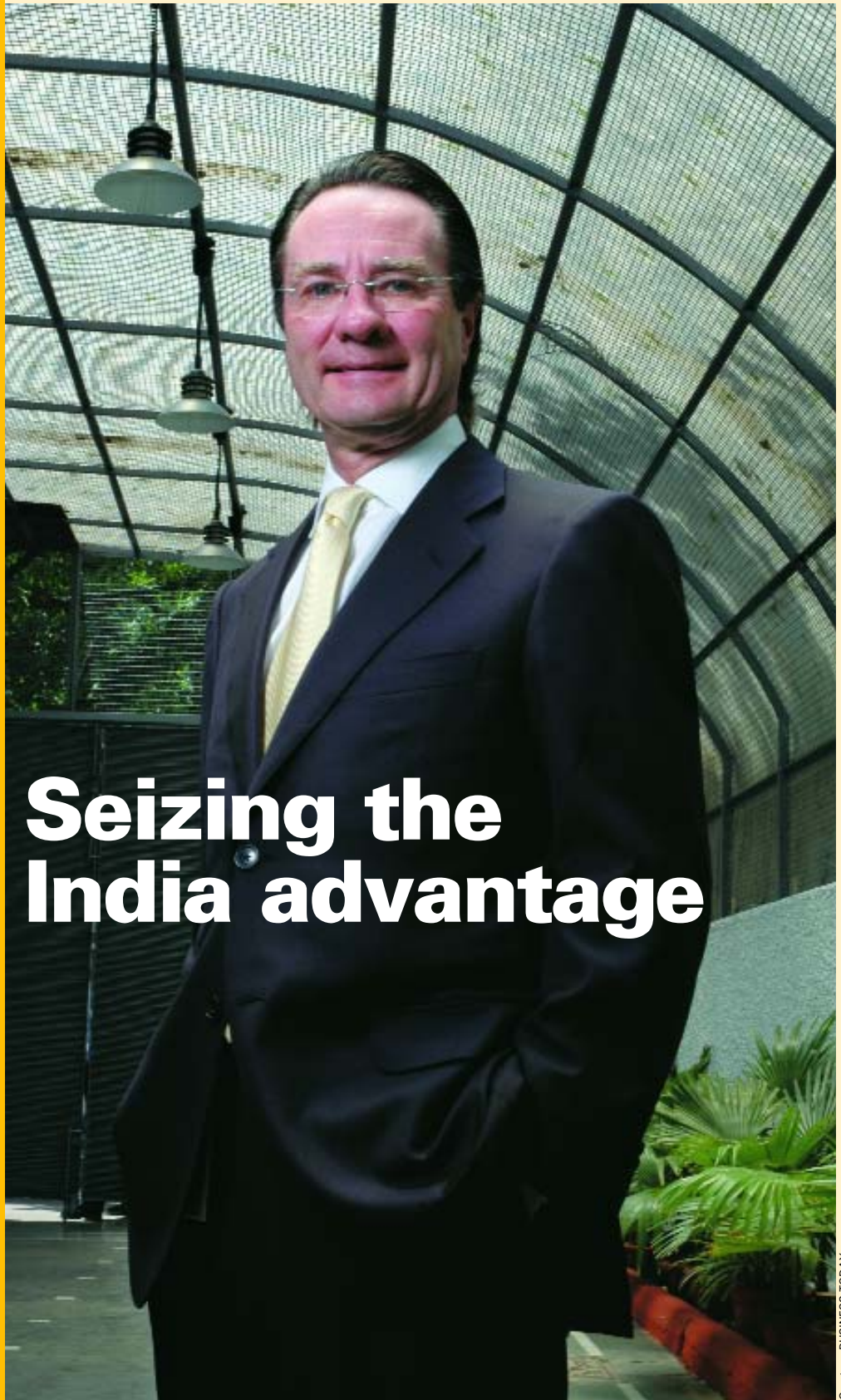


# GE Seizing the India advantage



**AT THE BEGINNING OF A STRONG GROWTH CYCLE:** Scott Bayman, President and CEO, GE India

Courtesy BUSINESS TODAY

## GE has put its past problems in its Indian operations behind it and is now powering its way ahead in several businesses. Along the way, GE India's CEO Scott Bayman has emerged as a spokesman for Indian industry. **N Chandra Mohan** reports on the company's new perspective on India

If there is one US company that is best positioned to seize the burgeoning opportunities thrown up by a fast rising economic power like India, it is GE India. To be sure, there are many other American companies which are growing rapidly, but the difference is that they are confined to single industries like automobiles (Ford and GM), beverages (Coke and Pepsi), Citibank (financial services) etc. None of them are in the unique position that GE is in to leverage the potential across a clutch of businesses thrown up by an economy growing at a rapid clip of seven per cent.

Consider the following: If other American majors are revving up to participate in the Great Indian Auto Race, GE is not far behind with its consumer financial arm, GE Money, providing loans to buy cars (including used cars) or against cars, among other things, in over 60 cities across the country. The company's lighting arm sells headlight components to car assemblers or vendors. GE Advanced

Materials provides plastics for the auto industry, besides mobile phones. As if all of this weren't enough, GE Commercial Finance is a big player in financing the supply chain or vendor financing.

Unlike its rivals, this wholly owned subsidiary of the world's largest corporation is also poised to grab a major share of the business thrown up by the open skies policy. GE Commercial Aviation Services India may finance Air-India's \$7 billion acquisition of 50 aircraft from Boeing, besides leasing planes to other players. With faster economic growth, India requires additional capacities for power generation, modernised airports, water treatment and transportation facilities — all of which can be addressed by GE's businesses operating in the country.

While GE India is seen in India as the trail blazing company that scripted the business process outsourcing story here and which alone accounts for five per cent of India's software exports, its involvement in India is much larger. Its diverse activities

in the country are organised around nine basic businesses — GE Advanced Materials, GE Commercial Finance, GE Consumer and Industrial, GE Energy, GE Healthcare, GE Infrastructure, GE Money, GE Transportation and NBC Universal — which together generated revenues of \$700 million in 2004 besides exports of over \$1 billion and employed 12,000 people, including its BPO operation.

Looking ahead, GE India expects revenues to snowball to \$5 billion by 2010. "We are at the beginning of a strong growth cycle in India, with consumer spending increasing at a healthy pace. We believe that GE products are the right fit to meet the needs of a booming marketplace" said an upbeat Jeff Immelt, GE's CEO during his visit to India in May. He added, "Only GE can fulfill the increasing demands of the Indian market."

Immelt wasn't always so gung ho about India. Barely three years ago, GE's CEO grimly felt that "the market will be elsewhere" considering the "promising but tough" local market conditions here! GE then, like most other American companies, was starry-eyed about China. The \$10 billion that this US major hopes to earn in India five years from now is currently being generated by China! It was a then question of China versus India — with no prizes for guessing where its bets lay. Now GE prefers to be more even-handed in arguing that both are important markets for the company in the future.

To understand the dramatic transformation in GE's perceptions regarding India, one needs to go back to the 1990s. Though GE has been in the country since 1902 when it installed India's first hydro power plant, it made an attempt at a serious presence only during the last decade of the 20th century. It was enthused by India's reforms and forayed into consumer durables, medical systems, plastics, power



**GE MONEY FUELS THE INDIAN AUTO RACE:** An auto production line

India's time has come. GE is well established and ready to capitalise on this growth opportunity. The fundamentals are so much better.

systems and hoped to achieve revenues of \$2 billion by 2000.

This initial euphoria soon evaporated because of regulatory hassles and uncertainties over the one-step-forward, two-steps-backward nature of India's economic reforms. All of this could be encapsulated in a five-letter word ENRON. GE was an investor and supplier for the first big-ticket foreign direct investment in India's power sector — Enron's Dabhol power project in the state of Maharashtra. The project, however, turned out to be a fiasco. The Maharashtra government-owned utility couldn't afford to pay for the costly electric power, forcing the Dabhol plant to shut operations in 2001.

As if this weren't bad enough, during this period GE India also entered into short-lived joint ventures with firms like Godrej & Boyce in consumer appliances and Housing Development Finance Corporation in consumer financial services. Its JV with the former was terminated in the late 1990s and was attributed to the company's global strategy 'that focuses on markets where the GE consumer brand franchise for appliances is strong.'

GE's strategy in India during that fateful decade couldn't have begun on a worse note. It aroused the ire of apex Indian chambers of commerce and industry, one of whom considered GE as the very embodiment of a 'cowboy' approach of landing in India, hastily choosing a partner, making a mistake and then wanting to break the relationship! With all the problems that it was itself facing in the Indian

## BEHAVING LIKE AN INDIAN



BUSINESS TODAY

**BULLISH ON INDIA:** Scott Bayman

SCOTT BAYMAN is president and CEO of GE India for the past 12 years. Over this period, there have been sharp swings in GE's perceptions regarding India — from negative to positive, if not bullish. Bayman today has emerged as a responsible spokesman for Indian industry and has participated in several roadshows organised by the apex industry association, the Confederation of Indian Industry (CII), to sell the India story abroad. "We like to behave like an Indian company. I have tried to become as much of an insider as one can be," says Bayman. Excerpts from an interview:

### ON HIS 12 YEARS IN INDIA

When GE came in the early 1990s after liberalisation began, we accelerated our efforts to cater to the local market. But we came too fast. As we look back, there were bumps along the way. But we persevered. We put in place a strong corporate culture and infrastructure. We started a lot of HR programmes and hired good people. By late 1994-95, when perceptions of India were still negative, we had a good footprint in India. We established our business and started localising our operations.

In phase two (roughly 1998-2004), things were still not too exciting for us.

So we decided to focus on harnessing India's intellectual capabilities. As we had no big internal software capability, we started outsourcing. We were incredibly successful as the quality of work improved and there were substantial cost savings. Then we decided to do the same for engineering work — CAD/CAMs, design, product development and moving up the value chain and so on.

All of this led up to the John Welch Technology Research Centre being set up in Bangalore. Around 25-30 per cent of our engineering resources are now located in India. Around this time, we also launched GECIS as our insurance operations back home faced a manpower problem as unemployment rates in the US were zero and we took a bet on India. We created the BPO industry in India. Phase three (2005 onwards) is a repeat of phase one as we are gearing up again for the local market.

### ON THE INDIA STORY

India's time has come. GE is well established and ready to capitalise on this growth opportunity. India's economic fundamentals today are so much better; it's less dependent on the monsoon and there is a strong manufacturing industry that is competitive globally. The government is committed to infrastructural development. Infrastructure indeed is GE's sweet spot — power, aircraft engines, healthcare, transportation etc. We plan to increase our revenues from \$700 million (excluding exports) last year to \$3 billion by 2008. We move at the pace the country is moving.

### ON CHINA AND INDIA

We have always viewed them as China and India and not in either/or terms. China initially concentrated more on the macro side, building up infrastructure while India concentrated more on the micro side in terms of improving conditions for business, financial services etc. China is now trying to catch up with improving its financial services while India is now trying to catch up on infrastructure.

## GE: A CASE STUDY OF SUCCESS



**FINANCIAL THRUST:** GE is into big ticket funding for aviation

GE India exemplifies how successful MNCs evolve strategies that fit emerging markets. Having been in this country for a long time, GE naturally has an advantage over late-coming rivals in learning to

work its way around the system. A better description perhaps is in working around 'institutional voids' — a term coined by management gurus like Tarun Khanna and Krishna Palepu — which includes the absence of contract-enforcing mechanisms, regulatory hassles etc in such countries.

In a recent article in the *Harvard Business Review*, these authors allude to GE's successful example of creating synergies by treating different emerging markets as a part of a system rather than

evolving a one-size-fits-all strategy. GE Healthcare thus makes parts for its diagnostics machines in China, Hungary and Mexico and develops the software for those machines in India. The company created this system when it realised that the market for diagnostic machines was small in most low-income countries

Under its then CEO Jeff Immelt, GE Healthcare decided to use the facility it had set up in India in 1990 as a global sourcing base. After several years, and on the back of borrowed expertise from GE Japan, the India operation finally met GE's exacting standards. In the late 1990s, when GE Healthcare wanted to move a plant from Belgium to cut costs, the Indian subsidiary beat its Mexican counterpart by delivering the highest quality at the lowest cost.



**SOFTWARE FOR HEALTHCARE:**  
Diagnostic machines from GE

market, GE reciprocated that feeling in good measure.

None of this changed when it wrote the BPO story here when its growing insurance business back home in the US faced a manpower problem and it needed people to handle its call-centre business. That was why it set up GE Capital International Services (GECIS) in the late 1990s and has pursued the outsourcing opportunity since then. In 2004, it divested 60 per cent of its stake in GECIS to secure business outside

of its parent's global operations.

Though GE set up the John F Welch Technology Research Center in Bangalore in 2000 to serve as its hub for technology, research and innovation, it still wasn't enthusiastic about India as only a few of its businesses were geared to the domestic market. For instance, all of GE's medical product research was

done out of the country; most of the company's employees supported other GE businesses worldwide and so on. This lack of domestic focus perhaps was largely due the Enron imbroglio — which persisted till May-June 2005 — and bogged the company down with messy contractual issues.

But all of this dramatically changed for the better when GE — which supplied the main turbines for the Dabhol power plant — pragmatically decided to look to the future rather than wallow in the past. On July 2 this year, it bit the bullet and signed

an agreement to finally settle the Dabhol imbroglio for \$145 million. As Immelt admitted earlier, "Dabhol was not a success for us either. All that we are doing there is to position GE for the opportunities ahead of us in India."

The script changed for GE thereafter. A fast growing economy began to throw up possibilities in banking, infrastructure and aircraft financing. All of these had a strong focus on the domestic market. Exemplifying the changing times, scarcely a day goes by without some announcement or the other about GE India's forays into various areas. As it's already big in the BPO space, the company has plans to invest in a fund to finance information technology parks!

As the consumer financing part of its business is now becoming large — thanks to the splurging urban middle class — the company plans to acquire a local bank or enter this space in a big way through the branch-banking route. The former option may take some more time due to the central banking authority, the Reserve Bank of India's regulations. The prospects of this business here contrast with GE's experience in China where infrastructure is a bigger story. But even that might happen here with GE seizing the India advantage. 🌈

**On the Web**  
GE India: [www.ge.com/in](http://www.ge.com/in)