jack

STRAIGHT FROM THE GUT

JACK WELCH

with JOHN A. BYRNE

WARNER BUSINESS BOOKS

Published by Warner Books

An AOL Time Warner Company

In industry, things generally go right about 97 times out of 100. That's between Three and Four Sigma. For example, quality like this means 5,000 incorrect surgical operations per week, 20,000 lost articles of mail per hour, and hundreds of thousands of wrong drug prescriptions filled per year. Not much fun to think about.

By all accounts, Larry made a great pitch to our troops. He demonstrated that Allied got real cost savings—not just "feel good" benefits. Our team loved what he said, and I received positive phone calls from several attendees.

I came back to work and concluded: Larry really loved Six Sigma, the team thought it was right, and I had the survey, which said quality was a problem at GE.

Once everything came together, I went nuts about Six Sigma and launched it.

We put two key guys on it. Gary Reiner, head of corporate initiatives, and Bob Nelson, my longtime financial analyst, ran a cost-benefit analysis. They showed that if GE was running at three to four Sigma, the cost-saving opportunity of raising this quality to Six Sigma was somewhere between $7 billion and $10 billion. This amounted to a huge number, 10 percent to 15 percent of sales.

With that opportunity, it wasn't rocket science for us to decide to take a big swing at Six Sigma.

As with each of our major initiatives, when we decided to go forward, we did so with a vengeance. The first thing we did was appoint Gary Reiner as permanent head of Six Sigma. With his clear thinking and relentless focus, he was the perfect bridge to transmit our passion into the program.

We then brought in Mikel Harry, a former Motorola manager who was running the Six Sigma Academy in Scottsdale, Arizona. If there is a Six Sigma zealot, Harry's the guy. We invited him to our annual officers meeting in Crotonville in October. I canceled our usual golf outing—a symbolic gesture if there ever was one—so that 170 of us could listen to Harry talk about his program.

For four solid hours, he jumped excitedly from one easel to another, writing down all kinds of statistical formulas. I couldn't tell if he was a madman or a visionary. Most of the crowd, including me, didn't understand much of the statistical language.

Nonetheless, Harry's presentation succeeded in capturing our imagination. He had given us enough practical examples to show there was something to this. Most left the session that day somewhat frustrated with our lack of statistical comprehension but excited about the program's possibilities. The discipline from the approach was particularly appealing to the engineers in the room.

I sensed it was a lot more than statistics for engineers, but I didn't have any idea just how much more it would become. The big myth is that Six Sigma is about quality control and statistics. It is that—but it's a helluva lot more. Ultimately, it drives leadership to be better by providing tools to think through tough issues. At Six Sigma's core is an idea that can turn a company inside out, focusing the organization outward on the customer.

We rolled out the Six Sigma program at Boca in January 1996.

"We can wait no longer," I said. "Everyone in this room must lead the quality charge. There can be no spectators on this. What took Motorola ten years, we must do in five—not through shortcuts, but in learning from others."

I thought the short-range financial impact alone would justify the program. Longer-range, I thought it could be even bigger.

In my Boca close, I called Six Sigma the most ambitious undertaking the company had ever taken on. "Quality can truly change GE from one of the great companies to absolutely the greatest company in world business." (Once again, I was going over the top.)

We left Boca that year really psyched to make Six Sigma a big hit. We told the business CEOs to make their best people Six Sigma leaders. That meant taking our people off their existing jobs and giving them two-year project assignments to qualify them for what were called "Black Belts" in Six Sigma terminology.