

The True Art of Winning in Business

Winning by Jack Welch

1. A Capsule Summary of the Book

The book *Winning* by Jack Welch applies to the business world, and demonstrates the best ways in which an individual can thrive in it. It is a straightforward guide that presents numerous management methods and concepts, from the perspective of Welch, a 40-year veteran with experience in management and leadership. He begins by defining the main ideas of mission and values. Welch suggests they ought to be integrated together through mutual reinforcement. He also discusses the importance of transparency and open communication. This comes into play when ensuring that everyone in an organization speaks up and is respected. Differentiation in managing people is another key to win. In order to win in business, Welch explains leaders must put team development and success over their own needs. Finally, Welch sheds light on the many facets of business that is key to success, whether it be dealing with necessary change, firing nonproductive employees, or reallocating resources. He suggests an implementation of Six Sigma, because of its ability to ensure that an organization can meet and exceed customer expectations.

2. Objective and Target Audience

The author of *Winning*, Jack Welch, has a main objective of providing guidance to readers about surviving and thriving in the business world. Welch suggests the best ways to better manage, maintain, and balance an individual's career. The real-life examples makes it an easy read that any individual can relate to. The book is targeted towards any individual who is starting out his career and wants to maintain a good balance with life. Students can reap benefit by reading this book because it will better prepare them for their futures in the business world. Finally, the book can be beneficial to individuals who are seasoned, already in business, and/or holding leadership or managerial roles.

3. Structures and Content

The book is divided into four sections: Underneath It All, Your Company, Your Competition, Your Career and Tying up Loose Ends. In **Chapter 1 (Mission and Values)**, Welch discusses mission and values, and explains the integration of the relationship between value and mission with business strategy. One learns that a good mission statement should say exactly where the organization is headed and should answer one question: How do we intend to win in this business? This question forces an organization to identify its strengths and weaknesses. The values of an organization must describe the types of behavior that helps the organization achieve its mission. The values should be specific and descriptive. Compared to the mission statement, the values should be determined by everyone in the organization because everyone must adopt and live by them. Finally, in order for an organization's mission and vision to be integrated, both must be mutually reinforced.

In **Chapter 2 (Candor)**, Welch discusses the idea of candor (open communication), "the biggest dirty little secret in business," since it enables everyone to operate and perform faster and better. A lack of candor prevents smart ideas and fast action from occurring. Candor gets more

people to interact which makes ideas discussed and developed. Candor also generates speed, since new ideas are brought up and debated about quickly. Finally, candor cuts costs by eliminating meaningless meetings and unnecessary reports that employees already know. It is difficult to use in organizations since it unnerves people, but it is something that should exist. It is more accepted if instilled from the top with open dialogue.

Chapter 3 (Differentiation) shows that companies are successful when managers make distinctions between top-performing and bottom-performing employees. Differentiation is used to manage people and businesses because it allocates resources. Welch states that differentiation has two parts, software and hardware. Hardware is dependent on the company size; for small companies, hardware translates to product lines. The software aspect encompasses the people. In terms of the “people part,” differentiation requires managers to evaluate employees and separate them into three performance categories: top 20%, middle 70%, and bottom 10%. The top 20% should be treated as stars, receiving “bonuses, stock options, praise, love, training, and a variety of rewards to their pocketbooks and souls.” In terms of the middle 70%, managers need to use differentiation to identify people who can move up and then nurture these people. Managers must understand that everyone in the middle should be motivated to feel as if they belong to the organization. In terms of the bottom 10%, these people should leave the organization for it to be successful. Welch states that differentiation fails at times due to internal corruption, mainly in the form of favoritism and cronyism.

In **Chapter 4 (Voice and Dignity)**, Welch states, “every person in the world wants voice and dignity, and every person deserves them.” Even though every person deserves this in the workplace, this is not always the case. For example, the ideas and opinions of lower-level workers are often unheard by upper management. The key for management is to find a way to get everyone to speak. They must also build a culture where everyone respects each other.

Chapter 5 (Leadership: It’s not just about you) demonstrates that after foundations are setup, an organization needs strong leadership to guide and interpret the company’s mission into actions. Welch outlines rules that usually work, including: leaders upgrading teams by evaluating, coaching, and building self-confidence, making sure people see, live, and breathe the vision, spreading energy and optimism, establishing trust with candor, transparency, and credibility, making unpopular decisions and gut calls, pushing with a curiosity that borders on skepticism, making sure “questions are answered with actions,” inspiring risk taking, and learning by setting examples.

Chapter 6 (Hiring: What Winners are Made of) discusses Welch’s belief that nothing matters more than finding the right people for the organization. There are three acid tests before hiring someone. The first is “test for integrity,” which is the capacity to tell the truth, keep one’s word, take responsibility, admit mistakes, and fix them. The second is “test for intelligence,” in which the leader looks for strong intellectual curiosity. The final is “test for maturity,” in which the leader measures the person’s ability to withstand stress and setbacks and enjoy success without being arrogant. The chapter then discusses the “4-E 1-P test,” in which the leader looks for five traits in potential hires: positive energy, ability to energize others, courage to make tough yes or no decisions, ability to execute a job, and passion. The chapter also highlights the necessary traits of a senior-level leader: authenticity, ability to see around corners, a strong penchant to surround themselves with better and smarter people, and a heavy-duty resilience to learn from mistakes.

In **Chapter 7 (People Management: You’ve got the Right Players. Now What?)**, the author discusses six fundamental practices. The first is that a leader must elevate human

resources to a position of power and primacy in the organization. The second is that leaders should use a rigorous and non-bureaucratic evaluation system. The third practice is to develop effective mechanisms to motivate and retain people. The fourth is to confront difficult people issues with candor and action. The fifth practice is to not take the middle 70% for granted. The final (sixth) practice is that a leader must design the organizational chart to be as flat as possible—the more layers leads to more vices and problems within the organization.

In **Chapter 8 (Parting Ways: Letting go is Hard)**, the author discusses that firing is difficult, but when there are integrity violations in an organization, firings are “no-brainers.” But in times of economic downturns, layoffs are more difficult. The chapter details that the most difficult and complex type of firings is for non-performance, but best way to handle these situations is to be delicate and “just do it.” Three big mistakes when “firing” include: moving too fast, not using enough candor, and “taking too long.” Welch’s belief is that to counteract these mistakes, leaders should eliminate surprises and minimize humiliation by informing everyone about performance. Firings should be controlled by two principles: “nobody should be surprised when they are let go” and leaders should “minimize the humiliation.” A leader should help the employee move on to the next job.

In **Chapter 9 (Change: Mountains Do Move)**, Welch discusses that every organization goes through change, a vital part of business. The chapter states “with all the noise out there about change, it’s easy to get overwhelmed and confused,” but four practices must be adopted to successfully embrace change. The first is “attaching every change initiative to a clear purpose.” The second is that the company should “hire and promote only true believers and get-on-with-it types.” The organization needs “change agents,” who react fearlessly to change. The third is the organization must remove resisters, even those that perform well. The fourth practice is that the top management must seize opportunities, even if they are due to someone’s misfortune.

Chapter 10 (Crisis Management: From Oh-God-No to Yes-We’re-Fine) discusses that crises are difficult, especially for leaders. They must perform a “balancing act,” since they need to spend time controlling the crisis, but also carrying out usual business. To handle different crises, Welch suggests making five assumptions: first, the problem is worse than it appears, second, there are no secrets and everyone will find out everything, so it is the best to expose it yourself, third, the media will portray your handling of the crisis in the worst possible light, so the only way to handle this is to define your organization’s position before the media does, fourth, there will changes in processes and people, and fifth, your organization will survive and grow stronger and smarter from handling the crisis. Some methods to prevent crises include: tight controls, good internal processes, and strong cultural integrity. The organization should create a culture of integrity because there can be no “head fakes or winks.”

Chapter 11 (Strategy: It’s All in the Sauce) shows that strategy is a dynamic and alive game, so that “in real life, strategy is actually very straightforward. You pick a general direction and implement like hell” (Winning, 2005, p.165). If an organization wants to win strategy, it needs to “ponder less and do more.” Any organization should think of “de-commoditizing,” in which they offer less goods and services but at the same time, offer products that make their organization unique and more focused. Welch indicates that to develop strategy, an organization needs to complete three tasks. First, it needs to develop the “big aha” innovation for its business that is realistic. The second is to put the right people in the right jobs in order to push the “big aha” idea in the proper direction. The third task is to persistently seek out the best practices to achieve the “big aha” idea. Welch believes that the organization must display an “unyielding emphasis on continual improvement” (Winning, 2005, p. 167). The author also states five points

to make a strategy real, including: what the playing field looks like now, what the competition has been up to, what you've been up to, what's around the corner, and what your winning move is. The author concludes by indicating that a strategy is merely resource allocation. Any type of strategy is useless unless an organization "brings it to life with people."

In **Chapter 12 (Budgeting: Reinventing the Ritual)**, the author discusses that the budgeting processes in most organizations are the most ineffective practice because they bring out unproductive behavior (Winning, 2005, p. 189). In the traditional environment, organizations tend to budget with a negotiated settlement or a "phony smile." A negotiated settlement is when a business complains to senior management about obstacles to growth. But the management believes the level of performance should be more optimistic; both parties will debate until a middle ground is found. At the end, both parties are satisfied since management got a high enough level of and the heads of the division/business believe they can meet/surpass the agreed upon growth to earn bonuses. In "phony smile" budgeting, the division/business head approaches senior management with a "grand plan," and request funding to pull it off, but senior management questions and "shakes hands smiling." Later, senior management says the organization can only afford to give the division less than what is requested. This causes demoralization and the division leaders allocate the money in smaller areas instead of putting it where it could be used for the biggest potential gains.

Welch believes budgets should answer two questions: How can we beat last year's performance? What is our competition doing, and how can we beat them? The new approach to budgeting is to develop an operating plan for the next year that "contains numbers that are understood to be targets for the company to achieve." An operating plan will allow an organization to be more responsive to market changes. Four practices are recommended for budgeting, including to communicate a detailed rationale for change, have the right people, remove resistant people, and accept opportunities, even when due to someone's misfortune.

Chapter 13 (Organic Growth: So You Want to Start Something New) explains "organic growth," which involves starting new within an organization. Welch proposes three guidelines. The first is that the organization needs to put its best people in leadership roles with sufficient resources up front. The second guideline is that "organic growth" must be supported by the top people. They must have a strong voice about potential and importance of the new venture. The final guideline is to "get off the new venture's back" and provide them with freedom to make their own decisions.

In **Chapter 14 (Mergers and Acquisitions: Deal Heat and Other Deadly Sins)**, mergers and acquisitions are not considered non-organic growth. Welch states that mergers and acquisitions can feel like death, since everything an organization worked towards can suddenly become null. But, organizations should still look to merge with others because it is a fast method for profitable growth. Merging increases scope, widens product and customer bases, and improves workers. Welch warns against seven pitfalls in mergers and acquisitions. They include: that a merger of equals can occur, focusing so intently on strategic fit that cultural fit is not assessed, entering a "reverse hostage situation" where the acquirer makes so many concessions that the other calls all the shots after, integrating too timidly, the conqueror syndrome in which the acquirer marches in and replaces everyone, paying so much that the premium can't be recouped, and resistance, which can be futile and fatal.

Chapter 15 (Six Sigma: Better Than a Trip to the Dentist) explains how Six Sigma is a quality improvement program to improve "customers' experience, lowers your costs, improve efficiency and productivity, builds customer loyalty, and builds better leaders." This program

achieves goals by helping to design products and processes “so that customers get what they want, when they want it and when you said you’d deliver it.” A significant part of making customers loyal is by meeting/exceeding their expectations. Welch indicates that Six Sigma is about removing “variation from your customer’s interaction with you.”

In **Chapter 16 (The Right Job: Find it and You’ll Never Really Work Again)**, Welch discusses that when finding the right job, one must consider the money factor. A sign of a displeasing job is if the person does not enjoy his colleagues on a daily basis. Additionally, it is attractive to take a position where you suspect to easily excel, but Welch recommends that any job one takes should feel somewhat challenging going in. He also recommends that a person finds a company with a positive reputation so that he is associated “with performance and success” for his career. Welch recommends that one should choose a job where he “love[s] the work, or at least something about it.” When a person pursues his first job, he needs to “live in their own skin and be comfortable there.” Welch suggests that a person should first find a job to learn about himself. Secondly, the person should get another job that is more in line with his strengths and goals. The person should repeat this process until he finds the right job.

Welch continues the chapter by explaining that if a person is stuck in an unhappy position, he needs to work harder to find the right position. In the event that “you are let go, do not let yourself spiral into inertia and despair. Instead, take responsibility for your departure, be confident, and optimistic.” Welch believes that people should not expect to find an absolutely perfect job in an imperfect world. But there are signals that a person should be aware of when exploring new opportunities. The first is to like the people working there. The second is you have the opportunity to grow and learn. The third is the position will give you credentials to help you excel. The fourth is the decision is yours. The fifth is meaningful and rewarding work content. Welch’s last bit of advice is that when you search for a new job, don’t quit the old one because companies want to hire someone who is presently working.

Chapter 17 (Getting Promoted: Sorry, No Shortcuts) indicates “do’s and don’ts” that a person needs to be aware of to get a promotion. Welch recommends that one should deliver performance beyond expectations and expand the job beyond its official boundaries so that a boss and colleagues look better. Additionally, one should manage his relationships with subordinates as carefully as he manages it with a boss. One should also help the leaders accomplish new initiatives. One should build relationships with mentors who have valuable input. Finally, one must have a positive attitude and spread it in the organization. In terms of the “Don’ts,” Welch recommends that one should not buck the company’s values. One can “not make the boss use political capital in order to champion you.” One needs to let results speak for themselves, be candid and open, and should not wear career goals on a “sleeve.” Finally, one should accept setbacks with grace and see them as challenges to prove one self.

In **Chapter 18 (Hard Spots: That Damn Boss)**, everyone has a fair share of bad bosses who “grab the credit, are incompetent, kisses up or kisses down, and bullies and humiliates.” Welch indicates that in any bad boss situation, one cannot let themselves be a victim. He states, “remember that it’s your problem and you must solve it.” When dealing with a bad boss, one has to ask “Why is my boss acting like a jerk,” “What’s the end game for my boss,” and “what will happen to me if I deliver results and endure?” He indicates that if you are waiting for something to happen, you must still give the job your all; do not “tattle” on your boss, since 90% of the time, it backfires on you. Welch suggests that one should meet with his boss and ask him frankly, what is wrong? If something is wrong, then one should commit to a plan for improvement.

In **Chapter 19 (Work-Life Balance: Everything you’ve Always Wanted to Know)**

About Having It), Welch explains that work-life balance issue is increasingly important since the 1990's. A boss may be concerned about subordinates' personal lives, but he must also be concerned about the organization winning in a competitive work environment. Most bosses are willing to accommodate the work-life balance as long as the person earned it. A person's strong performance should help them ask for work-life accommodations. Furthermore, people who publicly struggle with work-life balance and turn to the organization for assistance, get "pigeonholed as ambivalent, entitled, uncommitted or incompetent." Even the most accommodating boss believes that the work-life balance should be solved by the individual. Welch suggests that when one is home, be 100% there, and when at work, be 100% there. Once one sets life priorities, he must be comfortable with saying "no" to things that take away from these priorities. Achieving work-life balance is a process that gets better with experience. Welch recommends to keep your head in whatever game you are in, say no to requests outside your work-life plan, and make sure your work-life plan does not leave you out.

In **Chapter 20 (Here, There, and Everywhere: The Questions That Almost Got Away)**, the author responds to questions posed to him by managers and employees during different Q&A sessions. The first question is "the inevitability of China." He says that to compete against China, organizations should reduce costs, get rid of defects, and exploit the distance between China and other markets. Organizations must innovate and find new niche markets to compete in. Lastly, Welch believes that organizations must realize that China is a market, an outsourcing option, and a potential partner. The second question involves "the Norwegian law mandating that half of every corporate board is comprised of women." Welch believes this law is ridiculous since quotas are anti-competitive. The third question involves "Jeff Immelt." Welch believes he does well as Chairman and CEO of GE because he made significant changes to GE's portfolio and placed high importance on diversity. In the fourth question, involving the future of the European Union, Welch believes that in the long term, the ever-increasing acceptance of capitalism would fuel the steady forward movement of the Union. The fifth question discusses "how corporate boards will change because of the Sarbanes-Oxley Act." He says these rules are good but they will never guarantee good corporate governance. Welch believes that people, culture, processes controls, and strong directors create organizational compliance. The sixth question involves handling AIDS in West Africa. Welch believes organizations should help communities they operate in. Organizations should build schools and hospitals to give back to the communities.

4. Recommendation & Critique

Winning, by Jack Welch, provides readers with guidelines, assumptions, and avoidable mistakes. Welch attempts to "speak" to every level of an organization. His main objective is to provide advice and guidance to anyone who wants to win in business. He provides the do's and don'ts of successful business practices, and helps people maintain a healthy work-life balance. One main benefit are the real-life examples written by a businessman like Welch, who had over forty years as a leader at General Electric. Welch believes that *Winning* is "useful, for people just starting out in their careers, or for seasoned managers." The book is divided into four sections. Each section offers advice and guidelines to make a reader successful in business. The sections provide solutions to change the way a reader approaches leadership, careers, and business.

In the first section, Welch poses the question "What does it take to win?" In the introductory, Welch describes his business philosophy and core management values. He highlights values, differentiation among employees, candor, and "voice and dignity for all." In

this section, the most important topic is candor since it is the “biggest dirty little secret in business” (Winning, 2005, pp 25). An organization’s lack of candor prevents “smart ideas, fast action, and good people” from contributing everything (Winning, 2005, pp 30). Candor improves organizational efficiency, performance, and operations. Candor is difficult to instill in any organization, but it will be accepted when instilled from the top. With open dialogue, it can start anywhere in the organization (Winning, 2005, pp 34). I believe that candor is critical to any leader’s success. It is a leader’s (or manager’s) responsibility to promote candor, since it enables members to work efficiently and effectively. I think candor is easily instilled in an organization from a top-down perspective. The leader must create a work/team environment that promotes candor and encourages members to speak up.

In the second section, Welch discusses the core factors in leading an organization. They include: being a successful leader, hiring winners, managing the hired people, letting people go the right way, adapting to dynamic environments and change, and managing crises. Welch believes once the foundations for success/winning are established, the organization needs a strong leader who “should be able to guide and interpret company’s mission into actions. Leaders must constantly change and be able to adapt to change” (Winning, 2005, pp 67). In addition, the author explains that a leader should lead crisis through people and crisis management. I believe an organization can only be as successful as the leadership that guides its members. In my experience, leaders play the big role by being doers; they help members take action and translate planned actions into completed ones. An organization’s leadership is the tool that fosters inspiration and commitment.

The third section describes that an organization must understand its competition through several factors: strategy, forecasting budgets, starting new internal venture(s), negotiating/handling mergers and acquisitions, and applying quality control methods, such as Six Sigma. In order to win over competition, an organization’s leaders must know their enemies. Then, an organization can assess the threat of its competition, and determine the best course of action. The main theme is that strategy is vital to an organization’s survival. Welch believes that “knowing what others do or will do will help you setting your strategies, which should translate into your budgeting for executing the strategies” (Winning, 2005, pp. 165).

Furthermore, Welch explains that for an organization’s strategy to be successful, it must grow through two methods: organic growth and growth through mergers and acquisitions. In relation to strategy, organic growth starts something new from the inside out. This process is slower but sustainable. Mergers and acquisitions is acquiring other organizations to expand one’s organization. This is a fast way to expand market share or jump into a new market (Winning, 2005, pp 231). Welch believes that both these concepts relate to strategy because strategy is required to execute them properly. Finally, Welch believes that using Six Sigma will enable an organization to meet/exceed customer expectations, and build strong and loyal customer bases. Welch strongly believes that a Six Sigma program achieves helps design products and processes “so that customers get what they want, when they want it and when you said you’d deliver it” (Winning, 2005, pp 248). I believe that Welch hits a very important topic since an organization’s strategy separates it from competition. An organization that strategically plans and executes will have a competitive edge over organizations lacking these abilities. In my past project experiences, I observed that having a well-defined strategy is vital to success and survival.

In the final two sections of *Winning*, the author discusses two topics, “Your Career” and “Tying Up Loose Ends.” The first section, “Your Career,” details insights from the employee’s standpoint, including: finding the right job, obtaining a promotion, handling bad bosses, and

balancing work and life. The final section discusses Welch's beliefs and responses to several questions posed to him by managers and employees. The main idea behind the "Your Career" section is that there are certain guidelines and assumptions a person must follow to move through a career. Welch provides advice and tips to steer a person through the ups and downs of a career path. The most important advice is finding a good balance between work and personal life. This issue is increasingly important since the 1990's, and CEOs cannot ignore it. Welch suggests one to compartmentalize life, meaning when "they are home, be 100% at home, but when they are at work, be 100% at work" (Winning, 2005, pp. 317). Welch also suggests to become comfortable saying "no" to tasks that take away from your priorities. Work-life balance is important to me; it is challenging for me to leave work at the office, but I learned that it is important to create a clear line between both aspects of life. I believe that Welch makes a good suggestion about compartmentalizing life, and I use this in my work-life balance. When I was younger, I took free time for granted, but as my career grows, I learned that personal free time is a precious commodity, so I must separate it from my work life.

In my opinion, *Winning* offers much advice for every type of manager and leader. Welch organized the book in a manner to convey information and experience to every level of an organization. His goal is to guide anyone who wants to win in business. In my opinion, he succeeded in his overall objective. His book is a straightforward guide covering a wide variety of management methods and concepts. I believe that Welch's forty years of management and leadership experience shine in this literature. It is a must-read for any businessman and student.

5. References

Welch, J (2005). *Winning*. HarperCollins.