

# General electric growth strategy: the imminent initiative



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General electric a USA based company whose headquarters are located in New York is one of the words most renowned and successful companies in terms of market shares and revenues with the total worth of \$150 billion.

The company's total revenue in the year 2006 had increased to 17% comparing to the total revenue gained 2005 i. e. 12%.

General electric is ranked two by Forbes based on the total profit made by the company, total market shares, and the value of products. General electric is currently employing around 287, 000 employees all around the world and its market is expanded throughout countries like the united states of America, European countries and the Asian continent primarily India, china, Japan, and Singapore.

But the stock prices of GE seems to be constant at \$35 despite of huge market growth, which is one of the most important factors to look for in future for GE, despite constant stock prices GE is doing good in terms of earnings in the market.

## **B. Strategic posture**

As soon as jeff immelt hold the position as the CEO of GE, he describes certain mission, objectives and strategies that GE has to follow throughout, these are.

### **Mission**

Mission of the company is to change the previous strategies which proved to be inefficient earlier, and to integrate the company as a conglomerate.

One of the major missions of the company is also to satisfy the demand of its customers and to deliver the best to its clients.

## **Objectives**

To formulate and act on various strategies and to modify it at times and according to the situation that will help the company in the long term gain.

To create a media business that is focused on the digital future of the company i. e. the acquisition of various media franchise.

To create new techniques and to flourish in the healthcare market, like to combine GE's advanced imaging techniques with traditional healthcare techniques like advanced diagnostics, targeted therapies etc. so as to deliver their customers with new techniques and also to gain new opportunities in the market.

## **Strategies**

The major strategies of GE are:

As an ex-salesman, immelt had always got the tendency to focus on the needs of the customers and to deliver them with the best in quality and technique services. For accomplishing these objectives immelt had developed some major strategies that includes recruiting new chief marketing officer, and to train the business development staff more precisely to marketing roles. In the process they have hired a large number of marketing experts that shows how much GE wants to look for customer satisfaction.

The next strategy of immelt is to form a commercial effective counsel in order to bring about together the best sales and marketing leaders together to deliver best practice. The company started using tools such as six sigma and net promoter score (NPS) to track customer's attitude and loyalty.

The next strategy of immelt focuses on being a service provider in order to strengthen customer relationship. As GE has a massive base of more than 100, 000 long lived jet engines, power generators, locomotives and medical devices. Immelt seems them as a very good potential service income stream.

## **Policies**

GE's policies includes customer satisfaction and employee satisfaction, and these policies are very much connected to each other and to the external and internal environment as the mission of GE is to provide the best services and this can only be done when they have a good customer and employee policies.

The current mission, objectives and strategies of GE is very much accurate considering its globalization policies and multi domestic policies. And the main objective of the company reflects the internal operations of GE as immelt had altered many processes and shuffled departments keeping in mind the missions and objectives.

## **3. External environment: opportunities and threats**

### **A. Natural Physical Environment: Sustainability Issues**

The new growth platform of GE is based on natural and renewable sources of energy that includes wind, solar, biomass, coal gasification etc. GE is trying <https://assignbuster.com/general-electric-growth-strategy-the-imminent-initiative/>

to increase their scope to these sources in order to sustain in the future. The only threat for GE in dealing with this new growth platform is the carbon emission and the use of non renewable sources. GE must find new ways to tackle these problems.

Natural environment counts when it comes to services for example if GE is delivering its services in some area where the environmental conditions are not that good such as extremely hot conditions in the countries of Africa and extremely cold regions of the Siberia and the arctic circle.

## **B. Societal Issues**

Economic: the company is doing very well in the recent days in terms of sales and new services and as there are many new opportunities for GE flourishing in every field ranging from healthcare to consultancy related services. The only threat for the company is the competition that is growing day by day in the related fields.

Technological: GE is equipped with one of the best engineers and R & D department of the world therefore it is a very good plus point for GE in order to research new technologies for its services. As GE deals in various services ranging from hardware to providing consultancy to medical services therefore it is a must for GE to use new and modified technologies and a very good base of technical employees. The technology that is used by GE always gives it a forte in the market.

Political: the company has to face many political issues especially when it is trading in other countries therefore GE must have a very good law base and an effective Liasoning strategy so as to deal with political problems.

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Socio-cultural: the employees of GE is experiencing a work culture, this work culture is very important for GE in order to make their employees satisfied and to maintain dignity of work. Moreover GE is very much obsessed about their customers and for that reason they have formulated various effective strategies for their customers.

All these forces vary when talking about trading of GE in global market. For ex. the political scenario of the country could be very different, for ex. the globalization policies, the employment policies and the taxation policies could be very different in other countries. Moreover the technological aspects also changes when trading globally for ex. the country where GE is trading may not have a very good technological base. Socio culture also depends and varies country to country depending on the work culture that is defined in that country.

### **C. Task Environment**

Threat of new entrants: as GE is dealing in many services ranging from consultancy to hardware and other services therefore they are facing immense competition in the sector, also when they deal in global market they face competition from various local companies and firms in the same service, but as the strategies of GE is very well defined therefore they can very well compete and also defeat other players.

Bargaining power of buyers: bargaining power of buyers is very high keeping in mind the thing that there are very much competition in the market therefore the bargaining power of buyers is very high and the company would compromise on bargain if required.

Threat of substitute products and services: the services provided by the company are unique in nature and is very good in quality therefore the chances are very low that new services and products may replace GE's products, but GE should not take this thing very lightly as the concept of globalization is increasing and companies are keen to develop new strategies and willing to introduce new products.

Bargaining power of suppliers: the bargaining power of supplier is not very much in case of deals with GE as the market reputation and position of GE is very good and as GE is a very good company therefore dealing with GE gives a plus point to the suppliers in their portfolio.

Rivalry among competitive firms: GE as all knows is a \$150 billion company therefore it is obvious that GE holds the key position in the market whether it is related to services based on consultancy or healthcare or any other hardware service, and GE operates and provide services in every field therefore rivalry between GE and its competitive firms is very much for example companies which are pre-established in the healthcare sector are nowadays getting a tough competition from GE therefore we can say that the rivalry is very high in this case.

## **4. Internal Environment: Strength and Weakness**

### **A. Corporate Structure**

GE is an American multinational conglomerate company and is a publicly traded company; GE is ranked the number one company by Forbes in terms of employees and employers experience.

The corporate structure of GE is divided into four parts

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GE capital: led by mike neal the vice chairman of the company, this segment deals with all the financial services businesses that include commercial finance, corporate treasury, and GE money. This structure focuses on improving GE's capital opportunities.

GE technology infrastructure: is headed by vice chairmen john rice is a segment that focuses primarily on aviation, transportation, and healthcare and enterprise solution. This segment focuses on developing new software's and leveraging technology.

NBC universal: focuses mainly on the globalization and acquisition policies.

Energy infrastructure: headed by vice chairman john krenicki is a segment that focuses on energy, water and oil and gas.

## **B. Corporate Culture**

GE believes that their culture is among their innovations. GE's culture plays very important part in unifying the overall structure and the working of their business units around the world.

The main aspects of GE that forms the major culture of GE they are:

Their peoples: GE believes that their employees are their base in producing and delivering services therefore GE bring together employees to generate a passion of leadership with a combination of attributes.

Working environment: the environment that GE provides is a highly integrated work environment with the best business practices.



Leadership and learning: GE believes that learning is the process of development and so they have a very good base to teach their employees at every step of work.

The work culture of the company consistent to the company's current objectives, strategies, policies and programs as the company believes in satisfying their customers and their employees therefore their work culture is very well defined in this context.

GE believes in a sustainable culture and to utilize the natural resources to the best and this thing is very well confined in the work culture of GE.

The corporate culture of GE is designed kept in mind increasing the quality of services, productivity, and globalization strategies so that they can gain more revenues.

The company has a very diverse work force therefore they have formed corporate culture that not only help employees irrespective of their background but also encourage them.

Whenever GE trades in any other country, they always make sure that the workforce there is satisfied with their corporate culture and also try to formulate strategies based on their culture so that they will have no problem in working with the peoples of that country.

### **C. Corporate Resources**

The General Electric is highly diverse multinational conglomerate and has a highly expanded market. To make sure continued growth, the company CEO

Jeff Immelt has incorporated various marketing and finance strategies over the year for justified use of available corporate resources

## **Marketing**

General electric is currently working on basic business model based on which it has progressed over the year with slight changes. Its objective is to work as a well integrated and highly diversified company producing with innovations in every area.

It is currently operating in 11 major business lines which includes-finance, transportation, NBC and health care.

Jeff Immelt took the advantage of General Electric ' s huge and diverse stature by taking the company into high technology based industries due to lack of competition whose growth strategies were based on Technical leadership, Services acceleration, Commercial excellence, Globalization and Growth platforms.

The first and foremost objective of Immelt's strategies was increment in organic growth of company from its 5% annual rate during Welch's tenure to 8%.

His strategic planning included renewing and rebalancing existing company portfolios and then attempting growth from fresh and sound foundation.

One of the significant steps taken were acquisition of various markets and networks in existing business like Hispanic advertisement market etc. which helped in providing scope for future market opportunities and innovations.

The main marketing strategies involve employee of company as their consumer on par with other consumer groups, awareness of strategies followed by its competitor, developing relations with its major consumers and over the years environmental safety has become a priority for General Electric.

Compared to its competitors the marketing strategies of GE is unique and widely appreciated, the fact that it has not only followed its previous strategies but also taken some bold modifications viewed by others, having potential risk makes it superior to its competitors.

The company has extended widely in past years by acquiring new business as well as investing in previous business as well. It has opened its branches in more than 150 countries and R&D departments in India and China taking into consideration their cultural traditions since it considers its employees its first consumers.

One of the weaknesses of GE has been its poor record with environmental issues. Allegations have emerged of water and air pollutions against the company. The new marketing strategy have taken it a point to make sure no further misuse of natural resources take place.

The role of marketing manager is of utmost importance in GE. The strategy should be sought out further new innovative and technically feasible marketing strategies in order to increase its total revenue by 20 to 25%. Advantage for the manager is existing wealth of \$150 billion and companies sound market reputation.

## **Finance**

Jeff Immelt took the job of CEO of General Electric's at the time of great financial difficulties due to 9/11 incident which brought financial turmoil to the whole country's economy but Immelt had huge belief in company's reputation and showed promising results as time passed. Initially the company's share dropped by 20% due to which he was widely criticized.

But with persistent efforts at the end of year 2002, its cash flow increased to 10% compared to previous year and by the end of year 2004, company's revenue increased to 20%. The success achieved by the company is due to its visionary CEO who worked incessantly despite criticism in order to make General Electric one of the most renowned name ever.

Currently its sound financial stand in market gives it scope for exploring new business areas and expansion of General Electric. The financial strategy of investing and acquiring new business is consistent with one of the main objectives of GE i. e. expansion of company widely across the globe.

Net earnings of General Electric have increased every year considerably during Jeff Immelt's tenure as its CEO. By assessing GE's cost price and selling price index it can be determined that initially the company had to suffer few losses with speedy recovery in 2002-2003 while there was a slight dip during 2003-2004, currently GE's business boast of \$150 billion business and still expanding.

Overall the new financial strategy was based on company's previous successful strategies with further investment in high technologically sound and service satisfactory business with development of high quality products.

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Finance is the backbone of GE, as with new business investment there is always potential risk, companies accumulated wealth is a plus point for further developments.

With its initial criticism of over expected business success GE's CEO Jeff Immelt took revolutionary decision and within two years he took the company to its set objectives with net revenue increasing many folds and financial reputation strengthening.

The strategies followed by GE for financial stability are based on its previous successful financial strategies with slight modifications. One of the significant strategies of the company is deliberate synchronization of its product price with that of the country's market price in order to have complete harmony with its local consumers.

In 2001 after 9/11 GE's stakeholders and shares declined significantly and its new appointed CEO Jeff Immelt was criticized widely for his potentially risky decision. But GE managed to fight back to its overwhelming position and as one of the most renowned name in market.

The possible financial manager role is to make sure that company's product is satisfactory and in accordance with consumers pocket. The satisfaction of company's stakeholders and shareholders has always been company's first priority. Along with this company should implement those financial strategies which are in accordance to the present market condition and economy.

## **Research and Development**

Initially Immelt decided on \$100 million for General Electric's research and development facility at Nishayuna in New York, investing in building new campus and laboratories. It was developed for discussion between business manager and technologist to optimize its product quality.

Although Immelt had plans for investment in long term research product which might not be feasibly commercialy for at least a decade as well. He showed more interest in high technology assisted products.

Expansion was also visible in R&D department with new installation in India and China along with R&D budget being increased to \$327 million in 2002 to emphasize more on organic research rather than acquisition.

The Research and Development department is one of the most extensive and highly developed of GE with increase in its budget every year being visible promising high quality and innovative as well as inventive product being guaranteed by the company.

## **Operation and Logistics**

The performance of the company is easily calculated by its sales revenues. In 2004-2005 the sales revenue increased from \$ 1, 34, 481 Million to \$ 1, 49, 702 Million.

This concludes that the company's sale rapidly increased from 2004-2005.

Also earnings from continuing operation increased from \$ 16, 285 Million to \$ 18, 275 Million in the same period that means production increased continuously.

Sales volume of GE has a huge level of production that provides unique identity among competitors.

GE production manager increases the level of production so sales revenues and net profit increases.

## **Human Resource Management**

GE's Human Resource management includes employment and arbitration in according with the United States laws, and with a company's directives.

Main motive of GE's HR professionals is to identify the new competencies that growth managers would need to exhibit.

GE's HR researched the manager's profiles at large global companies like TOYOTA and DELL.

GE's HR responses utilizes 20% of total time with customers time , 30% on people, teaching and 10% with governance, working with the board, and meeting with the investors.

The current economic climate is forcing GE's to explore tactics to remain competitive. Business process outsourcing of certain functions is an increasingly popular way to improve basic services.

## **Information Technology**

GE's had the best product, content and services.

A dedication to GE's inspires an entrepreneurial culture to implement ideas into differentiating opportunities for clients, business and most importantly to drive "one GE" in the market place.

## **Strategic Factors**

### **Internal Factors**

- Capability
- Manufacturing
- Services acceleration
- Finance
- Price
- Promotion
- Place
- Personal

### **External Factors**

- Customer
- Market place
- Growth leaders
- Technical leadership
- Transportation
- Competitors
- Target
- Globalization



## **Recommended Strategies**

- GE is a global company and it wants to achieve global presence in the whole world. It is recommended here that:
- GE should invest in high level business surveys in future market's to expand its market value.
- GE should engage local growth leaders in their targeted areas who would help actualize the real customer needs in such markets.
- GE should adopt new technology to fast its services and products in the market.

## **Conclusions**

The strategy of GE to provide services in every sector is proved to be a very good strategy as it has given empowerment to the company to increase its sales and revenues on a very big scale. The company is also opting for the globalization strategy and is trading in many countries across the world making them more and more powerful in terms of services and customer relation. Immelts growth strategy to increase the share prices and to increase the revenue is proved to be very efficient in the context. Immelt is an ex- salesman therefore he knows that the customer is the main person that decides your stock prices and the revenues and the market position most importantly, therefore he had introduced strategies to make the customer happy and the strategies proved to be very good. The key to effective implementation of the strategies is to building on the past while imagining the future, technical leadership, services acceleration, commercial excellence, globalization, growth platform are the major key in the effective implementation of the strategies.