

Rise and Fall - or Transformation?

The Evolution of Strategic Planning at the General Electric Company, 1940–2006

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We challenge conventional accounts of the rise and fall of strategic planning by examining the history and evolution of strategic planning practices at the General Electric Company (GE) during six CEO regimes: Wilson, Cordiner, Borch, Jones, Welch and Immelt. We distinguish strategic planning — a system of strategy formulation, decision making and control — from particular planning technologies such as SBU planning. We show how an integrative system of strategic planning was first established in GE in the 1950s and continues, albeit transformed, to this day. Integrative strategic planning at GE was originally called *long range planning*, later *strategic planning*, and after the abandonment of SBU planning, *GE'S Operating System*, but changes in the use of labels mask continuities in prevailing practices. The history of strategic planning at GE has several implications for contemporary strategy making: first, the practice of strategic planning cannot remain static but must evolve to facilitate changes in corporate agenda and management style. Second, the CEO's involvement in design of the strategic planning system is critical to its endurance and centrality. Third, specialized governance channels for decision-making and communications focus attention of corporate executives on distinct, yet critical, planning tasks to shape the corporate agenda. Finally, the tight coupling of information and communication flows across governance channels is critical for the overall integration and effectiveness of the strategic planning system.

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Introduction

The role and importance of strategic planning in corporate practice remains a subject of controversy for both academics and practitioners. Hailed as a critical corporate function during the

late 1960s and 1970s, its effectiveness came under attack in the 1980s and 1990s.¹ The decline of corporate staffs during the 1980s was widely reported in the business press, even though at the same time strategy consulting firms flourished and expanded in size and offerings. Hamel, Prahalad, Pascale and have others questioned the contribution of strategic planning to firm innovation and global competitiveness, and these critiques culminated with Mintzberg's influential and award-winning 1994 treatise *The Rise and Fall of Strategic Planning*, which focused on the failings of formal planning processes and described its widespread abandonment.²

Yet the topic of strategic planning remains visible in the research literature, with almost 900 papers on the subject being published since 1995.³ Recent studies suggest that strategic planning is not extinct, but that it has evolved in response to dynamic environmental conditions.⁴ However, if strategic planning is not 'dead', in what form has it survived? How has strategic planning practice changed?; how is it practiced in large corporations today? and can formal strategic planning still benefit large, multi-business corporations?

Recent studies suggest that strategic planning is not dead: but in what form has it survived?

To help answer these questions, we study the history and evolution of strategic planning at the General Electric Company (GE). Since the early 1970s - if not earlier - GE has been a model and archetype for effective strategic management practices, and the introduction of portfolio planning and the implementation of the strategic business unit (SBU) concept by then-CEO Fred Borch in the early 1970s has led the company to be considered as an early developer of corporate strategic planning. This was further developed under his successor, Reginald Jones, and the GE strategic planning system was promoted as a best practice for diffusion to other corporate settings. However, strategic planning at GE is widely viewed as having been substantially abandoned under Jack Welch, when he decimated strategic planning staffs at the corporate and business unit levels, and focused instead on corporate-level initiatives, such as restructuring, cultural change and Six Sigma.

Based on the highly visible changes under Borch, Jones and Welch, Mintzberg characterizes GE as FIFO (first in-first out) as far as strategic planning was concerned, and widely emulated both in its adoption of a formal strategic planning system, and its abandonment. Under Jeffrey Immelt, the importance of strategic planning appears to have grown once again, with the role of strategic planning now highlighted as part of GE's growth strategy and corporate governance practices. Does GE's practice of strategic planning conform to Mintzberg's characterization, or to those of other strategy scholars?⁵ Given GE's prominence as a widely admired model of effective management, we seek a clearer understanding of how strategic planning evolved at GE, and to provide insights on the broader question of its rise, fall and transformation in other large multi-business corporations.

To understand the evolution of strategic planning at GE, we examine the history of corporate and business-unit planning under the regimes of six CEOs from 1940 to the present—Charles E. Wilson, Ralph J. Cordiner, Fred J. Borch, Reginald H. Jones, John F. Welch and Jeffrey R. Immelt. We begin our analysis in 1940 to explore whether and how planning was undertaken at GE prior to the formal development of what later became known as strategic planning. In exploring the evolution of planning, we examine how practices were shaped by changes in the firm's structure and strategy. We utilize both primary and secondary data sources to analyze changes in the formal agendas, decision-making channels, roles and vocabularies that have constituted strategic planning at GE. Our methodology uses both narrative analysis and analytical induction, relying on evolutionary perspectives on strategy and the attention-based view of the firm to help guide our analysis and interpretations.⁶

Our analysis yields a different view of the evolution of strategic planning at GE from standard accounts such as those by Mintzberg and Chandler. As we discuss below, the practice of strategic

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