- The ability to excite, energize, and mobilize an organization
- The understanding that the customer is the arbiter of performance and the source of profit
- Technical grasp backed by strong financial understanding
- A desire to achieve better profits through better products, services, and processes

Leading A Team. A good leader not only accomplish the task at hand, he performs like the team member who gets top results from the whole team. In order to achieve this, one must use the six channels of leadership: meetings, communication, delegation, approvals, ideas, and relationships. Proceed using the six key steps: (1) pick the right people; (2) have a clear purpose; (3) put it in writing; (4) work to a strict timetable; (5) plan action; and (6) act on the plan. Taking the right steps, however, does not, in itself, ensure success. Positive behavior is essential too.

Picking Winners. Ultimately, a leader is only as good as his followers and those who succeed him. Therefore, choose your people wisely. Get the right people in the right positions. Rate each member of your team according to the qualities you expect from a leader. Investigate thoroughly – make a report on people's strengths & weaknesses, including your assessment of their development needs; discuss the report's findings with them; let them appraise themselves too. Demand high standards! Welch adheres strictly (and without exception) to the Can Do, Will Do matrix.

MOTIVATION	High	**Can't Do / Will Do** (Train these people)	**Can Do / Will Do** (Value these people; reward them with training, promotions, and stock options)
	Low	**Can't Do / Won't Do** (Let go of these people)	**Can Do / Won't Do** (Motivate or fire these people)
		Low	High
		ABILITY	

Mobilizing the Workforce

Cutting out Corporate Fat. Welch made some of his most relevant contributions to management thought and practice in the area of mobilizing and satisfying the workforce. Unions were pressured to agree to wage and benefit cuts, working practices were reformed, and jobs were cut and so on. Welch believed that in a leaner and fitter organization, people work more effectively and eventually respond positively – they are given room to grow, expand, and flourish.

Banishing traditional bosses. Welch introduced a massive cultural shift in GE in order to arrive at his three ideals of “speed, simplicity, and self-confidence” without sacrificing profit. Only changed managers could lead a changed workforce. Managers and other employees must act boldly outside functional boxes and traditional lines of authority in a climate of learning and sharing in order to ensure the company’s long term interests. This, and people-based management, are essential for productivity to become a reality.

Studying GE Practices. GE’s “Best Practices” studies gave light to management’s good and not so good habits. For example, one study highlighted the importance of planning ahead in stages, where each version of the product makes controlled advances on its predecessor. This way, products get to the market faster and sudden technological crashes are avoided. Best practice exchanges can take place both externally and internally. For example, GE’s business development staff who studied companies as acquisition targets also sought to identify those companies’ best practice approaches that could be emulated by GE on an exchange basis. In the detailed training for Six Sigma projects, Welch does not only encourage the propagation and sharing of quality ideas, he is also sustaining the top-down pressure for greater efficiencies and wider effectiveness – and encouraging others to spread the message in turn.

Handling Executives. Welch gives much weight to management attitude. To him, systems must not only be effective and economic, not only should targets be met and commitments fulfilled, but managers must show that they share in the company’s people-based values. Performance from people should be inspired by and not forced by the managers.

Working with Work-Outs. Company efficiency was to benefit from three initiatives: Work-Outs, Best Practices, and Process Mapping. Work-Outs produced short term improvements in efficiency and costs but also served a long-term educational aim. Work-Outs are off-site three day sessions where the boss presents the staff with a list of problem areas for discussion. The staff is asked to recommend reforms. Noteworthy in Day 3 is that the boss can only say “yes”, “no”, or specify a date of delay to gather more information on the proposals of the staff. A “maybe” is not allowed. The main benefit of these Work-Outs is psychological and cultural.

Unifying to Achieve Quality. " . . . Everyone's job is quality." This is evident in Six Sigma which started as a quality program. They turned it into an internal productivity program, saving waste and all that, then they turned it to their customers – its success was measured by monitoring customer satisfaction and not just monetary success. To Welch, the achievements of GE is an evidence that motivating the workforce should be based on empowerment and that making changes to attitudes and environment is both possible and highly effective.

IDEAS INTO ACTION

- ✓ Go for the three-S ideals of speed, simplicity and self-confidence.
- ✓ Outlaw autocracy and tyranny to help people to be open, to speak up, and to share.
- ✓ Insist that managers (including yourself) make their decisions clearly and quickly.
- ✓ Start off improvement teams on quick fixes, including elimination of "administrivia".
- ✓ Adopt total quality methods to save costs, raise productivity, and delight customers.
- ✓ Never relent in the insistent pursuit of better personal and company performance.
- ✓ Use quality programmes as the key means of management development.

The Six Sigma Quality Program. The program was originally envisioned as a quality program where any activity in the company that generated fewer than 3.4 defects per million manufactured parts (or the equivalent in services) merits the technical description, Six Sigma. Welch adopted this program in GE from Lawrence A. Bossidy, CEO of Allied-Signal. The tangible results were enormous but Welch took it a step further and saw Six Sigma as a way of uniting management and the workforce in the practical, continuous pursuit of lower costs and higher efficiencies – the ideal killer combination that he had been advocating since the take over.

Winning Competitive Advantage

Simplifying the Strategy. Welch employed a simplistic financial strategy for GE – to get as much out of the capital employed as he could. Hence, his fourfold thrust was to: (1) Ensure that GE only operated in the right, good sectors; (2) Move into growth businesses with competitive advantage; (3) Organize the company to respond rapidly to change; and (4) Use the three far-reaching reforms above to earn greater returns on capital. At GE, using capital efficiently clearly became a driving force.

Winning Worldwide. Liberating and empowering the workforce became GE's competitive advantage in the global arena. He modified the famous "Number

One of Number Two" rule to apply not only in the domestic market, but also in the world market. The principles were strong, direct and simple:

- Move into global markets fast and powerfully.
- Build a solid, domestic base before launching the attack.
- Use acquisitions to create or enlarge a bridgehead.
- Strengthen under-performing businesses by acquisition and pooling assets.
- Concentrate on major businesses where you can win (in GE's case that meant seven global activities ranging from jet engines to medical systems).
- Develop local management, and bring expatriates home as soon as possible.

The key to the global take-off was a 1987 swap deal for which Welch was highly criticized. The French company Thomson ceded ownership of their medical imaging business to GE in exchange for GE's TV manufacturing. This greatly strengthened GE's position in the European market. However, Welch received protests from many about surrendering key US businesses to foreign competition. But according to Welch, a primarily domestic, low-growth business suffering from intense competition is not a strong strategic asset. A global business specializing in a high-growth, high-profit field meets his prescription exactly.

Welch regards globalization as a three-stage process: (1) go after markets and expand horizons; (2) globalize components, products, that is, source around the world; (3) "globalize the intellect".

"There will only be one standard for corporate success: international market share . . . The winning corporations – those which can dictate their destiny – will win by finding markets all over the world."

Cutting the Costs. Welch wanted to differentiate and win. He preached both high performance and low cost, but with final emphasis on the latter. Businesses have to be more productive. Cost is a driver that has to be constantly benchmarked – making comparisons with the best you can, and cutting costs to the best levels anywhere, whatever the impact in human terms. Welch's goal was to make GE "the most competitive enterprise on this earth". He drove the company to: Achieve the industry's lowest costs; Increase sales by creating new markets; Lead the world in customer service, with sophisticated fulfillment and distribution systems; Lead in product quality; and Raise productivity.

Productivity Power. "When a business becomes productive, it gains control of its destiny." This was the justification for putting the company through the pain of restructuring. Management was tasked to create systems, within a sensibly structured business, that enabled people to achieve higher productivity and greater competitive advantage.

Lessons of Success. In its best practices studies, GE found that its productive systems were defective in some key respects. It noted those successful companies:

- Managed processes, not people.
- Used techniques (like "process mapping" and "benchmarking") to achieve continuous improvement.
- Valued incremental gains.
- Measured performance by customer satisfaction.
- Introduced new products faster than the competition.
- Designed new products for efficient manufacture.
- Treated suppliers as partners.
- Managed inventory in superior fashion.

The Informal Approach. Welch considered his informal ways a big thing. Informality means a set of key actions by the CEO, all of which heightened competitiveness:

- Breaking the chain of command
- Communicating freely, up and down
- Paying for performance as an entrepreneurial boss would pay
- Achieving wide personal contact
- Making surprise visits
- Ignoring hierarchical layers
- Sending reams of handwritten notes

Honing the Competitive Edge. Welch's competitive culture was his ultimate weapon in the global wars. There are four key aspects of Welch's intensely competitive approach:

- Persistence: never give up the thrust to achieve a better product, superior marking, greater internal efficiency, better customer relations, and so on.
- Detail: the leader creates the broad competitive strategy, but uses detailed intervention when necessary to help maintain its integrity.
- Customer responsiveness: the arbiter of the company's competitive success is the external purchaser, not the internal management.
- Culture: the persistent, detailed, customer-facing approach of the leader establishes a role model for the whole organization.

Soft Values, Hard Results. In his final decade at GE, Welch reflected a critical change in strategic direction. The hard facts of competition remain crucial: but living the softer values (respect for others, openness, "ownership" of jobs) that unite the components of a diversified business creates the indispensable difference between big winner and large losers. Welch wants to build a company that, like its leader, competes hard, and hates to lose, and is only interested in winning big.

IDEAS INTO ACTION

- ✓ Make the return on capital employed as high as you can.
- ✓ Do not play with businesses that cannot win the competitive wars.
- ✓ Differentiate your business from competitors to make it easier to beat them.
- ✓ Commit management to the relentless pursuit of unattainable perfection.
- ✓ Seek to optimize the totality of the business rather than the profits of its components.
- ✓ Focus on how people are producing, not on how much they produce.
- ✓ Establish and share values and practical ideas that will boost competitiveness.

Masterclass 2. Changing Company Culture.

Transforming an organization may be vital to improving performance. Company culture – the values and attitudes shared by its members – must change. To do this, you establish key company values, change individual behavior, and abolish bureaucracy in favor of a creative, enterprising climate of "best practice".

Establishing Values. Adopt values for your own purposes. Make sure it is lived by the whole team and enforce these values by using the 3Rs technique. Before expecting people to live by your values statement, make sure it meets six key criteria: (1) employee participation; (2) explicit employee consent; (3) operable and practical; (4) periodically revised as necessary; (5) can you expect people to live the values; (6) concise and clear. The 3Rs are used to enforce these values based on the 4 categories of managers that Welch has defined in the Can Do, Will Do matrix (see Picking Winners).

Type I	Delivers on performance commitments & shares company's people-based values	**REWARD** (progress and promote)
Type II	Does not meet commitments & does not share company's people-based values	**REMOVAL** (do not keep in the organization)
Type III	Misses commitments but shares the company's people-based values	**REPETITION** (give 2^{nd} chance, preferably in a different environment)
Type IV	Delivers on commitments but does not share the company's people-based values	**REPETITION OR REMOVAL** (provide opportunity to change or fire)

Above all these, the leader's personal example is vital – the 4^{th} R: Role Model.

Changing Behavior. Welch achieved great success with the Work-Outs and Six Sigma. The purposes of the Work-Outs are:

- ➢ To develop a climate of trust
- ➢ To empower people to improve their own performance
- ➢ To cut out wasted work, time and cost

- To establish a new corporate culture of collaboration and sharing

Rank the reform proposals according to the criteria of pay-off and effort. Place at the top of the list high pay-off, easy reforms ("jewel"). Follow with low pay-off, easy reforms ("low-hanging fruit"). Reply only with "yes", "no", or "Come back with more information within a month". Implement the accepted proposals.

Six Sigma means that 99.999997% of what is produced meets specification and is free from defects. Its objectives are customer satisfaction; cost reduction; quality improvement of purchased supplies; internal performance improvement; and to enable better performance by better design. To benefit from the Six Sigma approach, first, insist on measuring what is currently being done. Next, analyze how performance can be improved, and set new targets to show a marked improvement after reforms. Install controls to ensure that operations keep up with the good work. Finally, never give up or let up!

Beating Bureaucracy.

Identify the Classic Signs of Bureaucracy	Eliminate Bureaucracy
➢ Detailed monthly budget approvals	➢ Move financial reporting from monthly to quarterly
➢ Centrally-driven strategic planning only	➢ Make senior managers responsible for their own strategies
➢ Powerful staff members with no line responsibility	➢ Eliminate all staff jobs unless proved to be essential
➢ Many-layered approval procedures	➢ Push approval levels right down the line
➢ Many-layered, strict observed payment bands	➢ Broaden and reduce the payment bands
➢ Rigid status symbols	➢ Scrap the status symbols and "burn the bibles"
➢ Hefty corporate manuals and "bibles"	➢ Identify nonsenses and eradicate them

Becoming the Best. Adopt good practices wherever you can. Many GE businesses employ the tool called the Trotter Matrix to check on their use of best practices. They list the number of desirable attributes and then scored each attribute. Do the same. Learn from others and act fast.

THE TROTTER SCORECARD	
0 points	Aware of best practice; no plans to adopt
1 point	Plans to adopt; no current activity
2 points	Current activity on best practice
3 points	Best practice implemented on some product lines
4 points	Best practice implemented on all product lines
5 points	Model site for best practice

Pursuing Shareholder Value

Naming the Targets. Welch knew the importance of elevating "shareholder value". Three elements in his thought thus emerged. First, businesses (and managers) mush set their own targets. Second, those targets must be "stretch targets", demanding that managers outperform the past and their own expectations. Third, decisions and actions must be directed towards enhancing the real, underlying value of the business in ways that will, in turn, create a richer investment for shareholders. Welch's paradigm of the wealth-creating company has an essential simple, 4-point basis:

- Lead the market form a position of Number One to Number Two
- Achieve "well above average real (after inflation) returns" on investment
- Have a Unique Selling Proposition based on giving customers value that competitors cannot equal or surpass
- Build on what the company does best

The task of the manager is to invest the owners' funds more wisely and successfully than they can themselves. In one of Welch's first and most telling analyses, he divided the company into sharply defined groups – core businesses and those that were candidates for disposal. Despite GE's diversity, to Welch, GE was not a holding company whose investments operated independently. The businesses had to optimize their own market and financial performance by increasing productivity, allocating their resources effectively, improving their turnover of assets, and selling disposable businesses; but the earnings they generated were used for the common good.

Portfolio structure, in Welch's philosophy, is concerned with the "hardware" of business management, or what you make and sell, and where you locate those operations. Software, on the other hand, is broadly culture or the effectiveness of managers, systems and the workforce as a whole. The hardware inevitably comes first: operating wrong and wrongly structured businesses with improved management leads nowhere. The ability to pick winning businesses is an allied strength. Winners may lurk in industries that are not perceived as growth industries but do contain growth elements. Creating a balanced portfolio and managing it as one entity had to be achieved.

Managing the Targets. In order to raise shareholder value, Welch wanted to achieve "integrated diversity" which meant running businesses independently while pooling ideas, people, experiences and best practices. However, a fundamental tenet was the need to combine future results with present achievement, long-range shareholder value with immediate management results. A highly effective short-term action agenda will not damage long-term performance if it is carefully calculated. Do not add any cost; speed up turnover of inventory; consolidate acquisitions; use intellectual capital to replace investment in plant and equipment; campaign against price concessions. Of course, Welch also knew of the importance of investor perception and he made sure, via contacts with academics and the media, that the ways in which his excellent results were produced received as much publicity as the results themselves.

Adding Economic Value. If managers can be persuaded to think like owners, their work is much more likely to benefit the latter. To this end, Welch's basic approach is in tune with the idea of Economic Value Added (EVA). The basic simple notion is that the company should earn more on its capital than the capital employed actually costs – which means that individual managers must do the same. Welch further redefined this by including equity in the definition of capital.

Less Outlay, More Return. Reducing total capital employed while increasing its productivity sums up the basic thrust of Welch's wealth creation. The emphasis shifts heavily to the efficient management of resources and getting a bigger bang per buck.

The Ultimate Endorsement. Welch was asked whether shareholder value was more important to him than the families of his former employees when a German magazine pointed out that as the number of employees halved, share price increased twentyfold. His answer was "No". "As a global economy, you cannot manage a company in a paternalistic way just because it feels better. If you don't sort things out in good time they will eventually explode in your face. Then you have to become brutal and cruel." At any rate, GE was voted as the country's most admired company for the 3rd year running in Fortune Magazine. It won by its all-around performance including: innovativeness, employee talent, financial soundness, use of corporate assets, long-term investment value, social responsibility, and quality of products and/or services. The great manager enriches the owners (and thus himself) by investing in the right businesses, exiting from the wrong ones, pressing and incentivizing business leaders for optimum performance, and launching powerful initiatives to sustain momentum and exploit the forces of change.

IDEAS INTO ACTION

- ✓ Make managers set their own stretch targets and ensure that these are met.
- ✓ Balance fast-growth, higher-risk businesses with dependable and steady ones.
- ✓ "Eat short-term if you want to grow long-term" – concentrate on the present as well as the future.
- ✓ Educate managers to think like owners, and give them sound incentives to do so.
- ✓ Make sure that you like both your businesses and how they are managed.
- ✓ Reduce total capital employed while raising its productivity.
- ✓ See that employees are enriched along with the outside investors.

Exploiting the Forces of Change

Facing the Competition. When Welch took command of GE, he faced tremendous challenges – the hyper-inflation of 1970s, and threats from the East (primarily from Japan) of high quality, low cost goods. In order to participate in the arena as Number One or Number Two, Welch wanted his leaders to take full responsibility not just for their financial results but for the totality of their management. Any business that could not pass the One-or-Two test would be axed or radically changed, one way or the other.

Challenge of Change. The advent of the Internet made Welch realize that its threat and opportunity go far deeper than improvement, however rewarding, in existing processes. GE led the way in setting up a corporation-wide website through which goods and services could be centralized. The challenge of these new, "disruptive" technologies like the Net was "disrupt yourself rather than be disrupted. Don't get left behind.

Destroyyourbusiness.com. In 1999, Welch ordered the launching of "destroyyourbusiness.com" in every division, an operation that would seek to pre-empt disruptive moves by outsiders. E-leaders were chosen to ensure that GE won a large share of the E-commerce pie. However, because Welch was not willing to reward them with separate equity linked to their dot.com ventures, this approach led to GE losing the brightest and the best to start-up dot.coms that were willing to make these E-commerce geniuses multi-millionaires overnight. This impact confirms Welch's tenets – that change is not predictable and not controllable. Cultural change and corporate strategy must go hand in hand. He cited Peter Drucker's question: "If you weren't already in the business, would you enter it today? And if the answer is no . . . What are you going to do about it?"

United Responses to Change. In the face of change, Welch proposed that GE embrace three specific themes:

- Reality: getting the organization and the groups of people within it to see the world the way it is, and not as they would wish or hope to see it.
- Quality/Excellence: creating an atmosphere where every individual in the organization strives to be proud of every product and service that it provides.
- The Human Element: creating an innovative atmosphere where people are confident that how far and fast they move is constrained only by the limits of their creativity and drive and by their standards of personal excellence.

There is a fourth theme: Welch's belief that these "soft values" truly can become "second nature to the organization". He talks of "changing the fundamental DNA of the company".

Educating the Organization. Welch recognized that one of the greatest mistakes in change management is to pursue too many initiatives for too short a time – initiatives that are very often abandoned well before the objectives are achieved. "If you have an idea *du jour*, you're dead." In GE, Welch says, "If you have a simple, consistent message, and you keep on repeating it, eventually that's what happens. Simplicity, consistency, and repetition – that's how you get through."

Boundarylessness. In 1992, Welch says, "If this company is to achieve its goals, we've all got to become boundaryless. Boundaries are crazy." This "boundarylessness" theme meant an open, trusting sharing of ideas, a willingness to listen and debate, and a determination to take the best ideas and act on them. This ideal arises when somebody "knows where I stand. I know where he stands. We don't always agree – but we trust each other." Managers have to reach across boundaries separating them from trade unions, customers, suppliers, and colleagues overseas and even at home.

The Thinking Company. Welch places equal emphasis on the "thinking company", whose capital is ideas and which exploits these intellectual assets by debate and by change. Within a context of strong financial and other disciplines, people must develop enough self-confidence to express opposing views, get all the facts on the table, and respect differing opinions.

Faster Responses. Fast responses are critical to Welch's philosophy. He noted that many businesses and managers feared and distrusted a process that by definition threatens the status quo and their managerial control. Welch says, "The old organization was built on control, but the world has changed. The world is moving at such a pace that control has become a limitation. It slows you down. You've got to balance freedom with some control, but you've got to have more freedom than you dreamed of."

IDEAS INTO ACTION

- ✓ Make business managers lead by taking total responsibility for their units.
- ✓ To change people's mind-sets, first seek to change their results.
- ✓ See the Internet challenge through the eyes of a hungry competitor.
- ✓ Ask, "If I was not in the business already, would I enter it today?" If not, leave.
- ✓ Introduce the "soft values" that you want and make them become second nature in the organization.
- ✓ Never fall into the trap of having a constantly changing "idea *du jour*".
- ✓ Press for a faster speed of response as the key to competitive advantage.

Masterclass 3. Breaking Bounds.

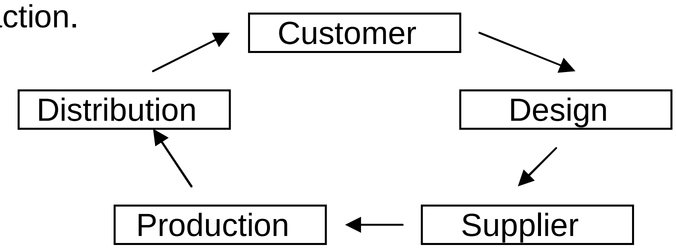
Challenge all barriers and seek to tear them down. And set stretch targets for your company and for yourself.

The Three Types of Boundary		
1 Vertical The hierarchical steps that separate different layers of management.	**2 Horizontal** The barriers between different functions, departments, country units, operating units.	**3 External** The frontiers between the business and its suppliers, customers, and competitors.

Breaking Down Internal Barriers

- Scrap inhibitions about crossing a layer – encourage managers to talk to the subordinates of other managers, and vice versa.
- Use development programs and task forces to mix different vertical levels in a non-hierarchical setting.
- Use cross-functional, interdepartmental teams to break down horizontal boundaries.
- Ask people who interrelate with other areas of the company to provide assessments of the service they receive; link rewards to the ratings given.
- Mingle purposefully, positively, and often.
- Encourage people to visit others from whom they can learn.

Breaking Down External Barriers. Remove barriers and strengthen links between each element in the business system to achieve improved company performance and greater satisfaction.



- Customers: involve them in product development, encourage "self-service", and obtain and act on feedback
- Distributors: integrate with supply, and turn into inventory holder – even subcontractor
- Producers: link production to outside suppliers, distributors, and customers; make to order
- Suppliers (external): link to production/distribution, supplying daily, just in time
- Design staff: involve suppliers and customers, to build in value, quality, and superior performance

Stretching Other People. First, establish realistic targets – "do-able", reasonable, and within the organization's or individual's capabilities. Second, attach a much higher goal – a stretch target. Finally, be your own Grand Inquisitor. Constantly probe for points of weakness and setting new stretch targets but do not make the inquisition negative. Make sure you are not guilty of the sins of omission and commission. Challenge your company with six key questions that will encourage people to become positive inquisitors themselves.

- Is market strength regularly monitored by market research statistics and customer surveys?
- Is better performance by other companies used as a spur to greater achievement?
- Is everybody working on stretch programs – for themselves and the unit?
- Is constructive criticism encouraged – no matter who is criticized?
- Are high standards set, and does everybody know them?
- Is success treated as a springboard for further advance?

Stretching Yourself. Apply the concept of stretch to your own career. The higher you aim, the more likely you will achieve. Back up these aims with ambitious self-development to ensure complete success. Write down your desired progression. How high do you want to go? What time must you allow? What preparations must you make? Develop motivation by moving away from a demotivating atmosphere. Reach for the skies.

Manage Your Career

Be ambitious: write down stretch goals and plan out how you are going to meet them
Have vision: envision your future five, 10, and 15 years on
Be confident: increase and practice your abilities and thus underpin your self-belief
Take risks: establish the facts, calculate the odds, and act accordingly
Be energetic: be active and proactive mentally and physically
Compete: strive to be the measurable best at whatever you undertake to do
Self-criticize: always admit your mistakes, and learn never to repeat them
Lead: move to the front and encourage others to follow and help you

Looking Well Ahead. Taking the long view in your career will concentrate your mind on what you need to do in preparation for the next promotion. Keep on trying even if you will not always win the competition or be the best. If you don't, losing will become a self-fulfilling prophecy.