

## **Jack Welch: The Bridge between Drucker and Goleman**

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### **Abstract**

*As a self-proclaimed social ecologist, Peter Drucker established himself as a prominent and seminal contributor to management theory. Drucker is credited with creating many management concepts such as management by objectives and is often referred to as the founder of modern management. Fast forward to the 1990's, Daniel Goleman's work on emotional intelligence has become a significant force in leadership studies today. As a psychologist, Goleman has established a defensible platform connecting brain science and human behavior to the leadership field. Between Drucker and Goleman lies the focus of our investigation. Jack Welch relied heavily on Drucker's work and applied many of Drucker's leadership theories that led to a complete overhaul of General Electric. Welch was later named "Manager of the Century" by Fortune due to the successful implementation of these practices. We examine Drucker's most prominent thoughts on leadership, how these thoughts were implemented by Welch, and how Welch inspired Goleman. We postulate that Welch was a key bridge between Drucker and Goleman.*

**Keywords:** strategy, organizational structure, organizational effectiveness, fit

**JEL Classification:** L22, L25

### **1. Introduction**

#### **1.1 Topic Description**

Peter Drucker, as the father of most of today's management theory (Ostdick, 2010), contributed many ideas to today's leadership studies. Jack Welch, a protégé of Drucker (Welch, n.d.), successfully emulated, tested, and further developed many of Drucker's theories during his corporate reign at General Electric (GE). Daniel Goleman, we will argue, further synthesized Welch's practices creating a line of leadership thinking that is imminently useful and accessible; and he backed it with psychological research and brain science. We examine the characteristics, styles, and ideas expressed in the writings and practices of these three key figures, and we intend to demonstrate the influence of Drucker's theories on Welch's practice, and Welch's practice on Goleman's principle leadership model: emotional intelligence.

#### **1.2 Leadership vs. Management in the Context of this Paper**

Definitions of leadership and management are elusive but inexorably linked, and they are decidedly not synonymous. The recently developed field of leadership is based heavily on previous management theory. Peter Drucker focused most of his work on management and was reluctant to use the term leadership until later in his life, as he was concerned about a conflation of the terms (Buchanan, 2013).

For our purposes, management is the allocation of finite resources, the measurement of objectives, and the creation and enforcement of policy. It involves planning, organizing, and controlling; and it often relies on hierarchy and formality (Beatty, 1998).

In fact, pick up any textbook on management and the table of contents will very likely include major sections dedicated to planning, organizing, and controlling. Leadership, on the other hand, is establishing and communicating a vision as well as inspiring and energizing a team around a common goal. It involves empowerment, trust, and empathy (Welch and Welch, 2010). While many management textbooks may include a major section titled leadership, we suggest that management textbooks wrongly refer to those sections as 'leadership' and, rather, are simply addressing motivation and task-oriented results (for a brief summary of these difference, see for example Ryan, 2016). We subscribe to a clear demarcation between motivating for results vs. leading.

### **1.3 Introducing the Key Figures: Drucker, Welch, and Goleman**

#### **1.3.1 Peter Drucker (1909-2005)**

The works and influences of Peter Drucker are difficult to overstate. He wrote more than 30 books and monographs as well as penned multiple volumes of academic articles (Drucker Institute, n.d.). He is credited with the emergence of decentralization and outsourcing as principles central to modern business management (Buchanan, 2009). He coined the phrase *knowledge worker* in the 1960s, when the computer age was in its infancy (Beatty, 1998). He also introduced business theories – Management By Objective and Planned Abandonment – that remain widely studied and practiced today (Buchanan, 2009).

Drucker was born in 1909 in Vienna, Austria (Beatty, 1998). His parents frequently held private gatherings of the most prominent thinkers of the time such as Sigmund Freud and Gustav Mahler (Beatty, 2005), which significantly shaped Drucker's early upbringing. He earned a Ph.D. in law at the University of Frankfurt, and due to the rise of Hitler, moved to London to work. During this time, Drucker gained his only academic exposure to business principles when he studied economics under John Maynard Keynes. Through this study, Drucker realized that Keynes and his brilliant students were largely concerned with commodities, while Drucker himself was concerned with people (Drucker Institute, 2010).

While in London, Drucker wrote for several American periodicals (Drucker Institute, 2010), before he relocated to the United States to continue writing and start teaching. At Bennington College, he wrote his first two books on political science, *Economic Man* and *Industrial Man*. As a response to the rise of Hitler in 1939, he wrote *The End of Economic Man: The Origins of Totalitarianism*, which Winston Churchill would make required reading for military officer candidates (Beatty, 2005).

His third book, *Concept of the Corporation*, redirected Drucker's attention on management theory and this focus is where he spent the remainder of his career. After eighteen months examining General Motors from the inside, he developed many of his formative ideas, such as executive compensation, the centralization of power, and the empowerment of workers. At that time, all of these notions were considered radical and inspired his seminal work, *The Practice of Management*, published in 1954 (Beatty, 1998).

Drucker died in 2005, but he left a profound legacy on both leadership and management theory as well as business practices around the world. In a tribute, Bloomberg Business called him the man who invented management.

“...a true Renaissance man, a teacher of religion, philosophy, political science, and Asian art, even a novelist. But his most important contribution, clearly, was in business. What John Maynard Keynes is to economics or W. Edwards Deming to quality, Drucker is to management” (Bloomberg, 2005, para. 11).

#### **1.3.2 Jack Welch (b. 1935)**

Fortune magazine named Welch the Manager of the Century upon his departure as CEO of General Electric (GE) in 1999, and The Financial Times listed him as one of the three most admired business leaders in the world (GE, 2016). Welch was born in 1935 in Massachusetts to working class parents and working class values (Murray, 2001). He earned a Bachelor's degree in chemical engineering from the University of Massachusetts, a Master's degree and Ph.D. in chemical engineering from the University of Illinois, and went directly to work for GE after college where he remained for the tenure of his corporate career (GE, 2016).

After joining GE in 1960, Welch rose through the ranks quickly and was named CEO in 1981. Under his leadership, GE's revenue increased five-fold and its market value increased approximately 3,000%. When Welch retired in 2001, GE was the largest and most valuable company in the world (GE, 2016).

In 2001, Welch shifted his attention to publishing and has been a prolific author of books and articles for the popular business press. Through his writing, he has explored many ideas, policies, and practices developed during his time with GE. According to Welch's biographer Robert Slater (1999), Welch's common themes were:

Simplicity	Bureaucracy
Reality	Energy
Change	Human value

Jack Welch had immense respect for talented people, but even greater respect for corporate culture (Daft, 2014; Slater, 2003). Through his leadership, he created an environment of continual learning and development, innovation, and energy (Silva, 2014). He eliminated layers of management and put decisions into the hands of his workers (Slater and Welch, 1999). To some, he was a guerrilla fighter (Murray, 2001); to others, he was among the greatest corporate leaders of the century (Byrne, 1998). In either case, his leadership at GE was praised and admired, and his influence on leadership theory has been lasting (Krames, 2005).

### 1.3.3 Daniel Goleman (b. 1946)

Daniel Goleman was born in 1946 in Stockton, CA, where his father was a college professor of Latin and world literature, and his mother was a social worker and college professor of sociology (Goleman, 2016a). He earned a Bachelor's degree in anthropology from Amherst College, and a Ph.D. in psychology from Harvard. Goleman lists David McClelland, chairman of the psychology and social sciences department, as an important mentor while at Harvard (Goleman, 2016a). McClelland was an expert in human motivation, was noted for his work in achievement theory, and believed that IQ tests were poor indicators of competencies (Harvard, 2016). Goleman's work was later strongly influenced by his relationship with McClelland (Goleman, 2000).

As a staff writer for Psychology Today and the New York Times, Goleman began gathering research and ideas for his influential work *Emotional Intelligence* published in 1995 (Goleman, 2016a). The immense success of this book and the favorable response from the business community led to the publication of three important works which focused more on leadership (Goleman, 2016a). *Working with Emotional Intelligence* adapted Goleman's (1998) previous writings and thoughts on emotional intelligence to the business community (Bennis, 1998). The landmark article *What Makes a Leader?* further established Goleman (1998) as an important contributor to the field of leadership. *Primal Leadership: Learning to Lead with Emotional Intelligence*, (co-authored with Annie McKee and Richard Boyatzis), established empirical evidence of the impacts of emotional intelligence on leaders (Royce Carlton, 2016).

## 1.4 Research Questions

The ideas of Drucker, Welch, and Goleman have many differences, and equally many commonalities. Although he was often viewed as a contrarian, Drucker remained firmly grounded in pragmatism. Goleman has turned leadership theory distinctly inward. In some respects, he has confirmed or expanded on much of Drucker's work, and in other ways, he has broken new ground. We suggest that Goleman's work on emotional intelligence and its applications to practical leadership is compelling. We postulate that Jack Welch, who personally knew and respected both men, was the dynamic link connecting Goleman and Drucker. We will examine these three key figures asking three fundamental questions:

- How was Jack Welch's leadership style influenced by Peter Drucker?
- What were Welch's guiding leadership principles in his practice of leadership?
- How has Jack Welch influenced Daniel Goleman?

## 2. Methodology

### 2.1 Research and the Researcher

Material for this paper was collected exclusively through secondary research. Secondary research included article searches of the internet and searches of academic journal databases. Specific articles were selected using keyword, subject, and author searches of the names of our three key figures.

Results of these searches were limited to articles dealing with leadership or management. Synopses of the books and monographs of the three key figures were reviewed due to time constraints. Our review article is not a thorough bibliometric research design (Koseoglu, Akdeve, & Bertsch, 2015) but rather an historical view supported by key events (Bertsch & Ondracek, 2010).

### **3. Review of the Three Key Players**

Peter Drucker was an academic, an author, and a management consultant who described himself as a social ecologist. His perspectives on leadership were founded on the organization and interactions of humans (Drucker Institute, n.d.). Jack Welch was a chemical engineer turned CEO. His leadership style was largely informed by his working class background, informality, and an instinctive understanding with people (Murray, 2001). Daniel Goleman is a psychologist, author and journalist whose leadership thought is founded in brain and behavior science (Goleman, 1998a). We deduct that each of the contributors has made a profound impact on leadership studies. We will analyze each individual based on their leadership and historical impact. Our analysis will tie them both historically and sequentially which is the premise of our position.

#### **3.1 Drucker**

Peter Drucker was not only considered the father of modern management, he is also credited as the founder of people-centered management (Denning, 2013). The diversity of his educational background in law, economics, and sociology provided him with unique insights into human behavior within organizations, and his training as a journalist provided him with brevity and the ability to address issues in a direct and forthright manner (Krames, 2008). In his significant works on management theory, he included topics such as the managerial functions of an organization, decentralization, the structure of an organization, management by objectives, the outsider perspective of the organization, and the management of change within an organization (Parmenter, 2012).

In his early years, Drucker infrequently mentioned the concept of leadership. He was skeptical of especially charismatic people due to his personal experience with Hitler's Germany and Austria (Korn Ferry Institute, 2009). Two of his essays of the time were banned and burned by the Nazis resulting in his self-exile from Austria (Buchanan, 2009). He believed charisma enabled manipulation and what he called *misleadership*, or nefarious leadership, and he identified Hitler, Stalin, and Mao as charismatics operating under *misleadership* (Drucker and Wilson, 2001).

Drucker also believed in an entrepreneurial spirit (Buchanan, 2009). He stated that *bigness* is an obstacle, and that a manager must redirect resources toward areas of concern or diminishing results like an entrepreneur, while simultaneously communicating a clear vision and clearing obstacles to worker performance (Drucker and Wilson, 2001). According to Drucker, the functions of management include setting objectives, organizing, motivating, communicating, measuring performance, and developing people (as cited by Beatty, 1998). Drucker's more dynamic vision of a manager was a substantial departure from both the bureaucracy and hierarchy models as well as the controller and enforcer theories that were prevalent at the time (Krames, 2008).

According to Drucker, top management usually caused the worst bottlenecks (Buchanan, 2009). He was strongly opposed to command-and-control management and believed bureaucracies slow the pace of an organization and stifle innovation and communication (Welch, 1998). "Time is the scarcest resource, and unless it is managed nothing else can be managed" (Buchanan, 2009, para. 23). To improve the speed of decision-making, Drucker was a proponent of a more egalitarian organization calling for the wide-scale decentralization of organizations and a flattening of hierarchies to facilitate interactions between colleagues, superiors, subordinates, and peers (Drucker, 2004).

One of Drucker's most renowned concepts was planned abandonment (Beatty, 1998). He believed that companies must have a system to identify and shed the outgrown, the obsolete, and the unproductive (Buchanan, 2009). Organizations must maintain healthy exit plans and regularly spend time examining what they should stop doing (Parmenter, 2012). This demonstrates some of Drucker's early reasoning which we feel later evolved into self-assessment and objective thinking.

Although he never used the word, Drucker probably should be credited for coining *outsourcing*. He was posthumously inducted into the Outsourcing Hall of Fame in 2009 (Drucker Institute, 2009) for his writings on the proper focus of organizations.

He frequently discussed making a business's backroom functions someone else's front room (Parmenter, 2012), which was his way of reducing bureaucracy, heightening specialization, and bringing dignity to the often relegated corporate functions. Drucker was a pioneer in his work regarding the treatment of workers in business. He was among the first to recognize the industry shift towards a knowledge-based economy and an information society, and he knew that knowledge workers would require treatment as partners rather than subordinates (Buchanan, 2009).

Drucker was an early transformational leadership theorist believing the most important task of a manager was to develop a learning organization in a time of perpetual change (Buchanan, 2009). Because "universal genius has always been in short supply" (Buchanan, 2009, para. 24), Drucker believed in collaboration and consensus. Trust is paramount, and dissent must not only be tolerated, it must be invited (Buchanan, 2013).

Later in his career (circa 1970s), Drucker embraced the idea of leadership and the impact of leadership principles as he became familiar with Robert Greenleaf's theory of servant leadership (Buchanan, 2009). Among its precepts are the mutual meaningfulness of work to the employee and the business; listening, empathy, and affirmation; building trust by example; and nourishing and developing individuals in order to strengthen the entire team (Daft, 2015). This more holistic theory demonstrated to Drucker that leadership is a *responsibility* rather than a *position* in a hierarchy. He later understood leadership can come from a variety of sources and the key to leadership is the development of workers and learning to work within an organization (Wartzman, 2014).

Drucker admired the military in shaping leaders (Riggio, 2009). He believed that the emphasis on applied and practical training was highly effective and that building character was critical to building leadership. He also admired the philosophy of "taking care of your people," one of the foundations of military leadership. These theories were congruent with his understanding of Greenleaf's work and would help him bridge the gap between management and leadership.

Drucker is often credited with being the father of management (Ostdick, 2010), but he also laid substantial groundwork for the study and practice of leadership theory (Buchanan, 2009). Many of his ideas were later put into practice by some of the world's great leaders. Drucker famously worked with Alfred Sloan and General Motors, but he also conducted significant projects with a virtual who's who of corporate America: Sears, IBM, Coca-Cola, Proctor and Gamble, etc. (Drucker Society, 2009). His ideas had a profound impact on General Electric (GE) and its CEO, Jack Welch (Welch, n.d.). Welch was inspired by Drucker and embraced his teachings as a *reflective student* (Welch, n.d.). Welch believed Drucker's ideas of leadership were like those of an orchestra conductor; allowing individual creativity within other people would facilitate the flourishing of ideas (Welch, n.d.).

### 3.2 Welch

Jack Welch expedited the transition of theories in corporations from a concept of management to a concept of leadership (Tichy and Charan, 1989). He held unfavorable opinions of the traditional role of managers, and he fully embraced and instituted his concept of leadership during the course of his career (Slater and Welch, 1999). Managers and management hierarchies, according to Welch, tend to inhibit communication, and damage morale and enthusiasm (Krames, 2003), while leaders create, communicate, passionately own, and relentlessly drive the corporate vision (Tichy, 1989). Welch was passionate, imminently energetic, revolutionary, brash, and controversial; but above all, he was deemed to be a strong leader (Welch and Byrne, 2001).

Immediately after his appointment as CEO, Welch met with Peter Drucker, a meeting set up by previous CEO, Reginald Jones (Welch, n.d.). Drucker had worked with GE over the years as a consultant. It was during this first meeting that Drucker asked Welch "if you weren't already in this business, would you enter it today?" (Welch and Byrne, 2001, Kindle position 1747). In later interviews and writings, Welch would credit Drucker as establishing the foundation for much of the transformation of GE (Welch and Byrne, 2001).

Writings by and about Welch vary widely in their descriptions of his leadership, but a few common themes do emerge and are supported by his actions as CEO. Seven of the most prominent are simplicity, reality, change, bureaucracy, communication, energy, and human value (Slater and Welch, 1999). Welch hoped to duplicate at GE the entrepreneurial agility and the fast and efficient communications he admired in small businesses (Slater and Welch, 1999). To accomplish this, Welch demanded simplicity in all aspects of business (Tichy and Charan, 1989).

He highly regarded brevity and candor in communications, removed barriers from the corporate hierarchy, and wanted his message to be simple and repetitive (Slater and Welch, 1999). Welch believed that business, and especially GE's business, had grown overly complicated, and that this complication was stifling creativity and productivity, and pushing objectives beyond reach (Krames, 2003 and 2005). This focus on simplicity directly and sequentially follows Drucker's quest to simplify bureaucracy (see our earlier analysis of Drucker). A second prominent theme for Welch is facing reality (Krames, 2003). He learned this lesson early in his career after his research team caused an explosion at a GE factory. When he was called before an executive to explain, Welch thought his career was ending.

Through his unequivocal acceptance of responsibility and his demonstration of the lessons learned, Welch impressed the executive team which chose not only to retain him, but also to promote him to lead the division (Krames, 2003). Welch believed in mistakes as a teaching tool: Quickly admitting faults, correcting them, and letting them go (Welch and Byrnes, 2001).

The third common theme in his career was change. Change has been defined as a constant in effective organizations, and failure to embrace it will result in stagnation and death. (Krames, 2005). Welch believed change must be seen positively as an opportunity (Krames, 2003). Welch not only counseled the management of change, but also actively encouraged change as a method of driving innovation and improvement. He believed there was power and growth in change, and that it must be accepted and even harnessed (Slate, 2003). He embraced change as an opportunity and not as a threat, which is one of the great lessons leaders must learn (Rao, 2015).

Disdain for bureaucracy was a fourth precept of Welch's leadership style (Krames, 2005). Command and control-style bureaucracy remained prevalent in 1980 corporate America (Chen and Zhang, 2011). Welch believed bureaucracy bred a false congeniality that encourages *make-work*, control of information, and meaningless rules, policies, and procedures (Krames, 2003). It inhibits communication and enthusiasm, and damages morale. In his 2005 book *Winning* (Welch, Welch, and Grasman, 2005), Welch advises future chief executives, in his characteristically blunt fashion, to flatten hierarchies and eliminate what he called *puffery* (Welch, Welch, and Grasman, 2005).

A fifth prominent leadership theme common to Welch, and perhaps the most important to him, was mastering communication. This became a cornerstone within his repertoire of leadership traits (Parmenter, 2010), as he worked tirelessly to eliminate organizational barriers and encourage boundary-less lateral, vertical, and cross-discipline communications (Slater, 1999). He believed that ideas could originate from anywhere, and that complete candor, informality, and transparency would encourage their dissemination. A lack of candor, Welch believed, is equivalent to dishonesty, and is the "biggest dirty little secret in business" (Welch, Welch, and Grasman, 2005. P. 25). An example of Welch's adherence to boundary-less communication is manifested in his routine practice of writing sending hand-wrote notes to people at all levels of the company. He knew the impact these notes would have on his staff, and he used them to promote his communication style (Chen and Zhang, 2011). He also instituted a program called Work-Outs where teams were invited to meet away from their facilities and outside of any management hierarchies for the purpose of candidly discussing issues in an environment free from recourse (Slater and Welch, 1999). Work-Outs were very effective at breaking down barriers, speeding innovation, and improving efficiency (Slater and Welch, 1999). People from all levels of the company learned that they had a voice and were taken seriously (Colvin, 1999).

To promote even more seamless communication between business units, Welch held quarterly Corporate Executive Councils (CECs) where leaders from across the corporation could share ideas (Tichy and Charan, 1989). Again, candor and informality were expected in order to drive trust and improve communications (Byrne, 1998). At all his meetings, Welch would deliver a keynote address or a closing statement which he would have recorded (Byrne, 1998). Copies of his message would be immediately distributed and managers across all divisions were asked to watch it and then present it to their departments within one week (Byrne, 1998). This practice made Welch more accessible to all GE staff as well as spread his enthusiasm and vision to all levels of the organization (Byrne, 1998).

A sixth common theme for Welch is energy: both his own supply of energy and the energy of his entire organization (Krames, 2005). He believed leaders must exude positive energy at all times (Parmenter, 2010). Great leaders have limitless energy and the ability to transmit energy of others (Krames, 2005).

Their enthusiasm is an infectious multiplier combining with other leadership attributes to enhance effectiveness (Kames, 2005). A positive energy is among the five most important characteristics to look for in people (Welch and Welch, 2010).

The seventh and final theme from Welch is not easily reduced to a single word or phrase. It might be summarized as human value. Welch believed in meeting with workers, honestly answering questions without pretense, and nourishing their dignity (Slater, 2003). Running a big business is extremely challenging and only through a commitment to the team can you succeed (Krames, 2003). To find the best ideas, you must use all the brains in the room (Krames, 2003). Welch's value (i.e., his view of human value) of his workers was demonstrated in two ways. First, he created a learning environment for all workers (Silva, 2014).

He believed that developing a culture of learning was key to creating a competitive business (Silva, 2014) and that a team member's best opportunity for learning was from another team member (Slater and Welch, 1999). Having risen from a working class background, Welch knew that top ideas can come from unlikely sources (Slater and Welch, 1999). He therefore encouraged the unbridled exchange of ideas and the exploration of new technologies and concepts that could add to personal fulfilment (Krames, 2005). Secondly, he built empathy with his people. He used every encounter to strengthen relationships with his staff (Parmenter, 2010). Chance meetings in elevators or in the company lunchroom were opportunities to coach, build confidence, and celebrate victories (Byrne, 1998). He understood that good leaders are carefully watched by employees (Daft, 2015). Welch reportedly knew the names and faces of thousands of his staff members, and he connected with them on a personal level (Byrne, 1998). According to an account from a GE worker:

"We're pebbles in an ocean, but he knows about us. He's able to get people to give more of themselves because of who he is. He lives the American dream. He wasn't born with a silver spoon in his mouth. He got himself out of the pile. He didn't just show up." (Byrne, 1998, para. 23)

Welch's immediate and radical overhaul of GE raised the profile of what was already considered one of America's most admired companies (GE, 2016). Welch's transformation of the company was complete and extremely successful; he set the contemporary paradigm for the corporation (Byrne, 1998). But in the process, we believe that it is likely that Welch also transformed leadership thinking. Drucker was already considered the father of management (Denning, 2013). Welch, for the first time, fully and unabashedly implemented Drucker's theories remaking GE from top to bottom (Buchanan, 2009). In their practice, Drucker's theories on management not only proved sound, they surpassed expectations. On the news of Drucker's death, Welch commented, "the world knows he was the greatest management thinker of the last century" (Bloomberg, 2005, para. 5).

### **3.3 Goleman**

Daniel Goleman is an acclaimed author and psychologist having a profound impact on management and leadership studies today (Goleman, 2016a). Best known for popularizing emotional intelligence as vital to effective management, Goleman's foundation is built on Psychologist Peter Salovey and John Mayer's theory of emotional intelligence defined as "the ability to perceive emotions, to access and generate emotions so as to assist thought, to understand emotions and emotional knowledge, and to reflectively regulate emotions so as to promote emotional and intellectual growth" (Swijtink, 2009, para. 1).

Goleman has bridged the gap from theory to reality and his work can be seen throughout many companies and emotional intelligence studies and tests today.

#### **3.3.1 The Five Principles of Emotional Intelligence**

Goleman's popularization of Emotional Intelligence has had such a strong impact that the Harvard Business Review called it "a ground-breaking, paradigm-shattering idea" (Goleman, 2016b). Goleman identified five principles as the keys to raising one's emotional intelligence – self-awareness, self-regulation, motivation, empathy, and social skill (Goleman, 1995). Goleman stressed that emotional intelligence was not innate to all people, but that it can be learned (Goleman, 1998a).

The first trait, which Goleman refers to as the keystone of emotional intelligence, is self-awareness (Goleman, 1995). Goleman defines self-awareness as the ability to self-identify and comprehend one's feelings, emotions, and motivations on themselves and others; healthy indicators of the attribute include a sense of humor, self-confidence, an accurate self-assessment, and desiring constructive criticism or feedback (Goleman, 1998b).

Leaders with this trait can make the best personal decisions to optimize his or her contribution to the team (Goleman, 1998b).

Goleman's second trait is self-regulation, which is one's ability to control their emotional responses, including the ability to suspend judgement before acting; healthy indicators of this trait include openness to change, contentment with uncertainty, trustworthiness and integrity (Goleman, 1998b). Leaders with this trait channel negative emotions into useful outlets and manage stress appropriately (Goleman, 1998b).

Motivation, Goleman's third trait, includes a drive to achieve for achievement's sake; healthy indicators of this trait include optimism, energy to improve, and a passion for the work and overcoming new challenges. (Goleman, 1998b). These characteristics are demonstrated in leaders who demonstrate persistence, interpret setbacks as chances for innovative success, and constantly seek improvements beyond status or money (Goleman, 1998b).

Empathy, the fourth characteristic, is the ability to pay attention and understand the emotional drivers of other people as well as demonstrating a skill in treating people according to their emotional reactions; healthy indicators of this trait include cross cultural sensitivity, an attitude of service to clients and customers, and expertise in developing and retaining talent (Goleman, 1998b). It has been said that empathy is one of the most basic responsibilities of the leader that not only allows the leader to understand subordinates but can also allow the leader to anticipate the behaviors of others (Badea&Pană, 2010).

The fifth and final trait is social skill, which is the ability to influence and develop others in desired directions; healthy indicators of this trait include displaying leadership in a team settings, leading change effectively, persuasiveness, and networking (Goleman, 1998b). These leaders establish a commonality with their networks and inspire others to buy-in to their vision (Goleman, 1998b).

While these are soft skills, Goleman has proven that together these traits have a direct impact on the business (Goleman, 1998b). Studies have shown that emotional intelligence emerges as a unique set of characteristics distinct from other groups (Cherniss et al, 2006), and is a statistically valuable indicator of stress and mental health (Ciarrochi, Dean & Anderson, 2002). His research concludes that one's emotional intelligence can affect up to 30% of bottom line results (Goleman, 2000).

Goleman's discussion of emotional intelligence has found its way into personality tests, influenced religious scholars, shaped educational standards spanning from elementary to higher education, and has become routinely practiced in business hiring and promotion culture, all with a strong rapport of positive results (Goleman, 2016b). Emotional intelligence studies have occurred at Johnson and Johnson (Cavallo & Brienza, 2004), during military recruiting (Bar-On, Handley, & Fund, 2006) and many other workplace environments to improve occupational performance, leadership and organizational productivity (Bharwaney, Bar-On & MacKinlay, 2011). Susy Welch noted, "Dan Goleman gave social intelligence a name, he codified it, and he broke out the elements in a usable way" (Fisher, 2008, para. 8).

### **3.3.2 Skepticism of Goleman's Work**

Goleman's new construct of emotional intelligence has been received with a degree of skepticism by the originators of emotional intelligence and the psychology scientific community (Mayer, Salovey, Caruso, 2004). John Mayer and Peter Salovey, those who originally formulated the term and definition of emotional intelligence, published a landmark article in 1990 that piqued Goleman's interest, and 5 years later, Goleman published a book heavily based on their work (Goleman, 2016b). Yet, Goleman postulates his use of emotional intelligence synthesized a wider range of scientific findings, including Mayer and Salovey's years of work as well as neuroscience scientific developments (Goleman, 2016b). John Mayer, a psychologist at the University of New Hampshire and recently the key spokesperson for foundational emotional intelligence has a University of New Hampshire website page titled, Controversies in Emotional Intelligence, which is devoted to clarifying true emotional intelligence and identifying errors, including Goleman's heavily popularized version of emotional intelligence (Mayer, 2012).

In response to the pushback from Goleman's theory, Emmerling and Goleman published an article to clarify and validate the concept as scientific and foundational (Emmerling and Goleman, 2003). Emmerling and Goleman (2003) highlight the importance of this ongoing emotional intelligence dialogue and argue that Goleman's emotional intelligence paradigm has reached a state of scientific maturity since its inception in 1995.



Immediately following Emmerling and Goleman's article, Caruso (2003) argued that emotional intelligence is unstructured and open to many interpretations. Caruso (2003) goes on to fault Emmerling and Goleman article as being descriptive, or deducing the rules based on experiences, instead of contributing to the field with a prescriptive information that can be clearly taught and enforced (Caruso, 2003).

One year later, Van Rooy and Viswesvaran (2004) suggested that one's IQ was a better predictor of academic and work performance than one's emotional intelligence. Years later, Zeidner, Matthews, and Roberty, (2009) accused Goleman of creating a "new" intelligence that clashes with conventional psychology; they claimed that Goleman listed every positive quality that was not actually cognitive intelligence in order to create a system to define emotional intelligence. Goleman's theory is not without those who question his theories, evaluation methods, and results.

#### **4. Leadership Influence: Passing the Baton**

##### **4.1 Drucker's influence on Welch**

In their meeting soon after Welch's appointment as CEO, Welch was inspired by Drucker's plainspoken ideals and he believed that Drucker understood simplicity (Welch, n.d.). Welch credits Drucker as the inspiration for his strong belief in candor and for two of his most well-known initiatives at GE: His Number 1 or Number 2 policy, and his Vitality Curve (Welch, 1998).

##### **4.1.1 Number 1 or Number 2**

When Welch began as CEO, GE was a "bureaucratic dinosaur" (Slater and Welch, 1999). Soon after conversations with Peter Drucker, Welch instituted his first highly controversial initiative: Number 1 or Number 2. Under this policy, Welch drew on Drucker's planned abandonment theory and set the objective of making every business unit at GE either first or second in its market category, otherwise it was destined to be fixed, closed, or sold. (Slater and Welch, 1999). Drucker wrote that if you want to start something new, you have to stop doing something old (Buchanan, 2013). From 1980 to 1985, Welch oversaw the closing or selling of hundreds of divisions and business units to make room for the substantial new business units Welch had planned. (Welch and Byrne, 2001). Drucker's influence on Welch is undeniable and immediate.

##### **4.1.2 Vitality Curve**

At approximately the same time he instituted the Number 1 or Number 2 initiative, Welch also established another more controversial program: The Vitality Curve (Rao, 2015). Under this directive, all GE's managers ranked their staff members according to the 20/70/10 criteria posited by Welch. The top 20%, the A players, were handsomely rewarded with bonuses and stock. The second 70%, the B players, were provided education, coaching, and opportunities for development. The bottom 10%, the C players, were terminated (Welch and Byrne, 2001). Drucker's influence is clear here as in his book *The Effective Executive* (1967), Drucker wrote that it is the duty of the executive to ruthlessly remove anyone who consistently fails to perform with high distinction. Welch took this to heart by establishing this rigorous system of appraisal described by some as 'rank and yank'. Welch believed that the failure to differentiate employees is the cruelest form of management (Rao, 2015). This may have been a misinterpretation and is inconsistent with Drucker's sentiments as we will discuss later. Nonetheless, there is yet another side to the 20/70/10 ranking as we will discuss now.

##### **4.1.3 Crotonville**

Welch shared Drucker's high regard for education and staff development (Buchanan, 2009). During the first few years of his tenure, Welch's Number 1 or Number 2 and Vitality Curve tactics focused on tearing down the bureaucracy and rebuilding the structure of the company. But 1986 was a turning point. After that time, Welch outwardly shifted to rebuilding the *human engine* as the groundwork of a rejuvenated *business engine* (Tichy and Charan, 1989). The foundation of this rebuilding would be education (Krames, 2005). Welch believed that employees in the modern age must be continually developed and treated like volunteers; they may leave you at any time (Riggio, 2009).

GE had operated a school for executive development in Croton-on-Hudson, NY since 1956. In the first few months of his arrival as CEO, Welch visited the institute where he asked its leader to completely revamp its programs and facilities as an anchor to GE's upcoming revolution. (Tichy, 1989).

Welch enlisted Drucker to help with this revitalization and to teach at the institute; Drucker's presence brought credibility and dignity (Tichy, 1989). Drucker "understood, most importantly, that business is people - that people are its most important asset." (Welch, n.d., 8:35).

Under Welch, Crotonville was expanded and reestablished as a leadership institute for all managers and executives. Welch recognized the importance of mentorship, and hence, had most of Crotonville's courses taught by senior executives in an atmosphere of informality and candor (Slater and Welch, 1999). He believed the executive teachers would learn as much through the mentorship as the students (Parmenter, 2010). Crotonville's transformation began immediately on Welch's arrival as CEO, and it later emerged as a cornerstone in his new corporate culture.

#### **4.1.4 Corporate Culture**

Lastly, and perhaps most importantly, Drucker helped Welch redirect GE's corporate culture by demonstrating it was paramount to success (Silva, 2014). Drucker believed that an environment of trust where everyone could freely disagree without fear of recourse was important to corporate culture (Buchanan, 2013), and that entrepreneurial agility should permeate the organization (Welch, 1998). Welch followed Drucker's advice by creating a *boundaryless* work environment: eliminating barriers to communication, promoting informality, delayering the hierarchy, speeding decision-making and rewarding creativity (Slater and Welch, 1999). He credits Drucker as the architect of his most important initiatives (Welch, 1998). Drucker's ideas helped transform "the hardware, the structure if you will, and the software, the culture, of GE" (Welch, 1998, 2:30).

#### **4.2 Welch's Inconsistencies with Drucker**

Welch had a high regard for Peter Drucker, and they worked together throughout the early 1980s in the remarkable transformation of GE. However, Welch also demonstrated a few radical departures from Drucker's wisdom. Some of these departures warrant discussion. Jack Welch had a reputation of generosity with his best people (Byrne, 1998). He was warm, friendly, and open with his top performers, but with others, he was "a combustible mix of restlessness, bluntness and emotional volatility... He had a reputation as a pushy hothead and a bully, which he reportedly liked." (Murray, 2001, para. 9). In contrast, Drucker was an early advocate of servant leadership (Buchanan, 2009). He valued humility and leading by example and likely would not have approved of Welch's fiery emotions – no matter how infrequent such emotions may have been.

The Vitality Curve (i.e., 20/70/10 ranking) sparked significant criticism. Despite Welch's arguments to the contrary, it demonstrates a lack of regard for his workers. The ranking itself was highly subjective and somewhat arbitrary. The policy perhaps created an overly competitive work environment where sabotage of fellow workers may have been rewarded. And, because hiring managers cannot jeopardize their rankings, it may be viewed as a disincentive to the recruitment of top talent. Bringing in more "A" players will likely reduce the rankings of everyone else. Drucker believed in the removal of underperformers, but he restricted this to consistent underperformers (Parmenter, 2010). To expedite GE's transformation, Welch exercised this policy with detachment and ruthlessness (Chen and Zhang, 2011).

Executive compensation was a third area where Welch departed significantly from the teachings of Drucker. Drucker believed that executive compensation was justly associated with corporate productivity (Beatty, 1998). But he further argued that there should be a compensation difference no larger than 30% between top management and staff. (Beatty, 1998). He later liberalized his argument stating that he was comfortable with executive pay at a level approximately 25 times that of the average staff pay (Wartzman, 2008). Nonetheless, he remained quite firm in his belief against the financial benefits derived from layoffs labeling them morally and socially unforgiveable (Kelly and Schwartz, 1996).

Top performers at GE were richly rewarded under Welch. Liberal bonuses and stock awards were expanded to more than 27,000 workers and more than 800 staff members below the level of senior management received stock in excess of \$1 million each (Byrne, 1998). Contrary to Drucker's view on executive compensation, however, Welch was even more generous with himself. He was reportedly awarded more than \$86 million in compensation in a single year (United for a Fair Economy, 1999), and he retired with a severance package worth more than \$400 million, the largest in corporate history at the time, and among the largest of all time even today (Flannery, 2012).

### **4.3 Welch's influence on Goleman**

Although Welch led a dramatic transformation at GE, we believe his legacy is much broader. He built on the leadership theories of Drucker and adjusted them to better fit his needs, and eventually gave them back to the world completely refreshed. Welch also exuded self-awareness, self-regulation, motivation, empathy, and social skill in his workplace, which are Daniel Goleman's five competencies of emotional intelligence. We believe that this implementation is the next domino in leadership theory and we will now examine the connection between Welch and Goleman.

#### **4.3.1 Self-Awareness**

Welch had a strong personality, persuasiveness, creativity, and great confidence (Silva, 2014). He believed in simplicity which required self-awareness and self-confidence (Welch, 2012). He often spoke of physically feeling emotions in his gut.

"Your own gut tells you how to see your way through the clutter, and then you can use that to express it in a way where it will hit someone else right in the gut" (MacMillan Audio, 2012, 1:30). In this expression, Welch was establishing an emotional component of leadership. He believed that emotional intelligence is the most important factor in the making of a leader (Welch, 2004), and that a lack of emotional intelligence was a contributing factor to lousy leadership (Welch, 2013).

Self-awareness also includes the ability to recognize one's own strengths and weaknesses, and to delegate accordingly. Welch was very skilled at recognizing and delegating tasks according to his own strengths and weaknesses (Drucker, 2004). He recognized the inability of the individual to grasp all perspectives; it requires a team (Krames, 2003). We believe Welch clearly personified many of the hallmarks of what would later be described as self-awareness in Goleman's work on emotional intelligence.

#### **4.3.2 Self-Regulation**

Being comfortable with ambiguity and change is one of the hallmarks of self-regulation (Goleman, 2011). Welch embraced change and actively encouraged it throughout his tenure (Krames, 2003). Change is constant, positive, and it presents opportunities (Krames, 2003). Welch thought change must always be welcomed and he held this in mind when restructuring GE (Murray, 2001).

"Learning to love change is an unnatural act... We strive every day to always have everyone in the organization see change as a thrilling, energizing phenomenon, relished by all, because it is the oxygen of our growth." (GE, 2000, p. 4). Welch encouraged change throughout the organization and harnessed its power to transform and release emotional energy (Slater, 2003).

#### **4.3.3 Motivation**

Welch enthusiastically loved his work with GE describing it as "the best job God ever created. Every day is a whole new event. You're not dealing with products as much here as you're dealing with people. It's a kick" (Byrne, 1998, "End Game," para. 4). Welch ran GE with an unbridled passion and believed strongly in the power of people. He shared his incredible energy through an infectious enthusiasm (Krames, 2005). He held high regard for others who had passion and a desire to achieve (Welch and Byrne, 2001) and he always exhibited an energetic positivity uncommon in corporate executives of the day. Welch innately understood that limitless energy motivates others and is the cornerstone characteristic of a great leader (Krames, 2005).

#### **4.3.4 Empathy**

To some, Welch is regarded as one of the best management communicators in the world (Murray, 2001) and improved communication was one of his highest goals. He knew it would improve everything from innovation to morale to profits. Welch essentially identified twelve characteristics of an authentic leader, one of which was empathy (Krames, 2005). He understood that empathy is a prerequisite for good communication, and that listening is a prerequisite for empathy (Krames, 2005). Frequent hand-written notes, informality, clarity, and simplicity made Welch an excellent communicator. Drucker observed Welch and was impressed with his humility and his ability to actively listen and connect with people which has been said to be facilitated by his capacity for empathy (Parmenter, 2010). Goleman centered much of his work on empathy and specifically identified it as the root of rapport with others (Goleman, 2000) and as a key to self-awareness and effective communication (Goleman, 2014).

#### 4.3.5 Social Skill

Welch was a proponent of celebrating victories and achievements of staff members. (Parmenter, 2010). He purposefully designed his Council Executive Council, a quarterly gathering of his top 30 executives, as a loose, informal social event (Byrne, 1998). "Going to a CEC meeting for me is like going to a fraternity party and hanging around friends... If you like business, sitting in that room with all these different businesses, all coming up with new ideas, is just a knockout" (Byrne, 1998, "The Promise," para. 8).

Welch celebrated anything anytime and he encouraged all his managers to celebrate small victories as often as possible (Welch and Byrne, 2001). Celebrations excite people and motivate them; they help managers take great people and make them unbelievable (Vollmer, 2005). He believed that celebrations at work create energy and help people visualize success. (Newsweek, 2005).

Energy and passion emphasized Welch's playful sociability, and clearly, Welch had a ball as CEO. He described it as wild fun, outrageous and crazy, passion, and perpetual motion (Welch and Byrne, 2001). He thrived on give-and-take, late night meetings, and incredible friendships (Welch and Byrne, 2001). He loved being a part of a real-life game where he had the opportunity to take lots of swings and hit a few home runs. (Welch and Byrne, 2001).

#### 4.4 Goleman's Inconsistencies with Welch

Welch may have embodied specific emotional intelligence traits, but his ability to influence, motivate, and inspire his subordinates to operate with human value or emotional intelligence is highly contested especially at the start of his CEO tenure. Jack Welch was well-known as "Neutron Jack" for his reputation as a bully (Murray, 2001), and Bob Wright, head of NBC and a close friend of Welch, unflatteringly referred to him as a guerrilla fighter (Murray, 2001). This reputation clashes with many of Goleman's key competencies for emotional intelligence, specifically empathy and social skill. Welch may have been aware of this nickname, yet he was not moved to self-reflect or self-regulate to this emotional response which was spread to his company culture. We admit this is inconsistent with Goleman.

Welch's attention to human value, coaching, and development was not demonstrated consistently. Under Welch's leadership style of aggressive goals and restructuring, even his top performers shared the constant fear of job security (Murray, 2001). Welch ruled firmly in the early radical transformation of GE, a method said to be appropriate for the situation (Goleman, Boyatzis, and McKee, 2001). But what received less attention was the emotionally intelligent leadership style he adopted after the restructuring was complete and the rebuilding began, especially when he mobilized people to follow his new vision (Goleman, Boyatzis, and McKee, 2001). "You should measure my success eventually by how well GE does in the next five years. If I did my job right, they won't be saying it was a one-man show" (Murray, 2001, para. 32). Late in his tenure as GE's CEO, Welch strongly emphasized human value, respect, and developing leaders to carry the company forward (Tichy and Charan, 1989). His education initiatives at Crotonville, Work-Outs, and his commitment to team building demonstrate the elevated value he placed on his staff later in his time as CEO (Krames, 2005).

Whether Welch could not operate in an emotionally intelligent manner while under the bureaucratic structure of GE when he first joined as CEO or if he had to grow into a level of emotional intelligence, Welch nonetheless has a legacy full of emotional intelligent leadership examples that have not always mirrored his actions or reputation while at GE, but have been the foundation for his legacy thereafter.

#### 5. Conclusions

Peter Drucker's management and leadership thought helped create the evolution of GE. He laid a foundation for emotional intelligence by admonishing leaders to take charge of their own energy and help orchestrate the energy of others (Bonnet and Westerman, 2014). Welch recognized the power in this reasoning and demonstrated it through his ability to leverage the strengths and compensate for the weaknesses in both himself and his organization; and, he did so with immediacy, clarity, and confidence. These characteristics and actions would later become the embedded into Self-Awareness: The first of Goleman's five emotional intelligence competencies.

As a leader, Welch was not only comfortable with change and ambiguity; he actively pursued it and relished its arrival. Drucker encouraged decentralization, planned abandonment, and entrepreneurial zeal in business, and Welch recognized the quantum leaps that type of agility and change facilitated.

In his book *Winning*, Welch mentions that companies must change before they are made to do so involuntarily (Welch, Welch, and Grasman, 2005). In addition, Welch instilled integrity as GE's number one value. He was always true to himself and his vision; he insisted his company be so as well –and he never closed a meeting without a remark on integrity (Welch and Byrne, 2001). We feel that Goleman learned from these examples and rolled them into Self-Regulation: His second component of Emotional Intelligence.

Welch knew the value of motivation. His notes to workers, generous financial rewards, and celebrations of small victories drove his organization to achieve. His infectious passion, energy, and the love of his work also energized his organization. Drucker made a profound impact on Welch early in his career when he asked the very simple question, *would you enter this business today* (Slater and Welch, 1999). From this, Welch learned to channel the energy of his company to only the most worthy pursuits. Motivation and passion later became Goleman's third component of emotional intelligence.

Drucker counseled Welch to treat workers as assets and not liabilities. Welch believed that recruiting and developing staff was critical to long-term success, and through his education and mentorship initiatives, GE became renowned as a preeminent learning organization. Crotonville often competed with Harvard for the top researchers and instructors (Tichy, 1989). The fourth component of Goleman's emotional intelligence is empathy, or the ability to attract, connect with, and develop others.

Drucker was a proponent of strengthening soft skills in business and believed it is more effective to build teams around strengths rather than job descriptions. Welch expended significant resources to eliminate barriers to communication, to facilitate a level of informality that would yield better camaraderie, and to build cross-disciplinary teams that would speed innovation. Goleman gathered these concepts together in his fifth component of emotional intelligence: Social Skill.

The work of Daniel Goleman on emotional intelligence has had a significant influence on leadership studies. It represents an emerging popular acceptance of behavioral and brain science as an integral part of the field, but the origins of his leadership components may be traced back to previous practitioners and theorists. Peter Drucker first started the coalescence of leadership theories in the 1940s and 1950s. Jack Welch ground these theories down and reshaped them in the 1980s and 1990s into a practical form. Daniel Goleman significantly revamped them for a new generation by adding the science of human behavior, thus insuring their continued relevance well into the future.

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