Strategic thinking of general electric's ceo

Education

Date: April 27, 2009 Course 5130: Strategic Thinking Session 3 Assignment: GECase StudyThecultureat General Electric, before Jack Welch assumed his role as CEO in 1981, was highly decentralized, where significant emphasis on strategic planning was levied on 43 Strategic Business Units. However, Jack's vision of changing the culture of the company was a priority to him. As a result, Jack began the culture change by replacing 12 of his 14 business heads.

He replaced them with new managers who had a strong commitment to the new management values, with a willingness to break from the old culture, and had the ability to take charge and bring about change. Welch wanted to reflect a management style of openness, candor, and one of facing reality. In addition to the culture change, he wanted the culture to be characterized by speed, simplicity, and self-confidence. Instead of continuing with the old style bureaucracy characterized by large corporation, Welch wanted to create a culture of small companies where everyone had a voice and felt engaged in their business.

One of the initiatives Welch implemented in the late 80's, which was instrumental to changing the culture at GE, was called " Work-Out". This process was designed to get unnecessary bureaucratic work out of the system while creating a forum in which management and employees could work out new ways of dealing with each other, and cut out the bureaucracy. This open style forum would bring 40 to 100 employees together to share their views about their business and how it might be improved.

The “ work-out” consisted of three-day sessions where employees would get the opportunity to lists all of their problems, debate solutions to these problems, and prepare presentations. On the 3rd day of the session, the employees would make their recommendations and the process would require the bosses to make decisions on the spot in front of every employee and their peers. Welch also focused of realigning skills sets and changing the mindset of his employees with GE’s new strategy and organizational imperatives.

Because of this new demandingenvironment, some employees felt overworked and there was some residual distrust from the layoffs that took place during the 80’s; hence, he recognize this challenge and felt the need to redefining his commitment to his employees. As a result, a new psychological contract developed which gave a sense to the employees at GE that their jobs were the best jobs in the world. They had the best training and development resources, and they provided an environment committed to providing opportunities for personal and professional growth.

Another initiative Welch took on, as a way to shock the culture at GE, was by introducing the notion of “ stretch” to set performance targets. In addition to setting their basic targets, managers were asked to set stretchgoalsfor their businesses as a way to reach for a higher mark knowing that they would be rewarded handsomely if they hit these goals. Within a year of introducing stretch goals into the organization, GE was reporting significant progress in areas such as inventory turns and operating margins. Finally, one of the last cultural changes Welch was able to integrate at GE was having a boundaryless company.

This vision is characterized by an " open, anti-parochial environment, friendly toward the sharing and seeking of new ideas, regardless of its origin. He envisioned removing all barriers amongst disciplines and operations, and one that removed labels in titles and hierarchy chain. Equally important to having a boundaryless company was changing the internal mindset of selling products to helping their customer to win. In order to make all of these cultural changes, Jack Welch needed to make human resource changes which will allow him to execute on his vision to be the best company in the world.

He introduced the 360degree feedback process where employees were graded by his or her manager, peers, and all subordinates on a 1 to 5 scale in areas such as team building, quality focus, and vision. Management went through rigorous appraisals, development, and succession planning reviews named Session C's. Welch also wanted to make certain that they maintained their best employees. He asked top executives to identify future leaders, outline planned training and development plans, and detailed succession plans on all key jobs.

He didn't like the reward system of insignificant salary increases year after year. Instead, stock options became the primary component of management's compensation. In their Crotonville facility, priority became to develop a generation of future leaders aligned with GE's new vision and cultural norms. The place evolved from a training center to a place where teams of managers worked together on real priority issues and decided on results-oriented action. One of Welch's concerns regarding some of his managers was their unwillingness to embrace the open and participative values he espoused.

As a result, he categorized his leaders into 4 different types: ? First type delivers on commitments and shares the values of the organization. This type of leader certainly had a great future at GE. ? Second type was the complete opposite to the previous type. This type of leader did not deliver on commitments nor did he or she share the values of the organization. This individual did not last long at GE. ? Third type of leader misses his or her commitments but shared the company's values. This individual would be given a second opportunity, most likely in a different environment. The fourth type of leader was one whom Welch, and most top managers, had more difficulty dealing with. This is the type of leader who delivers on his commitments, but does not share the values of the organization. These types of managers are typically characterized by being autocratic, and who forces performance out of their employees as opposed to inspiring his people. These types of leaders were exposed during the 360 degree feedback process, and were subsequently let go. Finally, Welch envisioned only having " A" players across his organization.

Individuals who displayed a vision, hadleadershipqualities, were energetic, and displayed courage. These individuals were characterized with the 4 E's: had energy, could energize others, had an edge about them, and were able to execute their job. As a result, GE ranked their employees into the following 5 categories based on long term performance, also known as the " Vitality Cure": 1) Top 10%, 2) Strong 15%, 3) Highly Valued 50%, 4) Borderline 15%, and 5) Least Effective 10% In order to mobilize the organization to develop and execute business strategies, Welch did the following: 1.

Reduced bureaucracy by being lean and agile, which resulted in 50% reduction of strategic planning staff. 2. Scrapped GE's laborious strategic planning system, and replaced it with real time planning. 3. Eliminated " sector" level managers, previously the powerful level of strategic control. Hierarchy levels went from 9 to 4, and they all reported directly into Jack. 4. Instituted the process of " Best Practices" or " Benchmarking". This process was intended to increase productivity by sharing best practices employed by each business amongst each business.

In addition, the implementation of " Best Practice" resulted in development of effective processes rather than controlling activities; customer service was their main gauge of performance; treating suppliers like partners; and an emphasis in providing a constant stream of high quality new products designed for efficient manufacturing. At the end of the day, Welch was regarded as the greatest CEO during his days at GE because he was able to envision, communicate and execute on what he wanted GE to look like. He began by delivering the message that all GE businesses had to be either #1 or #2 in their category, otherwise they needed to disengage.

GE took a serious approach to become a global company. During the early to mid-80's, they made several major acquisitions, and these businesses were responsible for implementing their own plan appropriate to their particular needs. Welch, however, remained very involved with these companies, and he also applied the standard of excellence where they needed to be either #1 or #2 in their business. Welch also wanted to reduce the amount of dependence on the traditional industrial products, which resulted in a new business strategy initiative of pushing for product services.

By the supplement the traditional industrial products with added-value services, Welch believed that services would present the biggest growth opportunity for GE. This new initiative led to a number of acquisitions. Benchmarking with companies such as Motorola and Allied Signal, Welch understood how the Six Sigma quality initiative these companies had been utilizing could significantly impact GE. Six Sigma was a discipline, statistic-based system aimed at producing not more than 3. 4 defects per million iterations for any business process…from manufacturing to customer transactions.

One of GE's early successes in utilizing the Six Sigma process was in its Lighting division, where the use of Six Sigma was credited for cutting invoice defects and disputes by 98 percent. On his final days at GE, Welch introduced his last business initiative targeted at GE's e-business. The program called " destroyyourbusiness. com", or " dyb. com", provided focus and challenged each business to look for opportunities via the internet within their own business. Welch felt the opportunities through this medium loomed large, and Welch was very pleased with the early results.

Without a question, Jack Welch made a significant mark during his time at GE both professionally and in society. He changed the way businesses are managed and operated, and he left a legacy of future managers whom have moved on to lead large corporations. Unfortunately, some of them have not enjoyed the same success Welch experienced. Nonetheless, it is impossible to deny Jack Welch's impact on the global business during his time at General Electric. Porter's Five Forces We, at Thomas & Betts, are constantly battling against all 5 of Porter's forces.

Following are examples on how our business is impacted by these forces: 1. RIVALRY – We certainly view companies such as Cooper Industries and Hubbell as our primary rivals. For the most, one of us controls a big a portion of the business at the electrical distributors. Because of the legacy products our companies were built on are so similar, our customers tend to use price as a way to get what they want. As a way to combat pricing pressures, our focus is to bring new products to market providing financial benefits, such as labor savings, to the end-user. . THREAT OF SUBSTITUTES – Unfortunately, there are a significant number of competitors that we compete with in every product line we manufacture. Many of these competitors do not have the capacity or product breadth Thomas & Betts has, and that's the value proposition we offer to our customers. The ability to purchase multiple electrical lines, and placing it in one order, having one shipment, and paying one invoice. However, it has being difficult to quantify what this means to our customers from a financial perspective.

As a result, our customers continue to pin each supplier against each other by using pricing, rebates, and/or promotions as a stick to get a better deal. 3. BUYER POWER – Fortunately for us, we have a high level of brand recognition and demand at the end-user level. We work with Specifiers and Engineers to get our products specified on jobs, which gives us leverage when dealing with a distributor on how much business they should award us. 4. BARRIER TO ENTRY – As previously mentioned, one of the barriers of entry in our industry is controlled by what type of brand or product the specs calls for on specific jobs.

For the most part, specs list a primary supplier and a substitute brand that allows us to compete in most situations. Another barrier to entry could be at an account where the relationship of the existing supplier is so strong that we’re better off spending our time developing other distributors. 5. SUPPLIER POWER – Once again, the supplier has the power in situations where the end user specifies which supplier they would want to use in a specific job. At that point, the distributor has to work with the specified supplier and the leverage swings in the supplier’s side. Pricing and competitive threats are removed off the table.