

Back in 2004, GE's top-management team was going through its annual strategic planning review when the management team came to a sudden realization: six of the company's core businesses were deeply involved in environmental and energy-related projects. The appliance business was exploring energy conservation. The plastics business was working on the replacement of PCBs, once widely used in industrial compounds, which had been found to have negative consequences for human health and the environment. The energy business was looking into alternatives to fossil fuels, including wind, solar, and nuclear power. Other businesses were looking at ways to reduce emissions and use energy more efficiently. What was particularly striking was that GE had initiated almost all of these projects in response to requests from its customers. When these common issues surfaced across different lines of business, the group members realized that something deeper was going on that they needed to understand. They initiated a data-gathering effort. They made an effort to educate themselves on the science behind energy and environmental issues, including greenhouse gas emissions. As CEO Jeff Immelt later explained, "We went through a process of really understanding and coming to our own points of view on the science." Immelt himself became convinced that climate change was a technical fact. GE executives engaged in "dreaming sessions" with customers in energy and heavy-industry companies to try to understand their concerns and desires. What emerged was a wish list from customers that included cleaner ways to burn coal, more efficient wastewater treatment plants, better hydrogen fuel cells, and so on. At the same time, GE talked to government officials and regulators to try and get a sense for where public policy might be going. This external review led to the conclusion that energy prices would likely increase going forward, driven by rising energy consumption in developing nations and creating demand for energy-efficient products. The team also saw tighter environmental controls, including caps on greenhouse gas emissions, as all but inevitable. At the same time, team members looked inside GE. Although the company had already been working on numerous energy-efficiency and environmental projects, the team realized there were some gaps in technological capabilities, and there was a lack of overarching strategy.