
H I V E

The *V.F.* Interview

THE COMPETITOR AMAZON NEVER SAW COMING

G.E. is largely done with the media and finance businesses. Now, the 124-year-old company is looking to beat Silicon Valley at its own game. In conversation, C.E.O. Jeff Immelt discloses the sweet sauce.

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By Keith Bedford/The Boston Globe.

General Electric C.E.O. **Jeff Immelt** faces a daunting task in trying to re-invent one of America's oldest companies and largest employers. G.E., which grew out of the lab that Thomas Edison started in 1876 (it was incorporated in 1892), eventually became a classic conglomerate that made everything from light bulbs and airplane parts to broadcast television shows, like *The Apprentice*. Immelt spoke to the Hive about turning G.E. into a *digital* industrial company, the future of middle-class jobs, his admiration for **Jeff Bezos**, his complicated feelings about **Bernie Sanders**, and his old employee, **Donald Trump**.

***The Hive:* The G.E. of today is very different from the company you inherited when you became C.E.O.**

Jeffrey Immelt: I took over the company in 2001. We were a very diverse conglomerate at that time. We were in media, financial services, industrial. We've exited almost all of financial services. We've exited media. We've exited all the consumer businesses we were in. We've exited

plastics and things like that. In the last 15 years, we're one of the few leadership teams in history that's sold \$100 billion in businesses and bought \$100 billion worth of businesses.

Do you think G.E. was correct in pursuing a diversification strategy? Was the company too big?

Most companies are both a fit of core competency and the times they're in. In the 80s and 90s, the economy was kinder. There was no inflation, G.D.P. growth was 3 or 4 percent. The economy was leveraging. If I would go out today and say, "Guess what? I have a great idea. We're going to buy a media company," I'd get shot. Or if I were to say to you, "Hey, look, I was really great at picking jet engines and picking TV shows"—that's complete bull, really. In the world of 4 percent G.D.P. growth you could do it. In a world of 2 percent G.D.P. growth, you really have to be good at everything you do.

This idea of an industrial "Internet of things" is something you've bet big on. What is it, and what is G.E.'s role?

Picture a jet engine. A jet engine in a Boeing 737 probably has 30 to 50 sensors on it. It's taking multiple readings on a continuous basis—fuel efficiency, wear of the blade, heat of the engine, altitude. We today have the ability to take that data and go to an airline and say, "If you did these three things, your fuel performance could improve by 1 percent. If you take your planes off differently in Chicago than Dubai, you can get more cycles on that plane between the times when you have to take it in the repair shop." That sounds mundane, but its worth tens of millions of dollars.

"MOST OF THE TIME WE SHOULD KEEP OUR MOUTH SHUT, RIGHT? BUT WHEN SOMEBODY WRONGFULLY CHALLENGES OUR CHARACTER, I HAVE TO STAND UP."

The experience of buying books on Amazon is now coming to the industrial world. Now the difference is, if I get sick of this [*holds up iPhone 6 Plus*], I throw it away and buy a new one. If you get sick of a jet engine, you don't throw it away and buy a new one. You want to make it operate better. That throws all of the advances of data and software from the consumer world into the industrial world. We look at that and say, "Why not us?" We think we can be a viable competitor against software companies because we have the assets.

Do you think Amazon, in turn, is saying, “Why aren’t we doing what G.E. is doing?”

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Sure. These markets are huge, hundreds of billions of dollars. The knowledge of the asset itself is quite material. The ability to go to an airline C.E.O. and say, “I’ll guarantee you 99 percent uptime and a 1 percent fuel advantage,” I can do that. It’s hard. That’s not something that’s quite natural for some of the consumer companies to do, even though they’re outstanding. It’s our expectation that there’s going to be other industrial companies that compete. I think we’ll have new competitors. You’ll be partners with somebody in the morning and compete with them in the afternoon.

I think Amazon is an amazing company. Jeff Bezos is one of the guys I really look up to. I’m amazed by what they’ve done. We use Amazon web services. As amazing as they are, they’ve never made a jet engine. So let’s go. Let’s see what happens.

He is getting into rockets.

Exactly! Exactly. You have consumer, enterprise, industrial, and then you have platform and apps. There’s going to be people who go vertical, people who go horizontal, networks of partners. We’ll work with Amazon in some ways just because they have such a great footprint in the cloud.

You’re speaking so fluently about the tech landscape now. I’m sure that wasn’t your first language. What is your technology use personally?

The tools that are part of my workflow are C.R.M. [Customer Relationship Management] software. And then music.

Do you use iTunes?

I would say that’s my draw.

Any kind of social media?

I'm a limited Twitter user. No Facebook. And that's probably the extent of it.

So you're not Snapchatting?

Not yet. But I've had dinner with the C.E.O. of Snapchat. I was quite compelled by what you could do with video at a company like G.E. and how you could use it.

How could you see using it?

I think you could give the C.E.O.'s message every day, visually. You could just sit there on a sales call with the customer complaining about G.E. and get in front of 30,000 people immediately.

G.E. was always a tremendous supporter of the middle-class. Those jobs are changing fast. What is the opportunity for a new middle-class job going forward?

Manufacturing is important for the company today. It'll be important for the company in the future. Those are people making \$65,000, \$70,000 a year. Those jobs in our world will continue to grow, but they won't grow as quickly. The new middle-class job is a programmer, a data scientist. A lot of people who work in factories have college degrees, but many of them have associates degrees. I think it's much harder to find a really great middle-class job that somebody can find with an associate's degree today. Those are few and far between.

Everybody who joins G.E. is going to learn to code. We hire 4,000 to 5,000 college grads every year, and whether they join in finance or I.T. or marketing, they're going to code.

You came out in April with an **op-ed based on some of the things Senator **Bernie Sanders** was saying about the company. Why did you feel the need to speak out?**

Because I thought he was wrong about my company. And there are almost 140,000 people who get up and go to work every day who are awesome hard-working people, who work for G.E. Most of the time we should keep our mouth shut, right? But when somebody wrongfully challenges our character, I have to stand up, and I'm glad I did.

What do you make of Donald Trump?

I knew him a little bit when we owned NBC and did *The Apprentice*. And I always found him to be fun to work with, endearing, competitive, lots of good things. But there's just no place for discrimination in our place or any other company or in the U.S., so the comments about Mexico or Muslims, that's unacceptable to us. The **Donald Trump** that I had a chance to work with, I

found to be fun to work with. The words? I can't reconcile with anything I believe in, or that I think the country stands for or that the company stands for.

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Are you happy to be out of the media business during this election cycle?

I always wish NBC well. I didn't think it was a good fit for where the company was going. I cheer for NBC every day. I may be the only Republican who watches MSNBC. But I don't really miss it.

The process leading up to your announcement as C.E.O. was a long process, five years or more. Has the C.E.O. succession process begun now at G.E.? What are the qualities the next C.E.O. will have to possess?

The process never ends here. In some ways we are working on succession all the time. You don't become C.E.O. for what you know, you become C.E.O. for how fast we think you can learn.

There's a whole bunch of things that go into it. How fast can they learn? How resilient are they? How competitive are they? And those are things that really put you in good stead.

This interview has been edited and condensed for clarity.