

# GE's Two-Decade Transformation: Jack Welch's Leadership

Before you are a leader,  
success  
is all about growing  
yourself.  
When you become a leader,  
success  
is all about growing  
others.

[www.idlehearts.com](http://www.idlehearts.com)

~ Jack Welch

Akshpreet Narula (13016)  
Harkamal Singh (13052)  
Pallavi Jaiswal (13096)  
Sandeep Singh (13040)  
Shikha Jaiswal (13156)  
Varun Mahajan (13192)  
Siddhant Sanghvi (131)

# Coverage

- Introduction
- Founders & CEO's
- Jack Welch
- First stage of rocket
- Acquisition
- Second stage of Rocket
- Work out & Best practice
- Going Global
- External Opportunity
- Developing Leaders
- Croton Ville
- Third stage of rocket
- Stretch
- Service business
- Closing out the decade
- A player with 4 E's
- E business
- GE in India
- Reverse Innovation
- Key milestone in '12



# Introduction

Is an American multinational conglomerate headquartered in Fairfield, USA.

Company operates in energy, technology, infrastructure, capital finance and consumer and industrial.

Products they offer are appliances, aviation, consumer electronics and electrical distribution, electric motors, energy, finance, gas, healthcare, lighting, locomotives, oil software, water, wind turbines

Revenue: 147,359 Billion USD

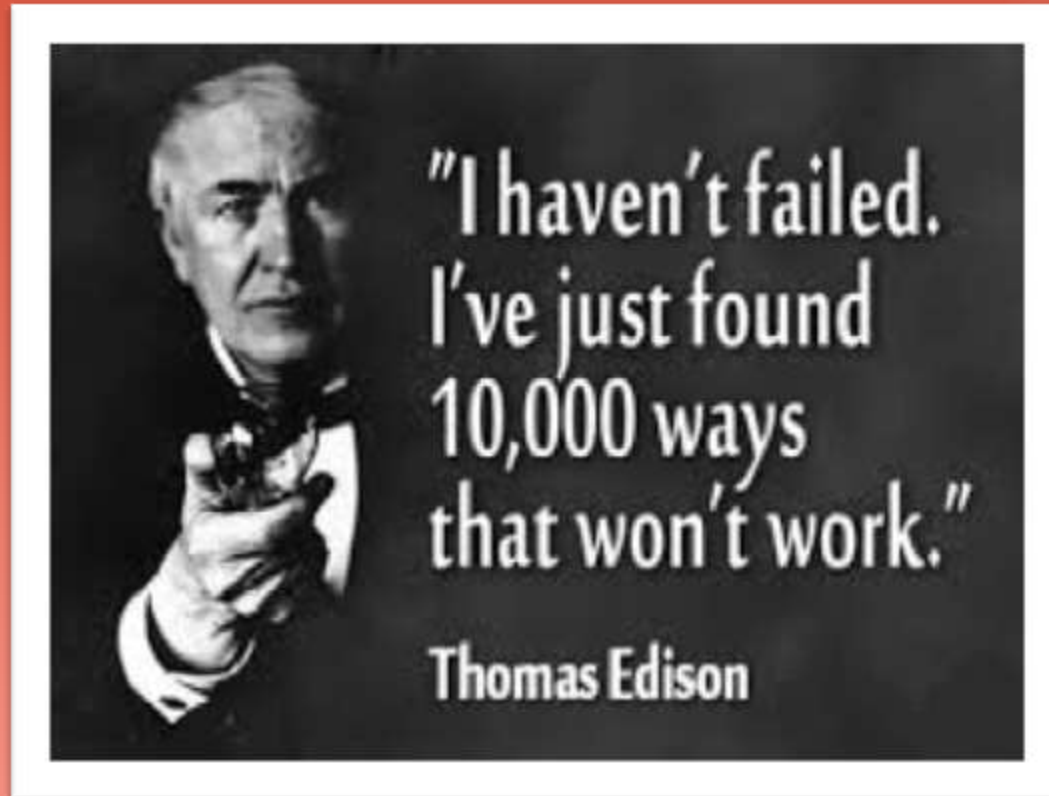
GE is world's third largest company

Current CEO: Jeffery Immelt



# Founder

## Thomas Elva Edison





❑ Founded in 1878 –by Thomas Edison

- First focus: generation, distribution and use of electric power.

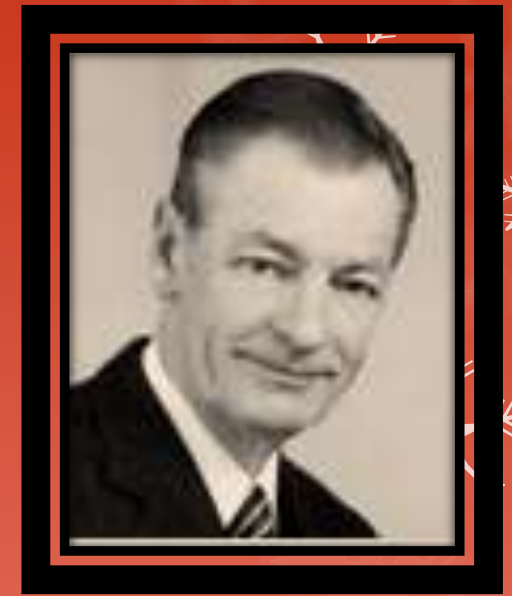
- CENTURY later – one of the world's leading diversified industrial companies.

❑ “profitless growth” in 1960's lead to have strategic planning systems.

| Year | Structure                |
|------|--------------------------|
| 1930 | Highly Centralized       |
| 1950 | Greater Decentralization |



# Reg Jones(1973-1980)



## **YEAR**

## **Achievements**

1970

"CEO of the Year" 3 times by his peers.

1979

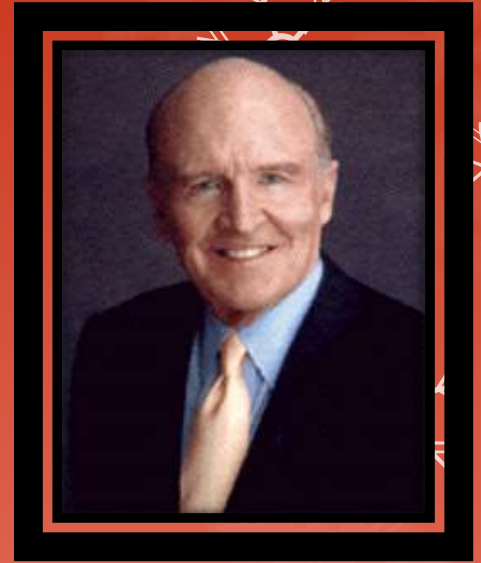
"CEO of the Decade"

1981

"management legend"  
by THE Wall Street  
Journal.

- 43 strategic units => to support strategic planning.
- GE was benchmark for others companies (imitated its SBU based structure & planning process).
- Unable to review and approve massive volumes of Information generated by 43 SBU's.
- Formed a covering on GE's departments, divisions, groups and SBU's with "SECTORS".
- Country's leading business statesman.

# Jack Welch(1981-2001)



| Year      | Achievements                            |
|-----------|---|
| 1997      | National business hall of fame          |
| 1999      | Manager of the 20 <sup>th</sup> century |
| 2001-2004 | Forbes 400 richest Americans            |



● When joined GE the U.S. economy had lot of problems:-

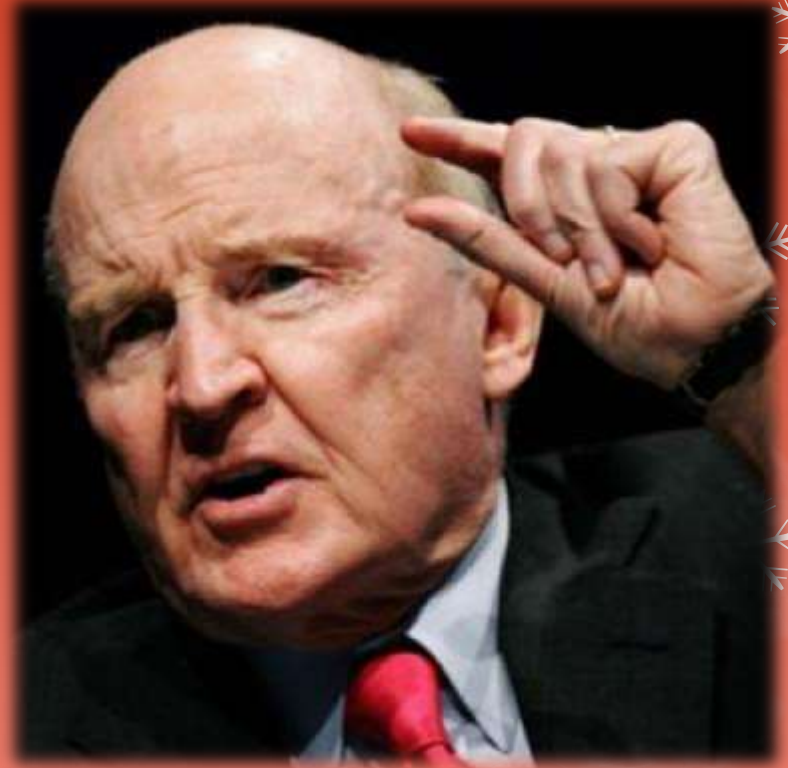
1. Unemployment
2. High interest rate
3. Recession
4. Strong dollar exacerbated

● He challenged to be “better than the best”.

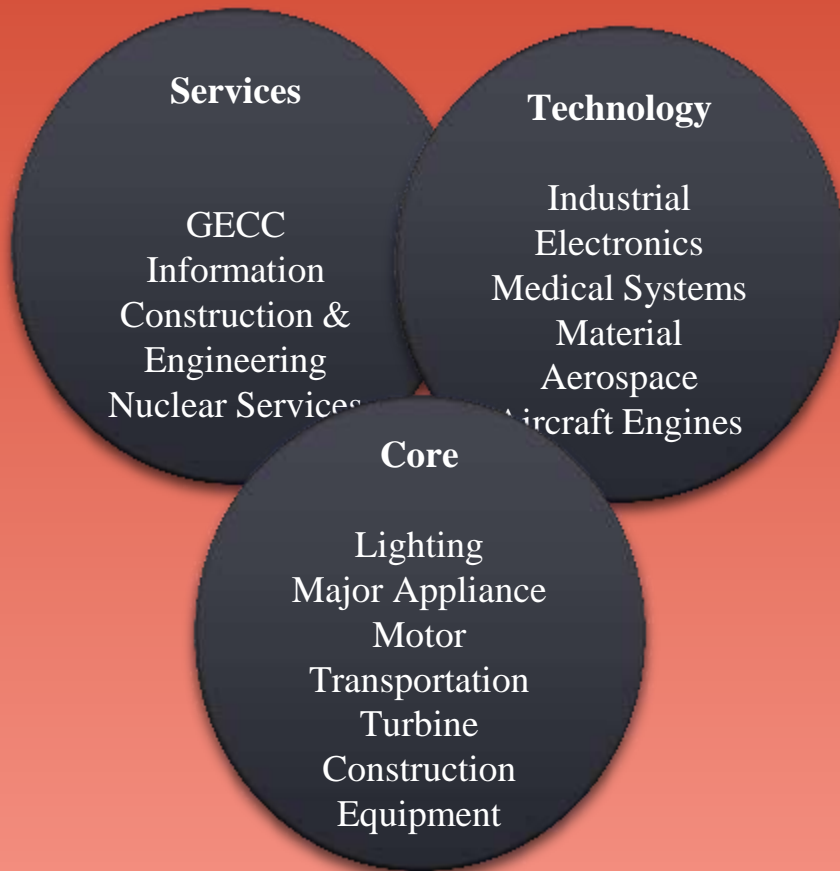


# Jack Welch in an Interview

“A **decade** from now, I would like General Electric to be perceived as a Unique, high-spirited, entrepreneurial enterprise...the **most profitable, highly diversified company** on the earth, with **world quality leadership** in every one of its product lines”.



# 1<sup>st</sup> Stage of Rocket



#1 or #2:  
Fix, Sell or  
Close

**Exhibit 2**

- Sold more than 200 businesses[**SPIN OFF**] and made over 370 acquisitions.
- Replaced the strategic planning system with “real time planning”.
- Built five-page strategy playbook.
- Budgeting process was redefined.[rather than internal comparison used external means]
- Insisted GE become more “lean and agile” resulting
  - Delaying: “sector” level
  - Downsizing: elimination of about 123,450 jobs
  - Divestiture: elimination of an additional 122,700 jobs

# Acquisition



## Services

- Weaker of the three
- Made 9 acquisition in it with the brands



## Technology

- Moderately stronger
- Made 7 acquisition in it



## Core

- Stronger of the three
- Since they were stronger, they made only 6 acquisition in it.


**Exhibit 3**



| Year | Revenues       | Operating profit |
|------|----------------|------------------|
| 1981 | \$27.2 billion | \$1.6 billion    |
| 1985 | \$29.2 billion | \$2.4 billion    |

- Drastic restructuring earned Welch nickname “**Neutron Jack**”.

- “Varsity team” consisted of managers with a strong commitment to new management values, ability to take charge and bring about change.





# Second Stage of Rocket

- 1980's most of the restructuring was complete.
- Hardware was in place ,focus is on Organization's Software.
- His priorities were shifting to Culture.



## Work out

- Jack welch
- James Baughan (director of Management development)

## Best Practise

- Jack Welch
- Michael Frazier

# Work – Out and Best Practices

- To get unnecessary bureaucratic work out of the system.
- Forum in which employees and their bosses could work out new ways of dealing with each other.
- Groups of 40-100 employees were invited to share views about the business and how it can be improved.
- 3-Day session, there was no documentation of meeting.
- This resulted in birth of a movement called “Best Practices”
- Competitive Intelligence[best practices of Ford, HP, Xerox, Toshiba].
- Through best practices realization by managers that they were measuring/managing wrong things.

# Going Global

**Paulo Fresco**  
President  
GE Europe



"It is very difficult to jump into the world arena if you don't have a solid base at home, but once the solid base was created, we really took the long jump"

- #1 or #2 evaluated at world market position.
- Business are global and not companies

### **Contribution**

Key negotiator in deal with Thomas S.A.  
[exchange offer]

Joint venture with Robert Bosch

Partnership with Toshiba

Acquisition of Sovac

# External Opportunity

- Globalization not a one time effort but an ongoing theme

“If opportunity doesn't knock,  
build a door.”





# Problem Seen as Opportunity

Europe  
economic  
downturn

- \$17.5 billion invested in from 1989-1995, on new plants, acquisitions and finance.

Mexican  
peso  
collapsed

- Great buying opportunity ,acquired 16 companies.

Asia slipped  
into Crisis

- Welch urged its managers to view this as an opportunity to buy rather than a problem

# Developing Leaders

- Focus of employees Outward(competitive world) instead of inward.[Lifetime employment]
- “I Own the People” => good people were GE’s key assets and are company's resource.
- Developing of employee was from both side(employer and employee).
- Salary Structure
  - Increase base salary + compensation(stock options)



# Croton ville management development facility

- Hired Jim Baughman from Harvard and Novel Tichy from Michigan.
- Develop leaders aligned to GE's new vision and culture. Work Out Idea struck.
- Introduced 360 degree feedback process.  
[rating employees on scale of 1-5 based on area T.Q.V]

# Crotonville management development facility

## First

- Delivers commitments and share values.

## Second

- Doesn't meet commitment and doesn't share values.

## Third

- Misses Commitments but shares Values

## Fourth

- Delivers commitments but doesn't share values.



*Autocrat and need to weed out from GE*

# 3<sup>rd</sup> stage of Rocket

Boundary less company



- **Ideas free to flow, No distinction** between foreign and domestic markets.
- Best practices can be leveraged by boundaryless behavior.
- Adopted Fisher & Paykel – Job-Shop techniques in their appliance business.
- GE's appliance Park “must see” destination for other businesses.



# Stretch:-Achieve the Impossible





● How good can you be?

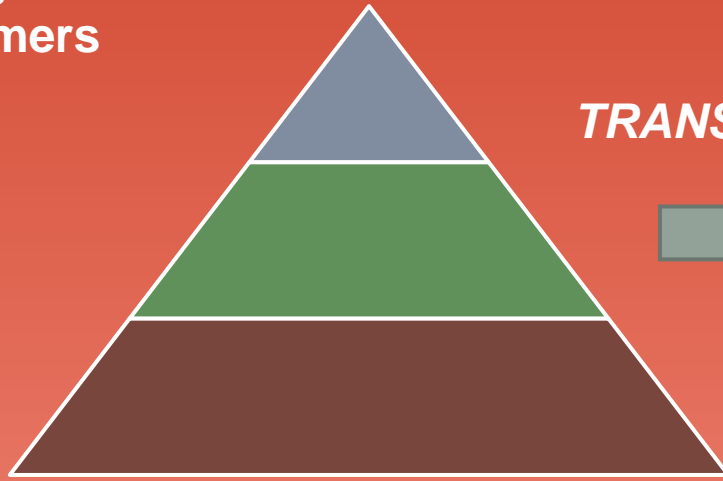
● Don't-punish-failure concept.[No disaster of Stretch target Idea]

● By 1995 GE did achieve Operating margin of 14.4% and inventory turns of almost 7 in 1995.

# Service Business

- Future => offset slow growth in Products, started focus on added value services.
  - Medical Business -> “In Site”
  - Real time diagnostic concepts applied in Aircraft and Power systems.
- Biggest growth opportunities => Providing service to customer.
- Making existing assets of Customers more productive.

**Selling Products to  
Customers**

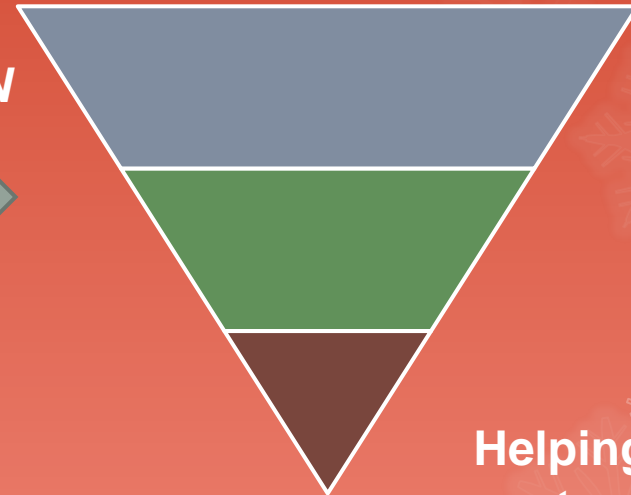


**Products**

***TRANSITION***



**Products**



**Helping our  
customers win**

# Closing out the decade

- Didn't go by the trend.[breaking up multibusiness companies].
- **Six Sigma Quality Initiative.**[AlliedSignal borrowed form Motorola]
- Gary Reiner-VP of Business Development lead the Quality Initiative.
- GE was operating in error[3.4 defects per million operations and costing \$8 - \$12billion a year]
- Goal to reach Six Sigma quality levels company wide by 2000.



## Green Belts


4 weeks training  
5 Months  
implementation

## Black Belts

6 weeks of  
instruction in  
statistic , data  
analysis and other  
six sigma tools



## Master Black Belts



Full time six sigma  
instructors –  
mentored the Black  
Belt candidates  
through the two –  
years process



# "A Players" With "Four E's"

**"A"  
Players**

- Individuals with vision, leadership, energy and courage.

**Energy**

**Energize  
Others**

❖ Implemented Performance Appraisal System.

❖ Globalizing the intellect of the company.

❖ Continuously upgrading Quality of management was key success of GE.


**Edge**

**Execution**

# E-Business

- Each unit had full time dyb.com team focused to redefine the business model.
- Welch thought GE was late entrant to Internet.
- Through the process of Six Sigma, GE has done the hard work which is needed to support e-business.
- Early results of digitizing the company was success.
- General Electric awarded “**E-Business of the Year**” by InternetWeek Magazine in 2000.
- GE has moved billions of dollars in sales and spending to the Internet at lightning speed.





| <b>CEO<br/>particulars</b> | <b>Borch<br/>(1961-<br/>70)</b> | <b>Jones<br/>(71-80)</b> | <b>Welch<br/>(81-90)</b> | <b>Welch<br/>(91-<br/>2001)</b> |
|----------------------------|---------------------------------|--------------------------|--------------------------|---------------------------------|
| Sales                      | 87%                             | 161%                     | 93.1%                    | 146.7%                          |
| Operating<br>profit        | 27.11%                          | 204.3%                   | 170.4%                   | 196.7%                          |
| Market<br>capitalization   | 10.23%                          | 11.9%                    | 285%                     | 673.5%                          |

**Exhibit 5**

# Current Scenario of GE India

- GE's presence in India was in 1902  
=> hydropower plant.
- Today the best of GE is in India through technologies and innovations.
- Bringing products, services and technologies closer to customers[Localization].
- A long term player across transportation, energy ,healthcare and financial services.





**500**

**MILLION:** Dollars of component sourcing from India for various GE businesses.

---

**10**

Number of GE Manufacturing and Services plants in India.

---

**14k**

People employed by GE in India.



# Current CEO of GE and his Contribution



- John Flannery is the President and CEO for GE India and is directly responsible for all of GE's operations in the country.
- He has been with GE for over 22 years and has held several senior leadership positions in the company.
- He has extensive experience in building and leading large teams and growing businesses in global assignments.

Ref :- <http://www.ge.com/in/>

# Reverse Innovation

- GE Aim => Conceiving and developing products for the Indian market and in turn use those products to penetrate more mature markets outside of India.
- This is the “reverse innovation” concept.
- “Localisation of business”.
- GE to become a truly great local company in India.
- Structure of Org => business vertical heads are now reporting directly to CEO of GE India, as compared to the past where unit chiefs reported to global business verticals.



# Key milestones achieved in 2012

GE opens  
measurement &  
control validation lab  
in India

Jet Airways signs  
agreement with GE on  
aircraft engine repair

GE's Rs1,000 crore  
first Indian factory to  
come up near Pune

GE Energy to localise  
products for India's  
wind energy sector

Majority Interest of  
Advanced Systek is  
acquired

Reduce the maternal  
and infant mortality  
through technologies  
and partnerships.

