

Leaders Must Drive Change

Introduction

In May of 2010, General Electric's CEO Jeff Immelt spoke before a group of students at the Stanford University's School of Business. This reading will describe five of the main themes that Mr. Immelt discussed with his audience and several of his business predictions for the next five to ten years.

Five Themes for Effective Leadership

Reordering: As global economic power shifts to a more pluralized system, financial leaders will need to reorder their priorities and strategies. In the early 1980s, developed countries were responsible for 80% of the world's economic growth. In the following decade, 80% of economic growth came from emerging markets, a pattern that shows no signs of abating. Furthermore, Europe's economic crisis will likely continue for the next five to ten years with the vast majority of countries on that continent experiencing stagnated economic growth and increasing levels of unemployment.

Productivity and Cost: It is difficult to satiate the demands stemming from the current emerging market boom, but Mr. Immelt believes that global businesses will rise to the challenge, offering an entire generation of lower cost, higher quality technologies, which will be sold in greater quantities to the world's poor. In addition to meeting consumer demand, this will also result in higher profit margins for companies. Mr. Immelt cites the example of GE Healthcare's development of an MRI machine in China. In other parts of the world, these machines have sold for \$1.5M–\$2M. The new MRI equipment will sell for the much lower price of \$500,000, making this technology available to a greater number of facilities, and increasing the accessibility of quality diagnostics to the masses.

Resource Scarcity: With many of the world's natural resources on the verge of depletion, Mr. Immelt suggests that there will be a global shift towards resource rich areas of the world that have gone largely unnoticed in the past, including Angola, Kazakhstan, and Uzbekistan. He also believes that Russia will rapidly reemerge in the not too distant future. As current resource avenues dry up, the business world needs to be prepared for new developments and ongoing discoveries in these key markets.

- Starting in 2007, McKinsey & Company, a global management consulting firm, has been contributing to the industrialization and modernization of Angola in the energy, transportation, financial services, and retail sectors. Their stakes in Angola show a commitment to long-term investment and stabilization efforts.

- In late 2012, geologists exploring a massive meteorite crater in Russia unearthed the largest diamond cache ever discovered. This site will likely have a significant impact on scientific and industrial innovation throughout the developed world. New partnerships and transnational economic cooperation are desperately needed in order to ensure that these resources are properly allocated and utilized.

We Live in a Networked World: Information technology is the future—it's that simple. In his talk, Mr. Immelt addressed the importance of the “tech boom,” and how we as a society might benefit from the abundance of technological resources currently at our disposal. He emphasized the importance of creating business networks and highlighted technology's capacity to support joint ventures and business collaboration.

Recently GE and Intel have joined forces in a 50/50 venture in the home health area, called *Care Innovations*. This project incorporates GE Healthcare's Home Division and Intel's Digital Health Group. Using technology as a conduit for change, their joint venture focuses on improving independent living conditions and managing chronic diseases in order to improve the lives of aging populations throughout the developed world. Neither company could have accomplished this effort on their own, but their collaborative strategy proved highly successful. Recent products include the Intel® Health Reader, a mobile device which helps elderly people and others who are not able to read standard print. The Reader analyzes printed text and then reads it aloud. Another innovative product is the Intel® Health Guide. This unique device connects in-home patients with their physicians so that they can be remotely monitored on a 24/7 basis.

The State of the Economy: Over 30 years ago, there was very little government impact on the business world. That is no longer the case. Governments today are directly involved in business dealings and financial reform policies more so than we have ever seen before. For example, following the market collapse in 2008, it would have been unthinkable for the government to ignore the collapse of the US auto industry and financial institutions. The government's subsequent intervention led to greater regulation and legally mandated business reform, which will likely continue into the foreseeable future. Therefore, instead of business leaders seeking ways in which they might break free of their government yokes, executives should explore opportunities in which the government and the business world can establish mutually beneficial relationships. Leaders must at all times consider the codependent relationship that now exists between the government and the corporate world, their jobs and livelihoods depend on it!

Leadership Has No Shelf Life, but It's Strategies Certainly Do

Similar to dairy products and internet fame, leadership strategy has a very short shelf life. Mr. Immelt states that leaders should always keep an eye towards the future. GE spends nearly \$1B every year on educating its employees to ensure that they are properly trained in their specialized areas. Mr. Immelt is quoted as saying, “deep first, broad second.” By this, he means that companies should encourage their leaders to excel in

their areas of expertise; only when they have mastered their disciplines should they expand their involvement in other domains.

At GE, leaders are regularly assessed and then placed into continuing education programs that work to hone their strengths and to fill in any gaps that may form due to recent breakthroughs and technological advances. To develop its training programs, GE has evaluated the specialized techniques that other organizations employ, the most notable of which include Google and the US military. Additionally, employees are rotated on a regular basis in order to participate in team-based training. Questions evaluated during these sessions include:

- How do you invest for growth?
- How do you make sure you win?
- How do you benchmark with your competitors?

10 Qualities for Leadership & Development

Analytical Listening: A good leader is a good listener. Managers should constantly seek out advice from other leaders within their organizations and from those employees with whom they work directly. By taking a diverse, multilevel approach to a problem, managers should be able to establish a number of options, allowing them to weigh the benefits and costs of each course of action before making their final decisions.

Adaptability and Perseverance: The world is a very volatile place. A good leader must know how to manage that volatility and be able to guide their employees through the difficult times. A leader may be required to change his or her leadership style in order to accommodate changes to the workplace environment and organizational priorities.

Being Open to Managing Relationships and Connections: Information is the key to knowledge, and technology has made it exceptionally easy for leaders to stay informed. Mr. Immelt recommends using that information to be a good partner with other companies and the government. Leaders should look to build lasting relationships with individuals and organizations outside of their organization. Networking greatly increases the odds of forming new partnerships which tend to be mutually beneficial to all of those involved.

The Ability to Simplify Everything: Mr. Immelt recommends simplifying all processes. Structures, metrics, and methods for accountability should all be clearly defined and readily accessible. This simple act will facilitate greater understanding and focus throughout the entire organization.

Being a Systems Thinker: A leader must be a problem solver—having vision is not nearly enough to succeed in this day and age. By being a systems thinker, a leader can incorporate all available data and relevant information into the decision-making process. Mr. Immelt made special note of this issue and believes that not enough education and training is given in this essential area.

Having Courage and Patience: Important new initiatives and projects tend to take a lot of time to come into fruition. A good leader, says Mr. Immelt, has the patience to see a solution through to its end. In large companies, this may be difficult to convey. Investors probably will not like it, and employees may get bored with the process, since project results might take an entire generation to be fully realized. A good leader will have the vision and dedication to recognize this reality and to clearly explain the potential benefits that can be had in the long term.

The Ability to Understand How Things Fail: The conversations around successful projects are always positive. However, many people do not like to talk about the projects that do not succeed. A good leader takes the time to have conversations with their subordinates, in advance, about what possible failures might occur on a given project. Mr. Immelt advises, “be the leader who asks the difficult questions and does not give up until answers are in place.” This approach will help in designing systems that are reliable and consistent. Additionally, if potential failures are known of in advance, then processes can be put into place in order to mitigate their effects or to help avoid them all together.

Knowing How to Manage Those Who Are Different Than You: In any corporation, there are people from a wide variety of backgrounds and skill sets. As a result, employees and managers tend to associate with those who are most similar to them. An effective leader will take the time to get to know and understand hourly workers, those in sales, those in payroll, etc. By doing so, a leader can gain a greater understanding of the job, its tasks, and how to effectively motivate the employees in those positions.

Being Able to Lead From the Front: A good leader should be accountable for his or her actions. They should seek to embody every characteristic that makes their organization stand out against the competition.

The Ability to Like and Care About Others: By treating employees with respect and dignity, a leader will close the gap between his/her subordinates, cultivating a greater sense of community throughout the organization. People are deeply affected by the fact that their leaders actually care about them and their successes. Showing your employees that you care is just one of many ways to improve moral and boost your personal influence.

Conclusion

Mr. Immelt concludes his presentation by sharing his vision for General Electric's future. He believes that his job as a CEO is to drive change and to develop others. A leader is ultimately responsible for advancing the culture and values of an organization. He encourages other leaders to be open to the viewpoints of their employees, to persevere, to be optimistic, and to constantly try new things in order to see things from a different perspective.

References

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