

THE HBR INTERVIEW

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When Jeff Immelt became chairman and CEO of General Electric, he took the helm of a fine-tuned productivity machine. GE had long taken management innovation seriously—from the company's famous blue book days in the 1950s to the development of its Crotonville training center into a management academy the equal of any on Earth. Under Jack Welch, GE's managers applied their imaginations relentlessly to the task of making work more efficient. **Over a series of high-profile initiatives, Welch created a formidable tool kit and mindset to maintain bottom-line discipline, while he fueled top-line growth largely through geographical expansion and acquisitions.**

Immelt succeeded Welch in September of 2001, just in time to see the world change. Blows to the global economy came from corporate scandals and, more dramatically, from ter-

rorist attacks on American soil. Operating in a fundamentally altered context, Immelt knew GE could not cling to its status quo.

Coming up on Jeff Immelt's fifth anniversary in office, *Harvard Business Review* offers the first deep look under the hood of Immelt's GE. In conversation with editor Tom Stewart, Immelt was quick to point out that he is not leading a revolution. Rather, the challenge has been "to take this great operating company and not lose anything, but add to it." The nature of the addition? A new and equally disciplined focus on organic growth.

Immelt put two of GE's traditional strengths—process orientation and the ability to develop, test, and deploy management ideas—in service of a different goal. That meant **designing a process that could reliably draw new revenue streams from existing busi-**

nesses. As with past initiatives, GE has not been secretive about the elements of the process; they were spelled out in its 2005 annual report and are presented here as an exhibit. That's because the payoff is not in the diagram but in the doing. All depends, in Immelt's words, on "making it personal" for individual managers.

Read on, and decide for yourself whether this process, under Immelt's leadership, will make the grade. The goal GE has set for sustained organic growth—two to three times the growth of global GDP—translates to about 8% today. Few companies have achieved the kind of growth GE is seeking, and none on a revenue base of \$150 billion. In January, Immelt told GE's top managers at the annual meeting in Boca Raton, Florida, "The business book that can help you hasn't been written yet." For him though, there's no other option. "Another decade of 4% growth, and GE will cease to be a great company," he said. "But if we can spur our growth rate without losing our productivity edge, GE will keep being the most admired company into the next century."

**You are determined to move GE from a culture of productivity to a culture of growth—organic growth, that is, and not growth by acquisition. Why?**

We're now in a slow-growth world. Things were different 25 years ago. Oil was under \$30 a barrel; most growth came from the developed world; we were a country at peace. After I came in as CEO, I looked at the world post-9/11 and realized that over the next ten or 20 years, there just was not going to be much tailwind. It would be a more global market, it would be more driven by innovation, and a premium would be placed on companies that could generate their own growth. We have to change the company—to become more innovation driven—in order to deal with this new environment. It's the right thing for investors. Productivity is still very important, but if you look back at GE's businesses over the past decade or so, those that have been managed for both productivity and growth have done the best.

**For you, growth means sustaining an average organic revenue growth rate of about 8%, which nobody's ever done before. Why set that kind of goal?**

Every initiative needs a metric. To find the right one, we studied about 30 companies. We looked at the percentage of sales attributable to products introduced in the past three years and maybe 15 other things like that. But when we brought those metrics back inside our culture, they didn't fit. They might work for other companies, but at GE, the only things that move the culture are ones that show up on our income statement. It's just the way we were raised. We finally came up with organic revenue growth as the only output function that goes straight into the ledger. We believe we can grow two to three times faster than world GDP. We made it in 2005, and we're going to make it in 2006. It's good to have aspirational goals in a company like GE.

**How do the income statement and balance sheet for a company driven by organic growth look different from the financials for a company that grows mainly through productivity and acquisition?**

Higher revenue, of course—and in our case, more of it global, because the market's more global. Lower general and administrative expense as a percentage of sales—I want that to go from 11% to 8% over the next four years. We'll have fewer rooftops, fewer divisions, more backroom outsourcing, and more common platforms and IT systems. We'll be cutting nongrowth costs as close to the bone as possible. But there will be more marketing expense and more R&D. We'll also see higher margins because we'll have a better flow of new products and, most important, services.

One thing that won't change is our capital efficiency. Philosophically, whether it's the productivity years or today, we like businesses like aircraft engines where we see probably \$16 billion in revenue but capital expenditures of about \$400 million. Capital efficiency like that generates a lot of cash.

**The first big thing you did when you became CEO was throw a billion dollars into R&D. That was a fairly attention-getting growth bet.**

I put a stake in the ground about products, innovation, and technology, because there we

could lean into an existing infrastructure that was decent but needed to get out of the basement. This was an area where even small things would have an immediate impact. We put more than 100 million bucks into renovating our research center in upstate New York. We had already started a tech center in India, but we added new ones in China and Germany, and I made the businesses themselves spend more in R&D. And we started getting a flow of technology.

**What was the rationale for the acquisitions you began making in 2003? How do they fit into an organic-growth objective?**

We did a lot of heavy lifting in our portfolio because we didn't have enough juice. We saw where we needed to go, and we wouldn't get there with our existing businesses. So we bought homeland security, biotech, water—businesses that would give

us a stronger foundation for innovation.

Around the same time, we started on the sales force and named Beth Comstock CMO to raise our game in marketing. By the end of 2003, we pulled together the best sales and marketing people in the company and formed the Commercial Council, which I chair. That turned out to be a big deal. The council was designed to share best practices and plan growth programs, but more fundamentally, it began to develop this idea of growth as a process.

**Why was that important? Why should organic growth be cast as a process challenge?**

If you run a big multibusiness company like GE and you're trying to lead transformative change, that objective has to be linked to hitting levers across all of the businesses—and it must keep that up over time. So you've got to have a process. That's true from an internal standpoint, but it's also the only way you get



paid in the marketplace. **Investors have to see that it's repeatable.**

I knew if I could define a process and set the right metrics, this company could go 100 miles an hour in the right direction. It took time, though, to understand growth as a process. If I had worked out that wheel-shaped diagram in 2001, I would have started with it. (See the exhibit “Execute for Growth: A Six-Part Process.”) But in reality, you get these things by wallowing in them awhile. We had a few steps worked out in 2003, but it took another two years to fill in the process. Jack was a great teacher in this regard. I would see him wallow in something like Six Sigma, where easily the first two years were tough. People would say, “Whoa, what the hell is this?” Still, he wouldn't move on to something else. He'd get the different businesses sharing ideas, and everything always crystallized in the end. He was a good initiative driver.

**What makes you think you won't continue to shape and reshape the process?**

It reaches a point where you have to say, all right, this is the framework. Organizations will tolerate iterating, but they won't tolerate *permanent* iterating. I've got a pretty good gut on when I'm making progress with the company and when I'm frustrating people. If I'm at a Manager Development Course, for example, doing a Q&A with employees, I might get up and start drawing the growth-as-a-process chart. While I'm doing that, I'm saying, “Guys, are you with me?” There's a look in their eyes that says, “OK, we get it,” and then there's another look that says, “Not only do we get it—we don't want you to draw another circle. Let's keep it right there.”

So this is the process we've come up with. You can take each element apart and examine the components, and when you put them together again, they reinforce one another. If you're a leader at GE, you're going to hit on each of these elements several times a year. Every one of them has metrics, and every year you'll be pushed to drive the numbers higher. You can't escape it.

**The diagram is a circle—there's no clear starting or ending point. But when you personally present it, you tend to begin with “great technology,” which in some of your businesses translates to content leadership.** I start there instinctively. I'm not sure I have a

scientific reason, but it may go back to my experience in appliances—I worked there for three years in the late 1980s—and to what I saw in the medical business. The thing is, you can be Six Sigma, you can do great delivery, you can be great in China, you can do everything else well—but if you don't have a good product, you're not going to sell much. That goes for turbines; it goes for TV; it goes for financial services. I told our company's top leaders at Boca, “If you can do only one thing well, this is what I'd pick: Make sure this pipeline is always full.” The first thing I ask in a business review or a growth playbook [strategic-planning] session is how we stack up against our competitors from a product standpoint, given the customer's wants and needs. I make sure we fund for leadership. We've gotten out of businesses where funding for leadership couldn't get good results. Motors is an example. We couldn't see a way to get a good return even if we funded for leadership there, so we sold that business. Similarly, we used to have a private equity investment business. We shut that down because there was no product excellence. We were just a wallet.

**Another element in the growth process is “commercial excellence”—putting great sales and marketing leadership in place, burnishing the brand, and so forth.**

If we can create a sales and marketing function that's as good as finance at GE, I'll change this company. In a deflationary world, you could get margin by working productivity; now, you need marketing to get a price. Before we launched this growth initiative, marketing was the place where washed-up salespeople went. They were chart makers. We're talking about marketing as an aligned function again. We hired literally thousands of marketers. For the best of them, we created the Experienced Commercial Leadership Program, the kind of intensive course that we've long offered in audit and finance. That's 200 people a year, every year. We also resurrected the Advanced Marketing Management Seminar at Crotonville for senior executives. We put [Procter & Gamble's] A.G. Lafley on the board. We've been learning since we acquired Amersham in the health care business, because it's a lot closer to the pharmaceutical industry than our business was, and it's all about marketing. But it will take ten years to drive these changes.

You don't just say, "I'm a marketing company" and become a marketing company.

**Years ago, I was walking through a hotel lobby and saw a guy with a "Budgets Are for Wimps" coffee mug. When I commented on it, he told me his boss got one for everyone at their meeting. I said, "Are you guys in marketing?" And he said, "How did you guess?"**

I've always worried about a jailbreak. How do we make sure people don't say, "Jeff doesn't care about productivity"? I think a lot about how to shine light on a new commercial leadership program and assure the audit staff that I still love them. I tell them, "Can you imagine how great this company is going to be if the salespeople are as good as you?" We're getting the sales force better trained and equipped with better tools and metrics. A good example is what we're doing to create discipline around pricing. Not long ago, a guy here named Dave McCalpin did an analysis of our pricing in appliances and found out that about \$5 billion of it is discretionary. Given all the decisions that sales reps can make on their own, that's how much is in play. It was the most astounding number I'd ever heard—and that's just in appliances. Extrapolating across our businesses, there may be \$50 billion that few people are tracking or accountable for. We would never allow something like that on the cost side. When it comes to the prices we pay, we study them, we map them, we work them. But with the prices we charge, we're too sloppy.

**With stronger capabilities in place in sales and marketing, you can then start to connect the dots across the company. Isn't that the idea behind your push for more enterprise selling, where one salesperson can represent the company's entire range of offerings to a customer?**

We've always done enterprise selling on an ad hoc basis, but we want to go beyond the convenient cross-selling opportunities and think more systematically about the kinds of customers that can benefit from our broad portfolio. If somebody's building a hospital, that might represent a total package of \$1 billion, of which the GE market potential might be \$100 million. We're probably already talking to the C-suite because we sell the medical equipment. What we need to do is set things up so that the medi-

cal rep can bring in the lighting rep, the turbine rep, and so on. The focus here is on four or five vertical industries and a couple of big events like the Olympics. Enterprise selling is only maybe 10% of the company's sales. But our market share is probably twice as high when we can combine things in that way.

**Many companies are pursuing enterprise selling, and a common mistake seems to be that they try to do it to too many enterprises. How do you learn where to draw the line?**

By failure. Tony Ecock in our health care business, who's been at it two and a half years, made a presentation at Boca on exactly this point. Our total enterprise contract value for 2004 and 2005 was \$2.3 billion in health care. The mistake we made is we went to too many customers. **The solution was better segmentation.** By the way, Tony's analysis is now being shared through the Commercial Council, so we can do the same thing in energy and the other verticals.

Enterprise selling takes on other dimensions outside the country. When I go to China, I visit my contact at the National Development and Reform Commission, which is kind of China's department of energy, transportation, and health and human services. He'll pull out a little book and just start flipping the pages, saying, "In energy you're a little bit high; Siemens is the low bid. You might want to correct that. On the rail program, you look pretty good. Health care, you had a good year..." He's connecting the dots for us. In Qatar, the emir wants to know everybody doing business in his country. In a dinner set up to talk about oil and gas bids, he might say, "Jeff, I'm going to put \$10 billion into a hospital," or he might mention that they're going to buy GE engines for Qatar Airways. India, on the other hand, is very commercial, so you're not going to deal company-to-country there. You've got to knock on a lot of different doors. Mahindra & Mahindra might buy differently from Tata, and Reliance Energy, being private, is going to buy differently from the national utility.

**How does a cross-business, high-visibility campaign like "ecomagination" fit into the idea of commercial excellence?**

Ecomagination is an integrated marketing campaign, connecting the dots from a marketing

*Before we launched this growth initiative, marketing was the place where washed-up salespeople went. They were chart makers.*



standpoint in the way that enterprise selling connects the dots from a sales standpoint. The goal was to strengthen the company by picking a theme that was bigger than just energy, or rail, or aircraft engines, or plastics. We'd never done anything like that before. But in 2004, it came up in our strategic-planning process, S-1, that there was a big theme emerging across five different businesses—a real focus on emissions reduction, energy efficiency, water supply, and what I would call generally the economics of scarcity.

**The very economics, by the way, that drove you to read the demand for organic growth. You're trying to make tailwind out of the headwind.**

Exactly right. So we plugged that input from S-1 into the Commercial Council, which studied it for nine months. We met with people from NGOs, government offices, and other relevant organizations. We brought a lot of assets together, including our knowledge of public policy and how it gets influenced. Once we had done our homework, we launched ecomagination

with 17 products we could point to. As always, we were metric driven. We said that our \$10 billion of revenue from products tapping renewable energy sources like the sun and wind had to go to \$20 billion in five years. The \$750 million we were spending on R&D for clean technologies had to go to a billion and a half. Our own greenhouse gas emissions had to come down by 1% by 2012.

**Has there been any push back from your customers, some of whom I can imagine would rather stick to their carbon-burning ways?**

There were plenty of guys on our energy team who hated this in the beginning because half of their customers were saying *they* hated it. Never mind that half of the customers loved it. We just kept talking: "Here's where we're going. Here's why we think it's good for both of us. And it's going to come someday anyhow, so let's get ahead of it." We hosted what we call a dreaming session in the summer of 2004 with the 30 biggest utilities. Some of the top players in the industry—CEOs like Jim Rogers and David Rutledge—came to Crotonville and heard Jeff Sachs from Columbia talk about global warming. There were other speakers who were pretty compelling on different topics, and breakout sessions. I floated the idea of doing something on public policy on greenhouse gases, and we had a good debate.

In part, ecomagination helped to show the organization that we can do these things. The company has been great in terms of management practice but more reluctant when it comes to what I would call business innovation. Ecomagination was one way to show the organization that it's OK to stick your neck out and even to make customers a little bit uncomfortable.

**Let's move on to globalization, another part of your growth process. I'm struck by something I've heard your executives say—that developing a product for Malaysia or India can't happen through "defeaturezation." The right solution is not an American product stripped down to meet an Indian price, but a truly Indian product designed from the ground up to carry an Indian price.**

It's a big change in orientation, and we talk a lot about it—but to be candid, it's still mostly aspirational. This year we put together a team of 25 people from across the company to figure out

## The Productivity Tool Kit

When Jeff Immelt became GE's chairman and CEO in 2001, the organization already had a robust tool kit in place to tackle business problems. Most of its key initiatives have focused on enhancing productivity.

- **Best Practices Sharing:** identifies particularly effective approaches and spreads them across GE's businesses
- **Change Acceleration Process:** equips leaders with a proven method of managing change and prepares them to succeed as change agents
- **Crotonville Customer Programs:** deploy the resources of GE's renowned internal training facility for the benefit of customers
- **Multigenerational Product Development Plan:** ensures that new products are not simply optimized for the near term but have the ability to evolve with customer needs
- **Process Mapping:** creates visual representations of business processes to facilitate understanding and simplification
- **Quick Market Intelligence:** builds on Wal-Mart's innovation of tapping into real-time data about customer and competitor behavior and disseminating that insight rapidly throughout the organization
- **Simplification:** drives out extraneous costs incurred by overcomplicated processes and proliferation of options in sourcing and other areas
- **Six Sigma:** employs Motorola-pioneered methods to bring defect levels below 3.4 defects per million opportunities. Intensive quality training yields "green belts," "black belts," and "master black belts"
- **Work-Out:** uses cross-functional teams and town hall meetings to find ways to take unproductive work out of the system, like meetings, reports, and approval levels that add no value

what it takes to go from a defeating mind-set to a customer optimization mind-set. When we have our growth playbook session (our old S-1 process) this summer, that is going to be a prominent part of it. So when Dave Calhoun, for example, gets up to talk about the infrastructure business, he's going to have to say, "Here's what I have to do in infrastructure to have more developing-market interplay." Maybe for aircraft engines it won't be much, but in energy or water, it's going to be a big deal. We're putting 50 people on the ground in India to help with the "1 lakh car" [a vehicle that will cost customers 100,000 rupees, or roughly \$2,250] that Ratan Tata is behind. The assumption is that it will be made of plastic, so

it could mean a lot to our plastics business. This may be my hottest topic right now. We can't develop CT scanners in Milwaukee for China; we've got to develop them in China.

**And if the Chinese customer is different from the Indian customer, is different from the North American customer—**

So be it.

**What makes local product development so hard? Or, to look at it another way, what do you think the components of the solution are?**

There are at least three pieces. It's different people. It's funding differently—taking money out of the United States and western Europe and allowing people to spend it in their own regions so that they can really optimize it. And it's about being better at adaptable and low-cost manufacturing. So, coming out of this study, we'll make some decisions on people and where they go, we'll change some funding, and then, as part of our growth playbook, we want to come up with ten emerging-market products. We want to do a \$500,000 MRI machine that is a step function different from anything we've ever made. We also want to make a village-level desalination product. Right now, if you're Algeria and you're going to drop \$2 billion into the most sophisticated desalination plant in the world, we've got that covered. What we don't have is a \$35,000 municipal water system that can be deployed easily. Investors who don't know the reality of the developing world see this kind of thinking and say, "God, this is risky." And I say, "You want to see something risky, try selling a lightbulb to a big-box retailer." I think we can get a 45% to 50% contribution margin on a product like this if we design it there, if we make it there, and if it never gets touched by someone in Milwaukee or someplace far away like that. It needs to leverage global technology, but it's got to be in the market and of the market.

**GE has been aggressively globalizing its talent base, but it seems as if you are looking for something deeper than a diversity of faces. You want to make it credible that any boy or girl growing up anywhere in the world could end up in the office you hold—and that the full spectrum of career development can start anywhere in GE.**

That is absolutely what we want to see. That's

## The Growth Tool Kit

A new set of tools has been added to the old kit to help GE achieve its goals for top-line growth.

- **Acquisition Integration Framework:** outlines a detailed process for ensuring that acquired entities are effectively assimilated into GE
- **At the Customer, for the Customer:** brings GE's internal best practices, management tools, and training programs to customers facing their own managerial challenges
- **CECOR Marketing Framework:** connects innovation and other growth efforts with market opportunities and customer needs by asking questions to *calibrate, explore, create, organize, and realize* strategic growth
- **Customer Dreaming Sessions:** assemble a group of the most influential and creative people in an industry to envision its future and provoke the kind of interchange that can inspire new plans
- **Growth Traits and Assessments:** outline and enforce the expectation that GE's next generation of leaders will display five strengths: external focus, clear thinking, imagination, inclusiveness, and domain expertise
- **Imagination Breakthroughs:** focus top management's attention and resources on promising ideas for new revenue streams percolating up from anywhere in the organization
- **Innovation Fundamentals:** equip managers with four exercises to engage people in innovation, and prepare them to transform new ideas into action
- **Innovation Labs and Tool Kit:** support business strategy, product development, and other cross-functional project teams with a variety of resources and materials relevant to innovation efforts
- **Lean Showcases:** demonstrate the power of "lean" thinking by allowing people to see how cycle times were reduced in a core customer-facing business process
- **Lean Six Sigma:** puts the Six Sigma methods and tools in the service of a critical goal—reducing cycle times in the processes that chiefly drive customer satisfaction
- **Net-Promoter Score:** holds all GE businesses to a new standard: They must track and improve the percentage of customers who would recommend GE. The scores are seen as leading indicators of growth performance; business teams apply lean Six Sigma and other tools to analyze scores and identify and implement improvements.



why we went straight to the audit staff, straight into the heartbeat of the company. There are about 400 young people on the audit staff, and maybe 60 are Indian. Our CFO, Keith Sherin, has said that in the next year, we're going to have 185 FMP participants in Asia (FMP is the two-year financial management program we use to launch GE management careers). Eventually, that group will funnel down to about 60 we can put on the audit staff. Again, we can't snap our fingers to make the change, but in a four-year time period, we can move the needle in a pretty substantial way.

**Meanwhile, you've identified a new set of growth traits for all of GE's leaders.**

There are so many great traits in this organization that I never want to lose. People are friendly, competitive, hardworking. What I've always loved about GE is it's a working person's company. But we knew that we wouldn't be growth oriented without some change to our DNA. So we benchmarked 15 companies that had grown organically for a decade at three times the GDP—Dell and Toyota, for instance, and some of our own businesses, like consumer finance. We looked at who their people were and what they did. By the end of 2004, we came up with five growth traits. The first is external focus. Then there's imagination and creativity. And a growth leader must be especially decisive and capable of clear thinking. Inclusiveness is also vital. Finally, leaders in these high-growth companies tend to have deep domain expertise.

We came up with a tool that we'll use as part of Session C, our annual HR review. It's a matrix that lists the five growth traits and their components. You're rated as green, yellow, or red on each one. Everybody has to have one red because the point is not to pick out winners and losers—it's to say everybody's got to work on something. That will guide the development plans for the top 5,000 people in the company this year.

**What's red for you? Where do you think you could use the most work?**

Decisiveness. At my level in the company, it's clearly the thing that moves the needle the most. One of the things I've learned by experience is that you can run a productivity company and not have to give a lot of straight yes or no answers. You can make your base costs by

cutting everybody by 10%, and you can do OK for a long time that way. But you can't drive a growth company by cutting everybody by 10%—or by adding 10%. You have to make higher-level moves, and that takes clear decision making.

**How do you take these traits and turn them into the machine that produces the talent you need?**

What we'll get from this year's Session C will be diagnostic. We might see that the consumer finance business is all red in one area and all green in another. Then we'll decide how its training should change, and so on. This is the strength of the GE model. If you think about it, I own all the means of correction. I can send people who have a gap to school, and then I've got the audit staff to make sure they go.

The focus on organic growth is also going to require people to stay in the same jobs longer. You can't plant a tree and see it grow in a year. This is very countercultural in an organization where building a career has always meant packing your bags every 18 months. Going forward, you're still going to have some 18-month jobs, but over the course of 30 years, you're going to have more jobs that last five years.

**Besides saner home lives, the benefit of keeping people in position longer is what?**

Deeper domain knowledge. If you dispel the myths of our company, which is what I have to do sometimes, you see that the most successful parts of GE are places where leaders have stayed in place a long time. Think of Brian Rowe's long tenure in aircraft engines. Four or five big decisions he made—relying on his deep knowledge of that business—won us maybe as many as 50 years of industry leadership. The same point applies to GE Capital. The places where we've churned people, like reinsurance, are where you will find we've failed.

**At the same time that you're urging your people to become more externally focused, you're also talking about externalizing GE's legendary internal process excellence. Can you explain that part of the growth process?**

This was an idea that began with benchmarking Toyota. People there impressed upon us that Toyota is a very process-driven company and the purpose of that is to delight customers and annihilate competitors. Now, GE is cer-

tainly a process-driven company. But I would say that if you interviewed GE employees and asked why we did Six Sigma, you wouldn't get that answer. We decided that somehow we had to take some of our processes and embed them into how we beat the competition and how we delight customers.

We started with two things. **First, lean processes.** We realized that the notion of reducing cycle time and waste was a great fit with the challenges of interacting with customers. We applied it to things like bringing down the time needed to install an MRI machine. That used to take 65 days. Now it takes 15.

**Second, we created an offering called "At the Customer, for the Customer,"** which involves doing Six Sigma projects in GE customers' operations to help them be more successful. We're doing this, for example, with a big health systems company where we're embedding a dozen people—we call them "performance solutions"—who will train the company's employees on Six Sigma and work with them to apply it to the billing process, the emergency room, any six areas the company chooses.

**You're now using some new measurements to gauge your success with customers.**

When we run our business management courses, we ask people to work on real problems we're trying to solve. In 2004, we sent one class out to study companies with the reputation of being best in class. One of the things that group discovered is you've got to have a customer satisfaction metric, and that is doubly true for GE, since **nothing happens in this company without an output metric.**

Our first response, in 2005, was to have each business adopt one operating and one social metric for customer satisfaction. The social metric we liked the best was the thing you published by Fred Reichheld—the net-promoter score, or the percentage of people who say they would recommend GE to a friend, minus those who wouldn't. (See "The One Number You Need to Grow," HBR December 2003.) So we standardized that across all the businesses. Now aviation, for example, has a net-promoter score and the operating metric that makes the most sense for that business: time on wing. It's useful to have at least one score standard across the company, because that way we can spread learning.

**That brings us around to "imagination breakthroughs" on the chart. Those seem to be a way of injecting energy into the system.**

If you want to have growth, you've got to make sure that there are tough projects being done and you shine a light on them. We created imagination breakthroughs to pull some ideas out of the pile that we thought were really hard or really important and could possibly generate \$100 million in new sales over a three-year horizon. Imagination breakthroughs are a protected class of ideas—safe from the budget slashers because I've blessed each one. They help make organic growth real to the company and to the Street. At this point, there are about 100 of them, half involving brand-new products and half involving changing commercial structure. Ultimately, I'd like to see the concept morph and spread into the organization so that we have 1,000 imagination breakthroughs and the focus is less on these big elephants and more on creativity throughout the businesses.

An example of an imagination breakthrough project is the hybrid locomotive. It's got a program manager who's been selected by me, it's funded, and every best practice we know of in the company is going to be applied to it. I'm going to look at it once a month, in terms of status, and see to it that what is being learned in the project is disseminated. What we're trying to do with imagination breakthroughs is take risks, using my point of view.

**Do you mean that the CEO's point of view on a project like this would be different from, say, a business unit head's point of view? Why would that be true?**

I have the biggest risk profile and the broadest time horizon in the company. So looking at the evolution of the hybrid locomotive, we're talking about tens of millions of dollars. For the program manager, it's huge, the most massive thing he's ever managed. For John Dineen, who runs the rail business, it's pretty big. For me, you know, it's OK. We can do it. The program manager wants it to get done tomorrow. John Dineen says, "Jeez, I may be in this job four, five years." But I'll probably be here much longer. I'll see the hybrid locomotive—I absolutely know that. So I can bring to bear the right risk-taking and time horizon trade-offs.

I review about eight imagination breakthroughs every month and have all eight program managers sitting around the table. Be-

*Imagination breakthroughs are a protected class of ideas—safe from the budget slashers because I've blessed each one.*

hind each one is an actual picture of what that person's working on, a desalination plant or new Monogram refrigerator or GE engine, to help keep it real. I don't want to see any long-winded PowerPoint presentations. I just have a little profile of each program in front of me, and I want the program managers to talk to me. I ask, "What is the biggest internal barrier? What is the biggest external barrier? Are you on time? What's the revenue flow?"

The other day, we had three people from financial services, one person from health care, one from rail, and a few focused on distribution channels. One person was presenting on Internet credit card applications. "My biggest bottleneck," she said, "is I don't have the right kind of IT search engine that can do all my credit approval, so I'm using sneakerware. It's hurting my growth." So I asked the team, "What's it going to take to have the same capability that Citigroup or American Express has?" And we had a real debate about how to get this done.

At a meeting last year, reviewing the value products for health care with Joe Hogan, who runs the business, we added \$20 million in funding and took the responsibility for the value products away from the product lines and put it in China. That was how we removed an internal barrier: The mother business was squeezing it. In the year since, sales have gone from \$60 million to \$260 million. At a recent update for those same products, we talked more about an external barrier: how we might design knockdown kits so that we could design the thing and make a kit in India but have it assembled in China and avoid the tariffs and duties. Those are the discussions you want to have there.

#### **It sounds like an intense experience for the program managers.**

One of the things this process has taught us is we don't have enough sophisticated product managers and great systems engineers to put in charge of high-visibility programs like these. If there's a \$100 million investment project, we might, out of the 310,000 people in the company, have 30 who really know how to spend that amount of money effectively. That's probably not enough. It has presented an organizational weakness, and at Session C this year, we're going to home in on building that capability.

#### **The imagination breakthrough part of the growth process seems the most counter to the productivity culture that dominated when you came here. How do you make sure people get it?**

I'm a translator. Every CEO has to be. When we have an idea factory like IDEO talk to us about innovation, it's my job to translate what they say into GE. That means putting it in terms of process and metrics.

#### **OK, take IDEO's idea of rapid prototyping. They say, "Have a beginner's mind," and "Prototype in a day." Translate that into GE.**

That's risk mitigation for imagination breakthroughs. I'm serious. What I'm saying is, don't think about this as brainstorming; think about it as a way to measure risk, understand failure rates, and learn what customers think, so we can run through more ideas without increasing the overall amount of risk.

#### **GE's 2004 annual report sounded a self-assured note. You titled it—and by extension, the current era—"Our Time." What were you signaling?**

Only what I remind myself of every day—that achieving this kind of growth depends on making it the personal mission of everyone here. If we want, we can cloak ourselves in the myth of the professional manager and hide any problem in a process flowchart. But if I want people to take more risks, solve bigger problems, and grow the business in a way that's never been done before, I have to make it personal. So I tell people, "Start your career tomorrow. If you had a bad year, learn from it and do better. If you had a good year, I've already forgotten about it."

This is not a place for small-timers. Working at GE is the art of thinking and playing big; our managers have to work cross function, cross region, cross company. And we have to be about big purposes. We *can* solve health care. I like to remind people, if you fail here—well, what will happen? You'll leave and get a bigger job somewhere else. But if you win here, what's behind door number two? You get to be in the front seat of history, creating the future.

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