

## UP FRONT

BBJ ANALYSIS | GREG RYAN

### What the departure of Immelt means for Boston

**B**oston's business community woke up Monday morning to discover that the man who brought General Electric to town is on his way out.

General Electric Co. announced that John Flannery, head of GE Healthcare and a 30-year GE veteran, will take the place of current CEO Jeff Immelt on Aug. 1. Immelt will stay on as chairman until he retires from the company Dec. 31. The move follows recent unrest from Triun Fund Management and other investors regarding Immelt's management of GE and the company's stock price, though GE maintained Monday that the transition has been in the works for years.

The city's business leaders have spent the past year or two building a relationship with Immelt. Now, most of them will have to repeat the same process with Flannery, who will oversee GE's move into its new Fort Point headquarters and attempt to keep talented executives from leaving for other companies during the transition.

#### A new exec to know

Immelt had strong connections to Boston's business world before the move. He graduated from Harvard Business School. He had established relationships with power brokers like Patriots owner Robert Kraft and Bain Capital's Steve Pagliuca. He got to know other top Boston executives, as well as Mayor Martin Walsh and Gov. Charlie Baker, during Boston's courting of GE in 2015 and 2016.

Flannery is not without his professional ties to Boston — he was in town just last month to announce a new 10-year partnership with Partners Healthcare — but does not have as many relationships that Immelt does in the city. While many GE executives have Boston offices, Flannery was based in Chicago as GE Healthcare's CEO.

He'll be replacing an executive who's highly respected in Boston. Suffolk Construction CEO John Fish, one of the city's most visible business leaders, said he considers Immelt the greatest CEO in GE's history, considering the transformation the company has undergone over



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Jeffrey "Jeff" Immelt, chief executive officer of General Electric Co., will leave the company later this year.

his tenure. "It's very tough to follow in Jeff Immelt's footsteps, to be candid with you," Fish said. Though Suffolk is building GE's new headquarters, Fish said he doesn't know Flannery.

Mayor Walsh, too, told reporters Monday that he had never spoken with Flannery, adding that he was "caught off guard" by the leadership change. "I found out a little earlier this morning, before it actually broke, but... I wish Jeff all the luck and welcome the new person."

While Flannery is a new face, the other GE executives who have led the move to Boston remain in place. Ann Klee heads up GE's Boston operations and will continue to do so. Chief Financial Officer Jeff Bornstein, a Northeastern alum, is already a familiar face in the city. Bornstein had some big news of his own Monday: He's been promoted to

vice chair, in addition to his CFO role.

And what Flannery lacks in Boston connections, he may make up for in passion. He said during a webcast this week that he was "really excited" about moving to Boston. He's a hardcore Red Sox fan, going so far as naming his new puppy after Sox star Mookie Betts. He also flashed some familiarity with the local vernacular during the webcast. Asked what he values most in a friend, he said trust and a "wicked sense of humor."

#### An experienced mover

GE's announcement that it was moving its headquarters was almost a year and a half ago, but in many ways the company is just beginning to make Boston its home. Its new building isn't scheduled to open until 2019. In the meantime, it's operating out of temporary space on Farnsworth Street. It still has hundreds

of hires to make in Boston.

Flannery will bring some pertinent experience on that front: He's already overseen a headquarters move at GE. Last year, Flannery announced that GE Healthcare was moving its headquarters from the U.K. to Chicago. Then earlier this year, GE Healthcare revealed that it planned to move hundreds of jobs, mostly in technology, from a Chicago suburb to the subsidiary's headquarters.

The CEO change isn't expected to alter the size or scope of GE's Boston operations. It's possible that as a result of the switch, Boston could be the home of a different-looking firm, however. Flannery's first task as CEO is to review GE's various businesses, and some experts believe that review could lead GE to spin out some subsidiaries as standalone entities. "Boston will remain the center of gravity for General Electric, but the company will be a smaller company," said John Boyd, principal at corporate relocation consulting firm The Boyd Co. Inc.

Such spinouts could make GE more focused on its primary goal of becoming the world leader in industrial technology. "If anything, this is good news for Boston," Boyd said. "It's more tailwinds for the new brand of GE: the company of the future, the high-tech company."

#### A Boston brain drain?

Around the time of GE's last CEO transition in 2001, when Immelt took over for Jack Welch, several executives left the company. That's led to speculation that the same "brain drain" will happen this time around, with execs who just set up shop Boston potentially turning around and taking new jobs.

In a call with analysts Monday, GE management expressed confidence no such exodus would take place. The company has been working on the CEO transition since 2011. "We feel good about having prepared for this transition," Immelt said. "This is being done in a different way than it was 16 years ago." He pointed to the close relationship between Flannery and Bornstein as a steadying influence on other personnel.