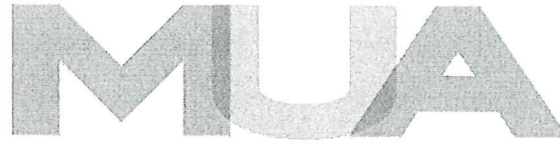


The  
Management  
University  
of Africa



Sponsored by the Kenya Institute of Management

---

**POSTGRADUATE UNIVERSITY EXAMINATIONS**  
**SCHOOL OF MANAGEMENT AND LEADERSHIP**  
**DEGREE OF DOCTOR OF PHILOSOPHY IN MANAGEMENT AND**  
**LEADERSHIP**

**DML 901: THEORIES OF MANAGEMENT AND LEADERSHIP**

**DATE: 8<sup>TH</sup> AUGUST 2024**

**DURATION: 3 HOURS**

**MAXIMUM MARKS: 50**

**INSTRUCTIONS:**

1. Write your registration number on the answer booklet.
2. **DO NOT** write on this question paper.
3. This paper contains **FOUR (4)** questions.
4. Question **ONE** is compulsory.
5. Answer any other **TWO** questions.
6. Question **ONE** carries **30 MARKS** and the rest carry **10 MARKS** each.
7. Write all your answers in the Examination answer booklet provided.

**QUESTION ONE**

**Read the Case Study below carefully and answer the questions that follow:**

**Case study of Jack Welch: Leadership that creates Innovation.**

When Jack Welch became CEO of General Electric in 1981, he was only the 11th CEO the company had seen in its 120 years of existence. Although GE was a \$13 billion a year company, it began showing signs of necessary change as it had reached the stage between maturity and decline. After 20 years at the helm, Jack Welch had turned General Electric (GE) into one of the world's most successful companies. Welch increased GE's market value from \$13 billion to over \$300 billion in 2001. He guided the once struggling company to what was then the biggest corporation in the entire world as well as the most profitable. Through the use of goal setting, empowerment, and communication Welch transformed the gigantic and complacent company into an energized multi-national organization ready to face world competition. Through an analysis of the techniques employed by Welch, one can gain a better understanding of how to motivate outstanding performance in any organization.

In 1981, the industry environment in which GE was involved was in a downward spiral. GE was also suffering from low productivity growth (1%-2%) as well as a lack of innovations. Another issue facing Welch as he took control was that the company was still organized as it had been when GE was founded near the turn of the century. GE was suffering from a lack of strong leadership and the existence of too much bureaucracy. As Welch took over, he found that structure and struggle to change made it impossible to perceive an effective environmental change when change was necessary to remain an industry leader. In fact, if GE's massive cost structure was not dramatically restructured, analysts projected that GE would become unprofitable by the end of 1982. When Welch took over as CEO, he quickly identified several major areas that were in need of his immediate attention.

The first problem he identified was that the organizational structure was represented by an overwhelming nine layers of management between the shop floor and the CEO. This led to an unresponsive, inward focused company that's employees found great difficulty in communicating with one another. At the same time, the numerous layers of middle management gave employees comfort. The company was divided into 150 units. Welch saw this and believed that GE was overly diversified. They were simply involved in too many different ventures. GE was a financially strong company, but its growth rate was close to the companies GNP (Gross National Product).

From his previous years of experience with GE, Welch also knew that there were issues involving the employees. Once he took control, he worked on establishing a number of change management processes to combat the problems that the company faced with isolation, low morale, and negative attitudes toward the workplace. Welch knew that the company was too large to fail, yet GE was too unwieldy to adapt for further growth. Welch's grand scheme in reinventing General Electric involved two separate phases. These phases were referred to as the "hardware" and "software" phases. Over the next five years, General Electric under the command of Welch would go through some extensive changes. In September 1981, in an internal

GE publication, Welch articulated the corporate strategy that each division would be number one or number two in their industry, and that GE would remain lean, agile and able to respond to changes in its environment. Welch's early priorities would be extensive restructuring of General Electric's infrastructure. Welch began selling those business in GE's portfolio that faced no potential return in the future and retained and added some with the potential to be number one or number two in that industry. This could bring GE's operation into economies of scale and then lock out the potential competitors. During the 80's, GE had bought 338 businesses and product lines for \$11.1 billion and sold 232 for \$5.9 billion during the 1980s. Among his most noble feats was restructuring the company's 350 businesses into twelve divisions of the company and reducing the management structure from twenty-nine levels to only six. By 1989, 12 out of 14 GE units were leading their markets both in the U.S. and abroad.

His first years were also marked by "destaffing", or reduction of the workforce. He did this by removing unnecessary layers of middle management and laying off thousands of employees. By 1984, he had reduced the workforce by almost 100,000 in order to streamline the company and to increase efficiency. Each year he would terminate the bottom 10% of his managers. However, he would reward the top 20% with bonuses and stock options. At the end of 1980, GE had 411,000 employees and by the end of 1985, GE had 299,000 employees. By the late 80s, Welch was confident that that hardware part of his restructuring was almost complete so he wanted to begin focusing on the software phase.

Welch admitted his priorities were changing, "A company can boost productivity by restructuring, removing bureaucracy and downsizing, but it cannot sustain high productivity without cultural change." Welch's approach for this phase focused on three main areas. These areas of focus would include goal setting and competition, empowering employees, and increasing corporate communication. An underlying theme for Jack Welch's tenure as CEO of GE was his use of goal setting to motivate higher levels of achievement throughout the company. Welch set company wide goals, as well as specific performance objectives for individual companies and divisions. He often supplemented his goal setting by creating a sense of competition within the organization, as well as against all competitors. Welch preached a philosophy he called "planful opportunism," whereby GE employees were given an over-reaching stretch-goal and permitted to do whatever it took to reach the target. Welch used this same technique in an effort to improve product quality. This led Welch to introduce GE to Six Sigma, a defect reduction program. Six Sigma is a process, which consists of the rigorous application of statistical tools to improve profits, reduce costs and improve speed. It begins by asking hard questions regarding level of defects, time required to perform operations, and customer expectations. It is a quality control process, which brings robust changes unlike other process. This program relies on teamwork to propel quality to the highest level. GE had been operating at 3.5 sigma, but that was not enough for Welch, he wanted six sigma (nearly twice the national standard). Welch consistently set far-reaching goals in an attempt to move the company in the direction he wanted. While not all goals may be reached, Welch reinforced the notion that advancing towards those goals was still considered success and rewarded managers accordingly. Welch realized that he could motivate higher levels of performance by setting goals that were much higher than the managers would have set for themselves. These "stretch-goals" often caused

the managers to outperform their original targets. Because Welch set such extreme stretch-goals, he needed to incent effort toward these seemingly unattainable targets. He rewarded people by giving bonuses if they made great progress towards the goals, even if they did not reach them. This succeeded in driving people to work beyond their original goals and even if they did not reach the stretch goals Welch often recognized them for superior performance.

When Welch took over GE, he had a vision of creating an organization where people at all levels could be held responsible for their own work, and in the end make decisions for the betterment of their job. The goal was not to control workers, but instead to liberate them. Welch characterized this as creating a boundary-less organization in which empowered employees were self-directed and motivated to reach their goals. Welch addressed this issue by eliminating whole layers of management, consolidating overlapping jobs and business units, and forcing employees at every level to take more responsibility for their own work. In the plant, equipment operators became responsible for the quality of their own work, reducing the need for inspectors. In effect, employees were given the ability to eliminate those aspects of their job that were unproductive and thus unnecessary. An important aspect of this has been the Work-Out. Work-Out had been an empowerment concept greatly favored by Welch. Thousands of GE employees get an opportunity to get together and share their ideas, thoughts and expertise, while building and fostering a more creative and team oriented atmosphere. The Work-Out encourages communication and accountability with the ultimate goal being to drive above average team performance. By providing each team member with the opportunity to contribute his ideas to the decision making process, Welch hoped to stimulate individuals to constructively challenge their bosses and promote a more motivated workplace. All Work-Outs included follow-up meetings where previous commitments were discussed and accountability was enforced. Employees received the satisfaction of being able to air their concerns, while the company has greatly benefited from insights shared. Under Welch, GE began to realize that human beings are not machines and that each person has the potential to enhance productivity. Knowing how to use this resource cannot only give the company a competitive edge, it can make each employee feel more important in the production process and thus more motivated. It helped to eliminate vertical and horizontal barriers and forever changed the way people behaved at the company. This process assisted Welch to achieve workable unity within the organization, creating an environment of trust and openness that had not existed before. By empowering people, an organization gives employees the ultimate responsibility for their own work. If they share the company's goals, they do not need much supervision. Costs will be reduced and layers of management will become unnecessary. This can also lead to employees becoming more motivated to perform their jobs optimally, which in turn leads to large productivity improvements and allowing the organization to be able to implement new ideas faster and be more responsive to market changes. "Boundary-less behavior" and the elimination of unnecessary communication filters are the key phrases to describe Jack Welch's attitude towards communication. To facilitate goal setting and empowerment within GE, Welch needed to establish clear lines of communication **in the organization**. **He realized that employees** come to GE with many different experiences and backgrounds. He did not want to take away from the benefit of those various backgrounds, as much as reshape them with GE philosophies. One of his objectives was to motivate people to think outside the

box and challenge the status quo. Open communication channels between Welch and his employees have been an important tool in this regard. These channels work in both directions, giving employees the ability to air their concerns and work towards a consensus for action. He encourages direct communication with employees, including he, himself having face-to-face meetings with subordinates as often as possible and participating in the Work-Out.

Welch himself was characterized as impatient, blunt and ill tempered towards his dependent and would strive to build self-confidence in his managers, but his communication style would often cause people to lose self-confidence instead. Open communication channels work well when they are used to motivate performance and increase employee morale, but when they are used to intimidate they will have the opposite effect, causing low self-esteem. This "brashness" has also contributed to the criticism over the years for an apparent lack of compassion for the middle class and working class. Some industry analysts claim that Welch is given too much credit for GE's success. They contend that individual managers are largely responsible for the company's success. Jack Welch changed his management style based on the needs of GE during a particular time. He was Neutron Jack when he needed to be. GE was sluggish and slow, layered with cumbersome management, and needed to "trim the fat" and make middle management less of a burden. We may have taken less of a hardnosed approach by providing benefits and education opportunities to employees that were let go to ease the burden on the families, especially those employees with a number of years at GE. The rationale that Jack used to make decisions was based solely on where the company was, and where it needed to be. He was able to change his management style based on the condition of the company. He needed to be Neutron in the early 80's because the company was fat and sluggish. Middle management needed to be trimmed to save time and money. There was no other choice but to adopt a very directive style and portray a hard attitude.

As GE slimmed, it became apparent that GE needed to be coached and inspired for better productivity and simpler process. Jack was able to adapt his leadership style into that of a coach with a "you can do it" communication style. As GE evolved into the late 90's Jack understood that it was now time for the GE employees to be empowered to share ideas for best practices, and teach back to management tricks of the trade that would take the company to the next level. By implementing the "boundary-less" philosophy, Jack was sending a message to the entire company that employees are valued, have great ideas that they need to share, and they would be rewarded rather than punished for speaking up. This was the last empowering style of leadership that Jack employed before his retirement.

**Source:** <https://www.mbaknol.com/management-case-studies/case-study-of-jack-welch-leadership-that-creates-innovation/>

**Required:**

- a) Evaluate the following statement that was made by Jack Welch: "A company can boost productivity by restructuring, removing bureaucracy

- and downsizing, but it cannot sustain high productivity without cultural change.” (10 marks)
- b) Under Welch, GE began to realize that human beings are not machines and that each person has the potential to enhance productivity. Using an appropriate management theory discuss this phenomenon that was observed at GE. (10 marks)
- c) “Jack Welch changed his management style based on the needs of GE during a particular time”. Analyze this statement using an appropriate management/ leadership theory. (10 marks)

#### QUESTION TWO

- a) Identify and critically analyse Henry Fayol’s principles of scientific management which are meant to be a guide to the practice of management. (5 Marks)
- b) Analyse the critical principles of Max Weber’s bureaucratic approach and explain why it may not be suitable for application in a private sector entity. (5 Marks)

#### QUESTION THREE

- a) Analyse Rost (1993) assertion that leadership is a process of guiding, directing, inspiring, and motivating. (5 Marks)
- b) Critically comment on the relevance of contingency theory of leadership in leading millennials in organisations. (5 Marks)

#### QUESTION FOUR

- a) Using a change management theory, discuss how leaders can successfully manage the change process. (5 marks)
- b) Analyze in details the five insights that formed Peter Drucker’s thought process / philosophy on leadership. (5 marks)