

University of Wales
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LEADERSHIP AND MANAGEMENT THEORY AND PRACTICE

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INTRODUCTION

- Leadership style can be defined as those methods which a leader employs in order to motivate, manage as well as direct others
- Jack Welch served as the CEO of General Electric from the year 1981 to 2001 and is known for his charismatic as well as demanding leadership style (Harvard Business Review, 2023).
- The leadership style implemented by him was unique and orthodox in nature
- The following study would seek to explain the benefits and obstruction of the organisational practices implemented by Welch in GE



GENERAL ELECTRIC



JACK WELCH AND GE

- Under Jack Welch's influence, the market capitalisation of GE grew by 4000%. The leadership styles implemented by GE were unique and orthodox in nature
- He was a demanding leader who motivated his employees to undertake risks
- Welch believed that the implementation of a traditional hierarchical organisational structure can hinder the growth of an organisation. Hence, he preached the idea of boundary less organisation (Wirsching, 2023).
- Welch integrated a system of Rank and Yank, which is also regarded as the vitality curve

LEADERSHIP PERSPECTIVES

- Leadership perspective can be defined as the designated ways through which a certain leadership is viewed and adapted in an organisation (Alblooshi, *et al.*, 2021).
- The leadership perspectives help to shape and guide the leadership styles and roles of the leaders of a particular organisation.
- Application of a suitable style of leadership is desired as it helps in the management of employees and increases the productivity of the company.



LEADERSHIP PERSPECTIVES (TRANSFORMATIONAL)



- Transformational leadership can be defined as the process that management philosophy which is used to inspire and encourage employees working in an organization (Mullisin,2007).
- Leaders are charismatic, visionary and have a strong sense of purpose
- Transformational leadership style is characterized by focus on inspiring and motivating followers to achieve top performance (Grint,2010)
- Ensure the growth of employees, enable followers to take risks and support each team member in achieving their goals.(Abasilim *et al.*, 2019).

LEADERSHIP PERSPECTIVES (TRANSACTIONAL)

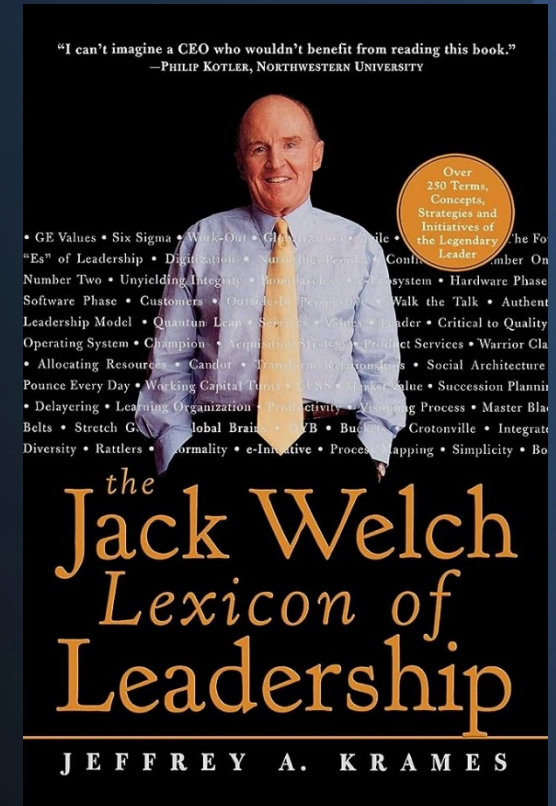


- The transactional leadership style is also regarded as a managerial leadership style (Judge,2011).
- Emphasizes the exchange of rewards and punishment to motivate followers and achieve specific goals. (Gemed and Lee, 2020).
- The leadership style helps leaders to form clear expectations as well as performance standards (Aga,2016).
- Transactional leaders focus on maintaining order and achieving the goals set by the organisation setting clear expectations, providing instructions and guidance and ensuring that work is completed on time (Northhouse,2021).
- One major drawback of transactional leadership style is that it can lead to the formation of negative morale and a negative work environment.

LEADERSHIP PERSPECTIVES

(Jack Welch)

- Welch was a visionary leader who emphasized thinking strategically, is often regarded as one of the most influential and successful leaders in business history (Krames 2002, p. 23).
- Jack Welch transformed General Electric from a niche company to one of the largest and most competitive companies in the world.
- Welch leadership style can be described as a combination of boundaryless and transformational leadership.
- Jack Welch leadership perspectives centered around valuing and developing people, driving performance and fostering a culture of transparency, encouraged innovation, improvement in a continuous space as well as market leadership (Saputra and Mahaputra, 2022).
- Welch introduced a Rank and Yank system, which allows leaders to rank employee working under them (Wirsching, 2023).



ATTRIBUTES OF LEADERSHIP

- As a leader, Jack Welch was charismatic yet demanding in nature
- Welch always believed and emphasised on strategic execution of plans in order to achieve goals
- Welch focused on developing business plans and executing them in order to achieve growth for GE. Welch was a strong result oriented leader (Guterresa *et al.*, 2020).
- He formulated aggressive financial goals and wanted his employees to meet those targets



JACK WELCH'S LEADERSHIP QUALITIES

- Jack Welch wanted his employees to undertake risky decisions involving the company's growth and at the same time, use innovation. Jack Welch was always ready to take calculated risks as well as bold moves
- As a leader, Jack Welch was quite visionary. His vision was to make GE one of the top organisations in the market in which it operates
- Welch was a strategic planner, as he understood complex business matters and developed strategic plans in order to solve those problems (The Jack Welch Management Institute, 2023).
- As a leader, Welch was quite decisive. Welch used the Rank and Yank system, which was a performance-based ranking system for employees



JACK WELCH'S MANAGEMENT QUALITIES

- Welch believed that a boundary less organisation would help to promote the free exchange of ideas as well as promise innovation and creativity
- As the CEO of GE, Welch strongly believed that the traditional hierarchical structure present in an organisation plays an active role in hindering the flow of innovation
- Welch designed rigorous performance evaluation systems, which helped him to figure out the best talent present to serve the job within the organisation (Guterresa *et al.*, 2020).
- Welch used in GE was the Rank and Yank system and the system allowed leaders to rank their employees on the basis of the quality of performance delivered

++ Satisfactory results Satisfactory behavior	+ - Satisfactory results Unsatisfactory behavior
- + Unsatisfactory results Satisfactory behavior	-- Unsatisfactory results Unsatisfactory behavior

BENEFITS OF THE LEADERSHIP STYLE



EMPLOYEE RETENTION

When employees feel valued by their organizations' leaders, they're more likely to stay at their jobs.



CUSTOMER SATISFACTION

Leaders can delight customers by understanding them and creating products and services that satisfy their needs.



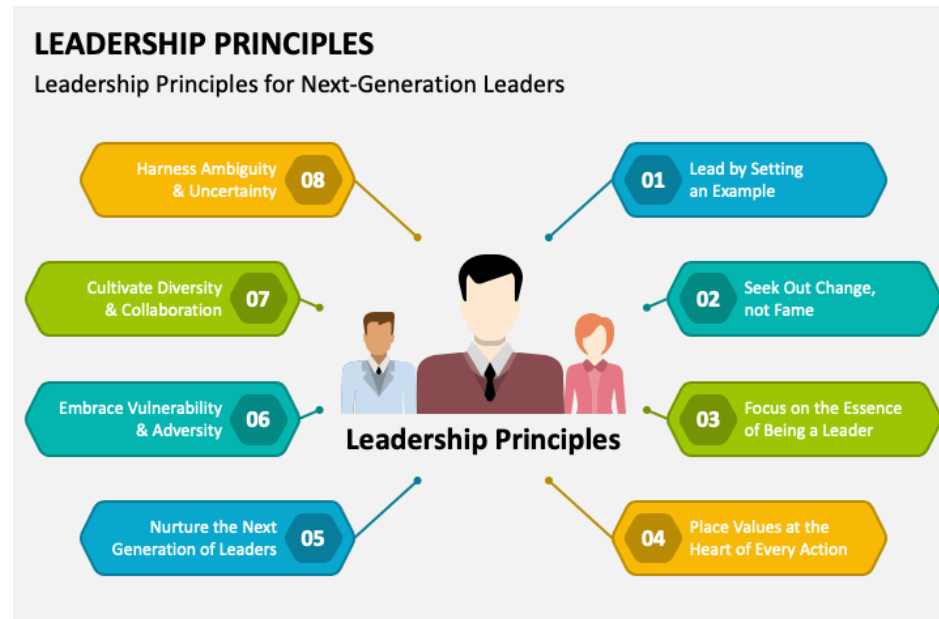
IMPROVED PRODUCTIVITY

Effective leaders motivate their employees to get work done and align on vision and direction.

- The transformational leadership style helps the leaders to be charismatic in nature which plays an important role in employee motivation
- Moreover, the transformational leadership style promotes innovation in the organisation, which encourages employees to think out of the box and be creative
- The transactional leadership style promotes clarity in the organisation. The following leadership style sets up clear goals and objectives, which need to be fulfilled by the employees (Hiwa *et al.*, 2021).
- Moreover, leaders who follow some transactional leadership style reward employees who are productive and terminate those who are not

PRINCIPLES OF LEADERSHIP

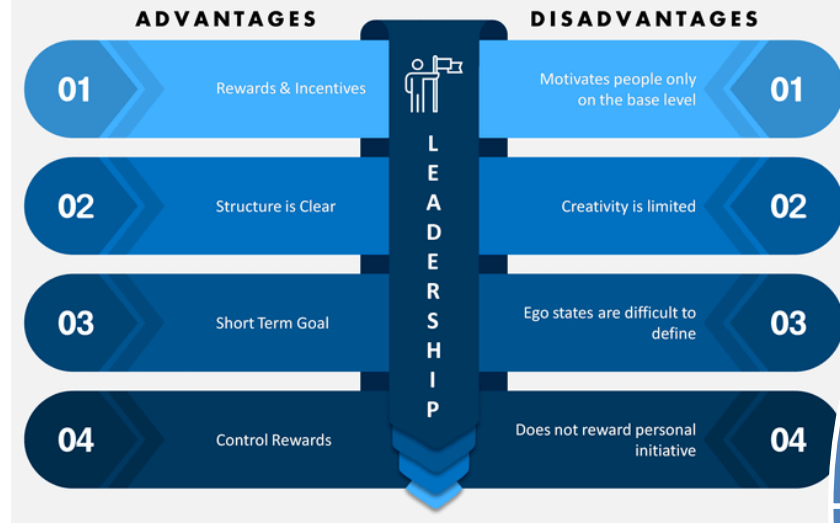
- Integrity promotes ethical behaviour and honesty towards the employees.
- Integrity also plays a crucial role in building of trust between the leaders and the employees (Maher, 2021).
- Furthermore, leaders present in an organisation need to be visionary.
- A clear vision helps to formulate the objectives which need to be achieved by the organisation for personal growth



LIMITATIONS OF THE LEADERSHIP STYLE

TRANSACTIONAL LEADERSHIP

Advantages & Disadvantages of Transactional Leadership



Leaders in a transactional leadership style allows rewards and punishments to encourage and threat employees

In transformational leadership style, the employees become too much dependent on the employees

Leaders who are following transactional leadership style tends to allow limited creativity as well as innovation within an organisation

The other important limitation transformational leadership style may possess is lack of attention to details

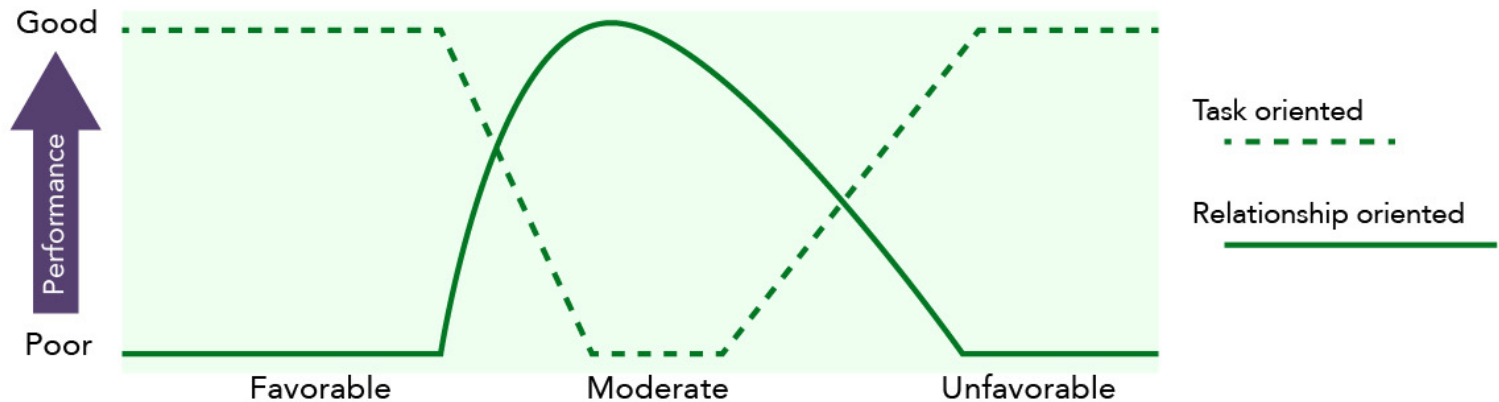
Challenges for the Future Leader of 2030



- Transformational leaders use their own charismatic qualities(Northouse, 2015) in order to inspire and motivate the employees working for them (Maher, 2021).
- However, if transformational leaders face problems related to personal stress, the leaders may be not be able to maintain the charismatic image to motivate employees
- A big challenge for the transactional leaders is the limited flexibility. The transactional leaders always want to conform to existing instruments, rules and procedures
- Moreover, transactional leaders always employ extrinsic(external) motivators such as rewards in order to motivate employees in the workplace

THEORETICAL PERSPECTIVES (LEADERSHIP)

- The contingency theory of leadership can be defined as the theory which tells us that the effective leadership is always dependent on the situation
- Welch allows for a boundaryless organisational system which help to facilitate slow but free exchange of ideas and innovation (Hiwa et al., 2021)
- To enhance the productivity of the organisation, Welsh had deployed Rank and Yank system, which ranks employees based on their performance
- Even if it was productive for the organisation, the system promoted a negative impact on the workplace because of lack of intrinsic approach for motivation



Category

1	2	3	4	5	6	7	8
Good	Good	Good	Good	Poor	Poor	Poor	Poor
High	High	Low	Low	High	High	Low	Low
Strong	Weak	Strong	Weak	Strong	Weak	Strong	Weak

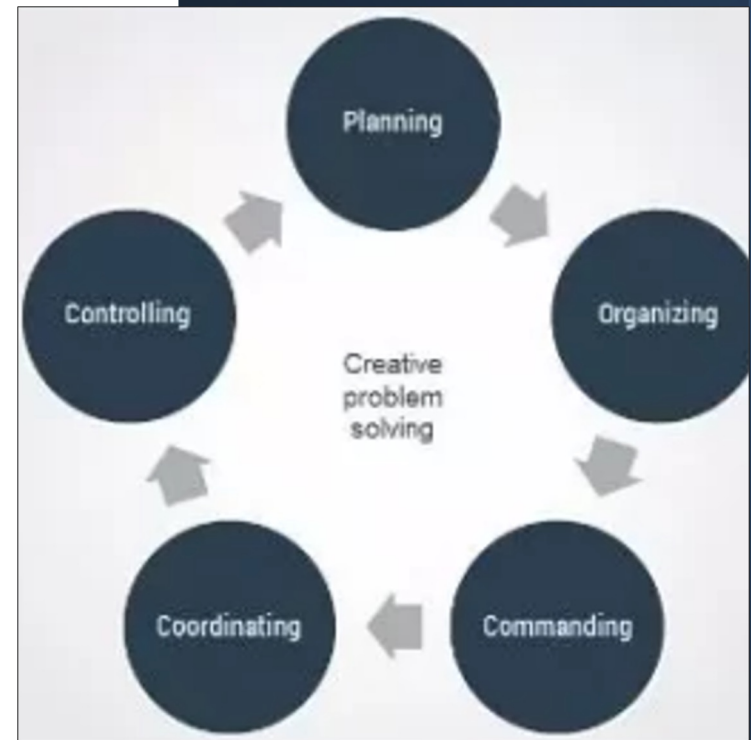
Leader-member relations

Task structure

Leader position power

THEORETICAL PERSPECTIVES (MANAGEMENT)

- The theory of administrative management was designed by Henri Fayol, who is also regarded as the father of modern management
- The theory of administrative management attempts to explain a rational way which can be used to design the organisation as a whole
- Welch indeed played an integral part to help GE to reach new heights
- Not only did Welch promote innovation and creativity on organisation's performance but facilitated productivity by rewarding productive employees dismissing employees (Sriyakul *et al.*, 2019).





- 1. Leadership style plays a crucial role in motivating and directing employees, significantly impacting an organization's productivity and success.
- 2. Jack Welch, the former CEO of GE, employed a unique and charismatic leadership style that combined elements of transformational and transactional approaches.
- 3. Welch's boundary-less organization approach fostered innovation and creativity within GE, enabling the free exchange of ideas and driving growth.
- 4. The implementation of the Rank and Yank system at GE had benefits in rewarding high-performing employees but also raised concerns due to its overreliance on extrinsic motivation.
- 5. Understanding different leadership perspectives and principles, such as integrity, vision, communication, and innovation, is vital for effective leadership and organizational growth.

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THANK YOU!