

PART

TRANSFORMATION, TALENT,  
AND HUMAN RESOURCES

ONE  
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## CHAPTER

# 1

## TRANSFORMING GE

### **Building a Sustainable Corporation from the People Up**

FOUNDED IN 1892 BY THOMAS EDISON, General Electric (GE) is one of America's and the world's oldest, best-known, most successful, and most closely watched corporations. After generations of being a leading industrial corporation and a symbol of technological prowess and intelligent management, GE ascended to even greater reputational heights under the leadership of Jack Welch, probably the most iconic—and at times controversial—CEO of the past fifty years. With almost as many public images as Madonna, ranging from the ruthless “Neutron Jack” to the inspirational great communicator known for his sound-bite summaries of business strategies (for example, “Be number one or number two in the market, or get out”) to the scornful scourge of tree huggers, Welch became an adviser to presidents, a cheerleader for contemporary capitalism, and the global image of American industry.

Welch finally stepped down as CEO on September 7, 2001, after a very public competition for his throne among three worthy candidates, from which GE veteran Jeff Immelt emerged victorious. The company was flying high. Under Welch, corporate revenues had grown from around \$26 billion to nearly \$130 billion. At around \$400 billion, GE's total market capitalization was near its all-time high and over thirty times its \$13 billion value when Welch had taken command in 1981.<sup>1</sup>

Succeeding Welch in the CEO's office must have been like taking over Babe Ruth's spot in the New York Yankees' lineup: exhilarating, electrifying, intimidating.

Fortunately, Immelt understood that simply trying to replicate Welch's style or match his achievements would be a formula for disaster. He also understood that the world in which Welch had been so successful, and which Welch and GE had in turn helped to shape, was rapidly changing. Even if Immelt had wanted to operate like a Jack Welch clone, it would scarcely have been possible in this new era.

For all his managerial strengths, Welch also had his weaknesses. Perhaps the most glaring was a blind spot on the environment and the social responsibilities of business. In part, this blind spot was a natural result of his age and upbringing. A child of the Great Depression and the war years, he didn't grow up with the civil rights movement, Vietnam War protests, Woodstock, Earth Day, Farm Aid concerts, the Concert for Bangladesh, and the other mind-shaping events that colored the worldview of the baby boom generation. He grew up before the iconic image of earthrise from the moon was available—an image that conveyed to millions the reality that the earth is not an unlimited resource to exploit but a small planet traveling through an endless expanse of unfriendly space. His view of the world was formed before thalidomide, Bhopal, Love Canal, *Exxon Valdez*, and Three Mile Island linked modern technology with corporate irresponsibility and human and environmental tragedy in the minds of many.

Welch's age and upbringing helps explain why he, like many other business leaders of his generation, resisted taking responsibility for certain environmental problems. So does his intense bottom-line orientation: when remedies for pollution were on the agenda, Welch could see only the costs to GE, estimated at \$500 million, not the opportunities for potential benefit.<sup>2</sup> Whatever their combination of reasons, Welch and his team at the head of GE fought the cleanup of the Hudson River, where over 1.3 million tons of PCBs (a suspected human carcinogen) had been discharged from a pair of GE plants in upstate New York. The company also spent millions of dollars opposing the proposed cleanup of PCBs

dumped into the Housatonic River by a GE plant in Pittsfield, Massachusetts. PCB production was banned by Congress in 1979 and by the Stockholm Convention on Persistent Organic Pollutants in 2001. Despite this, GE lawyers and scientists continued to debate the risks posed by PCBs, and in November 2000, they sought to have a major enforcement provision of the Environmental Protection Agency Superfund cleanup law declared unconstitutional, saying it gave the federal agency “uncontrolled authority to order intrusive remedial projects of unlimited scope and duration”—a position that the courts rejected twice. The *New York Times* called Welch himself “stubbornly retrograde” on environmental issues, and even the conservative *Economist* acknowledged that Welch’s refusal to compromise on the Hudson cleanup was “arrogant.”<sup>3</sup>

By 2001, it was becoming increasingly clear to leaders both inside and outside corporate boardrooms that such a combative, unyielding stance on environmental and social issues was no longer tenable. The twenty-first century was already becoming the age of sustainability—an era in which social and environmental responsibility is more essential than ever before and an era in which companies are being increasingly held responsible for their social and environmental impacts as well as their financial success; in which transparency and openness, not secrecy and arrogance, are considered signs of corporate self-confidence and strength; in which the most effective organizations are characterized by cooperation with a wide range of stakeholders rather than by an attitude of zero-sum competition for limited resources; in which more and more companies are seeing environmental and social problems not just as costs to be minimized but as business opportunities to be embraced; and in which the smartest business leaders focus on long-term strategies for survival and success rather than obsessing over quarterly earnings reports and daily stock price fluctuations.

Like most successful leaders, Jack Welch was a reflection of his era; Jeff Immelt is a reflection of his. Bob Corcoran, GE’s vice president for corporate citizenship and president and chairman of the GE Foundation, explains how Immelt’s generational background helped plant the seeds for his personal response to environmental and social issues:

You have to always stay contemporary, and that's true of any generation of leaders. The first Crotonville class [at GE's corporate training center] Jeff Immelt talked to in 2001 asked him, "Jeff, what makes you different from Jack Welch?" He said, "Well, the biggest difference is I'm twenty years younger." Everybody laughed. He said, "No, I'm serious. I'm twenty years younger, so the things that shaped me during my early days were things like Vietnam, the civil rights marches, Watergate, Earth Day, and the women's rights movement. I view the world differently because of those events."<sup>4</sup>

Soon after his ascension, Immelt began to implement the changes he viewed as necessary for the company to maintain its enviable success in the face of the complex demands of a rapidly changing world. In particular, Immelt launched a pair of strategic sustainability initiatives known as ecomagination and healthymagination.\* They're designed to create new product and services opportunities for GE while addressing environmental issues, such as global climate change and water scarcity, as well as pressing social concerns primarily related to the lack of accessible, affordable health care.

For Immelt, as Welch's successor, making the move toward sustainability was not just a dramatic attention getter; it jump-started a strategic change and began a culture change within GE as well.

In this process of change, the leaders of GE's human resource (HR) function have played a crucial role. Their work in advancing ecomagination and healthymagination and supporting GE's other moves toward sustainability underscores the fact that organizational change is about changing the thinking, feelings, and, ultimately, the behavior of people. For this reason, the HR leaders who help shape the workforce largely determine the success or failure of any important change initiative. Thus

\*We've followed GE's corporate practice in using lowercase initial letters in the names of these two initiatives.

you might define the key role of HR, at GE or at any other corporation, as that of “people movers,” in both the literal and figurative sense.

With employees helping to build the sustainable companies of the future, HR’s role in guiding and implementing the transformation is changing dramatically. We see this in giant corporations like GE but also in small and medium-size companies with much simpler organizational structures and, in many cases, HR departments that consist of just a few people. In some organizations, sustainability is driven by an enlightened CEO like Jeff Immelt; in others, it begins with initiatives sponsored by lower-level managers or launched by frontline employees. But in every case, for the shift to sustainability to have permanent impact, it must ultimately be embraced by employees at every level of the organization. Hence the need to build sustainable businesses from the people up—and the crucial role of the people movers of HR in making it happen.

GE’s people movers are helping build a sustainable corporation in a number of specific ways. They are leveraging the traditional strengths of GE’s corporate culture, especially its openness to adaptation and learning, while gradually but decisively promoting changes demanded by the age of sustainability. They are recruiting the new talent and skills needed to meet tomorrow’s environmental and social challenges, helping GE’s key operations and business units and the corporation as a whole develop capacities they need to maintain the company’s global leadership in an era of drastic change. They are embedding the principles of sustainability in the daily processes and activities that structure life at GE. Perhaps most important, they are helping the company use the new energies unleashed by the move toward sustainability to ensure that both the rising generation of leaders at GE and the company’s tens of thousands of rank-and-file employees are deeply engaged in their jobs and the corporation’s business mission.

In short, they are demonstrating the ways that knowledgeable and focused HR leadership can play a central role in building the kind of organization needed to survive and thrive now and in the future. Even more remarkable, as we’ll see, the changes driven by sustainability

are simultaneously creating new strategies that HR leaders can use to tackle some of their most intransigent long-term problems. Sustainability creates new challenges for HR—but it also provides new tools for addressing familiar ones.

## **Ecomagination: Why GE Is Turning Green**

Ecomagination, the first of GE's major sustainability initiatives, was launched in 2005 based on research from 2003–2004, just a couple of years into Immelt's tenure. It emerged in response to customer demands that GE saw as containing potential for business growth. GE's customers were concerned about environmentally related business risks, such as climate change, water shortages, overreliance on coal and oil, and the eventual depletion of other resources, such as strategic metals. These problems were generating pressure on businesses from many directions: from rapidly fluctuating prices and uncertain availability of crucial resources; from government agencies seeking to impose new regulations and restrictions; from nongovernmental organizations (NGOs) and community organizations that were increasingly vocal about environmental concerns; and from customers who were beginning to factor all of this pressure, as well as the environmental performance and reputation of their suppliers, into their buying decisions.

Immelt convened a cross-functional business team and asked them to develop a strategy that would enable GE to capitalize on these new demands. Ecomagination was the result. The initiative included four basic elements:

- GE would expand its R&D investments in clean technologies—those with minimal harmful impact on the environment and minimal demands on scarce natural resources.
- GE would develop green products and services designed to meet new, higher standards of ecofriendliness, as measured by authoritative third-party certification.

- GE would make its own pledge to sustainability, altering its internal policies, processes, and procedures to minimize its environmental footprint—beginning with reductions in greenhouse gas emissions and moving toward the use of less water and other natural resources.
- GE would provide more transparency into its decision making and engage more consistently in open dialogue with a wider range of stakeholders, including community organizations, NGOs, and advisory boards specifically created to help GE understand the needs, interests, and values of those affected by its activities.

Taken together, these tenets embody one of the six broader principles Immelt had formulated for running GE: that “GE is a company that solves big problems for customers and the world.”<sup>5</sup> As we’ll see, this inspiring statement of principle effectively merges the notion of sustainability, including its focus on a company’s environmental and social impact as well as its financial success, into GE’s overall corporate strategy. According to Immelt, “The two biggest global challenges—and the two that may have the biggest impact on us as human beings—are clean energy and affordable health care.”<sup>6</sup> These environmental and social challenges are helping define GE’s business arena and its sources of revenue, profit, and growth, now and in decades to come. This strategic breakthrough has also started a revolution in GE’s corporate culture—a two-step pattern common to many organizations that embrace sustainability.

We refer to the space where environmental or social benefits overlap with business interests as “the Sweet Spot” for a given company. Activities in the Sweet Spot lead to wins for the organization as well as for customers, affected communities, NGOs, advocates, and other stakeholders. In GE’s case, the broadly defined Sweet Spot of “solving big problems” has led to huge opportunities to develop solutions related to energy, transportation, and health care—problems that are an ideal match for GE’s corporate capacities, cutting-edge technologies, and global growth strategy. The discovery of these Sweet Spots has opened

up a collection of large and growing markets that GE can serve for decades to come.

Specific ecomagination projects were identified through “discovery sessions” with customers—collaborative efforts that have led to investments in a wide range of innovative technologies and an expanding array of new products and services for GE. This, in turn, has transformed GE’s sales and marketing efforts, with the company now promoting not just a particular machine or device but a new way of thinking about the connections between technology, business, and the environment. This major shift is helping position GE for the kinds of sweeping requirements that the age of sustainability is bringing.

Many people first became aware of ecomagination through a series of charming corporate advertisements featuring dancing elephants and stampeding zebras morphing into locomotive engines. Partly as a result, some thought that ecomagination was little more than a clever marketing initiative or an attempt to “greenwash” a corporation with a spotty environmental reputation. In fact, it reflects the dramatic reshaping of a wide range of GE businesses.

Far from a veneer applied for public relations purposes, ecomagination is central to GE’s growth; in fact, the company exceeded its ambitious goal of doubling its revenues from clean-tech products and solutions between 2005 and 2010. The ecomagination product portfolio has generated more than \$105 billion in revenue as of mid-2012, exceeding GE’s growth targets and growing at a faster rate than the rest of GE.<sup>7</sup>

Ecomagination has taken root in obvious areas of the GE empire, such as in energy and transportation. The corporation now owns one of the world’s largest wind power businesses (purchased from, ironically, corporate malefactor Enron), one of the world’s largest gas turbine businesses, a transportation business that is the largest producer of hybrid locomotive engines in North America, and an aviation company that builds superefficient jet engines and other energy-efficient equipment. In 2011 GE doubled its Chinese water technology manufacturing capacity; GE Water, while relatively small, is the company’s fastest-growing division, with expected sales of \$10 billion by 2016.<sup>8</sup>

The initiative has also grown in some surprising places within GE. For example, the managers of GE Real Estate have discovered that ecomagination is highly relevant to them because of new programs like the LEED system, which defines environmentally friendly construction.\* GE Real Estate operations and technology experts now advise customers on how to attain LEED certification, using GE's own ecofriendly facilities as demonstration projects. Similarly, the GE health care business is being largely refocused around environmentally friendly projects, from helping design green hospitals to building new-generation magnetic resonance imaging scanners and X-ray machines that use less energy and water and fewer chemicals and other resources.

Ecomagination has also proven to be a powerful tool for building the GE brand and businesses in China, Brazil, Canada, and Australia, where GE, though well known, has not been the powerhouse we know in the United States. The ecomagination initiative connects GE to companies eager to grow in an environmentally friendly fashion, governments that want to do business with a corporation that will be an environmentally responsible presence in their countries, and employees and potential job applicants who want to be part of a company that is at the forefront of helping save the planet while spurring economic growth.

GE's internal processes are also being transformed by ecomagination. For example, in late 2010, GE Fleet Services made a commitment to buy twenty-five thousand electric vehicles (EVs) from various manufacturers, including thousands of new high-mileage, low-carbon-emission Chevy Volts.<sup>9</sup> Some will be leased to outside organizations; others will be used by GE salespeople and other employees in the United States as their company cars. The message this decision sends to GE workers, customers, and other stakeholders is clear and powerful: GE cares about

\*LEED (Leadership in Energy and Environmental Design) was developed by the U.S. Green Building Council in 2000 and provides building owners and operators with a framework for identifying and implementing practical and measurable green building design, construction, operations, and maintenance solutions. For more information, visit <http://www.usgbc.org/DisplayPage.aspx?CMSPageID=1988>.

its environmental impacts and is investing billions of dollars in resources accordingly.

The investment in EVs will generate a series of positive effects. Both GE's own businesses and the businesses of its clients will be noticeably greener; the economic viability of the Chevy Volt and the EV infrastructure generally will be enhanced; and GE's own EV WattStation charging system for electric vehicles will benefit from expanded markets.

The effect of the shift toward sustainability on GE's own environmental impacts has been noteworthy. Since the launch of ecomagination, the corporation's greenhouse gas emissions, energy efficiency, and water conservation rates have all improved by over 20 percent. These improvements create benefits not just for the natural environment but also for GE's financial bottom line, as they lead to less waste, greater efficiency, fewer cleanup costs, reduced regulatory and legal expenses, improved health and safety performance, and other benefits. GE estimates the savings from reduction of greenhouse gas emissions alone to be approximately \$150 million. Some of the process improvements are driven by the use of GE's own products, such as ultra-high-efficiency Jenbacher gas engines and advanced water-monitoring equipment, that are available for purchase by GE customers as well. CEO Immelt stresses that GE's internal and external environmental initiatives are driven primarily by business considerations. As he said in a 2005 speech, "We're launching ecomagination not because it's trendy or moral but because it will accelerate our growth and make us more competitive."<sup>10</sup> But in the age of sustainability, the path to profit and the path to environmental and social responsibility are increasingly connected.

## **People Movers: How HR Is Leading the Way Forward**

One of HR's key roles in advancing sustainability at GE has been to help reshape the firm's corporate culture and thus its daily business behaviors. GE's HR took on this challenge quite consciously and deliberately. In the words of John Lynch, GE's senior vice president for corporate HR, "The role of human resources in GE is to build talent, culture, and

capability to enable our global growth. We can break down each one of those, but the big one for sustainability is culture, because culture's about how you drive change."<sup>11</sup>

Thus when new economic, social, political, and business circumstances dictate a repositioning of the corporation's stated values and some of its commonly held assumptions, it is HR professionals, as the company's people movers and the custodians of the culture, who help drive those changes.

As GE's general counsel, Brackett Denniston III, says, "At GE, culture is our technology." In other words, it is GE's culture that activates and directs the knowledge, skills, capabilities, and behaviors of the company's 300,000-strong talent base. Clearly it's crucially important to monitor that culture and make sure it changes as necessary to remain healthy, adaptive, and appropriate for today's circumstances—and tomorrow's.

In pursuing the transformation toward sustainability, the people movers in HR enjoyed one big advantage: a corporate culture already famous for its openness to change. As Immelt says, "We have a healthy disrespect for history... Inside our company GE people like change."<sup>12</sup> GE's renown as a large corporation that is particularly skilled at internal change management started under Jack Welch with such acclaimed programs as Work-Out (a rigorous process for involving large numbers of people simultaneously in process improvement) and Six Sigma (a quality improvement method for measuring the number of defects produced and then systematically eliminating them so as to get as close to zero defects as possible). Organizations around the world have studied and imitated GE systems for designing and implementing company-wide adaptations. Today GE's unmatched ability to manage change is being used to nurture the cultural shift toward sustainability.

HR is using its training processes to teach GE people to think in new ways based on sustainability. For example, it has been retraining GE salespeople to talk to customers about the financial benefits of redesigning their business systems to minimize waste and maximize efficiencies—all of which the new GE offerings will help them do.

In doing so, HR is helping reverse an underlying cultural assumption at GE, one that appears to have been left over from the Welch era and now impedes progress and profits: the belief that protecting the environment is primarily a burden and a cost for GE. Convincing employees that environmental responsibility, both GE's customers' and its own, can be turned into a significant business opportunity is the key to creating a lucrative and beneficial Sweet Spot.

HR has now incorporated sustainability thinking into practically every training program taught at GE's famous educational center for company leaders in Crotonville, New York. Rising GE managers debating real-life case studies now routinely address the environmental and social impact of their decisions as well as more traditional financial considerations. The goal is to create a new generation of leaders focused not just on strong quarterly earnings for GE but on sustainable, long-term success for both the corporation and the communities it serves.

The environmental and social pressures of the twenty-first century—the demands of sustainability—have pushed companies like GE to develop new operating models and growth and profit strategies, as well as to implement cultural changes that support them. In time, as the new values and assumptions become deeply rooted in its culture, waste-free, low-pollution, resource-thrifty operations will become the norm throughout GE, continuing to save the company millions. And new GE products and services, designed to meet the environmental challenges of the future, will benefit the world and enhance the corporation's profitability enormously. Sustainability drives change, and change drives sustainability—a powerful cycle that GE hopes to ride to long-term success.

## **Healthmagination: Improving Health Care for GE Employees and Society**

Ecomagination is fundamentally a top-down sustainability initiative. It was conceived in response to demand (actual and anticipated) from GE customers and born as a result of a commitment by CEO Jeff Immelt

and the support he elicited from his executive leadership team. The story is a bit different with healthymagination, which included a heavy dose of employee involvement from its inception.

Healthymagination was launched by applying the successful eco-magination template to the field of health care. It's a social sustainability program focused mainly on improving people's health and well-being. Healthymagination seeks to improve health care by 15 percent or more in three separate areas—cost, quality, and access—while providing business benefits to GE. It thus represents another potentially enormous Sweet Spot for GE.

Three main concepts characterize healthymagination:

- The consumerization of health care, which empowers individuals to take more responsibility and control over their own health by providing them with affordable, personal solutions that improve health care and help get runaway health care costs under control
- The application of technology to solve major health care problems at every level, from individual patients and professionals to organizations and nations
- The reform of health care policy so that the number of people with access to high-quality health care can be increased through more affordable technology and more efficient health care delivery, thus reducing the financial burden on companies, taxpayers, and society as a whole while improving patient care

These three ideas—consumerization, technology, and policy reform—are all intimately connected to the growth of GE's health care business. The "self-health" movement, for example, is creating markets for new technology products developed by GE for patients with diabetes, heart disease, and other chronic conditions. These consumers are buying monitoring devices, software tools, and mobile applications that allow them to test, monitor, and report their conditions to their health care providers. Self-health products and services have the potential to expand and improve health care at every economic level.

GE's new technologies are also creating and expanding markets in hospitals, medical schools, clinics, and other institutions where the use of electronic health records and mobile devices has already begun to improve the health care delivery system. These institutional customers want more compact, efficient, and affordable imaging machines, testing equipment, and portable diagnostic devices so that they can keep up with the growing demand to move health care out of their buildings and into the homes and lives of individuals.

The policy reforms that GE is promoting will further encourage cost reductions while helping provide resources that will make health care—and associated GE products and services—more widely available. For example, GE's policy statement on health care reform in the United States suggests that “reform should drive incentives for prevention and early detection. Medically appropriate screening identifies diseases and conditions earlier, where treatment can be more effective at lower cost.”<sup>13</sup> Such reform would clearly benefit consumers—and would also strengthen the market for GE's screening technologies.

GE's policy statement continues, “Information technology and electronic medical records enable better, more efficient care, with fewer mistakes... If done right, nationally recognized, common HIT [health information technology] standards and interoperability will encourage rapid and widespread adoption.” Again, this is a recommendation that could certainly improve the delivery of high-quality health care to patients—and GE will benefit from the opportunity to provide its information technology tools to hundreds of thousands of provider organizations.

Thus, in combination, the main ideas behind healthymagination promote interlocking trends that should improve the quality of health care for millions of people while also expanding markets for GE—a classic Sweet Spot.

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GE's self-health initiatives began with a redesign of the benefits program for the corporation's own employees. Dubbed HealthAhead, this new

program included asking employees to carry a larger share of their own health care costs through increased out-of-pocket payments (as is the case at many other companies around the United States). Perhaps understandably, the program was initially received with some skepticism and even hostility. Many employees viewed it simply as a way to reduce GE's health care bill by pushing more costs onto them. However, the negative reactions to HealthAhead have reportedly begun to lessen as employees realize that self-health is designed not just to reduce GE's expenses but to provide information and services that can help improve employees' medical decisions while simultaneously reducing costs for all.

One example: according to GE's internal data, about one-third of employee emergency room visits are for nonemergency conditions—a highly inefficient use of health care resources. So GE's HR team is helping U.S. employees learn about better options. John Lynch, GE's global head of HR, explains:

Under our new Health Coach program, there's an 800 number that a GE employee can call to talk to a nurse, any hour of the day or night, to discuss health care issues, such as doctor selection or treatment options. So if you have a child who gets sick on a weekend, you can call the nurse and say, "Hey, I think I need an emergency room." The nurse might agree, or she might suggest, "There's a walk-in clinic down the street from where you live. It's in-network, so the cost will only be \$60 to \$80. Please hold on, and I'll give you the address, the phone number, and the name of the doctor on call." Soon we plan to supplement the 800 number with a smartphone app, which will make it even easier for people to manage their choices wisely.<sup>14</sup>

Lynch reports that the first year of Health Coach (2010) saw a 20 percent decline in nonemergency ER visits, resulting in cost savings of about \$3 million to GE and its employees—a small illustration of the

potential for HealthAhead to help GE get health care costs under control. Other HealthAhead programs that encourage smarter employee choices have also begun reaping significant benefits. For example, GE and its employees saved \$7 million in 2010 alone by switching from brand name to generic drugs.

Now HealthAhead is being expanded to include an entire series of self-health initiatives designed to give GE employees and their families healthier lifestyle options. They range from smoking-cessation programs and improved, subsidized nutritional choices in the employee cafeteria to low-cost on-site fitness and exercise activities, such as yoga classes. GE has also developed mobile applications that enable employees to monitor and improve their sleep, mood, and diet patterns, for example. “HealthAhead starts with education,” Lynch says. “Give people access to information, empower them with real options, and they’ll make choices that are better for both their health and their pocketbooks.”<sup>15</sup>

In time, GE may offer information to its customers about its HealthAhead program, either free of charge or as the basis of a products and services offering—just as some of GE’s internal ecomagination initiatives have been used as the basis for cost-saving, environmentally friendly initiatives for GE customers.\*

HealthAhead is a great example of how HR departments can work directly with their employees to create Sweet Spots, both in and outside the company. It also illustrates how GE’s new sustainability orientation offers HR professionals powerful new ways of addressing some of their long-standing business challenges. Just as ecomagination created a new impetus for operations managers to develop innovative methods to reduce pollution, waste, and costs in production processes, Health-

\*This pattern of rolling out internal programs for the benefit of customers is a notable GE tradition. Starting over twenty years ago, GE taught its Work-Out system for improving management processes to GE customers and even noncustomers who wanted to benefit from the methodology, including organizations ranging from local school districts to the U.S. Postal Service and the World Wildlife Foundation.

Ahead is driving new ways for HR to tackle the nearly universal problem of rising health care costs. Sustainability is not just a new set of tasks in the inbox of busy HR professionals; it also provides new mind-sets and tool sets that can be used to help solve problems they've been wrestling with for decades.

At the same time that HealthAhead is reshaping the delivery of health care services to GE's own employees, GE's healthymagination initiative is aggressively addressing some of the world's biggest health care problems, recasting its health care business around the use of technology to improve access to care, cost, and quality.

One striking illustration is a series of projects in which low-cost technologies are designed for sale in countries like India and then imported to developed countries. (The process is called reverse innovation, as it upends the traditional pattern of creating technologies in the most advanced nations and trying to export them to the developing world.) Two examples are a neonatal incubation unit for at-risk infants priced at one-tenth the traditional cost, and a portable electrocardiogram machine, costing just \$500. These technologies have the potential to save thousands of lives in South Asia, Africa, and China, where much high-tech equipment created in the developed world is out of financial reach except for the very high end of the market. They also hold out the promise of enormous savings for U.S. health care providers, where costs have been rising unsustainably. Furthermore, they strengthen GE's position in the medical technology arena, forestalling possible efforts by competitors to steal market share from GE by introducing new, more affordable devices of their own. Thus low-cost innovations can create promising Sweet Spots where social benefits and business opportunities overlap.

In fact, like ecomagination, healthymagination appears to represent a large Sweet Spot for GE. Health care profits and orders at the company rose faster in 2011 than many financial analysts had expected. In the first quarter of the year, orders at GE were up 15 percent in the United States, a much stronger rate of growth than the health care market overall.<sup>16</sup> With health care growth expected to significantly outpace GDP growth

in the United States and in many other parts of the world for the next decade at least, GE's current and planned investments are likely to yield long-term revenue increases as well.

It's difficult to judge the overall financial impact of the healthymagination and ecomagination initiatives on GE. Some of the company's more traditional businesses, such as plastics, appliances, and financial services, have created a strong downward drag on GE during Immelt's tenure. However, compared to most other companies, GE looks strong under Immelt. In 2011, it was ranked among the ten most valuable companies on earth, among the twenty most admired, and among the thirty most desired employers.<sup>17</sup> Despite a sluggish stock price, GE has paid out over \$87 billion in dividends during Immelt's first decade, the third-highest figure of any company, and was sitting on a backlog of \$189 billion in back orders in September 2011, his tenth anniversary as CEO.

## **Eight Lessons for Business Leaders, Sustainability Professionals, and HR**

The story of how one of the world's most venerable corporations is reshaping itself to meet the new demands of the age of sustainability offers important lessons for all business leaders, including those charged with designing and implementing HR policies and processes. HR leaders are playing a critical role in transforming GE into one of the planet's most sustainable businesses. In turn, sustainability is helping HR managers tackle traditional problems while also expanding the role of HR within the corporation, ensuring that HR leaders will have a well-deserved seat at the table when issues related to sustainability are being discussed. In fact, at GE, sustainability may prove to be HR's best friend in the years to come, as ecomagination and healthymagination are strengthening and expanding HR's role as a people mover.

Here are eight key lessons that HR leaders can learn from the story of the new GE:

## **HR Can Advance Sustainability by Embedding It into the Workforce Life Cycle**

HR can support and accelerate specific sustainability initiatives through many of its traditional roles, starting with embedding sustainability into core HR processes related to the workforce life cycle. This can help the organization reach its goals at the same time as it provides additional purpose and coherence to those traditional HR tasks.

At GE, HR has worked to support ecomagination and healthy-magination by embedding aspects of those programs and related sustainability thinking into the workforce life cycle—recruitment and hiring, training, evaluation, promotion, and career development. The North Star of sustainability guides HR professionals and other company leaders to alter established processes with confidence that the organization's overall progress is being furthered, not hampered.

## **Sustainability Can Help HR Improve Work Life for Employees**

Just as HR can advance sustainability, sustainability can help HR deliver on its existing responsibilities, which we refer to as HR “products.” These are objectives defined by HR-related policies and goals, such as diversity, competitive wages and benefits, health and wellness, freedom from harassment or from privacy invasion, good labor-management relations, and other positive aspects of employment (“what the company gives”). Sustainability can also be leveraged to help HR deliver happy, healthy, productive, and motivated employees who are willing and able to meet today's demanding competitive challenges (“what the company gets”).

It can be difficult for HR departments to balance the “gives” and “gets.” GE's HealthAhead provides both, helping employees enjoy healthier lifestyles and better medical care while also reducing costs for the company. This is one example of how sustainability can create win-win solutions to some of the most difficult managerial problems HR

leaders face. As sustainability takes hold within communities and organizations, other winning solutions to traditional HR challenges are likely to emerge.

### **Sustainability Can Enhance the Employer Brand and Attract Top Talent**

Sustainability initiatives have improved GE's positioning in the worldwide war for talent. In the age of sustainability, many people, in particular younger ones, are eager to work for companies that they believe are playing a constructive role on behalf of multiple stakeholders, not just investors and shareholders, and that can provide them with opportunities to be a part of that effort. GE's new status as one of the corporate world's most visible sustainability advocates makes recruiting talent far easier and less costly for its HR and hiring professionals.

Beth Comstock, GE's senior vice president and chief marketing officer, as well as the leader of the ecomagination and healthymagination programs, describes the impact this way:

GE hires around 150 MBA's per year. And now it seems as if 75 percent of them ask to work on ecomagination! They can't, of course. Actually, there are just around fifteen dedicated employees working on the program, plus fifty more individual champions within the operating divisions. But ecomagination has helped make GE an unmatched magnet for talent. And healthymagination is beginning to develop some of the same appeal. So the positive impact of sustainability on GE's corporate and employer brands is huge.<sup>18</sup>

Comstock adds, "GE needs a new generation of ambidextrous leaders, committed to both profits and purpose." The new spirit of sustainability is enabling HR professionals at GE to attract just such leaders. And most other companies and recruitment professionals will need to do the same.

## **Sustainability Can Help an Organization Strengthen Crucial Capacities**

GE's sustainability strategy is enhancing and modernizing the company's already powerful array of workforce capacities. In the age of sustainability, adaptability, innovation, agility, and speed of response are all increasingly important capacities for companies, as is the ability to peer into the future. All are enhanced by the effort to become more sustainable, as illustrated by the wave of creative new products, services, and mind-sets flowing out of GE and its learning center at Crotonville, under the banner of sustainability and its twin progeny, ecomagination and healthymagination.

The drive toward sustainability has also strengthened other important capabilities, including collaboration and outward focus. As Comstock points out, GE purposefully avoided creating new ecomagination or healthymagination organizations within GE. Rather, managers from across GE businesses and locations have been brought together repeatedly to work to develop new ideas for products and services that provide environmental or health care benefits to customers and to GE. Within GE, cross-functional teams meet to share and teach one another their best sustainability practices, thereby addressing a major HR issue for all large, far-flung organizations: how to encourage internal boundarylessness and promote smart, focused internal collaboration. As GE considers new business opportunities that will also help solve the world's most difficult environmental and social problems, these sustainability initiatives have also inspired closer collaboration with customers, suppliers, distributors, and other stakeholders both in and outside the value chain.

## **Sustainability Can Enable Necessary Culture Change**

Culture change is one of the most difficult processes for any organization to manage—but in a world of ever-intensifying competitive demands, it's increasingly necessary. Organizations like GE are finding that the drive to sustainability helps them strengthen the best aspects

of the existing corporate culture and modify those aspects in need of improvement. In addition, as John Lynch, GE's global HR chief, pointed out to us, not only is the shift to sustainability important in itself, but it also serves to strengthen the corporation's "change muscle," thereby helping the company and its people to be more adaptable and better equipped for the fast-paced global business arena of the twenty-first century. (The role of HR as change leaders is the central topic of Part Three of this book.)

### **HR Can Lead Change Efforts Around Sustainability**

In many companies, sustainability has become a leading driver of several forms of change, including culture change, capacity development, organizational change, and strategic change. HR can lead and facilitate these changes through skillful use of established change management tools and techniques, from intensive communication and coalition building to systems redesign and new-talent acquisition.

More broadly, in many organizations like GE, HR is expected to facilitate change, whether through established change management systems or otherwise, helping plan and implement efforts to alter the attitudes, values, and behavior of employees. Whenever an organization is undergoing a meaningful process of change—which accurately describes most company-wide sustainability initiatives—the people movers in HR can play an important role in making that change as smooth and effective as possible.

### **HR Can Leverage Sustainability to Promote Employee Engagement**

HR professionals and other corporate leaders know that a highly engaged workforce is a more productive, creative, competitive, and profitable workforce. Only a few of these leaders, however, have realized the potential for using sustainability as a lever for engaging employees.

At GE, ecomagination and healthymagination have helped create a new sense of mission, coherence, and purpose among many of the corporation's three hundred thousand employees. They've made solving the world's biggest problems the impetus behind daily activities, sparking fresh creativity as well as deepened commitment and loyalty to GE. According to a number of GE executives, the company's sustainability initiatives have directly strengthened employee engagement as measured by employee surveys.

Thus sustainability is becoming a secret weapon for many HR departments, corporate leaders, and their companies in the quest for greater employee engagement. Through the magic of employee engagement, companies can directly link sustainability to business results (see Part Four). HR leaders are ideally positioned to create and nurture this link.

Beth Comstock told us about a visit to the company's facility in Bangalore, India. There she met with a technology research team that had been given a corporate mandate to devote 10 to 20 percent of its time to identifying and solving a large-scale health care problem for India. "I never saw a group of people so excited about their work," she recalled. "The fact that they could focus on a solution that would directly benefit the people they were living with—which could then potentially be available for transfer around the world to help millions of people everywhere—was incredibly motivating for them."<sup>19</sup>

Many GE employees have always had a sense of pride in being part of one of the world's most successful corporations. Now that pride—and the desire to excel that it fosters—is greater than ever before, thanks in large part to the new sense of engagement produced by the commitment to sustainability.

### **Sustainability Can Strengthen HR's Role in the Company**

Sustainability shines a spotlight on many HR functions, such as personnel and organizational capacity building, organizational and culture change management, and employee engagement. As a result, HR leaders

may find their role in the organization enhanced by the growing importance of sustainability. This is part of what we mean by describing the evolution of HR's role as moving from traditional to sustainable.

GE's HR department was central to building both ecomagination and healthymagination. These successful initiatives are continuing to create exciting opportunities for the company, its operating divisions, and HR. Sustainability presents similar opportunities to most other HR departments and professionals to create significant business value within their organizations and to grow and develop themselves in the process.

### **The New Winning Strategy: Leveraging HR for Sustainable Growth**

Having achieved a high degree of success with ecomagination, GE is expanding its efforts. Mark Vachon, current head of the program, expects the company to double its R&D investments in green technologies from \$5 billion over the first five years of ecomagination to \$10 billion. Ecomagination revenues are expected to continue to grow at twice the rate of overall GE revenues. GE's internal environmental impacts are also expected to improve at a rapid pace: "We've reduced greenhouse gas emissions, energy expenditure, and water usage in our own facilities well over 20 percent in the last five years, and we expect that same level of improvement over the next five as well."<sup>20</sup>

GE's plans for healthymagination are equally ambitious. According to Mike Barber, vice president of healthymagination, GE aims to reduce the cost of care using GE products or services by 15 percent as well as to improve access to lifesaving technologies by 15 percent. "We're going to invest \$6 billion between now and 2015 to achieve these goals," Barber says. "Three billion of that will be for product development; \$2 billion for financing of equipment, services, and software to broaden access to these technologies; and \$1 billion for content—health care information that can help people live longer and better lives."<sup>21</sup>

Is sustainability just a fad? GE clearly doesn't think so. The fact that the opportunities and risks embedded in today's most serious environ-

mental and social issues are only going to increase in scope and intensity suggests that it will have even greater impact for years, and even generations, to come.

The intergenerational message behind sustainability is evident to many businesspeople and parents. When Andy sees how interested and knowledgeable his three children are about the environment, and how the topic is built into their school curriculum and activities, it seems to him that every day is Earth Day for them. He just happened to be looking at his preteen son's class notebook and saw that it contained numerous articles on the perilous state of the environment, including one titled "Meltdown! World Report Says Destruction of Wetlands Could Unleash Carbon Bomb."<sup>22</sup>

Today's youngsters are deeply aware of the environmental and social challenges facing our world—far more than we were at that age and certainly more than the twelve-year-old Jack Welch. They know what's happening to the rain forests and worry about global climate change; they fret about children their age working in factories in Asia and elsewhere; they nag their elders about doing a better job of recycling, using less energy by shutting off lights, and bringing reusable bags to the grocery store; and they eagerly donate used clothes and toys to local shelters and communities in need around the world. Imagine how they and their contemporaries will feel about sustainability when they are part of GE or any number of other major global institutions.

So sustainability is here to stay. It's no wonder that the leaders at some of the world's best-run corporations are beginning to put sustainability at the heart of their business strategies. More and more organizations of every size and in every sector are doing the same. And as the story of the new GE illustrates, HR leaders around the world can create business value by doing so.

In the chapters that follow, we'll explore how HR professionals can help the organizations they work for achieve new levels of sustainability and success—and how sustainability can strengthen the HR function and help HR professionals accomplish many of their traditional responsibilities.

