



GENERAL ELECTRIC: NAVIGATING FINANCIAL STRUGGLES AND STRATEGIC RESTRUCTURING FOR FUTURE GROWTH

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General Electric has been an influential force in the global industrial and technological landscape. The company was formed when Edison General Electric and Thomson-Houston Electric merged in 1892, and it became a publicly traded entity on the New York Stock Exchange (NYSE) shortly thereafter. GE was one of the original companies listed on the Dow Jones Industrial Average in 1896 and held a spot in this index for over 100 years.

Throughout the 20th century, GE made significant contributions to various industries. The company became a key player in the electrical industry, inventing key technologies like the electric light bulb, the electrical generator, and the first jet engine. GE diversified its portfolio over the decades, expanding into areas such as healthcare (medical imaging), finance (GE Capital), and energy (wind turbines and power generation equipment).

Challenges faced by General Electric:

Despite its history of success, GE has faced numerous challenges, particularly in the past two decades.

Overreliance on GE Capital: One of the primary reasons for GE's financial troubles was its heavy reliance on GE Capital, the company's finance arm. GE Capital became a major contributor to GE's revenue, but it also exposed the company to significant risk, particularly in times of economic downturn. The 2008 global financial crisis highlighted these risks, as GE Capital suffered significant losses. As a result, GE had to undertake a major restructuring to reduce its exposure to the financial sector and refocus on its industrial businesses.

Management and Leadership Issues: GE has faced several leadership changes, including the departure of long-time CEO Jack Welch in 2001 and the subsequent leadership of Jeffrey Immelt. Under Immelt's leadership, GE made several large acquisitions, but the company struggled to maintain profitability. After Immelt's departure in 2017, John Flannery took over as CEO but faced considerable challenges in turning the company around. Flannery was replaced by Larry Culp in 2018, who has since led a comprehensive restructuring of the company.



High Debt Levels and Financial Strain:

GE's aggressive expansion and acquisition strategies led to the accumulation of significant debt. The company's debt levels became unsustainable, and the financial strain led to a downgrade in GE's credit rating. As a result, GE has struggled with liquidity issues and had to divest some of its businesses to reduce its debt burden. The company's finances were further strained by rising costs in its power division and the underperformance of its transportation and healthcare businesses.

Declining Market Share and Competition:

GE faced increased competition from both traditional competitors and new startups. The rise of Chinese companies like Haier and Siemens challenged GE's dominance in several sectors, especially in energy and industrial products. In the aviation sector, new players like Rolls-Royce and Pratt & Whitney created further pressure on GE's market share.

Restructuring and Strategy for Revival:

In light of the challenges it faced, GE has undertaken a major restructuring strategy aimed at simplifying its operations and focusing on its core industrial businesses. Under CEO Larry Culp's leadership, GE has made significant changes, GE has sold off several non-core businesses to reduce debt

and refocus on its industrial operations. The company has sold its stake in GE Capital and divested its healthcare division to merge it with another company. These strategic moves were made to streamline GE's operations and provide financial flexibility. GE has implemented cost-cutting measures to improve profitability. The company has reduced its workforce and streamlined its operations to become more efficient. These steps have been crucial in improving the company's financial performance. GE is concentrating its efforts on its three main industrial sectors: aviation, power, and renewable energy. The company is investing heavily in these areas, particularly in the development of more sustainable energy solutions and advanced technologies in aviation.

The company's restructuring, which involved cost-cutting measures and streamlining operations, led to job cuts and layoffs, particularly in divisions that were either sold off or downsized. However, it also created new opportunities for employees to work in more focused and innovative areas, especially within aviation, healthcare, and renewable energy sectors. The shift toward these strategic growth areas provided a chance for employees to engage in cutting-edge technologies. Nonetheless, the uncertainty and anxiety surrounding job



security during the restructuring process created concern among the workforce. GE's poor financial performance in the years leading up to its restructuring led to a significant drop in stock prices, which negatively impacted shareholders and investors. Shareholders faced financial losses due to the company's diminished market value. However, with GE's efforts to refocus on its core businesses and execute a clear restructuring plan, investor confidence began to return. As the company demonstrated improved financial performance, particularly in aviation and renewable energy, the stock price showed signs of recovery, leading to more optimistic shareholder sentiment. GE's suppliers and partners were affected by the company's divestitures, including the sale of non-core businesses. While this restructuring meant that some suppliers experienced reduced demand, it also allowed GE to refocus on its strategic partnerships, particularly in its aviation, energy, and healthcare sectors. By consolidating its operations and streamlining supply chains, GE was able to strengthen its relationships with key suppliers and partners, fostering more efficient and innovative collaborations in its core areas of focus. The restructuring impacted GE's customers, particularly those in the aviation, energy, and healthcare sectors. The reorganization of GE's operations sometimes led to disruptions in

services or products, as the company refocused on specific business areas. However, the company's renewed focus on innovation, sustainability, and technological advancements enabled GE to develop and offer new products and solutions that benefited its customers. Notably, in the renewable energy sector, GE introduced more energy-efficient turbines and solar technologies, which helped customers meet their sustainability goals and transition to cleaner energy sources.

Questions:

1. **What were the main factors that contributed to General Electric's financial troubles in the last two decades?**
2. **How did GE's strategy of focusing on technological innovation help it gain a competitive edge in the aviation and healthcare sectors?**
3. **What role did GE Capital play in the company's downfall, and how did GE address this issue?**
4. **How did the restructuring process under CEO Larry Culp affect GE's performance and its stakeholders?**