**GE Primer**

General Electric Company is an American conglomerate that currently operates in 130 countries (GE Directory), and GE is a major U.S. Aerospace and Defense (A&D) supplier of jet engines both commercially and for the defense industry. It is ranked the 18th largest firm in terms of gross revenue in the US by Fortune 500. However, a **situation analysis** provides us with a different picture. With regard to a political lens, one of the problems was tariffs with other countries. Tariffs with China are affecting GE with its supply chain. Another thing in the political part of the analysis is that GE lobbies both Federal and State governments. In 2011, for instance, GE employed 179 lobbyists and spent $36 million on lobbying (89 lobbyists today). In the economic part of the analysis, GE is going to have to fix their legacy long-term care (LTC) program in their *Healthcare* segment. GE did not charge enough and people outlived projections. This is a looming problem probably valued close to $15B (see Barrons, December 3, 2018 issue) which is one reason why Wall Street keeps suppressing GE stock, and CEO Culp comes from the right background to help fix GE’s healthcare segment. As the PRO group also noted, GE is reducing their underfunded pension obligations, reducing their debt load and addressing their dividend woes so they appear to be headed in the right direction. Social issues that affect GE include a world where society is shifting away from oil and gas and moving towards alternative energy products. This will be a challenge for GE because the oil and gas segment brought in the most revenue for the company. GE will be faced with continued pressure to get ahead of the game when it comes to alternative energy. The bottom line, though, is that GE needs to infuse new life into their culture. Their classification program (i.e., A, B & C) has created a culture of fear whereby GE doesn't give their employees the chance to grow in the company. Even today, even if you are doing well within the company, if you are the bottom 10%, you are still going to get fired. For the competitive section of the analysis, GE’s research on *Vscan* would provide an ultrasound that is as big as a cell phone. The benefit is that a regular ultrasound is too big and that it has a lot of wires and that not every room has one. With the *Vscan*, a doctor can have access at all times especially in poorer countries. Regarding the cooperative part of the **situation analysis**, GE is still having to deal with the toxicity from having discharged 4.4 million pounds of PCB into the Hudson River from 1946 to 1976. They have launched a multimillion-dollar campaign in order to avoid responsibility for its action and ended up slowing down the cleanup rate leading to them walking away from the Hudson River without actually finishing the job. Also, as one of the three major A&D suppliers of jet engines (i.e., along with Rolls Royce and Pratt & Whitney), they have capacity issues due to inconsistent, if not non-existent, customer orders this past year (e.g., Boeing’s problems with the grounding of its 737 Max (that uses GE’s LEAP engines) and the 777 long haul problem Boeing blames on GE’s engines). This has drained GE’s cash flow, so much so, that from a legal lens, General Electric currently does not have enough cash to pay its shareholders, however, since cash flow operations have dropped from $10 billion in 2017 to $4.2 billion in 2018. Floating the plan to do an 8-1 reverse stock split suppressed their stock price and could be an indicator of an even poorer performance projection. Many are bullish on GE, though, since it looks as if GE leadership is turning the ship around. It is difficult to overcome past monikers as being “the worst deal-makers in corporate world history.” Culp is known as a deal-maker so maybe this will help.