Corporate Analysis: General Electric

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BUSSPP 1080, Professor Prescott, TuTh 12:30pm
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ABOUT GE

General Electric Co. (GE) was incorporated in New York on April 15, 1892 and is a major competitor in a wide variety of industries worldwide. GE currently operates under four different business segments: Energy Infrastructure, Technology Infrastructure, GE Capital, and Home and Business Solutions. As a technology and financial services company, GE serves customers in more than 100 countries and its product and service offerings include aircraft engine production and maintenance, water processing, power generation, business, consumer financing, and more. GE employs about 301,000 full-time employees, has approximately 561,000 shareholders, and generated 147.3 billion in total revenues.¹

GE’S STRENGTHS – PROFIT STORY

In order to craft GE’s profit story, we have used a variety of analytical tools, such as a Corporate Strategy Analysis, (e.g. answering the fundamental questions and responsibilities of GE), a Value Chain Analysis, and an identification and analysis of the company’s core strengths and capabilities. Our analyses may all be found in the appendices. Through our analyses, we have found that GE generates its profit primarily through four key strengths: the offering of innovative products and services; the utilization of extensive research and development; the implementation of an aggressive acquisition and expansion strategy; and the maintenance of the quality of their products and services by holding them to a Six Sigma Quality standard.

For more than a century, General Electric has continued to remain profitable through value created by innovative solutions. In many of these cases, GE has created a “leap in value” above and beyond the capabilities of competitors. This has allowed GE to enter new and uncontested markets. A number of imaginative new products and techniques have been developed through various “-magination” programs; such as,
ecomagination and healthymagination. While both focus on improving transparency in their respective fields, they each have significant cost savings and revenue generating potential. In 2005, GE developed a campaign to encompass this shift and “Imagination at Work” became the new slogan. The slogan became a rallying cry for all businesses, helping to stimulate more creative and outside-the-box approaches to solving problems. All of these “-magination” innovations have been uniquely branded using a blue ocean strategy — instead of focusing on beating the competition, GE focused on creating a new market for special products for specific purposes and situations.

In order to continue this trend of innovation, GE makes significant investments each year – over 6% of their industrial revenue\(^2\) – in Research & Development (R&D). In 2011, the GE-funded and customer-funded R&D totaled $5.4 billion, which is $1.1 billion more than in 2010. GE’s R&D has allowed them to create new and unique solutions for customers across their entire business portfolio; successful products and process solutions were introduced across healthcare, energy, aviation, nanotechnology and bioscience. As a major global player in each of these areas, GE has to continue to invest in overseas R&D facilities to facilitate growth in major future players. In green technology alone, GE invests a sum close to $1.4 billion annually. GE has also created an entire business subdivision, GE Global Research, to provide each business segment with reliable and specific research. GE Global Research is one of the world’s largest industrial research subsidiaries, assisting individual businesses with research needs. Through this subdivision, GE businesses have developed a number of breakthrough technologies and processes currently utilized in markets worldwide. However, as these technology sectors change rapidly, it is essential for GE to remain committed to continuing to build on its successful R&D projects—an unwavering commitment necessary to revolutionize markets and remain ahead of the competition.
To further their competitive advantage, GE implements an “aggressive acquisition and expansion strategy” across all of its business segments. GE uses its substantial size and power to buy out its competition, and in doing so, to vertically integrate, as well as to diversify both in products and geography. Through this strategy, GE has improved market access, improved integrity, and improved functionality throughout their portfolio. Additionally, their partnerships and acquisitions have been able to eliminate threats in the various industries in which they participate, as well as to expand and improve upon their internal resources and capabilities. Ultimately, this aggressive acquisition and expansion strategy has given GE an increasingly sustainable competitive edge in the industries in which it competes through the acquisition of resources and capabilities that this strategy provides.

In addition, GE maintains the quality of their products and services through the great weight that they place on Six Sigma. As GE states, “today’s competitive environment leaves no room for error.” Six Sigma Quality is an essential component of GE’s culture; it is a standard to which the company adheres to vehemently, ensuring that their products and services are as close to perfect as possible. Statistically speaking, “sigma” is a “term that measures how far a given process deviates from perfection,” and it is utilized in operations management to “systematically figure out how to eliminate [defects]” in products and services. Ultimately, GE’s processes “must produce no more than 3.4 defects per million opportunities – an ‘opportunity defined as a chance for non-conformance, or not meeting the required specifications.”

These strengths have combined to increase GE’s profitability, which is evident in the company’s increasing net income, increasing amount of dividends paid to stockholders, and increasing earnings per share. While the company’s revenues decreased by 3.1% in
2010 and by 1.5% in 2011, profits increased in both of these periods by 5.6% and by 21.5%, respectively. Through cutting costs by 6.3% in 2010 and by 21.5% in 2011, GE was able to generate higher profits and profit margins despite decreasing revenues. In addition to their increasing profit margins, GE has also been increasing the amount of dividends that they pay to out to stockholders, indicating their growing profitability. GE paid out $5.2 billion in dividends in 2010 and $7.5 billion in 2011, the $2.3 billion increase in dividends paid indicating the company’s growing profitability. Further indicating their growing profitability, GE's earnings per share (EPS) have increased over the past three years from $1.01 per share in 2009 to $1.06 per share in 2010, and finally to $1.24 per share in 2011.

**KEY ISSUES AFFECTING GE**

Despite its many strengths, several key issues negatively impact GE. First, GE faces a social and legal issue in product recalls. In addition to lawsuits, product recalls affect long-term performance by reducing customer confidence in the company, which negatively impacts brand equity and hinders operations (refer to Appendix D). Additionally, GE faces aggressive competitors across all industries in which it participates, all of whom threaten and potentially reduce GE’s profitability. Furthermore, the diversification of GE’s business portfolio also puts the firm at risk; as it further diversifies, the company limits the amount of focus that can be placed on each business segment. Finally, GE has been negatively impacted by the global recession; revenues decreased by 14.1% from 2008 to 2009, and continued to decrease through 2011. In December 2011, GE announced that it will “restructure some of its industrial operations to prepare” for the deepening European recession. The European economic crisis is expected to affect all of GE’s business segments as markets contract due to recession – for example, the healthcare market is projected to retract by 10%5.
As GE moves forward, we believe that sharpening the focus that they place on each of their business segments is essential to the business as a whole. We believe that GE should continue to expand through strategic alliances and acquisitions; however, it is important that these alliances and acquisitions are enhancing focus on existing business segments, rather than spreading GE’s resources and efforts too thinly across an excessively diverse portfolio. In recent years, GE has made moves to consolidate and streamline their business segments, as evidenced by the restructuring of their business segments from ten segments to four. We believe that GE should continue this trend of re-focusing their efforts by eliminating less profitable business segments, products, and services in order to maintain – and potentially to increase – their substantial profit margins. In addition, we believe that the continued use of the blue ocean strategy through GE’s “-magination” programs is a great way to expand its customer base and market share, adding to the company’s profitability. Thus, we recommend that GE continues the “Imagination at Work” campaign and increases marketing of its innovation to make consumers more aware of their variety of its products and capabilities.
APPENDICES

APPENDIX A: CORPORATE STRATEGY ANALYSIS

FUNDAMENTAL QUESTIONS AND RESPONSIBILITIES

This analytical tool allows a complete assessment of General Electric’s corporate strategy, through the answer of six questions:

1. **Restructuring Question**
   - How should the portfolio of businesses be managed to improve long-term performance?

2. **Synergy Question**
   - To what extent should businesses coordinate their strategies, structures, processes and skills?

3. **Resource Allocation Question**
   - What is the process for allocating resources across businesses?

4. **Strategic Alliance Question**
   - What should the structure of alliance network look like to maximize our flexibility?

5. **Planning Process Question**
   - How should we design and oversee the planning process?

6. **Non-Market Strategy**
   - How do we “engage” the institutions and political processes relevant to our company?

**Restructuring Question**

Refers to *Aggressive Acquisition and Expansion Strategy* section under APPENDIX B

**Synergy Question**

General Electric is made up of six major segments: Energy Infrastructure, Aviation, Healthcare, Transportation, Home and Business Solutions, and GE Capital. Although theses segments appear to be very different, GE coordinates the different capabilities it has in each sector with the other sectors, or utilizes synergies to be successful. It is important for GE to coordinate between sectors and manage this collaboration because of GE’s massive size. For example, there are many different sectors within GE Capital including Energy Finance, Healthcare Finance, Fleet Services, and Equipment Lending and Leasing. These fields relate to at least one of GE’s six major business sectors. GE has expertise in energy, healthcare, aviation, and equipment and/or transportation services. Since GE can offer expertise in all
of these areas and more, the company coordinates between GE Capital and the relevant other sector by allowing the sector with expertise to act as a consultant in providing knowledge and resources to successfully execute a project. No segment within GE is isolated. Since GE has so many internal resources available, the company can cut costs by consulting internally and using its own resources that it already owns.

Moreover, GE does not just coordinate its capabilities between segments, but also utilizes this synergy strategy in its mergers, acquisitions, and alliances. The following are examples of this:

- **2006** – GE’s acquisition of European real estate and real estate firms. GE Real Estate invested €1.5 billion in Poland, Czech Republic, Slovakia, Hungary, and Bulgaria. GE also acquired part of Casino, a French real estate firm, and GE did this to acquire more resources and capabilities, increasing its synergies within its real estate sectors (Whitfield 2006).

- **2007** – GE formalized an alliance with nuclear firm Hitachi in 2007. The CEO of Hitachi commented on how both firms use their strengths to make the joint venture work to its fullest potential, which he says creates a huge advantage over the competition. GE’s CEO also agreed with this statement in saying that both companies have, “great complementary strengths”, and these shared synergies did not have much overlap, but were, as the CEO said, mostly complementary. This is an example of how GE uses its capabilities and pairs it with another company’s capabilities to maximize efficiency and create an advantage over the competition (Weil 2007).

- **2008** – GE Aviation signed a global cooperation agreement with Singapore Technology Aerospace (ST Aerospace), a branch of Singapore Technologies Engineering Ltd. (STE). In this agreement, both GE and STE, “committed to complement one another’s core competencies in hopes to offer cost effective solutions to customers, as well as the effective support of one another” (“ST Aerospace, GE sign pact on global tie-up; It covers overhaul and on-wing support for GE engines” 2008).

- **2011** – A Malaysian company, Naza, decided to partner with GE in the healthcare industry. Naza had not previously been in the industry, but was a large company in other fields, predominantly in the auto industry. Naza will use GE’s healthcare expertise to help start up this sector, in hope to include the building of new hospitals in its plan. Naza also hopes to utilize GE’s healthcare technology. Naza receives GE’s expertise and existing resources while GE gets to expand its healthcare sector into Malaysia. Naza was also the, “sole distributor of Chevrolet cars,” (in Malaysia) so GE will start to work with Naza in developing electric vehicles in Malaysia as well. This creates a collaborative synergy between the two firms—they both work together
and both achieve outcomes that benefit each company in this partnership (Singh 2011).

- 2011 – GE agreed to acquire 90% of Converteam, which is a “provider of electrification and automation equipment and systems”. GE acquired Converteam because it will be able to offer more advanced products to its customers in the field, and apply Converteam’s technologies and expertise to GE’s new applications (“GE Energy acquires 90% of Converteam for USD3.2bn” 2011). Converteam, “produces high-efficiency generators, drives, and other power electronics. They allow customers in a broad range of industrial settings, from oil and gas to wind and solar power, to maximize their energy efficiency and minimize emissions” (Frean 2011). In this acquisition GE is using Converteam’s resources and capabilities to compliment its own, and also hopes to achieve synergies of $250 million a by year five (“GE Energy acquires 90% of Converteam for USD3.2bn” 2011).

RESSOURCE ALLOCATION QUESTION

According to the 2011 annual report, GE relies primarily on cash generated through its operating activities and has historically maintained a commercial paper program (short term debt) that it regularly uses to fund operations in the U.S.

GE’s total expenditures for the year total $13.1 billion, and are made up of the above categories.

<table>
<thead>
<tr>
<th>Total Expenditures</th>
<th>Growth - capacity and product development</th>
<th>Productivity - new equipment and process improvement</th>
<th>Improvement of R&amp;D facilities; safety &amp; environmental protection</th>
</tr>
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<tr>
<td></td>
<td>40%</td>
<td>24%</td>
<td>36%</td>
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GE Costs – the following chart is an illustration of GE’s allocation of capital to each of its segments. This is how much money, in millions, each segment used in 2011. As you can see, the bigger segments require more capital, but also generate the most revenue.
GE focuses most resources on its largest segments and on the segments it anticipates the most growth. These resources can be traced through capital (as displayed above).

**STRATEGIC ALLIANCE QUESTION**

GE heavily utilizes strategic alliances in order to gain competitive advantage in each of the industries in which they participate. In recent years, the company’s four business segments have all partnered with competitors in order to improve market access, improve integrity, and improve functionality. Through their partnerships, GE has been able to reduce and/or eliminate threats in the various industries in which they participate, as well as to expand and improve upon their internal resources and capabilities.

Recently, GE has focused a great deal of their efforts on developing strategic alliances across the board. In early 2011, GE Healthcare began “partnering with Intel to develop products that will lower costs for at-home and assisted-living care,” and in late 2011, they “announced the formation of two joint ventures in Russia.”6 GE Energy has also been developing a wide variety of alliances, including Mitsubishi and Hitachi, among
Additionally, as seen in the *Internal Analysis of GE Aviation*, the aviation business segment of GE revolves greatly around creating strong alliances with competitors. The best example would be the Engine Alliance, which is a 50/50 joint venture between GE Aircraft Engines and Pratt & Whitney.

**PLANNING PROCESS QUESTION**

For the purposes of this project, we did not focus on this question.

**NON-MARKET STRATEGY QUESTION**

Firms should try to create competitive advantage wherever they can find it, inside of markets or beyond. The most successful strategies will be those that carefully combine market and nonmarket elements. If you have a new energy efficient product, for example, why not try for new regulation that supports the adoption of such products? That is in part what GE is now doing as part of its ecomagination initiative. So what you need are managers who are not afraid of politics, who understand that political engagement is part of their job. Bringing non-market experts into the core strategy and product development process will help achieve an advantage in the industry.

**Technical Leadership**

Technology and innovation are at the heart of General Electric’s initiatives. Technical leadership produces high-margin products, wins competitive battles and creates new markets.

**Services**

Services only work if they make customers more profitable. Every year GE finds something new that leads to larger businesses. In 2003, it was Non-Destructive Testing (NDT). NDT applies the imaging technology embedded in the Healthcare business to preventive maintenance for aviation, water, and oil and gas customers. Growth continues, as NDT can be included in half of the service agreements.

**Customer Focus**

The quest is to make GE a great commercial company. Last year, a sales and marketing council led by Beth Comstock and Dave Nissen, two of GE’s best growth leaders. Their agenda includes: aligning the sales force with customer needs; taking Six Sigma to their customers; developing world-class marketing; driving sales force effectiveness; and serving global customers with excellence.
This Value Chain Analysis will allow us to describe the different activities that take place under GE, while analyzing the competitive strengths of the business. For the purpose of this analytical tool, the activities of the business are grouped under two headings:

1. **Primary Activities** - those that are directly concerned with creating and delivering a product, and

2. **Support Activities**, which whilst they are not directly involved in production, may increase effectiveness or efficiency.
APPENDIX C: IDENTIFICATION AND ANALYSIS OF GE’S STRENGTHS

Through our individual business segment analysis and corporate strategy analysis, we identified four major strengths.

1) Innovative Products and Services

For more than a century, General Electric has continued to remain profitable through value created by innovative solutions. In many of these cases, GE has created a “leap in value” above and beyond the capabilities of competitors. This has allowed GE to enter new and uncontested markets. A number of imaginative new products and techniques have been developed through various “-magination” programs; such as, ecomagination and healthymagination. While both focus on improving transparency in their respective fields, they each have significant cost savings and revenue generating potential. In 2005, GE developed a campaign to encompass this shift and “Imagination at Work” became the new slogan. The slogan became a rallying cry for all businesses, helping to stimulate more creative and outside-the-box approaches to solving problems. 

Ecomagination claims to show “GE’s commitment to imagine and build innovative solutions to today’s environmental challenges while driving economic growth.” To customers this appears to be an altruistic motivation to save the world, when in reality, GE sees significant money earning potential in the environmental sector.

Healthymagination is very similar—an attempt to provide the world with more affordable healthcare by using an evidence-based validation process to prove the correlation between innovation and cost efficiency. According to VP Michael Barber, “Our goal is simple: to provide better healthcare for more people around the world, through innovations that lower the cost, increase the access, and improve the quality of healthcare.” Oxford Analytica, an independent third-party international strategic research firm, specializes in monitoring and analysis and provides oversight to the healthymagination program using a network of 1500 distinguished academics worldwide. Since the program’s launch, more than two-dozen products, technologies and innovations have been validated as passing the criteria to be distinguished as healthymagination. The program’s goal is to have more than 100 innovations by 2015 to lower worldwide healthcare costs, increase access and improve quality by 15%. All of these healthymagination innovations have been uniquely branded using a blue ocean strategy—instead of focusing on beating the competition, GE focused on creating a new market for special products for specific purposes and situations.

2) Extensive R&D

Creating a strong competitive advantage is essential for firms to compete in any industry and the technology sector is no exception. In fact, innovation is what drives competitive advantages in sciences and technology, yet building a competitive advantage
through innovation is an incredibly difficult challenge. A large portion of GE’s recent success can be attributed to significant investments in Research & Development that created new and unique solutions for customers. These new offerings were present across GE’s entire portfolio of diverse product lines. Successful products and process solutions were introduced across healthcare, energy, nanotechnology and bioscience to further reinforce General Electric’s competitive advantage in these areas.

As a major global player in each of these areas, GE has to continue to invest in overseas R&D facilities to facilitate growth in major future players. In green technology alone, GE invests a sum close to $1.4 billion annually. GE has also created an entire subdivision to provide each business with reliable and specific research. GE Global Research is one of the world’s largest industrial research subsidiaries, assisting individual businesses with research needs. Through research from GE Global Research, GE businesses have developed a number of breakthrough technologies and processes currently utilized in markets worldwide. However, as these technology sectors change rapidly, it is essential for GE to remain committed to continuing to build on its successful R&D projects—an unwavering commitment necessary to revolutionize markets and remain ahead of the competition.

3) Aggressive Acquisition and Expansion Strategy

The General Electric company utilizes an “aggressive acquisition and expansion strategy” across all of its business segments. This strategy has led GE to become a competitive player in all of the industries in which the company participates. GE uses its substantial size and power to buy out its competition, and in doing so, to vertically integrate, as well as to diversify both in products and geography. Ultimately, this aggressive acquisition and expansion strategy has given GE an increasingly sustainable competitive edge in the industries in which it competes through the acquisition of resources and capabilities that this strategy provides.

In recent years, GE has written a plethora of contracts to either partner with or acquire competing firms across all of the industries in which they participate. In 2011, GE Capital GE Capital announced plans to acquire MetLife’s banking unit. It is part of GE’s strategy to diversify its capital business.” GE Energy has “embarked on a series of energy and infrastructure acquisitions... Among the latest was the 2011 $3.2 billion acquisition of France-based Converteam, a maker of automation and electrification equipment.” Additionally, GE has spent a combined $5 billion to buy Dresser, Lineage Power, Calnetix Solutions, and Wellstream – all energy-related companies. GE Healthcare has partnered with Intel "Intel to develop products that will lower costs for at-home and assisted-living care," “purchased diagnostics firm Clarient for some $580 million in late 2010,” “and bought cellular imaging company Applied Precision the following year.” In line with this strategy of acquisition and expansion, GE is currently looking to “pursue growth outside the US, particularly in emerging markets like India, China, Eastern Europe, Africa, and the
Middle East,” and also “announced the formation of two joint ventures in Russia... to manufacture a wide range of medical diagnostic equipment.”

Basically, GE has used its expansive resources and capabilities to buy other market players and competitors in order to improve market access, improve integrity, and improve functionality. The company's philosophy and management (innovation with Six Sigma Quality), paired with their large size and power, has led them to be able to buy out their competition in a big way. In doing so, not only have they been able to eliminate threats in the various energy industries in which they participate, but they have also been able to expand and improve upon their internal resources and capabilities. In addition, the company continues to become larger through such acquisitions, which allows them to continue buying out more competitors and acquiring more resources and capabilities. The company is clearly successful, however, in order to continue profiting through these acquisitions an expansions, they must ensure that their efforts remain focused. Perhaps the company can refocus on participating in a fewer number energy industries, rather than spreading themselves across such a wide variety of industries, in order to increase profit margins.

4) **Six Sigma Quality**

*Source: “Our Company: What is Six Sigma?” GE*

Globalization and instant access to information, products and services continue to change the way our customers conduct business.

Today's competitive environment leaves no room for error. We must delight our customers and relentlessly look for new ways to exceed their expectations. This is why Six Sigma Quality has become a part of our culture.

**FIRST, WHAT IS SIX SIGMA?**

First, what it is not. It is not a secret society, a slogan or a cliche. Six Sigma is a highly disciplined process that helps us focus on developing and delivering near-perfect products and services.

Why "Sigma"? The word is a statistical term that measures how far a given process deviates from perfection. The central idea behind Six Sigma is that if you can measure how many "defects" you have in a process, you can systematically figure out how to eliminate them and get as close to "zero defects" as possible. To achieve Six Sigma Quality, a process must produce no more than 3.4 defects per million opportunities. An "opportunity" is defined as a chance for nonconformance, or not meeting the required specifications. This means we need to be nearly flawless in executing our key processes.

**KEY CONCEPTS OF SIX SIGMA**
At its core, Six Sigma revolves around a few key concepts

<table>
<thead>
<tr>
<th>Critical to Quality:</th>
<th>Attributes most important to the customer</th>
</tr>
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<tbody>
<tr>
<td>Defect:</td>
<td>Failing to deliver what the customer wants</td>
</tr>
<tr>
<td>Process Capability:</td>
<td>What their process can deliver</td>
</tr>
<tr>
<td>Variation:</td>
<td>What the customer sees and feels</td>
</tr>
<tr>
<td>Stable Operations:</td>
<td>Ensuring consistent, predictable processes to improve what the customer sees and feels</td>
</tr>
<tr>
<td>Design for Six Sigma:</td>
<td>Designing to meet customer needs and process capability</td>
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</tbody>
</table>

Source: “Our Company: What is Six Sigma?” GE.

APPENDIX D : SWOT ANALYSIS

Note: We did not use this SWOT analysis to create and develop our ideas. This is just a way to organize the information in a simple manner.

General Electric

Strengths
- Having alliances with other strong and popular businesses is a major plus point for General Electric as it helps bring in new customers and make business more effective.
- Being a market leader, as General Electric is, is key to their success as it boosts reputation, profit and market share.
- Experienced employees are key to the success of General Electric helping to drive them forward with expertise and knowledge.
- High quality machinery, staff, offices and equipment ensure the job is done to the utmost standard, and is strength of General Electric.

Increasing Profitability: GE’s strong operational performance in 2010
could be due to its strong competitive ability. Even though the company reported a marginal decrease in revenue, its operating income increased 42.2% in the fiscal year ended 2010 to $14,208m as against $9,995m in 2009. The company also reported an increase in profit of 5.6% from $11,025m in 2009 to $11,644m in 2010. The company's operating margin was 9.46% for the fiscal year ended 2010. The operating margin increased 302 basis points (bps) over 2009 (6.4%), which may indicate management's high focus on improving profitability. This was reflected in the company's profitability ratios. The company's gross margin increased to 15.5% in 2010 from 14.6% in 2009, followed by return on equity 9.8% (9.3%), return on capital employed 1.9% (1.3%), return on assets 1.6% (1.4%) and return on fixed assets 1.9% (1.3%). Such a strong operational performance would help the company to expand its business operations further.

Robust Research and Development Base: GE operates in technology intensive businesses in which innovation is considered as the top priority as it creates a strong competitive advantage. Over the years, GE focused on developing new products and innovative solutions in various fields, including technology infrastructure, healthcare, energy infrastructure, nanotechnology, and bioscience, among others. The company’s recent product innovations include the evolution hybrid locomotive, compact ECG Device, holographic data storage devices, Genx aircraft systems, VIO High power LED, world’s first 24-cylinder gas engine and world’s first 64-slice combination PET/CT medical imaging system, among others. These innovations showcase the company’s strong R&D base and the world’s largest and most diverse industrial research labs it operates. Currently, the company is focusing on developing breakthrough technologies in various areas such as molecular imaging and diagnostics, energy conversion, nanotechnology, advanced propulsion and security technologies. It has facilities in Bangalore, India; Shanghai, China; and Munich, Germany. The company is also investing heavily in innovation and research and development in the areas of clean energy and infrastructure. It invests over $1.4 billion annually on developing clean technology solutions. The company’s innovations and breakthroughs in various fields play an important role in driving its growth and revolutionizing markets.

<table>
<thead>
<tr>
<th>Weakness</th>
<th>Voluntary Product Recalls</th>
</tr>
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<tbody>
<tr>
<td>Product recalls not only affect the company’s revenues, but could also affect its long-term performance by reducing customer confidence. In January 2011, the company’s healthcare segment, GE Healthcare, recalled several lots of HiSpeed CTDI display systems due to a defect with the hardware and software displaying the incorrect dose data. In December 2010, the company called back about 6,020 units of its Xeleris (1.0, 1.1, 2.0 and 2.1) processing</td>
<td></td>
</tr>
</tbody>
</table>
and review workstations owing to inaccurate user protocol setup associated with the Thyroid Uptake Index application, which could hamper patient safety. In November, the company initiated a class 2 recall of about 158 units of its IDI Mammo workstations; as well as 2,514 units of Seno Advantage (1.x, 2.0, 2.1) workstations due to the possibility of incorrect measurement values. Thomas Medical Products (TMP), a GE Healthcare company, voluntarily recalled the Transseptal Sheath Introducer Kits (HeartSpan, CHANNEL FX, Torflex, Braided Transseptal Guiding Introducer Kit) on February 23, 2010. The worldwide recall was necessitated due to breaking of the sheath tip and separating while the sheath was in blood vessels, in use for cardiac applications. This could lead to permanent injury, such as a stroke or heart attack. In the past, the company and its group companies were involved in several product recall instances. These product recalls would have a negative impact on the company's brand name and hinder its operations in the respective sectors.

### Opportunity
- Takeover and merger opportunities could be explored for General Electric and used to acquire new customers, new resources and enter new markets.
- GE should more focus towards corporate social responsibility
- Research and development to sustain its position in the market
- Merger and joint ventures in Asian market to improve cash flows
- Exploring natural resources to meet the high demands
- Growth in aviation industry is positive signal for the general electric

### Expansion through Acquisitions
**GE employs acquisition strategy to stimulate growth:** In February 2011, GE acquired Wind Tower Systems, LLC, which manufactures space frame wind turbine towers. This acquisition will strengthen its leading position in the wind turbine market. In the same month, GE completed the acquisition of Dresser, Inc., a global energy infrastructure technology and service provider, based in the US. In January 2011, the company signed an agreement to acquire privately-held Lineage Power Holdings, Inc., from The Gores Group. This deal would open up opportunities for GE Energy technology to participate in the $20 billion per year power conversion space. In December 2010, the company acquired the oil sector company, British Wellstream Holding Plc. These measures also help the company expand its business operations and enter new growth areas, providing the company new business opportunities.

### Growing Healthcare Market in Emerging Economies:
Leveraging its strong brand and product portfolio, GE could to take advantage of rapid growth in the emerging markets. Emerging markets provide new opportunities for pharmaceutical companies, which are
registering lower growth in major markets such as US and Japan. Driven by rising incomes and increased demand for quality healthcare, emerging markets registered the highest revenue growth during 2007. In 2008, emerging markets contributed more than a quarter of global pharmaceutical growth. The growth from the emerging markets is projected to offset the fall in sales in maturing western markets. It is estimated that 17 high-growth pharmaceutical markets including China, Brazil, Mexico, India, Russia, South Korea and Turkey will contribute nearly 48% of the global pharmaceutical industry’s growth by 2013, indicating an increase of 11% over last year. Annual pharmaceutical sales in emerging markets is expected to reach $400 billion by 2020, equivalent to current sales in the US and the five major European markets combined. These markets are also projected to contribute more than 50% of the worldwide pharmaceutical market growth by 2020. The company envisages considerable opportunity to grow as healthcare systems are modernized and expanded in these economies. It has plans to invest about $6 billion in solutions that the new healthcare economy will demand, such as healthcare information technologies to reduce variation and cost; precision diagnostics to guide therapy decisions and assess efficacy; more portable and miniature devices to broaden use across more geographies; remote, home monitoring to reduce costs and improve patient care; and tools to help hospital customers improve efficiency.

**Threats**

- Rapid Changes in Technology
- Sluggish Economic Growth
- Government Regulations

**Highly Competitive Environment:** GE faces aggressive competition in all its businesses. Some of the major competitors of the company include E.ON AG, Hewlett-Packard Company, Siemens AG, Bechtel Corporation, Schlumberger Limited, Technip, Citigroup Inc., Vestas Wind Systems A/S, Suzlon Energy Limited, Schneider Electric SA, Mitsubishi Electric Corporation and Honeywell International Inc. Most of these competitors are leaders in their respective business segments with strong expertise, established supplier relationships, abundant resources, large customer base and robust logistic network. In addition to competition from large players, the company faces competition from small and regional players as various governments are announcing incentives in renewable energy sector, facilitating their forays into the market. Failure to sustain competition would affect the company’s market-leading position and financial results adversely.
THE GE WORKS EQUATION

We look at what the world needs × A belief in a better way + A relentless drive to invent and build things that matter = A world that works better

THE POWER OF THE INDUSTRIAL INTERNET
Advanced Analytics drives strong alignment with customers

GE90 ANALYTICS BENEFIT

90,000 flight records analyzed
~200 parameters per flight record
~18MM parameters per month

Enhances asset utilization
Increases system performance
Drives strong alignment with customers
Facilitates securing of long-term service agreements
Provides additional revenue streams
SOURCES

8 Value Chain Analysis Diagram: http://www.provenmodels.com/files/2825c320f5910a4647fd289c0f5a780/value_chain_analysis.gif

from Stacey’S:


