

GE's relationship with Bharat Electronics, as with other suppliers, evolved from sourcing simpler to more sophisticated components. Although GE did not finance its suppliers, GE's business signaled credibility in the capital markets of emerging economies, often helping suppliers get financing through other avenues.

GE's collaboration in emerging markets also took the form of investing in educating end users and regulators on the diagnostic health care enabled by its products—a marketing initiative, to be sure, but also an effort to position the company as a partner in progress. One company executive described the initiative this way:

[General Electric Medical Systems] held a round-table for Eastern European customers in Budapest last year. The Croatian contingent made clear that their radiologists needed to be trained to use advanced equipment. It became apparent to us that a real differentiation opportunity exists here. We plan to hold seminars for users, regardless of whether or not they are using our products currently. We also spend a lot of time marketing to the regulators, explaining to them that it is not cost effective to save on capital investment in, say, [magnetic resonance] machines.<sup>45</sup>

Collaboration in emerging markets was not without challenges for GE Healthcare. In China, for example, GE had established joint ventures and partnerships with manufacturers that were part of the country's health regulatory agencies. "In one joint venture," one company executive explained, "the partner firm would receive orders for equipment, and then service the orders from its separately and wholly owned factory, thus cutting us out. We couldn't stop this practice. So we had to renegotiate."<sup>46</sup> GE later acquired full ownership of two of these ventures and 90 percent of the third. As GE Healthcare built more-sophisticated operations on the ground in emerging markets, it needed to adapt to the institutional void of underdeveloped intellectual property regimes, as one company executive noted:

The only concern I have is we educate these people and teach them how to do sophisticated algorithms that do CT reconstruction to take electronic signals into an image in some way, that I don't lose them. The only concern I have, if they walk across the street and then sign up for a competitor who might be new—or Siemens and Philips—you lose that . . . In these new kinds of facilities we put up, we'll take our best engineers and put a lot of handcuffs on them, in the sense of stock options and earnings and different things so they're not easily stolen.<sup>47</sup>

Close collaboration enabled GE Healthcare to produce global-level quality products in emerging markets. Successfully executing these collaborations required the company to fill and adapt to institutional voids (see table 4-6).

TABLE 4-6

**GE Healthcare in emerging markets: Responding to institutional voids**

| Spotting void question  | Specific void   | Response  |
|---|---|---|
| Can companies access raw materials and components of good quality? Is there a deep network of suppliers? Are there firms that assess suppliers' quality and reliability? Can companies enforce contracts with suppliers?                                  | Low standards and undeveloped certification (factor market information analyzers and advisers; credibility enhancers) | Collaborated: Became information analyzers and credibility enhancers by bringing six sigma training to supply chain |
| Would a company be able to enforce employment contracts with senior executives? Could it protect itself against executives who leave the firm and then compete against it? Could it stop employees from stealing trade secrets and intellectual property? | Underdeveloped intellectual property rights regime (labor market regulators)  | Adapted: Used stock options and other devices to reduce risk of IPR loss through employees                          |