

Applicability of the Cockroach Theory - a Case Study of the Healthcare Industry in India

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ABSTRACT

Healthcare is a major area of concern especially in developing nations at the base of the pyramid segments. In a country such as India, which is blessed as of this date with a demographic dividend needs to address healthcare as an area of priority. Healthy people are able to work harder and smarter hence they will be in a position to not only create better living standards for themselves thereby uplift their and the nation's economic status and contributing to societal growth and development. A major portion of the population of India resides in rural and semi urban segments and there is an explicit dearth of quality healthcare in these areas. Incidentally, for our discussion of the base of the pyramid segments, it has been evidenced that BOP consumers are seen to have limited or lack of access to healthcare due to various issues ranging from affordability, literacy, awareness, prejudices and so on. The cockroach theory of organizational sustainability and scalability proposed the various postulates governing the theory and the pillars those very preconditions for the success of organizations in creating sustained and scalable businesses in the BOP sectors. This paper is a case study approach to companies in the healthcare sector and the outlines the practices and businesses strategies of these companies that have made them successful or have failed at creating a profitable business opportunity and growth.

Keywords: Businesses, Cockroach theory, Healthcare sector, Sustainable business, Scalable business.

1. INTRODUCTION :

The healthcare segment in India is one of the largest and fastest growing segments of business. It is expected to reach US \$ 133.44 billion by 2022. Rising income level, greater health awareness, increase of lifestyle diseases, an ageing population and access to insurance has all contributed to the spurt in growth. The private sector has been a powerful force which has accounts for almost 74 per cent of the country's total healthcare expenditure. While the brighter is encouraging there is also a darker side which entails a large mass of the population which is at the very bottom of the wealth pyramid which may not have access to healthcare services [1]. The base of the pyramid is a term used to denote to the mass of the population who live on less than \$ 2 per day on PPP (purchasing power parity). A major portion of India's population lives in rural and semi urban areas where there is limited access to basic healthcare services. The healthcare system in India is lacking on three fronts related to access– provision, utilization and attainment of healthcare. Lack of sufficient infrastructure, inequalities in financing healthcare and accessibility are certain barriers. Various studies have been undertaken in people seeking healthcare and a linkage to socio economic status and it has been found that most of the times there is an increase in the people seeking healthcare as they up the socio economic status. It was also found that there were gender inequalities in healthcare seeking behaviour and men and male children were more likely to receive treatment for acute ailments compared to women and female children. To increase accessibility and affordability to healthcare in urban and rural sectors a lot of infrastructural and public private partnerships have been envisioned by the government of India. This has increased the access to and availability of affordable healthcare services.

2. BACKGROUND :

Today, aiming at sustainable development has become a need in the light of depleting resources, environmental degradation and a uniform human ecosystem creation. The environment, society and economy have been considered to be the corner stones of any discussion on sustainability. More conclusively, as per some thinkers, sustainability implies responsible and proactive decision-making. As the term itself can be read as - sustain- ability, it calls for ideas, thoughts, strategies, focus around sustenance. For our discussion on doing businesses successfully in base of the pyramid markets sustainability is based on the premise of being able to continue to serve the low income markets and emerging markets. Especially for many companies which are flourishing financially through continued commercial success may overtime be unsustainable. Even though they might make laudable efforts to venture into virgin terrains like the low income markets, only reducing serving sizes or using renewable energy sources or green product engineering may not ensure their commercial success. It is essential then to understand what drives sustainability. Organizations were not looking at an opportunity to fulfil these basic needs itself by scaling their operations and looking at diverse strategies. The traditional approach to 'serving base of pyramid markets' was from a charity and public aid perspective. The population in this segment was deemed to be too poor to help themselves and external agencies thus had to provide relief measures as a public good service. As a result, the efforts were directed towards providing necessities such as basic healthcare, access to clean water and other basic necessities such as sanitation.

The Cockroach theory in the light of the postulates puts forward certain key success factors that are critical to creating sustained success and growth of businesses. The key success factors put forward are shown in figure 1.



Fig. 1 : The key success factors as per Cockroach Theory

3. APPLICABILITY OF THE COCKROACH THEORY IN THE HEALTHCARE INDUSTRY :

As propounded in the Cockroach theory four key success factors have been identified for sustainable and scalable business growth. In the healthcare sector in India, we are examining four healthcare providers and their strategies for growth and success.

(1) Aravind Eye Hospital - A hospital chain founded at Madurai, Tamilnadu in 1976, with a vision to eradicate blindness in India has a business model which has already become the subject of numerous case studies across the world. The founder doctor, Dr. Govindappa Venkataswamy wanted to emulate the service efficiency of Mc Donald's, to a hospital network which is a tricky proposition. The hospital embarked to scale their operations by performing a large number of eye surgeries but simultaneously making it an outreach program wherein they are reached out to remote inaccessible villages with the help of charitable organizations like Sathya Sai Organization, Lions Club and Rotary International. By collaborating with co-partnering with stakeholders in the social development and by involving the BOP sector, Aravind eye hospital has been able to scale to even international operations in Nigeria where they have built a capacity to perform 10,000 surgeries annually. They

also have a Tele Ophthalmology Network (ATN) where real time consultation with rural eye hospital is enabled it also has mobile vans with all equipment and video conferencing facilities. The success factors have been community benefit model and collaborative value partnerships.

(2) GE Healthcare -GE Healthcare is a global conglomerate which is into the business of healthcare equipment and devices. While GEH is a large business operator in developed countries and has a very successful model, it has a very diverse unique strategy to scale into emerging markets. As we know, healthcare is a booming necessity in emerging markets especially at the lower end of the income pyramid, GEH taps key geographies by creating innovative products which are cost effective. TO reach out to the low income markets it has developed incubators, portable x-ray imaging services which could be mobile and run on low power and low cost MRI. They have leveraged on their global strengths to percolate down and penetrate to the lower end of the markets.

(3) Sankara Eye Hospital - This organization started by Dr. Ramani in Coimbatore is one of the largest community eye care providers with more than ten super specialty hospitals across the country performing over 150,000 free eye surgeries annually. Their model has been similar to that of Aravind Eye hospital in providing value to the community which enables the BOP consumers to come seeking out these service providers. This hospital follows the 80:20 business model, in which 80 percent of the patients from rural and low income communities are treated for free. And the remaining 20 percent have to pay therein enabling cross subsidizing of the surgeries and this is a self-sustaining model for the hospital.

(4) Yashaswine Health Insurance Scheme – In healthcare sector another success story is that of the Health Insurance scheme of the government of Karnataka, Yashaswine. The model that has been adopted by Yashaswine has been of local collaborative partnerships and providing local benefit. The scheme has partnerships and tie ups with panchayath level seva-societies, co-operative banks etc which promote the insurance scheme are well accepted by the local community.

Alongside there are cases of companies that have also failed in sustaining their businesses because of approaches that were not inclusive of involving strategic collaborative partnerships or subsidized models for community inclusion.

4. CONCLUSION :

Healthcare being the backbone of society is a very critical area that has ample opportunities for growth. Global giants such as Philips Research Asia have realised that there is a dire need to serve the low-income categories and it calls for diverse innovative collaborative strategies to succeed. They have innovated products such as a household light bulb which has an insect repellent ability and so on. Healthcare not just consists of post illness care but providing solutions for epidemics and creating products and services which are enablers of improved health to society. Here we see the key success strategies brought forth in the case studies.

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