

STRATEGY

Leadership Change at General Electric – Dynamic, Adaptive Leadership in Play

by Marina Arshavskiy



When former CEO Jeff Immelt left GE in 2017, the company faced the challenge of adjusting its focus to better compete in volatile, uncertain, complex, and ambiguous (VUCA) conditions.

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GE's History with VUCA

When former CEO Jeff Immelt was asked how GE came to be what it was in August 2017, when the new CEO John L. Flannery took over, Immelt pointed to the transformational leadership steps he'd implemented over the past 16 years as a primary driver of the

company's culture. Those steps included placing an emphasis on discipline and focus during volatile times, cultivating a belief in transformation, seeing transformation as an existential necessity, maintaining an unwavering commitment to change during uncertainty, demonstrating resilience in the face of a changing landscape, and diversifying the workforce to deal with complex challenges.

What Immelt described was leadership action that's disruptive, sometimes unpredictable, often not easy to implement in a chaotic environment, and usually clouded by vagueness because of ever-changing circumstances. Clearly, even though the "V" acronym (pronounced: voo – ka) was never used, the 6-point leadership traits that Immelt outlined had some semblance of VUCA.

It appears that, historically speaking, operating in VUCA environments was (perhaps not consciously) very much part of the GE culture. Yet, when news of Immelt's departure hit the air-waves, GE stock, which had been down nearly 10% YTD (and over 50% in the past year), spiked by more than 5%. Why the jubilation?

Beyond Sub-Conscious VUCA

While under Immelt's leadership the company continued to evolve, shareholders and investors believed that much more was needed by way of transformational leadership. The company needed to consciously embrace the letter and spirit of VUCA. And since he took over, John Flannery seems to have delivered just that:

1. **The dividend cut**

Stock markets globally have been volatile, and it was in that environment that the incoming CEO had to make a courageous decision about GE's dividend policy. On November 13, 2017, [3] he took a bold step to cut the dividend by 50%. Was it an unpopular move? Yes – as manifest by a nearly 7% share-price decline (the worst since 2009) upon the announcement.

However, righting a complex operation like GE means being realistic about what it can and can't deliver. Dividends are a function of cash flow, and in the volatile earnings environment that Flannery inherited, cash is a prized commodity needed

for his turnaround vision. Forward-thinking leaders know that cash provides much needed “fire power” in case something goes wrong – as it often does in today’s VUCA-driven world.

2. **Being deliberate in acting**

VUCA-driven leadership does not necessarily mean quick or hasty decision-making. That was likely one of the first things that Flannery understood when he was tasked with turning around the gigantic GE ship.

So, when GE’s stock plunged steeply on May 24, 2018 at the time Flannery spoke at the Electrical Products Group conference in Florida, analysts pegged the decline to “all talk and no action so far.” However, the new CEO showed that in times of uncertainty, leaders need to be contemplative in taking bold action. In his own words:

“...being deliberate and then moving when things make sense as opposed to moving just because somebody wants us to, it’s just my style.”

3. **Shedding GE Healthcare**

One of the more “painful” leadership decisions that Flannery would likely have had to make, was letting go of GE Healthcare. Long considered one of the company’s crown jewels, the decision to let go of his old domain – as former head of that division, Flannery was instrumental in turning around GE Healthcare – must have taken a lot of courage.

But when operating in a VUCA-driven world, leaders are expected to put aside personal likes and affections in favor of what’s good for the company. Flannery has the foresight to understand that the once prized healthcare-asset of GE can thrive better outside than within GE. In his words:

“There’s a lot of change in that industry...Artificial intelligence, machine learning ... cell therapy, immunotherapy. There’s just a constant stream of investment ideas we could pursue better in that fashion.”

4. Delegating and decentralizing

Under Immelt's GE, many of the company's functions were centralized at company HQ in Fairfield, CT – and later Boston, MA. That left a huge gulf between the “person on the ground” familiar with operational situations, and the decision-makers several layers removed.

As a result of his turnaround study, Flannery saw this situation as untenable, especially when quick action is needed in fluid and volatile business environments around the globe. So, the new CEO has responded with a true VUCA-like decentralization strategy:

“We are transferring certain things back to the business, eliminating things, certain things...”

By “empowering” (Flannery's words) employees who are closer to decision-points, the company hopes to simplify, bring stability, add clarity, and provide speed to its decision-making capabilities.

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Being Agile

VUCA requires leaders to think on their feet, and to respond with agility and nimbleness to the changing environment around them. By re-focusing his attention on aviation, power, and renewable energy, Flannery is showing that going back to the basics can, in fact, help GE thrive in a complex, uncertain, and volatile business climate.

As Raghu Krishnamoorthy, former Head of Executive Development and Chief Learning Officer at GE, and now Vice President of HR at GE Healthcare, so aptly said:

“In a fast-moving world, we have also realized that annual events are passé. Every operating rhythm has to become more agile, responsive, nimble, and focused.”

Krishnamoorthy may not have been consciously envisioning VUCA back in 2015, when those words were spoken. However, what John Flannery has accomplished in the short time since he took over as CEO, points to his awareness of the need to apply a VUCA-driven leadership style if his company is to survive and thrive over the next decade or so.



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