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G.E. Realigns Its 11 Businesses Into 6 and Shuffles Executives

By JEFF BAILEY

General Electric reorganized its vast operations from 11 businesses into 6 yesterday, promoting three young executives to vice chairmen to run its three biggest operations in a move specifically aimed at keeping them from being hired away.

The promotions will reduce the number of executives reporting directly to G.E.'s chairman and chief executive, Jeffrey R. Immelt, who, since taking the top job in 2001, had been extremely hands-on, said Ralph S. Larsen, a G.E. director and chairman of the board's management development and compensation committee.

"Jeff can focus on other things," said Mr. Larsen, the retired chairman and chief executive of Johnson & Johnson.

The reorganization will undoubtedly result in some defections in the months to come, as companies seeking chief executives and other top officers discover who at G.E. will now be more willing to change employers. "There will be some fallout," said Peter D. Crist, chairman of an executive recruiting firm, Crist Associates, in Hinsdale, Ill.

Two of the three new vice chairmen, David L. Calhoun and John G. Rice, were approached about the chief executive job at Boeing, according to William J. Conaty, senior vice president for human resources at G.E. He acknowledged that such overtures will not stop.

"Calhoun and Rice get hit on" for every big opening, said Mr. Crist, the headhunter. "It would be very difficult to pry them out right now. The expansion of duties is significant."

Indeed, Mr. Calhoun, 48, formerly a senior vice president leading GE Transportation, will now run GE Infrastructure, with estimated 2005 revenue of about \$43 billion. The new unit includes aircraft engines, rail products, water, energy and oil and gas equipment, as well as some related finance units.

Mr. Rice, 48, and formerly a senior vice president heading GE Energy, will lead GE Industrial, with estimated 2005 revenue of about \$33 billion. The new unit includes plastics, appliances and industrial products, security and other operations.

In addition, Michael A. Neal, 52, and formerly a senior vice president leading GE Commercial Finance, keeps his former duties and adds insurance operations, with a combined expected 2005 revenue of about \$45 billion. G.E. expects to sell those insurance holdings.

The promotions are a changing of the guard. Dennis D. Dammerman, 59, and a vice chairman for G.E. and chairman of General Electric Capital Services, will retire and leave the board at the end of 2005, the company said. Also, retiring in 2006 is Sir William M. Castell, a vice chairman who led GE Health Care. He came to G.E. in 2004 in the acquisition of Amersham, a maker of medical diagnostics equipment. Sir William's future board service is undecided, a spokesman said. Joseph M. Hogan, a senior vice president, becomes the head of GE Health Care.

The health care operation, along with the NBC Universal and Consumer Finance units are unchanged in the reorganization.

The retirements of Mr. Dammerman and Mr. Castell will leave just one vice chairman actually on the board of G.E.

- Bob Wright, 61, who runs NBC Universal entertainment operations. Mr. Immelt said in a conference call with investors that after retirements, he would be the only company officer on the board. The three new vice chairmen are advisers to, but not voting members of, the board, in line with corporate governance practices that emphasize outside and independent directors.

G.E., which is based in Fairfield, Conn., expects annual cost savings of \$200 million to \$300 million from job cuts and possible plant closings in the reorganization. Mr. Immelt reiterated that G.E.'s earnings this year would be \$18.9 billion to \$19.5 billion, or \$1.78 to \$1.83 a share, adding they would probably fall in the high end of that range because of strength across nearly all its businesses.

Fielding an investor question on G.E.'s languishing shares, Mr. Immelt said that with continued good results "the stock takes care of itself." He rejected the notion of spinning off a major operation.

Shares of G.E. fell 84 cents, to \$34.66.

Four executives who formerly reported directly to Mr. Immelt will now report to a vice chairman. Any sting from that change is reduced because the three new vice chairmen "are widely respected leaders who would be considered a notch above," said Mr. Conaty, the personnel chief. "It's not like others felt they were in competition for those jobs." He added, however, "Yes, there will be some changes for those individuals not reporting to Jeff."

John Krenicki Jr., 43, and a senior vice president who formerly ran GE Advanced Materials, which includes plastics, and reported to Mr. Immelt, will now run the larger GE Energy business and report to Mr. Calhoun. Scott C. Donnelly, 43, and a senior vice president formerly in charge of global research, reporting to Mr. Immelt, will now run GE Aircraft Engines and report to Mr. Calhoun. And Lloyd G. Trotter, 60, and Arthur H. Harper, 49, senior vice presidents, will continue to run GE Consumer and Industrial and GE Equipment services, respectively, but now report to Mr. Rice instead of Mr. Immelt.

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