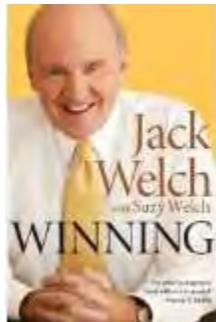


Winning by Jack Welch - A Money Book Summary

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Fortune called Jack Welch “manager of the century.” *Businessweek* called him “an icon of American business.” Warren Buffett says of *Winning*: “No other management book will ever be needed.”

That’s some hefty praise from high places. Several reasons the book is so great.

First, it’s based on stuff that’s been applied in the trenches. Welch worked for GE forty years, climbing his way through the ranks until he led as chairman and CEO. Under his leadership, the corporate giant surged forward in both profits and global dominance.

Second, it’s written clearly and simply, no MBA required. Each chapter is organized for optimum retention: “Tell them what you’re gonna tell them. Tell them. Tell them what you told them.”

Third, it’s contagiously exciting. This guy loves to win and shows the rest of us how he and a multitude of others have won.

Fourth, it’s not filled with “the same old stuff”. Even the principles you’ve heard before are presented through his own interesting experiences.

Fifth, Welch traveled the world in his retirement, doing over 150 question and answer sessions with groups of thirty to five thousand. Attendees could blast him with any questions they wanted to. This gave him time to sift through what he learned in a lifetime of experience, reflect on what worked, and put solutions in succinct and memorable ways. In his mind, all the questions were all basically about how to win. Thanks, Jack Welch, for putting your answers in a book.

Here are some of my takeaways:

1. Competition is fun! Enjoy it!

2. Mission and Values

How do you plan on winning at this business? Answer that question, and you have your **mission**.

Values are the behaviors you plan to exhibit in achieving your mission.

In order to make your mission and values actually impact your organization, you’ve got to reward those who practice them and punish those who don’t. Many people were fired from GE because they didn’t fit with GE’s mission and values. (pp. 20,21)

Favorite Quote:

“...integrity is just a ticket to the game. If you don’t have it in your bones, you shouldn’t be allowed on the field.” (p. 14)

3. Candor

In order to get ahead, you need great ideas - **lots** of great ideas. To get the best ideas, turn your business into an idea machine. Nurture a constant flow of ideas from every level of your organization – not just your top managers. The only way to foster such idea-sharing is to develop a culture of candor, where people aren’t afraid to speak their minds. Reward them for their candor, even if it makes themselves and others – yes, **you** - look bad.

Favorite Quote:

“...I would call lack of candor the biggest dirty little secret in business.” (p. 25)

4. Differentiation

In professional sports, athletes who perform best are rewarded lavishly. Those who don’t play well are paid the minimum salary and eventually fired. Businesses should operate the same way. It may seem cruel and Darwinian, but in the long run, people are happier doing what they’re good at. If they’re not

excelling, you're ultimately doing them a favor by moving them out of an environment where they know they're a drag on the organization. They'd be happier some place else.

5. Work-Outs

The problem: management gets ideas from only a few vocal people. The vast majority are either scared to speak up or feel they have no right to speak up because they haven't been asked. A "Work-Out" is a way to get these untapped ideas flowing.

Groups of thirty to a hundred gather, led by an outside facilitator. The boss shows up at the beginning, explaining what they will be doing and promising that he/she will give "an on-the-spot yes or no to 75 % of the recommendations" and to "resolve the remaining 25 percent within thirty days." Then, the boss disappears in order to not stifle discussion, leaving the meeting in the hands in the facilitator. The boss returns at the end of the meeting to hear the recommendations and make decisions. "...Work-Outs led to an explosion in productivity. They brought every brain into the game." (p. 56)

Favorite Quote:

"For twenty-five years, you paid for my hands when you could have had my brain as well – for nothing." (A middle-aged appliance worker at a Work-Out) (p. 56)

6. Leadership

Welch lays out eight rules of leadership which always worked.

Rule #1 - Relentlessly upgrade your team. In every encounter with them, "evaluate, coach, and build self-confidence."

Rule #2 - Instill the vision.

Rule #3 - Spread energy and optimism.

Rule #4 - Establish trust by being candid, transparent and giving credit where it's due.

Rule #5 - Make the unpopular decisions.

Rule #6 - Probe and push. Make sure your "questions are answered with action."

Rule #7 - Inspire risk-taking and learning by doing both yourself.

Rule #8 - Celebrate!

When Welch speaks to groups, he often asks the question, "Do you celebrate enough?" The response? "...almost no one raises a hand." (p. 78)

7. Hiring

First, candidates should pass three screens:

Screen #1: Do they have integrity – telling the truth and keeping their word.

Screen #2: Are they intelligent – having enough curiosity and "breadth of knowledge" to lead other smart people.

Screen #3: Are they mature – able to handle stress and setbacks, respect other's emotions, be confident without being arrogant and have a sense of humor.

Second, look for four E's and a P.

Positive Energy - thriving on action, relishing change, making friends easily, loving work, play and life.

Can Energize Others - "It takes a deep knowledge of your business and strong persuasion skills...."

Has Edge - the ability to make tough decisions, even when all the information isn't in.

Can Execute - to take the decision and make it happen, overcoming all obstacles to complete the task.

Passion - They're excited about their work, learning and growing, and helping those around them win.

On hiring a senior level leader. Four additional traits:

Authenticity - bold and decisive, yet real and likeable – not phony, not playing a part that's not them.

"The ability to see around corners" - a visionary who can see the future and anticipate what most don't expect.

A knack for surrounding themselves with people smarter than themselves.

"Heavy-Duty Resilience" - someone who's been knocked down and beat up badly, but bounced back to run even harder.

The number one question to probe in an interview:

"...why the candidate left his previous job, and the one before that." This "tells you more about them than almost any other piece of data." (p. 96)

8. Managing People

1. Give HR (Human Resources) "power and primacy." Who are the best HR types? "Pastors and parents in the same package."
2. Rigorously evaluate with a proven system.
3. Motivate and retain with money, recognition and training.
4. Confront difficult people issues, from trouble-makers to big-headed stars, with candor and action.
5. Spend half of your time evaluating and coaching the middle 70 percent – those who are neither disrupting nor shining.
6. Have as flat an organizational chart as possible. The more layers, the more vices. Everyone should be crystal clear on who they report to and what their responsibilities are.

9. On Firing and Layoffs

Abide by two controlling principles:

1 – Nobody should be surprised when they are let go. Employees should be informed enough about the nature of their business that they understand who might be laid off in an economic downturn or change in the industry. If they aren't performing well, they should be well aware of this through regular formal and informal reviews. If they can't improve, they should know they will have to move on.

2 – Minimize the humiliation. Encourage him that there's a better job out there for him, better matched to his temperament and skills. Help him move toward that next job.

10. Deal With Change

In this era of change, you change or die. Here's how to make change more palatable.

1. Make sure everyone in your company knows *why* you're changing.
2. Hire and promote only those who deal well with change. Many will call themselves "change agents," but you know the real deal when you discover someone who reacts fearlessly in the face of the unknown.
3. Get rid of those who resist change.
4. Seize opportunities, even if they're brought about by someone's misfortune. Buy real estate when prices plummet. Be there when a company fails, to see if pieces can be bought up at a bargain price. Purchase undervalued companies in a country that's going through recession. It takes a strong stomach to ignore the nay sayers; but it can lead to great profits.

11. Crisis Management

To handle a crisis, make the following assumptions:

- It's worse than you first imagined.

- · Everyone will eventually find out everything.
- · The media will portray you in the worst possible light.
- · As a result, processes and people must change. Blood will be on the floor.
- · You will survive, smarter and stronger.

12. Strategy

“In real life, strategy is actually very straightforward. You pick a general direction and implement like hell.” (p. 165)

“If you want to win, when it comes to strategy, ponder less and do more.” (p. 166)

First, come up with a “Big Aha” - a way to gain a “sustainable competitive advantage.” It’s an idea, an insight on how to win. It could be developing a new product, or making an old product unique.

Second, put together the team that can make it happen.

Third, “relentlessly seek out” the best ways to achieve your “Big Aha,” leaving no stone unturned. Look both inside and outside of your company. Be “boundaryless,” having “an obsession with finding a better way – or a better idea – whether its source is a colleague, another GE business, or another company across the street or on the other side of the globe.” (p. 185) Adopt, adapt and continually improve upon them. Exhibit an “unyielding emphasis on continual improvement.” (p. 167)

14. Budgeting

“...the budgeting process at most companies has to be the most ineffective practice in management.” (p. 189)

Traditionally, companies either budget with a *negotiated settlement* or a *phony smile*.

In the *negotiated settlement*, a business or division comes to the senior management complaining about barriers to growth and say they’ll be doing well to beat 6 percent growth next year. The management thinks more optimistically and argues that they can deliver 12 percent. They wrangle for awhile and finally settle on a goal of 9%. All act disappointed with their compromises at the meeting but go home giving high fives that they got what they wanted: management can get enough growth from the division to look decent and the division heads feel they can easily meet or surpass their goals and get their bonuses.

In *phony smile* budgeting, the division heads come to the senior management with grand plans, asking for the money to pull off the dreams they feel they can make happen. Management asks some questions and shakes hands smiling, but later gives the word that they can only afford to give them one half what they ask for. Demoralized, the division leaders divvy up the money a little here and a little there, rather than put it where it could be used for the biggest gains.

Welch took GE from those types of budgets to budgets that answer two questions:

“How can we beat last year’s performance?”

“What is our competition doing, and how can we beat them?”

Look at obstacles and opportunities in the real world. Allocating resources becomes more of an operating plan than a budget. You might need to reallocate resources mid-way through the year because of new opportunities or new competition. One division might be rewarded for growing at only 6% but beating the competition in a difficult environment, whereas another division grew by 15%, but may not get rewarded as much since they didn’t take full advantage of a growth opportunity. This encourages divisions to set “stretch goals” rather than be limited to “meeting their budgeted goals.”

15. Start-Ups

First, put your best people at the helm and give them plenty of resources to make it happen.

Second, encourage it with much fanfare from the top.

Third, get off their backs and give them the freedom to make their own decisions.

16. Mergers and Acquisitions

During his career at GE, Welch was involved with over one thousand mergers and acquisitions. Here he warns of seven pitfalls to avoid.

17. Quality Improvement

GE adopted the quality improvement program Six Sigma in 1995. He believes that it is tops in improving efficiency and productivity, lowering costs, reducing defects, building customer loyalty and building great leaders.

16. Find the Right Job

“Every time I ask successful people about their first few jobs, the immediate reaction is almost always laughter.” p. 255

First, get a job and learn something about yourself. What do you like or dislike about it? What are you good at and bad at?

Second, get another job that’s more in line with the strengths and desires you discovered in your last job.

Third, repeat the process until you find yourself in a job you love.

Even then, there will be trade-offs. Maybe there’s a person you have to work around that you don’t like. Perhaps the boss has irritating quirks. Don’t expect to find an absolutely perfect job in an imperfect world.

Here are some signals to look for when you’re exploring a potential job:

Signal #1: You like the people there – they’re your type.

Signal #2: You’ll get the opportunity to learn and grow.

Signal #3: You’ll get credentials that will help you move forward in a healthy industry.

Signal #4: It’s your own decision – not something your parents or spouse are pushing you into.

Signal #5: The work itself is fun, meaningful and rewarding.

Random advice on finding a job:

If you’re looking for a new job, don’t quit your old one. People would much rather hire a person who’s presently working. And while you’re working, work hard. “Nothing will get you a new job faster than terrific performance in your old one.” (p. 271)

17. How to Get Promoted.

Do more than you’re asked. Perform beyond all expectations. If you can, expand your job in such a way that your boss and colleagues all look better.

Manage those below you in such a way that when they’re asked about you, they’ll say that you are fair, you care and you were willing to show tough love.

Help the leadership to champion new initiatives.

Find the right mentors. Some may be mentors for weeks, others for years. Some may be older, others younger. Some bosses, some subordinates. Welch had dozens of informal mentors throughout his career.

Learn from the business media. Welch learned tons about business throughout his career by devouring every business magazine and newspaper he could get his hands on.

Be positive and fun, not a negative bore.

Don’t buck the company values.

18. How to Deal With a Bad Boss

Ask yourself why he’s acting like a jerk. For example, is he a jerk to everyone, or just to me?

Most workers overrate their job performance and how well-liked they are among colleagues. Look honestly and objectively at your own attitudes and performance for clues.

Meet privately with your boss to ask him frankly what is wrong. If something surfaces, commit yourself to a plan for improvement.

Nine out of ten times, complaining to the boss's boss will only hurt you.

If the boss will be around for the foreseeable future, ask yourself, "Is it worth it?" If not, seek employment elsewhere. If you stay, you forfeit the right to complain. You're there by choice.

19. On Balancing Life and Career

Your boss may be concerned about your personal life, but he's also concerned about the company winning in a competitive work environment.

Your strong performance at work should grant you a hearing when you ask for accommodations related to your life outside of work.

Hints:

1. Compartmentalize your life. When you're home, be 100% at home. When you're at work, be 100% at work.
2. Once you've set your life priorities, get comfortable saying "no" to things that would take away from those priorities.
3. Don't leave yourself out of your priorities.