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## The end of the conglomerate era

### Titanic disease

Reportedly, Mr. Jeff Immelt, CEO of GE resigned in just one and a half since taking office. Instead he invited John L. Flannery, a new CEO from the outside. It seems The large conglomerate still faces the crisis. GE has expanded business as a large comprehensive corporate group, but has been under financial pressure after Lehman shock. They are quite similar to ITT which was a representative of the one conglomerate company in US.

It is a factor that the acquired financial business has failed, but the cause is not all. Composite companies in conventional heavy machinery industries have already been transferred to the declining industry.

As of 2018, the company operate through the following segment: aviation, healthcare, power, renewable energy, digital, additive manufacturing, venture capital and finance. It sounds great but comprehensive enterprises can no longer maintain a good financial structure. In order to survive themselves, GE is focusing on power, military aerospace and aircraft engine, health care business, however, even though they will sell up unprofitable business to Chinese corporate. It is uncertain decision whether market appraisal and declined stock price will be improved. It seems corporate is still under titanic disease.

Toshiba is also similar to mentioned above. Toshiba has made a major loss in the failure of the nuclear power business, the outbound of overseas companies, and exceeded the debt. They temporarily overcome the excessive debt by selling the excellent division of semiconductors. It was a foolish choice to sell good business and try to maintain company name and old constitution. Rather, they should throw them away and leave only the semiconductor business and medical care. It is the intention of the government wanting to promote nuclear policy that stuck to leaving nuclear power.

Both groups stem from electric industry that can be said to be a national flag company in 19-20th century, but it has already been decaying as a titanic industry. The reason has been due to the fact that management of the business plan, such as merge & acquisition and the economic environment that centered on manufacturing industry has changed. Also, the vulnerability of the largest corporate organization has been exposed. In the industrial world intense, the large companies can not resume agile. Previously, Beechcraft, a US aircraft manufacturer, tried to sell the small aircraft sector to Chinese companies for fiscal rebuilding. The US government suspended it. It is against the national policy to sell stocks of military industry to virtual enemies.

AI, artificial intelligent has infiltrated many aspect of industrial fields, so employees as simple workers will be fired. Small and medium sized enterprise that can not be hired labor force is the competitiveness of declining. On the other hand, judgments of managerial person also cannot follow the speed these days. In particular, they always have to solve multivariable functions. It is not easy to get solutions right away. So I do not think that huge enterprises can be managed with their previous experiences or sensory management know-how. Managerial person that has been purely cultured in homogeneous soil is vulnerable to external changes. I'm fond of such decision inviting a new CEO from outside this time. At any rate, it is a large corporate disease as it were like titanic disease.