



Winning

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Publisher: Harper Collins

Copyright year: 2005

ISBN: 0-06-075-394-3

Author's Bio: *Jack Welch* began his career with the General Electric Company in 1960, and in 1981 became the company's eighth chairman and CEO. During his tenure, GE's market capitalization increased by \$400 billion, making it the world's most valuable corporation. Mr. Welch is currently the head of Jack Welch LLC, where he serves as an advisor to a small group of Fortune 500 CEOs and speaks to businesspeople and students around the world. *Suzie Welch* is the former editor of the Harvard Business Review.

Author's big thought: Jack Welch knows how to win. During his forty year career at GE, he led the company to year after year success around the globe in multiple markets, against brutal competition. His honest, be-the-best style of management became the gold standard in business, with his relentless focus on people, teamwork, and profits. This book clearly lays out the answers to the most difficult questions people face both on and off the job. The core of *Winning* is devoted to the real "stuff" of work.

Part 1: Underneath it All

Introduction: "Every day there is a new question".

- As Jack has spoken around the world since his last book, he has been asked literally thousands of questions. But most of them come down to this: *What does it take to win?* Jack thinks winning is great. Not good – great. Because when companies win, people thrive and grow, there are more jobs and opportunities.
- Winning companies, and the people that work for them, are the engine of a healthy economy, and in providing the revenues for government, they are the foundation of a free and democratic society.
- This book offers a road map. His main goal is to help the people with ambition in their eyes and passion running through their veins, wherever they are in the organization.
- People are everything when it comes to winning, and so this book is a lot about people – in some case, the mistakes they've made, but more often, their successes.
- Mostly this book is about ideas and the power of putting them into action.

- This book gives you guidelines to follow, rules to consider, assumptions to adopt, and mistakes to avoid.

Chapter 1: Mission and Values “So much hot air about something so real”

- The terms mission and values have got to be among the most abstract, overused, misunderstood words in business.
- A good mission statement and a good set of values are so real they smack you in the face with their concreteness. The *mission* announces exactly here you are going, and the *values* describe the behaviors that will get you there.
- According to Jack, an effective mission statement basically answers one question: *How do we intend to win in this business?* This question is defining. It requires companies to make choices about people, investments, and other resources, and it prevents them from falling into the common mission trap of asserting they will be all things to all people at all times. The question forces companies to delineate their strengths and weaknesses in order to assess where they can profitably play in the competitive landscape.
- Effective mission statements balance the possible with the impossible.
- Setting the mission is top management’s responsibility. A mission cannot, and must not, be delegated to anyone except the people ultimately held accountable for it.
- In contrast to the creation of a mission, everyone in a company should have something to say about values. Getting more participation really makes a difference, giving you more insights and more ideas, and at the end of the process, most importantly, much more extensive buy-in.
- The actual process of creating values has to be iterative.
- You cannot be too specific about values and their related behaviors.
- Clarity around values and behaviors is not much good unless it is backed up. Companies have to reward people who exhibit them and “punish” those who don’t.
- For a company’s mission and values to truly work together as a winning proposition, they have to be mutually reinforcing.
- In the most common scenario, a company’s mission and its values rupture due to the little crises of daily life in business. For example – when a downsize hits, a company may cut the advertising budget, forgetting the mission is to enhance and extend its brand.
- Defining a good mission and developing the values that support it takes time and enormous commitment. Take the time. Spend the energy. Make them real.

Chapter 2: Candor “The biggest dirty little secret in business.”

- Jack has always been a huge proponent of candor. He feels that lack of candor blocks smart ideas, fast action, and good people contributing all the stuff they’ve got as they withhold comments or criticism. They keep their mouths shut in order to avoid conflict, and they sugarcoat bad news in order to maintain appearances. They keep things to themselves, hoarding information. That’s all lack of candor, and it’s absolutely damaging.
- Most often lack of candor is missing from performance appraisals.
- Forget outside competition when your own worst enemy is the way you communicate with one another internally.
- Candor leads to winning in three main ways:

1. First, and foremost, candor gets more people in the conversation. Any organization – or unit or team- that brings more people and their minds into the conversation has an immediate advantage.
 2. Second, candor generates speed. When ideas are in everyone’s face, they can be debated rapidly, expanded and enhanced, and acted upon which is a necessity in a global marketplace.
 3. Third, candor cuts costs - it eliminates meaningless meetings and b.s. reports that confirm what everyone already knows.
- We are socialized from childhood to soften bad news or to make nice about awkward subjects. Eventually you come to realize that people don’t speak their minds because it’s simply easier not to. When you tell it like it is you can so easily create a mess – anger, pain, confusion, sadness, resentment. So you justify your lack of candor on the grounds that it prevents sadness or pain in another person.
 - The make-or-break importance of candor in US business is relatively new. Until the foreign threat spread, most American companies had very little to do with the kind of frank debate and fast action that characterizes a candid organization. There were very few overt confrontations about strategy or values; decisions were made mostly behind closed door.
 - Even though candor is vital to winning, it is hard and time-consuming to instill in any group, no matter what size. Hard because you are fighting human nature and entrenched organizational behaviors, and time-consuming, as in years and years.
 - To get candor, you reward it, praise it, and talk about it. You make public heroes out of people who demonstrate it in an exuberant and even exaggerated way. To introduce candor the easiest way is to poke around in a non-threatening way.
 - It is true that candid comments definitely freak people out at first. The more polite or bureaucratic or formal our organization, the more your candor will scare and upset people. That’s a risk, and only you can decide if you’re willing to take it.
 - From the day Jack joined GE to the day he was named CEO twenty years later, his bosses cautioned him about his candor. He was labeled as abrasive and was consistently warned that his candor would soon get in the way of his career. Now that his GE career is over, he says that it was candor that helped make it work. So many more people got into the game, so many voices, so much energy.

Chapter 3: Differentiation - “Cruel and Darwinian? Try fair and effective.”

- If there is one of Jack’s values that really pushes buttons, it is differentiation. He has seen it transform companies from mediocre to outstanding, and it is as morally sound as a management system can be. It works.
- Companies win when their managers make a clear and meaningful distinction between top-and bottom –performing businesses and people, when they cultivate the strong and cull the weak.
- When all is said and done, differentiation is just resource allocation, which is what good leaders do and, in fact, is one of the chief jobs they are paid to do. A company only has so much money and managerial time. Winning leaders invest where the payback is the highest.

- Jack remains convinced that along with being the most efficient and most effective way to be run your company, differentiation also happens to be the fairest and the kindest. Ultimately it makes winners out of everyone.
- One of the main misunderstandings about differentiation is that it is not only about people. Differentiation is a way to manage people *and* businesses.
- Differentiation among your businesses or product lines requires a transparent framework that everyone in the company understands.
- Differentiation among people is a process that requires managers to assess their employees and separate them into three categories in terms of performance: top 20 percent, middle 70, and bottom ten. Then – and this is key – it requires managers to *act* on that distinction.
- When people differentiation is real, the top twenty percent of employees are showered with bonuses, stock options, praise, love, training, and a variety of rewards to their pocket books and souls. They are the best and they are treated that way.
- The middle 70 percent are managed differently. They are the majority of your employees and are enormously valuable to any company. The major challenge, and risk, in 20-70-10 is keeping the middle 70 engaged and motivated. So much of managing the middle 70 is about training, positive feedback, and thoughtful goal setting. Differentiation is about managers looking at the middle 70, identifying people with potential to move up, and cultivating them.
- As for the bottom 10 percent in differentiation, there is no sugar-coating this – they have to go. They generally know who they are and leave before you ask them to. One of the best things about differentiation is that people in the bottom 10 percent of organizations very often go on to successful careers at companies and in pursuits where they truly belong and where they can excel.
- Protecting underperformers always backfires. First of all, by not carrying their weight, they make the pie smaller for everyone. That can cause resentment. It's also not what you could call fair, and an unfair culture never helps a company win; it undermines trust and candor too much.
- Protecting people who don't perform hurts the people themselves. For years they are carried along with everyone looking the other way. Then a downturn occurs, and layoffs are necessary. The "nice" underperformers are almost the first to go, because no one has ever told them the truth about their results, or lack thereof. This often happens when the underperformers are in their late forties or fifties; they've been carried along for most of their careers. Then suddenly, at an age when starting over can be very tough, they are out of a job with no preparation or planning and a kick in the stomach they may never get over.
- The existence of a middle 70 forces companies to manage themselves better. It forces leaders to scrutinize people more closely than they would ordinarily and to provide more consistent, candid feedback. It pushes companies to build training centers (like GE's Crotonville) that really make a difference.
- While being in the middle 70 percent can be demotivating to some people, it actually revs up the engines of many others. Getting to the top 20 gives them a tangible goal, and having that goal makes them work harder, think more creatively, share more ideas, and, overall, fight the good fight every day.

- If you want the best people on your team, you need to face up to differentiation. Jack doesn't know of any people management system that does it better – with more transparency, fairness and speed. Differentiation, like candor, clarifies business and makes it run better in every way.

Chapter 4: Voice and Dignity “Every brain in the game”.

- This section is concluded with one of Jack's core beliefs: every person in the world wants voice and dignity, and every person deserves them.
- By “*voice*”, he means people want the opportunity to speak their minds and have their ideas, opinions, and feelings heard, regardless of their nationality, gender, age, or culture.
- By “*dignity*” he means people inherently and instinctively want to be respected for their work and effort and individuality.
- In China a young woman asked emotionally how any businessperson in her country could practice candor and differentiations when “only the voice of the boss is allowed.” But the repression of voice and dignity is hardly a Chinese problem. The majority of people in organizations don't say anything because they feel they can't – and because they haven't been asked.
- GE realized that while people spoke up in Crotonville because they felt anonymous, they had to do something to create an environment back in the businesses where people at every level would speak out the way they did at Crotonville.
- The *Work-Out* process was born. These two- or three- day events held at GE sites around the world consisted of groups of thirty to a hundred employees. They would come together with an outside facilitator to discuss better ways of doing things and how to eliminate some of the bureaucracy and roadblocks that were hindering them.
- Tens of thousands of these sessions took place over several years, until they became a way of life in the company. Work-Outs led to an explosion of productivity. They brought every brain into the game.
- Everyone should be heard and respected. They want it and you need it.

Part 2: Your Company

Chapter 6: Leadership. “It's not just about you.”

- Leadership requires distinct behaviors and attitudes, and for many people they debut with the job.
- Before you are a leader, success is all about growing yourself. When you become a leader, success is all about growing others.
- Performing balancing acts every day *is* leadership. Paradoxes are inherent to the trade.
- What Leaders Do:
 1. *Leaders relentlessly upgrade their team, using every encounter as an opportunity to evaluate, coach, and build self-confidence.* People development should be a daily event, integrated into every aspect of your regular goings-on.
 - a. You have to evaluate – making sure the right people are in the right jobs, supporting and advancing those who are, and moving out those who are not.

- b. You have to coach – guiding, critiquing, and helping people to improve their performance in every way.
 - c. You have to build self-confidence – poring out encouragement, caring and recognition. Take every opportunity to inject self-confidence into those who have earned it. Use ample praise, the more specific the better.
2. *Leaders make sure people not only see the vision, they live and breathe it.* You have to make the vision come alive. No vision is worth the paper it's printed on unless it is communicated constantly and reinforced with rewards. Only then will it leap off the page and come to life.
 3. *Leaders get into everyone's skin, exuding positive energy and optimism.* The leader's mood is, for lack of a better word, catching. Your job as a leader is to fight the gravitational pull of negativism. That doesn't mean you sugarcoat the challenges your team faces. It does mean you display an energizing, can-do attitude about overcoming them.
 4. *Leaders establish trust with candor, transparency, and credit.* Your people should always know where they stand in terms of their performance. They have to know how business is doing. In bad times, leaders take responsibility for what's gone wrong. In good times, they generously pass around the praise.
 5. *Leaders have the courage to make unpopular decisions. And gut calls.* Obviously, tough calls spawn complaints and resistance. Your job is to listen and explain yourself clearly but move forward. You are not a leader to win a popularity contest – you are a leader to lead. Sometimes making a decision is hard not because it's unpopular, but because it comes from your gut and defies a "technical" rationale. You've been made a leader because you've seen more and been right more times. Listen to your gut. It's telling you something.
 6. *Leaders probe and push with a curiosity that borders on skepticism, making sure their questions are answered with action.* When you are an individual contributor, you try to have all the answers. When you are a leader, your job is to have all the questions. You have to make sure your questions unleash debate and raise issues that get action. If you don't make sure your questions and concerns are acted upon, *it doesn't count.* You want bigger and better solutions. Questions, healthy debate, decisions and actions will get everyone there.
 7. *Leaders inspire risk taking and learning by setting the example.* If you want people to experiment and expand their minds, set the example yourself. Consider risk taking. You can create a culture that welcomes risk taking by freely admitting your mistakes and talking about what you've learned from them.
 8. *Leaders celebrate.* There is just not enough celebrating going on at work – anywhere. Celebrating makes people feel like winners and creates an atmosphere of recognition and positive energy. Work is too much a part of life not to recognize moments of achievement. Grab as many as you can. Make a big deal out of them.

Chapter 6: Hiring. "What winners are made of".

- Hiring good people is hard. Hiring great people is brutally hard. And yet nothing matters more in winning than getting the right people on the field. All the clever strategies and advanced technologies in the world are nowhere near as effective without great people to put them to work.
- There are three acid tests to conduct before you even think about hiring someone.

1. The first test is for *integrity*. People with integrity tell the truth, and they keep their word. They take responsibility for past actions, admit mistakes, and fix them. If a candidate comes from inside your company, then you have either seen him or her in action or you know someone who has. From the outside, you need to rely on reputation and reference checks. You also have to rely on your gut.
 2. The second test is for *intelligence*. Education is only a piece of the picture. The candidate must have a strong dose of intellectual curiosity, with a breadth of knowledge to work with or lead other smart people in today's complex world.
 3. The third ticket to the game is *maturity*. The individual must be able to withstand the heat, handle stress and setbacks, and, alternatively, when those wonderful moments arise, enjoy success with equal parts of joy and humility. Mature people respect the emotions of others. They feel confident but are not arrogant. They usually have a sense of humor, especially about themselves.
- Next is the 4-E (and 1-p) framework for hiring that Jack has used for many years.
 - The first E is *positive energy* – it means the ability to thrive on action and relish change. People with positive energy just love life.
 - The second E is the *ability to energize others*. People who energize can inspire their team to take on the impossible.
 - The third E is *edge*, the courage to make tough yes-or-no decisions. Effective people know when to stop assessing and make a tough call, even without total information.
 - The fourth E is *execute* – the ability to get the job done. Being able to execute is a special and distinct skill. It means a person knows how to put decisions into action and push them forward to completion, through resistance, chaos, or unexpected obstacles. People who can execute know that winning is about results.
 - If a candidate has the four Es, then you look for that final P – *passion*. By this Jack means heartfelt, deep, and authentic excitement about work. People with passion care - about colleagues, employees, and friends winning. They have juice for life in their veins.
 - The three preliminary acid tests and the 4-E (and 1-P) framework apply to any hiring decision, no matter what level in the organization. To hire a senior level leader, there are four more highly developed characteristics that really matter.
 1. *Authenticity*. He is talking about self-confidence and conviction. These traits make a leader bold and decisive, which is absolutely critical in times when you must act quickly. Just as important, authenticity makes a leader *likeable*. Their “realness” comes across in the way they communicate and reach people on an emotional level. Leaders have to know themselves, so that they can be straight in the world, energize followers, and lead with the authority born of authenticity.
 2. *The ability to see around corners and imagine the unimaginable*. Good leaders must have a special capacity to anticipate the radically unexpected and have a sixth sense for market changes as well as moves by existing competitors and new entrants.
 3. *A strong penchant to surround themselves with people better and smarter than they are*. A good leader has the courage to put together a team of people who sometimes make him look like the dumbest person in the room.
 4. *Heavy duty resilience*. Every leader makes mistakes, every leader stumbles and falls. The question with a senior level leader is, does she learn from her mistakes, regroup, and then

get going again with renewed speed, conviction and confidence? A leader must have this going in to a job because a crisis time is too late to learn it.

Chapter 7: People Management. “You have the right players, now what?”

- In lots of companies, people management is what’s done when there’s time left over. In the hope that may change, Jack outlines six fundamental practices.
- 1. *Elevate HR to a position of power and primacy in the organizations*, and make sure HR people have the special qualities to help managers build leaders and careers. The best HR types are pastors and parents in the same package. HR is not given its proper position in too many companies because it’s hard to quantify, it often gets pushed into a benefits trap and it often gets twisted up in “palace intrigue”. HR should be listening to people vent, brokering internal differences, channeling anger, forging compromises, and if need be, negotiating dignified endings. They are there to help managers manage people well.
- 2. *Use a rigorous, non-bureaucratic evaluation system*, monitored for integrity with the same intensity as Sarbanes-Oxley Act compliance. People evaluation systems are too often just exercises in paper pushing. Very few companies have meaningful evaluation systems. You simply can’t manage people to better performance if you do not give candid, consistent feedback through a system that is loaded with integrity. There is no right way to evaluate people. Every company will devise different forms and different methodologies. But any good evaluation system should share some characteristics and be monitored for integrity:
 - a. It should be clear and simple. What the person did well, and how they could improve.
 - b. It should measure people on relevant, agreed-upon criteria that relate directly to an individual’s performance. The criteria should be quantitative, based on how people deliver certain goals, and qualitative, based on how they deliver on desired behaviors.
 - c. It should ensure that managers evaluate their people at least once a year, and preferably twice, in formal, face-to-face sessions. They should also be told where they stand relative to others.
 - d. A good evaluation system should include a professional development component.
- 3. *Create effective mechanisms – read: money, recognition, and training – to motivate and retain*. Plaques and public fanfare have their place, but without money, they lose their impact. If your company is managing people well, it tightly aligns good performance with rewards. People need to get differentiated rewards and recognition to be motivated. And companies need to deliver both for retention. Another key to motivate and retrain is through training. If you’ve hired the right people they will want to grow. Companies cannot promise their employees lifetime employment but they can promise them every chance for employability. Training motivates people by showing them a way to grow, that the company cares, and that they have a future.
- 4. *Face straight into charged relationships – with unions, stars, sliders, and disrupters – confront them with candor and action*. Managing people well means paying special attention to hard relationships, not just letting them fester or float into neglect. A *star’s* ego can be a dangerous thing – they can come to believe that they are so indispensable that they should not be bound by anything, including the company’s values. The minute a star seems to be getting arrogant or out of control, someone has to call the person in to have a candid conversation about values and behaviors. Sometimes a star can surprise you and up and leave. Ideally the star will be replaced within eight hours sending the message to the organization that no one is

indispensable. The only way to replace a star is to have a slate of people ready to do so. A *slider* is someone who just shows up at work and goes through the motions. They need to be reenergized, either with new jobs or training. *Disrupters* must be taken head-on. First give them very tough evaluations, naming their bad behavior and demanding it change. Usually it won't as they are a personality type. Get them out of the way.

5. *Fight gravity, and instead of taking the middle 70 percent for granted, treat them like the heart and soul of the organization.* Most of the work in the company is done by them. Well-managed companies make sure managers spend at least 50 percent of their people time on their biggest constituency, evaluating and coaching them. Further, they don't forget the middle 70 when it comes to rewards, recognition, and training.
6. *Design the org chart to be as flat as possible, with blindingly clear reporting relationships and responsibilities.* It should be patently obvious who is responsible for what results. It should be flat because every layer in an organization puts spin on a new initiative or organizational event. Layers add interpretation and buzz as information travels up and down the ladder. They also add cost and complexity to everything. Managers should have ten direct reports at the minimum and 30 to 50 percent more if they are experienced. When you've got great players, you'll get the most out of them if their reporting relationships are blindingly clear.

Chapter 8: Parting Ways. "Letting go is hard to do".

- Sometimes people have to be let go. That event – be it a firing for nonperformance or a layoff for economic reasons- is awful, both for the person doing the casting out and, obviously for the person being asked to leave. This chapter is about how to manage a parting of the ways with as little pain as possible.
- There are different types of partings:
 - There are firings for *integrity violations* – stealing, lying, cheating, or any other form of ethical or legal breach.
 - There are layoffs due to *economic downturns*.
 - There are firings for *nonperformance*.
- Letting people go is a process that must be fully owned, guided by two principles: no surprise and minimal humiliation.
- Every employee, not just the senior team, should know how a company is doing. Your job is to get as much financial data as you can and get it to your people as clearly and frequently as possible. That way, if layoffs occur, at least some people will have some level of preparation. The same principle holds for layoffs due to market changes.
- The most complex and delicate type of firing is when an individual has to be let go because of poor performance. Unfortunately, you learn how to fire on the job, under the most stressful of circumstances. Nothing really prepares you.
- Firings for nonperformance are usually not black and white. There's a lot's more gray about who did what and what went wrong to lead up to the finale. Because of that there are three main ways that managers get firing wrong- moving too fast, not using enough candor, and taking too long.
- It is important to remember that every employee who leaves goes on to represent your company. For the next five, ten, or twenty years, they can bad-mouth or praise.

- When a firing happens too slowly, you get a kind of *Dead Man Walking* effect. Everyone knows the person is about to be fired, including the person himself, but the boss waits a long time to pull the trigger. The result is enormous awkwardness that can lead to a form of paralysis. In a way it's cruel, but most bosses would rather be known as careful than as quick-triggered.
- To get firing right, first, you can take the surprise out of economic downturn layoffs with lots of financial information. You can take the surprise out of gray area nonperformance firings by using a rigorous evaluation system, with its regular formal and informal reviews. If people know where they stand, in fact, a firing actually never happens. Instead, when things are not working out, eventually there is a mutual understanding that it's time to part ways.
- Secondly, it is important to minimize the humiliation. To take the sting out of a firing, you first have to understand the emotional timeline of the experience. For the boss, the timeline begins long before the actual event. After you deliver the bad news, it's actually a relief. Your employee is in another emotional zone. Even if he has been well prepared by candid evaluations, he is crushed – his self-esteem is in the tank. Until he departs you must act against your instincts and make sure he doesn't feel as if he is in a leper colony. Build up his self-confidence. Coach him. Let him know there is a good job out there.

Chapter 9: Change. "Mountains do move."

- Change is an absolutely critical part of business. You do need to change, preferably before you have to.
- What you've heard about resistance to change is also true. People love familiarity and patterns.
- If you have the power to get things done and a few supporters as well, then you can make something happen. It comes down to enhancing four practices:
 1. *Attach every change initiative to a clear purpose or goal.* Change should be a relatively orderly process. For that to occur, people have to understand – in their heads and in their hearts – why change is necessary and where the change is taking them. This is easier, of course, when the problems are obvious. Sometimes they are not and in those cases lots of data and relentless communication about the business rationale for change are the best ammunition you've got. Anyone leading a change process must stay far away from empty slogans and instead stick to solid persuasive business case. Over time logic will win out.
 2. *Hire and promote only true believers and get-on-with-it types.* Real change agents comprise less than 10 percent of all businesspeople. These are the true believers who champion change, know how to make it happen, and love every second of the process. Change agents usually make themselves known. They invent change initiatives on their own or ask to lead them; they ask a lot of questions. These people have courage, a certain fearlessness about the unknown.
 3. *Ferret out and remove the resisters, even if their performance is satisfactory.* When it comes to making change, this is the hardest practice to implement. It is particularly hard to fire people who are not actually screwing up and may in fact be doing quite well. But in any organization there is a core of people who absolutely will not accept change, no matter how good your case. These people actually have to go. Resisters only get more diehard and their followings more entrenched as time goes on. They are change killers; cut them off early.
 4. *Look at car wrecks.* To be a real change organization, you also have to have the guts to look at bolder, scarier, more unpredictable events, and assess and make the most of the opportunities

they present. This capability takes a certain determination and sometimes a strong stomach, but the rewards can be huge. Bankruptcies are a calamity that provides all kinds of opportunities. Most companies take advantage of obvious opportunities. But also they have the ability to make the most of regrettable circumstances – those car wrecks- and they should.

Chapter 10: Crisis Management. “From oh-God-no to yes-we’re-fine”

- Crises happen. As long as companies are made up of human beings, there will be mistakes, controversies, and blowups. There will be accidents, theft and fraud. For leaders crises often stand out as the most painful and trying experience of their business lives.
- On top of it all, crises demand from leaders a daunting balancing act. On one hand, you’ve got to throw everything you’ve got into understanding and solving the crisis. At the same time, you have to put that activity into a compartment and carry on as if nothing is actually wrong.
- Each crisis is different. Some are entirely internal affairs with swift solutions. Others are huge media events, with all sorts of legal ramifications. The uniqueness of each crisis makes it hard to come up with rules for getting through them. There is a sliver of silver lining to crisis management in that you rarely have to live through the same disaster twice.
- You can be proactive in preventing some crises. There are three main ways, and most companies have the first two pretty much nailed.
 1. The first is *tight controls* – disciplined financial and accounting systems with tough internal and external auditing processes.
 2. The second way to prevent crises is with *good internal processes*, such as rigorous hiring procedures, candid performance reviews, and comprehensive training programs that make the company’s policies nothing short of crystal clear. Prevention is your first defense against a crisis.
 3. The third way is less common – *a culture of integrity*, meaning a culture of honesty, transparency, fairness, and strict adherence to rules and regulations.

There are five assumptions to keep in mind when a crisis happens:

1. *Assume the problem is worse than it appears.* Skip the denial step, and get into the mind-set that the problem will get bigger, messier, and more awful than you can possibly imagine. It is important that you completely own the problem.
2. *Assume there are no secrets in the world and that everyone will eventually find out everything.* It’s far better to get ahead of the problem, exposing its scope before someone else does it for you. Push lawyers to let you say as much as you can. Just make sure that what you say is the total truth with no shades of gray. The more openly you speak about the problem, its causes, and its solutions, the more trust you earn from everyone watching, inside the organization and out. And during a crisis, trust is what you need at every turn.
3. *Assume you and your organization’s handling of the crisis will be portrayed in the worst possible light.* Reporters are not in the business of telling your side of the story. They are in the business of telling the story as they see it. You’ve got to stand up and define your own position early and often. Even if the media has no interest in these events, your people will. Openly discuss the situation. Define your position. Explain why the problem happened and how you are handling it.
4. *Assume there will be changes in processes and people. Almost no crisis ends without blood on the floor.* Most crises end with a settlement of some kind – financial, legal or otherwise. Then comes the cleanup, and cleanups mean change. Processes usually get overhauled first.

Sometimes process fixes are not enough. The people affected by the crisis, or sometimes those just watching it, demand that *someone* be held responsible.

5. *Assume your organization will survive, ultimately stronger for what happened.* There is not a crisis you cannot learn from, even though you hate every one of them. Use a crisis for all it's worth. Teach its lessons every chance you get. In doing so you'll spread the immunity.

Your Competition

Chapter 11: Strategy. "It's all in the sauce".

- Strategy is a living, breathing, totally dynamic game. It's fun, and fast. And it's alive. Forget the arduous, intellectualized number crunching and data grinding that gurus say you have to go through to get strategy right. Forget the scenario planning, yearlong studies, and hundred-page reports. In real life, strategy is very straight forward. You pick a general direction and implement like hell. If you want to win, ponder less, and do more.
- Strategy is an iterative process and not nearly as theoretical or life-and-death as some would have you believe.
- When you strip away all the noise, strategy is about resource allocation. Strategy means making clear-cut choices about how to compete. You cannot be everything to everybody, no matter what the size of your business or how deep the pockets.
- In such changing times, strategies, if they're headed in the right direction and are broad enough, don't really need to change all that often, especially if they are supplemented with fresh initiatives.
- When you think strategy, think about decommoditizing. Think about innovation, technology, internal processes, and service add-ons – whatever works to be unique.
- Jack recommends three steps:
 1. Come up with a big aha for your business – a smart, realistic, relatively fast way to gain sustainable competitive advantage.
 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.
- The first step is to figure out the big aha to gain sustainable advantage. To do that you need to debate, grapple with, wallow in, and finally answer five sets of questions.
 1. What the playing field looks like now
 - Who are the competitors in this business, large and small, old and new?
 - Who has what share, globally and in each market? Where do we fit in?
 - What are the characteristics of this business? Is it commodity or high value or somewhere in between? Is it a long cycle or short? Where is it on the growth curve? What are the drivers of profitability?
 - What are the strengths and weaknesses of each competitor? How good are their products? How much does each one spend on R & D? How big is each sales force? How performance driven is each culture?
 - Who are the businesses main customer's, and how do they buy?
 2. The next set of questions brings the players on the field to life:
 - What has each competitor done in the past year to change the playing field?

- Has anyone introduced game-changing new products, new technologies, or a new distribution channel?
- Are there new entrants, and what have they been up to in the past year?
- 3. Now compare the above questions with this next set to determine if you are leading the market or chasing it.
 - What have you done in the past year to change the competitive playing field?
 - Have you bought a company? Introduced a new product, stolen a competitor's key salesperson, or licensed a new technology from a start-up?
 - Have you lost any competitive advantages that you once had – a great salesperson, a special product, a proprietary technology?
- 4. The next set of questions is the one that most people miss. Most people underestimate the power and capabilities of their competitors and you can't be too paranoid.
 - What scares you the most in the year ahead- what one or two things could a competitor do to nail you?
 - What new products or technologies could your competitors launch that might change the game?
 - What M & A deals would knock you off your feet?
 - Next it is time to leap from analysis to action.
- 5. And the final set
 - What can you do to change the playing field – is it an acquisition, a new product, globalization?
 - What can you do to make customers stick to you more than ever before and more than to anyone else?

- Any strategy no matter how smart is dead on arrival unless a company brings it to life with people – the *right* people. Strategy also means matching people with jobs – a match that often depends on where the business is on the commodity continuum.
- While it has been said that best practices aren't a sustainable competitive advantage because they are so easy to copy, Jack feels that is nonsense. He feels they are not only integral to making strategy happen; they are a sustainable advantage if you continually improve them, with *if* being the key word here.
- It is true that once a best practice is out there, everybody can imitate it, but companies that win do two things: they imitate and improve.
- When you do that right, it's nothing short of innovation. New product and service ideas, new processes, and opportunities for growth start to pop out everywhere and actually become the norm. Along with getting the right people in place, best practices are all part of implementing the hell out of your big aha, and to Jack, it's the most fun.

Chapter 12: Budgeting. "Reinventing the ritual."

- The budgeting process in companies has to be the most ineffective practice in management. It sucks the energy, time, fun, and big dreams out of an organization. It hides opportunity and stunts growth. It brings out the most unproductive behaviors in an organization.

- In this chapter Jack talks about a totally different approach to budgeting. It aligns employees with shareholders, puts growth, energy, and fun into financial planning, and inspires people to stretch. But this new process can be practiced only if a company has trust and candor flowing through its veins.
- Most companies use budgeting as the backbone of their management systems. So the right budgeting process can actually change how a company functions – and reinventing the annual ritual makes winning so much easier, you just can't afford not to try.
- Two killing dynamics that are the norm are what Jack calls the *Negotiated Settlement* and the *Phony Smile* approaches to budgeting. Companies manage to hit their numbers and pay bonuses with either of these approaches but they often deliver only a fraction of what they could, and they take all the fun out of setting financial goals.
- Imagine a system of budgeting where both the field and headquarters have a shared goal: to use the budgeting process to ferret out every possible opportunity for growth, identify real obstacles in the environment, and come up with a plan for stretching dreams to the sky. Imagine a system of budgeting that is not internally focused and based on hitting fabricated targets, but one that throws open the shutters and looks outside.
- Jack's budgeting process is focused on two questions:
 - How can we beat last year's performance?
 - What is our competition doing, and how can we beat them?
- If you focus on these two questions, the budgeting process becomes a wide-ranging, anything goes, dialogue between the field and headquarters about opportunities and obstacle in the real world. Through these discussions, both sides of the table jointly come up with a growth scenario that is not negotiated or imposed and cannot readily be called a budget at all. It is an *operating plan* for the next year, filled with inspiration, primarily directional, and containing numbers that could be called "best efforts".
- Unlike a conventional budget, with its numbers cast in concrete, an operating plan can change as conditions change. Such flexibility frees an organization from the shackles of a budget document that has become irrelevant – because of changing market circumstances.
- This operating plan can occur under only one condition: *Compensation for individuals and businesses is not linked to performance against budget*. It is linked primarily to performance against the prior year and against the competition, and takes real strategic opportunities and obstacles into account.
- This change is not easy. Experience has shown that while most people take to reinvented budgeting with enthusiasm, there are always a few diehards who do not and with their actions try to undermine it. At the outset of the financial planning cycle, they appear to heartily buy into the new program and ask their people for big stretch goals. Then, without openly admitting it, they take the team's stretch goal and use it as a commitment number. When the end of the year rolls around, these managers identify the stretch goal as the target, and they nail the team for not hitting it. Part of the transformation process to a non-budgeting company is to find managers who pull this bait and switch. Call them on it, and take whatever action you need to make sure it doesn't happen again.

Chapter 13: Organic Growth. "So you want to start something new."

- Starting something new from within an established company is easier said than done. It requires managers to act against many of their perfectly reasonable instincts.
- To give any new venture a fighting chance to succeed, you *do* have to set it free (somewhat). And you *do* need to spend more money on it and cheer louder and longer for it than may feel comfortable.
- There are three common mistakes companies make in launching something.
 1. They don't flood start-up ventures with adequate resources, especially on the people front.
 2. They make too little fanfare about the promise and importance of the new venture.
 3. They limit the new venture's autonomy.
- Here are three guidelines for making organic growth a winning proposition. They are antidotes to these three mistakes.
 1. Spend plenty of money up front, and put the best, hungriest, and most passionate people in leadership roles.
 2. Make an exaggerated commotion about the potential and importance of the new venture. Start-ups need cheerleading – constant and loud. Cheerleading is also about giving new ventures sponsorship. There is one big problem with making a huge scene about a new venture – how dumb you look if it fails. Even with the risk, go ahead and make an exaggerated scene – you'll doom them if you don't.
 3. Err on the side of freedom; get off the new venture's back. When it comes to how much autonomy to give a new venture, there is no formula, only an iterative process. The main thing to remember is throughout the process, give a new venture more freedom than you might like, not less. Autonomy gives people ownership and pride.

Chapter 14: Mergers and Acquisition. “Deal heat and other deadly sins.”

- At merger announcements you see elation and relief. In reality the battle has just begun, and the deal's rewards won't come without a lot of blood, sweat, and tears.
- For people on the acquiring side of the deal, mountains of work stand in front of them, and while they may be pumped with optimism, there is always an undercurrent of nervousness in the room.
- For the acquired, the nervousness in the room isn't an undercurrent, it's a tidal wave. Everyone is terrified of layoffs. Life has just gotten very complex and a merger can feel like a death.
- Mergers do fail. It is a hard road for mergers forged primarily to capture industry convergence benefits or revenue synergies. It is easier to succeed when a merger is based on cost reductions from the combination, with any upside from revenue synergies considered a pure bonus.
- Merges and acquisitions give you a faster way to profitable growth. They quickly add geographical and technological scope, and bring on board new products and customers. Mergers instantly allow a company to improve its players.
- All in all, successful mergers create a dynamic where $1 + 1 = 3$, catapulting a company's competitiveness overnight. You just have to do it right. Merging right is ultimately about avoiding seven pitfalls. Sometimes they can kill a merger, but more often, they significantly slow it down or reduce its value or both. Many of them happen for the same reason: *deal heat*. Deal heat is completely human, and even the most experienced people fall under its sway. But

its negative impacts during the M & A process should at least be minimized if you keep these seven common pitfalls in mind.

1. The first pitfall is *believing that a merger of equals can actually occur*. Despite the noble intentions of those attempting them, the vast majority of MOEs self-destruct because of their very premise. On both sides, people think, if we're so equal, why shouldn't we do it our way? Your way is certainly no better. The result, ultimately, is that no one's way gets done. People at equal companies are probably less well equipped than anyone to merge. They may claim, during deal heat, to be entering into a perfect and equivalent union, but when the integration rolls around, who is taking charge must be established quickly. Someone has to lead and someone has to follow, or both companies will end up standing still.
2. The second pitfall is *focusing so intently on strategic fit that you fail to assess cultural fit*, which is just as important to a merger's success, if not more so. Deal heat is behind a mistake that pervades many mergers, a thoughtful predeal analysis of cultural fit. Companies have unique and often very different ways of doing business. Cultural fit is trickier. The compatibility of two sets of value systems is a hard call. In deal heat, people end up assessing that every company is compatible. Cultural fit is declared and the merger marches ahead.
3. The third pitfall is *entering a "reverse hostage situation"* in which the acquirer ends up making so many concessions during negotiations that the acquired company ends up calling all the shots afterward. The dynamic is a real by-product of deal heat, and it's so common, it's frightening.
4. The fourth pitfall is *integrating too timidly*. With good leadership, a merger should be complete within ninety days. Deal heat is not the culprit behind this pitfall. Instead, it is something more admirable – a kind of politeness and consideration for the other side's feelings. Many acquirers want to preserve whatever positive vibes existed at the end of negotiations, and they think moving slowly and careful will help. They do have to act. They have to make decisions about organizational structure, people, culture, and direction, and communicate these decisions relentlessly. It is uncertainty that causes organizations to descend into fear and inertia. The only antidote is a clear, forward-moving integration process, transparent to everyone. The objective made clear to everyone should be full integration within ninety days of the deal's close. If ninety days have passed after the deal has closed and people are still debating important matters of strategy and culture, you've been too timid. It's time to act.
5. The fifth pitfall is *the conqueror syndrome* in which the acquiring company marches in and installs its own managers everywhere, undermining one of the reasons for any merger, getting an influx of new talent to pick from. Many acquirers automatically assume their people are the better players. You have to remember, one of the greatest strategic benefits of a merger is that it allows acquirers to field a team from a bigger talent pool. That's a competitive advantage you cannot let pass. Just be very fair in your severance package and face into the deed, even if it means saying goodbye to "your own." In the most effective integrations, people selection starts during negotiations, in fact, before the deal is even signed. Think of the merger as a huge talent grab – a people opportunity that would otherwise take you years of searching and countless fees to headhunters. Don't squander it. Make the tough calls and pick the very best-whichever side they're on.
6. The sixth pitfall is *paying too much*. Not 5 or 10 percent too much, but so much that the premium can never be recouped in the integration. There is no real trick to avoiding

overpayment, no calculation you can use as a rule of thumb to know when a sum is too much. Just know that, except in very rare cases of industry consolidation, if you miss a merger on price, life goes on. There will be another deal.

7. The seventh pitfall afflicts the acquired company's people from top to bottom – *resistance*. In a merger, new owners will always select people with buy-in over resisters with brains. If you want to survive, get over your angst and learn to love the deal as much as they do. Resisting a deal, no matter how scared, confused, or angry you are is usually suicidal for your career, not to mention your emotional well-being. In mergers, managers will always pick the people cheering for the deal, even if they are not as talented or knowledgeable as the people pouting.

Chapter 15: Six Sigma. “Better than a trip to the dentist.”

- Nothing compares to the effectiveness of Six Sigma when it comes to improving a company's operational efficiency, raising its productivity, and lowering its costs. It improves design processes, gets products to market faster with fewer defects, and builds customer loyalty. Perhaps the biggest but most unheralded benefit of Six Sigma is its capacity to develop a cadre of great leaders.
- Six Sigma is one of the greatest management innovations of the past quarter century and an extremely powerful way to boost a company's competitiveness. And yet, Six Sigma causes enormous anxiety and confusion. Done right, it is energizing and incredibly rewarding. It can even be fun.
- Six Sigma is a quality program that, when all is said and done, improves your customers' experience, lowers your costs, and builds better leaders. Six Sigma accomplishes that by reducing waste and inefficiency 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.
- A huge part of making your customers sticky is meeting or exceeding their expectations, which is exactly what Six Sigma helps you do. Six Sigma is the elimination of unpleasant surprises and broken promises.
- Six Sigma has two primary applications. First, it can be used to remove the variation in routine, relatively simple, repetitive tasks – activities that happen over and over again. And second, it can be used to make sure large, complex projects go right the first time. It involves a sophisticated level of training and statistical analysis
- In time, most people come to understand Six Sigma and where to use it – and not use it – in an organization. Most of all, they also come to appreciate its competitive power after they've seen it in action for a few months.

Your Career

Chapter 16: The Right Job. “Find it and you'll never really work again.”

- It's said that you can only live life forward and understand it backward. The exact same thing is true about careers.
- It is virtually impossible to know where any given job will take you.
- Most jobs send out signals about how right they are for you- or not. Those signals apply to jobs at every level of an organization.

- Because there is no way to disentangle money from decisions about job and career, the best you can really do is come to terms with how much money matters to you. It can feel very noble saying that you don't care about being rich; it's another thing to live with that decision over the years, especially as mortgages and tuitions start to pile up.
- Here are the signals about job fit:
 - The first signal concerns *people*, because everything else about a job can be perfect – the task, pay, location – but if you do not enjoy your colleagues on a day-to-day basis, work can be torture. You need to find “your people”, the earlier in your career the better. Even if a job seems ideal in every other way, without the presence of shared sensibilities, it's not ideal for you.
 - The second job-fit signal concerns *opportunity*, as in, how much does the job offer you to grow and learn? You shouldn't be afraid of a job that feels too big at the outset. If you're any good – which is why you were hired or promoted in the first place – you'll grow into it, and be better for the experience.
 - The *options* signal is about finding a job that helps you if you leave. Working for some companies is like winning an Olympic medal. For the rest of your career, you are associated with great performance and success. Some small companies can offer experiences and exposure that cannot be beat. When you are ready to move on, you won't have the credential of a prestigious company, but you will have a lot of mileage. Some companies open, or close, doors for you because of their reputation. Others do that because of their industry.
 - The next signal is about *ownership*. Over the course of our careers, we all take jobs to meet the needs or dreams of other people- parents, spouses, teachers, or classmates. That's not necessarily wrong, unless you don't realize you're doing it. Because working to fulfill someone else's needs or dreams almost always catches up with you. There is no foolproof way out of the ownership bind. The only real defense against job ownership backfiring is to be explicit about the person (or people) for whom you are taking your job.
 - The last job signal is *work content*. In the very best job scenario, you love the work – at least something about it. Finding a job that touches your core is not hard. Such jobs are everywhere – every piece of work has the potential, since it only has to feel important to *you*. If a job doesn't excite you on some level – just because of the stuff of it – don't settle.
- So if you really want to find a great job, choose something you love to do, make sure you're with people you like, and then give it your all. If you do that, you're sure to have a great job – and you'll never really work another day in your life.

Chapter 17: Getting Promoted. “Sorry, no shortcuts.”

- The first reason a person gets promoted is luck. All careers, no matter how scripted they appear, are shaped by some element of pure chance. Sometimes a person just happens to be in the right place at the right time, and he meets someone – and a career door swings open.
- But luck can also break the other way. Sometimes careers stall for no reason at all but bad timing. In the long run, luck plays a smaller role in your career than the factors that are within your control.

- Getting promoted takes one do and one don't:
 - Do deliver sensational performance, far beyond expectations, and at every opportunity expand your job beyond its official boundaries.
 - Don't make your boss use political capital in order to champion you. This may mean transgressing company values or the types of behaviors that make people wonder if they can trust you. Lack of candor may have this effect. Career lust, is another political capital drain. It shows itself in tearing down the people around you, insulting or disparaging them in order to make your own candle burn brighter. It's covering up your mistakes or (worse) trying to blame them on someone else. It's hogging meetings, taking disproportionate credit for team success, and gossiping incessantly about people and events in the office.
- There are four other dos that certainly help too and one don't. The dos are:
 - Manage your relationships with your subordinates with the same carefulness that you manage the one with your boss. There are two career-damaging traps. The first, and by far the more common, occurs when you spend too much time managing up. As a result, you become too remote from your subordinates, and you end up losing support and affection. The second occurs when you get too close to your employees, overstepping boundaries, and end up acting more like a buddy than a boss.
 - Get on the radar screen by being an early champion of your company's major projects or initiatives.
 - Search out and relish the input of lots of mentors, realizing that mentors don't always look like mentors.
 - Have a positive attitude and spread it around.
- The don't is – don't let setbacks break your stride.

Chapter 18: Hard Spots. "That damn boss."

- Great bosses can be friends, teachers, coaches, allies, and sources of inspiration all in one. They can shape and advance your career in ways you never expected and sometimes they can even change your life. In stark contrast, a bad boss can kill that part of your soul where positive energy, commitment, and hope came from. A bad boss can leave you feeling angry, hurt, and bitter.
- This chapter won't provide any hard-and-fast answers because each bad boss situation is unique. But it will walk you through a series of questions that hopefully will surface the right approach to your bad boss situation, right in the sense that it fits your goals in life and at work. In any bad boss situation you cannot let yourself be a victim as it is completely self defeating. When it comes to your career, it's an attitude that kills all your options.
- Ask yourself a series of question:
 - *Why is my boss acting like a jerk?* It is an entirely different situation if your boss is just impossible toward you. In that case you need to start asking yourself what you have done to draw his disapproval. You've got to find out what's going on. Any type of confrontation is extremely risky. Still, you have to talk. There is no way around it. Just

remember, before you go into that meeting, be prepared and have options in the event that you come out of it unemployed.

- *What will happen to me if I deliver results and endure my bad boss?* There will always be an element of uncertainty to enduring a bad boss. You may surmise a happy ending or be promised one.
- *Why do I work here anyway?* Sometimes you stay in a job for the money or the friends; sometimes you give up money and friends for the love of the work itself or the job's location or the lack of travel. Sometimes you stay in a job because the company has so much prestige, you it will help you get a new job once you have a few more years of experience under your belt. You need to assess your trade-offs and ask, "Are they worth it?" If your boss situation offers some kind of long-term benefit that you understand and accept, you really have no choice. Focus on why you are staying, and put your bad boss in perspective. When you own your choices, you own their consequences.

Chapter 19: Work, Life, Balance. "Everything you always wanted to know about having it all

- Work life balance is about how all of us manage our lives and allocate our time –it's about priorities and values.
- Work –life balance is a swap – a deal you make with yourself about what you keep and what you give up. It is about choices and trade-offs, and living with their consequences. It is that simple, and that complex.
- Jack admits that he is clearly no expert on just how individuals should prioritize the various parts of their lives, and he has always felt that choice is personal anyway.
- But he has dealt with dozens of work-life balance situations and dilemmas as a manager, and hundreds more as a manager of managers. From all these experiences, he has a sense of how bosses think about work-life balance, whether they tell you or not. You may not like their perspective, but you have to face it.
- To make the choices and take the actions that ultimately make sense for you, you need to understand that reality:
 1. Your boss's top priority is competitiveness. Of course he wants you to be happy, but only inasmuch as it helps the company win. In fact, if he's doing his job right, he is making your job so exciting that your personal life becomes a less compelling draw,
 2. Most bosses are perfectly willing to accommodate work-life balance challenges if you have earned it with performance. The key word here is "if".
 3. Bosses know that the work-life policies in the company brochure are mainly for recruiting purposes and that real work-life arrangements are negotiated one one-one in the context of a supportive culture, not in the context of "But the company says...!"
 4. People who publicly struggle with work-life balance problems and continually turn to the company for help get pigeon-holed as ambivalent, entitled, uncommitted, or incompetent – or all of the above.
 5. Even the most accommodating bosses believe that work-life balance is your problem to solve, In fact, most know that there are really jut a handful of effective strategies to do that, and they wish you would use them.

Here are the best practices:

1. Keep your head in whatever game you're at. To alleviate angst and distraction, and to enhance your performance no matter what you are doing, be focused on where you are and whom you are with. In other words, compartmentalize.
2. Have the mettle to say no to request and demands outside your chosen work-life balance plan.
3. Make sure your work-life balance plan doesn't leave you out. Make sure it fulfills your dreams and passions.

Recommendation: Winning is packed with personal anecdotes and written in Jack's no b.s. voice. Winning offers deep insights, original thinking, and solutions to nuts-and bolts problems that will change the way you think about work. While this summary captures guidelines and pitfalls, Jack's own experience punctuates them with so many not-to-be-missed stories.

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About the reviewer: Frumi Rachel Barr, MBA, PhD

Many CEO's find themselves asking "What now?" to sensitive situations that only an experienced former CEO can understand. Frumi is brought in to solve problems and often remains to work with you, as your confidante and secret weapon. She has an uncanny knack of getting to the heart of your corporate climate and maximizing your team's performance, profitability and sustainability.

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