

Systemic capital market

[Business](#), [Marketing](#)



The impact on policy on long-term investment decisions represents one of the most critical aspects in the utility industry's current strategy and its future structure. The global energy and utility markets have never been this acute. Consumption has increased, volatile fuel costs and a major focus on environmental presence brings major challenges to the industry. " Economic factor or forces that need to be considered for examination may include the availability of credit, the level of disposable income, the ability of people to spend their money, prime interest rates, inflation rate, trends in the Gross Domestic Product (GDP), and the direction of the economy which the company operates" (Pearce and Robinson 2004).

The leadership at General Electric expects U. S. buyer spending to decelerate while user credit tightens and becomes more costly to maintain. However, GE is suited for this type of economy because as an organization " they invest and deliver" (GE, 2008). The General Electric organization has the discipline to survive in this economy by maintaining strict risk discipline, a " Triple-A" balance sheet, no exposure to collateralized debt obligation losses (GE, 2008). This economic philosophy allows GE to set aggressive financial goals while in the midst of a down economy. GE controls its own growth by helping to create the future. GE's innovative products help to shape the world's future through its technology, infrastructure, global citizenship, and commitment to the environment.

Social General Electric believes that as a global citizen and a global powerhouse, their duty is to not only make money and provide for their investors, but to use its innovative power to help solve the world's problems (GE, 2008). According to the GE website, the organization should apply its

spirit of innovation and commitment to integrity in an effort to concentrate on the complex challenges that impact the communities and people who are touched by the organization. This means that GE should approach global citizenship with the same discipline, strategy and accountabilities that drive all parts of its business and to generate profits that broaden far beyond the bottom line (GE, 2008).

As GE works to be a trailblazer in global citizenship, it has recognized four key strategic concepts that are in alignment with the organization's growth strategy; "ecomagination, emerging markets, compliance and governance, and environment, health and safety" (GE, 2008). Ecomagination is "a growth strategy that addresses our customers' needs for more energy-efficient products and services, while growth in emerging markets allows GE to lay the foundation for citizenship from the inception of a business opportunity" (GE, 2008). Along with compliance and governance, environment, health and safety, GE is solidifying its position as a major leader in corporate citizenship.

In order to prove their commitment to the environment, GE joined the Energy Star million monitor drive to conserve energy and shelter the environment. GE has also dedicated themselves to developing energy saving, power management options on nearly 100,000 computer monitors across the U. S. Once on board, this initiative will save 42 million kilowatt hours per year. This type of savings can provide enough excess energy to illuminate almost 400,000 houses each month. A byproduct of this movement will be a decline in greenhouse gas emissions by over 27,000 metric tons per year, or the same as removing more than 6,000 autos off

the road. These programs are cost effective; improve the quality of the environment and the quality of life of the world's citizens.

Competitive Analysis Strategic adaptability is the ability of a company to identify and properly presume variances in its exterior business atmosphere and make organizational changes necessary to adjust to the changed environment. A major determinant of a firm's success is the extent to which the firm can relate functionally to its external environment, including its competition. " To achieve its proper place in a competitive situation, the firm realistically must evaluate its competitive strengths and weaknesses" (Pearce & Robinson, 2004).

General Electric has the expertise to adapt strategically to their competition and make changes to better position the company by producing energy efficient equipment and services for their customers. The ability to survive in a dynamic and highly competitive environment would be limited if GE did not understand the impact of others or of others on them. General Electric has taken these social, technical and economic trends and evaluated how they can achieve success. They have done this by addressing through various programs externally and internally. These programs are cost effective and improve the quality of the environment.

General Electric realizes that their competitive advantage is based on technology. As an organization, GE invests approximately \$3 billion in research and development each year, in an effort to maintain a deep pipeline of new, innovative products. GE's infrastructure equipment orders have grown average of 39% each year for the past three years. This is

tremendous for GE's current earnings however, the infrastructure equipment growth has the potential to grow at an even higher rate. In addition, GE added approximately 6, 000 thermal and wind turbines, engines, and locomotives to its base, which promotes an even greater service growth.

GE finished 2007 a \$100 billion backlog of service agreements that is built on the technology of the organization's base. The organization's infrastructure business has been very profitable at a rate of \$26 billion in revenues with the expected growth potential exceeding more than 10% annually for the next 10 years (GE, 2008). GE also maintains its technical competitiveness by reshaping GE as the market has evolved. " Since 2002 GE has exited businesses with \$50 billion in revenues and entering businesses with \$80 billion in revenues" (GE, 2008). This type of creative thinking has kept GE at the forefront in global marketplace while providing value to their investors.

Strengths and Weaknesses

General Electric must also address its weaknesses and solidify its strengths. General Electric's core competencies lie in several areas across different segments and environments. General Electric's strengths are distributed across all the core competencies. This enables GE to address a single strength or weakness while correcting multiple environments. Some of GE's strengths are, " Strong implicit and explicit parent support, consistent earnings and asset quality performance generated, diversified asset base and earnings sources with increased transparency, strong and seasoned management" (GE, 2003). These are just a few of GE's strengths however;

these strengths lay at the core of GE's business. GE is not without its weaknesses as well, which can also be visualized as risk to the organization.

These weaknesses are " aggressive, but improving use of financial leverage, highly acquisitive posture, exposure to systemic capital market shocks because of large and continuous funding requirements, limited financial flexibility with regard to investments in regulated subsidiaries" (GE, 2003). Addressing these weaknesses will solidify the core businesses and segments that GE operates in. Eliminating the weaknesses of the organization increases the likelihood of success at future opportunities such as development of green technology, reduction in energy consumption, and achievement of the company's economic objectives. The success of these opportunities will ensure that General Electric remains a stable and secure company within the industries they operate.

Long-term Objectives

Long-term objectives are statements of the results a firm seeks to achieve over a specific period, usually three to five years. Strategic managers recognize that short-run profits are rarely the best approach to achieving and sustaining corporate growth and profitability. Long-term prosperity is achieved by strategic planners by establishing long-term objectives in the following areas: profits, production, competitiveness, employee development and relations, leadership, and social responsibility. In order for these seven objectives to be considered good objectives, they should be acceptable, flexible, measurable, motivating, suitable, understandable, and achievable.

General Electric has outlined some long-term objectives for the financial aspect of the company as well as created a philosophy that addresses the other areas necessary to long-term growth. CEO Jeff Immelt outlined these objectives in his letter to GE investors. The long-term financial goals for General Electric are " organic revenue growth at 2 to 3 times GDP growth, greater than 10% earnings growth, operating cash flow growth exceeding earnings growth, and a return on average total capital of 20%" (GE, 2008). CEO Immelt believes achievement of the financial goals lies in the success of the other facets of the organization such as; Continued development of the GE brand development of business leaders, remaining a global innovator, growth in emerging markets, strong customer relationships, and expansion of its charitable citizenship.

Strategic Analysis and Choice General Electric is an organization that has been around for over 100 years and has a historical track record for being financially successful and stable. The track record of financial success sends a statement to investors that GE has the forward thinking abilities necessary to remain a global leader. General Electric has shown the ability to change as the economy has shifted and the needs of the consumer have transformed over time.

This proves that General Electric has an effective strategic plan in place and makes adjustments to that strategic plan as the economy and its consumers dictate. Trying to fix what is not broken is not a generally accepted practice and General Electric has a strategic plan that works. While minute revisions may be needed, a major overhaul of General Electric's plan is absolutely

unnecessary. As one of the country's most successful companies, General Electric employs the best and brightest business leaders with the sole task of staying ahead of trends and issues to guide General Electric's strategic planning. General Electric's process works and does not need major refinement.

Plan Goals and Implementation The goals for this strategic plan are to identify key areas that General Electric is successful in, areas that need additional development, and state the organization's long-term objectives. An effective environmental analysis is also a key tool to identify these key areas. This plan has shown that General Electric is strong in its technical innovation, economic philosophy, social responsibility, and possess a solid competitive edge.

In order to achieve sustained improvement in margins and returns, teamwork among product management, engineering, and supply chain is a requirement. General Electric has set detailed margin and cycle time goals for the top 30 product lines in the company, representing 75% of the organization's earnings. The work is already delivering results. The most critical area needing the most focus during this current inflationary time for GE is on the reduction of the organization's material cost. GE spends approximately \$40 billion each year on materials and in despite economic inflation, GE should be able to reduce its material cost by \$1 billion this year.

General Electric wants to foster an organization where the employees are looked upon as the protectors of GE's culture, respectful of the organization's legacy, and defenders of its reputation. GE requires that the employees

perform with integrity, discipline, aggressiveness and ingenuity to solve global issues (GE, 2008). GE strives to develop its current leaders and their successors. This is evident in the recent loss of four key executives. The organization has not missed a beat with replacements.