

Although piracy remains a significant challenge, Microsoft has found some success in confronting it in China by stimulating the local industry. Instead of public rebukes, Microsoft has also drawn attention to IPR issues through seminars and attempts to address the problem by offering scholarships to law students in emerging markets who focus on IPR law.

Although these context-changing initiatives may be long-term propositions, they have been important efforts for Microsoft to be seen as a partner in progress. One company executive reflected on Microsoft's engagement with emerging markets:

When a company like Microsoft comes in and says, "We're going to use your talent," it's not seen as doing you a favor. It's seen as exploiting the talent pool out there. Somehow we have to each figure out how we are seen as good for the economy, good for the country. That requires first of all humility. Second thing it requires is significant investments, and investments particularly in developing talent, investments in developing this partner ecosystem and helping local software companies, for instance, be more successful as a result of your being in that country. If you can't do that, sooner or later you get some backlash from one group or the other. Usually they're able to successfully mobilize local politicians, local government to create some pain. In most cases they can be very successful in distracting you from running your business. So earning trust, earning goodwill, learning to be seen as good for the country is super important. These are most of the things we have learned from China, and we're trying to avoid making similar mistakes in India.⁴⁰

Microsoft has needed to be patient given the persistence of the voids surrounding IPR violations and has needed to be sensitive to the local context; "Nobody wants to be told that we're a country of pirates," one company executive noted.⁴¹ It has also found the need to be open to adaptation, experimentation, and collaboration to manage institutional voids in emerging markets such as China.

GE Healthcare in Emerging Markets

Starting in 1997, GE Healthcare (then called GE Medical Systems) began moving production and sourcing for its diagnostic imaging and other medical equipment to emerging markets, with the goal of incorporating lower-cost components and products into standard global lines, initially for export.⁴² To replicate global-quality products from factories in emerging markets, GE needed to collaborate closely with local supply chains.

GE Healthcare enlisted outside suppliers to produce a large share of the components used in its sophisticated diagnostic imaging and other medical equipment. "Because we buy so many things, the game for us is very much a supply-chain game and not a manufacturing game," said one company executive.⁴³ GE produced the proprietary "crown jewels," and inputs from other suppliers constituted some \$2 billion of the company's \$2.3 billion variable manufacturing costs. By shifting this sourcing to lower-cost emerging markets, GE could save a great deal of money.

Finding suppliers in these markets—particularly those capable of meeting GE's exacting quality standards for technically complex parts and subassemblies—was a challenge because of institutional voids, particularly missing information analyzers and advisers and credibility enhancers. "You just can't go to the local chamber of commerce in India or China and find workable suppliers," said one company executive. "It must be a long-term strategy."⁴⁴

To replicate the quality and sophistication of products made in developed markets, GE Healthcare deployed sourcing and quality teams from existing facilities to work closely with new suppliers to ensure seamless transitions. These collaborations were time- and resource-intensive efforts. When working with Bharat Electronics Ltd. of India, for example, GE sent a sourcing team of twenty engineers (spending 25 percent of their time with the company) and a quality team of seven GE employees (allocating half of their time to the company). GE also trained the senior management of Bharat Electronics in six sigma. The company's training and certification of vendors filled the void of credibility-enhancing institutions.