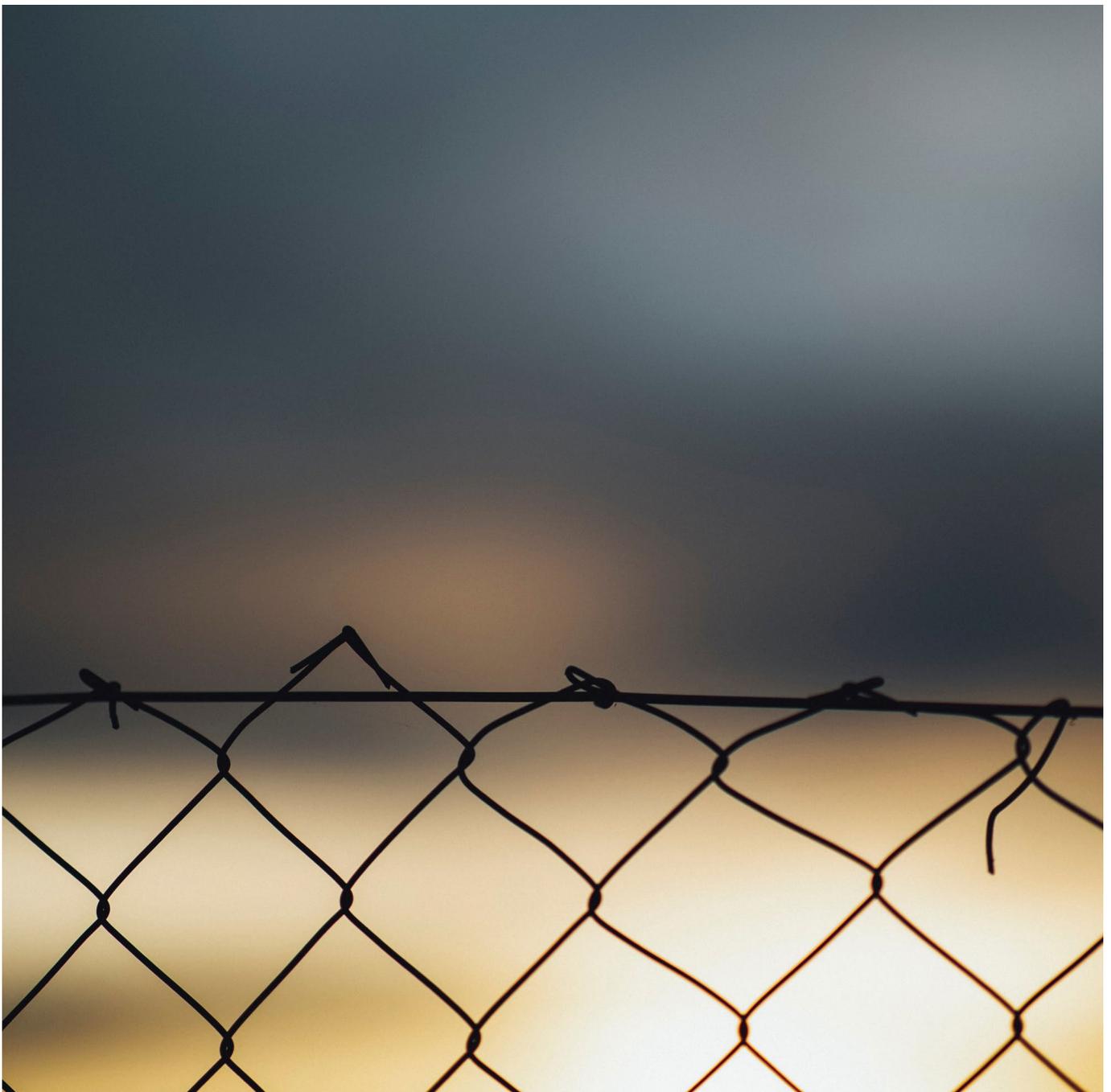


# LeadershipReview

Robert Heller's  
Masterclasses

Jack Welch 3

## Breaking Bounds



# Breaking Bounds

*Welch's bid to make GE a "boundaryless" organization itself has no frontiers. Whether a boundary is inside or outside the company, it limits performance. Individuals unwittingly set their own bounds, limiting what they achieve. Challenge all barriers and seek to tear them down. And set stretch targets for your company and for yourself.*

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## EXAMINING THE BOUNDARIES

When Welch took over GE, the company structure included nine layers of management, from the CEO to the shop floor, each forming a boundary. Welch took out whole layers, but delayering affects only vertical boundaries: there are two other types.

### 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

The fewer internal borders there are to cross, the better for the overall efficiency of your company. Tackle vertical and horizontal barriers by implementing the following practices:

- Scrap inhibitions about crossing a layer — encourage managers to talk to the subordinates of other managers, and vice versa.
- Use development programmes 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**

The most dramatic moves towards boundarylessness are external, and not confined to the inner workings of a company. To optimize your business you must optimize the whole business system by bringing in the key outsiders: suppliers and customers.

### **THE BUSINESS SYSTEM**

Remove barriers and strengthen links between each element in the business system to achieve unproved company performance and greater satisfaction.

### **STRENGTHENING LINKS**

Encourage the fall of barriers between the company and the outside world. Go to see customers and find out what improvements you can make for their benefit, and implement findings wherever possible. Work with suppliers to reform the business system to achieve shared gains, form alliances, even with competitors, to take advantage of any complementary strengths. Then take the following systematic steps with your new “allies”:

- Customers: involve 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.

Ask yourself: “Am I helping my colleagues, customers, and suppliers to get the best from me?” and “Am I working to get the best from them?” Make sure you get the right answers.

# 1. Stretching other people

*What you measure in management generally governs what you get. So if you set goals below the capability of a person or an organization, under-performance is likely to result. Transcend the aims that people believe feasible, and the opposite may well happen.*

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## **ESTABLISHING REALISTIC TARGETS**

Jack Welch's concept of stretch starts with producing realistic targets — for profitability, say, or new product introductions. Such targets must, pass the following three criteria:

- They are “do-able”.
- They are reasonable.
- They are within the organization's or individual's capabilities.

Set your own targets for your part of the business, making sure they fulfil these three criteria. These realistic targets are indispensable since they enable you to set a baseline, to authorize expenditure, and to apply comparisons that help to monitor trends and spotlight problem areas.

## **SETTING STRETCH TARGETS**

Now take your realistic targets and attach a much higher goal, a stretch target, to each one. These goals may “at the outset seem to require superhuman efforts to achieve,” says Welch, but “by reaching for what appears to be 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.”

Work out your stretch targets every bit as carefully as your realistic targets. If, for example, your stretch target is to double the budgeted level of sales, ask yourself:

- What does that imply for revenue per salesperson, per customer, and per product?
- What are the consequences for production and distribution — can the commitment be met?

### **ACHIEVING THE IMPOSSIBLE**

Welch imposed on one of his managers a daunting stretch target to improve productivity: the impossible-seeming goal was achieved in four years.

When Jack Welch found that rival makers of CT-scanners and X-ray machines were getting 50,000 scans per tube, against GE's 25,000, he demanded a quadrupling of tube life. Confronted with this "impossible" target, the division eventually accomplished the superhuman. Tubes finally appeared that lasted for 150,000-200,000 scans. The new methods required also provided other very valuable benefits.

### **SEARCHING OUT SIN**

Without high aims, you will not achieve extraordinary results. Most companies are all too satisfied with run-of-the-mill performance, complacent in the assumption that their achievement is superior. One of Welch's greatest lessons is that success always conceals failure. However good the organization is, it is certain to be guilty of many sins —of omission and commission.

Left unconfessed and uncured, these sins can undermine the strongest companies. The only safe course is to be your own Grand Inquisitor, constantly probing for points of weakness and setting new stretch targets. If you can cut costs, raise productivity, and sharpen competitive edge when business is good, the payoff is far greater than if you wait for bad results to stimulate action.

Do not make the inquisition negative. Challenge your company with key questions that will raise everyone's sights and encourage people to become positive inquisitors themselves.

### **BE A POSITIVE INQUISITOR**

- Is market strength regularly monitored by market research statistics and customer surveys?
- Is everybody working on stretch programmes as a spur to greater achievement?
- 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?

## 2. Stretching Yourself

*Apply the concept of stretch to your own career and you will find that, as with company stretch targets, the higher you aim, the more you are likely to achieve. Back up your lofty aims with ambitious self-development to ensure complete success.*

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### REACHING THE SUMMIT

When Jack Welch named his personal objective — to be Chief Executive of GE — eight years of effort lay ahead before he reached the top. He was still the youngest CEO in the company's history. Study the steps of his 21-year climb listed below and write down your own hoped-for progression. How high do you want to go? What time must you allow? What preparations must you make?

#### JACK WELCH'S ROAD TO THE TOP

##### Years with firm / Progress to the summit

- +21 / Chief executive (run whole organization)
- +19 / Challenge for top (named vice-chairman)
- +17 / Head several businesses (run business sector)
- +13 / Get corporate position (run business group)
- +8 / General manager (run plastics business)
- +3 Take charge (head chemical development)
- +0 / Use expertise (develop plastics)
- 0 / Learn expertise (chemical engineering)

### DEVELOPING MOTIVATION

You may not share Welch's level of ambition. Few people do. But most people operate with a view of their potential that significantly limits that potential.

Every manager knows cases of failed and fired employees who, transferred to another business, have far exceeded their previous performance. The explanation is not only that they moved from a demotivating environment to one where their talent was given a real chance. Their personal motivation was also spurred by the impact of dismissal and the need to make good in a new job. Develop that motivation in yourself by reaching for the skies.

## AIMING HIGH

Do not be satisfied with the best you can do now and the best you think you can do. Be bold, like Welch, and strike out for the highest promotions and achievements that may be within your reach. Appoint yourself as your own career manager, and approach the task as you would an important project for the organization.

### 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 practise your abilities and thus underpin your self-belief.
- Take risks: establish the facts, calculate the odds, 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. It is a test of your self-confidence. Nobody will have confidence in you unless you have confidence in yourself.

As a relative junior, Welch would introduce his requests for capital with an account of his successful use of previous allocations. That is not bragging. It is being objective about what you can do or have done. The young Welch also took the initiative energetically, taking the lead in seizing his plastics opportunities.

You will not always win the competition, or always be the best. But if you do not try, losing will become a self-fulfilling prophecy. Welch made his own and his company's luck. You can do the same.