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Aimless expansion and lack of focus can be fatal to the bottom line, and the brand

In early Nov 2021, Larry Culp, General Electric's (GE's) CEO, announced that the 129-year-old conglomerate and once a symbol of American business power will be split into 3 businesses focusing on energy, healthcare, and aviation. The company, a founding member of the Dow Jones Industrial Average in 1896, has suffered in recent years, finally getting the boot from the DJIA in 2018 following years of sliding valuation. The company's 2020 revenue at \$80bn were a far cry from the \$180+bn in 2008.

The once glamorous company made light bulbs, invented the first electric cooking range and clothes washer, manufactured the first US nuclear power plant, supplied NASA in the space program while expanding into television, movies and insurance, locomotives, and healthcare under its legendary – and controversial – former CEO Jack Welch. The strategy to grow by getting into totally unrelated businesses ultimately led to lack of focus, too much debt, sliding profitability and underperforming stock valuation – surprising since many of its products and services – jet engines, medical scanning devices, locomotives, wind-turbines – remain highly sought-after.

According to Culp, GE will separate the healthcare company, in which it expects to retain a 20% stake in early 2023; combine GE Renewable Energy, GE Power and GE Digital into a single unit in 2024. Following the split, GE will become an aviation company, led by Culp.

Culp's strategy is a total reversal of the path GE pursued in the 1980s and 90s under Jack Welch, who expanded the company into an industrial behemoth and was regarded as a business guru for a while. Culp believes that the split would make different units "more focused" and result in "greater accountability." At the end, mixing health care, energy and aviation was too much to handle.

The issue of business focus and how to optimise the human resources, capital and know-how into a profitable and sustainable enterprise is now facing the oil super majors. As described in the preceding article, some are attempting to move away from their legacy assets and expertise into new areas such as renewable energy generation, green hydrogen, carbon capture and storage, electrified transport and so on – businesses where they don't necessarily have a competitive advantage aside from deep pockets, good business discipline and a capable workforce. Others believe that they – and their shareholders – will be better off to stick to what they know and refrain from expanding into unchartered waters. GE's experience offers some lessons in not losing one's focus.

On the other hand, strong arguments can be made that the oil super majors' historic business of exploration, production refining and retailing of oil and gas won't be sustainable if the global ambitions to address climate change gathers momentum, as appears to be the case. Who else, if not the big oil super majors, has the capital, the know-how and the business discipline to help the world's economies get off fossil fuels?

This is the message conveyed by Fortescue Future Industries (FFI) in a full-page advert in the 30 Oct issue of *The Economist*, which read, in part:

- "Dear Fossil Fuel Executives,
- Your industry is in terminal decline.
- But the green hydrogen economy is growing. And guess what? It could use some brilliant go-getters just like you. Talented, innovative hot shots with years of knowledge and expertise in the global energy sector."
- The advert goes on to entice:
- "And the best part is, the whole thing could generate revenues of \$2.5trn per year by 2050."

GE: A faded brand?



It is a convincing argument. The oil majors can remain focused on energy – not health care or aviation – while moving away from sole dependence on fossil fuels, “Which means you can be a hero in the global energy sector, save the planet and look your kids in the eye,” the advert reads. The bottom line? “Green hydrogen business is good business.”

This article originally appeared in December’s edition of *EEnergy Informer*, a newsletter produced by Fereidoon Sioshansi of [Menlo Energy Economics](#) and editor of *Behind and Beyond the Meter: Digitalisation, Aggregation, Optimisation, Monetisation*.

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