

Ge healthcare india

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akManagement 3040 Understanding the International Environment of Firms

GE Healthcare in India: An Ultrasound Strategy? Introduction GE Healthcare India, a joint venture between General Electric and the Indian multinational Wipro Ltd. , was the market leader in the ultrasound machine market with sales growth of 10% for the previous fiscal year in 2007. The enormous market potential and General Electric's successful low-cost operations fitted well with the aggressive sales strategy that the corporation had established.

Solely on a business point of view, GE Healthcare India had tremendous growth potentials in the still developing market, but the social side of ultrasound machines was threatening to kill the future of the industry. Initial Conditions General Electric entered India in the 1980s and " early investments by GE in India gave their technology and business-service sectors crucial credibility and cash when other companies still viewed the country as a risky backwater. Many even credit then GE CEO Jack Welch with fueling the economic boom that would come to India in the 1990s. GE Healthcare joint-ventured with Wipro Corporation, India's third largest software provider, and their activities included the design and manufacture of ultrasound scanners and cardiology products; sales and service of medical imaging and information technology products; parts and services logistics; software services and technology solutions; training-in-partnership programs; and design, sourcing, and manufacture of diagnostic imaging systems.

As a venture in India with \$100 million in revenues, GE Healthcare was the country's largest medical systems sales and service provider, outpacing its competitors which included Toshiba, Siemens, Philips, and Mindray International Medical. The company began manufacturing and selling

ultrasound machines in India in the 1990s, and took advantage of Wipro's robust and extensive distribution and service networks to deliver its product to approximately 80% of its customers. The company's diagnostic equipment sales in India had risen to \$250 million by 2006.

Ultrasound technology was the most profitable market for GE Healthcare and was used in early detection of fetal defects or complications during childbirth; diagnosis of gallbladder disease or obstructions; evaluation of blood flow in blood vessels; identifying abnormal structures or functions in the heart; detecting kidney stones and measuring the blood flow through the kidney; detecting prostate cancer early; and increasingly, ultrasound was used in emergency room diagnoses.

GE Healthcare had helped introduce ultrasound technology into the rural areas of India where only 20% of India's hospitals are located although 70% of the population resides there. GE was also making significant inroads into providing affordable and quality healthcare technology to Indian patients. Having ultrasound available in rural areas had cut costs tremendously for patients as well as fear, as the diagnostic tests were performed in the comfort of their own villages. Many more people were getting medical attention they needed.

A major social issue was the use of ultrasound machines as tools in prenatal gender determination and the resulting abortions of female fetuses. The 2001 Indian census revealed that there were only 927 girls to every 1000 boys, compared to 962 girls to 1000 boys twenty years earlier. A December 2006 UNICEF report stated that 7 000 fewer girls than expected were born daily in India. A study by the British medical journal "Lancet" indicated "
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that prenatal sex determination and selective abortion probably accounted for nearly all the deficit in the number of girls born as second or third children after previous female births. If such trends continued, many social scientists predicted social upheaval, even war. In India many families preferred sons to daughters for a variety of reasons, including cultural taboos. Boys continued the family name and bloodline, earned money, looked after the family, and took care of parents in their old age, while girls were just a burden that was to be deployed to another family when the child became of age. In Hindu tradition, a son was supposed to light his parents' funeral pyre so literally almost from creation to cremation, women are discriminated against.

Even before the development of modern technology, baby girls were often the victims of infanticide: left to die or killed shortly after birth by gruesome means. Infanticide decreased with the introduction of ultrasound machines as aborting female fetuses became commonplace. There were no Hindu restrictions on abortion, and only minimal legal constraint. The Indian government has tried to pass many laws restricting sex selection. The Pre-natal Diagnostic Techniques Act in 1996 banned the use of technology, such as ultrasounds and sonograms for the purpose of sex-selective abortion.

With the ineffectiveness of the Pre-natal Diagnostic Techniques Act, the government started a "Respect for Girls" campaign through which mothers with daughters received twice as much money as the mothers of boys. Some districts provided girls from poor families a place to live, free schooling and supplies. Currently, GE Healthcare has a number of cases against it and is fighting in court to clear its name. The company was accused of selling

ultrasound machines to “ quacks,” as it offered cheap credit that made the machines affordable to most doctors.

The company faced legal issues, intense government restrictions, pushback from activities for what they considered its aggressive sales tactics, and a myriad of business problems. The company had taken steps to minimize illegal use of the machines. It had educated its salespeople about the government restrictions, required affidavits from its customers stating that they would not use the machines to predetermine a fetus’ sex, and conducted frequent audits to ensure that its clients were in compliance.

In 2004, the first year that GE Healthcare took these steps, the company admitted that its sales had shrunk by 10%, particularly in the low-end Indian market but sales had rebounded by 2006. Analysis India is a fast developing country, with a large population, where healthcare needs are growing at a rapid rate. Continued development of the country’s infrastructure allows for companies to reach the large market of 70% of the population that lives in the rural areas. Low frequency of hospitals in the country side is a potential problem, but as industrialization spreads, the number of hospitals will increase.

Sales in the ultrasound industry for GE Healthcare were up by 10% and a projected 20% for the following year looked more than achievable. GE’s joint-venture with Wipro Corporation puts the company as a forerunner in the ultrasound market as it takes advantage of Wipro’s robust and extensive distribution and service networks. The \$77 million ultrasound industry is set to grow further and GE Healthcare is in pole position to lead the pack. The

social unrest against ultrasound machines due to the rising abortion rates of female fetuses threatens to slow down the industry.

The high rate use of the machine to check the gender of fetuses undermines the other very helpful uses that the ultrasounds provide. Government regulations against ultrasounds and the “ Respect for Girls” campaign provide tough road blocks for all major players. GE Healthcare is at a cross road where it has to choose between revenue and socialresponsibility. Or be able to distinguish itself from the misuse of ultrasound machines and prove that this is a government, not an industry problem. A decision over whether the production of ultrasound machines in such an environment fits with GE’s mission and values is vital to be made.

Would GE’s strong position lead it to a sudden and fast fall or would it help lead the company out of this mess? Such a peculiar situation seems to have major road blocks at all directions. Options The success of GE Healthcare in the ultrasound industry and its recent increase in revenue provide a strong case for the company to continue implementing its aggressive sales strategy. The company is leader in industry revenue and sales and has access to a well developed distribution network, unlike its competitors. The advantage gained in the past decade is hard to be given up.

A continuation of the current strategy has a few benefits. First and foremost, the company headquarters will be pleased that their target goal is being pursued and, possibly, achieved. This will increase the interest in India and provide larger investments that could help expand the business exponentially. Having the funds to utilize the enormous future potential of the industry would expand the gap between GE Healthcare and its

competitors and establish it as the undisputed number one in the ultrasound Indian market.

If a rise of 10% occurred during economic times that were becoming more and more difficult in the Western world, than India's importance to the company headquarters could become enormous. While the company might sustain a decrease in revenue elsewhere in the world, in India it can rely on a steady growth that could help stabilize the global impact of the recession. Cheap labor costs, and potential increase in sales due to the opening of more and more hospitals, can even help GE Healthcare surpass that 20% target growth rate. Another major positive that would result from this strategy is that it will help India with its social problems.

Every society has its flaws and banning something that is very helpful because of the actions of some people seems wrong. Ultrasounds are used for many more things other than scanning for the gender of a fetus. Major medical uses include diagnosis of gallbladder disease or obstructions; evaluation of blood flow in blood vessels; identifying abnormal structures or functions in the heart; detecting kidney stones and measuring the blood flow through the kidney; detecting prostate cancer early; and increasingly, ultrasound was used in emergency room diagnoses. All of these procedures may help relieve pain and save many lives, especially in the rural areas of the country. With an increased pressure by the popularity of ultrasound machines, the government would be forced to finally start implementing its laws and decrease substantially the illegal use of the machines. A company should not be held responsible for illegal uses of its otherwise very beneficial

product, and the Indian government should understand that and deal with the matter appropriately.

On the other hand, a negative social and governmental response could damage GE Healthcare's strong industry positions. The higher you are, the further you fall, and as the company is an industry leader, it could suffer the most significant losses when compared to its competitors. Social pressure to stop the use of ultrasound machines could spread and turn into anger against the companies producing the machines. When children's lives are at stake, nothing is more important, even in the Indian society where there is a clear negativity against girl babies.

It often happens that social problems of a society are transferred onto innocent businessmen and kill off a large money-making industrial sector. Another option that the company could take is to stop giving out cheap credit to customers that can't afford to buy the machine in one installment. Such an option could turn out to be a double-edged knife, but it could help the company gain some much needed ground with the government. A decrease in sales might follow, but the brand GE will be preserved and disassociated from the baby girl problem that India has faced for centuries.

The biggest advantage of taking such a route would be to ease off the social pressure from local scientists that GE Healthcare receives. The company is currently accused of exploiting the demand for boy children and such negative publicity hurts the corporation's image in the grand scheme. Customers that tend to use credit to buy ultrasound machines are usually those that practice medicine by themselves and not in a hospital and are

more prone to doing illegal practices. Currently India has very few hospitals in the rural areas which leaves many people with limited health care.

But as the country continues its rapid development, more and more hospitals will open which would bring a whole new market to the industry. The new hospitals would want good publicity and would not want to be associated with companies that sell their products to “ quacks. ” Although in the short run sales will suffer, in the long run such a strategy seems to bring more benefits than harm. A much needed good publicity will not only help the company repair its image, but it could also help with the judicial problems that GE Healthcare is currently under.

A decrease in sales to people that can't afford an ultrasound system would most likely reduce the illegal practices of ultrasound machines in the rural areas and ease off the pressure a little bit that the industry faces. Sometimes it is more beneficial to suffer a temporary setback and preserve what you have, than to keep pushing and lose everything. A completely different approach available to GE Healthcare is the discontinuation of ultrasound machines. Although this is the company's best selling product, a stoppage of sales would completely erase the social pressure and prompt the company to focus on its other products.

Losing ground in one place could sometimes pave a path for expansion in other areas. Obviously, the most important advantage of discounting the sale of ultrasound machines would be that many more girl fetuses will be saved and the company would be doing the right moral thing. At the end of the day, saving lives is the greatest thing anyone could do, and not many options to do so can be bypassed. Such a move would most likely help

terminate all court cases that the company faces and free it to exploit other marketing options.

It is very hard to pay attention to other industries when one casts such a large shadow over them. That is exactly what ultrasound machines seem to be doing due to their high demand and wide use. The biggest disadvantage would undoubtedly be the enormous loss of sales and the loss of ground to industry competitors that could affect other medical sectors as well. Not to be overlooked is the enormous market growth that lies ahead of this large country's future. Business is run to make money, and such opportunities don't present themselves very often.

GE Healthcare's joint-venture with Wipar could also suffer as the local company would see no benefit to continue business with a company that crumbles under social pressure. It will most likely break off and look to pair up with a different industry player, leaving GE without Wipar's distribution network. Recommendations What should the company do to meet its goals, remain socially responsible, and get over its court cases and media bombardment? It is very difficult to make a decision when so many factors are in place and so much lies on the line.

Are money or the unborn babies more important? Would a retreat ease off the killings of girl fetuses? And would other companies follow suit and drop off or ride the storm and reap the benefits from the distant brighter future? Usually, at the end of the storm, there is a golden sky. The brave prevail and the weak crumble and don't ever regroup. GE Healthcare is currently in a very strong position in a growing industry that will bring enormous profits for

the company in the future. It is not selling anything dangerous, but rather a product that saves lives everywhere around the world.

GE Healthcare has helped India with its sudden economic rise in the 1980s and 1990s, and there is no reason for it to run away when it is in such a profitable decision. The recent 10% revenue increase rate shows that the industry is very healthy with a lot of potential. A very large part of the Indian population is currently not provided for medically, which is an enormous potential market. The current tough economic times around the world would slow down sales elsewhere, but not in a country that is developing in such a fast rate, especially medically.

GE Healthcare is more than able to meet its goals and continue improving and innovating and gain even more ground in the ultrasound industry. The biggest and only real issue that the whole industry faces is the significantly lower numbers of girls being born when compared to boys. Many social scientists blame the ultrasound machines for this and tend to overlook the cruel and gruesome ways that families have found to put to death already born babies. The problem is not current, but rather centuries old, long before GE decided to enter the Indian market.

Most importantly, this is a social and governmental problem. GE Healthcare is not a government entity to be expected to be socially responsible for everything, although it is trying its best to do so. Campaigns like “ Respect for Girls” that are aimed at increasing social awareness of a rising problem are exactly what the government and not GE Healthcare should do. If the company decides to pull away of the industry, there is no guarantee that its current competitors would do the same. In fact, it is far more likely that they

take advantage of the new potential customers and make GE's pull out pointless.

But even if the whole industry gets banned, which is highly unlikely, the Indian families will sadly find ways to continue their centuries old traditions and seek baby boys instead of girls. One thing that the company should do to ease off the media pressure and meet its image of being socially responsible is to raise its credit interests and force cheap doctors to stop buying for illegal purposes. The affidavits that the company makes all customers sign shows that the company is aware of the social problem and is helping out in any way it can.

It can also emphasize on the other important uses of ultrasound machines and make people aware of the enormous health benefits that the machine provides. GE Healthcare has done a lot for India, being one of the first foreign businesses to enter and invest in the country. It has paved the way for other companies to enter the country in many different industries and India should be grateful to GE for helping it jump-start its development and not blame it on social issues that have existed for a long time.

At the end of the day, the company entered India to make money. It is doing so by providing the country with a product that can decrease the mortality rate and increase the average lifep of people if used correctly. It is also morally responsible by keeping track of its machines and trying to sell them only to qualified customers. An increase in the credit rate for those that need it to buy the machines could decrease media pressure and prove that GE Healthcare is doing whatever it can to remain socially responsible and keep a positive brand image.