



The Operations Strategy is Worthless Without a Focus on Day-to-Day Performance

Larry Culp, the New CEO at General Electric, Makes Bold Changes, Re-Focuses the Company on Day-to-Day Performance

The Status Quo is Untenable

In a recent interview the former Danaher leader outlined his plans to right the GE ship by emphasizing daily management, transparency and accountability.

As the business world knows, Larry Culp was named CEO of General Electric in early October. From 2001 to 2015 Culp was CEO at Danaher Corporation, where a fair number of TBM advisors have earned their wings. Under his leadership over those 14 years, Danaher's stock price climbed 14% annually, delivering a 465% total shareholder return, compared to 105% for the S&P 500 during the same period.

Following its most recent earnings report, GE's stock price fell to near-record low,

Recession-era depths. Its accounting practices are under investigation by the SEC and the U.S. Justice Department. And the company's storied dividend has been cut to just one cent per share.

Needless to say, GE and Culp face a bucketload of challenges. He agreed to the CEO job after joining the company's reconfigured board of directors this past April. So he's under few illusions about the extent of the work that needs to be done.

GE Power, the company's largest business unit with over \$36 billion in sales last year, has struggled with declining demand and technical issues. One of Culp's first announcements was that the unit would be split into two divisions to accelerate operating improvements. In an [Larry Culp interview with the Wall Street Journal](#), he said that a management layer would also be eliminated so he has a better view into the day-to-day performance of the business.

What Really Struck Me Was His Focus on the Day-to-Day Management of the Company

Those are some of his initial structural changes. What really struck me about Culp's press statements though, which rings so true and which is something we talk to clients about every day, is his focus on the point of impact, the point where customer value is created. He emphasized the need to make sure the company's businesses are performing at all levels every day.

"What we clearly have to do is improve our day-to-day management of that business," he said, referring specifically to the Power unit. "What it is going to give me is a better line of sight on the business. We are going to effectively eliminate a headquarters function that sits between me and that business. I think that gives us an opportunity to wring out some of the undue optimism that perhaps we have dealt with and really drive greater transparency and certainly more accountability."

Culp isn't talking about a massive new strategy or lofty goals. The company didn't even give any earnings or cash-flow guidance through the end of the year.

In the press his comments were characterized as focusing on cost cutting, compared

I assume to making any bolder, more strategic moves. But that misses the point. Costs are only one of the most important day-to-day performance measures. Delivery, quality and safety are others that TBM, and Danaher, have always emphasized.

Culp's approach is a reminder not only to GE but to all of us that going to the "point of impact" is the most important action for driving changes. Strategies are developed in the board room but real change happens at the point of impact where customer value is added. Even a manufacturer like GE with a long history of operational excellence can lose its way. In the end any strategy is worthless if a company isn't effectively executing every shift, every day.

"The status quo is untenable. Getting closer to the action, eliminating unnecessary cost has always worked for me." Larry Culp, CEO of General Electric

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