



Jack Welch



Suzy Welch

## HOW HEALTHY IS YOUR COMPANY?

Jack Welch and Suzy Welch outline three elements that are essential to operating a strong and profitable business.

If you had to pick, which three measurements give the best sense of a company's health?

Every type of business, not to mention every type of manager, has a different set of vital statistics that really matter. For manufacturing people, it could be inventory turns, on-time delivery and unit cost. For marketing people, it could be new account closings, market share and sales growth. For call center managers, it could be the time it takes to answer, number of dropped calls and employee retention.

If you're running a business, though, whether it's a corner store or a multi-product multinational, we would say there are three key indicators that really work: employee engagement, customer satisfaction and cash flow.

These measurements won't tell you everything you need to know, but close to it. They get right to the guts of a company's overall performance, now and in the future.

Employee engagement first. It goes without saying that no company, small or large, can win over the long run without energized employees who believe in the mission and understand how to achieve it. That's why you need to take the measure of employee engagement at least once a year through anonymous surveys in which people feel completely safe to speak their minds.

But watch out. Don't fall into the common trap of letting these surveys devolve into questionnaires about the little stuff, such as the tastiness of the food in the company cafeteria or the availability of spaces in the parking lot. The most meaningful surveys probe how employees feel about the strategic direction of the company and

the quality of their career opportunities.

They ask questions such as these: Do you believe the company has goals that people fully grasp, accept and support? Do you feel the company cares about you and that you have been given the opportunity to grow? Do you think that your everyday work is connected to what company leaders say in speeches and in the annual re-

“An organization's ability to learn, and translate that learning into action rapidly, is **THE ULTIMATE COMPETITIVE ADVANTAGE.**”

— Jack Welch

port? The best employee surveys are getting at one question: Are we all on the same team here?

Growth is the key to long-term viability, which is why customer satisfaction is the second vital sign for general managers. Again, this measurement can be obtained by surveys, but those are rarely enough to give you the gritty data you need for a real

read of the situation. No, you need to make visits. And don't just chat with your “good” customers. See the ones whose orders are inconsistent or dropping — the ones your salespeople don't like to see themselves. Make these visits about learning. Find a dozen ways to ask what can we do better? And don't leave without finding out if each customer would recommend your products or services.

Finally, there's cash flow, which is valuable because it just does not lie. All your other profit-and-loss numbers, like net income, have some art to them. They've been massaged through the accounting process, which is filled with assumptions. But free cash flow tells you the true condition of the business. It gives you a sense of your maneuverability — whether you can return cash to shareholders, pay down debt, borrow more to grow faster or any combination of these options. Cash flow helps you understand and control your destiny.

Without doubt, there are many ways to measure the pulse of a business. But if you have employee engagement, customer satisfaction, and cash flow right, you can be sure your company is healthy and on the way to winning.

*Jack Welch was Chairman and CEO of General Electric from 1981 to 2001. With his wife, Suzy Welch, Jack is the author of the international bestsellers *Winning and Winning, The Answers*, and writes a business column carried by more than 45 newspapers worldwide. In 1999, he was named *Manager of the Century* by *Fortune* magazine; he currently teaches a leadership course at MIT. For more information visit [www.welchway.com](http://www.welchway.com)*