

chart that illustrates the structure of the firm. Once you have found a recent organizational chart, write an analysis for your instructor that describes the organizational structure.

Specifically, your analysis should address the following:

- Discuss the division of labor—does the company seem to employ primarily specialists or generalists?
- Describe the departmentalization—how is the firm departmentalized?
- Assess the chain of command—is chain of command from the front-line associates to the president clearly defined?
- Discuss the span of control—are managers supervising an appropriate number of employees?
- Determine the degree of centralization—based upon the organizational chart, is this company centralized or decentralized?
- Describe the structural model—does the company exhibit a mechanistic or organic model?

Reflection Questions

1. What was the most challenging aspect of organizational structure for you to assess in this assignment? Why?
2. For the organization you currently work for, or a recent employer, assess the organizational structure you have experienced.
3. What kind of organizational structure would you most like to work in? Least? Explain.
4. Why do companies have varying organizational structures? Why are they not all the same?

Exercise contributed by Steven Stovall, Southeast Missouri State University.

CASE STUDY 15.1: Organizational Change and Structure at General Electric (GE)

General Electric (NYSE: GE), headquartered in Boston, is one of the most storied and successful corporations in American history. They have roots all the way back to Thomas Edison and his invention of the incandescent light bulb, when they purchased his company, Edison General, in 1892. General Electric can be found all across homes, consumer products markets, and business-to-business transactions around the world; they are involved in providing everything from refrigerators to wind turbines to financial services and banking. As impressive as their history is, GE must constantly adapt and change their business to stay alive.

The Change Process

Jeff Immelt, the Chief Executive Officer of GE from 2000 until 2017, saw huge success and huge failure, and he found ways to help General Electric adapt to the world around it. The text speaks about internal and external forces, which are forces from inside and outside a company, respectively, that demand action. GE, with Immelt in the corner office, saw much of both. For example, the 2008 financial crisis did not leave GE unscathed: their stock price in 2007 was \$40, and by 2009 it was below \$10. It makes it difficult for a large conglomeration of companies like General Electric to function effectively when their share price is so low and equity markets are ineffective for raising capital to continue growth and operations, but this external force led to positive organizational change. According to Jeff Immelt, "The changes that took place in the world from 2001, when I assumed the company's leadership, to 2017 are too numerous to

mention. The task of the CEO has never been as difficult as it is today." And he is right: when the internet came around, and with it a technology boom, General Electric could have easily been left in the dust as an old industrial corporation. To adapt, GE has become an innovator in technology, began investing in many new businesses, and redesigned old ones.

Immelt, when looking back on his time as CEO and discussing the change-making process, remarks, "It's the leader's job to connect the dots for everyone in the organization." This is a tough task, but an important one. The text mentions resistance to change: a very common phenomenon where employees or managers refuse to embrace change; sometimes they do not want to learn a new method, or they simply do not believe there is a need for a change. Part of connecting the dots, as Immelt puts it, is "to get people in your organization to see the need for change as existential." All future managers should be aware of that fact—that without their full dedication and leadership, they will never get their team to get on board with serious organizational change.

GE Transformations

There is no way for a company to survive a hundred years, or even ten, without undergoing some changes in their identity or services. There are three elements of Lewin's Basic Change model, and General Electric has become familiar with the one in the middle: transformation. This occurs when managers accept the need for change, and begin the difficult process of implementation; this involves important things, like making sure employees are aligned with the transformation. For example, GE started a branch named GE Capital as far back as 1932, and it has grown into a very large financial services operator and financier. The management found, though, that their company had gone astray with too many subsidiaries involved in their essential business offerings, so they defined their core business as industrial businesses and technology. After defining the change, they spent years reframing GE Capital and many other business units to put an emphasis on supporting the core industrial activities.

GE has done a few more things to promote a transformation in the 2000s. They doubled investment in research and development (R&D) in order to ensure they are at the front of the pack in the technology they manufacture; a longstanding company can be disrupted by a start-up on any day unless they transform and innovate constantly. Changes like that require convincing: management has to agree to spend the money, the funds have to be found somewhere, and new teams of employees must be created and work well together. GE also transformed into a global company, and they have operations in over 180 countries. This, too, is part of their core mission to add value in the digital age and stay ahead of disruptors and external forces.

General Electric: Still an Open Case

Charles Dow created the still-famous Dow Jones Industrial index out of twelve companies in 1896, and GE was the only original member still standing up until 2018. Their removal after such a long stay on the list of companies used to measure the health of the American market is only one of General Electric's new problems and largely occurred in response to their recent poor performance in some areas. They have the biggest pension deficit of any company on Standard and Poor's 500 index, meaning that they have outstanding debt to their employees of over \$28 billion. They have had to make cuts to their dividends, the money they pay shareholders quarterly, and they will have to raise capital and sell off business units until they can manage both problems, and return to their historic profitability.

GE has seen times worse than these, and they have learned to adapt all throughout the 21st century. The open case now is whether they will change, transform, and fix their problems like they have in the past.

Case Questions

1. Name two transformations that GE has undergone since the turn of the century.
2. What is an external force? Describe one which GE had to react to.
3. Why is GE an open case?