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General Electric destined: Leaderships behavioral in strategic decision-making

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Managing in Complex environments: Strategies, Insight and Solutions

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Executive Summary

Purpose of this report

Over the past decades, General Electric (GE), a giant multinational conglomerate has made a series of reckless acquisitions to boost up revenue and enlarge portfolio. End up with assets on balance sheet was growing by 70% plus, but annual revenue has grown by only 4% (Morningstar 2016). Record shown more than half of past acquisitions which conducted by Jeff Immelt's were suffer a deficit, most recent one is \$23 billion written down from an insane business betting on French multinational company operating world wide – Alstom and fossil shale gas revolution. This management report aims to discover and outline the root causes of how GE stood on the precipice of meltdown, following with other thoughts and recommendation which describe leadership overarch to consistently make decision based on principle, value and imperturbable to create as well as risk control in holistically-aspects of business.

Introduction

June 19, 2018, (Reuters) New York Stock Exchange (NYSE) announced that Walgreens Boots Alliance Inc. the pharmaceutical chain (NASD: WBA) will replace age of 126 years-General Electric Co. (NYSE:GE) as one of the new components in the Dow Jones Industrial Average (DJIA).

GE has been a component of the Dow for more than a hundred years, and the main reason for such removal from the Dow is share value landslide. The Dow Jones Industrial Average is now a household of 30 well-known companies, including Apple, Boeing and DuPont. GE is the worst-performing stock among the above organizations, has fallen 55% in the past year.

The Dow Jones Industrial Average is based on the average stock price count of the constituent shares. Based on GE's current share price of about USD\$13, it has less than

0.5 percentage points on the index. GE's rule out also is the end era of all 12 founder components of the Dow Jones index since 1896.

GE will be removed from the Dow Jones Industrial Average, the past NASDAQ mainly absorbed the new economy as the representative of innovative enterprises or Internet companies, while the Dow Jones index is more inclined to big blue chips, especially traditional industrial enterprises and financial sector (Forbes 2019). Now, in response to the direction of the U.S. stock market in the new economy, US capital market keens to absorb more new economic concept organizations. GE named as the American Age and remained alive after the end of that era. It deftly escaped the shock of the Great Depression, World wars and commercial globalization. Even in the worst times, the belief in one's own history and extraordinary skill gives it a huge and indestructible confidence. But water been rapidly pouring into this giant ship, which is said to never sinkable.



In addition, most analysts believe that GE's removal from the Dow also reflects a dramatic change in the Global economic structure, as David Britt, chairman of the Dow Jones Index Commission said, industrial organization like GE are no longer representative of the economy; financial, health care, hi-tech and consumer goods are key players in future.

In fact, since Mr. Immelt took over this kingdom in 2001, GE had gone from being a relatively mature, financially driven diversified company became a focus on internal growth, technology innovators and short-term profits industrial conglomerate. Before the financial crisis, all of those intangible assets, liabilities and revenue which embraced by GE Capital was exceeded the entire industrial sector, occupying the group's leading

position. In the wake of the financial crisis, the U.S. government tightened its oversight of non-banking financial institution (NBFI) which prevented GE Capital from engaging in highly leveraged financial operations. The company's credit guarantee rating has been downgraded, leading to higher financing costs and a further contraction in profits. GE's analysis and investors saw the profits drop and a regulation tightness, sparking panic in the market and plunging share prices, and capital operations in trouble.

Immelt inherited GE's glory which was operating under the graceful of formidable financial business model. As the financial sector begins to further dominate the U.S. economy, GE Capital - a key subsidiary was driving the company's growth. In the nutshell, more than half of GE's profits were generated by GE Capital, was an America's biggest financial institution could compete with other major institution in Wall Street at once.

GE Capital was born in the first half of the last century and was originally intended to assist consumers for purchasing household appliances. Business model was taking up debt and spits out monetary. Ultimately became finance fast-food chains, power plants, high net worth real-estate, logistic railing tankers, commercial properties and aircraft leasing services. GE has earned triple A credit rating based on this mega profit center, and can leverage with super low cost of borrowing.

GE's executives must appreciate for such connivance and handy monetary flow to whitewashing and smooth out the negative financial or earning report for fawning those Wall Street financiers. Sometimes, GE's financial controller might create an asset bridging purchase with business partners in between two consecutive years for a better financial year. In August 2000, GE's share price had reached USD\$60 after Welch decided to split into three (Reuters). It turned out to be the highest record of GE's share value. After that, share price fell down because of Honeywell failed takeover and bursting of the dot com bubble. When Jack Welch retired in 2001, GE's value still traded at 40 times Price-earnings ratio, more than double its historical record. Sadly, most of those profits were coming from GE Capital, not earned by core manufacturing business.

In order to salvage such situation, Immelt work through a series of financial assets divestiture, restructuring, to establishment of a new company, reduce investment and

other ways, GE achieved a slimming of its financial business. But in order to maintain growth, Immelt has expanded aggressively in other ways, frantically to make acquisition into different industry, and continue with his willful neglect in GE Capital's lending business, which still domain over 38 per cent of total revenue.

During Immelt's 17 years CEO tenure, he aggressively expanded his own utopia. He allegiance to Mr. Jack Welch's initiative "Global Growth Organization (GGO)". The GE business and operating model dated back to the early 70s, when the company's Chief Executive was Mr. Reginald Jones. He introduced a strategic planning process which was top-down approach. Jack Welch continued and enhanced on this model via his tenure, and addition a new portfolio restructuring strategy and making rashly decisions to move into the financial sector. Jeff Immelt tried to follow this pattern when organization faced new threats at the turn of the century. His successor, John Flannery has put an end to this pattern by selling most of GE's business, with the exception of a relatively closely connected business.

During the booming of private equity and new capital markets era, sizable organizations can easily take up advantage in this opaque capital markets. Those capital flow seems only lean on higher yield investments. That's why sizable organizations are still activity in emerging market, not in well-developed and efficient countries. Private equity, activist investors and rigid regulatory disclosure requirements are bought GE into the new challenge stage. To prove this giant industrial conglomerate continues worth more than others, GE need to proceed additional merge and acquisition to leverage with. Regrettably, such challenge result was end up with failure. However, in past, GE has not developed significantly in hi-tech trending industries. Missing the golden opportunity in the technology competition is one of the main reasons of why GE is in trouble.

Even after organization restructuring, investors seem unconvinced and surety by this internal business sectors collaboration model. In addition, after the financial crisis, monetary body demand for transaction transparency has create nightmare for entire financial industry. In particularly with GE, company's previous accounting practices have been self-centered and not quite transparent with. In addition, the abundance of capital

over the past 10 years means that GE's corporate size advantage in raising capital has evaporated, even if the company has previously benefited. In addition, this conglomerate also faces two federal investigations. The U.S. Securities and Exchange Commission (SEC) is investigating the company's ethical accounting practices, as well as the U.S. Department of Justice is investigating the company's sub-prime finance business.

GE, of course, is still alive, and as a giant organization, still can reborn and growth. She is a behemoth that combines with wide range of industries. It is not a holding company or a contemporary hedge fund whose business model is designed to create value by actively sharing features in unrelated businesses, but the important thing is those businesses have one thing in common: Manufacturing.

The business model of GE creates value has long been a point of contention for corporate strategists, and investors might love it. In simple, main reasons can be summed up as follows: Firstly, GE benefits from the market scale which dominance of its industrial business. GE's portfolio vastly gives it priority in accessing capital market and allows it's to be better distribute capital internally. Secondly, GE has a technological advantage within complex industries and its' technology can be shared across different business units; Some argue that GE's strength relies on its professional management practice, which is focused on the company's investment in executive education and management development.

Most people's view and doubt, how's this model works on the objective of changes with the following key suspects.

Under this strategy, normally government oblique state-owned enterprises, industry policies and other local market demand to increase significantly in production for entire market. China is the most typical example of this strategy today, it is nothing new, as well as Japan and South Korea in the early 80s and being widely adopted in emerging markets such as Brazil and India. These strategies eats-up GE's competitive advantage of consumer electronics and home appliances, logistic train transportation, aircraft engines and any of those key industrial chain. The proliferation of manufacturing technology brought out global trade, foreign direct investment and educational circles has also had a

negative impact to the market. GE has been developed and joint venture on different industry within emerging markets, but also suffering to its own core business.

Since Silicon Valley promoted as global hi-tech and innovation center which to induce mega innovators and technological manufacturers in US region. Although GE have shown deepen intention to transition to this industry but always been in a catch-up position and falling much behind. Even though GE's warlord division – Medical and health care business, which much earlier entered into the medical software industry, still has lose out to many of those rising stars, such as Electronic Portfolio of International Credentials (EPIC). In the information technology industry, scale and scope of business are important, but they are often driven by industrial network rather than the capability of the manufacturer. The aggregation phenomenon is solidly existing in Silicon Valley. However, this game strategy has not worked at GE, and never been a real player in this industry.

In 2017, Mr. Immelt was force to retire and his successor, John Flannery, a GE diehard veteran tried to cut costs and change the way of GE sailed in past by eliminating all executive cars, selling its business jets, and cutting jobs. He announced a major restructuring, diminish non-core businesses and focusing on the original healthcare, aircraft and energy industries.

Welch and Immelt are both business school outstanding individuals. But knowledge from business schools has become a common skills and abilities to all. If we all believe what today's business environment are teaching is wrong, you might point the finger at GE's professional management system itself, because it has led the company astray double-edged sword in the demise of the GE model. On the other hand, even if you think business school professors are right, it could still be seen as one of the reasons for GE's demise. In early development stage, this giant multinational conglomerate took over Radio Corporation of America, one of the pioneer electronics' product provider, less demur and connected with consumer households to create power and profit days and nights. Quickly allowed ovens, toasters and appliances into thousands of kitchens, radios, televisions and enjoyments into living room. From a B2C products driven business such as computer, household appliances insurance, financial service, electrical infrastructure equipment,

health and medical care device, energy and aviation power, much more toward to B2B modeling. All of the past developed businesses were leaned on merge and acquisition, a capital-intensive business process and might affect high operational gearing ratio and will exposed business risk.

GE's business model says the way the company creates value is to share good management practices across its business and learn from other companies' "best practices." If the world's major business schools are now teaching the same content, the GE model will no longer justified. Although GE's core competency is their pioneer operating culture, which is more like an operation embraced and monopolized by a high-resource allocator and mass manufacturing during the pre-industrial age. Which cannot simply adapt to the more functional division, analyzing and strategic decision-making processes in post-industrial era. Throughout Immelt's journey at GM, most of investments and merger acquisition have never been managed right, not even analyzed or utilized big data. Utmost worstly, some of those huge unscrupulous acquisitions and investment plans were not handled by collective decision-making process, as well as criticize or challenge construction.

In past, numbers of wrongful deal making and capital allocation are the root causes of GE collapsed, and the key issue was not focus on entire value chain of organization business line. During Welch's time, an imperturbable capital chain was built with significant profit generated, which contributed biggest portion of revenue before 2008 financial crisis. Immelt was told and instructed to deflate the financial sector back to a reasonable brasserie size, but result demonstrated negatively and even enlarged with more debt into. Such inept business amalgamation and synergization strategy was a toxic effect for other business units in future. Thermal power and nuclear was outshine others and have well position as well as advantage to eat up others competitors to become key leader in this traditional industry. But slow response and un-necessary transitions practice were put GE to missed the golden opportunity for developing further, lastly, maintain and host such old traditional businesses.

Based on Credit Suisse analysis report (2017) claimed that although revenue contributed by thermal power and nuclear was the first position and third largest in net profit generated among other business units, but oversupply across U.S. electricity market and price war with competitors toward to be a sunset industry. In addition, complete and impact with other newly matured energy such as hydropower, solar and wind energy lead the pricing declined and became organization burden. Immelt refused to leverage and out-run some of those internal competitors to make a radical transition from traditional to new generation in its power sector, and due to such business sector was too large that if the closure is bound to lead to a massive one-off write-down, the group is reluctant to let its power sector's transformation plans drag on, even profit margins was as low as single digits.

Although Immelt fully understand the core situation of his kingdom, but being an “one said” leader position more than one decade, he always demonstrates his personal charisma tended to have fondness for grandiose business practice as easily proofed his utmost failure acquisition - Alstom. When he engaged with Patrick Kron, CEO of Alstom in spring 2014, he trapped himself and the great conglomerate full of doom and gloom. Wall Street Journal (2018) characterized Immelt behave overambitious and unrealistic, his personal charm and flamboyant presentation skill might earn many followers but his arrogance had cost himself much truthful recommendation as well as advisories.

2008 financial crisis bought Alstom an economical catastrophe in history, stock value was declined 30% plus within that year. Senior executives were restructuring aggressively through massive layoffs, out-run assets and re-financing which objective to increase cash flow to avoid filing chapter 11. During this major transition, Kron avoided his previous strategy for seeking French government assistant, he chooses not to discuss with executive board, direct willing and dealing with Immelt first, because he aimed GE's global strategy for strengthen profitability, especially energy as core business line. Commitment was agreed in timely manner and such information was spread out to media with purpose - no way out for Immelt. Although Immelt aware Alstom's problem such as shortage of running cash flow, but self-confidence drove his crave after ability greatness and success. Numbers of GE board members were wary of Immelt's optimistic behavioral and

personality before his position selected but in vain, much similar of Donald Trump's motto - 'Think Big'. At first, Immelt figured Alstom facilities could have synergy effect for both operating. In fact, during the further negotiation and legislation issues, GE had to make some concession such as increase transaction price consideration by 30%, restructure was arguable on partnership of equals instead of sole operation control. In addition, before after assessment valuation disagreement and the scope of transaction bundling were occurred significant of timing and legal costing. Following with, need assumed and undertaken major defer liabilities, guarantee workers union would not have any lay-off action in future and Alstom operation fully independently. Unfortunately, during the progress of this acquisition, People Republic of China was conducting an antitrust investigation due to Alstom was heavily invest in Asia-Pacific region as well as General Electric. That will trigger the monopolize alert on turbine generator industry. Therefore, this acquisition deal with Alstom must need to grant China government endorsement. Moreover, such government intervention result was not included China business due to too much uncertainty by such antitrust threat. Worst yet, the shale gas revolution have also weakened Jeff Immelt's oil and gas business, to the point where observers are clapping at GE's share price decline.

Moreover, Immelt's egocentric and self-center character directed him into a trap – unconditional dividend pays. That also steering the organization continue stock buyback to please stockholders and pensioners for maintaining stock value and dividend pays. Especially during shares repurchasing with premium price, that create precarious alert on cash position. To make matter worst, GE needs to issue more shares to satisfy the large and numerous vested stock option for management in past, ultimately should have been diluting portfolio position.

There is no doubt that the collapse of the financial markets led to the collapse of GE Capital in 2008. At the time of the financial crisis, capital business still maintains dominated position within GE's portfolio. During the depth of the crisis, Immelt make a determined decision to cut divided since the great depression. But after that, he had aggressively to develop and expend GE Capital business with much higher operational gearing, which submerge own crisis in future. Immelt tended to hold back unpleasant

information and unwillingness to check any analysis and report about risk level, even not have a clear understanding of company cash flow level. Any modified unrealistic goals, hot business opportunity and those high yield highly competitive industry, which able to allow him for demonstrating his ability in future. Such overoptimistic was consistently happen during his 'Shopping' history. Nevertheless, track record shown that Welch was a business nutritionist, he adopted to newly market with high return and growth further (Blank 2017). But Immelt acted like commodity dealer, focus on selling business for profit generating, so, few of those toxic transactions at risk here which are early bad for this multinational conglomerate and investors. Although few deals were made a decent profit, but transactional income just a one-time thing, recurring income should be the key element to sustain business growth. Immelt, a speculator incarnation truly demonstrated the eager to seek quick success and instant benefit instead of long-term view. Greedy, ego, ignorant, too self-esteem and incompetence are harmed the organization at the executive and operational level whose could influent to others. All of above incident just illustrate how' Immelt's performed, and inexcusable cause to investors, pensioners, vendors, any stake holders and communities, lastly, GE itself was financially scrambling on the edge of precipice.

Conclusions

However, the Great Recession and Alstom were not the last catalysis for GE's chaos which had been hit hard to. Reasons for the demise of GE's business included global competition, the technology revolution, investor rivalry and the spread of professional management decisions. Since GE's mismatched leadership and wrongful decisions, other big groups are bound to learn this death lessons as they shall be in reality.

In fact, who is the victim of this acquisition? French government and Alstom are truly among the biggest winner in this strategy amalgamation, with nearly bankrupt could obtained over value consideration, gaining a lot of publicist and commitment on key issues as state ownership, independency and job guarantees. Immelt aware and realize that's not a zero-sum game, he planned will win both ends, organic and in-organic growth, 50% more than current installed production capacity globally, increase core competency

and opportunity to domain the entire market since Alstom was the key parts supplier of GE's combustion engine. Energy infrastructure business was huge, but unequally profit contributed among other business sectors. Especially missed the opportunity to leverage profitability during the peak of oil price, instead reluctant and aggressively for engaging a grandiose but impractical acquisition. Sadly, such a gambling deal, once the oil price landslide, must rely on others business for 'bleeding' to survive. Instead of contributing a dime of positive profit and cash flow to the group, estimate possibly need five years at the earliest to generate positive cash flow. When we look back, this acquisition is absolutely happened at poor timing, handled by poor management and with poor execution.

Recommendations

Global Growth Global Risk

With today's global business climate change and huge challenges of low-carbon economy that bring many of power generation enterprises face critical risk and leading business migration. Electrical grid of GE has been operated with their own inaction and major delinquency on transformation plan. For financial views, there are large number of low-return traditional power generation business with bundle of ages infrastructure and equipment of which were build in the early 1980s. Facing major industry competition and resources excessive, in addition with local government interference with undermining policies control, grid enterprises are happened to be a cut-throat industry. Since GE is suffering from a winter long, will facing an inevitably of industrial reshuffling. As one of industrial leader, any GE's business movement will draw much global attention.

Based on existing market standard, the current oil-electricity costing mechanism and pricing strategy cannot balance off supply and demand, scarcity for upstream and downstream effectively, worst, lack of industry competitiveness under market economic condition. Resulting a sustained industrial loss situation, although more production lines, the greater loss happen (McGovern and Hicks 2004). In fact, as the domestic economy is the first social demand, business must ensure the development and capabilities able to complete in the global market.

Alstom (2003) annual report clearly shown grid industry is difficult to achieve a short-term return by relying on blindly development and integrate up and down stream. Report also describe that United State was growth significantly for last decade, one of key reason is decrease the reserve margin. It isn't having any cost-effective and over storage that might became bulk power system. Therefor, if GE still maintain the selling model based on the age's infrastructure, outcome will be thinner the end profit. Seems the entire value chain of grid industry must need move forward to servicing model with recurring income instead of transactional. After Immelt took over the CEO position in 2001, GE had gone away from a relatively mature, innovative driven and internal growth company become a short-term financial focus, multi diversified enterprise. Ultimately, Immelt was a hard-core trader, buy it and fix it, lastly sell it. Those buy-sell flash business might able to make few dollars, but it just a transactional income, never able to sustain this giant multinational conglomerate. CEO of GE should have long-term view, should focus on their own good pieces such as powertrain of aviation, their single and twin-aisle aircraft engines were dominated 47.75% and 68.3% (GE 2014), annual production was over 65000 units. Moreover, division has engaged a 15 to 20 years supply contract with Airbus and Boeing, meaning next two decades have guarantee sales and revenue. In addition, KPMG (2015) analyzed the production cost of the captioned engines were 45% less than conventional one, that described the innovation strength of GE's aviation division. Legendry brand already recognize and most global industry conglomerate are attracted with long-term business relation. Most valuable element is products diversification, it's for commercial and military as well, multiple profit generated channels. Moreover, many of those well-known airplanes manufactures such as Airbus and Boeing are well accepted and technology preference that create a huge demand. Lastly, most key competitive edge is the well-build solid technology team with breadth and depth innovative experienced which could strengthen the continuous products planning and enhancement.

Another core business of GE which senior management should focus to, medical and health machinery, all of their MRI machines, CT scanner and X-ray generator are the industry lead, annual order was near one million units, an utmost potential market and position firmly occupy with Siemens and Philips of the world's medical device oligopolies. Taken the above consideration, stock holders of GE should delightful to enjoy the spin-

off of health and medical division as an independent public company. Through the voluntary spinoff, GE can yield benefit to mother company and able to take advantage to capture development capital via the financial investment market with very minimal cost. GE can obtain substantial premium and still able to maintain the operation control that allow further business development and also focus on their core business. Historically, any spinoff has been benefitting to investors, even those pension investors, they could receive the profit was generated by spinoff or obtain new stocks as well. For GE, beside capture significant return for cash flow and able to serve as dividend paid and maintain health cash flow level. Being a sustainability leadership, Immelt needs clearly force more on strategic planning on value chain execution and manage risk, such as cash flow management. Develop sustainable business line and strengthen the ability of change management. Today's enterprises are struggling along the pathway of development based on economic, social and environment (Slamti 2019). I am tended to agree with Slamti (2019), especially in the complexity organization, the formation of these three dimensions are drive survival enterprises into disruptive innovation, cross integrate with boundaryless cooperation and social business ecology, so that key characteristics of leadership are dramatical changed. And whether the organization has followed with this change, sustainable development in this eco-system is becoming a key factor in the transformation and success business strategy.

Chief executive of any organizations should concentrate on both organic and inorganic development growth. Work on your own potential strength and make further enhancement always have a better out-put than nonsense spend efforts into outbound business integration, also much less cost than any new acquisition (Bennis 2009). One of the biggest challenges for cross culture acquisition is need for finding a way to link with the core business sectors. Many business cases shown matrix organizations occur and generate conflicts that can harm the operation, drag down productivity and end up costly (Yildirim and Birinci 2013). Therefore, tend to agree with Petit, N. (2015) and strongly suggest that CEO of GE should set the development agenda, continues find diamond from own backyard which enlarge and rebuilding the integrated business, maintain healthy financial disciplines and strength, sale off underperforming business unit, rebalancing the portfolio and rigorously monitoring cash flow to expanding GE's existing

resources and corporate landscape. And most important is align all existing business with consumers and market needs.

Right decision Vigilant decision

Many of people move to leadership position will easily fall into a decision trap (Leavy 2015). Under the complexity and skeptical business environment, senior executive needs to establish an openness and trustworthy relationship among others, such as support and finance team. He or she needs to engage and increasing the high level of transparency and naturally to lead a comfort communicative. When Immelt received his CEO scepter, he was clearly promoting his business goals among the organization within all level, demonstrate his personal charisma with humble, optimistic, positive, gritty and ambitious. He always emphasizes successful company should drive top-performance employees to make distinction decision and relocate subordinate through experiences to allow them to learn and improve more. Over period of time, those elite individuals will be tended to attentively focus on performance standard with intra-comparison, which might blindfolded avoid any risk assessment.

When Immelt shops deal, he usually acts as jumping optimism, very enjoying praise by others, and disregard any negative comments and criticize analysis report which against his initial approach. As mentioned earlier, he loves to tell big stories and giving others how he makes decisions with contextual, not machinery. Real scenario, he likes to hide bad news and exaggerate the good news. Reasons to be a top-level leader, he/she should have better experiences, rational and logical thinking, inferential capability and much more long-term views than other subordinate. Because they need to make decisions daily, and should have a logical decision-making model for themselves. Because Immelt finished few right decisions such as out sold the plastic business with decent profit, that is distancing himself to a self-admiring narcissist.

Today's business environment is full of trap and crisis, if any wrong decision being made, given in different scenarios via butterfly effect can trigger another disaster onward. Vigilant leader's trait will able to serve and lead this circumstance, they are more focus on external factors, eager to embrace new ideas, seeking diversify perspectives, willing

to listen to wide range of information and like to engage with professional. (McNulty, Pettigrew, Jobome and Morris 2011) by suggesting that, compare with operational leaders, they tended to narrow minded, less interest in listening to external opinions and devote themselves to confine their networks to familiar areas. Vigilant leaders are prime mover and dreamer who has the energy to explore opportunities of different markets and risk conscious. (Yildirim and Birinci 2013) Compare with operational leader, merger and acquisition does need vigilant leader who able to face any uncertainty and learnt from failure. For those business transactions, leader should build strong functions team in an early priority as like capabilities in HR, IT, sales & marketing, finance, legal and compliance, analysis and communication, normally named 'Centre of Excellence' that could provide executives with functional expertise to assist senior management to eliminate blind spots with strategic analysis. Bennis (2003) also state that assess any potential and pitfalls, measure the mature level, diagnosis any regulatory burden, lastly to persuade and influence senior leader to make right decision. Parent and Gallupe (2001) also suggest that personality-centric leaders are more leader-like, energetic, socially self-confident, illustrate high level of assertiveness and self-initiation with competitive. All of the above leadership traits are totally reflected back into the work style of Immelt his own.

As CEO of GE, such giant conglomerate cannot afford to embrace abrasions which created by dictatorial management. On early stage of Alstom acquisition, analysis team foresee low profit margin, but Immelt confidently believe could raise them. Financial statement shown Alstom needs cash flow badly and carried many of defer liabilities such as huge human resources burden which will automatically transfer to GE once the acquisition take place. Since fossil -shale resolution take off, fuel-fired aircraft turbines were hitting a solid wall of cost competitive, GE's Power division was collapsed by products sales into tame sluggish river. Being a chief executive, CEO of GE should act proactively work and discuss with those internal wise men, to figure how to pursuit the best position of this acquisition such as lower the offer, spun off or diversify the risk to others and non-cash offering instead. After the deal was agreed on early stage, few of industry leader join into this century acquisition, GE could leverage the first priority right into several ways which can be intelligently partitioned Alstom for the best use of position. One of GE's corporate strategy was admired by Jack Welch, "*Buy it, fix it and sell it*" which

guide organization to respond in this complexity market environment challenge, along with integrate the operating mechanism, supply chain, user contract, social culture and political aspects, legal and market regulation factors to ensure the business transaction smoothly by sustain competitive edge, clear business objectives and coordinate and realization with the core value of organization. Perhaps the initial thought of Alstom's acquisition was aiming profit generation, but directors and advisory board were wary questioning this transaction, when chief executive make strategic decision, manage the future operation and ambitiously expanding their market share, he or she must take into account of stakeholders' interest. Which not just only target on leader's personal favorite, but also important to construct a sustainable business competitive advantage (e.g. policy strengthen, public acceptance, media advocacy, industry position and norm etc.), those are the key elements for success or failure.

Furthermore, sustainable business is the inherent fundamental basis for profitable organization, should embrace and effectively to manage own resources such as talents, capital, products and good, technology innovation, supply chain and both end business stream within their production or any business activities to create opportunities for economic growth through competitive and management advantage (Leavy 2015). Ideally, Immelt was planning thus this acquisition, GE can take the advantage to enlarge the market portfolio and lead the competitor became team player. But synergy only go so far and miscalculate with optimistic, decision maker should take an initiative for deepen review all base line financial view with forecasting the growth trend, if found out the return is far off the initial thought, will terminate or restructure the deal. In fact, this business alliance is built on competitive neutrality frame work is not involving any exit plan. Business negotiator or chief executive needs engage the exit strategy. Alstom looks for investor is a exit plan, so for GE, all needs to do is setting few requirement within the due diligence such as regulatory investigation, EBITDA guarantee within a period of time, build a skillful team like lawyers, financial valuation, accountants and bankers who are specialize within their fields and able to set up an exit alert.

Team influence and responsibility

After Immelt stepped down his self-built and self-destruct kingdom, many of investors, stakeholders, pensioners, capitalists and general public are blamed him hardly and ruthlessly. Before the financial crisis, GE Capital were dominated the major proportion of revenue for the group, but in other way the debt also increases. Once US government tighten the regulation after the crisis, slide of GE's credit rating will igniting the profit drop and share price plunging with market panic. In order to salvage this situation, deleverage own portfolio is the immediate action and series of assets divestiture, restructuring, lean management and reduce investment are aiming to maintain growth. But, Immelt has expanded aggressively in other way – merge and acquisition.

During Immelt's tenure as Chairman and CEO from 2001 to 2017, he has been run through many acquisitions and organization restructuring. All of those strategies are totally different than past CEO Welch's old path, more toward to diversify, growth internationally rather than internal organic growth. Although GE's stock price was fell down long and deep from \$46 to \$29 (Reuters), but seems no actions were taken by the board, still irrationally and blindly to support. Question is ... *"What are the functions and responsibilities of the board?"*

Indeed, an outstanding organization should have good corporate governance, including positive market awareness, corporate reputation, business sustainability and high degree of investors' confidence (Nahum and Carmeli 2019). But reality, too many companies are poorly managed and likely to threaten the market stability, conversely, those companies with good governance practice are tend to get better valuation in the market. To maintain the long-term growth of a listed company, would depends on excellent board governance, widely risk management ensures long-term sustainable development, high transparency will have better effectiveness to protect investors' interest and could decrease any reputational risk (McNulty, Pettigrew, Jobome and Morris 2011). The board is both judicator and corporate developer, and they could actually strike a better balance in between these two roles, importantly, they must do it. When board members are sitting behind the conference table, they should find themselves own the business, think

rationally and direct the company's vision and value, in addition about long-term business goals and financial position, as well as leadership succession plan if circumstance appear. They also need to guide the senior executives and management team through strategic planning. While these responsibilities of management could develop and execute strategies, board must also look at and require senior executives to compose a business proposal that encourage other subordinates for further improve performance. When businesses are running well, will task them with creating ideas when threats or problems arise. However, it is impossible all board members to know all the details of the success or failure of a company's performance, but they can and should continue to pay attention to long-term trends and the impact of the industry, in other words, they must act as a pilot driver (Nahum and Carmeli 2019). Number of approaches shown that will also explore the changing environment in which the board is clearly realized. The question is how they can regain control over major issues, and what happens when the board leads discussions on forward-looking, critical issues such as finance, strategy, talent development, etc.

Nahum and Carmeli (2019) also suggest most boards still do not have the flexibility to use their time, and most still follow the old practice, for example, the number and timing of meetings remain the same, the establishment of the same committees, and the same pattern of interaction between directors and directors and company directors. That's reflect the phenomenon of GE's board style and function, which still have old Welch's shadow. Board members have always relied on senior executives to provide most of the company's information, and they don't handle as many details as management does, because they don't need to. From the board member's point of view, the CEO and his management team should be given the freedom to take responsibility and run the company in a way they see the match, and the board should provide guidance from a high-level and broad perspective. However, some board members tended to emphasis on compliance with regulations has fallen into their role they have long sought to avoid, namely, to become a watchdog. That could able to stop and avoid any malfeasance or violation by management, in fact, if such manner overdoes which might meddle in the business operation, to ignore long-term plan, leaving shareholders facing another potentially greater crisis. Let's take a closer look at how to build the strong and

compellingly board, first, there should be a consensus among directors and senior executives to define what is the long-term strategy.

Quite often, the board considers that when discussing an individual transaction, such as acquiring another company or selling a business, it is considering the company's long-term strategy and financial practice. Question should be asking: 'When you consider this new project, do you think of its cost or benefits, rank profit or progress first, rather be rich or famous, rather to be a small fish in a big pond or a big fish in a small pond? (Bennis 2003). In fact, this is not a long-term consideration. How a company defines "long term" must consider how board members and senior executive can quite accurately predict how many years ahead. Industry dynamics can influence their judgment: some industries often experience technological or product innovation, or enter the industry is not so costly, such industries companies are not easy to predict long-term trends. Conversely, organizations are more likely to predict future trends in the industry if they are less likely to see significant innovation and demand for products increases with population growth. After determining the time frame, the board and chief executive will develop a set of long-term financial objectives and action plan, such as a clear statement of expected revenue and profit growth figures, asset or investment return, cash flows, debt-to-shareholder equity ratio (debt-to-equity ratio), dividends and stock buyback policies (Day and Schoemaker 2008). After determining the time frame, the board and chief executive will develop a set of long-term financial objectives and action plan, such as a clear statement of expected revenue and profit growth figures, asset or investment return, cash flows, debt-to-shareholder equity ratio (debt-to-equity ratio), dividends and stock buyback policies. Which are the key elements to determine the direction of company's strategy, and of course for public as well. As mentioned earlier, most organization are actually managed to set financial goals and how to achieve them. The point is that board members should spend less time discussing quarterly surpluses and dividends pay, should concentrate on fundamental financial structures and business plan, such as the cost of capital, or whether the debt-to-shareholder ratio is balanced.

Unfortunately, board of GE did not fulfill this function, since Immelt joined, many of acquisition are failure with big time written off. More surprisingly, no one has been actually

to vigilant and keep watchful eye about verify for recognizing revenues in management account, moreover, compliance committee has never audited those long-term contracts, which shown significant return but not benefit for cash flow. Until SEC placed an investigation on those faulty unethical business transactions, members of board start concern that these huge defer liabilities were treat blindness for investors. Although the audit committee take action to dig into these issues with cause, result was never gotten into official m condemnation or dismissal and such business practice manners were not logical and compliant with. In short, everyone were blamed Immelt's primarily decision issues for running GE's operation and development, what more, all of the board members should have been more questioning themselves of their lack of accountability has cored public respect. Strongly suggest GE board members should replace Immelt or dismissal themselves before company crisis happened.

When selecting a right CEO, board members in particular need to deal with it themselves and not pretend to be others. While most companies specify the retirement age for CEOs, will facing a difficulty during the transition period. CEOs certainly don't want directors to think that anyone will replace them, so that they tend to deliberately downplay the poor performance and exaggerate the seriousness of external factors (Nahum and Carmeli 2019). In order to counter these practices, the board must, at the beginning of his or her tenure, reach a clear agreement with the CEO selected to determine when the KPI during his/her term, and that will be the base ground for replacement, once CEO step down and what action or procedures the board will take, and within what time period to identify a successor.

As a final remark, the board of directors should focus on the basic functions for supervising the company's compliance with regulations, in order to prevent the company from breaking the law or financial defeats. Board members should lead the organization and management to develop clear financial goals and sustainability, ultimately to focus on how to achieve them. Specifically, at this stage, board members must stop acting as firefighters to think about how to align management's view of the company's prospects with the broader perspective and long-term view. Of course, no matter what changes the board chooses to make in order to achieve a long-term goal, they cannot abandon or

diminish their emphasis on compliance, as required by regulations, as shareholders and the public expected and will continue. But boards cannot go into the wrong direction and take on more hands on responsibilities because they need to guide, to assist companies thrive, not just short term, but a decade later, and beyond.

Thank you

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