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PROGRAMME: BA (HONS) LEADERSHIP AND MANAGEMENT SKILLS FOR THE WORKPLACE

MODULE: LEADING AND IMPLEMENTING WORKPLACE CHANGE

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Executive Summary

The report discusses the change management scenario as occurred at General Electric, which led the company to segment itself into four different divisions of Aviation, Healthcare, Renewable Energy and Power. This change was necessitated due to the shifting consumer trends resulting in high performance across key divisions such as healthcare, particularly in the post-pandemic environment. The report details these findings and aligns them with the strategic response of General Electric. It has also analysed the leadership quality that has led General Electric to succeed in this manner and linked the company culture development with the firm's growth. Lastly, the recommendations are phrased in a future change scenario to provide General Electric with a practically suitable approach for addressing future change requirements more effectively.

Table of Contents

1.0 Introduction 4

2.0 Brief review of the current state of the organisation.. 4

3.0 Outline of recent change initiative investigated within the report 5

4.0 Analysis of the recent history of Company.. 6

4.1 Explanation of how changes in the external environment involving covid-19 pandemic impacted the company 6

5.0 Critical evaluation of different change Models 8

5.1 Incorporation of change-related issues that might be related to strategic change of the company.. 8

5.2 How the change was managed 9

5.3 Leadership Style that Was Incorporated 10

6.0 Conclusion 11

References... 12

1.0 Introduction

Ever since a spate of uncertainty surrounded the global business environment, many organisations tried to enforce their way out of any uncommon circumstance. This could either have manifested through a transition, transformation, and strategy deployment that might have complimented the goals implemented at the time. It could also have been through means that felt supported by the management playing a central role in the organisation's management. The company General Electric is an American conglomerate that has undergone similar changes in numerous capacities. Especially with its products and services catering to multiple industries among which were the aviation sector, renewable energy distribution sector, additive manufacturing, and other forms of venture capital consolidation. Before 2020, the company underwent yet another change within their management. That will be the main concern of this report, after reviewing its current state and investigating its recent history. The actualisation of change models will also be the primary analysis point of this report that will verify the issues experienced by the company and how it overcame them through leadership practices and overall management of organisational culture. Then, the report will finally thresh out the change management plan as worked upon by the enterprise. The entire analysis and discussion will be backed up by scholarly evidence and any commercial articles that can be accessed.

2.0 Brief review of the current state of the organisation

As numerous divisions are dealt with by General Electric, including the likes of the GE Aviation sector, GE Healthcare sector, GE Power, and GE Digital. These have encapsulated together to support the digital initiatives of General Electric before the pandemic. This allowed a tax-free spinoff leading to precision healthcare during early 2023, which allowed the enterprise to retain a stake of 19.9%. It also allowed the corporation to significantly reduce its debt by more than $75 billion by the end of 2021 (Pound, 2021). The company is also on track towards reducing its net debt to EBITDA ratio to less than 2.5x in 2023. Therefore, the predictions indicate that the enterprise will be able to achieve a single-digit free cash flow margin soon (Pound, 2021).

General Electric has managed to stabilise its insurance and mitigate any funding-related risks that were growing ever since the pandemic. That mainly resulted due to the backup capital contributions made by the management, and their shareholders ever since 2018 resulting in an investment portfolio worth $9.4 billion (Pound, 2021). This form of action also managed to strengthen liquidity, by eliminating off-book factoring. General Electric has also made a landmark impact with scalable, metre-class as well as laser powder-bed fusion

BETA machines. That can configure larger machinery parts, and customise them according to consumer interests and client preferences. The BETA machine deployment will be tested under Project ATLAS, i.e. an innovation program powering build rate speeds (Ge.com, 2017). This laser technology machinery will enable the company to reduce its expenditures, through gradual reductions. This form of endeavour has allowed the organisation to generate hundreds of patents through material sciences (Ge.com, 2017). As a result, the General Electric Additive Equipment division has become an integral supplier of the company. This enables material sourcing and service distribution for industries and businesses worldwide. This proved to be a great boon permitting growth stability in the company.

3.0 Outline of recent change initiative investigated within the report

After close deliberation of its financial performance, operational stability, production capacity enhancement, and pursuing innovations, General Electric decided to split into three organisations. As of 2021, the company decided to break into divisions favouring aviation, health care, and energy. The spin-off towards the healthcare division will be the current priority of the organisation, whereas the energy and aviation divisions are set to become secondary. This form of change within its business structure, allowed the company to increase its shares by more than 55% in the last 12 months, to grow by 2% even if the broader market decided to pull back on their later releases. Having three industry-leading public companies, each company is likely to have greater flexibility in terms of capital management (General Electric, 2021). That will allow the enterprise to bring about strategic flexibility into driving long-term growth and generate value for customers, employees, and finally investors.

While the above approach is likely to increase the expenses and overheads that General Electric might not have planned, the nimbleness of the three divisions looking to capitalise on individual opportunities within aviation, healthcare, and energy distribution is likely to offset new costs. That will further push down the growing debt that has been a problem for the company over a period. It is also estimated that the debt might get pulled down by less than $65 billion by 2021 and beyond. The approach also bolstered the attitude of General Electric about achieving an objective that was to take control of the innovation and technology market almost 9 months after Project Atlas. Overall, it not only allowed them to respond timely to customer needs but also be continuously efficient in terms of strength demonstration (Ge.com, 2017). The concept of laser technology provided the same effect that the company was missing for a long-time. Hence, it was a pre-planned change that was executed due to its assumed outcomes.

4.0 Analysis of the recent history of the Company

4.1 Explanation of how changes in the external environment involving covid-19 pandemic impacted the company

Similar to other multinationals, General Electric lost over 45% of its shares at the beginning of 2020. This was courtesy of the raging restrictions that rattled not only the aviation sector managed by the company but the manufacturing of plane engines as well. Moreover, the fading demand resulting from the waning interests of customers resulted in reduced discretionary spending. As a result, the company lost over 40% of its revenue during the same year. That took its annual sales from $95 billion in 2019 to $57 billion in 2020 (Scott and Vats, 2020). Also, due to the pandemic worsening over time, there was a chance that General Electric was likely to experience cancellations on its product orders. These resources represented divisions like the GE Energy sector, GE Digital, and GE Power. A more elaborate discussion regarding the pandemic's effect on General Electric can be explained through the below points.

Firstly, the pandemic affected internal management more because they were ill-prepared for such a setback. General Electric decided to put forth their faith in the existing workforce and allowed them to understand the company's concern from the present situation. Hence, the senior leaders of the organisation decided to contribute personally from their salaries, to support their subordinates (Forbes, 2020). There were approximately 75 senior leaders involved in the internal GE processes, who acquiesced towards the initiative.

Secondly, General Electric managed to improve its balance sheet and reduce leverage upon the financial statement. That is by adding to its asset by selling the underperforming BioPharma unit to Danaher for $20 billion. While the organisation also held onto additional cash worth $48 billion which reduced any chance of liabilities being increased through the above contributions. It was also predicted by the management of General Electric that cash flows can fall in 2020, attributed to the fall in revenue (Kellner, 2020). The prediction showed that cash flow from operations was estimated to go down from $8.8 billion in 2019, to $6.5 billion in 2020. Apart from the same contributions, the expected capital expenditures were set to be around $3.7 billion for the year. However, with GE managing their expenses, they are likely to keep a capital expenditure cushion of $2.9 billion till 2020. That was bound to be aiding them in their capital management process.

Thirdly, to facilitate its production division, General Electric managed to adapt the lean manufacturing technique. That allowed the management to daily rely on Kanban systems to help in resetting inventory levels in a new way. As a new demand environment was created due to the pandemic, the organisation needed better problem-solving tools. Thus, lean manufacturing helped improve the costing criteria, allowing GE to afford such tools better. For instance, the General Electric Gas division was set in Greenville South Carolina and was approached by workers looking to reduce single-part travelling. The above technique managed to curtail 3 metres, by bringing it to a mere 165 feet (Kellner, 2020). This additionally slashed the time to machine a part by 42%. Hence, the pandemic served as a blessing in disguise for GE as well.

Fourthly, the pandemic forced the Boston-based company to lose 700 workers and 1300 contractors, who worked mainly in the power divisions. It was to support the idea of repossessing some aircraft through its GECAS leasing unit, which also cut the capital spending by 25% in the year. This assisted the cash flow generating capacity of the organisation, which created an investment capacity of $2 billion (Kellner, 2020). It was allocated towards the manufacturing of coronavirus-related products which rose from 1.5% to 2% more (Kellner, 2020). The sale of these products aided the healthcare sector closely looked into by General Electric and resulted in adjusted earnings of 5 cents per share. This might have been below the average estimate of 8 cents per share, but according to Refinitiv. The losses that were experienced through the aviation sector, power sector, and others, were somehow recompensed.

Fifthly, the healthcare division of General Electric slowly generated the popularity of their medical technology-related investments and other related equipment. During the pandemic, the same division managed to add to the production lines of hospitals, hiring medical professionals who are acquainted with equipment handling, and diagnosing machines that took better care of patients majorly suffering from the virus. The manufacturing capacity was boosted due to the above interventions, which saw sales of computed tomography scanning machines, and x-ray systems mobile version, along with patient monitors or ventilators double over time (Pomerantz, 2023). The ventilators contributed to the treating of critical Covid-19 patients, and thus workers involved in the production teams had to increase their shifts in managing the swift assembling of the above medical assets. Some of the employees were also moved into the shifts, to ensure that normal labour shortages did not trouble the organisation.

Overall, the above analysis reveals that covid-19 was a shortcoming for General Electric, but it allowed the organisation to be on its toes. That resulted in the company looking at subdividing its primary organisation into three distinct divisions. Therefore, concentrating the sales growth separately creates wider popularity, then losing customers looking to get accommodated by contacting directly (Kellner, 2020). The pandemic allowed GE to better manage their expenses, without compromising on the dwindling revenue that was slowly becoming a cause of concern within the sector.

5.0 Critical evaluation of different change models

5.1 Incorporation of change-related issues that might be related to strategic change in the company

As some of the problems concerning General Electric were considered to be unprecedented, certain issues only got worse with the onset of the pandemic. These issues leading to the change can be discussed in a below manner.

Firstly, in terms of a poor merger and acquisition-based decision, General Electric decided to partner its oil and gas division with Baker and Hughes in 2016. This not only halved the dividends that were promised to the shareholders but created a divestiture of certain General Electric divisions that involved the selling of electric consumables like light bulbs and appliances (Martin, 2018). Moreover, the powering of locomotive engines also became a failure resulting in a re-juggling of its corporate portfolio. This worsened the company strategy, and the business required the re-formulation of a new strategy with more concentration to be dealt with around a fixed plan. The losses only multiplied following the failed merger and acquisition of the company.

Secondly, ever since October of 2018, the debt of General Electric climbed to $75 billion and was expected to grow more in the upcoming years. The operational changes needed by the enterprise were required to lend assistance towards its cash-generating capacity. Rather than the profit margins, which was likely to improve with better management of the product portfolio? Meanwhile, the investors were considering the growing debt a risk, because there was a lacking capital structure that could look at overcoming emergency fund management-related problems. The aerospace units to be contributed by the enterprise would have required such provisioning (Mint, 2021). However, the recession made its capital standing worse than the required prior amendment over a period.

Thirdly, a US-based bankruptcy court granted motions against General Motors that led to the cancellation of its aircraft-related leases. Even if the lease cancellation was centred towards seven of its corporate jets (Reuters, 2009). The mid-range Gulfstream G350 business jets, along with ultra-long GV jets as per court documents. This affected consumer sentiments, as they expected the overall flight numbers to go down with the company suffering badly.

Fourthly, the operational costs could not be ignored by General Electric as they started mounting again over time. This indicated the inability of the company to hold onto its cash. That also identified that the cash prevention expenditure of the enterprise was around $3 billion, restricting cash to about $48 billion. The traditional Kanban system was not facilitating the inventory level settings, allowing the company to look for a better substitute that can give rise to better problem-solving tools (Mint, 2021). A dilemma that the management of General

Electric was experiencing was to reduce the time invested by labourers in their factories which increased the levels of production over some time, and ensuring that additional expenses were not considered for such a measure. This allowed GE to spend more time figuring out their predicament, rather than taking action when required. Another specification that facilitated change management in the firm was integrating a specific strategy, which addressed all the above problems. That might have reduced the pains of looking at the issues separately, rather than jointly looking at creating a single strategy that addresses it together.

5.2 How the change was managed

A framework used by Kurt Lewin, also known as Force Field theory, is a 3-step change management model that aids employees and the management to adapt to change. Three stages within the model can be used in the context of General Electric. Some of these factors can be broadly explained below manner.

Stage 1: Unfreezing

In this stage of Lewin's model perception management is used, for preparing affected stakeholders to stay ready for the upcoming change. Change managers or leaders might look to prepare the corporation for the change, and build up a sense of urgency. Anticipating change in the upcoming years, General Electric started preparing its workers at Crotonville in New York (Prokesch, 2009). It is here that different teams were prepared by giving managers a chance to apprise them regarding the hard barriers, and the soft barriers. The hard barriers included organisational structure-related instability, capability-related shortcomings, and resource-related hindrances to be overcome. Whereas, the soft barriers included leadership or team individuality-based issues (Prokesch, 2009). The program was thus more than an academic exercise but required the teams to prepare themselves for any future hurdles. Therefore, the plan to subdivide the company into three separate small companies did not confuse the workforce.

Stage 2: Change

The transition of General Electric began by relocating the workforce based on their responsibilities, across three independent business divisions. The reason for such a transition was leveraging the multi-billion dollar global brand, giving the multinational organisation a brand value that can create a competitive advantage. This is in particular with the enterprise having adopted a lean production technique, rather than Kanban building a goods distribution world that can better connect with customers. Moreover, leveraging $20 billion of its brand value will allow diverse workers to operate in three divisions towards specific roles. That led to a reduction in debts and costs, which was becoming a problem for the company. Also, by consolidating on a better strategy that stresses a way whereby the firm can accelerate its revenue (Kellner, 2023). That would also create better avenues towards profits. All these factors required consideration from the employees and management through their approval. For instance, the facts presented during board meetings emphasised that the GE healthcare division alone involved clinicians who carried out 2 billion patient exams each year. The energy systems distributed by the company, also powered one-third of the world's electricity grids. Hence, separating the divisions and operating was a feasible plan brought into action by the company.

Stage 3: Refreeze

The workers and management teams tend to move away from trying to fathom the transition, into accepting the transition. Having given impetus towards innovations and the technology sector, the company's reputation borne through its name will provide added assistance in ensuring quality, flexibility, and better speed (Kellner, 2023). Hence, it was possible that soon the company would retrieve back its lost share, powered by engineering that lost its touch during the pandemic. The organisation also tried to be more compassionate towards their customers, rather than providing them with an undemanded item.

5.3 Leadership style that was incorporated

Implementing the great-man theory of leadership also known as trait theory suggests that good leaders are born. They are inculcated with skill sets and traits that make them stand apart from the rest, and these skills or traits cannot be taught to the leaders. Similarly, the CEO of General Electric Larry Culp knew that leadership skills applied in the company are supposed to bring humility, transparency, and focus (Fortune, 2022). These characteristics were embedded within the personalities of the leaders, which wore off on the management and workers. It resulted in better facing of ongoing issues, and problems that originated after covid-19. This brought about the practice of continuous improvement resulting in better organisation of solutions that can impact the issues on hand.

From the great-man theory, it is derived that Larry Culp's innate traits allowed him to exercise his positive leadership qualities during the opportunities presented within his role as CEO of General Electric. His traits such as humility and transparency were allowed to express his style of leadership as embodying these traits, characteristic of the great-man theory where traits are what separates quality leaders from the norm. However, the great-man theory is not infallible in that it is not a guarantee that individuals that possess such innate traits will find themselves in an optimal leadership capacity at some point. Contemporary research into the subject has identified different variables that affect the performance of leaders in an organisational context, such as the behaviour of the follower group, the organisational culture, structure and other internal factors. Conversely, the great-man theory does not purport an idealised representation of leadership, as it simply states that leaders have innate traits that qualify them for being leaders in their capacities. Therefore, Larry Culp is a positive affirmation of the great-man theory, in particular, due to his unique traits such as humility and transparency. These traits are indicative of intrinsic empathy of personality, which lends the individual to express such traits. The quality of empathy is a further derivative of the presence of a higher degree of emotional intelligence, which is present in higher empathy individuals like Larry Culp. The report reiterates the validity of the great-man theory applying to Larry Culp here, as the converse personality traits are typically expressed in leaders in the CEO position. Subjectively negative qualities such as narcissism and psychopathy are generally found in CEOs among the majority.

6.0 Conclusion

The report has discussed the different operational strategies applicable to General Electric. In doing so, it identified the particular strategic advantage that General Electric benefited from due to the approach of leadership undertaken by CEO Larry Culp. The different organisational factors relevant to the firm's growth during the change period were identified and defined, such as through Lewin's change model and the secondary findings such as C-suite executives are empowered to fulfil the well-being of the firm itself. In this way, General Electric positions itself as a long-term successfully growing company.

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