

IDEA MAN

For managers to impress **Jeff Immelt**, GE's forward-thinking CEO, they can't play it safe. They must have courage, take risks, and conceive the great ideas that will shape the company's future.

by **Tricia Bisoux**

GE's corporate slogan "Imagination at Work" isn't just an advertising strategy. It's the way the company, headquartered in Fairfield, Connecticut, and its outspoken CEO, Jeffrey Immelt, do business. And yet, even as GE works to build a culture of innovation, imagination, and eco-friendly business practices, many analysts wonder whether a company with a successful 120-year track record should so drastically depart from the strategies that have fed its current success—in particular, its pursuit of bottom-line productivity and slow, steady growth.

Immelt, for one, believes that great new ideas are essential for the company's continued success. "Our aspiration has never really been to be a big company. What we've really been about is being a great company," Immelt told students at Fairfield University's Charles F. Dolan School of Business lecture series in December 2005. "We don't allow ourselves to become too big to innovate." In fact, in its March 28, 2005, article, "The Immelt Revolution," *BusinessWeek* called Immelt's new approach a "grand experiment." GE's performance under Immelt's new directives will be a test of whether innovation, creativity, and risk-taking in the market really pay off, in real-world dollars, for a company in today's business environment.

Immelt came to GE in 1982 after earning a degree in applied mathematics from Dartmouth College and an MBA from Harvard Business School. He quickly rose through GE's ranks, working in the company's appliance and plastics divisions before becoming president of its medical systems division. He became chair-elect in 1999, following in the footsteps of one of America's most prominent CEOs, Jack Welch. He took over as GE's CEO on September 9, 2001, two days before the terrorist attacks in the U.S., which killed two employees and sent GE's stock price plunging. Rarely has a new CEO faced such daunting challenges so early in his tenure, with so little time to adapt. However, Immelt has run the obstacle course with relative grace. In fact, in a 2005 survey conducted by New York-based public relations firm Burson-Marsteller, Immelt was ranked among the top ten most admired CEOs in the world.

If courage, risk-taking, and innovation are important to business, says Immelt, they are doubly important for business schools. Now more than ever, companies don't want business schools merely to follow the trends. They want business schools to produce the business leaders and develop the best practices that will help them succeed in a slow-growth, high-tech, increasingly unpredictable world.



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Last November, you told a group of business students at Miami University at Ohio that they need to be prepared for a world governed by slower growth, more volatility, and more regulations. How should business school faculty and students prepare for such an economic climate?

I frequently worry about business schools being backward-looking, not forward-looking. They need to prepare students who are forward-looking, technologically savvy, innovative, externally focused, and adaptable. The best business courses will present students with a more global, fast-paced, volatile, and transparent business climate, where a company's customers, suppliers, and regulators have to know more about how its business works.

Are business schools doing enough to instill in their graduates the ability to truly innovate, to the extent that a company like GE requires? If not, how do you think they could improve?

I really don't quite know how to answer that! But if I were to point to one thing, it's that students need to have courage. Business schools need to make sure that they're developing courageous people, people who are willing to step out, take risks, and pursue new ideas. The heroes they study should be people like Steve Jobs, Bill Gates, people who haven't played it safe—not just Wall Streeters.

During your address to stockholders last December, you also emphasized that a pursuit of new technologies and innovation would be vital to GE's future. How are you developing that kind of "forward-looking" workforce and mindset within GE?

If you really want to lead innovation, you need to make sure that the necessary human and financial resources are available and focused on areas that have meaning to customers. At GE, we're working on projects called "imagination breakthroughs," whose main objectives are to be germane to our customers and to develop revenue for the company. As the CEO, I must make sure these projects are funded, filled with good people, and driven by all of the company's best practices.

In fact, you've charged GE leaders to have at least three "imagination breakthroughs" per year—ideas that can ultimately lead to at least \$100 million in growth for the company. How well have your managers met that goal so far?

We have set many internal goals, and our people have been working very hard to meet those goals, primarily through

team efforts. For instance, one group is working to lower GE's greenhouse gas emissions. Others are working on coal gasification—we've invested \$900 million in making coal produce energy in such a way that it has an environmental impact similar to natural gas. Coal gasification is more favorable to the environment than the use of other fossil fuels, and it can be done at a competitive cost. Those are examples of ideas and investments that we think have big potential.

The Six Sigma management development program has long been a mainstay of GE's leadership development. However, with GE's focus on innovation and quick adaptation to a new marketplace, is Six Sigma still as relevant and applicable as it once was?

We do as much lean manufacturing today—something we've learned from Toyota—as Six Sigma. But we continue to take Six Sigma to our customers and try to externalize it as an initiative. A tool like Six Sigma is very important to big companies because it gives them a common language to drive change. A common language gives us a way to put everybody on the same page and give people the same vocabulary. I wouldn't advocate Six Sigma just for the purpose of Six Sigma; but when I visit clients, I always want to see if they have some language of change, some process that drives their behavior. Six Sigma continues to do that for us, so we will continue to evolve it.

You've been extremely vocal about the importance of developing alternative energy sources, now a central focus for GE. In fact, I read in *The Economist* that GE managers will now be judged not just by how well they meet their financial objectives, but also by their efforts to change the planet for the better. Why did you find this to be important for GE's strategy?

Our focus is not just on alternative energies, but on fuel avoidance; energy efficiency; coal gasification; clean gas technologies; and solar, water, wind, and nuclear technologies. There is a confluence of events among \$60-a-barrel oil, the need for more fuel security, and the shortage of water, which makes energy a place where GE should be positioned. We can use our technology to make money for our investors and solve big problems at the same time. This is important to our strategy because we view it as a growth strategy.

Along these lines, GE recently announced its "Ecoimagination" initiative, in which you've pledged to double GE's research spending on clean energy to \$1.5 billion in 2010, from \$700 million in 2004. How do you



plan to convince skeptics that such an active pursuit of clean energy technologies and green practices will keep GE's profits and growth on the rise?

We've doubled our research, but we also work with our customers to drive growth. That growth justifies that investment in R&D. If we didn't think we could get the revenue growth, we wouldn't do it. In many ways, it's pro-investor. It positions us in a way that we think is going to help our customers.

You are currently pushing through many other initiatives and taking GE in new directions. How would you advise business students to lead people in a new direction and get them excited about a new idea, especially in a company as large as GE?

First, students should know that they shouldn't have too many new initiatives—they need to stay focused on just a few. Second, they need to do their homework; they need to do the research to know what's going to work in the marketplace. Third, they need to make sure they have the financial wherewithal and ability to drive change. Fourth, they must build on small successes. For instance, when we launch something like Ecoimagination, our customers see the resources going into it and see the results. Success begets success.

Finally, they need to communicate their new direction frequently. We always give people updates on where we stand as we make changes. Success in achieving any big change depends on knowledge, focus, resources, and communication. When people hear of our initial successes it ultimately drives the change further.

GE is also moving in new directions when it comes to globalization. You've noted that the Middle East and Africa would be very important to the company, particularly areas like the United Arab Emirates, Qatar, Nigeria, Kenya, Saudi Arabia, Morocco, Kuwait, and even Iraq. How do these areas compare in importance to regions like China and India, which seem to be garnering the most attention right now?

We are very focused on the developing world. As a company that provides infrastructure technologies in areas such as energy, engines, and healthcare, GE must be positioned to sell those products to markets that are investing in those areas at a very rapid pace.

When you look at regions like China and India, they are really being driven by demographics. They've got a growing middle class and governments making big investments in

infrastructure to support that middle class—that's not likely to change any time soon. When you think about the Middle East and Africa, you have a tremendous transference of wealth into these regions from other parts of the world, and that's also not likely to change any time soon.

The market drivers of both regions are different, but the outcomes will be the same. In other words, as the Middle East gets wealthier, they'll invest in airplanes, in desalination, in all the things we sell. As China and India build the infrastructure to drive their middle class, they'll invest in energy, healthcare, and industrial solutions—also things we sell. In fact, our revenue from outside the U.S. is growing faster than our U.S. revenue.

With so many different countries crucial to GE's future growth, how important is it that your new hires have study and work experience outside of their home countries?

Very important. Of the top 600 managers in the company, about a third have a non-U.S. passport. The other two-thirds are American, but at least half of them have lived outside the U.S. More than 70 percent of people in the company's top positions have lived in countries that aren't their own and are very adept at running global businesses. In addition, I'd say that most of the high-potential people who come to the company will end up living outside the U.S. during their first ten years with the company. For us, globalization is not a trend, it's a fact. It's just the way we run the company.

As globalization exerts so strong a force on the market, it seems that businesses are looking more at how they can improve the economies in the developing world. AACSB International and many business schools, in fact, have recently launched a "Peace Through Commerce" initiative to promote business as a force to change society for the better. How do you think GE and business schools can work together to encourage this idea?

What GE does, and what business schools can do, is to find and promote practices where "green means green." That is, we're not pursuing environmental initiatives for the sake of environmental initiatives. We're pursuing them because we can solve problems and make money at the same time. That is what's so powerful.

In addition, we're looking at ways that we can improve people's lives and make money simultaneously. I'm a big advocate of using technology, innovation, and commerce as ways to grow profitability and improve standards of

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living at the same time. In our “Healthcare Re-imagined” initiative, for example, we can make money by helping to lower the cost of healthcare and improving the product. That’s an idea that business and business schools can promote.

It has been more than four years since you became CEO at GE, following in the footsteps of Jack Welch, one of the most prominent CEOs on record. Today, you’re ranked among the most admired CEOs in the world. What has enabled you to inspire such recognition and separate your leadership from that of your predecessor?

I never think about how I have to do things differently; I’ve never made that a priority. What I would say is that the world’s a lot different today and we lead the company in a different way than when Jack was CEO. When you run GE, the company itself is what people look at more than anything else. It’s not so much about who the CEO is; it’s more about what the company does.

How would you advise business students to develop their own approach to leadership? Do they need to follow their own paths? Or is it acceptable if they emulate someone like Jeffrey Immelt in their own leadership development?

I think that’s a great question. When I’m at business schools or talking with our own employees, I always say that good leaders tend to be good students of leadership. I have always encouraged that approach. The real challenge is to put what you learn into your own context. Leadership is ultimately a journey into yourself. It’s how fast you want to change. It’s about self-renewal, self-inspection, and self-improvement. The best people will pick up ideas and approaches from other leaders, but at the same time, they will incorporate what they learn into their own personalities and styles.

If you were to become the dean of a business school after your tenure at GE ends, what would be your top priorities for your faculty, students, and curricula in the coming decade?

My primary fear about business schools is that they tend to be lagging indicators, not leading indicators. They tend to do things after they happen. Take corporate governance. I don’t know how many schools today teach courses on corporate governance, but the time to teach that course was in the late 1990s. I’m not saying that it’s no longer important, but now the cow’s already out of the barn. So, first, I would

want to intensify the study of what faculty thought the next ten or 15 years would bring. I think business schools can do a better job of thinking about what’s next.

The second thing I’d really want to do is to re-engage people around innovation and risk-taking. I want students to remember that the reason they’re getting their MBAs is to have some personal flexibility. They need to use that flexibility to take some personal risk. I frequently run into MBAs who are risk-averse, and I never quite understand it.


The third thing I’d do is to emphasize team-building. Good business is about good ideas, and good ideas come about when good people work together.

You say that MBAs are too risk-averse. What have you seen to give that impression?

Too many MBAs only think about playing it safe. You know, everybody graduates from business school and wants to go to work at a company like McKinsey. Why? Because it’s the safest choice. When I went to work at GE in 1982, I was the only person who graduated from Harvard that year who went to work at GE. To be able to truly develop in your career and take risks, you need to go to work where no one else in your graduating class does. If 18 people in your class are going to work for a company, that’s a sure sign you need to work somewhere else!

Last year, Jack Welch wrote the book *Winning*, his treatise on what makes a great leader. If you were to write your own book of business advice aimed at business faculty and students, what would be its title and central message?

I can’t envision myself ever writing a book. But if I did, I think its working title would be *Leading Innovation*. Its central message would be that we need more good ideas. The U.S. has a \$700 billion trade deficit right now, mainly because there are too few good ideas that we’re driving as a country. When you look at China, you see a complete focus on new ideas and a commitment to make them happen. When you look at India, you see a tremendous focus on education that gets played out inside the middle class. That kind of focus drives good ideas. When those ideas go on around the world, it’s like a renewable energy.

I would want my book to stimulate the notion that success is all about great ideas and finding ways to bring those ideas more to the fore. That’s what made the United States the industrial powerhouse that it is today. That’s what needs to be rejuvenated inside the minds of people coming out of business schools. 



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