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Fall of a legend

Through lessons from Lights Out, India Inc leader D Shivakumar reminds CEOs that nothing in life is permanent

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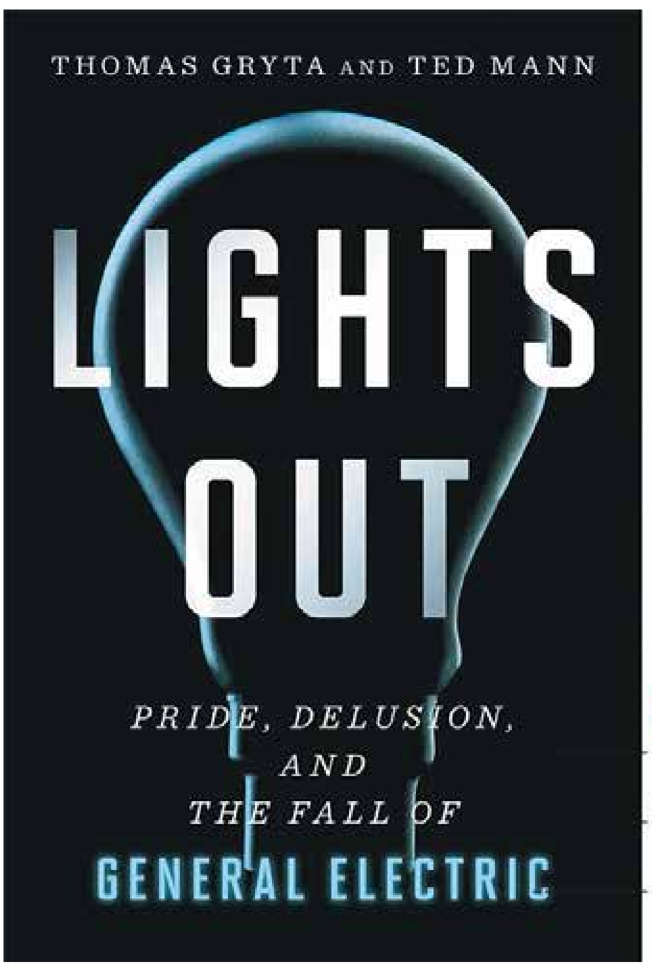

LIGHTS OUT

AUTHOR: **THOMAS GRYTA AND TED MANN**

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D SHIVAKUMAR
Group Executive President, Aditya Birla Group

GE (General Electric), started in 1892, was the most valuable company two decades ago. GE electrified America, it sold lightbulbs, turbines and provided insight via CNBC. It was the ultimate conglomerate and defied the gravity that sucks up conglomerates on and off the stock market. It was led by a celebrity CEO Jack Welch for two decades. GE leaders were a prized lot and GE grew every business thanks to its talented managers. It was known for a hard driving results-oriented culture and Welch repeatedly spoke of upholding values and delivering results.

Thomas Gryta and Ted Mann are journalists at *The Wall Street Journal* and they track the demise of GE over the past decade and try to make sense of it for posterity.

I have read every book on GE over the past two decades and have always admired the company and its practices. I think the focus on results, on learnings, on being in the top 3 in the industry, on boundarylessness, of promoting Six Sigma etc. were fresh thoughts of looking at organisations. I never agreed with the bottom boxing method and getting rid of people in that box, because no company can run only with stars, it also needs the weight carriers to succeed. I've had a number of colleagues who were ex-GE; they shared many stories – some positive and some equally challenging about GE and its culture.

Taking over from a celebrity CEO was the big challenge for Jeff Immelt who succeeded Welch. In such a situation, you don't know when to step out of the giant's shadow and be your own man and leave your own stamp on the business.

Immelt had to contend with 9/11, and the global financial crisis. Things changed significantly for the GE jet engines business and for GE Capital, after these black swan events. Pivoting the business in these times was obviously Immelt's focus, but most things he did seem to have gone wrong.

Immelt spent a lot of time with Beth Comstock getting the brand positioning of GE and driving innovation and ecology across the conglomerate. Immelt also focused his efforts on trying to pivot GE into the Digital Era. These were all right things to do. Then, what went wrong?

For a start, the authors point to the culture, leadership and its direction. To elaborate:

- A tendency to overpromise to the financial market, and unfortunately, under-deliver consistently. Immelt was grossly guilty of this and even in his last investor call, stuck to the $2-dollar return, which his own team did not believe in. This consistently eroded trust with investors.
- A culture where everything was given a positive spin and bad news wasn't escalated much.
- The oversight by the SEC and the Fed which itself added, according to the authors, at least a $400 million in extra costs to GE.
- A blind focus on branding, especially when a significant portion was a B2B play. GE spent a lot of time on its new tagline 'Imagination at work'.
- Too many deals: Immelt made a deal every four days; the complexity of making the deal, integrating it into GE and then delivering results, was all over the place. Immelt is accused of landing up late, overpaying or throwing in sweeteners, thus making the deal so much more difficult to digest financially.
- A question of costs where Immelt had a backup jet flying behind him every time he flew the corporate jet and this was never disclosed to the Board. Worse, Immelt blamed it on the aviation administration department, when confronted with the facts.
- The role of the Board: Immelt was both Chairman and CEO - should these two roles be distinct in the future?
- Flannery, who succeeded Immelt, was a long time GE person but he couldn't get a hold of the issues quickly and was asked to leave in 14 months. For a company that gave 20 years to Welch and 18 years to Immelt, this was a rude shock to everyone associated with GE. In a crisis, he was accused of analysis paralysis and changing decisions once made, both cardinal sins even for a CEO of a small company, let alone a giant like GE.

This book is a good wake up call for all CEOs and leaders that nothing in life is permanent. An iconic company can be reduced to a mediocre organisation. The hero of yesterday can be a zero today. Legacy never comes from a combination of arrogance, management spin, sycophancy, jargon and an inability to face reality. Sadly, most leaders think no one catches on to this volatile cocktail.

Lasting legacy comes from humility, of putting the institution first, of doing the right thing despite all temptations, and being mindful that as a CEO, one is not the company but an employee of the company like everyone else.