

General electrics corporate culture

[Business](#), [Employment](#)



Corporate Culture Culture refers to the fundamental values and norms that a group of people—such as an ethnic group, a nation, a corporation, or some other organization or profession—holds or aspires to hold. Every culture distinguishes itself from others by the specific ways it prefers to solve certain problems, such as those that arise from relationships with other people, from the passage of time, and in dealing with the external environment. Groups of people have " typical" cultural traits that can be identified by observing situational behaviors and predominant tendencies in problem solving. Recognizing that a group exhibits certain " typical" cultural traits does not mean that every person in that group has precisely those characteristics. That would be stereotyping. The way in which attitudes are expressed in a business organization and the way employees are evaluated and rewarded are labeled " corporate culture." The culture of an organization is shaped by the national traits of its employees, by the personality and ideas of the corporation's dominant leader (if there is one), and by the nature of the industry GE's efforts to bind together separate national and corporate cultures have resembled the practices of many multinationals in some respects: providing extensive training in language and business skills and offering opportunities for talented younger employees to rotate to different businesses and geographic locations. But GE's corporate culture also incorporates the views of its dominant leader, Welch, CEO since the early 1980s. Jack Welch has made it standard company practice that every business unit conduct continuous campaigns to become the lowest-cost producer in its area. One approach to reducing costs and improving productivity is work-outs, which are multi-day retreats. After the boss and

outside consultants lay out the unit's achievements, problems, and business environment, the participants—representing every layer and type of employee of the unit—brainstorm to come up with recommendations for improving operations. They receive on-the-spot responses and pledges that what is agreed upon will be implemented quickly. Jack Welch also pioneered the best-practices program. Its objective is to seek from outside GE practical ideas for improving operations—to break with the "not invented here and therefore not considered" syndrome that permeates many large organizations. GE's corporate culture also includes empowerment: delegating down the chain of command as many decisions as possible and encouraging individual initiative. Employees are encouraged to communicate and to act across hierarchies. GE's culture sets ambitious targets for continuous improvement, consistent with Welch's notions of stretch: achieve large results, not small, incremental ones; make things happen quickly because speed is a competitive advantage. Under Welch's leadership GE has made massive layoffs at many of its units and has quickly sold businesses that do not perform up to expectations. There is no long-term job guarantee at GE. The corporate culture of GE embodies such typical American traits as individualism, universalism, and self-confidence. GE offers scope and rewards for individual initiatives, making performance evaluations and offering incentives that are more individual-than team-based. American culture generally, and GE's corporate culture specifically, are strongly universalist: rules are more important than relationships, "what is good and right can be defined and always applies." A GE publication, "Integrity: Code of Conduct at the Workplace," is issued to all company employees in the

local language, and workers must pledge to observe its covenants. The fifty-page book prescribes behavior to try to eliminate corruption. It instructs that one must deal fairly with one's coworkers, regardless of nationality, sex, or creed. It requires absolute fairness in dealing with competitors and suppliers. It insists on integrity in all aspects of conduct involving the workplace. In the family, at school, and through the media, Americans are taught to approach tasks with confidence and to seek the most practical solutions to problems. They believe that it is up to each individual to succeed, that nature can be subdued and other outside constraints overcome if only one tries hard enough. Hungarian society in general, and Tungsram workers in particular, are individualistic in certain respects, such as preferring to attack problems alone rather than in teams; and community-oriented in others, such as being less willing to accept individual responsibility. Community orientation is partly a legacy of the previous economic system, when neither ownership nor control over the means of production was clearly defined. There is a tendency to blame others for problems. The first reaction to a difficult task is usually to dwell on why it cannot be solved, although Hungarian pride and ingenuity eventually do find a way to solve it. Hungarian culture is strongly particularist: "circumstances and particular relationships influence how I act." Hungarian employees have been socialized—by the many vestiges of the old feudal system and by the hierarchy of central planning—to act only in their areas of authority, and they are reluctant to step beyond those boundaries. Since its establishment in 1896, Tungsram's culture was cradle-to-grave. Employees lived in housing provided and financed by Tungsram. Their children went to Tungsram kindergartens and schools. They vacationed

in Tungram's vacation facilities. On weekends they rooted for Tungram sports teams. They played soccer or tennis or basketball in Tungram's sport facilities. The only way to get a job was to be recommended by a current Tungram employee. Many families had three or four generations of Tungram employees. This community-oriented ethos was reinforced during the socialist era by practically no layoffs. Even after five years under GE, the leader of the Independent Union of Tungram Workers made the following statement: " GE's corporate strategy is to make everyone insecure. The owner assesses us from the United States, where the structure of the economy and industrial relations are different. GE tries to employ here overseas methods, which causes conflicts." American business culture emphasizes that the prime duty of management is to serve the stockholders' interest. GE under Jack Welch has prided itself on continuously increased profits and the stellar performance of GE shares on the stock market. European and Japanese business cultures lean more toward the view that employee interests should be on or near par with owner interests. Such cultural differences can give rise to conflicts and misunderstandings in particular situations. For example, GE at Tungram has followed its universal practice of establishing a confidential telephone line for reports of ethics violations by its employees. Reports of any kind can be made and the caller need not give a name; all charges are investigated. For many Tungram employees this practice recalls the hated political " snitching" that Hungarians were compelled (and later, encouraged) to do in the postwar decades. The confidential phone line was introduced over the strenuous objections of the union and the work councils, and it remains in place.

Another example: In 1995 GE announced that it will end a seventy-five-year-old corporate tradition of financial support for the Tungsram Sports Club, which sponsored Hungary's leading professional teams in men's and women's basketball, volleyball, and water polo. Thus the title of one Hungarian editorial: " GE Brings a Good Thing to an End." In addition to regretting the withdrawn GE sponsorship of Tungsram's professional sports teams, the Hungarian public has been equally disturbed by reports of substantial downsizing of the workforce, decline of real wages even though productivity has improved strongly, and depreciation of the well-known Tungsram name. But the fact is that Tungsram—a large, state-owned enterprise in a small country, manufacturing a standard product for export—could survive only through being internationally competitive. GE has made impressive strides toward that goal through restructuring. Thus, Tungsram's privatization under GE—besides being an excellent strategic investment for the multinational—was, on balance, in Hungary's national interest, too.