

# The Boston Globe

**GE is huge, but its future headquarters will be anything but**



**General Electric CEO Jeffrey Immelt.**

By Jon Chesto Globe Staff March 12, 2016

When General Electric moves to Boston, it will instantly become the largest company by far based in Massachusetts.

But don't expect a massive headquarters to match.

The industrial giant plans to employ about 800 people in Boston by sometime in 2018, less than 1 percent of its current 333,000-person global workforce, and a far smaller head count than you will see at many local companies that are a fraction of its size. GE says that just 200 of those 800 Boston jobs will be corporate-level employees, with the rest being tech workers and a new energy business called Current.

For GE, the slimmed-down headquarters is a badge of honor, a sign that it can keep pace with the rapid changes in its industries and not get bogged down by corporate bureaucracy. Some experts say it's also an indication of a trend taking shape, as a number of global companies shrink their corporate headquarters teams.

The most prominent early example: Boeing took roughly half of its 1,000 headquarters employees when it relocated in 2001 from Seattle to Chicago. Last fall, food manufacturer ConAgra unveiled plans to move its headquarters to Chicago, where it will employ about 700, while leaving behind a much bigger workforce in its hometown of Omaha.

In GE's case, most of the jobs at its existing 800-person Fairfield, Conn., headquarters aren't coming to Boston. They will instead move to nearby Norwalk, Conn., or other GE locations in cities such as Cincinnati. Teleconferencing and other advances in communications technology make it easier to split up a workforce among several locations, GE chief executive Jeffrey Immelt said.

"The C-suite types want to be in a big downtown urban location, but they don't want to bring the entire corporate headquarters location because the real estate there is way more expensive," said David Collis, a Harvard Business School professor. "It's OK for Jeff Immelt, but he doesn't want IT people sitting there."

To some extent, this shift to smaller headquarters mirrors a much bigger, parallel trend: the overall allocation of fewer square feet per worker. That's happening for two reasons.

First, fewer individual offices and more open space can foster collaboration among employees. "There's a drive to get rid of the corporate suite altogether," said Daniel Perruzzi, a principal at Margulies Perruzzi Architects in Boston.

But, as Collis points out, saving money is a big motivation, too. Chief executives often want urban locations, but they don't like the steep rents that go along with them. The result? Being more selective about who gets to work in a downtown headquarters versus in a less expensive satellite office. Some companies don't even need a headquarters relocation to prompt the trimming: Morgan Stanley, for example, said in January that it would accelerate the shift of its back office work in New York to lower-cost cities such as Mumbai and Budapest.

"The days of 'Mad Men' with these downtown campuses with thousands of workers, those days are over," said John Boyd, a relocation consultant based in Princeton, N.J. "GE wants to tap into the branding element of Boston, the high-tech nature of the workforce, and all the image benefits that Boston offers. [But] the economics mean that they're going to take as few jobs to Boston as possible."

GE hasn't disclosed the full list of executives who will make the move, a transition that will begin this summer with the opening of a temporary Fort Point location. Roughly half of

Immelt's direct reports run specific business lines and will physically stay with those operations, which have their own headquarters offices elsewhere.

Top executives moving to Boston will include chief financial officer Jeffrey Bornstein, general counsel Alex Dimitrief, human resources chief Susan Peters, and chief productivity officer Philippe Cochet.

The scaled-back headquarters, Immelt said in a recent interview, reflects "a desire to move more quickly." Without added layers of bureaucracy, decisions can get made faster, keeping up with the pace of innovation.

## Executive decisions

	BUSINESS	HEADQUARTERS	HQ HEADCOUNT	TOTAL HEADCOUNT
<b>General Electric</b>	High-tech manufacturing	Boston, in 2018	800 (anticipated)	333,000
<b>TJX</b>	Retail	Framingham/Marlborough	3,900	198,000
<b>EMC Corp.</b>	High-tech	Hopkinton	9,000*	72,000
<b>Raytheon Co.</b>	High-tech manufacturing	Waltham	340	61,000
<b>State Street</b>	Financial services	Boston	3,600	30,000
<b>BJ's Wholesale Club</b>	Retail	Westborough	880	25,500
<b>Analog Devices</b>	High-tech manufacturing	Norwood	470	9,000
<b>Fidelity</b>	Financial services	Boston	2,000	4,500

\*EMC only would provide its total Mass. employment and would not break it down for the headquarters building in Hopkinton.

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The company has long given its executives more autonomy to run their specific business lines, such as aviation or health care, said Bill Aulet, a senior lecturer at the MIT Sloan School of Management. As a result, top managers have more accountability for their respective divisions,

he said. The approach builds their leadership skills, plus it helps keep the top-level corporate overhead to a minimum.

“GE has always had a lighter headquarters staff than other companies because of this model,” Aulet said.

That’s a stark contrast with the other global companies based in the Boston area. Retail giant TJX Cos., for example, employs about 3,900 at its two headquarters campuses in Framingham and Marlborough, out of a workforce of nearly 200,000. About 3,600 of State Street Corp.’s 30,000 employees work in the financial titan’s headquarters tower in downtown Boston. Akamai Technologies, meanwhile, employs about 1,800 in Cambridge out of its 6,000-person-plus workforce.

Joe Fallon, executive managing director at brokerage Cushman & Wakefield’s Boston office, said nearly all of the big companies in Greater Boston grew up in the region. It makes sense, he said, for homegrown firms to have larger headquarters offices than a company that is moving here from another state.

Fallon said defense contractor Raytheon Co. might make the best local comparison. Like GE, Raytheon is a global high-tech manufacturer with several distinct operations, each with their own headquarters town. In Raytheon’s case, only about 340 people work at the Waltham headquarters, out of a worldwide workforce of 61,000.

Armando Carbonell, planning department chairman at the Lincoln Institute of Land Policy in Cambridge, said he sees an unintended consequence to this shift, as more companies relocate their headquarters into high-demand cities while dispatching lower-paid workers to less expensive places: “You could imagine the San Franciscos, the New Yorks, and the Bostons getting even more unequal than they are now because firms are not bringing in [many of] their lower-paid folks.”

Carbonell said it’s hard to know how pervasive the use of “microheadquarters” will become, given the fact that corporate relocations aren’t exactly a common occurrence.

“One of the reasons people do these corporate moves is it’s a way to shed staff,” he said. “[But] it’s also a way to reorganize and rethink how you’re going to manage things.”