

Later in its engagement with emerging markets, GE Healthcare shifted its strategy from exploiting emerging market inputs for exported products to serving the domestic markets of these economies. As it moved toward this new “In Country For Country” model, GE Healthcare adapted products to local needs and thus was compelled to acquire local capabilities. GE introduced an “economy” CT scanner in China, for example, costing one-third of the price of a CT scanner sold in the United States. “People in the U.S. can’t design a low-end product for China,” said one company executive. “They will add needless bells and whistles and they just won’t get it right. Similarly, China can’t design a product for the Mayo Clinic.”⁴⁸

Some of GE Healthcare’s adaptations and experiments in emerging markets may even migrate back to developed markets. Under GE’s “healthy-magination” initiative—announced in 2009—the company plans to focus on health-care needs in emerging markets and underserved areas in developed countries. GE has allocated \$3 billion over six years for R&D of low-cost health-care equipment. Cost-cutting by U.S. hospitals has hurt GE Healthcare’s sales of expensive MRI and CT machines but may offer new opportunities for adoption of products like the CT scanner developed for China or the portable electrocardiograph machines developed for India.⁴⁹

Accept or Attempt to Change Market Context? McDonald’s in Russia

For any multinational with the ambition to reach beyond the narrow global segment in emerging markets, it is necessary to adapt to the local context or work to augment capabilities through collaboration or context-changing initiatives.⁵⁰ One executive of a major Turkish business group described the challenges for multinationals that have entered his home country and encountered institutional voids without any form of adaptation:

Unfortunately, just putting your money to a new market doesn’t bring you success. You have to think and know the ways of the local realities. Even, for example, some companies come to Turkey. They are used to operating in certain ways. Sometimes certain things that they outsource do not exist in Turkey. How are they going to

do it? . . . It’s a McDonald’s approach. They just open the bun, put the hamburger, close it, go, take the money, give the hamburger. Maybe it’s a different style where I come from.⁵¹

In fact, the operations of McDonald’s itself in emerging markets illustrates this principle. Although the fast food chain has been able to deliver a relatively standard output in markets around the world—while occasionally adapting its menu to local tastes—it has done so only by tailoring its inputs to the institutional voids in the markets in which it has operated.

In the United States, McDonald’s outsources most of its supply chain operations. When the fast food franchise tried to move into Russia in 1990, however, it was unable to find adequate local suppliers, in large part because of institutional voids (see table 4-7). The chain asked several of its

TABLE 4-7

McDonald’s in Russia: 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?	Limited access to capital and limited expertise in supply chain (aggregators and distributors; transaction facilitators)	Attempted to change market context: Built McComplex; financed and worked to improve capabilities of suppliers
What kind of product-related environment and safety regulations are in place? How do the authorities enforce regulations?	Limited standards (credibility enhancers)	Attempted to change market context: Instituted training programs for service and quality standards
How strong is the country’s education infrastructure, especially for technical and management training?	Limited agriculture management training (labor market aggregators and distributors)	Attempted to change market context: Imported agriculture specialists to train farmers
How strong are the logistics and transportation infrastructures? Have global logistics companies set up local operations?	Underdeveloped hard and soft infrastructure for logistics (product market aggregators and distributors)	Attempted to change market context: Established own trucking fleet