

Business analysis of general electric



In the history of technology in the united states, the history of General Electric company constitutes a significant part. The growth of General Electronics (GE) from a mere home laboratory of Thomas Edison to one of the largest companies from simple early applications to complex 21st century high tech wizardry, has been quite outstanding. The company has also merged with other companies, broadening its scope, moving from technology to services, consisting of total 11 main operating segments: GE Advanced with high-performance, fused quartz and ceramics which are used by a good number of industries, silicon-based products. One of world's leading appliance manufacturers, GE Consumer and Industrial is a preeminent global maker of lighting products for consumer, commercial, and industrial customers. Besides, these functions, GE Commercial and Industrial also supplies systems, services and integrated industrial equipment. The energy industry is served by GE Energy, a prominent supplier among its field.

P1. Background to Change

Major changes in General Electric:

The economic problems of GE can be deciphered through its managerial reshuffling. General Electric experienced a far reaching change when John F. (Jack) Welch Jr. became the chairman and CEO in 1981. Welch intended to give power to the subordinates i. e. the periphery of the company by invalidating the hierarchy of the management, assigning divisions according to the performative skills, which he followed from predecessor Reginald Jones's time. GE bought 338 business and product lines for \$11.1 billion and sold 252 for \$5.9 billion over the next few years. Jones wanted GE to be top

ranked in all the fields of operation. During this period, in 1943, General Electric Credit Corporation, another of GE's operations was formed. And as it expanded into other markets like real estate, leasing and selling of heavy industrial goods, insurance and inventories its assets doubled to \$16 billion between 1979 and 1984. Also, the leasing operations protected the parent company from heavy taxes. It was done by leasing of the credit corporation on the equipments developed by GE which suffered accelerated depreciation.

Forces for change:

Controlling bureaucracy: Welch's signature concept was to spark productivity and save the company from eminent threats. Wales took care of both internal and external problems. He sorted out internal problems such as between functions eg-that between sales and manufacturing and external problems like GE and its suppliers and customers. Welch incited any kind of barrier was bad for the company. Information travels easily in an open, boundary less organization. There is a nothing to hinder the continuous flow of decisions, people, ideas etc. the century-old systems of resided hierarchy and bloated bureaucracy in Ge near got rid of because this Boundary less behavior. Welsh spent two decades reforming the bureaucratic procedures of GE, because he thought anything that hindered the free flow of ideas and learning was destructive.

Lack of sharing information:

Because there was a communication gap between the lower and top management, the goals were not clear to them. So they needed to change

and adapt so that everyone could be aware of the goals and objectives of the company.

Mobilizing the workforce/winning competitive advantage:

GE had to change and adapt itself to the changes around and compete properly and not lag behind. And when this change happens throughout is required to minimize the disturbances associated.

For expanding the business:

In order to expand his business to suit the competitive market, Welch globalizes , many were not doing well, so Jack first handled the problems playing weaker domestic sector (i. e. the hardware phase: restructuring, delivering, downsizing etc.) After solving the hardware problems, Welch concentrated on making GE global.

Advancement of Technology:

Change is a must to adapt to the growing technological market. Internet initiative was used by Welch. Welch recommended every process to be digitized, as a part of GE's e-Initiative. In making the company diligent and agile this step was much instrumental.

P2. GE organizational structure is combination of top-down & bottom up structure.

Corporate Executive Office

Chairman & CEO

Corporate staff

Finance Business R & D Human Legal

Development Resource

GE aircraft GE transp- GE industrial GE Plastics GE Appliance GE supplies

Engines orttion systems

GE Power GE Medical GE Lighting GE specialty NBC GE Capital

Systems Systems Materials

GE Capital 26 Business organized into 5 segments

Consumer Mid-market Specialized Specialty Equipment

Services Financing Financing Insurance Management

Advantages of Bureaucratic structure organization:

Functional economics of scale Minimum duplication of personnel equipment.

Enhanced communication centralized decision making

Disadvantages of Bureaucratic organization

Submit conflicts with organizational goals.

Obsessive concern with rules and regulations.

Lack of employee discretion to deal with problems.

P3. Mechanistic Organizational structure:

Qualities such as high complexity, formality and centralization mark the

Mechanistic structures. These structures are well suited for repetitive

functions and actions. They react to unpredicted events relatively slow and are highly depended on planned behaviors.

Mechanistic

Organizational

Structure

Mechanistic

Organizational

Performance

AlignmentStructure

Control-oriented IT Alignment Performance

Control-oriented IT

Advantages:

High specialization Rigid departmentalization

High formalization

Disadvantages:

Narrow span of control

Flow of information is not free

Centralized

Organic Organizational structure:

Organic structures emphasis on parallel relations rather than vertical ones and are relatively resilient and adoptable. It is influenced by skills and knowledge rather than status-related authorities, the focus is not on commands but on data sharing and responsibilities are rendered flexible not based on terms of reference.

Organic Organizational structure

Mechanistic

Organizational

Performance

AlignmentStructure

Coordinatio-oriented IT Alignment Performance

Control-oriented IT

Advantages:

Open communication network

Empowered employee

Wide span of control

Cross hierarchical team

Free flow of information

Disadvantages:

Low formalization

Minimal formal rules

Little direct supervision.

. Organizational transformation (Centralized -decentralized)

The key to success is innovation. And centralization and decentralization-two structural dimensions of the firm affect this innovation. The degree to which decision-making authority is kept at top levels of management is known as centralization. And the degree to which -decision-making authority is pushed down to lower levels of the firm is known as decentralization.

There is a dispute regarding which is better among the two. There can be two types of centralization and decentralization -geographical and the hierarchy among the employees. In the case of the geographical centralization, an organization can have just one headquarter and vice versa in the case of decentralization. The other type would be when the authority and decision making sessions are involved. The centralization or decentralization of an organization depends on factors such as type of industry etc. In the case of centralized organization, the hierarchy is strictly maintained and power is held by the top executives and the headquarters. In decentralized organizations, the power all including various outlets and lower level managers. Tesco, the super market chain, where each store has a manager who take important decisions regarding the store, and is responsible to the regional manager is an example of decentralized organization

Recommendation: The firm should have a Communication consultant who will help to assess the situation. This in turn will help the business to be as productive as possible. The communication assessment helps to figure out the faults through an external source and tries to solve them and provide better business structure and design.

P4. Features of radical Changes

Merger & Acquisition:

During the early 1980s Factory automation became a major activity. Calma and Intersil were acquired by GE and were essential to this program. To manufacture and market Hitachi's industrial robots in the United States, GE also entered into an agreement with the Japanese, company. In order to robotize its locomotive plant in Erie, Pennsylvania, and GE spent \$300 million by itself. GE's aircraft engine business also participated in an air-force plant-modernization program two years later. The controversial B-1B bomber engines were also manufactured by GE.

Restructuring:

The " six sigma" was adopted by GE in the late 1990s under Welch's leadership, a Motorola, Inc. and Allied Signal Inc pioneered quality control and improvement initiative. Costs were cut by reducing errors or defects through this program. The six sigma was claimed to yield \$1 billion in annual saving by 1998. Restructuring continued within the company including a \$2.3 billion charge in late 1997, which led to the closure of redundant facilities to shift to cheaper labour market production.

Reconfiguring the business portfolio:

Welch wanted GE to be identified as a broadly diversified corporation. But he was also aware that GE's business portfolio should at first focus on a limited number of sectors which will be potentially attractive for growth and profitability. In his initial says, Welch confessed about his interest in dealing with the top companies in the global market. He highlighted GE's resources on its best opportunities: the consumer electronic business, mining interests (notably Utah International), small household appliances division, semiconductors, and radio stations were sold off by Welch. And GE acquired small companies. the bigger ones includes RCA, NBC, Kidder Peabody, CGR etc. GE made over a hundred acquisitions with financial services being the largest sector acquired.

Charging the structure:

One major factor which contributed to the transformed product-market face of GE and the consequent increase in growth was the changes in the business portfolio. Along with it, revitalizing the management systems and management style was required to generate ambition. This also led to a changed structure of GE. Several layers of management and large numbers of administrative positions were eliminated under Welch's supervision of special importance is the disbanding of GE's sectors, which resulted in the direct reporting by 13 business leaders to the CEO. The CEO's office expanded to include a corporate Executive council to facilitate GE's senior corporate officers and business level chiefs.

Changing management systems and processes:

A more flexible and responsive corporation resulted from the changes in GE's structure. GE's highly developed management systems were also required to be changed, specially the much popular strategic planning system. A less formal and more personal process substituted the staff-led, document driven process though the framework of an annual planning cycle was retained.

Modify human resource management:

The development of management talent contributed GE's long-term development and performance. Welch retained GE's well-developed management appraisal system and development. He thought that greater flourishing of managerial talent could be achieved by vesting managers with greater profit and loss responsibility early in their career. And better incentives were required to encourage risk taking and higher levels of performance aspiration. The bonus system was redesigned to reach into the middle of middle management. There were stark discrimination on the bonuses.

Corporate Initiative:

Periodic new corporate initiative as mechanisms to drive particular aspects of companywide performance was used by Welch. About every two year Welch would announce a major new initiative designed to energize the company and drive its performance in a particular direction, while strategic planning, financial control and human resource management provided the basic systems for managing GE. This initiative would be absorbed into the ongoing management systems of GE over time.

Work out:

The no-holds-barred discussion sessions that Welch held with different managers groups at GE's Management Development Institute at Crotonville, New York, gave birth to the idea of GE's 'work-out' process. Because work-out has a practical and an intellectual goal, it could achieve fundamental changes in management the riddance of several bad habits during all this twice being the objective. The second objective is intellectual, which puts the leaders of all business front of 100 or so, if their people, to let them know what they think. This is done 8-10 times a year. They will get to know more, about their business- feelings, opinions, resentments etc. It's about re-defining the leader-subordinate relationship. This helps form all kinds of dynamics, some go and hide, and others emerge successful.

The Boundary less Organization: Though Welch reacted strongly to GE's is depicted as a conglomerate, it did GE good, for the utilization of its products and geographical diversity for the betterment of performance led to GE's growth and expansion.

Globalization: GE's global responsibilities included exploiting international growth opportunities and the advantages of global reach. This was done through exploiting increased learning opportunities and global that affected particular countries could be handled properly because of global diversity. Also the advantages of such downturns were well-used.

Six Sigma: This program dominated corporate initiative and primary driver of organizational change and performance movement during 1998 to 2000. " Soul transferring cultural initiative"- such was it called by Welch. Motorola

inspired the methodology of measuring , analyzing, defining, improving and thus controlling every process that lead to the customer so that the defects reduced to 3. 4 per million.

P5. Evaluation of the Change

Merger and acquisition: Several importance purchases were made by GE in the year 1986, including the \$ 6. 4 billion purchase of the Radio Corporation of America (RCA), – the largest for the company till that date. Interestingly, GE in 1919 had helped to found the company. GE/s broadcasting business was brought into full force by RCA’s National Broadcasting company (NBC) , the leading television network. This RCA &GE match was considered beneficial by the company though both the companies were heavily involved into consumer electronics. This success had been possible because GE had been shifting into service and high technology from manufacturing compared to the 50 percent 6 year before almost 80 percent of GE’s earnings came from services and high technology, after the merger. GE’s labs made RCA’s famous David Saran off Research Centre quite redundant and divested itself of it. RCA’s television manufacturing business was sold to a French company Thomson in 1987. Thomsons medical diagnostics business was taken up by GE instead. And to complete 130 European acquisitions, GE spent \$ 30 billion during the 1990’s.

Restructuring:- e-business was chosen by GE for further growth of the company in 1999. GE cautiously reacted to the Interact explosion in the 1990s. Though it was thought that the Honeywell deal would serve as a capstone for Welch’s much admired leadership it ended sourly. Because of the 11th hour negotiations between the European regulator and GE

executives were broken down, the European commission had to block the deal on antitrust grounds on 2001.

Restructuring: The Headquarters and the interiors of the business experienced further eliminations. Decisions were taken by the operating units which could have four layers in the hierarchy. Welch was named ' Neutron Jack' for his administrative costs and ruthless attacks on bureaucracy. It was so severe, that many people had to leave.

Human Resource modification: Because of the restructuring, fewer people were left, and the 10 to 15 percent bonus was substituted by 30 to 40 percent bonus. Also, much wider range of managerial and technical employees received stock options instead of just the top echelon of management. The number of stock options receiving employees increased to 22, 000 by the end of 1995, from a 400 in early 1980's and Welch said " the stock compensation which was based on total GE performance salary or bonus associated with the performance of individual business or unit then. This enables a harmonious relationship between the interests of the individual, the company, and the share owner behind the powerful on company results".

Workout: the interaction between people will create the scope for rewarding and more fulfilling jobs for it is when they meet and talk, opportunities broaden. The quality of work life too is bound to improve. Workout concentrated on eliminating bureaucratic practices, at first but with time it evolved to the analysis and redesigning of complex cross-functional processes-involving customers, suppliers and Ge employees.

Sig Sigma: It became an unprecendents fervor across an unprecendentant broad front at GE. 100000 people were trained in sciences and methodology in four years, GE reported by 2001,- six sigma was their way of working, speaking a common language of DMOS (defects per million opportunities), Needs Assessment Maps, CTQS (critical to quality) , FMEAs (Failure, mode effect analysis) etc. GE gained as lot in performance and it moved the rank from reduced waste and lower operating costs to improved, financial management and faster customer service.

P6. Model of Planned change:

The action research model, contemporary adaptations to the action research model, and Lewin's change are the three theories which tells about the process of planned change in the organization. It showcases the four basic principles that is to be carried out by the practitioners and organization members. It can be drawn into a diagram, a flowchart , depicting the series of actions and its consequences-events from entering and contracting, to planning and working out the change, to evaluating and institutionalizing change. It is not a simple linear flowchart, but is constructed of overlaps and cycles among the activities.

Unfreez, change, freez: Infreez, change, freez (or Refreez) is a three stage theory of change designed by Kurte Lewin . Though the three stages can be complicate it is not required , for it works fine even when simple. But the simplicity has been criticized. And though it has been change considerably since 1947, it is still relevant. This model has helped the formation of many others model as well. The three stages, i. e. unfreezing, change and Freezing are explained in the following paragraphs:-

<https://assignbuster.com/business-analysis-of-general-electric/>

Stage 1. Unfreezing:-

The first stage is the most important and should be understood very well. It creates the ground for the change. It creates awareness about the change and prepares the organization for it. Making it come out of the comfort zone. Under Welch this first stage contributing the organization, using lessens, delaying the organization etc. He actually merged and used acquisition, using the six sigma to bring about this change

Stage -2- Change-or Transition

Kurt Lewin knows that change is a process, not event and called it transition. This journey also involves our reaction to the change. In the second stage the changes actually occur. He used merger and acquisition changing management system and process to help the change happen. This involved restructuring, reengineering and changing the HR to bring out the best within. He also made use of devices like work out globalization, boundary less organization, and six sigma.

Stage 3. Freezing

It is variably called the Refreezing. It is about stabilizing the situation after the changes. It is about making people aware and comfortable about the new norms, routines. It can be time consuming. GE achieved huge success through this method and was ranked 10 in the SFORTUNE 500 magazine.

P7. Implementation Procedure

Communication

Communication is the most important and required process to let the employees know about the consequences of not adopting to the change and

the benefits that the post change time will reap. Objectives, coverage, timing, costs; individual and organizational implications and change methods should be communicated.

Educated and Training

Education and Training is required to teach the employees who may not have the desired environmental, functional, financial, organizational, technical, strategic and behavioral knowledge or skills.

Participation and Involvement

Participation of the concerned people is absolutely necessary right from the beginning. This also helps to generate a sense of responsibility, ownership.

Facilitation and Support

Skilled facilitators implement the change initiatives. Proposals and issues since resolution of conflict team building and development of a conducive change climate are surfaced through them.

Negotiation

Some valuable things are needed to be exchanged for reducing the resistance among the employees, so the change agent has to negotiate. This is particularly interesting in the case of resistance from powerful employees. Tongue battle, supportive facilitator and cognitive Reasoned are the three styles of Negotiation.

Implicit and Explicit: Direct threats or force is applied on those who strongly resist lent this method works only in a crisis situation, otherwise it is quite redundant.

Contingency plan for GE

A contingency plan can be made when eligible CEO candidates who cannot be fully located or trained by the hand once deadline, and through this Welch could extend the tenure. The person can be employed as an unofficial consultant, even though the government mandated retirement age is reached by 2011. The company would be benefited with adequate breathing room. The chances of the creation of dangerous powerful acumms during the change or transition from old tonew CEO can also be avoided.