

**ACTION LEARNING HELPS
GENERAL ELECTRIC'S EXECUTIVES
AND MANAGERS TO THINK
GLOBALLY SO THEY CAN COMPETE
GLOBALLY. AT THE SAME TIME,
THE TRAINING HELPS THEM SOLVE
INTERNAL PROBLEMS.**



IN THIS ARTICLE

*Globalization, Action Learning, Executive
Development, Case Studies*

GE BRINGS GLOBAL THINKING TO LIGHT

Many business leaders in the United States are victims of what one General Electric executive calls, "our domestic trap." On one hand, they must have global brains—in other words, the knowledge, skills, cultural sensitivity, and experience

to win in world markets. But they also have to compete in what has been the world's largest single market, the United States.

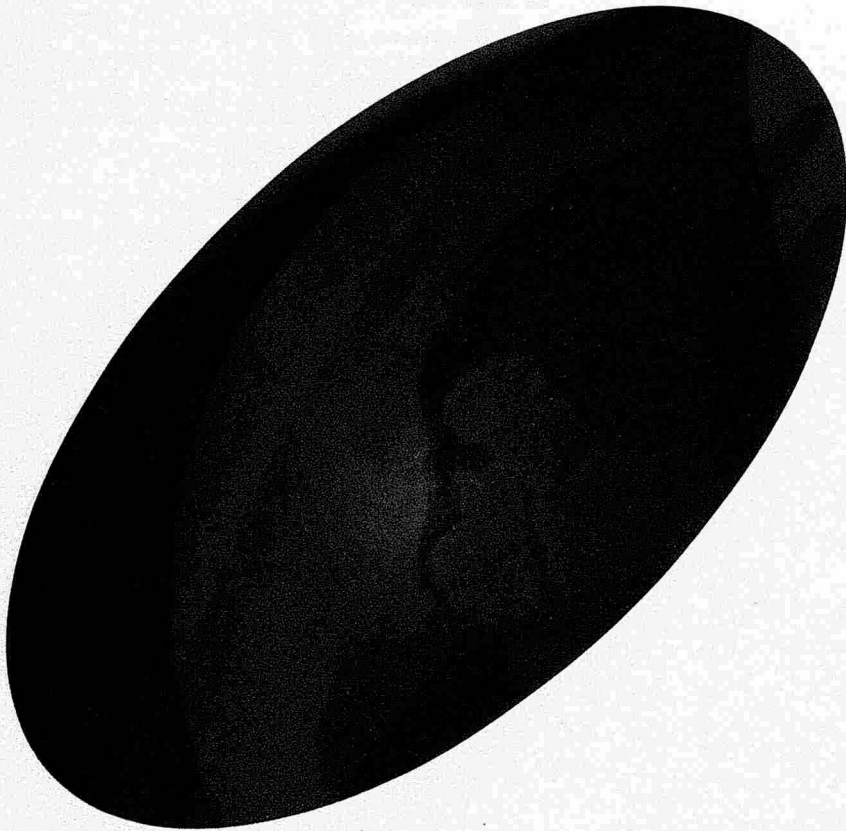
In many cases, competing domestically has been more of a priority than developing the skills to compete globally. It's easy for U.S. businesspeople to speak English, think in dollars, design for U.S. standards, and make business trips to Cleveland rather than Frankfurt.

GE is familiar with this domestic trap. The company derives nearly 25 percent of its revenues and 40 percent of its operating profit from non-U.S. sales. About 25 percent of its workforce is non-U.S. Yet, GE's lead-

ers were educated and have had most of their work experiences in the United States. The challenge for GE's executive education staff is to provide training that helps the company's leaders build the necessary skills, self-confidence, and base of experience for competing globally.

Since 1986, GE's training programs have used action learning, a learning-by-doing approach in which the training addresses actual business problems. GE's programs focused on customer-service objectives. In 1988, GE began to apply action learning with a global perspective. Today, all of GE's executive education programs are international in scope.

BY JAMES L. NOEL AND RAM CHARAN



A shift in focus

Executive education at GE is composed of two programs: an executive development course (EDC) and a business management course (BMC). The roster of participants for each four-week course is determined by an annual organizational staffing review and succession planning process.

GE conducts one EDC a year for potential officers of the company. The CEO approves the class roster. Depending on need, GE conducts two or three BMCs a year for potential general managers.

Before 1986, GE's executive education program was similar to many corporate and university-based executive programs. The primary learning methods included lectures, case studies, computer simulations, and outdoor activities. The main goals were team and leadership development. The curriculum included modules on leadership, teamwork, global competition, and business strategy. At the end of the course, an integrating activity synthesized the various themes. Faculty members came from

U.S. and European business schools.

In 1986, GE replaced that development model with an action-learning format that complemented changes in the company. Five years earlier, Jack Welch had become CEO and had immediately initiated a change process that would transform GE by 1990. The process, which ironically began at a time of record

GE's businesses couldn't achieve those strategic positions, they would be "fixed, closed, or sold."

Through restructuring, GE attempted to wipe out bureaucracy and develop a leaner, more flexible organization. To give each of the businesses more autonomy, GE cut organizational layers in each one from an average of nine to only five. The company also reduced its workforce from 400,000 to 265,000.

A change in culture

Reorganizing a company is one thing. Changing the culture of a 100-year-old company is another. From the beginning, Welch talked about the need to create a new corporate culture—one based not on bureaucracy and control, but on the empowerment of employees. The objective was an organization that could move with "speed, simplicity, and self-confidence."

In 1989, GE embarked on an organizationwide culture-change effort called Work Out. Its goals were to minimize vertical and horizontal barriers to being responsive to customers and to rid the company of boundaries. Work Out had a considerable effect on GE's educational center, the Management Development Institute, which GE identified as a potential vehicle for remaking the company. In 1985, a new mission statement defined MDI's expanded role:

"To enhance GE's competitiveness in a global environment by providing

THE WORLD IS CHANGING AND THE ONLY BUSINESSES TO SURVIVE WILL BE THOSE THAT CAN COMPETE GLOBALLY

sales and profits, refocused the company's strategy, structure, and culture. The fundamental assumption in Welch's call for change was this: The world is changing and the only businesses to survive will be those that can compete globally.

GE's new strategic goal was for each of its 13 businesses to be first or second in the global market. If

GE professionals with a broad array of functional experiences in business-leadership development and organizational effectiveness, and to serve as an instrument for cultural change."

GE's new emphasis on global competitiveness, leadership, organizational effectiveness, and cultural change had significant effects on its

executive education programs. GE decided to move from a model that was based on individual cognitive learning to one that is based on problem solving by teams. That is, action learning.

A reality-based model

At GE, action learning places participants in problem solving roles. It stretches them by challenging them with the types of problems faced by business leaders who are a level or two above them. The issues are real, relevant, and require decisions. For example, a typical action-learning project may require that participants develop customer-focused business strategies.

Formats vary. But generally, two teams of five to seven people each work on a single project, which is provided by a senior business development manager from one of GE's 13 separate businesses. Participants come from diverse businesses and functions within the company; no team member is from the business being studied.

When action learning was first proposed, some people were concerned that GE's business leaders wouldn't want to offer projects—that they wouldn't want to air their problems in an open forum or that they'd worry that their projects weren't important enough to justify people's time and effort.

Fortunately, the business leaders viewed the projects as excellent opportunities to have a group of bright, experienced managers work on their problems. The leaders felt that having participants come from other businesses provided a fresh perspective, which in turn might result in synergy across the company.

Another concern was that an action-learning project could easily be viewed as just another work assignment. To avert that perception, GE built into the model opportunities for feedback on strategies and on issues regarding leadership and teamwork. The project participants receive feedback and have various opportunities to reflect on the total learning experience.

Before the course is taught, MDI staff members work with the business being studied to define the

issues, write a set of specific objectives, and compile a notebook of pertinent market, customer, and financial information on each issue. Before they plunge into the project, participants receive briefings from the notebook as well as written statements of the issues and goals.

Participants spend the first seven to ten days of the course receiving instruction and taking part in team building activities. In the next stage, they conduct 40 to 60 interviews (prescheduled by MDI) with customers, suppliers, analysts, and GE employees.

In the final week of the course, participants make their recommendations in the form of a presentation to the business leader who provided the project. To practice, they may make draft presentations to key faculty members who taught the course or to a senior GE officer.

A typical presentation takes 20 to 30 minutes, with an additional 30 minutes for discussion. The business leader generally brings along a team of key players who are involved in the issues at hand. Only the participants and visiting business team are in the room—an approach that tends to promote honest, open dialogue. When people raise significant questions, the project teams must defend or rethink their positions.

Action-learning teams

After five years of action learning at GE, the areas in which it appears to be most effective are leadership and teamwork. In a sense, the project teams reflect the boundary-free work environment that GE is striving to create. Working with different businesses, participants must manage group process, maintain group energy, and build teams. And they must accomplish those objectives in the stressful environment of competing teams, highly visible projects, and time constraints.

Because participants take part in team building activities in the first part of the course, they get a chance to focus on team issues and group processes. They also participate in exercises during the course of the projects that help them focus on group issues that are related to decision making, communication, infor-

mation processing, and the maintenance of group energy.

Once the projects are completed, participants spend half a day in a group session discussing such issues as team output and team process—including each member's contribution.

Participants repeatedly refer to the "team dynamic" as one of the most significant aspects of the projects. In 1989, telephone interviewers asked former participants to reflect on their action-learning experiences. They said that building and managing project teams were the most important things they learned about.

Action learning in the global sphere

In addition to team building, action learning provides participants with a context for dealing with multicultural issues. A project that has an international focus places participants in an environment in which they must handle cultural differences. In such cases, the interview stage is particularly instructive because it brings participants face-to-face with diverse businesspeople.

At GE, global projects often focus attention on potential markets. In 1989, a business management course evaluated India, China, and the then Soviet Union as potential places to do business. A year later, another BMC evaluated the emerging nations of eastern Europe as investment opportunities.

But it's the executive development course that has become the key educational experience for developing GE's next generation of leaders. EDC objectives are to help participants develop customer-focused global business strategies, lead in boundary-free teams and organizations, value cultural diversity, and build networks of career relationships.

The participants in a global BMC tend to be less experienced. Consequently, they spend the first seven to ten days on background concepts such as business strategy, economics, finance, and marketing.

An international setting

A look at a 1991 EDC shows how GE has adapted action learning to develop global business leaders. The first phase of the course took place

in Heidelberg, Germany, outside of Frankfurt. GE selected Germany because it's a market in which the company doesn't have a strong presence and because it's the home of several key global competitors. The theme for the course was "Winning in Europe: The Competitive and Cultural Challenge."

The first module addressed the

achievement of professional growth through the use of peer and subordinate feedback and the formation of teams. GE developed a feedback instrument, the Leadership Effectiveness Survey (LES), which revolves around key corporate values. In an LES, direct reports and peers provide the feedback.

In the 1991 EDC, a newly pro-

moted business leader at GE met with participants to share his efforts to improve his leadership abilities. He brought along three LES Surveys, taken over a four-year period, to show how they helped him identify the skills and behaviors he needed to improve.

Then participants received their LES feedback and had time to reflect on their feedback and to receive personal coaching. Later in the day, participants formed project teams. With team members, they shared leadership behaviors that they wanted to improve during the course.

A second goal for the first week was for participants to meet with key European business leaders, opinion makers, and government officials. Participants attended sessions with French, German, and Swedish CEOs. They met with high-level government officials from France and Italy, an EEC commissioner, the editor of *The Economist*, and a German newspaper editor.

The intent of these sessions was to help the participants learn to view the global marketplace through the eyes of Europeans.

Nearly every session revealed striking personal insights. When the CEO of one of Germany's largest companies addressed the group, he happened to mention how tired he was. It was only two weeks after the aborted coup in the Soviet Union and his company had heavy investments there. He further explained that recent investments in former East Germany were sapping his energy. He said it was difficult to justify some of the investments as good business decisions, but that, as a German, he felt compelled to be supportive of the economic efforts to unify the country.

In another example, the French CEO of a large electronics and defense firm talked about European attitudes toward Japan and about his company's efforts to compete against the Japanese in electronics.

The first week of the course concluded with a module, conducted by a professor from France, on working in a multicultural business environment. This session prepared participants for the next phase—the interview phase.

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A case project

During the second week, emphasis shifted to the group projects. Two business-school teachers and a retired GE senior vice-president conducted a module on global industry structure, market development, and customer satisfaction. The instructors also served as members of the review board for draft presentations during the final week of the course.

Projects for the 1991 EDC came from GE's plastics, lighting, and electrical distribution and control businesses. One project required that participants develop a consumer-lighting strategy for western Europe. The task was prompted by a sharp rise—from 2 percent to 18 percent in only 18 months—in GE's share of the western European consumer lighting market, mostly due to the acquisition of Tungfram in Hungary and Thorn Lighting in the U.K.

The business leaders encouraged participants to be creative and, at the same time, to focus on the unique characteristics of the market. They asked participants to think of ways in which GE could fundamentally change the consumer-lighting business in western Europe. Were there ways to change the rules of the game? What tools could GE use to change the market? Was the market ready for a new look or a new player? Was it possible to excite retailers and customers by finding new ways to add value?

Before beginning the project, participants met to take part in several structured team activities. The last activity before the interview stage focused on team process and team energy. Participants received a format for managing team process and energy, to encourage them to internalize it for use back on the job.

In the next stage, each team interviewed 60 to 70 customers, suppliers, analysts, and GE representatives. MDI staff members arranged the interviews and travel plans, but participants were free to modify them, and they sometimes did. A pair of participants—one from each team on the project—together interviewed one person. The two participants heard the same information, but their conclusions were often very different.

As participants traveled across

Europe to conduct interviews, they experienced firsthand the effects of local culture, language, currency, legislation, and tax laws—as well as consumer preferences for national brands. Many participants later commented that this contact was very valuable to them personally.

Between interviews, participants were sequestered in Brussels on weekends. During that time, team members began debriefing each other on their interviews. After the final interviews, the teams reconvened in Brussels, where they had two days to put together their reports and to fax them to MDI. Participants returned to the United States on a Saturday; on Sunday, they met to prepare their draft presentations for Monday.

After the actual presentations, both project teams met together with the business team for a wrap-up. Discussion tended to be about what the business team found to be valuable, what questions business team members had, what similarities and differences there were between the two presentations by the project teams, and what action the business teams might take on the project teams' recommendations.

The next afternoon, the project teams met to discuss how each team felt it did in completing the project and in managing team process and energy. Then participants received personal feedback from every member of their respective teams. Before receiving team feedback, participants reviewed with team members their LES feedback and personal objectives for the course. This structured approach to feedback seemed to encourage participants to focus on their individual developmental needs on a continuing basis.

The final course activity was a session with the CEO. In the 1991 EDC, Welch divided his time between discussing the projects and addressing the issues related to leadership and values in GE's new culture. He found two reports on GE's plastics business of particular significance, not only to plastics, but to GE as a whole, because they offered observations and suggestions for serving customers.

The two teams who worked on

the plastics project were asked to do a summary presentation to the corporate executive council, a quarterly meeting of GE's CEO and 13 business leaders. According to Welch, that one presentation justified the cost of the course.

Ongoing applications

The 1991 EDC represents only one adaptation of action learning for developing global business leaders. The 1989 BMC—which evaluated China, India, and the then Soviet Union as potential places to do business—demonstrates the flexibility of action learning. That course helped not only to evaluate the countries but also to answer the question of whether GE wanted to participate.

The course also answered specific questions related to each country. In India, the teams assessed the strategy of GE's medical systems. In the Soviet Union, the teams made recommendations on how GE's power systems could reenter the gas turbine business. And in China, the teams evaluated resources for GE appliances.

Action learning makes participants active partners in the learning process. Because the team projects provide value to GE's businesses, it has an immediate return on investment. Action learning also provides a viable vehicle for dealing with issues of leadership and teamwork—issues that can be difficult to address in the classroom.

When action learning takes place in a global setting, it has two more advantages: It provides participants with hands-on cross-cultural experiences and it engenders the unique self-confidence that comes from working in an international setting.

The power of action learning is best expressed in the adage, "To hear is to forget, to see is to remember, but to do is to know." ■

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