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Introduction.

Controlling and management of large corporations to ensure that high performance is achieved and maintained can be a complex task. This is majorly due to the competitive advantage within the industry that pressures multi-business corporations to return satisfactory results. Therefore, the more the organization grows, the complex they become, and the harder they are to manage. This research focuses on the case analysis of the restructuring of General Electric. General Electric was founded in 1892 by a merger of two companies that was based on the exploitation of Edison patents that are related to the distribution and generation of electricity, electronic motors, and bulbs. General Electric was one of the world's best performing multi-business corporations during the twentieth century due to their effective model of management, and the availability of skilled executives who ensured that General Electric implemented effective management systems. However, during the twenty-first century, the performance of General Electric started collapsing due to several reasons. The management of General Electric decided that restructuring the organization will ensure that the performance of the business is returned to higher levels. Restructuring refers to the process of rearranging the operations, legal, ethical, management, or other aspects of a business institution to ensure that is more organized or to ensure profitability is improved (Silva et al, 2018).

Why was GE considered to be such an exemplary organization?

General Electric was exemplary in the twentieth century due to two major reasons. First, the implementation of effective management systems. A management system refers to the systematic frameworks that are designed by a business institution to manage the policies of an organization, its procedures, and processes. The major aim of a management system is to ensure that an organization can fulfill the tasks needed to achieve both the long-term and short-term objectives. Based on research by (Sahlin et al, 2019), major business organizations have developed capabilities around the analysis of bog data to develop their business daily, thus the implementation of an effective management system ensures that such businesses can accelerate the speed of processes, and service development. The general electronic system of management has changed over the years, with each leader coming up with their management strategy that improved the performance of the organization. Between 1892 and 1922, Coffin Charles turned Edison's Industrial and laboratory into a business system that was capable of turning scientific discoveries into products that would be successfully accepted into the market. That is, he supported the engineers in the development of equipment that advanced the process of power generation. Between 1950 and 1963, Cordiner Ralph, with the help of Peter Drucker started the management development institute of Crotonville to be a nexus of learning, innovation, and ideas, and their programs ensure that effective leaders are trained (Noel et al, 998). Moreover, they implemented the decentralization system for the management of operations of over 120 departmental managers. Decentralization refers to the process of transferring authority and tasks from the central organizational government to the subordinate government to ensure that the confidentiality of departmental managers within general Electric is advanced, and there exists self-reliance among employees. Between 1963 and 1972, Borsch Fred invented a corporate planning system. The corporate planning system is a system that determined the goals and objectives of an organization, formulated the strategies for the success of the predetermined goals, and conversion of the strategies into actual activities. the Planning system of General Electric was based on its business units and was controlled by the techniques of portfolio management. This management grew to be the most utilized in most multi-business organizations. Between 1972 and 1981, Jones reg utilized integrated strategic planning instead of corporate planning since the integrated system offered financial control by ensuring that the detailed system was managed at the corporate headquarters. Moreover, it allowed General electric to attain maximized efficiency, effectiveness in the management of operational risks, and excellent alignment of dynamic data within the business institution. Between 1982-2001, Jack Welch had enhanced the performance of General Electric by removing the extra and unnecessary levels of hierarchy by introducing an effective management system that was based on the pulling of powerful incentives, such as financial rewards and paid leaves. Moreover, he had organized a set of initiatives that would help in the ensuring satisfaction of employees and driving change within the organization. Moreover, he exited the slow-growing manufacturing industry by expanding the financial services of the organization, and by the time he left the industry, General Electric had become “a bank disguised as an industrial conglomerate.” Between 2001 and 2017, Jeff Immelt decided to take General electric back to its manufacturing business by divesting the financial services that have been developed by Jack Welch. Divestiture strategy involves procedures that reduce assets of the business organization for either ethical, political, or financial goals. Moreover, the advanced integration amongst the business activities by utilization of technology, exploitation of synergy in their marketing strategies, and aiming at increasing their visibility globally.

Discuss the nature of GE’s corporate portfolio under Welch and Immelt. Did the nature of GE’s portfolio under Welch and Immelt provide superior results?

The business portfolio of general Electric under Jack Welch and Jeff Immelt was different. For instance, he exited the slow-growing manufacturing industry by expanding the financial services of the organization, and by the time he left the industry, General Electric had become "a bank disguised as an industrial conglomerate." That is, his major aim was not on manufacturing but financial gain. According to (Fernandoz-Araaoz, 2020), Jack Welch had changed General Electric from an industry known for the manufacture of lightbulb to a multi-business corporation that offered financial services. At first, he was disparaged for allowing cut-offs but as the corporation grew over the years, he was applauded for his job. That is, a lot of people had questioned and doubted the strategy, leadership, and legacy that he used since it was considered a bit harsh. However, this relentlessly led to the growth of General electric. The article argues that executive leaders spend most of their time managing employees within the organization instead of making decisions that would ensure the successful growth of the organization. Moreover, Jack Welch was majorly criticized for choosing Jeff Immelt as his successor since, under Immelt's supervision, General Electric lost billions of dollars worth of finances and assets. General electric had always viewed a business portfolio supporting diversity as stability on the cycle of business. According to Immelt, diversity within an organization offers strengths to the business by allowing commodity cycles and disruptive events, thus acting as the source of value of a multinational corporation. Moreover, Immelt argued that restructuring the business portfolio General Electric would ensure exploitation of opportunities that would ensure growth in the long term. That is, He had recognized trends of demography, infrastructure, environment, and emerging markets that would lead to opportunities. That is, the problems of an aging population, infrastructures such as energy, transportation, and water, low rates of GDP, global warming, conservation of technology, and scarcity of resources would be avoided. Despite the changes, superior results were not attained since the outcome of the restructuring was recreation of General Electric as an infrastructure company that diversified on transportation, both air, road, and rail, production of gas, development of medical hardware, and the distribution and generation of power. These tasks failed since the company had started already started drowning in debts after the shares of the business plunged by twenty percent due to the terrorist attack of September eleventh, two days after his takeover (Fernandoz-Araaoz, 2020).

If GE's portfolio mix gave superior results, why was it necessary to restructure the portfolio?

By 2018 when Larry Culp became the CEO and chairman of General Electric, the company was under serious financial challenges and on the brink of collapse, therefore, a need for restructuring. That is, the stock had fallen over 30% during Jeff Immelt's time removing over a hundred billion market value. The revenues of the company had dropped from $150.1 billion in 2010 to $122.1 billion in 2017, and its assets had also dropped from $605.3 billion to $156.7 billion in 2017. The financial services revenue had dropped from $49.9 billion in 2010 to $9.1 billion in 2017. The debt accumulated by General electric had increased from 7.6% in 2010 to 48.9% in 2017 which led to divesture and liquidation. Immelt was blamed for misleading the investors who now held him responsible for the market loss of General Electric. After the retirement of Jeff Immelt, General Electric avoided earning guidance in 2018 and invested over $23 billion to the electrical power division that had been troubled over the years. He suggested the sale of its lighting and locomotive units, which led to the elimination of over 12,000 jobs. This is referred to as liquidation. Liquidation strategies are procedures that bring a business to an end by selling or redistributing the assets of the firm to the important stakeholders. Therefore, the liquidation of its lighting and locomotive units ensured that General Electric can refocus on the manufacturing aspects of the organization. When the situation continued worsening, the company had liquidated further by paying over $15 billion to take care of the liabilities of stakeholders such as the insurance companies that have been sold over the last twelve years. They, therefore, had to restart their earnings and revenues due to the uncertainty of accounting practices within General Electric. Despite Larry Culp's effort to restructure the portfolio of General Electric's business, these measures were still not enough to ensure that General Electric added value to its constituent businesses.

Why is GE's performance no longer superior? What are the reasons for the collapse in GE's financial performance during 2016-2018?

The performance of General Electric was still not superior in 2018 since most of their analyses had gone wrong in many ways. That is, they were focusing on the predecessor of Flannery Jeff Immelt, while problems could be traced back to Jack Welch. Jeff Immelt had suffered guilt for his poor decision-making capabilities, especially regarding time. Therefore, the major causes of the financial collapse of General Electric involved the following. First, presence of ill-judged acquisitions. That is, General Electric was overpaying for the companies that it has acquired over the years. The longer the delay taken in gaining approval for the asset, the more down-time it takes upon the organization’s operations. Therefore, by the time the acquisition is closed, General Electric was worth less than what it would have earned from the acquisition. Second, there was poor management of cash flow. Cashflow management refers to the process by which an organization tracks how much money is going in and out of a business. It helps in the prediction of how much money will be available in the future for procurement, salaries, and supplies (Kroes et al, 2014). During the management of Jeff Immelt, the reputation and financial conservation of General electric were lost. The financial crisis was unexpected, which meant that the company had to ask for a loan of over $139 billion from both the government and Warren Buffett’s Berkshire Hathaway Inc. The debt accumulated by General electric had increased from 7.6% in 2010 to 48.9% in 2017, and industries were not able to deal with the dividend between 2015 and 2017. Third, the over-optimism of the company's management caused them to not guard their assets against risks. Therefore, management failed to pay enough attention to the warnings during Jeff Immelt's management. This was referred to as "symptoms of top management's overconfidence and reckless optimism”. That is, Immelt was always projecting the faith of the activities of General Electric but the activities didn’t match the reality of their operations. Therefore, when the signs of collapsing started showing through a drop in sales, and increased debts, it was too late to deal with them since Immelt did not react fast enough to acknowledging the problems. Lastly, challenges with the accounts of General Electric led to financial collapse. Every business organization needs capital that can be bought and sold at the end of every year. Therefore, the inability of General Electric to manage its quarterly earnings led to the liquidation of assets, reduced sales, reduced revenue, and increased debts.

What should be done to return GE to higher levels of performance? Does GE need to refocus? Which businesses or products would you recommend abandoning or divesting if any? Does GE need to make additional acquisitions to supplement existing GE assets?

To ensure that General Electric rises back to high levels, the management needs to follow the following strategies. First, they can reduce the number of accommodated risks by putting together a business portfolio that would show the advancement of earnings at the end of every economic cycle. This would ensure that there will be independence from loans and debts. Second, effective management of the portfolio would ensure that financial services and routine activities are focused on exiting slow-growing, seeking growth opportunities, and low-margin sectors to ensure that competitive advantage is achieved. Third, they can use the synergies to ensure that links and partnerships with different businesses within the industry are forged through sharing of technology, and resources. Therefore, there is a need for General Electric to refocus its restructuring activities. That is, they should ensure that their business portfolio focuses on merging the transportation division and the oil production. They need to refocus on the Danaher business system instead of the integrated planning system since it will help in the effective selection of acquisitions. The Danaher business system will be effective ensures that every aspect of an organization's performance and culture is driven effectively. It measures how well an organization performs, how activities are executed, and how competitive advantage can be attained. Moreover, it droves organizational plans, processes and activities, and people development (Sisson et al, 2014). Since the company is on the brink of failure with huge amounts of debt, they don't need to attain extra acquisitions. However, they can make use of the available resources and manpower available, and only outsource services when they cannot be performed by the inhouse manpower

Conclusion.

In summary, General Electric started as one of the best companies in the world in the twentieth century. The company was exemplary due to the high performance and different management systems that different CEOs had implemented over the years. Different leaders had different styles of management. For instance, the business portfolio developed by jack welch and Jeff Immelt showed the different consequences. While Welch turned a manufacturing company into a "bank", Immelt focused on diversification of activities and creations of mergers. However, Immelt made poor planning concerning the time frame, which may have led to the collapse of the industrial revenue. Moreover, different challenges in both leadership management and finances led to almost the collapse of the company. Therefore, restructuring of the business portfolio was needed to ensure that the company could be brought back to its higher levels since their performance was no longer superior due to poor analysis of the future, poor management of financial accounting, and poor cash flow management. Therefore, the company can implement other systems of management and divest some of the assets of General Electric to ensure that the processes, routines, and activities are more manageable.

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GENERAL COMMENTS

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