

Jack Welch 2

Changing Company Culture



Changing Company Culture

Transforming an organization may be vital to improving performance. This cannot be accomplished without changing its culture — the values and attitudes shared by its members. To do this, you establish key company values, change the behaviour of individuals, and abolish bureaucracy in favour of a creative, enterprising climate of “best practice”.

ESTABLISHING A NEW CULTURE

For Jack Welch, reality, candour and integrity are not ideals but essential weapons in the battle for competitive success and profitable growth. They are fundamental to the culture he established at GE. Do you face reality, tell the truth to everybody (including yourself), and display honesty in all your dealings? If this is not the case, you will not cope well with business needs or earn the trust on which performance ultimately depends.

THE ROLE OF A VALUES STATEMENT

Welch spent years and involved 5,000 people in producing a values statement for GE that made it clear what attitudes and behaviour he expected from employees. As more and more of his staff tried to live by these values, they changed the culture of GE. Today every GE manager has a card that reminds them of the values. It states that GE leaders (“always with unyielding integrity”):

- have a passion for excellence and hate bureaucracy;
- are open to ideas from anywhere;
- live quality and drive cost and speed for competitive advantage;
- have the self-confidence to involve everyone and behave in a boundary-less fashion;
- create a clear, simple, reality-based vision and communicate it to all constituencies;
- have enormous energy and the ability to energize others;
- stretch... set aggressive goals... reward progress... yet understand accountability and commitment;
- see change as opportunity... not threat;
- have global brains... and build diverse and global teams.

1. Establishing Values

Adapt GE's values for your own purposes. Ensure that they are lived by your team or department by producing a workable values statement, and enforce those values by using the three Rs technique (below).

DRAWING UP A VALUES STATEMENT

Before you expect people to live by a values statement, you must make sure it meets six key criteria.

TEST YOUR VALUES STATEMENT

- Has it been drawn up with employee participation?
- Does it have their explicit consent?
- Is it operable and practical?
- Will it be revised periodically as necessary?
- Can you expect people to live the values?
- Is it concise and clear?

ENFORCING VALUES

Maintain commitment to the company values statement by stressing the Three Rs: Reward, Repetition, and Removal. At GE, Welch fits managers into one of four categories or "Types". Type I delivers on performance commitments and shares the company's people-based values; Type II does not meet commitments and does not share the values; Type III misses commitments, but shares the values; Type IV delivers on commitments but does not share the values. Each Type requires different treatment. Follow these principles:

- Type I: keep by progressing and promoting (Reward).
- Type II: do not keep in the organization (Removal).
- Type III: give a second chance, preferably in a different environment (Repetition).
- Type IV: provide an opportunity to change their ways (usually very difficult for them) or fire (Repetition or Removal).

Above all, remember the importance of personal example from the leader at all times. This is the fourth R: Role Model.

2. Changing Behaviour

Fundamental to changing the culture of an organization is altering people's behaviour. Welch achieved great success with the introduction of Work-Outs and Six Sigma — and so could you.

PRACTISING WORK-OUTS

The Work-Out programme that Jack Welch launched in 1988 was designed to make the behaviour of both bosses and bossed more positive, while bringing substantial benefits to the bottom line.

THE PURPOSES OF WORK-OUTS

- 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.

These results can be won in any company. Take members of your unit off-site for up to three days and present them with a list of problem areas for discussion. Ask them to recommend reforms, ranking them according to the criteria of pay off and effort.

CHOOSING ISSUES

Place at the top of your list high pay-off, easy reforms, known as “jewels”. Follow with low pay-off, easy reforms, known as “hanging fruit”.

When delegates make their proposals, reply at once with one of three responses: “Yes”, “No”, or “Come back with more information inside a month”. Implement the accepted proposals.

ACHIEVING SIX SIGMA

The Six Sigma programme that Jack Welch launched in 1995 comes from the perfectionist world of Total Quality Management. Six Sigma means that 99.99997 per cent of what is produced meets specification and is free from defects. Welch regards it as highly educational and a huge force for cultural change. The objectives are common (or should be) to all companies.

THE OBJECTIVES OF SIX SIGMA

To satisfy the customer.

To reduce the costs.

To improve the quality of purchased supplies.

To lift internal performance.

To enable better performance by better design.

PRACTISING SIX SIGMA

To benefit from the Six Sigma approach, you must first insist on measurement of what is being done at present (for example, the percentage of rejects). Next, analyze how performance can be improved, and set new targets that will, when achieved, prove that performance has got markedly better. Then install controls to ensure the operation keeps up the good work. Finally, never give up or let up; there will always be massive improvements possible.

SIX SIGMA IN ACTION

The application of Six Sigma was crucial to ending the dissatisfaction of GE Lighting's biggest customer - Wal-Mart. The billing system between GE and the retail giant Wal-Mart was malfunctioning. Faced with disputes, payment delays, and a dissatisfied customer, GE realized that its system required adapting to Wal-Mart's system and needs. Six Sigma was put to work, backed by some IT improvements and \$30,000 in investment. Within four months defects came down by 98 per cent. Wal-Mart became much happier, and GE Lighting earned back its investment many times over.

3. Beating bureaucracy

All too often minor rules and regulations (and fussy people) that make no sense but seem almost impossible to circumvent can swamp and clog an organization. Learn to identify the classic signs of bureaucracy, and act to eliminate them before the damage is done.

IDENTIFYING THE DISEASE

How much of your energy is expended on purely internal activities? How much is directed towards external customers? If you spend less than 20 per cent of your energy on external customers, then bureaucracy has taken hold. Are the classic signs present?

CLASSIC SIGNS OF BUREAUCRACY

- Detailed monthly budget approvals
- Centrally-driven strategic planning only
- Powerful staff members with no line responsibility
- Many-layered approval procedures
- Many-layered, strictly observed payment bands
- Rigid status symbols
- Hefty corporate manuals and “bibles”

TACKLING THE PROBLEMS

Bureaucracy makes work and creates a climate in which the customer comes third — well after the management and the company's other employees. Eliminate it as follows:

- Move financial reporting from monthly to quarterly.
- Make senior managers responsible for their own strategies.
- Eliminate all staff jobs unless proved to be essential.
- Push approval levels right down the line.
- Broaden and reduce the payment bands.
- Scrap the status symbols and “burn the bibles”.
- Identify nonsenses and eradicate them.

4. Becoming the Best

Ideas for managing better are one thing you can safely beg, borrow, or steal. If a successful organization anywhere uses practices that you do not, their example may help you reach the same high standards. Adopt their good practices wherever you can.

USING BEST PRACTICE

Many GE businesses employ a tool called the Trotter Matrix to check on their use of best practice. The idea came from Lloyd Trotter, who ran the Electrical Distribution and Controls side of GE. He listed a number of desirable attributes for each of his plants, and then scored each attribute.

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

Score your own activities on a similar basis. Sadly, most companies earn a zero on everything they do, because they are either unaware of the best practice or else believe they have nothing to learn.

LEARNING FROM OTHERS

It is only realistic to assume that somebody has found, and is using, better ways for all that you do. Learn from them: most firms are surprisingly generous about letting other managers study their methods. For example, Japanese car makers were perfectly happy to let their Western rivals into their secrets — they knew that by the time the West had followed suit, they would be far ahead, thanks to newer and even better ideas. Avoid the car trap: act fast.