

LEVEL 7 ASSESSMENT SPECIFICATION

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Abstract

This paper discuss about the people management adopted by the management of General Electric Company (“GE”) during the time of restructuring of the Corporation. In fact, GE is still undergoing restructuring in this complex world. There are many criticism and comment from the academic and business world on the rise and fall of the Corporation and the lessons learned by managers, investors and regulatory authorities, in particular, the people management adopted by the organization. GE is a legend and global brand and its story is not only management and university class materials but also learning process for leaders, managers and investors alike. The researcher has done the research on the history of the Corporation, the different leadership styles of its CEOs, impact on restructuring and the incidental people management adopted, technology transformation and the expectation of the stakeholders on the performance of GE in the market development in the past years. The researcher has gathered the finding in this report and identify the theories, principles, tools and guidelines for the people management adopted by both the CEO and the Board to see if such people management skill has driven the organization to a success and make some recommendation to the Board and the CEO to see if the alternative people management skill could be adopted in the past and implement certain change in people management skills for future growth of G.E.

GE, a Fortune 500 company which specialized in electrical appliances since its incorporation in 1892 and expanded in other areas which made GE a giant conglomerate in US and the world. . Apparently, there are many reasons for the success and failure of the Corporation. The world is getting more complex and the complexity poses problems of diminishing understandability which lead to unmanageability of the business situation. Complexity is increasingly necessary for viability and competitiveness in today’s dynamic, unpredictable business environment. An organization like GE which is prone to technological change and rapid obsolescence, the package of

resilience, adaptability, coordination and inimitability become more attractive than the package of efficiency, understandability, manageability, and predictability. GE faced different kinds of problems and the CEO has to have the leadership skill to direct the organization and the people management is very important to ensure the sustainability of the Corporation in this complex and changing world in view of technology transformation and employee motivation to accept change when necessary.

INTRODUCTION

General Electric, like other big company, has undergone a series of mergers and acquisitions and restructuring in the past years. It would be a good case study for those finding the relationship of people management where both the CEO and the organization in pursuing their growth strategy. There are many theories of how organization can motivate the employee and this link to the specific growth of both the CEO and the enterprise. The reason the researcher chooses GE as a case for study as it is representative of the management style of the different CEOs. With the changing environment, declining stock price, tightening regulatory governance, the successive change of CEO of GE illustrated the urge for change of transformation of GE to cope with the change of the external environment. There might be short- term, medium- term or long- term strategy for the transformation of the organization. GE has done well under his leadership. As situation change, GE has also made certain mistakes such as bad decision making on mergers and acquisitions, wrong strategy on investment, inappropriate people management, fraud accounting results and losing confidence from investors. Lessons have been learned by the GE board and the public on the decline of GE and the reasons of the decline and the relevant people management is also discussed. It is an interesting story of the rise and fall of GE that may give the readers' micro and macro look on the growth of the organization and in fact, the growth of American industry and the experience can be shared by other organization.

Background of GE Company

The birth of GE was the continuous mergers and acquisitions from a small private company to a multinational conglomerate, a Fortune 500 company which was 18th largest firm in the US by gross revenue in 2018. GE was incorporated in 1892 as a result of a merger between Thomas-Houston Company and Edison General Electric Company. The Company focused on generation and application of electricity and expanded into plastic and radio broadcasting in the early 1900s. The Company specialized in lighting, transportation, industrial products, power transmission and medical equipment. GE innovation in consumer products and electronics continued throughout the 1900s. It was first to provide affordable light and electricity to fuel the growth of industrial America and quickly became a household name in United States. In the 1960's and 70's, GE was pioneer in laser technology and medical imaging. GE's business groups in the early 21st century were in the areas of commercial finance, infrastructure, renewable energy, consumer and industrial technologies, health care and media entertainment through NBC Universal. In 1896, GE was one of the original 12 companies listed on the newly formed Dow Jones Industrial Average of the index for 122 years. In 2016, GE moved its headquarters from Fairfield, Connecticut to Boston.

Leadership skills of CEOs

Name of CEO	Tenure of office	Leadership style	Achievement/Weakness
Jack Welch	April 1981- Sept 2001	People positioning	Performance, Efficiency
		Portfolio repositioning	High earning/stock price
Jeff Immelt	Sept 2001- August 2017	Focused industrial	Underperformance
		conglomerate	Investor lost confidence
John Flannery	August 2017- October 2018	Focus on digital	Slim down corporation
		Transformation	Only short term CEO

Lawrence Culp	October 2018 – Present	Focus on cutting its debt and in making engines and power turbines	Spin off digital business and find growth strategy
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There were differences in the management strategy of the four CEOs of GE demonstrating different leadership styles and people management that shaped the development of the Corporation. Mr. John F. (“Jack”) Welch Jr. studied chemical engineering at University of Illinois and received a master degree in 1957 and PhD in 1960. His leadership style based on the belief that top performers deserved to be rewarded. His performance review program identified the top 20% of employees, who received bonus and bottom 10% (“Jack Welch 1935 -,n.d.). Welch ‘s approach to managing professional relationships was to encourage personal, informal and open communication among executives. He authorized managers at every level to implement change by eliminating the need for formal meetings and committees. He believed that argument and discussion among employees would improve overall performance. He encouraged competition in his workforce and also among the board of directors. “work-outs”, “globalization” and “boundary less” organization are introduced to motivate the employees.

The most notable achievement of Welch was increasing the market value of the firm. Welch’s strategy is continuous acquisitions and helped to approve over 1000 acquisitions. . Innovation and persistence had driven GE to a pioneer in its industry. Welch transformed GE into an organization that emphasized performance management and internal efficiency and result-oriented. When Welch took his office in 1981, the stock price was US\$1.20, revenue was US\$27.2 billion and earnings were US\$1.65 billion (Welch & Jones 1981) Upon his retirement in 2017, stock price was US\$39.66, revenue US\$125.9 billion and earnings 13.7 billion (NYSE, 2001 SEC 2002). Welch

was named “Manager of the Century” in 1999 by Fortune Magazine (Colvin 1999). GE slogan in 1990 became “speed, simplicity and self-confidence (Tichy & Charan, 1989)

Welch focused on how the employee could win in the organization.. Welch believes that value is very important and they are behaviors you plan to explicit in achieving your mission. He required every staff in the organization should have values of the organization. He provides the well accepted formula for dividing the employees and businesses on the basis of performance. This match with the theory of Herzberg which separated the motivating and hygiene factors that may motivate the employees in the workplace.

Welch is also very concern about getting the right person along with the leaders and this is not an easy task. He establishes some tests in order to get the right persons. First test is the person should possess integrity. The employee should have strong moral principles. The second test is for intelligence. Person must be intelligent enough to handle the works under the complex environment. The third test is for maturity. The employee should be mature enough to deal with internal politics and external market’s rapidly changing environment. Welch said that organizations are supposed to keep managing their employees so that they keep on performing their duties in efficient and effective way.

Welch also values change as change as vital part of business development. Organization always avoids changing as they know that employees resist against change and transformation. The organization creates a culture of integrity and honesty, transparency, fairness, and strict adherence to rules and regulations

Welch also treasures quality improvement. He introduced quality improvement program Six Sigma in 1995 to improve efficiency and productivity, lowering costs, reducing defects, building customer loyalty and building great leaders. He has the idea that finding a right person that can understand you with all the characteristics you have the earlier in your career the better. However, the change of economic condition and the loss of magic of continuous expansion to create profit create need for a new leader to lead the organization..

Jeffrey R. Immelt completed bachelor's degree in applied mathematics ("Jeffrey R. Immelt," n.d.) He took his tenure as CEO after the 9/11 and 2008 financial crisis. He had to face the recession and lead the way for GE's recovery and growth. Immelt would not expect to hear "bad news" from the managers. (Gryta, Lublin & Benoit, 2018) Jeffrey Immelt is now trying to adapt the company to a new external environment which heavily relies on digital services. Immelt took the company right before the national disaster of 9/11 that was followed by a recession. The 2008 financial crisis hit the company hard as it had large portion of revenue associated with financial services.

During Jeff Immelt's era at GE, he assessed the company based on the balanced scorecard approach which could be different from using primary financial assessments. Value creation by Immelt is slightly different than that of Welch's. The people management of Immelt is that value is created through new innovative industries such as cloud service. Immelt believed that core competencies needed to be successful by concentrating on what GE does well such as research and development.

Another leadership and management style of Immelt was his focus on infrastructure and not on financial services like Welch. GE employees welcome the collaborative approach of Immelt. Immelt strongly believed that stockholders' desire for high return should be listened. Immelt

made large acquisitions in the oil, gas and power industries but the financial performance was still unsatisfactory. GE's stock price had declined from \$36.99 in 2001 when Welch retired to \$27.07 when Immelt announced his retirement (NYSE 2001)

After Welch's tenure of office. U.S. Securities and Exchanges Commission (SEC) filed civil fraud and other charges against GE accusing them to use improper accounting to enhance profits. GE had to pay US\$50 million to settle the suit and its audit committee was required to implement remedial actions to improve internal auditing and financial controls (Bergers, 2009). The biggest difference between Welch and Immelt was their approach to company culture.

John L. Flannery studied finance and began his career at GE in 1987. He spent over 20 years at GE Capital holding various leadership roles in the United States, Latin America and Asia. Before his appointment as CEO of General Electric, Flannery led the turnaround of GE Health and focused on core imaging, creating digital platforms and solutions.. Flannery's vision is that marketers, financial analysts and plant managers should have computing expertise. This will help organizations drive digital transformation because those closest to work can help to build the applications and made them more relevant and powerful.

Under his leadership as CEO, he tried to fix GE's operation. He focused on the core businesses of power generation, aviation and renewables. There was great trouble of the power division which contributed about half of the revenue. Mismanagement, ill-judged investments and weak global demand made the company fell in horrible situation.

Flannery tried to restructure the business in a thoughtful way that should produce shareholder value. Flannery has spun off the health care unit as a standalone sector and not to sold it to investors. In return he gave 80% of its shares to GE shareholders to capture any future return. Research by Emilie Feldman of the Wharton School shows that such spin-offs create value in two ways. Firstly, it freed from overbearing parents, the new entities become more efficient at allocating capital. Secondly, divesting firms also improve the financial performance after spin-off.

Flannery also tried to reform GE's management culture and launched "GE operating System" to enhance centralized decision-making and reduced red tape and a spinning down of resources from headquarters to business units. He only held the office of CEO for about 14 months and had not got sufficient time to transform the organization. The desire of the investors to have an immediate turnaround of GE posed pressure on the Board and on the CEO.

Larry Culp Jr. joined Danaher in 1990 and was appointed Group Executive and Corporate Officer in 1995. He was the first outsider who was appointed as CEO of GE. Unlike his predecessors, Culp was generally expected to turnaround GE. Culp has been deeply involved in the first phase of the turnaround by getting rid of businesses that don't show strong promise. Culp sold GE's biopharma business to Danaher for US\$21.4 billion and majority stake in Baker Hughes, an oil service firm.

Culp aims to improve management practices and the way to get adverse information flowing back to the top, as it did in the days of Welch. Culp will continue to find right timing to consolidate the core businesses with mergers that can leverage GE's distinct advantages. This will mainly rely on a favorable economic condition and global environment. The outcome of the restructuring is yet to come. However, Culp will have to learn the lessons and the mistakes made by his predecessors and formulate a business strategy that brings GE to the leading position in the market.

As leaders, one would expect that he would inherit special quality as a leader and not manager. As what Mckinsey pointed out that leaders would initiate, direct and embed changes. Leaders should be able to engage others by creating shared meaning. The characteristic of leader to convey the message to managers and followers the importance of change and the change would bring improvement and enhancement of the value of both the employees and the organization

It is difficult to compare the different leadership styles of all four CEOs side by side as Flannery has very short office tenure and Culp is still finding the right way to lead GE in the present days. A study of the comparison between Welch and Immelt might be useful to have background information on how the two use the people management skills in directing the corporation. Both have their own leadership styles and both have the success and failure stories that can be shared. Welch was more a transformational leadership and Immelt a participative leadership. The main legacy of Immelt will be as capital allocator. He sold businesses that are mature such as plastics and kitchen appliances and those where GE has no advantage such as media. He has terminated most of its financial arm acquired operation with promising growth such as aviation and power systems. Welch was strong willed and dominated business decisions while Immelt believed in collaborating with employees and being a welcomed individual. This will be a key factor when determining the performance and financial status of General Electric during Immelt's tenure. All employees should be driven to help GE to succeed and those did not will be terminated. Shareholders experienced financial growth while Welch was CEO and the market expects the continuous growth being a norm.

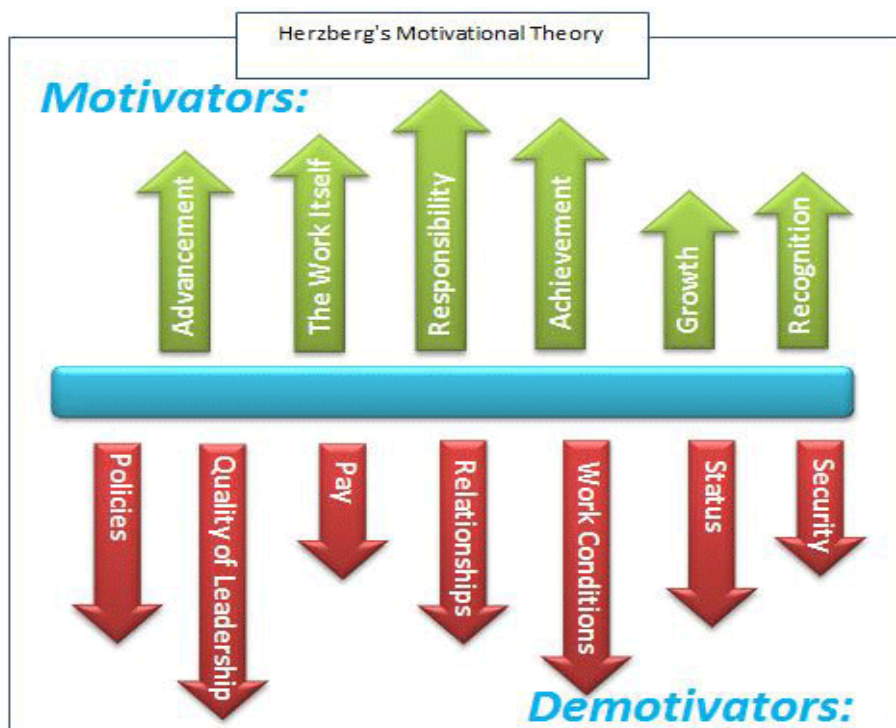
The Importance of People Management

After having got some insight on the various management styles of the CEOs of General Electric, it is worth exploring the reason why people management is so important in making the growth and change of the organization a success. As leader, he must have leadership skill to motivate and drive the managers and subordinates to achieve the goals of the organization. Visionary leader have far-sighted vision and will figure out detailed action plans. Leader will make quick decisions and understand the global environment. GE is a multinational conglomerate and his leader should have global outlook and every decision should match with the overall business strategy. The managers and the employees should follow orders, deadline, mindset of CEO and organizational culture is the core element for the success of the organization.

Good leaders are different from good managers. Good leaders have the technical skills, human skills and conceptual skills and human skills are the most important element. In modern society, the Herzberg's Motivation-Hygiene Theory is more applicable and powerful in motivating the employees in the organization. This theory illustrates the needs of the employees and the measure to fulfil their desire to improve the working conditions and other well beings. The management is to ascertain what exactly the staff wants- good working relationship, better salary, or better job prospects. Frederick Herzberg tried to help managers better understand how to motivate their workers in 1950s and 1960s. Motivators such as achievement, recognition, work itself, responsibility, advancement and growth are identified. Other factors such as supervision, working conditions, salary, and interpersonal relationship at work place are also categorized as hygiene factors.

Herzberg motivation theory concluded that there is no real correlation between job satisfaction and job dissatisfaction. It should not be assumed that employees would be happy by removing the hygiene factors. The management must carefully review the true motivating factor of the employees and don't take the conclusion that salary should be the only motivator. As good leader, he should differentiate satisfying and dissatisfying factors so that the company can increase the motivation of the employees to follow the standard set by the managers. Welch and Immelt were very good in people management and motivated their staff to follow the guideline set to achieve the goal of the organization. However, their perception of people management was different. Welch had a strong and tight leadership and dominated business decisions while Immelt believed collaborating with employees would achieve better results.

Managers must find ways to empower, delegate and enhance job roles and keep the employees interested and stimulated to work harder to achieve their individual goals- self-esteem or self-actualization needs. They must explore ways to eliminate the hygiene factors and create an environment for job satisfaction. Manager must provide effective leadership, create environment supportive of good working environment and provide job security. Managers must create opportunities for achievement and recognition for workers contribution and consider delegation and responsibility for the department personnel.



Another powerful contemporary Theories of Motivation is the Expectancy Theory developed by Vroom. The strength of the expectancy of performance success depended on the valuation of the reward in the eyes of the employees. Maslow and Herzberg look at relationship between internal needs and the resulting effort expended to fulfil them. Vroom's expectancy theory separates effort performance and outcomes. Expectancy theory states that employee's motivation is an outcome of how much an individual wants a reward and the likelihood of getting the reward will lead to the expected performance and the belief that the performance will lead to reward they desire for.

The expectancy theory is based on assumptions that employee wants to achieve maximum satisfaction and minimize dissatisfaction. This theory stress upon the expectations and perception the employees have and what is their real expected outcome if they strive to achieve the standard set

by organization. The limitation is that reward is not directly correlated with performance and other elements such as position, effort, responsibility and education will also be considered by the employees. There is a general link between Vroom's expectancy theory and Adam's Equity theory. Equity theory suggests that people will vary their effort they put according to their perceptions to make it fair to others. The expectancy theory also focus on expectation of the employee on the anticipated reward they will receiver. Mangers should carefully identify those factors in order to ensure their motivating means such as compensation and fringe benefit that really satisfy their ultimate desire to obtain as reward.

Restructuring Exercise of GE Company

Restructuring can be defined as redirecting one or more aspects of the organization such as implementing some change in operating procedures, repositioning the market to be more competitive, surviving in an unfavorable market condition or balancing the company's strategy to a new business direction. The reorganizing process of a company strives to improve its operating sector to achieve positive results and streamline the production processes to reduce cost.

Organizations have to terminate outdated processes and adopt new ones for the current operations.. Certain strategy should be implemented to ensure sustainability and long-term profitability. Strategies include plans and objectives that will lead to achievement of the proposed results and the improvement of the structural organization..

Nowadays, many companies would undergo certain forms of reorganization or restructuring. The objectives of increasing efficiency and profitability are the main task of the top management in the process of restructuring. Restructuring is the process that has the purpose of reducing the size of the organization, the number of employees and the number of hierarchical levels in the organization.

For General Electric, it was noted that it had implemented a series of mergers and acquisitions and restructuring exercises under Welch's and Immelt's era. It was seen as a necessary process in order to maintain the leading position of the corporation and meet the expectation of the stakeholders, in particular the Wall Street analysts and the investor and the shareholders. The organization must understand the goal of restructuring and analyzing the budget of each department to see whether they meet with forecast. Furthermore, managers must also assess the efficiency of each department by looking at the key performance indicators.

General Electric's organizational structure supports strategic development for each operating segment. GE's structural characteristics enable the Aviation segment and the Healthcare segment to have separate sets of strategies. GE's corporate structure also supports coherence in the company. For example, organization-wide corporate teams develop and implement strategies for all segments of divisions of the company.

GE's organizational structure has its disadvantage of the potential difficulty of streamlining the strategy co-development of operating segments or division. For example, this disadvantage imposes challenges in aligning the development of GE's Power segment with the development of the Renewable Energy segment. GE needs to put more effort to ensure such alignment to promote technology transfer and technology sharing among General Electric's division. Flannery announced the proposed sale of its lighting and locomotive units – two of GE's oldest businesses with the layoff of 12,000 jobs in the power station.

GE Company had undergone a series of restructuring exercises since its incorporation including acquisitions and disposal of business, massive layoff of employees, and transformation to digital business. All such restructuring had impact to the sustainability of the corporation.

Year	Restructuring exercise	Impact
2015	Sold GE Capital, moving away from financial Business	Focus on industrial operation
2017	Announced broad restructuring, laid off thousands of employees across all divisions of the country	Company stock fell 3.5% following announcement
2018	Spin off Healthcare as standalone business Sell its stake in oil services company Baker Hughes	Focus on Aviation, Power and Renewable energy

There are points to be considered the merit and drawback of restructuring, in particular the massive restructuring commencing in 2015 when GE sold its GE Capital to focus on core industrial operation.

The merit of restructuring is definitely the massive layoff of staff and disposal and closure of businesses and shops would improve the earnings of the corporation in the short run. However, the corporation has to carefully convey the message of the termination of jobs to the employees, the reason for the layoffs and the incidental benefit the sustained growth of the organization. The organization must make sure that fair and adequate compensation schemes should be in place. Measures such as job placing, short term subsidies and pension benefit should be considered to mitigate the frustration of the employees. The investors don't like conglomerates and prefer to diversify their own portfolio of investment in different businesses rather concentrating on one single conglomerate. The investors have their own buying trend and look for long term profit of diversified investment. Jeff Immelt has been de-conglomerating GE for years- terminating NBC, plastics or appliances.

In addition to the many benefits that a company has due to restructuring, the exercise might have the consequences of losing jobs which result in adverse employee performance. It is the enterprise's strategy to gain an edge over other competitors by delivering the products in the right time and right quantity. Restructuring might be in the form of ownership change, company segmentation and division etc.

Managerial restructuring should be used primarily to protect the business from potential economic failure in the industry. Management should consider restructuring when there are indications of unfavorable results or decline in the quality of the product which has great deviation from yardstick (KPI). According to a study by Harvard Business School, the term restructuring has been adopted by business since the 1970s. Restructuring may be in the form of takeovers, mergers, divisions, spin-off, recapitalization commonly found in renowned companies like General Electric, Motorola, Lockheed, IBM and Siemens.

Lessons learned from GE

The researcher has reviewed many criticisms and comments on the lessons learned from GE. Undoubtedly, GE was one of the most successful conglomerates in the history of the world. However, GE has undergone great success under Welch and begins to decline under the following successors, not only because of the leadership style, but also on the changing market and the expectation of the stakeholders. When GE was kicked out of the Dow Jones Industrial Average in June 2018, the blue chip club of the United States, it was apparent that GE had undergone a long and slow decline.

There are lessons learned from the decline of the Corporation which show how the modern organization sets up their strategies in this complex world. First, the overall strategies of the organization are not in line with the prevailing market condition. Secondly the Board members,

who had the fiduciary duty to monitor the development of the organization and did not handle the duties of decision making and vetting of the financial information with due care.

STRATEGIES DEFAULT

Lack of strategic, long term planning - It is often the slogan for organization that no matter how big or how successful you are, you should plan for a time when current strategy no longer works. Strategies must be renewed and revised constantly to cater for the ever changing global environment. When Jack Welch took over as CEO in 1981, he removed excess corporate staff and delegated managers to have collective decision-making in the various operational sectors. He managed to develop strategy to increase earnings through mergers and acquisitions and invest in those businesses with dominant positions in the industry. Welch managed to go out before exposing his lack of strategic and long term planning. Immelt, however, had to tackle the decreasing return of the organization by implementing new structuring exercise.

Growth through acquisitions - Welch understood that most of the “industrial” businesses GE was operating had only modest growth prospect. He therefore developed a strategy around increasing earnings through mergers and acquisitions. The changing economic market environment made the growth strategy becoming more fragile to market condition.. The sole reliance on this growth strategy would require massive effort to ensure the corporation’s earnings and revenue will always be on an upward trend. This would let the shareholders and the public have the growth expectation and any drop in earnings would trigger the challenge from the shareholders.

Expected Competition and market Change - When the corporation grows larger through acquisitions, the method would be copied by the competitors. Other large companies also expand by acquisitions. At first, GE earned the reputation that being one of the best places to work and a

company with the highest stock values and to having the best management team and growth record. Immelt spent about US\$175 billion buying more than 300 companies. However, other competitors would copy the winning strategies in a much cheaper, faster and smarter way. A leader should identify the profitable source and plan how to stay ahead. A good leader should expect competition, identify its likely sources, its strength and weaknesses and know how to formulate new strategy to combat the rivals.

Be nimble and flexible - GE did not know what is the right time to consolidate and dispose its assets. Larry Culp, the new CEO just shifted from the existing buy and grow strategy and focus on its business which generated more profits. The strategy has exposed the weaknesses of the traditional buy-and-hold mentality. The proceeds from the disposal of GE Finance (formerly the profitable sector due to booming financial sector) started to finance industrial products. The unwinding of GE Finance proved to be costly for the parent and uncovered the previously-hidden liabilities thus increasing the burden of GE. GE also sold its Internet of Things sector which had not fully utilized their potential contribution to the Group in the current fast growing internet industry.

Create culture which people work together - A report in the Wall Street Journal reveals that GE suffered from significant leadership weaknesses that made the company look good on the surface, but masked deep cracks. Although Welch presided over a period of unprecedented growth, he has also created a dog-eat-dog culture. Simon Sinek in “Leaders Eat Last” “The personality and values of the person at the top set the top of the culture. They were driven to do whatever they could to make themselves look good. Being number one was all that mattered.” Sinek describes that the lesson is to create a culture of “strong character” when the employee would feel they are protected and backed by top management.

Be realistic and supportive - Although Immelt claims that he encourages the culture of “debate and external competitiveness”, the competitiveness culture still exist. Employee were not encouraged to surface issues to show they are weak. The lesson is to encourage everyone to share everything-even when it may seem to you like people shining.

Seek the truth of the problem - A leader needs to listen to the problems of their managers. Immelt, however, didn't like hearing bad news. The lesson is to actively listen to every aspect of what's going on and ask questions to get to the bottom of the issues. Motivation is very important. A circle of safety around the organization is important. Employees are more prepared to fight for the goal of the organization and face constant threats from the outside together.

BOARD DEFAULT

The Board is not effective - During most of Immelt's tenure, the GE board was too big, with 18 directors. The average size of US public company boards is 11 members, with most board having between eight and 14. Smaller boards often related to better stock performance. Researcher have concluded that the optimal number of participants is seven or eight –small enough for good discussions, but large enough for a diversity of opinions. Sociologists observe that many participants in large meetings engage in “social loafing” – they do not feel responsible to contribute because of the large size and instead are content to rely on others to carry things forward.

No Finance Committee - In addition, GE's board had another major structural defect: It lacked a finance committee. Before 2018, it had the three standard board committees – governance, compensation, and audit – plus a technology and risk committee to cover important areas such as product risk, cybersecurity and technological innovation. The board can carry out its function to overseeing the design and funding of its retirement plans. When Jack Welch stepped down as CEO

in 2001, GE's defined benefit (DB) plan was sitting on a surplus of US\$14.6 billion. By the end of 2017, this pension surplus had turned into a pension deficit of almost US\$29 billion. GE was late in freezing its DB plan and failed to adequately fund it and such mistake could be avoided with an effective finance committee. Moreover, the timing of the share buyback was poor demonstrating an ineffective board. GE's pension deficit exploded between 2010 and 2016, as the company spent US\$40 billion on stock buybacks in futile effort to boost its stock price. The Company also overpaid several purchases including US\$9.5 billion in 2015 for Alstom's business of making coal-fired turbines for power plants.

Audit Committee Malfunction -Under Welch, GE managed to beat Wall Street's earning forecast from 1992 through 2001. The Audit Committee had not done their job properly on checking and recognizing quarterly revenue. SEC brought an enforcement case against GE for "reporting material false and misleading results in its financial statements". Apart from paying the penalty, GE's Board also publicly corrected several sets of financial statements spanning the years 2001 through 2008. The independent directors had not done their job and should have been much proactive in questioning the massive allocation of capital to acquisitions and buybacks and in probing the company's accounting practices.

MARKET DOMINATES

Speed of Flexibility of Change – With the emergence of big data and artificial intelligence, many traditional thinking for organization has changed,. Massive investment made to develop sophisticated form and software-related industry such as 3D printing. The benefit of mere conglomerate is not sufficient to maintain the leading status. Training of the new technology for the managers and the employees are very important. The people management skills play a very important part in transforming and transferring the knowledge in the work place.

Innovation of change – The change in global demand and the customers' need would strive the organization to enhance creativity and innovative ways of developing and producing its products and services. Leaders would ensure that innovation would meet the goals of the organization and beat the competitors and have a sustained growth in the long run. In fact, the support of the employees is very important following a defined organization structure and innovation process.

Market sentiments – Restructuring actions help GE in strengthening the investor sentiments. The stock price will indicate the market expectation on the performance of the Company. The stock price started to climb under Welch and began to decline commencing from Immelt. Flannery tries his best to cope with the price drop and Culp is still trying to gain confidence from the investors. When Boeing grounded its 737 MAX, a plane which GE supplies engines, this led to a 27% reduction in overall orders from Aviation sector. The continuous drop in stock price showed that the fraud charge still had a significant impact on the reputation of the organization.

Financial position –GE reported a substantial loss of US\$9.3 billion in third quarter, 2019, which compares with a net profit of US\$104 million in second quarter 2019. The main reason for such drastic drop in profit was due to the deconsolidation of its Oli & Gas segment in Baker Hughes.(derived from the after-tax loss of US\$8.1 billion as a result of deconsolidation. The financial result of GE will rely on the success of the series of restructuring.

REMMENDATION

The evolvement of GE in the past century has been visited and it is clear that how the leadership skills and people management play a vital role in the success of the corporation. As researcher, several recommendations can be put to the management of GE for consideration for the future development and growth of the Corporation. Of course, the issue of complexity and changing environment should be considered.

Respectful Confrontation'

It is one of the most difficult skills of people management. The Company should encourage respectful confrontation at senior management and board levels to avoid group think or “yes” culture. It is more important that all relevant financial and business information be presented and considered by the CEO and the board members. Welch encouraged such confrontation where teams would analyses critical business issues together and provide recommendations for any enhancement of profit or improvement of operating procedures. Board members should review the reasons for any business proposal and ensure every level of operating managers should have the chance for in-depth review and discussion before a final decision be made. New ideas and new insights may be generated in confrontation in the board room. People management is crucial and is the key factor and friendly and respectful confrontation will lead to quality and constructive decision.

In motivating people in making decision, leader must put forward all relevant information in group discussion. Managers will seek satisfactory and sufficient solutions from available limited data and options. McClelland's Three Needs Theory might demonstrate the importance of three needs, need for achievement , need for power and need for affiliation. The strong desire for need

for achievement and drive to excel and to strive to succeed and need for affiliation may demonstrate their strength and the skillful use of this theory will utilize the potential to the fullest.

Get out of the Board Room

It is important for directors to observe the company's culture. Leaders can see how managers interact with their subordinates and peers in body language and other non-verbal communication. Motivation can provide more information about a team's well-being than formal presentations at board meetings. The management might use Vroom's Expectancy Theory, i.e. assuming the employee would do certain action with the expectancy of performance success. It is a performance –reward relationship and also a rewards-personal goals relationship. The attractiveness of the outcome has high motivational effect on the managers and the workers alike.

Gap Analysis to sustain

The management and the CEO should compare the gap analysis to their strategic objectives. The corporation often fails because of the lack of planning to effectively to close the gaps between the current and future states. Once corporation identified the gaps, it consider the cost of each solution and set up the dates and milestones for accountability and assign responsibility for implementation of solutions to specific individuals.

Success and failure defined

It is difficult to get out of a decision when time and effort had been spent on the process of conclusion.. After all planning is complete and implementation is in progress, managers must also hold the project performance in line with the budget and standard. Few project presentations include failure assumptions for discussion. It is important to have an expectation of failure and the contingent plan for the appropriate steps be implemented for any restructuring exercise.

failure. Managers will weigh the balance on the time spent and the expected result to make sure good judgement can be made. Welch was quick to divest underperforming businesses and has stated that he wishes he would have divested businesses even sooner (Bulygo, n.d.). In contrast, Immelt considered each business a process, an approach that had ill-defined parameters for success and failure and deferred decision-making until it was too late to recover.

Critically Analyze market trends and timing

The difference between Welch and Immelt was Welch's conservative approach to acquisitions, which brought GE to a new height. This conservatism is prudent in view of the number and sizes of acquisitions are taking into consideration. It is very difficult to make business and investment decision whether the rise momentum is temporary or permanent and any wrong decision made would affect the profitability of the organization. The manager can test the long-term viability of an investment by evaluating the investment and the industry's performance prior to the most recent market upturn. It is important to look at the long-term business cycle and do not care about the short term discrepancies which may not be illustrative of the business trend. Corporation must be sure that profitable investment can be made in market slump or business downturn in this violable global market.

List out all assumptions

It is important to identify all significant assumptions in a transaction and to monitor the impact of concessions or changes to those assumptions. People are inclined to make concessions to close a deal without considering the impact of those concessions as they are under pressure from superiors to complete the transaction to meet the timeline or departmental target regardless of changing circumstances. Under Immelt, GE made concessions in the Alstom acquisition that change key assumptions in their implementation strategy and do not perform proper due diligence and closed the deal despite noting any irregularities.

Conduct planning for assumptions.

In developing the strategic assumptions, managers must have the mindset that some assumptions might be incorrect. Managers must define critical uncertainties for each key assumption and develop possible outcomes and the team members can discuss their impacts on organization and any follow up or remedial action can be made. The organization must have adequate training for the employee to have an economic insight and technical know to formulate assumptions and review the assumptions to obtain optimal result.

Link short and long term outlook

The market and the environment are always changing. It is important to consider any deal in short-term medium-term and long-term perspective where appropriate. Welch's payback periods were less than half of Immelt's payback periods ranging between 8-20 years compared to Immelt's high of 80 years. No firm is immune from external economic forces and a shorter payback period is less risky and more conservative.

Think Like a CEO

Capable CEO is often visionary and has unique leadership style. He or she can make quick decisions under complex and pressured environment, He should be capable of dealing with key stakeholders including customers, employees, investors, community and process. Strong performers often have big opportunities to apply his talent and decision making. The position as CEO does not imply the person has the necessary quality as CEO. Each leader has his own characteristic and unique management style will have impact on the success of the organization. Each CEO is a legend and the successful CEO shall be capable of applying appropriate people management skill to achieve the organization's goal.

Pension Management

GE planned to lower its pension liabilities by sweeping away from guaranteed retirement fund as pension was seen to be expensive and risky. However, this would have conflict with the union and the benefit of the new comers would be jeopardized. By finding an alternative compensation scheme offered to the labor might improve benefit the employees.

CONCLUSION

The story of General Electric showing that GE was one of the premier companies in the U.S providing value to its customers, employers, suppliers and shareholders. Through an analysis of the leadership styles of Jack Welch, Jeffrey Immelt, Joh Flannery and Larry Culp and in particular the first two leaders, we have an understanding of the importance of people management in a conglomerate like GE and its impact on the financial growth and the sustainability of the Corporation. The different theories and principles of the people management adopted by modern organization have significant reference for the future growth of GE. Organizational innovation and change is important. People element is complex, so as the global environment. How to find a balance to maintain the growth momentum of the corporation together with people management skill in particular as the motivating factor for competent managers become a big challenge for modern time CEO in the competitive and complex world. Leaders should know the method and timing to satisfy the needs of the employees so as to motivate them to achieve organizational goal. Leaders must also know how to provide value to his customers, employees, suppliers and shareholders. GE committed to strengthen and utilize opportunities to support its leadership culture through systems and polices. Through open communication. With the increasing governance on the growth of giant conglomerate to ensure equity and the pressure of the market on an all-round CEO, a leader has to find solutions to cope with the expectation for “perpetual growth of profit” and safeguarding the well-being of the employees in future.

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