

Service & People Final Presentation Report

-Motivation and downsizing



Date

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Outline:

Contents

GE introduction

1. GE businesses

1.1 Infrastructure

1.2 Finance

1.3 The other Businesses

What is the objective of the project?

2. Jack Welch

3. Management Skill

4. Before downsizing for GM company

5. After downsizing for GM company

6. Conclusion

Page numbers?

GE introduction

At 1890, Thomas Edison had brought together several of his business interests under one corporation to form Edison General Electric. And now GE is a global infrastructure, finance and media aligned to meet today's needs, including the demand for global infrastructure; growing and changing demographics that need access to healthcare, finance, and information and entertainment; and environmental technologies. GE has continually shaped our world with groundbreaking innovations for over 130 years. Jeffrey R. Immelt is GE's Chairman and CEO since 2001.

1. GE businesses

1.1 Infrastructure

GE infrastructure businesses are helping build the energy, health, transportation, and technology infrastructure of the new century. These businesses provide the products and services that help developing regions participate in the global economy while also helping developed regions upgrade with cleaner, more efficient and better infrastructure technologies.

1.2 Finance

GE financial business offers an array of products and services aimed at enabling commercial businesses, consumers, and markets worldwide to build a stronger, better future. With a smaller, more focused structure, GE Capital is concentrating on the strategic partnerships and joint ventures that help GE as a whole capitalize on market-specific opportunities.

1.3 The other Businesses

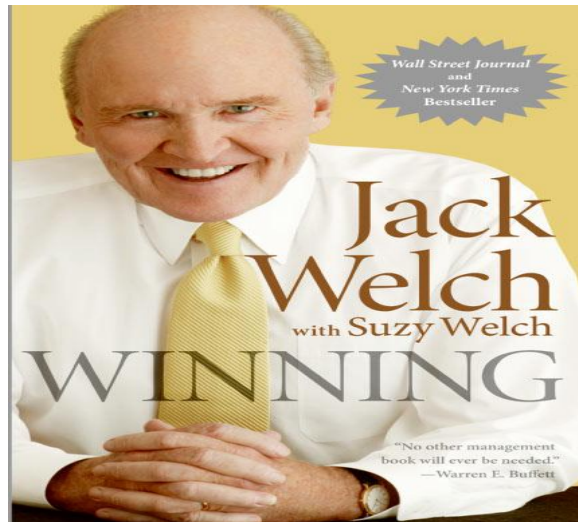
1. Appliances-GE is one of the largest manufacturers of major appliances in the world.
2. Aviation-GE is the world's leading provider of aviation services and the leading producer of jet engines
3. Healthcare- GE provides medical technologies and services that are shaping a new age of patient care
4. Oil & Gas-GE provides global technology-based products, services and complete solutions to the oil and gas industry.
5. Rail-GE is the leading supplier to the world's railroads, railroad management technologies that are economically advantageous and ecologically sound.

2. Jack Welch

He was born on 1935, He was Chairman and CEO of General Electric between 1981 and 2001.

Jack Welch was good in management, he pushed the managers of the businesses he kept to become more productive. He shut down factories, reduced payrolls and cut lackluster old-line units. Welch's public philosophy was that a company should be

either number 1 or number 2 in a particular industry, or else leave it completely. Welch's strategy was later adopted by other CEOs across corporate America.



3. Management Skill

Each year, Welch would fire the bottom 10% of his managers, but he would reward those in the top 20% with bonuses and stock options. He also expanded the broadness of the stock options program at GE from just top executives to nearly one third of all employees. Welch adopted Six Sigma quality program in late 1995. It is a good way to reduce the bad products to ten millionths of 34. He is very care of quality of products. In 1980, the year before Welch became CEO, GE recorded revenues of roughly \$26.8 billion.

In 2000, the year before he left, the revenues increased to nearly \$130 billion. When Jack Welch left GE, the company had gone from a market value of \$14 billion to one of more than \$410 billion at the end of 2004, making it the most valuable and largest company in the world.

4. Before downsizing for GM company

As internet and technology is more development, the change of environment is getting more rapid. GM's organization structure does not deal with complex and unstable environment because GM's organization structure is functional structure. It is a vertical organization designed and the employees in GM is 410,000 people so to communicate the important

information from bottom to upper levels have to spend a lot of time. When the employees of bottom transmit message to the managers who must make decision, the environment may be change. For example the Competitors change their price of the product or the consumers change their preference for the product. The decision that managers make is not apply to the current environment because the current is change.

Because the employee of GM was more than 410,000 people, the company spent a lot of cost such as reward, salary and bonus but performance of the company did not increase. GM company was not efficiency and it wasted a lot of funds so the GM company had to be transformed in order to enhance company's performance.

CEO of the GE, Jack Welch understood these reason(don't be quick response in environment and spend a lot of Personnel costs) so he decided to the change of the organization.

5. After downsizing for GM company

CEO of the GE, Jack Welch conducted organization reform in 1981. He conducted downsizing and delayering in GM company. Welch cut the 180 thousand, and 230 thousand remained. He got a 44%'s downsizing. Therefore they called jack Welch - Neutron Jack, he made many people disappeared (lost his or her job) but the company remained there. Just like the nuclear weapon, houses there, man's gone. It means the company is more important than the employee.

Why did CEO of the GE, Jack Welch have to dismiss a lot of people?

To react quickly in environment, the organization became flat structure and horizontal organization. The layers were decreasing is flat structure. The employees communicated from bottom to upper level very quickly. The department and department coordinated each other easily. Facing uncertainty and unstable environment, it was very important that organization structure transformed flat structure and horizontal organization. By the other hand, they could reduce a lot of costs. This is a great help for GM company. Because GM company cut personnel cost, they had a lot of money to invest a lot of equipment and management.

Finally, the GM of organization is just like a big turtle before downsizing because it is not response very quickly. It might right that CEO of the GE, Jack Welch made downsizing for the GM company.

6. Conclusion

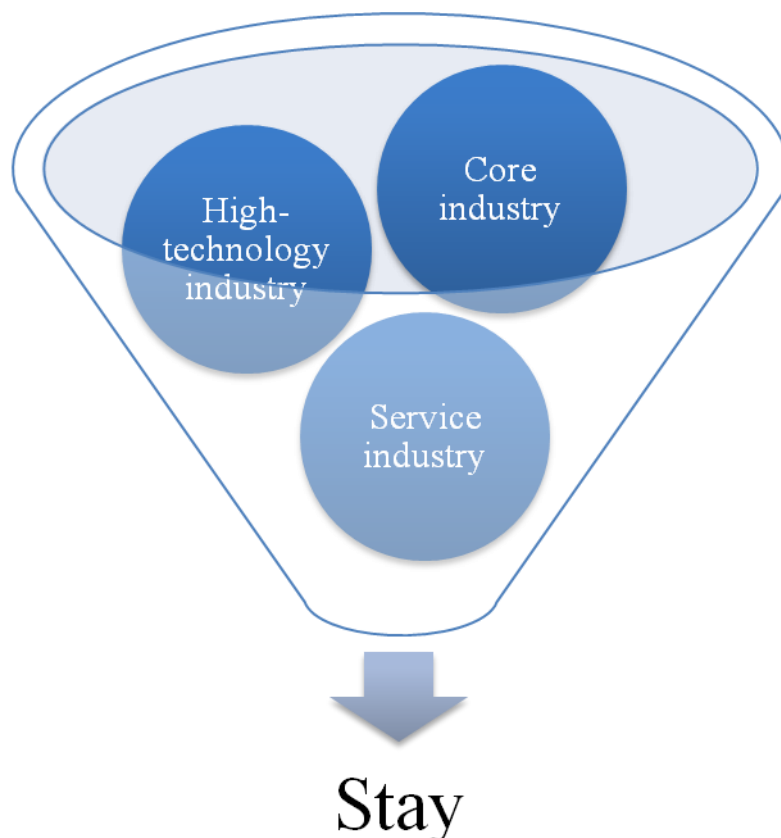
Jack Welch said, "What we are looking for are leaders who can energize, excite, and control rather

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than enervate, depress, and control." He doesn't want to be a manager; actually he dims himself as a leader. As a leader, all he has to do is to build up a goal and mission with full of passion. Then making sure his employees had followed up, like a dream maker. But to be a manager, he has to build up rules, and follow the rules strictly. They are totally different.

Welch became a top manager in GE in 1982. Moreover, he was also the youngest top manager in GE. He was 45 then, no one knows after 20 years, he changed the whole GE. Because of him, GE's earning from 25billion dollars became to 130billion dollars, and GE's net profit also changed from 1.5billion dollars to 12.7billion dollars. We said HE CHANGED THE WHOLE GE. And he really did. Why? Because when he took over the GE, the company was during the flat situation, which mean the condition of GE was not so bad, but not so good, maybe earned a little bit.

Most managers may be keep this condition and satisfied with the situation then. But Welch didn't, he knew the whole environment is changing; he decided to have a revolution. He drew three circles, and wrote something on it.

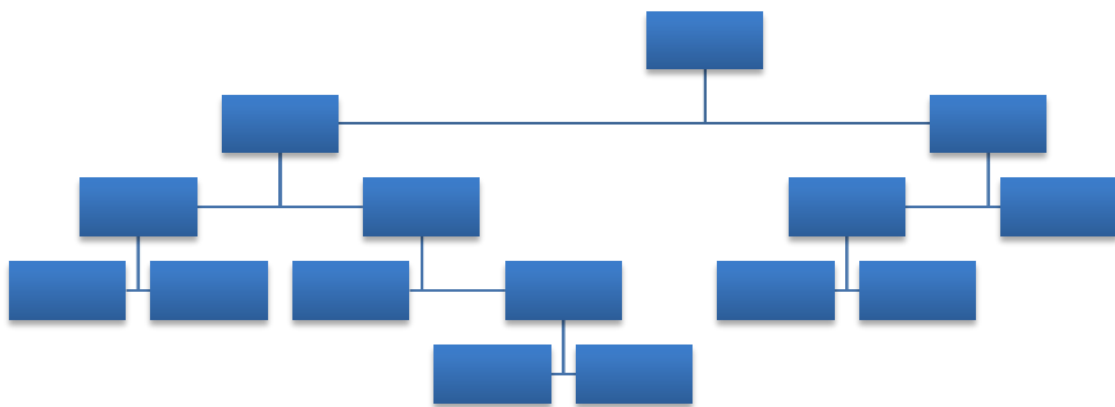


You need to label this. Then include in the text e.g., Figure X..

References?

They are core industry, high-technology industry, and service industry. Core industry included 6 departments, high-technology industry got 5 departments; service industry had 4 departments. After the CEO of the GE, Jack Welch drew these three circles, the most important innovation started. There were 350 departments in GE before, but Welch decided to downsizing. So, 15 remained. Welch cut the 335 departments, which was really a huge revolution.

Why Welch had to do these? For facing the change of the environment, especially it changed so rapidly, GE had to change its organization frame to answer it. Like the plot below, that's the organization frame before downsizing,

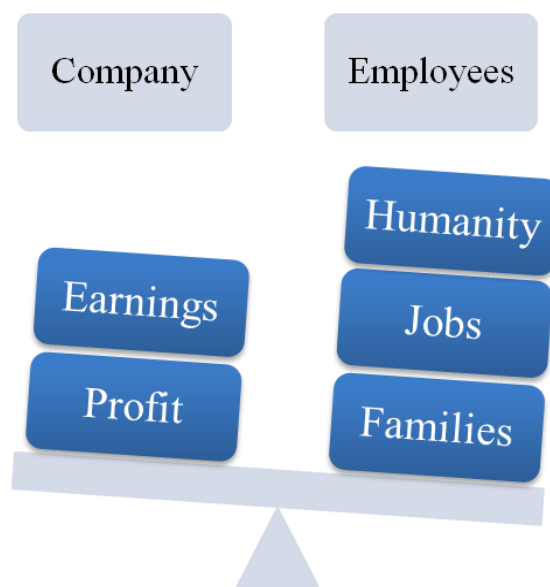


And after the downsizing, the organization frame become entrepreneurial structure, it consists mainly of a top manager and workers in technical core, The organization is managed and coordinated by direct supervision from the top rather than by middle managers or support departments. Top management is the key part of the structure. Few support staff are needed. The primary goal of the organization is to survive and become established in its industry. There is little formalization or specialization. This form is suited to a dynamic environment because the simplicity and flexibility enable it to maneuver quickly and compete successfully with larger, less adaptable organizations. Just like the plot below,



Before the downsizing, GE had 410 thousand employees before, Welch cut the 180 thousand, and 230 thousand remained. He got a 44%'s downsizing. Although it's good for the company, it also influenced many people, many families. Many people lose his or her job. They don't have money alive. In humanity's view, it's not really a good way to do, for seeking more high profit, but sacrificed half of their employees, is that valued?

In our opinion, not only pursue the earnings, but also keeping the balance between with the humanity is also important. Being an enterprise, they also have their social responsibility, how to make it works and balance, is really a big trail to ever enterprise!



How does this relate to theory e.g., that we have covered in class?

FEEDBACK ON YOUR PRESENTATION

QUICK PRESENTATION FEEDBACK			
GROUP:	TRANSFORMERS		
A	B	C	D
Are ideas presented connected with the aim of the presentation?	Are the ideas presented clear supported with evidence and logical argument?	Is it easy to follow & to understand? (Are the slides clear and easy to follow e.g. use of new pictures, words, graphs)	Overall impression (is it a group presentation etc.?)
40%	30%	20%	10%
<p>Comments</p> <ul style="list-style-type: none"> - I've already suggested to animate in the feedback from the mid-term. - Don't forget slide numbers <p>Report</p> <ul style="list-style-type: none"> - Through the semester I have <i>repeated</i>, "Please check. Read carefully. What are the facts that are written down?" There is a brief online for the project. What does it ask you to do? What is the brief for the final project? You need to read this carefully to understand what this project is about. - You have selected an interesting case – good. So you have a case of 'downsizing'. - The brief asks you to think about (1) the effect on employees of downsizing (2) how managers can try to make this process effective. This part is not something you have thought about here. - This is a final exam – where are all the group members to start the presentation? <p>69%</p>			
Grade: 0%			