



Winning

Jack Welch with Suzy Welch (Harper Collins Publishers 2005)

Jack Welch began his career with the General Electric Company (GE) in 1960, and became CEO in 1981. GE's market capitalization increased by \$400 billion, making it the world's most valuable corporation. His honest, be-the-best style of management became the gold standard in business, with his relentless focus on people, teamwork, and profits.

His nickname at GE was *Neutron Jack*, inspired by the fact that 118,000 people left the payroll in his first five years at the top, including 37,000 working for businesses that were sold. He became known as 'the guy who removed the people but left the buildings standing'.

Jack Welch retired in 2001 and started a new career as Business Guru; he traveled the world and spoke to many professionals: from line workers to MBAs, from project managers to senior executives. His goal is to help everyone who has a passion for success. He was asked thousands of questions, but most came down to this: "What does it take to win in business?" In Welch-speak: "Business is a game, and winning that game is a total blast!"

"Winning in business is great because when companies win, people thrive and grow. There are more jobs and more opportunities everywhere and for everyone. People feel upbeat about the future (...)"

Part 1 UNDERNEATH IT ALL

Welch' business philosophy comes down to the following core values: Candor, Differentiation, and Voice and Dignity for all.

Mission and values

An effective mission statement should be specific, descriptive and aspirational and give an answer to the question "How do we intend to win in this business?".

GE's mission statement:

To be "the most competitive enterprise in the world" by being No. 1 or No. 2 in every market – fixing, selling, or closing every underperforming business that couldn't get there.

Setting the mission is top management's responsibility, values are everyone's business. Values should also be concrete and should be linked to specific behavior (say thank you, communicate daily with your customers, give customers a fair deal etcetera). Values are the 'how' of the mission, the means to the end: winning.

Candor

"Lack of candor basically blocks smart ideas, fast action, and good people contributing all the stuff they've got."



Candor leads to winning in three ways:

1. It gets more people in conversation; more ideas get surfaced, discussed and improved.
2. It generates speed; surface, debate, improve, decide.
3. It cuts costs; cut the crap.

Differentiation

A company has two parts, software and hardware. Software are people, hardware depends. It can be your product lines or business units. Differentiation in software is managing people by separating their level of performance in three categories: top 20 percent, middle 70 percent and the bottom 10 percent. Managers should act on this distinction.

Voice and dignity

Get every voice heard, but let management decide on which ideas or input should be put into practice. GE uses Work-Outs.

Part 2 YOUR COMPANY

Leadership

Leaders should have positive energy — "Your job as leader is to fight the gravitational pull of negativism."

They passionately care about their people, growth & success. They are real people with key words: candor, integrity, comfortable in their own skin, optimistic, humanitarian.

Jack's 8 rules; page 63.

"Leadership happens one day. Before it was about you, now it's about them."

Hiring

Hiring great people is key, and brutally hard. Test: integrity, intelligence, maturity.

The 4E and 1P Framework:

1. Positive Energy
2. Energize Others
3. Edge (courage for tough decisions)
4. Execute (the ability to get the job done)
5. Passion ("juice for life in their veins.")

At senior level it comes down to: authenticity, foresight, willingness to draw on others for advice and resilience.

People Management

1. Make HR matter; HR people should be pastor-parent types and own the special capability to help managers build leaders and careers.
2. Honest and real evaluation systems; let people know how they do.
3. Motivate and retain wisely with money, recognition and training.



4. Face into charged relationships (unions, stars, sliders, and disrupters) without flinching.
5. Treat the middle 70 percent like the heart and soul of the organization.
6. Design a flat organizational chart.

Parting Ways

Firings are a part of business. Handle them right: no surprises, no humiliation.

Change

1. Attach every change initiative to a clear purpose or goal. Communicate a sound rationale for every change.
2. Have the right people on your side. Hire and promote only true believers and get-on-with-it types.
3. Get rid of resisters, even if their performance is satisfactory.
4. Look at car wrecks.

Crisis Management

1. Assume the problem is worse than it appears; own the problem.
2. Assume there are no secrets in the world and that everyone will eventually find out everything.
3. Assume you and your organization's handling of the crisis will be portrayed in the worst possible light.
4. Assume there will be changes in processes and people. Almost no crisis ends without blood on the floor.
5. Assume your organization will survive, ultimately stronger for what happened.

Part 3 YOUR COMPETITION

Strategy

Strategy is a living, breathing, totally dynamic game. It's fun—and fast. And it's alive. In real life, strategy is actually very straightforward. You pick a general direction and implement like hell.

1. Come up with a big aha for your business—a smart, realistic, relatively fast way to gain a sustainable competitive advantage.
2. put the right people in the right jobs to drive the big aha forward.
3. Seek out the best practices to achieve your big aha, whether inside or out, adapt them, and continually improve them.

Strategy, then, is simply finding the big aha, setting a broad direction, putting the right people behind it and work like crazy to execute better than everybody else and improve every day.

1. What the Playing Field Looks Like Now
2. What the competition has been up to
3. What you've been up to
4. What's around the corner
5. What's your winning move

Budgeting

Welch thinks the budgeting process at most companies is the most ineffective practice in management: "It sucks the energy, time, fun, and big dreams out of an organization."

Two killing approaches are the norm:

1. The Negotiated Settlement
People in the field set targets as low as possible, senior management wants the opposite.
2. The Phony Smile
People in the field come up with a budget plan, senior management listens and 'smiles', but in fact they already know how they are going to allocate the companies investment money. Management states their budget decision; people are angry and loose commitment and excitement about their initial plans.

Budgeting to the strategic planning process raises two questions:

1. How can we beat last year's performance?
2. What is our competition doing, and how can we beat them?

If these questions are the focus point, the budgeting process becomes a wide-ranging, anything goes dialogue between the field and headquarters about opportunities and obstacles in the real world. Both sides of the table come up with a growth scenario that is not negotiated or imposed and cannot be called a budget at all.

Organic growth

Launching a new product line or service or move into a new global market, requires managers to act against their instincts.

Three common mistakes:

1. Not enough resources, especially on the people front, for start-up ventures.
2. Not enough noise around the promise and importance of the start-up.
3. Not enough autonomy for the start-up venture.

"Legendary entrepreneurs like Henry Ford, Dave Packard, and Bill Gates are undeniably examples of the excitement and glory of starting something new from scratch and watching it grow to astonishing proportions. But in each of your companies, opportunities of every size and variety await" (page 216)

As always, Welch advocates embracing change and rejecting the role of victim. "And change," he writes, "is what China demands of us now."

M&A

"Mergers mean change and are a necessary part of business. They have the potential to deliver profitable growth and put you in a new and existing strategic position at a speed that organic growth just cannot match. All in all, successful mergers create a dynamic where $1 + 1 = 3$, catapulting a company's competitiveness literally overnight. You just have to do it right. And: don't let the deal heat get to you."



Seven pitfalls:

1. Do not believe in a merger of equals (MOE).
2. Do not focus on a strategic fit too much and forget to assess the cultural fit.
3. Do not enter into a 'reverse hostage situation' (the acquirer makes up so many concessions, that the acquired calls all the shots afterward).
4. Do not integrate too timidly (within 90 days).
5. Avoid the conqueror syndrome (acquiring company marches in and takes over).
6. Do not pay too much.
7. Do not resist (if you are part of the acquired company), it is suicidal to your career.

"If ninety days have passed after the deal is closed and people are still debating important matters of strategy and culture, you've been too timid. It's time to act."

Six Sigma

Six Sigma is a quality program that improves your customers' experience, lower your costs, and builds better leaders by reducing waste and inefficiency and by designing a company's products and internal processes so that customers get what they want, when they want it, and when you promised it. It was adopted by GE in 1995. Welch believes it is one of the greatest management innovations of the past quarter.

Two applications:

1. Remove variation in routine, relative simple, repetitive tasks/processes
2. Make large, complex projects go right the first time (like product design)

Part 4 YOUR CAREER

Finding the right job

"There is nothing less appealing then an applicant with a so-so record overselling himself with a lot of bravado or overeagerness. It's so phony and an experienced managers can smell the fakery a mile away." Instead: "Tell your true story." And: "Authenticity may be the best selling point you've got."

How to find a job after you've been let go? "Don't be defensive – and depressed" Start looking for a new job straight away and stay socially active. Don't blame anyone but yourself and tell interviewers what you've learned from this experience. "Be not afraid to ask; just give me a chance. Someone will."

Getting promoted

Business is like any game. It has players, a language, a complex history, rules, controversies, and a rhythm. The media covers it all, and from every angle. Welches tip: Read every newspaper and business magazine; pick up what deals work and which deals fail, and why. And use what you read.

Mentors are everywhere.

Be positive. Don't be a downer. Do not complain. When setbacks come, and they will, ride them out with your head up.



Work-Life Balance

Quote: In my time (1960's and '70s), "it was assumed that wives stayed at home to make everything run smoothly."

In the '80s and early '90s that started to change and the work-life balance became a subject. Even more so after his retirement in 2001. Welch is no expert, since he simply did not practice that balance, but handled a lot of w-l balance issues and knows how bosses think about it, whether they are frank about it or not.

1. Your bosses top prio is competitiveness: "If he is doing the right job, your job is so exciting your private life becomes a less compelling draw"
2. You can have the balance **if** you earned it. You have to earn it and that process takes time.
3. It's in the brochure for recruiting purposes
4. People that continually struggle with w-l balance, are perceived as being uncommitted or incompetent.
5. Even the most accommodating boss believes that w-l balance is your problem to solve.

"Every time you think about your w-l balance issue, remember what your boss is thinking about-and that's winning."

Best Practices:

1. Keep your head in whatever game you're at. Compartmentalize.
2. Have the mettle to say no to the requests and demands outside your chosen work-life balance plan. Saying no is incredibly liberating.
3. Make sure your w-l balance doesn't leave you out.

Outside your work, clarify what you want from life. At work clarify what your boss wants, and understand that, if you want to get ahead, what he or she wants comes first. Achieving w-l balance is a process. Getting it right is iterative.

Part 5 TYING UP LOOSE ENDS

Welch answers various questions that he thinks are relevant but didn't fit into one of the previous chapters:

1. How can we compete with China?
2. What are your thoughts on gender differentiation/quotas in management boards?
3. How did you pick your successor?
4. What's the future of the European Union?
5. How do you think corporate boards will change because of the SarbanesOxley Act?
6. How do I deal with a workforce in West Africa of which 40% has AIDS?
7. Do you think you will go to heaven?