Recent tumultuous events have served to emphasize a commercial fact of life: companies die. In a world fixated on growth and expansion, it is easy to forget that companies – no matter their size or seeming impregnability – routinely close their doors, or have them forcibly closed, for the final time. Think of Lehman Brothers, Enron, Andersen, WorldCom, Barings, Digital, PanAm and many thousands of others. In a typical four weeks in mid-2009, eight public companies with assets of more than $1 billion filed for bankruptcy in the United States.

As the names and numbers above demonstrate, long-term corporate survival isn’t easy. Some die relatively young; others linger, drifting hopelessly into old age – witness General Motors. Only a handful of companies are robust enough to renew themselves and survive over a century.

Among the chosen few is General Electric (GE). In 1878, Thomas Alva Edison set up the Edison Electric Light Company. The company evolved into the Edison General Electric Company and, in 1892, merged with Thomson-Houston Electric Company to form the General Electric Company. In 1896, when the Dow Jones Industrial Index was launched, General Electric was listed. It is the only one of the original companies still listed.

Now 117 years old, the American titan is a truly global corporation. More than half of its revenues come from outside the United States. Its 327,000 employees work at GE locations in 160 countries. It is one of the world’s most successful and innovative companies, a benchmark.

But what are the secrets of GE’s longevity? And can its recipe for survival be maintained in the face of apparently dwindling American economic power and truly global competition?

Staying alive
“The natural average lifespan of a corporation should be as long as two or three centuries,” writes Arie de Geus in The Living Company, noting a few prospering relics such as the Sumitomo Group and the Scandinavian company, Stora. But the reality is that companies do not head off into the Florida sunset to play bingo. They usually die young. GE is an exception, a very large exception.

De Geus quotes a Dutch survey of corporate life expectancy in Japan and Europe that came up with 12.5 years as the average life expectancy of all firms. “The average life expectancy of a multinational corporation – Fortune 500 or its equivalent – is between 40 and 50 years,” says de Geus, noting that one-third of 1970’s Fortune 500 had disappeared by 1983. Such endemic failure is attributed by de Geus to the focus of managers on profits and the bottom line rather than on the human community that makes up their organization.
In an attempt to get to the bottom of this mystery, de Geus and a number of his Shell colleagues carried out research to identify the characteristics of corporate longevity. As you would expect, the onus is on keeping expectation to a minimum. The average human centurion advocates a life of abstinence, caution and moderation, and so it is with companies. The Royal Dutch/Shell team identified four key characteristics. The long-lived were “sensitive to their environment”, “cohesive, with a strong sense of identity”, “tolerant” and “conservative in financing”. These conclusions are echoed in the Jim Collins and Jerry Porras classic, *Built to Last*.

Since GE is more like John Wayne than James Dean, de Geus would like it. Its progression has, indeed, been built on solid foundations. It earned $3 million in its first seven months of existence and has been run cautiously and prudently ever since. One generation has handed on to another seamlessly. All have been committed to change – to a greater or lesser extent. Richard Pascale concluded that “GE’s genius has been in its choice of successive CEOs each of whom tended to counter the extremes of his predecessors,” after studying the company for his book, *Managing on the Edge*.

Indeed, their performance has been consistently good. In *Built to Last*, Collins and Porras found that Jack Welch’s much lauded record in his first decade in charge wasn’t the best in GE’s history. In fact, the celebrated CEO came in fifth place out of seven when measured by return on equity. “To have a Welch-calibre CEO is impressive. To have a century of Welch-calibre CEOs all grown from inside – well, that is one key reason why GE is a visionary company,” they concluded. It is a formidable record. No other large organization has been so successful in recruiting from within or managed to sustain such consistent performance over such an extended period.

**Immelt’s way**

The current GE CEO, Jeff Immelt, took over just days before 9/11, which had a substantial impact on GE due to its involvement in the insurance industry. Immelt has pursued a less media-attractive route than his predecessor. He doesn’t have Welch’s way with a slogan. GE has continued to rack up comparatively impressive results with limited fanfare.

Speaking at London Business School’s Global Leadership Summit, Immelt provided insights into his take on the GE-the-Immelt-way and leadership in turbulent times. In many ways, his words echo those of his illustrious predecessors. Five key themes link the past with the present and future as he mapped it out:

**Pragmatism** You don’t survive over a century without a hefty dose of pragmatism. Contemplating the state of the world’s economies, Immelt reflects with a shoulder shrug. “CEOs aren’t economists. Cycles happen. There are always times like these. You’re going to go through an economic cycle every 10 years. Every 50 years you get a permanent reset. We have to be pragmatic.”

In the past, GE has proved adept at changing with the times. As financial services mushroomed in the 1980s and 1990s, GE Capital became a major financial services player. As the world has globalized, GE has led the way. “Globalization has been reordered,” says Immelt, contemplating the economic travails of the world. “But we are a global company. We segment countries – such as Canada – that are deep in resources. They have strategies which fit our view of the future.” GE’s thinking about innovation and globalization is constantly being refined.

Two years ago, Immelt brought in V.G. Govindarajan from Dartmouth’s Tuck Business School to act as the innovation expert in residence. “One of the interesting things in CEO succession in GE is that each CEO changes the strategic frame of the company in light of the emerging market conditions,” says Govindarajan. “Reginald Jones, for instance, introduced portfolio planning while Jack Welch emphasized themes like Six Sigma and shift from products to services. Jeff Immelt’s legacy will be judged by how well he has embedded innovation culture in a company well known for performance culture.”

**Constant renewal** A pragmatic world view means that GE has proved adept at renewing and reinventing itself. It has followed the money. Immelt points to the fact that GE will launch more products in the next two years than ever in its history as evidence of its appetite for change and renewal. It knows that sitting still is the sure way to being steamrolled.

Watching Immelt talk, there is a sense of confidence and competence, rather than the heady scent of ego transmitted by many CEOs on the world stage. “Running GE is a full-time job. I have had five days off in nine months,” he admits. “You need to be comfortable with yourself and being criticized. My advice to people is to do what you like. The thing I love about GE is that we’re going to have a front seat in history whether it’s in China or elsewhere.” Immelt is sitting comfortably but not complacently. He describes himself as optimistic but anxious about the future. “We have a platform for real change and I am convinced GE will emerge as a better company.”

**Common sense** Another reason behind GE’s success is that it has been built around a simple, common-sense culture. Nothing fancy has distracted it.
The roll call of GE CEOs

Charles Coffin, (president 1892–1912, chairman 1913–1922), was the leader of the group that bought Edison’s patents and began the serious development of the business.

Gerard Swope joined GE in 1919 as the first president of International General Electric. He became president in 1922 with Owen Young as chairman. By the late 1920s, the company had 75,000 employees and sales of $300 million. The company moved into home appliances. Swope emphasized the company’s heritage as an engineering and manufacturing company. He combined that with solid systems and, by the standards of the times, progressive human resources management. The Swope Plan of 1931 was one of the building blocks of the New Deal. Swope retired in 1939 but returned temporarily when his successor was appointed to wartime jobs.

Charles Wilson’s tenure from 1940 until 1952 was interrupted by wartime work, which made his impact and legacy less substantial than that of his predecessors.

Ralph Cordiner was GE’s CEO from 1950 until 1963. He was a robust champion of decentralization, which necessitated the creation of complex bureaucratic systems. His unsettling years in charge were notable for the introduction of Management By Objectives, a concept fashioned by a bright young management thinker called Peter Drucker, who worked closely with the company at the time. Cordiner also launched GE Plastics and the company’s aircraft engines businesses. He set up the company’s Crotonville training centre. Cordiner emphasized marketing and developed a new corporate slogan: “Progress is our most important product.” His book, New Frontiers for Professional Managers (1956) summarized his managerial philosophy.

Fred Borch introduced GE to strategic planning and calmed things down a little from the Cordiner years. Jack Welch favourably recalled his impact on the company: “Borch let a thousand flowers bloom. He got us into modular housing and entertainment businesses, nurtured GE Credit through its infancy, embarked on ventures in Europe, and let Aircraft Engine and Plastics alone so they could really get started. It became evident after he stepped down that General Electric had once again established a foothold into some businesses with a future.” Borch ruled the GE roost from 1964 until 1972.

Reginald (Reg) Jones joined GE in 1939. In 1967 he became chief financial officer and CEO in 1973. Jones developed GE’s business in high-tech markets, such as jet engines and nuclear reactors, as well as sharpening up its financial systems. He was voted the US’s most influential executive in 1979 and CEO of the year in 1980. A former GE executive later commented, “During Jones’ tenure, GE was financially strong but it was a dull, unexciting company. We were an organization in decline – and that was not recognized.”

Jack Welch, one of most celebrated managers and leaders of the twentieth century, grew up in Salem, Massachusetts, where his father worked as a railroad conductor. After finishing a PhD in chemical engineering, Welch moved to Pittsfield, Massachusetts, to start his first real job at General Electric. At 33, he became GE’s youngest general manager ever. By 1979, he was vice chairman and executive officer. Along the way, he built the plastics division into a formidable $2 billion business, turned around the medical diagnostics business and began the development of GE Capital. In December 1980, Welch was announced as the new CEO and chairman of GE. At 45, he was the youngest chief the company had ever appointed.

Welch spent the 1980s stamping his mark on GE through a series of radical changes. From 1980 onward, the average total return of GE shares was about 27 per cent, and the company returned more than 100 consecutive quarters of increased earnings from continuing operations. By 1999, General Electric was the second most-profitable company in the world. Welch finally stepped down as head of GE on September 7, 2001.

Jeff Immelt, the current chairman and CEO, joined the company in 1982. He worked in the company’s plastics, appliance and medical businesses before becoming an officer of GE in 1989 and then joining the board of GE Capital. He has a degree in applied mathematics from Dartmouth College and an MBA from Harvard University.
No thrills. Nothing too smart. “Sure we have good people, but we were all taken from the same pool as the people of all other companies, and yet I think we have something unique,” ex-CEO Fred Borch said in 1965. “And our uniqueness, I think, is due to this matter of climate; respect for one another and working at our jobs to have as much darn fun out of it as we possibly can.”

Immelt is calmness personified and places a premium on simple but powerful messages. “Companies and countries have to look at their own capabilities. We want to be good at making things. At times we have outsourced too much. If you ever hope to be a long-term player in India and China, your supply chain there has to compete.”

**Talent cultivation** Keeping it simple means that GE goes through CEOs at a far slower rate than its rivals. GE is rarely on the phone to headhunters, having long recognized that it is better and cheaper to nurture talent and promote from within. It is significant that GE executives are enthusiastically courted by other companies. (Their success or otherwise away from GE is another matter – compare and contrast the fortunes of former GE stars Bob Nardelli at Home Depot and Jim McNerney at Boeing.)

“We need entrepreneurs who are willing to take well-considered business risks – and at the same time know how to work in harmony with a larger business entity,” said former GE CEO Reg Jones. “The intellectual requirements are light-years beyond the requirements of less complex organizations.”

Key to de Geus’s argument is that there is more to companies – and to longevity – than mere money making. “The dichotomy between profits and longevity is false,” he says. His logic is impeccably straightforward. Capital is no longer king; the skills, capabilities and knowledge of people are. The corollary from this is that “a successful company is one that can learn effectively”. Learning is tomorrow’s capital. In de Geus’ eyes, learning means being prepared to accept continuous change.

Welch famously championed the company’s Crotonville training centre and, under Immelt, GE invests $1 billion a year in training. “There are going to be different skill sets – rapid adaptability, leaders who know how to connect to partners and stakeholders, people who embrace uncertainty and mobilize everyone – and companies like GE have to be more decentralized,” says Immelt. “Business is going to have to be more personal, transparent and open, and these are going to be characteristics of twenty-first century leadership.” Somewhere in GE, the next Welch or Immelt is being nurtured.

**Strong future focus** GE has proved adept at managing the nitty gritty of its day-to-day activities in a highly efficient way while keeping an alert corporate eye on the long term. “We keep executing on our long-term strategy,” says Immelt. “There are important issues where business has to engage – such as energy policy – it is better to engage rather than assuming the status quo will carry on. Every company has to have in mind the seismic themes that will shape it in our time. Affordable health care and clean energy are two seismic themes for the twenty-first century. We always want simple views and points of view on the future. We have to be part of it or we will be left behind. Every management team and board must have a real point of view on the next 10 or 20 years. Our management team and board ask a lot of people, we bring in outsiders to assess it. The financial services industry is not going to be the same. The landscape of the industry will be broadly changed. Government has moved in next door and is not going away.”

**Resources**