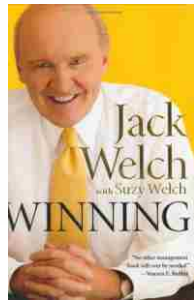




Winning



Author: Jack Welch with Suzy Welch
Publisher: HarperCollins Publishers
Date of Publication: 2005
ISBN: 0-06-075394-3
Number of Pages: 384 pages

■ About the Author



Jack Welch

Mr. Welch, a native of Salem, Massachusetts, received his B.S. degree in chemical engineering from the University of Massachusetts in 1957 and his M.S. and Ph.D. degrees in chemical engineering from the University of Illinois.

He joined GE in 1960 and was elected Vice President in 1972 and Vice Chairman in 1979. In 1981, he became the eighth Chairman and CEO in the Company's 121-year history. He retired in the fall of 2001.

Mr. Welch is a former chairman and a member of both The Business Council and the National Academy of Engineering and is a member of the Business Roundtable.

Visit the website at <http://www.jackwelchwinning.com/>.

■ The Big Idea

Jack Welch has been asked thousands of questions on getting business right. Even after his retirement as Chief Executive Officer of General Electric, his advice - on just about everything from coping with Chinese competition to devising killer business strategies - has been in great demand.

Most of the questions, however, come down to this one: *What does it take to win?*

First and foremost, winning is achievable. You must, however, learn what makes winning *happen*. "Winning" by Jack Welch provides readers with guidelines to follow, rules to consider, assumptions to adopt and mistakes to avoid.

■ Underneath It All

Mission and Values: So Much Hot Air About Something So Real

Mission and values rank among the most overused and yet misunderstood words in business. Often, despite all the effort that goes into the creation of a company's mission and values, the two end up as mere generic words that fail to inspire anyone - or even attract much attention in the first place.

A good mission statement and set of values have to be *real*. The mission must state exactly where the company is headed (or should be headed) and the values must describe the sort of behavior that gets the company there.

The Mission

An effective mission statement basically answers one question: *How do we intend to win in this business?* This is a defining question because it forces companies to delineate strengths and weaknesses to assess where they can profitably operate in the competitive landscape.

Without financial success, all the social goals in the world don't have a chance. This doesn't mean a mission statement can't be bold or aspirational. In fact, those sorts of statements can inspire and motivate people.

At the end of the day, a good mission statement balances the possible and impossible. It gives people the direction to profitability and the feeling that they are part of something big and important. Lastly, the mission must be set by top management as it is a defining moment for the leaders of the company.

The Values

Values must be specific and so descriptive that little is left to the imagination when they are mentioned. Remember that values are the marching orders that get the company moving.

In contrast to the mission, the values must be determined by everyone in the company. It might be messy but it's absolutely necessary. Values are words everyone in the company will have to live by.

Important Points

You must reward people for exhibiting company values and punish others who choose not to live by them.

For a company's mission and vision to truly work together, they have to be mutually reinforcing. This seems obvious, but it can be rather easy to overlook. Keep your eyes peeled.

You will never get anywhere if your mission and values aren't as clearly stated and as real as they should be. Spend the time and energy to make this happen.

Candor: The Biggest Dirty Little Secret in Business

Candor enables everything and everyone to operate faster and better. The lack of candor blocks smart ideas and fast action. If people don't express themselves frankly, they damage operations and the company greatly.

How does candor lead to winning? *First* and foremost it gets more people to interact. As a result, more ideas get discussed. *Second*, it generates speed. When new ideas are brought up they can be debated and acted upon quickly. *Third*, candor cuts costs by eliminating meaningless meetings and nonsensical reports that everyone already knows about.

So why don't we have more of it? It's because candor unnerves people. As children, we were taught to soften bad news or tiptoe around awkward subjects. Speaking your mind can lead to a lot of anger and resentment, so it's easier not to do so.

Candor is obviously very hard to instill in any group, but again, it's something that must exist in any company. Reward and praise publicly those who exhibit candor. You must remember though that showing candor is a genuine risk. In fact, it might even lead to some people losing their jobs. It will, therefore, be better if candor is instilled from the top. Open dialogue, however, can start anywhere.

Candor works because candor unclutters. You do a lot of things for work even if they aren't easy. Candor should be one of them.

Differentiation: Cruel and Darwinian? Try Fair and Effective

Companies win when managers make distinctions between top- and bottom-performing businesses and people. Managers should cull the weak and cultivate the strong. When every business and person is treated equally, companies suffer.

Differentiation is a way to manage people and businesses by allocating resources. Strong businesses or product lines should be invested in more than weak ones. You should use the same principle when dealing with people.

Managers need to assess their employees and treat the top 20% like stars. The middle 70% should be motivated and given adequate training and assistance. The bottom 10% should be let go.

It really is not as cruel as it sounds. Often, those who are let go are able to build successful careers in other industries. Remember that people are happiest and most fulfilled when they are doing something they are good at. In all probability, the 10% just aren't cut out for their current jobs. You must also remember that it is your responsibility to give people feedback on how they are performing.

In some companies, though, this process can be corrupted by favoritism and cronyism. This sort of system won't last and it will collapse under its own weight.

One last thought. If it isn't already obvious, differentiation only really annoys the underperformers.

Voice and Dignity: Every Brain in the Game

Every person in this world yearns for *voice* or the opportunity to speak their minds and have their ideas and opinions heard. In the same way, everyone wants *dignity* or the respect for work and individuality.

Although every person deserves voice and dignity, things are different in the workplace. The ideas and opinions of lower-echelon workers often go unheard. Sometimes, management stifles the voices of the brave few who do speak up. Other times, workers choose not to speak up at all for fear of being censured.

You must find a way to get everyone to speak up. Also, you must build a culture where everyone respects what everybody has to say. This is something every company badly needs.

■ Your Company

Leadership: It's Not About You

When you attain a top position, everything changes. Leadership requires distinct behaviors and attitudes. Prior to your leadership position, your success is all about growing *yourself*. Now that you're a leader, success is all about growing *others*.

There are eight rules of leadership:

1. Leaders relentlessly upgrade their team by *evaluating* (making sure the right people are in the right jobs and moving out those that aren't), *coaching* (helping people improve themselves), and *building self-confidence* (pouring out encouragement and recognition to energize your team).
2. Leaders make sure people not only see the vision but also live and breathe it. You must avoid jargon and keep the vision *simple* and *clear*. It is also best that you talk to *everyone*, not just your subordinates or officemates.
3. Leaders get into everyone's skin, exuding positive energy and optimism. Attitudes filter *down* into an organization. Leaders' attitudes are *catching*.
4. Leaders establish trust with candor, transparency and credit. Be *honest* with everyone in the company. Don't let your position go to your head.
5. Leaders have the courage to make unpopular decisions and gut calls. You're not there to make everyone happy - you're there to *lead*.
6. Leaders probe and push with a curiosity that borders on skepticism, making sure questions are answered with action. Keep asking *questions*, and make sure you raise issues that get *action*.
7. Leaders inspire risk taking and learning by setting examples. If you want your people to experiment and expand their minds, *go first* and let them know you're doing it.

8. Leaders celebrate. *Recognize* your team's achievements and make a big deal out of them.

There are different types of leaders, but what's common among the best of them is an abiding love for their people and a desire to see them grow and succeed.

Hiring: What Winners Are Made Of

Hiring good people is a brutally hard task. Yet, nothing matters more than getting the best people for your company.

There are three **acid tests** you need to conduct before you hire someone:

1. Test for *integrity* - the capacity to tell the truth, keep one's word, take responsibility for one's actions, admit mistakes and fix them.
2. Test for *intelligence* - look for a strong dose of intellectual curiosity.
3. Don't confuse education with intelligence. Instead, test for *maturity* or rather, the ability to withstand stress and setbacks and enjoy success without being arrogant.

You can also apply the **4-E 1-P test**. Look for:

1. *Positive energy* - the ability to thrive on action.
2. *The ability to energize others* - with a deep knowledge of the business and strong persuasion skills.
3. *Edge* - the courage to make tough yes-or-no decisions.
4. *Execute* - the ability to get the job done.
5. *Passion* - a deep heartfelt authentic excitement about work.

Lastly, when hiring senior-level leaders, look for the following characteristics:

1. *Authenticity* - a leader can't make tough decisions without knowing who he is and what he stands for.
2. *The ability to see around corners* - a special capacity to anticipate the radically unexpected, which comes with vision.
3. *The penchant for surrounding themselves with people who're better and smarter than they are* - to help them make the best decisions.
4. *Heavy-duty resilience* - can he learn from his mistakes and get going again?

People Management: You've Got the Right Players, Now What?

When you've got the right players on the field, you need to manage them. Here are six fundamental practices that can help you:

1. *Elevate HR to a position of power and primacy in the organization.* Make sure HR people have what it takes to make managers build leaders and careers. The HR head should be the second most important guy.
2. *Use a rigorous, non-bureaucratic evaluation system.* There should be a clear and simple way to measure people. Managers should evaluate people at least once a year, and should include a developmental component.
3. *Create effective mechanisms (money, recognition, training, etc.) to motivate and retain.* Tightly align good performance with rewards - the better you do, the more you get. Make sure performers are not just praised but also given bonuses.
4. *Face straight into charged relationships.* Manage unions by being firm and stick to your word. Don't let your top 20% turn into egotistical monsters. Learn to manage their egos. Deal with sliders (good performers who've hit a wall) by getting them back in the game quickly or moving them out if they can't. Finally, take disrupters (people who cause trouble for sport) head-on by serving them notice and firing them if they don't improve.
5. *Don't take the middle 70% for granted.* Treat them like the heart and soul of the company. Manage them very attentively and watch for potential stars.
6. *Design the org chart to be as flat as possible, with clear reporting relationships and responsibilities.* Layers add cost and complexity, slow things down and bury businesses in bureaucracy. Never let people get confused about who their superiors are.

Parting Ways: Letting Go Is Hard

Sometimes people have to be let go, for various reasons. And this can be a harrowing experience for both the employee being let go and the manager making the call.

Firings for *integrity violations* are no-brainers. Layoffs due to *economic downturns* are more complicated. They, however, shouldn't be all that surprising as everyone should know how the company's performing and an open-book management should be practiced. Lastly, firings for *nonperformance* are the most complex and delicate sort and thus the hardest. The best way to deal with this is to grit your teeth and just do it.

There are three big mistakes of firing:

1. *Moving too fast* - which disrupts equilibrium of the entire office.
2. *Not using enough candor* - some people are simply unprepared for when they get axed, and can end up causing trouble outside of the company.
3. *Taking too long* - thus creating enormous awkwardness for everyone.

To counteract these, eliminate surprises and minimize humiliation by letting everyone know how they and the company are performing.

Change: Mountains Do Move

Change is an absolutely critical part of business. Companies have to keep changing to stay in the game - let alone win.

Changing successfully comes down to embracing four practices:

1. *Attaching every change initiative to a clear purpose or goal* - change for change's sake is a waste of energy.
2. *Hire and promote only true believers* - true change agents are courageous and forward-looking and not afraid to take chances.
3. *Remove resisters, even those who are performing well* - they waste time at a company whose vision they don't share and lower the morale of those who are for change
4. *Look at car wrecks* - seize every single opportunity, even that from someone else's misfortune.

Crisis Management: From Oh-God-No to Yes-We're-Fine

Crises are tough for everyone, but most especially for leaders. During a crisis, leaders are forced to pull off a balancing act. They have to put a large amount of time and energy into dousing the flames and yet must carry on as if nothing is wrong.

Tight controls, good internal processes and a culture of integrity are important in preventing crises from happening at all. In case they do happen though, the following assumptions should be kept in mind:

1. *The problem is worse than it appears* - the problem is yours to fix so get into a worst-case scenario mindset and start 'digging'.
2. *There are no secrets in the world* - everyone will find out everything, so it's best to expose it yourself.
3. *You and your organization's handling of the crisis will be seen in the worst light* - the only way to go is to define your position before the media does.
4. *There will be changes in processes and people* - something has to change; sometimes, someone has to pay.
5. *The organization will survive and be stronger for what happened* - but only if it learns from the experience.

■ Your Competition

Strategy: It's All in the Sauce

What is strategy but resource allocation? Strip away all the noise and that's what it boils down to. You need to make clear-cut choices on how to compete. Remember, you can't be everything to everybody. When headed in the right direction, strategies don't have to change all that often.

You should think of de-commoditizing. Offer less goods and services. At the same time, offer more distinctive products to make yourself unique and more focused.

Here are three steps you can use to come up with a strategy:

1. Come up with a big 'aha' for your business.
2. Put the right people in the right jobs to drive the big 'aha' forward.
3. Relentlessly seek out the best practices to achieve your big 'aha', whether inside or out, adapt them and continually improve them.

Budgeting: Reinventing the Ritual

Most companies' budgeting processes are awfully ineffective because they bring out some very unproductive behavior - from sandbagging to settling for mediocrity.

The new approach to budgeting is to create an *operating plan* for the next year that contains numbers that are understood to be targets for the company to achieve. An operating plan can change as conditions change, whereas conventional budgets can't. This will make the company infinitely more responsive to market changes.

Organic Growth: So You Want to Start Something New

Organic growth involves starting new from within an established company. It is easier said than done as it requires managers to act against some of their instincts. Furthermore, it's risky and it takes capital away from some established ventures.

Here are three guidelines to make organic growth a winning proposition:

1. *Spend plenty up front and put the best people in leadership roles*
2. *Make an exaggerated commotion about the potential and importance of the new venture.*
3. *Err on the side of freedom and get off the new venture's back.*

If you're the one running the new venture, fight like hell to make it work.

Mergers and Acquisitions: Deal Heat and Other Deadly Sins

Mergers and acquisitions are other paths - non-organic paths - that companies can take to achieve growth. Mergers and acquisitions, however, can feel like death. Everything you've worked for can suddenly be null and void. You might even find yourself with a job.

That said, though, companies should still persist in merging. They're a faster way to profitable growth. Merging increases scope, widens product and customer bases and allows companies to improve their workers.

There are seven merger-related pitfalls to avoid (which happen due to *deal heat* or plain and simple over-excitement):

1. *The belief that a merger of equals can occur* - no one's way gets done if this is the case.
2. *Focusing so intently on strategic fit that cultural fit isn't assessed* - companies often have unique and often very different (sometimes incompatible) ways of doing business.
3. *Entering a 'reverse hostage situation' where the acquirer makes so many concessions that the acquired company calls all the shots afterward* - the buyer can bend over backwards in its haste to buy the other company, sometimes so much so that the other one can end up running the show.
4. *Integrating too timidly* - a good merger should be complete within 90 days.
5. *The conqueror syndrome, where the acquirer marches in and replaces even the managers* this way, getting an influx of new talent becomes impossible.
6. *Paying too much that the premium can never be recouped in the integration.*
7. *Resistance is futile, and can also be fatal* resisting a deal is usually suicidal for a person's career. Be supportive of the tack the company's taking!

Six Sigma: Better than a Trip to the Dentist

Six Sigma is a quality program that improves your customers' experience, lowers your costs and builds better leaders. This is done by reducing waste and inefficiencies. Six Sigma is also achieved by designing products and processes so that consumers get what they want, when they want it and when you said you'd deliver it. A huge part of making your customers *sticky*, or faithful to you, is meeting or exceeding their expectations. Six Sigma helps you do this.

In a nutshell, it's all about removing *variation* from your customer's interaction with you. It can be used to remove the variation in routine, simple tasks and can be used to ensure that large complex projects go right the first time.

■ Your Career

The Right Job: Find It and You'll Never Have to Work Again.

How *do* you find the right job? Here are some important points to consider:

Of course money matters - it matters a lot! Come to terms with exactly how much money matters to you and make decisions accordingly.

If you don't enjoy your colleagues on a day-to-day basis, work can be torture. It can be very appealing to take a job where you suspect you'll easily excel at, but any job you take should feel somewhat challenging going in.

You should try to get a job at a company whose reputation is such that you'll be associated with performance and success for the rest of your career. Lots of small companies, though, offer unbeatable experience and exposure.

In the very best job scenario, choose a job where you love the work, or at least something about it - say the customers, the travel, your officemates or just the challenge of the job. If a job doesn't excite you on some level, no matter how much it pays, don't settle.

When going after your first job, live in your own skin and be comfortable there.

If you are stuck in a position you're not happy with, work harder.

If you've been let go, don't let yourself spiral into inertia and despair. Instead, take responsibility for your departure, be confident and optimistic.

Getting Promoted: Sorry, No Shortcuts

How *does* a person get promoted? The rule of thumb is that to get ahead you have to *want* to get ahead. You mainly make your own luck in this department.

Here are some Do's and Don'ts that can help you towards your promotion:

Do's:

Deliver sensational performance, beyond expectations, and expand your job beyond its official boundaries every chance you get.

Manage your relationships with your subordinates as carefully as you manage the one with your boss.

Get on the radar screen by becoming an early champion of your company's major projects or initiatives.

Search out the input of lots of mentors. Remember that some mentors don't always look like mentors.

Have a positive attitude and spread it around.

Don'ts:

Make your boss use political capital in order to champion you. Let your results speak for themselves; be candid and open; don't wear your career goals on your sleeve.

Let setbacks break your stride. Accept them with as much grace as you can and see them as challenges to prove yourself anew.

Hard Spots: That Damn Boss

Everyone's had his or her share of bad bosses. Bad bosses are the sort who grabs the credit, are incompetent, kisses up or kicks down, bullies and humiliates, and so on and so forth.

In any bad boss situation, *you can't let yourself be a victim*. It's completely self-defeating. Remember that it's your problem and you must solve it.

Ask yourself the following questions:

Why is my boss acting like a jerk? Sometimes the answer's a no-brainer (he or she really could be that way). It's an entirely different situation if your boss is impossible towards you and you alone. Could you have done something to earn his or her disapproval? You need to find out.

What's the endgame for my boss? Is your boss staying or going? If your boss produces good results even though he or she is nasty, your boss might not be going anywhere.

What will happen to me if I deliver results and endure? While you're waiting for something to happen, give the job your all. Don't even think of tattling on your boss. 90% of the time, that sort of thing backfires.

Why do I work here anyway? You might need to assess your tradeoffs and ask yourself, "Are they worth it?" If they aren't, just leave gracefully.

Work-Life Balance: Everything You've Always Wanted to Know About Having It All (But Were Afraid to Ask)

Achieving work-life balance is a *process*. You get better at it with experience and observation.

A handful of best practices have emerged, and they are:

1. *Keep your head in whatever game you're at* - Learn to compartmentalize and to focus on what needs doing.
2. *Have the mettle to say no to requests and demands outside your work-life balance plan* - saying no is hard, but if you say yes to everything you'll be awfully off-balance.
3. *Make sure your work-life balance plan doesn't leave you out.*

There really are just a few things you need to know if you want to "have it all". Outside of work, find out what you want from life. At work, find out what your boss wants, and understand that what he or she wants has to come first if you want to get ahead.

Here, There and Everywhere: The Questions That Almost Got Away

On the inevitability of China - Reduce costs drastically, get rid of defects (don't just reduce them!) and exploit the distance between China and other markets. Innovate! Find new niches to compete in. Lastly, realize that China can also be a market, an outsourcing option, and a potential partner - not just a competitor.

On the Norwegian law mandating that half of every corporate board be comprised of women - It's ridiculous not because women directors are incompetent (they certainly aren't), but quotas like that are always anti-competitive.

On Jeff Immelt - Jeff is doing exceptionally well as chairman and CEO of GE, having made significant changes to GE's portfolio and having put enormous emphasis on diversity, among other things.

On the future of the European Union - very good in the long term. An ever-increasing acceptance of capitalism will fuel the steady forward movement of the Union.

On how corporate boards will change because of the Sarbanes-Oxley Act - rules like this are a good thing, but laws themselves will never guarantee good corporate governance. People, culture, processes controls and strong directors are what put compliance in a company.

On how to deal with AIDS in West Africa - Winning companies always help the communities they operate in; that's how good business really works. They build schools, hospitals and in general, give back greatly to the communities that surround them.