GE Whiz What Happened?
Lessons for Connecticut’s Economic Growth

Executive Summary
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Overview

GE’s decision to move its Connecticut-based headquarters to Boston was viewed by many in Connecticut as a major loss. Others viewed it as a wake-up call and an opportunity to push government leaders to reform state government to prevent other companies from following suit.

On February 8, 2017, the Yale School of Management convened a roundtable discussion on lessons for Connecticut’s economic growth. This discussion included The Honorable Dannel P. Malloy, Governor of Connecticut, current and former state government officials, mayors, and business and community leaders. Participants examined why GE chose to leave and identified impediments to economic growth, including financial challenges and inadequate transportation infrastructure. Participants also noted Connecticut’s strengths and shared strategies and ideas driving future economic growth.

Roundtable organizer, Senior Associate Dean Jeffrey Sonnenfeld, commented, “We are told that this was the most diverse gathering of Connecticut opinion leaders across sectors, institutions, and parties since its founding over 380 years ago, including both state constitutional conventions. As remarkable was the instant candor to address a key set of collective challenges. Somehow, we all closed on a constructive spirited note. We are in debt to Ned Lamont’s generous sponsorship and GE’s selfless participation.”

Key Takeaways

GE chose to move to Boston to drive innovation and for easier international connections.

GE was headquartered in Connecticut for 42 great years. But as GE transforms to a digital industrial company, the company decided it was time to change where it was based. As GE’s Ann Klee said, “In order to do that [to transform the company] we needed to be in a different place: a place where we could attract and retain talent. A place that had a strong fiscal, economic, political, and business environment. A place that was surrounded by innovation and a strong business community, entrepreneurs, venture capital. A great quality of life. And the right cultural fit for us. It needed to be a place where GE could have a big impact and could be in the flow of ideas, surrounded by an innovation economy.” For GE, that was Boston.

As one participant pointed out, GE didn’t leave Connecticut for Massachusetts, which has its own problems. GE decided to go from Fairfield to Boston, a tremendously innovative world-class city.

As a global company, with executives who are travel to 180 countries around the world, transportation was also a significant consideration. GE was also attracted by the ability of employees to walk to work or take mass transit, along with the proximity to Boston’s international airport, which is just 15 minutes from GE’s Boston office. This is dramatically better than getting to Bradley airport or one of New York City’s airports.

“Until you fix the roads and the public transportation system and airports it’s very hard to say that Fairfield County is a good place for a large multinational company.”

— Ann Klee, Vice President, Boston Development & Operations, General Electric

Lack of trust of political leadership is also a major problem. Themis Klarides, the Republican Minority Leader in the Connecticut House of Representatives, was told by a senior GE executive that GE’s leaders did not trust the vision of Connecticut’s political leaders or Connecticut’s ability to execute this vision.

Governor Malloy sees Connecticut making steady progress but acknowledges formidable challenges.

Governor Malloy sees much about Connecticut to be proud of. This includes the state’s well-educated workforce, its high quality of life, low crime rate, and the vision of becoming a major center of innovation. Specifically, Connecticut:

• Has had 40 companies move there or open major operations there in the past few years.
• Has used economic development funds to support almost 2,700 companies in the past six years (to be 3,200 companies by the end of the seventh year) after supporting just 200 companies in the prior six years.
• Has the highest reading scores in America among public school students.
• Underfunded long-term obligations. Connecticut has constantly overestimated the investment returns for pension funds and has underfunded pensions. Also, a previous governor entered into a 20-year contract with state employees guaranteeing benefits 20 years out that began with $1 copays.

• Delayed economic development. While New York and other states have active economic development programs going back to the 1970s, Connecticut was late to embrace the need for economic development.

In terms of economic development, Connecticut has asked “What’s most likely to grow in the future?” and “What skills are needed to be competitive?” Areas of projected growth include biosciences and advanced manufacturing, which both fit well with the state’s well-educated workforce.

To support these areas of focus, Connecticut is working to offer more training and education related to advanced manufacturing at community colleges, while boosting the number of engineering graduates from the University of Connecticut. Engineering class sizes at UConn are 70% larger than just a few years ago.

“Connecticut didn’t become the problem state that it is overnight. Nor will the solution be found overnight. You have to make some assumptions, you have to invest in areas that are most likely to produce results.”

—Dannel Malloy, Governor of Connecticut

To address the transportation infrastructure Governor Malloy has called on Connecticut to invest $100 billion over 30 years. It is a lot of money, but the governor believes this investment is essential. He has asked the legislature to put this on the ballot so people can decide for themselves.

Republican Minority Leader in the House of Representatives, Themis Klarides, agrees with the importance of investing in areas such as transportation and housing, but argues that due to the state’s financial predicament, Connecticut is not in the position to be able to make such investments, and must make difficult prioritization decisions.
Critics offered multiple reasons why Connecticut is not seen as friendly for business.

A recent survey among CEOs ranks Connecticut as one of the least friendly states for business in America. While positive factors include the quality of life and the quality of the workforce, negatives include high taxes and regulations. Governor Malloy questioned the results of this survey, as other states rated as unfriendly to business included California, Massachusetts, and New York, which all have strong economies. The states rated as most business friendly included Texas and Florida.

One participant remarked that last year among the 40 winners of the fastest growing tech companies in Connecticut, only 17.5% said they would recommend the state as a place to start a business.

Roundtable participants see Connecticut’s greatest assets as its New England location (38%), its workforce (19%), its natural resources and beauty (19%), and its family-friendly nature. However, the state’s business friendliness, financial health, and transportation garnered zero votes as being the state’s greatest asset.

What are Connecticut’s greatest assets?
A. Its weather  
B. Its New England location  
C. Family friendly nature  
D. Natural resources/beauty  
E. Transportation  
F. Work force  
G. Character of residents  
H. Business friendliness  
I. Financial health  
J. Its political leadership

While not listed in the audience polling question, several participants mentioned the state’s universities as a distinct asset, as is the overall quality of life, with cities such as Stamford being attractive and affordable for many Millennials.

“We have not had trouble attracting Millennials [in Stamford] . . . Stamford is an attractive place for kids coming out of college and it is cost effective . . . I do think the quality of life in Connecticut is pretty good and people like living here . . . I’m not saying it’s all easy, but we have made a commitment to Connecticut and we’re trying to make it work.”
—Margaret Keane, President & CEO, Synchrony Financial

Among roundtable participants from the business sector, if they were now starting a business, only 44% would start it in Connecticut.

Would you start a business in Connecticut?
A. Yes
B. No

Many of Connecticut’s problems were blamed on the political landscape, where there is a lack of collective will and lack of resources. State legislators often seem more concerned with fixing the roads in their own towns and getting reelected than with making major long-term investments in transportation infrastructure. One former legislator said, “We don’t have the political will to tackle big problems.”

The legislature is also constantly operating in an environment of limited funding, which is not conducive to long-term investments. Former House Speaker Brendan Sharkey said the problem is not that legislators don’t have vision, but they don’t have resources.

“You start thinking small because you’re just trying to get through the current year’s budget reality.”
—Brendan Sharkey, Former Connecticut Speaker of the House

Some political problems can be attributed to how Connecticut is structured, with 169 towns, 164 boards of education, and 151 members of the General Assembly in the House and 36 in the Senate. As an experienced player in Connecticut’s political system observed, “You can’t put up a telephone pole in this state. You can’t put up a cell tower . . . You can talk about high speed rail, but you’ll never get it through.”

Two leading biotech entrepreneurs cited a “rich intellectual environment” in Connecticut for building biotech companies, but see significant challenges that must be overcome, including:

• Difficulty accessing capital. Unlike California or Boston, Connecticut does not have an active venture capital or private equity community.

• Lack of executive talent. Bioscience companies must bring in executive talent from out of state.
• Lack of a critical mass of companies. Other geographies have clusters of companies, which attracts talent who can easily move from one company to another. There is not yet a critical mass of bioscience companies in Connecticut.

Other business leaders agreed with the governor about the state’s transportation issues, believe that energy is too expensive, and don’t believe the state has done enough to address energy issues.

Participants offered several ideas and strategies for future economic growth.

There was general consensus that Connecticut is a fiscal train wreck, with a budget crisis every two years. Instead of constantly addressing these short-term budget crises, the state must show long-term fiscal responsibility, which includes investing in cities, in transportation, and in education, and must have a reasonably positive budgetary outlook.

“We’re not dealing with the long-term crisis that leads to a budget crisis every two years. We’re taking it out on our cities. Until we get that right, GE will keep moving.”

—Ned Lamont, Founder and Chairman, Lamont Digital Systems

Among the ideas shared for making the necessary investments to drive future economic growth were:

• Create a strategic vision and plan. The governor and others cited the need for a long-term, big-picture, strategic vision and a plan to guide investment decisions. Matthew Nemerson observed that most of the conversation was about very tactical things. He argued for a strategy of working to make Stamford and New Haven part of New York City—with a story that Stamford and New Haven are better than White Plains and New Rochelle. Such a strategy would mean pouring investment into New Haven, not Storrs.

• Change the narrative. The governor was credited with working to change the narrative that Connecticut is not a great place to do business. As one participant said, “The governor is changing the substance of the state and will change the narrative to go with it.” But, doing so takes time.

• Get more cooperation from the legislature. Some participants believe that some of the state’s problems can be attributed to legislative inaction. The legislature was criticized for thinking small and having a short-term focus. Critics argued that the legislature has to focus on investment in the future, specifically related to transportation infrastructure.

“One of our great advantages is our location between Boston and New York. And yet, because of our transportation situation, we don’t take full advantage of that.”

—Bruce Alexander, Yale

• Think boldly. A turnaround expert who has worked in turning about major business and countries termed this entire conversation as “minor league.” He doesn’t see anyone thinking or dreaming big enough. He called for leaders to think much bigger.

An example of a big idea was put forth by Professor Dan Esty. He suggested a bullet train that would put Waterbury within one hour of New York City and would place Hartford within one hour of Boston. This would create transformative economic growth opportunities.

• Consider creative financing options. The state can and should think differently about financing infrastructure projects, finding ways to use new models that involve private capital. As argued by Professor Esty, this would allow the state to go big, drive economic growth, create jobs (in the short term), and build new infrastructure for the long term.

• Consolidate Connecticut’s political structures. The current structure breeds gridlock and inaction. John Olsen, President Emeritus of the Connecticut AFL-CIO, suggested streamlining and consolidating political processes, with perhaps five boards of education and 40 members of the General Assembly.

Also, Professor Sonnenfeld noted that if there were more time, this forum should debate the applicability of Rhode Island’s model of bold pension reform. Rather than quick fixes, Governor Gina Raimondo, when she previously served as treasurer of Rhode Island, spearheaded a reform initiative to restructure the state’s pension system. Sonnenfeld suggested that at any prospective next forum, this group should tackle the appropriateness of this long-term model over short-term fixes for Connecticut’s crushing debt crisis.
Special Guests

Jeffrey A. Sonnenfeld (moderator), Senior Associate Dean for Leadership Studies & Lester Crown Professor in the Practice of Management

Dannel P. Malloy, Governor of Connecticut

Ann Klee, Vice President, Boston Development & Operations, General Electric

Arjun Ganesan ’12, CEO, Ancera

Dan Esty ’86 J.D., Hillhouse Professor of Environmental Law & Policy, Yale Law School

Ned Lamont ’80, Founder & Chairman, Lamont Digital Systems

Matthew Nemerson ’81, Economic Development Administrator, City of New Haven

John Lapides ’72 B.A., CEO, United Aluminum

Ted Kennedy, Jr. ’91 MES, Senator, State of Connecticut

Margaret Keane, President & CEO, Synchrony Financial

Josh Geballe ’97 B.A., ’02 MBA, CEO, Core Informatics

David Scheer ’84 M.S., Chairman, Achillion Pharmaceuticals

Oz Griebel, President & CEO, MetroHartford Alliance

Themis Klarides, Republican Minority Leader, Connecticut House of Representatives

John Olsen, President Emeritus CT AFL-CIO

Scot Esdaile, President, Connecticut State Conference, NAACP

Brendan Sharkey, Former Speaker of the House, 2013-2017

John McKinney ’86 B.A., Former Connecticut State Senator

Marna Borgstrom ’79 MPH, President & CEO, Yale New Haven Health System

Bruce Alexander ’65 B.A., Vice President for New Haven & State Affairs & Campus Development

Wayne Cooper, Executive Chairman, Chief Executive Group

Marshall Cooper, CEO, Chief Executive Group

David Robinson, Executive Vice President & General Counsel, The Hartford

Andy Merrill, Partner, Prosek Partners