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Exam 2

1. **How would you apply our discussion of LEGO to GE’s turnaround? What specific tactics would you recommend Flannery adopt or ignore? Support your answers with cogent arguments (50 points).**

There are several similarities between Lego and GE’s potential turnaround. The strongest similarity that I noticed with the two companies is their struggle to handle the complexity of the company. Both companies have branched to massive companies with a high number of SKU’s. Lego dealt with this by homing in how they manufactured and distributed as well as reducing the number of SKU’s. I think that GE’s turnaround is in the right direction on this. Flannery is planning on selling off part of the company that it simply cannot give enough attention to. Doing this not only immediately creates free cash flow, and cuts down on overhead therefore saving the company massive amounts of money. It also gives everyone from manufacturing to top management less to deal with, allowing them to focus on the core elements of the company such as power.

Another similarity that I noticed was each company’s downfall took place when they went away from their original company culture. Lego started to fall off when it no longer was seen as a “family company” and focused solely on the numbers. This played into Lego’s original downfall because it did not continue to have good relations with its distributors and it had a weak company culture that did not focus on leadership. I believe that Flannery is on the right path when he talks of his second pillar to transform the culture. Lego transformed its culture by making the employees accountable for the products they introduced during meetings as well as adhered to a strong sense of discipline while still creating a workplace similar to a family company. To do this Lego followed a market analysis structure prior to releasing new SKU’s, sometimes having the market research and no new product to introduce. The same principle is laid out by Flannery when he promises to be data-driven, and disciplined. This will allow the company to remain focused and keep their eyes on the market vs. wild innovation.

Lastly, both companies have strict competition in the market. Lego is dealing with the new technological advancement of toys, such as video games and toys involving programing/ screens. GE is dealing with the massive changes in renewable energy, and power companies implementing new innovations. These external forces are what is driving both of these companies to “specialize” or focus on each specific needs of the consumer. I do believe that Flannery is beginning to do this, but I agree that it might not be enough “specialization” to make the needed changes within the massive company that GE is.

1. **Innovation historically seems to have been a key driver for GE’s growth. Based on our discussion of IDEO, what suggestions would you have regarding how GE should structure its product development activities (50 points)? Can a company as large as GE learn anything from IDEO?**

Being that innovation is what has driven GE’s growth I do believe that it is necessary for it to continue to grow. I do not think that appropriate for IDEO to work directly with GE. IDEO is a company that entertains even the wildest thoughts, and I do not believe it has enough structure to work in a company as large as GE. However, there are things that GE could learn from IDEO. The biggest thing that GE could learn from IDEO is how they research the market. IDEO spends months analyzing the specific market, asking the audience questions, redefining their needs, brainstorming, prototyping and testing. For GE I believe that they could benefit from spending more time or having specific teams work directly in the exploratory phase of IDEO’s Design Thinking way of innovation. Allowing a team to work directly with the audience to see what needs they would want met would allow GE to move into their concepting phase, and use their own structured way of bringing ideas to the table.

Having a team working solely in the Exploratory phase not only allows GE to innovate, but it will help them with future market analysis. Even if there is no invention to be implemented at the time, allowing a team to do this research constantly gives insight to where the consumers are heading in regard to the SKU’s used. If Flannery truly wants to be “data-driven” then he must be willing to go out and get that data/research.

Another thing that GE could learn from IDEO is its willingness to fail. Being able to accept and learn from the failures is critical in any business. However, IDEO’s willingness to fail early and often allows them to narrow target markets and reduce cost of failure later. If GE is willing to prototype an idea after it’s structured release, then it should be willing to scrap that idea after some analysis of how it will do in the market. That sheer willingness to fail will lead GE into a stronger consumer base in the long run and create sustainable growth.