

General Electric's Corporate Governance Reforms

According to Heineman (2007), performance with integrity has been a central concern of General Electric's (GE) governance reforms. Certainly, when the rot is at the top, governance checks and balances must come from the board of directors (p. 102). The more pervasive governance issue is the responsibility of the CEO on down: How does top management drive a demanding performance culture built on unyielding integrity throughout a complex enterprise? The integrity land mines that can blow up in the face of most companies are all across the globe, not just in the corner office.

General Electric's integrity theme is "Avoiding Integrity Land Mines." provides an inside look at how GE has worked to build a culture that sustains both high performance and high integrity. GE has tried to build a culture that fuses high integrity and high performance using a series of core principles and key practices.

In respond to the SOX, GE adopted global standards beyond SOX and the legal rules or financial rules found in specific jurisdictions. Adopting global standards is a risk-incentive that is embedded in the GE's operations and culture. GE's chief legal officer formed a risk committee of top management. The committee meets quarterly. For each meeting, the CFO and general counsel develop an agenda that includes issues and global standards. The committee decides, among other things, whether a standard is needed and, if so, what GE standard should be in place.

Another feature of the integrity values is building standards into business processes. Heineman mentions that GE makes plant managers and manufacturing leaders are responsible for environmental, health, and safety issues in their divisions. For each facility in each business, quarterly reports track key parameters (spills, accident rates, notices of violation).

Additionally, GE has implemented a process for finance, legal, and human resources to partner and encourage integrity. This is accomplished by giving these departments the central responsibility for developing the tools, systems, and processes for preventing and remedying integrity violations.

Because GE has taken a proactive approach the company continues to seek the best ways to achieve performance and integrity at an operational level deep inside the company. There has been a significant shift in analyzing governance and moving into front line governance.

Companies can learn from this example, to implement a governance model that requires integrity from the bottom up and top down instead of solely relying on top management to enforce integrity.

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