

## Case name: Effective Cash Management

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**Company:** The General Electric Company

**The Challenge:** Change the corporate culture in how cash is managed throughout the corporation

### **Purpose:**

The objective of this intervention was to change the cash management culture of the company from the sole responsibility of the finance function to everybody's responsibility. Reginald Jones, the CEO of General Electric, commissioned the head of management education, Ned Herrmann, to achieve this culture change in three months starting with the top ten thousand managers in the company.

### **Existing conditions:**

Since time immemorial all cash was managed by the finance manager and his staff in each section, department, division, and group of the company. This meant that all other functions such as engineering and manufacturing deferred to the finance functions for cash management. This also meant that if the managers in the non-finance function were not directly involved with cash then the typical employees were completely non-involved in cash management.

### **Desired outcomes:**

Short term: Create awareness of the cash flow process. Then find the cash, wherever it was, and learn whatever function was involved. Once found, this cash was funneled into a corporate pool where it could be counted and banked.

Long term: Change the way the company handled cash. Having once demonstrated there was a lot of cash "sitting around," "squirreled away," or actually being hidden as managers hedged against a need not yet identified, management of that cash was the personal responsibility of every employee who was involved in a cash transaction.

### **Whole Brain Intervention methods, processes, and strategies:**

The design was based on the formation of functional teams led by functional managers and supervisors and supplemented by members of the finance function to serve as either full members or

consultants to the team. The goal was to form each team in mental alignment with the culture of their component. All team activity was to be done on company time as “legitimate” company work. Team size ranged from 3 to 4 or 5 to 7 depending on local staffing conditions. To the extent possible, team makeup was as mentally diverse as conditions allowed, but still aligned with the local culture. A major strategy decision involved who was going to keep track of the process and the results. It was requested that each function keep track of its own logistics and take responsibility for operational management, but that the corporate Vice President of Finance had to be the one who collected the money and counted the cash. It was his responsibility to measure and report the financial results to the CEO and to Ned Herrmann as the project manager.

A major aspect of this culture change process was to get each component on a consistent cash management basis within its own function, but also appropriately differentiated from other functions in order to take advantage of local practice. This was also true between sections, departments, divisions, and groups. Considering that at this time in history General Electric was a “Leviathon” with over 300,000 employees and over 100 departments, it was essential to not only decentralize the cash management effort but also to coordinate it between key representatives selected by local management for that purpose. The key leaders were department General Managers who delegated functional team activities through their functional section managers. The time for the entire project to take place was three months. The key players were the top 10,000 managers in the company. Their involvement was personally stipulated by the CEO.

### **Managing the results:**

It took a full two weeks to get this project rolling and this represented one sixth of the total time available. Even so, this was only an average since some components got off and running within days and for some it took three weeks. Part of the management challenge was to deal with the surprises that evolved. The first surprise was the enormous amount of cash that was discovered early on—in some cases ten times more than had been predicted. Deciding on how to report the cash and where to keep it was made easier by having insisted that the finance function be responsible, and for the corporate Vice President to be the scorekeeper and banker. The monthly meetings of division finance managers were the mechanism for processing the money. Due to the three month time frame, these meetings were scheduled every two weeks. A key issue was how to optimize the teams’ activities and how to reward them appropriately. Each department, and in certain cases each division, developed a team management process and reward system. Competition for results was both friendly and fierce. Rewards were decided by the teams and were often informal such as team beer parties and family dinners.

The short-term results produced five hundred million dollars. But while totally amazing, that was not the culture change objective requested by the CEO. The challenge was to convert this initial success into both local and corporate behavior changes in how cash was handled and particularly




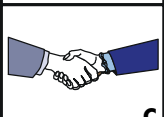
managed. This required staff meetings on all levels to help teach the necessary changes in the cash management process. This process was changed to include cash management performance into salary reviews. While the initial time frame for the entire culture change effort was pegged at three months, it became clear this was only phase # 1 of an extended culture change process. The three month period was time enough to get the attention of hundreds of thousands of employees, but not enough time to bring about long-term permanent change.

**Measurement criteria:**

This culture change project produced dramatic results. It would be a mistake to measure the results exclusively on the basis of the five hundred million dollars of cash generated by the process. By "A" quadrant standards this project was an enormous success, but in reality, that was just the short-term results. In point of fact, the culture change objective of this project falls into the C quadrant, and there is no way that could have been accomplished in the three months allocated to have reached the top ten thousand people in the company. Reaching the top ten thousand in three months is really an extended B quadrant implementation challenge. While creativity was not part of the original assignment a lot of it emerged at the team level, and that would have to be considered as a D quadrant bonus.

The four quadrant "success measurement" process allows up to 100 points for accomplishments that occur in each quadrant. The A quadrant, measured by financial results, deserves 100 points for grossly exceeding all expectations. The B quadrant implementation deserves 80 points for completing a company wide project in 90 days. The C quadrant culture change deserves only 75 points because the project was in reality limited to only creating company wide awareness in the 3 month period. Full culture change would require many more months of sustained activity. The D quadrant release of creative potential to find the cash deserves 75 points for the creative techniques employed by the teams which varied widely in terms of successful implementation.

- A quadrant: Super success and \$500 million generated
- B quadrant: 100 depts organized systematic implementation
- C quadrant: Good beginning to needed culture change
- D quadrant: Numerous creative approaches to managing cash

Metaphors		Success measurement points	
A 	D 	A <b>100</b>	D <b>75</b>
B 	C 	B <b>80</b>	C <b>75</b>

