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**Services Marketing in a Cross-Cultural Environment  
– The Case of Elekta China**

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## **ABSTRACT**

**Title:** Service Marketing in a Cross-Cultural Environment – The Case of Elekta  
China

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**Aim:** The aim of this research is to explore how the Leksell Gamma Knife survives in a cross-cultural environment by analysing how adaptation/standardisation, trust and network development overcome the challenges created by intangibility and heterogeneity of service, in the case of Elekta China.

**Method:** Data was collected from Elekta China through questionnaires and interviews. Subsequently, qualitative data was used to analyse the differences and similarities between empirical findings and theory.

**Result:** According to the exploration of the adaptation/standardisation, trust and network functioning in the international services marketing, it is shown that these variables play an important role in overcoming the intangibility and heterogeneity of health care service, in the Chinese market. Moreover, culture and communication are found to be imperative factors in the development of international marketing processes.

**Suggestions for future research:** This research study focuses on a single organisation in China. Direct observation is essential even if it costs time and money. It is worth doing because it may provide contextual data from the observed environment. A study from the perspective of competitors could be considered as a new angle for further study.

**Contribution:** This study tests the Process of International Services Marketing model advocated by Hyder and Fregidou-Malama in the Chinese market. The three variables, namely adaptation/standardisation, trust, and network are proved to effectively reduce the intangibility and heterogeneity of service in the Chinese market. Furthermore, we modified the existing model by taking communication and culture into consideration. The results can help to draw foreign managers' attention to the variables of culture and communication when entering a new international market.

**Key words:** Gamma Knife, China, Network, Trust, Adaptation, Standardization, Culture, Communication.

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the participants of our master study.**

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# 1. Introduction

*Chapter 1 consists of 4 sections. The first part illustrates the general background to this paper in order to improve the understanding of the readers. The motivation for this study is covered in the second section, and the purpose of the study and research questions are discussed in the third section. An outline of the study provides a clear picture of each chapter which is followed by the conclusion.*

## 1.1 Background

With the rapid pace of globalisation, there is also growing awareness that the 21st century has been titled as the century of services, especially the century of international services (Clark and Rajaratnam, 1999, cited in Javalgi *et al.* 2003). This shift towards a service-based economy is largely attributed to rising affluence, more leisure time and the growing complexity of products that require servicing (Kotler, 2005:659). As marketplaces around the world become more competitive, the volume of services delivered tends to increase, more firms prefer to rely on good service to gain competitive advantage (Martin *et al.*, 2007).

A service is generally defined as any activity or benefit that one party can offer to another which is essentially intangible and does not result in the ownership of anything (Kotler, 2005:625). Clark (1999) also claims that international service is the notion that deeds, performances, efforts, delivered across national boundaries in critical contact within a cross-culture environment (Clark *et al.*, as cited in Hyder & Fregidou-Malama, 2009). In other words, when companies realise the difficulties in differentiating their physical products from their competitors, they gradually transfer their focus into differentiating their services by delivering superior services. As a



result, they are supposed to attract and retain more customers (Kotler, 2005:659).

According to the official statistics, service accounts for almost two-thirds of the world's total output (World Bank, 2002, cited in Martin et al., 2007). Developing nations have achieved a growing share of world trade of services, raising their share from 19 percent in 1980 to over 20 percent in 1997 (World Bank, 1999, cited in Martin et al., 2007). Hence, the profit the companies can attain depends on how deep the service concept is in their mindset. However, service offerings may meet difficulties in respect of delivery, when entering the international market, and the acceptance by local markets because of cultural issues. Consumers in different countries have widely varying cultural backgrounds, needs and wants, spending power, product preferences and shopping patterns. And marketers need to learn other languages, deal with strange and changing currencies, face political and legal uncertainties or adapt their products to different customer needs and expectations (Kotler, 2005:211). Furthermore, these differences are hard to change, and most marketers need to adapt or standardise their service offering to fit consumer needs in the target market. According to Hofstede (1991), most people who have visited or worked in another country would readily agree that cultural differences exist. This exacerbates the difficulties of delivering a successful service in global markets due to the heterogeneity of service, since the international service will encounter customers with different cultural backgrounds. Another inherent-characteristic of service, intangibility, is also a challenge for international service marketing. Zeithaml *et al.* (2008:16) defined service as always delivered in the form of performance or action, which is hard to be seen, felt, tasted or touched. This incurs difficulties for customers to evaluate the service quality.

Hyder & Fregidou-Malama (2009) assumed three variables, namely trust, network, and standardisation/adaptation, to overcome the difficulties derived by the intrinsic characteristics of service heterogeneity and intangibility. Standardisation/adaptation strategies play the central role in international services marketing, since it will affect the trust building and network establishment (Hyder & Fregidou-Malama, 2009). Getting balance between standardisation and adaptation is an essential lesson for each

international marketer.

## **1.2 Motivations on the chosen case**

Numerous research studies on international services marketing have been conducted from 1980 to 1998. However, only 3 of the 124 articles selected the health care sector as the research domain (Hyder and Fregidou-Malama, 2009:273). Therefore, more research of within the health care sector should be investigated, in order to build a complete and solid picture of this less-developed research domain.

Elekta is a world-famous company in clinical solution because of its leading technological tool and treatment planning system. (Elekta, 2010: para 3) Today the Leksell Gamma Knife has been employed within more than 5,000 hospitals in 26 countries across five continents. Thus the Leksell Gamma Knife is viewed as a typical case of delivering health care services across geographical and cultural boundaries. Faced with huge cultural differences, how does Elekta manage their services in different markets? This becomes a vital question in our mind.

## **1.3 Purpose & Research questions**

In order to explore the circumstances of how the Leksell Gamma Knife survives in a cross-cultural environment, this study is aimed at investigating how adaptation/standardization, trust, and network development overcome the problems created by intangibility and heterogeneity of service in the case of Elekta China. Three research questions have been formulated, with the aim of providing an insight into a Gamma Knife service center in the Chinese market as follows:

RQ1. How does Leksell Gamma Knife implement adaptation/standardisation in Elekta China?

RQ2. How is trust developed in the local environment, and how does it help to overcome the intangible and heterogeneous nature of service offerings?

RQ3. How are Elekta China's networks established, and how does it help to overcome the intangible and heterogeneous nature of service offerings?

## 1.4 Limitation

Even the role of competitors in international service marketing is fully recognised in the literature, we hardly certify its importance based on the reality since the insufficient network to connect the Chinese Gamma Knife providers. This study investigates the development of Elekta in the Chinese market. The perspective of patients should be included, in order to maintain a balanced discussion about service marketing in the health care sector. This study was conducted from the perspective of Elekta China.

## 1.5 Outline of the study

As Figure 1 shows, this study is composed of six chapters. *Chapter 1* describes the background to the study, motivation, purpose and research questions. After that, a theoretical framework based on the relevant literature is presented in *Chapter 2*. *Chapter 3* illustrates the methodology employed in this study. In *Chapter 4*, the empirical findings are presented. The comparison between theories and empirical findings are critically discussed in *Chapter 5*. *Chapter 6* summarises this research and further recommendations are given.

**Figure 1** *Structure of the thesis*



## 2. Theoretical framework

*This chapter reviews the literature about service marketing and culture. Service characteristics and quality are discussed. Then, the cultural issues are explicated based on Hofstede's five dimensions of national cultures. Subsequently, adaptation/standardization, as one of the critical issues of international services marketing, is discussed with the two other major variables, network and trust.*

### 2.1 Conceptualisation of service

#### 2.1.1 Service concept and characteristic

The definition of service by Zeithaml *et al.* (2006:4) is deeds, processes and performance. This definition bonds tightly with four key characteristics of service.

Compared to goods, services possess four distinguishing characteristics namely, intangibility, heterogeneity, simultaneous production and consumption, and perishability (Zeithaml *et al.*, 2008:15).

1. *Intangibility* –Services are predominantly much more difficult to be seen, felt, tasted or touched than goods, since services are usually delivered in the form of performance or action. Even the surgical operation and medical facilities are visible in the case of health care service sector, but quality of service is still difficult for consumers to evaluate (Zeithaml *et al.*, 2008:16).

2. *Heterogeneity* – Human interaction is the essential part of producing certain services. It results in the heterogeneity of service since no two customers, nor their demands can be exactly the same. Thus, no two services would be alike even if they are delivered by the same employee. As an example, no doctor dares to employ the same treatment for different patient because the patients' condition varies from one to another (Zeithaml *et al.*, 2006:16).

3. *Simultaneous Production and Consumption* – Services are mostly sold first and then produced and consumed simultaneously. Furthermore, customers can interact with each other during the service production process, for instance, when having class students as the consumers are a vital part of the lecture. Also, the initiative among students will affect the quality of lecture (Zeithaml *et al.*, 2008:16).

4. *Perishability* – Services cannot be saved, stored, resold or returned. However, a strong recovery strategy is advised and required for when things go wrong. In the case of health care services, a recovery strategy may seem to be ridiculous since patients with serious illness cannot afford any mistakes during treatment (Zeithaml *et al.*, 2008:17).

Hyder and Fregidou-Malama (2009:264) argue that not all of these four characteristics are equally essential in the process of international service marketing. Hyder and Fregidou-Malama (2009:264) advocate that international marketers should emphasise more on the first two characteristics, heterogeneity and intangibility. Consumers in different regions have distinguishing behaviours and needs, which exacerbates the difficulties in delivering a satisfactory service, especially in the case of health care.

### **2.1.2 Service quality**

Lewis and Booms (1983) state, that service quality is a measure of the extent to which the delivered service meets consumer expectations. Service quality is crucial in the case of health care since it will become the dominant factor to affect customer satisfaction (Zeithaml *et al.*, 2008:83).

According to the findings from previous research studies, the customers employ a multi-dimensional perspective to measure service quality. The concept of dimensions of service quality is proposed by Parasuraman, Zeithaml and Berry. The original framework consists of 10 dimensions of service quality. In the early 1990s, Parasuraman, Zeithaml and Berry narrowed down them into five dimensions, namely, Reliability, Assurance, Tangibles, Empathy, and Responsiveness (RATER).

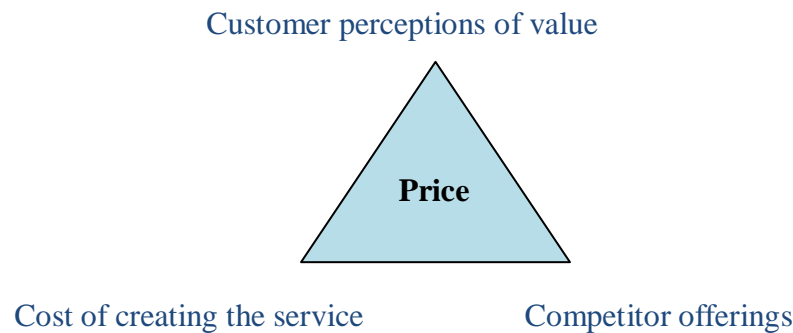
Rust and Oliver (1994) claimed that the perception of the service quality is derived from the customer's evaluation of three dimensions of service encounters the customer-employee interaction, the service environment, and the service outcome.

Finsterwalder and Tuzovic (2010) suggested a variety of roles that the customer plays in service marketing, of which two are considered to affect service quality. The first role is the customer as contributor to quality. That is to say, consumers can improve the service quality when they get involved in the feedback system. Another role is that the customer can assist other customers in co-creating the service. In the case of health care, sincere communication between patients will indirectly enhance the service quality.

### **2.1.3 Price as an indicator of service quality**

Tronstad (1995) claims that pricing appears to be the main reason why consumers sometimes do not buy their first choice. Generally, while the service product represents the benefit part of service value perceived by the customer, the price paid for usage is not only a part of the cost, but also a component of a service provider's revenues and value chain of service (Bruhn et al. 2006). However, according to Zeithaml et al. (2008: 433), one of the intriguing aspects of pricing of services is that customers are likely to use price as an indicator of both service cost and service quality, because price is at once an attraction variable and a repellent (Monroe, cited in Zeithaml et al., 2008). When quality is difficult to detect, or when price varies with different kinds of services, consumers believe that the price of the service is the best indicator of quality. Nevertheless, depending on the price as a quality indicator, there is a risk associated with the service purchase (Zeithaml et al., 2008).

Therefore, Zeithaml et al., (2008) imply that if a service provider wants to establish a market-oriented pricing policy, prices should be based on the three Cs of the pricing triangle.



**Figure 2 The Price Triangle**

*Source: Compiled from Zeithaml et al., 2008*

According to the figure, the perceived value placed on the service by the customers will determine how much they are willing to pay for a service. Competitor offerings and their price, including the cost of customers undertaking the service themselves, will impact on how the service can be positioned and priced. A service provider also needs to take account of the costs involved in creating and delivering a service (Zeithaml et al., 2008).

## 2.2 Cultural difference

### 2.2.1 Six dimensions of national cultures

Hofstede, a notable Dutch anthropologist, came up with the famous five dimensions of national culture by conducting an extraordinary scale of cultural studies. He did research on the employees working in a multicultural company called International Business Machine (IBM), with subsidiaries in 72 countries. Subsequently, Hofstede established a cultural frame work which comprised five dimensions of culture. These are the Power Distance Index (PDI), Individualism/Collectivism (IDV), Masculinity/Femininity (MAS), Uncertainty Avoidance Index (UAI), and Long-term Orientation versus Short-term Orientation (LTO). The latest sixth dimension of IVR was added by Hofstede in his revised and expanded third edition book.

□ **Power distance (PDI):** this test determines that all people are not equal, and allows them to assess their status. Less powerful employees in an organisation expect and accept that power is being distributed unequally within a country. However,

results show that people in high power distance cultures, have positive emotions towards superiors, and negative emotions towards those less powerful people (Hofstede et al., 2010:55). ????

□ **Individualism & collectivism:** individualism (IDV) is generally regarded as a value independence, which believes that personal goals and interests are more essential than group interests. On the contrary, collectivism refers to a society in which from birth, people are integrated into a strong and collective group (Hofstede et al., 2010:90). Therefore, the individual or collective dimension is an important way of differentiating among national cultures (Kluckhohn and Strodtbeck 1962; Triandis 1989, cited in Guo & Li, 2009, p8).

□ **Masculinity & Femininity (MAS):** This dimension reflects the gender role of females and males in the society. Masculinity stresses that men are more aggressive, ambitious, and competitive than women, whereas females are considered more humble and modest (Blodgett, 2001, cited in Guo & Li, 2009, p8). Hofstede however, advocates that both men and women are concerned with quality of life and share the same responsibility (Hofstede *et al.*, 2010:138).

□ **Uncertainty avoidance (UAI):** it is defined as the extent to which people experience a threat in an ambiguous or unknown situation (Hofstede *et al.*, 2010:190). In the GLOBE study, high uncertainty avoidance is measured as it is which is validated against society stress, and the need for rules. However, people in low uncertainty avoidance situations rely less on the rules and are more risk tolerant (Hofstede *et al.*, 2010:198).

□ **Long-term versus Short-term Orientation:** The fifth dimension demonstrates that long-term orientation fosters virtues oriented toward future rewards such as perseverance and thrift. The short-term orientation stands for the fostering of virtues related to the past and present such as respect for tradition, preservation of face, and fulfilling social obligations (Hofstede *et al.*, 2010:239).

□ **Indulgence versus Restraint:** this is a truly new dimension revised and expanded by Hofstede *et al.* in 2010, which has not yet been reported on in academic literature. Indulgence stands for a tendency to allow relatively free gratification of



basic and natural human desires related to enjoying life and having fun. Whereas restraint reflects a conviction that such gratification needs to be cured and regulated by strict social norms.

### **2.2.2 The limitations of Hofstede's five dimensions of national cultures**

Even if Hofstede's cultural dimensions have been widely employed in international business, the limitations of this theory still exist (Holden, 2002, Mc Sweeney, 2002, Myers and Tan, 2002, cited in Elise and Ingrid, 2010:10). The main limitation is obsolete. Culture changes with time. Furthermore, Hofstede's respondents worked in a single industry, the IT industry. Another weakness is that he regarded one country as one cultural group. China refutes this assumption since China is too big to generalise into one cultural group. In addition, the definition of each dimension could vary in different countries. For example, collectivism is organisation-based in Japan while it becomes family-based in China (Elise and Ingrid, 2010:10).

### **2.2.3 Respecting culture differences**

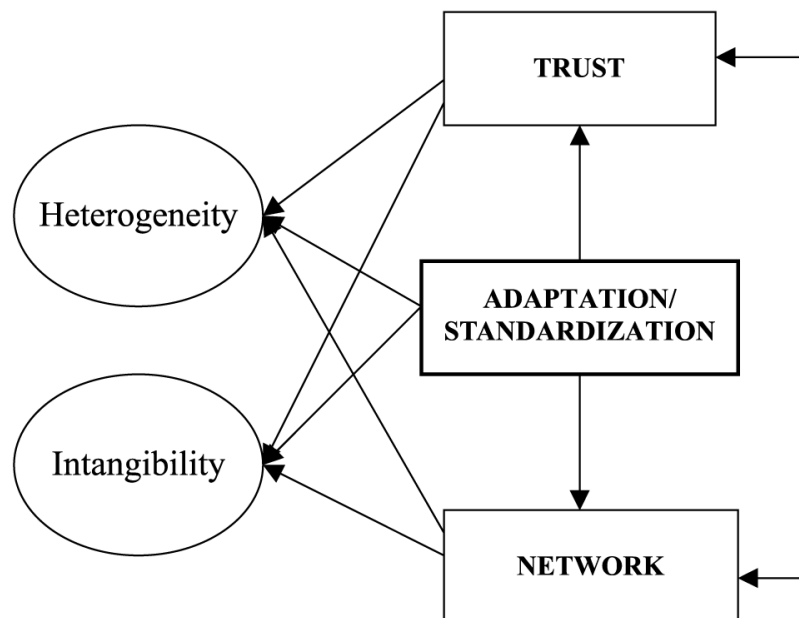
In Zeithaml's opinion, culture represents the common values, norms and behaviours of a particular group and is often identified with nations or ethnicity. Culture is learned, shared, multidimensional and transmitted from one generation to the next. Understanding cultural differences is important in service marketing because of its effects on the ways that customers evaluate and use services. Culture also influences how companies and their service employees interact with customers (Zeithaml *et al.*, 2008). Culture is important in international service marketing, where the company is taking services from one country and offering them to others, but it is also critical within countries. More and more, individual countries are becoming multicultural, and organisations need to understand how this factor affects evaluation, purchase and use of services even within countries.

In addition, values and attitudes differ across cultures. They determine what members of a culture think are right, important and/ or desirable. Because behaviors, including consumer behaviors, flow from values and attitudes, service marketers who want their services adopted across cultures must understand these differences. (Zeithaml *et al.*, 2008).

### 2.3 The process of international service marketing

In 2009 Hyder and Fregidou-Malama proposed a model as indicated in Figure 3 below. Three variables, namely, adaptation / standardisation, trust and networks, jointly function to deal with the two major characteristics of service, heterogeneity and intangibility, in the process of international service marketing. An adaptation/standardisation strategy plays a vital role in this theoretical framework since it will result in the level of trust and the form of networks. Furthermore, trust and networks also impact on each other.

**Figure 3 The process of international service marketing**



*Source:* Hyder and Fregidou-Malama, 2009

## **2.4 Standardisation versus adaptation**

Various researchers over the past 40 years have devoted themselves to one of the crucial international marketing strategy factors, standardisation/adaptation, but the theoretical foundation is still weak (Ryans *et al.*, 2003).

Three viewpoints towards a standardization/adaptation marketing strategy are stated by various researchers. The first standpoint recommends the use of the standardised approach while firms are going global (Elinder, 1961; Roostal, 1963; Fatt, 1964; Ohmae, 1985; Levitt, 1983, cited in Nanda & Peter, 2007). The general assumption held by these advocates is that human needs are the same in every country and therefore, managers do not need to adapt to their international strategy (Ang and Massingham, 2007: 6). The advantages of standardisation are summarised by Buzzell (1968, cited in Zou, et al., 1997:109) as cost saving, consistency with customers, improved planning, and greater control across national borders.

The second point of view is the adaptation approach. Lemak and Aruthanes (1997, cited in Ang and Massingham 2007:6) claimed that country differences, especially national culture differences should be considered by multi-national companies. Hyder and Fregidou-Malama (2009:263) argue that greater cultural differences require a higher level of adaptation. Specifically, the personnel directly in contact with customers are required to be more sensitive to the local culture. The best solution is to hire local employees for customer contact (McLaughlin and Fitzsimmons, 1996, cited in Hyder and Fregidou-Malama, 2009:263). Considered in conjunction with cultural differences, an adaptation approach is a more appropriate method in the process of international marketing.

The third perspective towards a standardization/adaptation marketing strategy has been developed in the recent years that strategies should be based on the specific market, in order to decide the level of standardisation (Nanda & Peter, 2007:47). Jain (1989, cited in Nanda & Peter, 2007:48) concludes that five factors impact on the level of standardisation, namely target market, market position, nature of product related, environmental and organizational factors. The theory of competition deserves

more attention in the research of standardisation. The transferability of competitive advantage from the existing market to the new market will determine the feasibility of the standardisation strategies across geographical boundaries (Nanda & Peter, 2007:48). If the firm can gain continuous competitive advantages in the new market by utilising the same marketing strategies, the strategy of standardisation can be employed.

## **2.5 Network**

Network is regarded as a study of relationships for researchers, not only in industrial marketing, but also in services marketing (Hyder & Fregidou-Malama, 2009). The basic logic behind network theory indicates that no firm is self-sufficient, and is therefore continuously involved in various relationships to accumulate resources to attain organizational objectives (Hyder & Abraha, 2003). According to the network perspective, the nature of relationships established between various parties will influence strategic decisions, and the network involves resource exchanges among its different members (Sharma, 1993, cited in Hyder & Abraha, 2003).

### **2.5.1 Network development**

Network forms of organisation foster learning, represent a mechanism for the attainment of status or legitimacy, provide a variety of economic benefits, facilitate the management of resource dependencies, and provide considerable autonomy for employees (Podolny & Page, 1998). The model of industrial network which involves exchange relationships consists of three groups of variables which are actors, activities and resources (Håkansson & Johanson, 1993; Håkansson & Snehota, 1995). Actors can be organisations or even single individuals. Activity links include technical, administrative, commercial and other organisational procedures that can be linked in various ways to those of another organisation for the purpose of accumulating and /or creating resources (Håkansson & Snehota, c1995; Tikkanen, 1998). Johanson & Mattson (1988) suggest that a firm's success in entering new international markets depends more on its position within existing market networks than on specific

characteristics of the market and culture in question. By channeling information, social networks enable firms to discover new opportunities, which can also influence how often, and with whom, such firms engage alliances (Gulati, 1998). However, not all relationships are of equal value, so they are treated differently on a merit basis.

Buttle (2009) agrees that company should build and keep good relationships with customers, which means companies generate better results when they manage their customers and retain profitable customers. Customers also benefit from confidence that comprises of a feeling of trust of the product or service through the close relationship with provider (Zeithaml *et al.*, 2008: 157). In addition, several relationship marketing scholars put forward that communication is a fundamental and effective way to maintain relationship with customers. Hence, communication is a precondition for building trust among exchange partners (Anderson and Narus, 1990, cite in Andersen, 2001). However, according to Zeithaml *et al.* (2008), marketers will sometimes meet the challenge that all relationships may not be beneficial and that every customer is not right all the time, even though customer satisfaction is essential to a firm.

### **2.5.2 Guanxi -Chinese view of relationships**

Generally, in Chinese culture, Guanxi is a hierarchically structured network of relations. The actor in the relationship network is confined by mutual obligations. Over time, these obligations occur through a conscious manipulation of face, renqing (favour), and related symbols. Chinese culture emphasises the value of maintaining personal harmony and social order in hierarchically structured personal relationships (Wong & Leung, 2001). This Guanxi concept is embedded in Chinese business decision making, even though businesspeople have been exposed to western cultures (Tse et al. 1988). Guanxi means the relationships built on pre-existing relationships. The right Guanxi can bring cheap and reliable material supplies, tax concessions, marketing of goods domestically or for export, and assistance when problems arise (Pye 1986; Tai 1988; Osland 1989).

The Chinese view of relationships is a kind of decisive aspect to understand Chinese people well, which will help people in other countries to better integrate into Chinese culture (Wong & Leung, 2001). People rely on the Guanxi not only for getting things done, but also for support by the company or government, because governments play significant role in most of those countries. They may well exercise price controls, the creation of a monopoly situation by becoming a major purchaser, and impending free movement of currency through foreign exchange restrictions and barter (Kinsey, 1988). Networks of Guanxi can be seen almost as underground tunnels and paths that connect a person to various other locations without the examination of others. (Wong & Leung, 2001) These networks serve very essential functions for both individuals and organisations in China.

## **2.6 Trust**

Morgan and Hunt (1994, cited in Michaelis *et al.*, 2008, 406) define trust as the mutual confidence in reliability and integrity of an exchange partner. Zeithaml *et al.* (2008) highlight the importance of trust for service customers, especially when they have low ability to assess the service outcome. They prefer to select the more reliable service provider in order to reduce the uncertainty risk. However, the trust-building process consumes money and time (Mandok, 2006 cited in Hyder and Fregidou-Malama, 2007: 264).

### **2.6.1 Initial trust**

McKnight *et al.* (1998, cited in Michaelis *et al.*, 2008, 405) argue that the level of trust can be high when parties interact for the first time based on the empirical findings. McKnight *et al.* also defined this type of trust as initial trust. Mayer *et al.* (1995) interpret the concept of initial trust as follows:

*“The willingness of a party to be vulnerable to the actions of another party based on the expectation that the other will perform a particular action important to the trustor, irrespective of the ability to monitor or control that other party”* (cited in Michaelis *et al.*, 2008:406).

In their study, they suppose corporate reputation and country of origin (COO) as the two potential issues to increase initial trust. Corporate reputation is defined by Fombrun (1996 cited in Michaelis *et al.* 2008:407) as perceptions held by people inside and outside a company. In other words, corporate reputation indicates how trustful and reliable the company is both in the mind of employees and customers. In accordance with two major characteristics of service, namely, intangibility and heterogeneity, corporate reputation deserves attention in service industries since consumers are barely able to assess the service quality before their consumption due to vague and incomplete information (Wang *et al.*, 2003 cited in Michaelis *et al.* 2008:407).

COO effect is considered as another vital phenomenon especially in the domain of international marketing (Amine *et al.* 2005, cited Michaelis *et al.* 2008:407). As Bruning (1997 cited in Ibid) explained COO is an informational cue which “*triggers a global evaluation of quality, performance, or specific product/service attributes*”. The basic COO information always reflects the phrase Made in ... with the country name (Jaffe and Nebenzahl, 2001 cited in Ibid). COO effect is functional when the consumers are lack of knowledge about quality and performance especially toward the foreign products (Parameswaran and Pisharodi, 1994 cited in Ibid). That is to say, customers prefer to purchase the product from the countries with a good quality image, such as United State, Germany, and Sweden.

### **2.6.2 Word of Mouth**

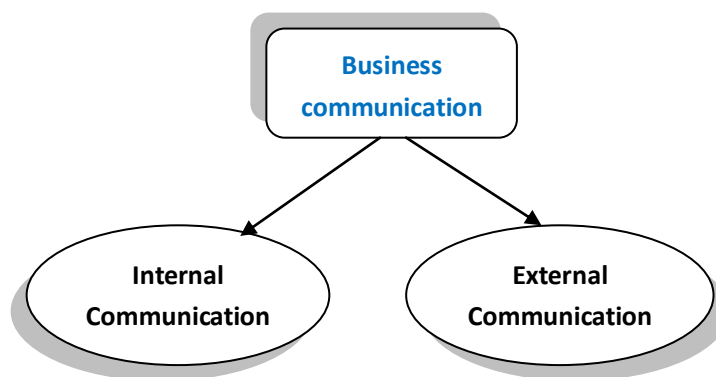
As defined by Helm and Schleiv(1998, cited in Chaniotakis and Lympelopoulos 2009:229), word of mouth (WOM) is the oral communication between the potential or real customers and other people, namely, the providers, experts, family and friends. WOM is viewed as the most efficient way of communicating (Zeithalm, 2006:95). However, the effect of WOM is dual. That is to say, it could be a positive or negative recommendation toward a certain product or service. Walker (1995, cited in Chaniotakis and Lympelopoulos, 2009:232) exemplified the negative effect of WOM

that over 90% unsatisfied consumers are eager to complain about their bad purchasing experience to at least nine other individuals. On the other hand, Ennew *et al.*, (2000. cited in Chaniotakis and Lymperopoulos, 2009:230) suggest that positive reflection from satisfied consumers can enhance the purchase. Furthermore, Berry and Parasuraman (1991) highlight the importance of WOM for the success of service providers. Murray (1991, cited in Chaniotakis and Lymperopoulos, 2009:229) further explicated that service is always associated with uncertain risks due to its characteristics; however, the positive WOM could efficiently decrease this kind of risk since it is commonly recommended by your closest friend or reliable people directly connected to you.

## 2.7 Business communication

Business communication is defined as the process of transmitting information within the business environment (Gopal, 2009:14). Crowley (2004) highlighted that successful communication is vital to any business, and communication in business teams continues to be essential for effective teamwork, technical excellence and customer responsiveness. In other words, no business can grow and expand without proper communication channels. Gopal (2009) implies that people maintain contact with each other only by communicating with each other, which also helps business to flourish. Business communication can be classified into two broad areas of simpler understanding (see Figure 4).

**Figure 4 Classification of business communication**



*Source: Gopal, 2009, P18*



## 2.7.1 Internal communication

Internal communication is communication within an organisation. When employees talk to each other, when a superior gives a work instruction to his subordinate, or when inter-departmental memos are passed around, internal communication takes place (Gopal, 2009: 18). Utvich (2004) indicates that poor communication within a company can be costly, impacting on the bottom line directly and indirectly through ripple-like effects. Utvich also suggests a balanced flow of information reduces the frequency of misunderstandings and limits expensive mistakes. Gopal (2009) agrees that good internal communication results in better internal networks within an organisation.

## 2.7.2 External communication

According to Gopal (2009), external communication is the communication with external agencies, both governmental and private, which is an essential feature of all businesses. Needless to say, at the very heart of business strategy is the relationship between the company and its customers (Utvich, 2004:103). Effective external communication with those outside a company builds goodwill, and ensures the continued existence and growth of the business (Gopal, 2009).

- **Dealing with governmental agencies and departments** - companies are required to deal with licensing authorities, customs, income tax and sales tax offices, and banks. It is easier if a manager has cultivated good communication skills, which is also helpful to solve many difficult situations (Gopal, 2009:19).
- **Interacting with customers** - the active core that allows the company to transmit its value to its customer is through communication (Utvich, 2004:103). Gopal (2009) asserts that no business can survive without its customers, and therefore it becomes important to deal with the customers in the correct way. Utvich (2004) concluded this transformation as following stating *“Businesses have always pursued advantage through complex networks of interests. The connect universe*

*of communications simply makes it easier to define these networks, define relevant messages to them and economically engage them directly” ( Utvich, 2004:104).*

## **2.8 Summary**

This chapter focuses on illustrating the process of international services marketing (Figure 3). In the process of international services marketing, two characteristics of service, intangibility and heterogeneity, are viewed as more influential than simultaneous production and consumption and perishability. Three variables, trust, network, and adaptation/standardisation are discussed in accordance with the literatures and articles. Business communication is found to be important in connecting the trust and the network. Hofstede’s five dimensions of national cultures are presented as the cultural issue to impact on the international services marketing, since cultural differences can become the barrier to service delivery.

In the following chapters, the study reviews how Elekta China employ three variables to overcome intangibility and heterogeneity. The importance of communication and cultural issues are considered in the case study of Elekta China.

## 3. Method

*This chapter presents the methodology and explains the adequacy of the selected methodology. The basis of the selection derives from the impact of the research questions and the aim of the study. Figure 3.1 is placed at the end of this chapter to illustrate the general method of this study.*

### 3.1 Research purpose

Case studies are the preferred strategy when how or why questions are being posed, when the investigator has little control over events, and when the focus is on contemporary phenomena within some real-life context (Yin, 1994). In order to distinctive characteristic of the case study strategy, there are three different ways as research purposes used to do a case study, such exploratory research, can be complemented by two other types, descriptive research and explanatory research.

Exploratory research is used when there is limited information about the problem (Yin, 1994). Gummesson (2002) suggests that this kind of research is used when the theory is not clear or when problems and relationships are difficult to define (cited in Meyer & Bernier, 2010). Furthermore, descriptive research is employed by researchers with the aim of getting detailed and exact facts, which requires relevant ideas that have to be observed, developed and described. Lastly, explanatory research is used to prove or disapprove one or several hypotheses. The researcher also can find a link between causes using data collection methods that give empirical data (Yin, 1994).

In this study, the research purpose is to investigate how adaptation/standardisation, trust and network development overcome the problems created by intangibility and heterogeneity of service, in the case of Elekta China. Therefore, descriptive research can be more useful and easier to fulfill the research.

To conduct the methodology process in order, we design the following flow of chart (figure 5) to show how we finish our study step by step:

**Figure 5 The flow chart of methodology**



*Source: Hong and Lin, 2011*

## 3.2 Research approach

### 3.2.1 Qualitative & quantitative

Qualitative and quantitative research approaches are formulated by Saunders, Lewis & Thornhill (2009) as two fundamental methodologies to collect data. The distinctions between quantitative and qualitative approaches are summarized in Table 1.

**Table 1 Distinctions between quantitative and qualitative approaches**

Quantitative data	Qualitative data
<ul style="list-style-type: none"> <li>• Based on meanings derived from numbers</li> <li>• Collection results in numerical and standardized data</li> <li>• Analysis conducted through the use of diagrams and statistics</li> </ul>	<ul style="list-style-type: none"> <li>• Based on meanings expressed through words</li> <li>• Collection results in non-standardized data requiring classification into categories</li> <li>• Analysis conducted through the use of conceptualization</li> </ul>

*Source: Saunders, Lewis & Thornhill, 2009, p482*

The main difference depends on whether the data are numeric or not. The quantitative method focuses on numeric data while the qualitative method emphasizes conceptualizations (Saunders *et al.*, 2009). Based on this statement, the qualitative method is chosen as the appropriate approach for this study, since it will create enough data and comprehensive information to answer the research questions.

### **3.2.2 Case study as research strategy**

Saunders, Lewis & Thornhill (2009) list seven research strategies, namely, experiment, survey, case study, action research, grounded theory, ethnography and archival research. However, both Saunders, Lewis & Thornhill (2009) and Yin (2003) claim that all of the research strategies are equally functional. Thus, the researchers are advised to emphasise more the suitability of each research strategy rather than the superior features of each.

Yin (2003:1) formulates three conditions to consider when selecting a particular strategy. These are the type of research question, the control the investigator has over actual behavioural events and the focus on contemporary as opposed to historical phenomena. In terms of the case study, it is a preferred choice when how and why questions are being formulated. Both of the research questions in our study are formulated with the form of how. The case study becomes a wise strategy when the investigator has little control over events. In this study, the semi-structured questionnaire is utilised during the process of interview. Since most of the questions in the semi-structured questionnaire are open-ended, there is less control over the answers. In addition, the case study is widely employed when the research issue focuses on the contemporary rather than the historical phenomena. Service marketing in the health care sector was selected as the research issue. Therefore the primary data gathering from the case study helped build the contemporary map of service marketing in the health care sector.

## **3.3 Applied method**

### **3.3.1 Connecting to the respondents**

The director of Gamma Knife Marketing in Asia Mr. Torgny Landin was contacted via email, at which time a face-to-face interview was requested for 26<sup>th</sup> April in Stockholm. Landin arranged another face-to-face interview, with the Chinese manager Mr. Sheng Weimo on 16<sup>th</sup> May in Stockholm. Landin also provided the contact email

addresses of three personnel who are working at EBMEI. They are Mr. Gilbert Wai (Managing Director), Mr. Anming Gong (Sales Director), Mr. Yi Zhou (Marketing Director). A greeting attached to the recommendation letter written by the research supervisor was sent to each of them. After ensuring they were willing to accept an interview, the questionnaire was emailed to them. Even though these three respondents were reminded to answer the questionnaire as soon as possible, they did not respond because of their busy working schedule.

### **3.3.2 Preparing for the semi-structured interview**

In order to conduct the interview smoothly, attention was paid to the design of the questionnaire. More specifically, the questions formulated were derived from literature reviewed on service marketing. The questionnaire was modified a number of times before being finalised. A student was invited to test the questionnaire in order to ensure that the questionnaire would be clearly understood by the respondents.

### **3.3.3 Conducting the interview**

#### ***Interview with Mr. Torgny Landin***

The interview with Landin was conducted on 26<sup>th</sup> April at the headquarters of Elekta, Kungstensgatan 18, in Stockholm. The duration of the interview was 2.5 hours from 13:00 to 15:30. The first stage Landin presented the general information about Elekta, and Elekta in China, using PowerPoint. Then the questionnaire was completed. To minimise the impact of lost data loss, a recorder was used during the interview, with the permission of Landin. In the end of the interview, Landin was given two Chinese gifts to express thanks for his kind cooperation.

#### ***Interview with Mr. Sheng Weimo***

The interview with Weimo was conducted on 16<sup>th</sup> May at the headquarters of Elekta, Kungstensgatan 18, in Stockholm. He was on a business trip to Stockholm for internal training. Thanks to the common language (Chinese), detailed and additional information was received from the conversation with Weimo. The participation of

research supervisor, Maria Fregidou-Malama, brought about fruitful discussions. Landin also attended this interview and complemented the discussions with new data. The entire interview lasted 2 hours.

### **3.4 Data collection**

Patton (1990) segmented all the data into two categories, primary and secondary data. In general, primary data are collected by the researcher himself /herself while the secondary data are gathered by other people. In this study, secondary data is mainly gathered from the Annual Report of Elekta, the homepage of Elekta, and the relevant electronic data will allow for a comprehensive presentation of information, while the primary data is the main information source from the interview.

Saunders (2009) classifies the type of interview into structured and unstructured and semi-structured interviews. Structured interviews are mainly employed to collect quantitative data strictly according to the questionnaire. Unstructured interviews are also titled the in-depth interview. An unstructured interview is informal since there is no questionnaire to guide the process of interview. Semi-structured is somewhere between the structured and the unstructured interview. The questionnaire functions as the interview guide while the respondents are provided adequate freedom in the semi-structured interview. That is to say, the respondents can skip or change the order of questions (Saunders *et al.*, 2009:320-321). When Landin was interviewed, certain questions were omitted as they had indirectly been answered during the PowerPoint presentation given by Landin earlier. When interviewing Weimo, once again questions were omitted as they had already been answered by Landin.

### **3.5 Data analysis**

According to Yin (1994), data analysis consists of examining, categorising and tabulating, which are used to access the supported evidence, or recombining the evidence to address the initial propositions of the study. However, the analysis of case study evidence is one of the least developed and most difficult aspects of doing case studies. Therefore, Yin (1994) proposes two general analytic strategies for data analysis of a case study.

- **Relying on theoretical propositions** - This is the first and preferred strategy, which is to follow the theoretical propositions that led to the case study. Therefore, the original objectives and design of the case study most probably were based on such propositions, which in turn reflected the research questions, review of the literature, and new perspectives. In this study, the process of international services marketing model as advocated by Hyder and Fregidou-Malama was adopted. Hyder and Fregidou-Malama originally asserted that there were three variables, trust, adaptation/standardisation and network. This was the initial proposition and start to this research study, and how these variables jointly function to deal with two major characteristics of service, heterogeneity and intangibility, in the process of international service marketing.
- **Developing a case description---** A second general analytic strategy is to develop a descriptive framework for organising the case study (Yin, 1994). As a result, a framework of sections reflecting the evidence in the case study should be classified after collecting the data. Subsequently, the empirical data is compared and analysed into these categories of data, in order to achieve a description of the case study that can be corroborated from multiple sources of evidence (Rowley, 2002).

Rowley also points out that there are no cookbook procedures that have been agreed for the analysis of case study results, but good case study analysis adheres to the following principles:

- The analysis makes use of all of the relevant evidence
- The analysis considers all of the major rival interpretations, and explores each of them in turn
- The analysis should address the most significant aspects of the case study
- The analysis should draw on the researchers' prior expert knowledge in the area of the case study, but in an unbiased and objective manner. (Rowley, 2002)



By combining with Rowley's principle, the data was simplified and the irrelevant data collected in the interviews was reduced, which enabled manageable and understandable information to be presented in the study. With an unbiased and objective perspective, academic knowledge from the theory part is utilised and combined with the empirical findings to analyse scientific result critically.

## **3.6 Reliability & Validity**

### **3.6.1 Reliability**

Reliability refers to the consistency of a measure of a concept. The aim of reliability is to minimize the errors and biases within a study, by making the research as reliable as possible. The following are three prominent factors involved when considering whether a measure is reliable (Bryman & Bell, 2007).

In order to verify the reliability of this research study and allow others to achieve the same result if conducting the same study, the recommendation letter from the research supervisor and the questionnaire were attached at the end of the research study, which will allow researchers at a later date to verify the reliability of this study by utilising the same questionnaire to test the same respondents. The marketing director of Asia, who has rich marketing experience and is quite familiar with the Gamma Knife in the Chinese market, was successfully interviewed. Furthermore, other respondents recommended by Landin, are all the sales and marketing directors in EBMEI, which provides a different angle to this research study. Their explicit statements and distinct opinions were included in this study in order to make this study comprehensive.

### **3.6.2 Validity**

Validity refers to the issue of whether or not an indicator or set of indicators, which is devised to really gauge a concept measures that concept, which also means the correct data and methods within a research study reflect the reality. Hence, the study needs to collect accurate, truthful and targeted data to increase the validity of research (Bryman & Bell, 2007).

In this stage, interviews and documentation are the main source of evidence in the research study. In order to enable the respondents to prepare and to avoid possible misunderstandings, the interview questionnaire was sent in advance to the respondents. In addition, all the questions were classified by separate titles, with the aim of guiding the respondents to focus on the research subject.

### **3.7 Summary**

Based on the research purpose, which was to investigate how the Leksell Gamma Knife survives in the Chinese market, three research questions were formulated. In order to answer the research question in the form of ‘how’, the qualitative approach was selected to gather an in-depth understanding of Elekta in China. A single case study of Elekta China is investigated through semi-structured interviews. Analysis is based on the comparison between literature and empirical findings. At the last stage, the conclusion is given (see Figure 5).

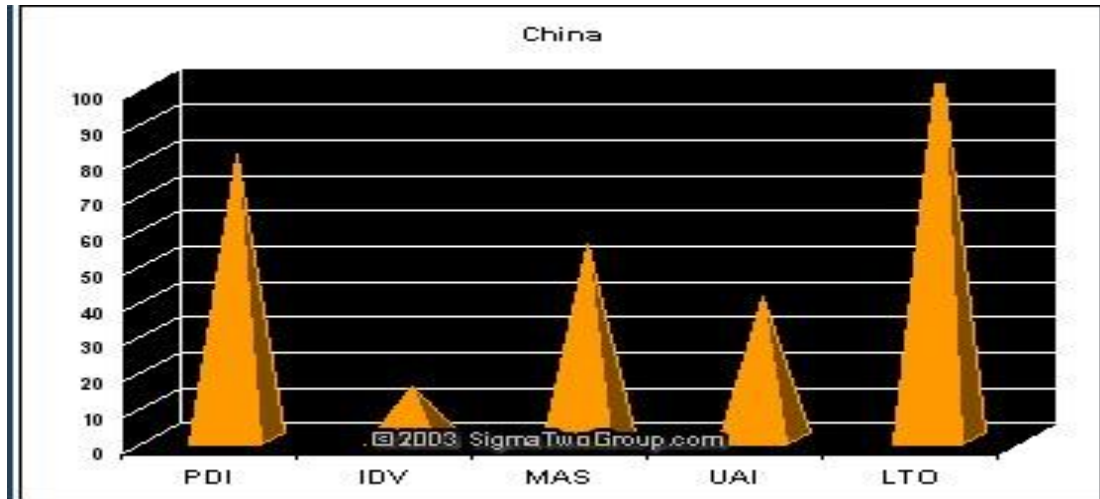
## 4. Empirical Study

*This chapter introduces the findings of the case study. AN introduction to China is presented in the first part and the introduction to Elekta follows. Primary data collected through the interview is the central part of this chapter.*

### 4.1 China and health care

As the world's biggest developing country, China replaces Japan becoming the second largest economy in 2010. However, Chinese health expenditure still falls behind the Japanese level. According to the statistics, Japan spends USD 336 billion per year for health care while China spends USD 192 billion per year for health care. Considered the largest population in the world at 1.3 billion, China's health expenditure per person is USD 144 per year. However, the health expenditure per person in Japan is USD 2,640 per year (TL, 2011).

Recognising the low level of health care in China, the Chinese have implemented various policies to increase governmental expenditure on health education, prevention and control. More specifically, the Chinese government will invest USD 125 billion in the healthcare sector over the coming three years. In addition, the basic medical insurance coverage will be increased to cover 90% of the population, with an annual subsidy of USD 18/capita. In order to clear the drug price, relevant policies have also been implemented. Furthermore, the Chinese government also allows different forms of capital/ownership structures at big hospitals on trial basis (TL, 2011).



*Figure 6 Culture dimensions of China*

*Source: Hofstede, 2010*

As the figure shows China ranks highest score in the term of Long-term Orientation (LTO) at 118, which is similar with other Asian countries. It indicates that Chinese people are persevering and patient to overcome obstacles with time.

Furthermore, the Power Distance Index (PDI) is relatively high at 80 in China. This indicates that in the society inequality is still large and the Chinese people have the greater tolerance towards the unequal fact.

In the term of Individualism (IDV), China ranks in the fairly low levels at 20. Therefore, collectivism becomes a prevalent value in China.

## **4.2 Elekta in China**

Elekta is a world-famous company in clinical solutions because of its leading technological tool and treatment planning system (Elekta 2009/10: page 2). Elekta is also listed on the NASDAQ OMX Nordic Exchange. Over 2 500 employees are employed by Elekta globally. In excess of 100,000 patients receive diagnosis, treatment, or follow-up with the support of Elekta products, each day around the world. In the fiscal year 2009-2010, the net sales in China were RMB 7392 million and the operating profits were RMB 1232 million. As the global presence of Elekta (see Figure 7) indicates, the headquarters of Elekta are located in Stockholm, Sweden. Elekta has been deployed within more than 5,000 hospitals in 26 countries spread over five continents (Elekta 2009/10: page 2).



*Figure 7 Global presence of Elekta*  
*Source: Elekta 2009/10, page 2*

#### **4.2.1 Elekta in China**

Through over 30 year’s development, Elekta China have become the 3rd largest subsidiary of Elekta, which has more than 300 employees. From Table 2, the *Milestones of Elekta in China* from 1978-2009 can be observed. Specifically, there are two subsidiaries of Elekta in China, Elekta Shanghai Medical Equipment Corporate (ESMEC) and Elekta Beijing Medical Equipment Institute (EBMEI).

Year	Event
1978	Started sales activities
1989	Established representative office
1993	Sales of first Gamma Knife to 2nd Affiliated Hospital in Guangzhou, Guangdong
2000	Shanghai Elekta Oncology System (SEOS) - first joint venture
2002	100% ownership of SEOS
2005	Start of global sourcing
2006	Elekta Beijing Medical Equipment Institute (EBMEI) joint venture started
2008	Launch of Elekta Compact
2009	Expansion of software business

*Table 2 Milestones of Elekta in China*

*Source: TL, 2011*

In 1993, the first Leksell Gamma Knife was imported by 2nd Affiliated Hospital in Guangzhou, Guangdong Province. According to the internal figures given by Weimo, there are now 20 Gamma Knife installations in Chinese hospitals (see details in Appendix 3). The product provided by Elekta is based upon pioneering knowledge, insight from physicians, meticulous research and cutting-edge technology – the famous Gamma Knife surgical solution. No matter how complex or intricate the clinical challenge, Gamma Knife surgery delivers the highest levels of physician and patient satisfaction. Leksell Gamma Knife, the gold standard in radiosurgery, has undergone an unprecedented transformation, retaining all the characteristics of earlier systems but with the additional ground-breaking capabilities of a revolutionary radiosurgery platform (TL, 2011).

#### **Elekta Shanghai Medical Equipment Corporate (ESMEC)**

ESMEC is a self-funded company in China which is invested and established by Elekta AB of Sweden in 2000. It is mainly responsible for sales of two major products for radiation therapy and neurosurgery, including a linear accelerator and the Leksell Gamma knife. ESMEC is committed to establishing the localisation of production technology and support, to provide customers with better services in China.

#### **Beijing Medical Equipment Institute (BMEI)**

In 2006, Elekta started the second joint venture, BMEI, in China with 80% ownership. The main site of BMEI is in Beijing, China. Three principal tasks of BMEI could be summarised as to strengthen Elekta's position in the fast growing Chinese market, to increase Elekta's presence in China and through-out Asia, and to provide affordable radiation therapy solutions. In order to accomplish their mission, BMEI strongly emphasise research and development (R&D). A team of highly skilled engineers have been recruited to ensure the quality of R&D.

### **4.3 Presentation of the respondents**

### ***Torgny Landin***

Landin is the Director of Global Marketing at Elekta, He was recruited by Elekta in 1986 and he is the longest serving employee in the company. Landin has many different responsibilities in Elekta. He used to be a president of Elekta Japan for a few years, and was also in charge of the educational training department. Now his main responsibility is the Gamma Knife marketing in Asia. He is a leader with rich working experience in Elekta.

### **Sheng Weimo**

Weimo is the business manager ENS China with an engineering background and has worked for Elekta Medical Equipment Co. Ltd for about one year. He is mainly responsible for marketing and sales in China. Weimo used to work in a Chinese medical equipment company before being recruited by Elekta China.

## **4.4 Adaptation**

### **Licensing System**

Both Landin and Weimo indicated that industrial policies became the main obstacles for the development of Elekta in China. Weimo further illustrated that, only the hospitals with specially allocated licenses, and jointly supervised by Ministry of Health (MOH), the Environmental Protection Agency (EPA), and the National Development and Reform Commission (NDRC), can purchase and utilise the Gamma Knife machine. In other words, the Chinese hospitals need to apply for this license if they intend to purchase a Gamma Knife. The hospitals must satisfy the requirements of application, such as being a 3<sup>rd</sup> class hospital, the number of years of radiation therapy experience, and the income of the hospital. The hospitals that qualify will be mainly supervised by the local public health bureau or to the provincial department of public health. The Ministry of Health will decide whether to allocate the license or not. The number of licenses is limited, with only six licenses being available every year. In the past 20 years, only 20 licenses have been allocated. Weimo also explained the reason behind this licensing system was due to the fact that the informal utilisation of

the Gamma Knife had incurred some negative effect. And the extremely high expenditure of Gamma Knife is another reason why the Ministry of Health supervises at an extremely strict level. However, Weimo indicated that the Ministry of Health is making efforts to handle this problem. The public bidding approach is advocated since 2009 (SW, 2011).

### **Demand from the customers**

Landin claimed that Chinese customers require more guarantees and commitment when they intend to buy the Gamma Knife machine. Elekta offers a special service contract to satisfy this requirement. However, the customers have to pay an extra fee for the longer guarantee after the regular warranty period of two years ends. Then Elekta will arrange for the annual checking of the Gamma Knife machine. In addition, Elekta China creates a reference group that consists of doctors and users. The suggestions and demands for Leksell Gamma Knife will be taken into consideration. Landin viewed this as a creative attempt to satisfy the demand of local customers.

### **Recruiting system**

According to Landin, there are 250 employees working for Elekta China in total, including the Shanghai Elekta Oncology System (SEOS) and Beijing Medical Equipment Institute (BMEI). Since the language barrier and the culture differences are the main obstacles in the process of entering a new market, Elekta employs local people to work for Elekta China. The advantage is that the local staff members are familiar with the local environment and market. They know how people work effectively, so they can use different and suitable marketing strategies to communicate with the Chinese customers. Weimo illustrated that there are three mechanisms, namely the recruiting system for graduates in spring and autumn, internal recommendation mechanisms, and a head-hunting company. Weimo also stressed the principle of recruitment is based on personal competence. Landin commented that most of the employees come from the top university in China. BMEI or SEOS can make the final decision to recruit the Chinese employees. Then these two



organisations need to report the relevant information to the headquarters of Elekta.

### **Joint venture**

Landin claimed that a joint venture is the least complicated way to enter China. EBMEI is established in 2006, which Elekta controls through its 80% ownership stake. Landin further stated that it is not enough for the foreign company to make money in the global market. Showing a commitment to society is also very important.

## **4.5 Standardisation**

### **Service quality**

Elekta sells the same product with the same price all around the world. They keep the same pricing strategy around the world. Otherwise, the different pricing strategies would confuse other customers and it's also unfair to them. The small differences in price are derived from the import tax, transportation fee, and currency exchange rate. The cost of skilled employees and best service quality support the expensive pricing strategies. Landin disagreed that the competitors' pricing strategy would affect Elekta, since they focus on different customer segmentations. The Leksell Gamma Knife differs from the other gamma knives in the market on the basis of quality. Thus, Elekta do not have to compete with the Chinese gamma knife on price. Low cost will reduce the service quality. At times there have been fake patients hired by competitors appearing in some Chinese hospitals and spreading lies about the Leksell Gamma Knife, in order to affect Elekta's reputation. Landin believes that their track record justifies the high price.

Landin claims that service quality is the same since the equipment is the same and they perform in the same way. Weimo admitted that the performances in Europe are more accurate than in China, since Chinese hospitals bear much higher workloads than European hospitals. Weimo indicated that in some Chinese hospitals they have to treat 4 or 5 patients every day. However, Weimo did not think the small difference in performance will affect the service quality.

## **Training**

After purchasing, Elekta offers clients superior education and training programs for their Leksell Gamma Knife users, which is a comprehensive range of education and training based on a blended learning concept enabling beginners and seasoned specialists to explore the Elekta solution. Courses are based on over 30 years of leading clinical experience, including more than half a million treatments at over 250 sites world-wide. These courses provide confidence and proficiency in use in order to maximise return and benefits to patients and clinicians alike. On the other hand, the professional trainees mostly are from Elekta Sweden. English is the only available language for the Swedish trainer and Chinese customers to communicate in during the training course. Elekta also sends the English version of all documentation updates about the Leksell Gamma Knife to its customers annually, so that the customers can be more familiar with the entire Elekta product range.

## **4.6 Networking**

### **4.6.1 Internal networking**

Landin and Weimo point out that the internal network of Elekta China is divided into two parts, the local sales and marketing team and the technical R&D group. The local sales and marketing team separate the Chinese market into five regions: East China, West China, North China, South China, and Middle China. Each region has a regional sales manager in the local office. The regional sales managers usually keep in contact and communicate with each other through electronic communication media, such as email, phone and fax. Business and annual meetings are a common form of communication for staff members to gather and solve business problems.

On the other hand, technical R&D group tends to be an international team, including Elekta's experts from China, Sweden and England who get together and develop and invent new technology and equipment in EBMEI.

### **4.6.2 External networking**

In terms of external networking, Landin and Weimo highlight that it is necessary and

essential for Elekta China to maintain relationships (*Guanxi*) with both government and their customers.

**Guanxi with government:** due to the strict Regulations for the Supervision and Administration of Medical Devices by the Ministry of Health, Landin and Weimo indicate that building the *Guanxi* with the Chinese government can not only get permission for Elekta to enter the Chinese market successfully, but also minimises the pre-conditions for Elekta to gain trust from government, which means it can get more licenses from the Ministry of Health to sell Leksell Gamma Knife to the local hospitals. Hence, according to Landin and Weimo, the relationship with the Ministry of Health is extremely crucial since Elekta need licenses before they can export their product into the Chinese market.

**Guanxi with customers (users):** Landin and Weimo both emphasised the importance of *Guanxi* with customers as well. From their perspective, it must take longer time for Elekta China to build and keep relationships with customers. Landin explained that you have to build a private relationship with your potential customers and develop the trust between each other before selling your product, especially for expensive medical equipment. Landin also mentioned that it is vital to keep the *Guanxi* and communicate regularly with customers after the initial purchase of equipment otherwise customers may complain about your unfriendly behaviour and bad after-sale service. Elekta China therefore creates a unique group, or so-called reference group, that doctors and users are involved in, to discuss and come up with suggestions for the Leksell Gamma Knife, so that Elekta can try to improve and meet customers' needs where possible and necessary.

**Society meetings:** It is an innovative platform for Elekta to boost the development and communication of external networking. In order to close the communication gap with customers and to gather specialists in related fields, Leksell Gamma Knife society meetings, which were established in 1989 and sponsored by Elekta every two years, is to encourage Leksell Gamma Knife users or potential customers to share

information, ideas, clinical techniques, treatment results and advanced scientific research for the application of Leksell Gamma knife. Then Elekta offers their customers free tickets to participate in the society meeting. In fact, this is a worldwide network made up of hundreds of leading clinics, hospitals, and experts in the field of radioactive surgery.

## **4.7 Trust**

### **COO**

Landin admitted that “Made in Sweden” benefits Elekta in gaining trust from Chinese customers. Weimo further explained that products produced in America and Europe are generally considered high quality in the Chinese psyche-consciousness, which is also regarded as brand image. As a result, European and American products are always valued higher than others.

### **Reputation**

Elekta’s team of professional and technical experts results in a world-famous company in clinical solution. Elekta has earned a reputation in China. Landin stressed that Elekta possessed a good corporate reputation in Chinese hospitals.

### **WOM**

Landin claimed that treatment results are the proof of the service quality. Most hospitals and patients are satisfied with the treatment result. 85% of patients will achieve good health once again after the treatment. In order to exchange experiences and problems between Gamma Knife users, Elekta sponsors the society meeting every two years. At the meeting, users demonstrate their treatment results (TL, 2011).

However, Landin disagreed that society meetings are a pure promotional strategy. Landin commented that society meetings are a good selling point for Elekta. They provide the international contacts for Chinese hospitals and access to publications and scientific papers, which the local competitor cannot offer. Weimo also stated that the society meetings are not a promotional activity. However, he was convinced that the society meetings indirectly achieve the effect of promotion.

## **4.8 Communication**

Landin stressed the importance of communication skills using various languages. Employees are required to be well educated and well-motivated. They must know and believe in the product, so that they can answer customer's questions and spread the vision of Elekta. Employees' commitment to customers is very important in representing the brand of Elekta.

In respect of external communications, Landin argued that making sure Elekta is understood by customers is the initial stage for trust-building. Communication between Elekta and customers plays a crucial role in building understanding. To develop the relationship with government, Weimo suggested that the sound of the local hospital is much louder than Elekta. In other words, make a valid communication with the local hospital, then let the local hospitals express their demand. This is more effective than Elekta building a relationship with Government by themselves. It is almost impossible for a company to change the industrial policy of China.

## **4.9 Summary**

- Elekta China adapts to the Chinese market from the perspective of licensing systems, repair guarantees and the recruitment of local employees and a joint venture.
- Elekta China standardises their service by having a single range of treatment equipment, service quality, training system, and pricing strategy.
- External networking was established by maintaining and developing relationships with local government and customers. Society meetings have become the platform for customers to exchange experiences.
- Trust is obtained by the COO effect and a corporate reputation in the initial stage while word-of-mouth ensures the long-term development of trust.
- Various languages are repeatedly stressed as a barrier for building trust and network in Chinese market. The importance of communication is valued for better understanding between Elekta China and local parties.

## 5. Analysis

*This chapter conducts a discussion based on the difference and similarities between theories and empirical results. The structure corresponds with the process of international services marketing. National culture provides a new perspective for analysing the case.*

### 5.1 Three Variables against intangibility and heterogeneity

#### 5.1.1 Intangibility and Heterogeneity

Heterogeneity and intangibility are the main obstacles to delivering a satisfactory service in the international market (Hyder and Fregidou-Malama, 2009:264). Landin agreed that heterogeneity troubles the service delivery in international markets. Landin further advised that Chinese customers have different demands compared to the other customers. They require more guarantees and commitment when they intend to buy the Gamma Knife machine and they expected long-term relationship even after the purchasing process. Such kinds of customer behaviours challenge Elekta in the Chinese market. Different customer's demands are the characteristic reflecting the heterogeneity of service.

The intangibility of service has not been discussed directly. Landin claimed that treatment results are the proof, which is visible for the customers. The difficulties derived from intangibility reside in the process of service delivery. Elekta China relies on the visible and tangible treatment results to reduce the intangibility.

Zeithaml claims service quality is extremely crucial for health care since it is tightly related to customer satisfaction (Zeithaml *et al.*, 2008:83). Landin highlighted and emphasised the importance of service quality. Even though there are several Chinese Gamma Knife competitors in the Chinese medical equipment market and their product price and treatment cost per person is almost 3 times cheaper than Swedish Leksell Gamma Knife, Elekta still insisted on offering their globally unified price, and to provide the best service quality since the best quality deserves a high price. Zeithaml *et al.* (2008: 433) suggested that price could be an indicator for customers to

evaluate the service quality. Landin illustrated the relationship between service price and service quality from the internal perspective. He argued that high prices support high costs on the product, which ensures the service quality. Landin further explained that the skilled employees and best service quality deserved a high price, and the low price will reduce the service quality. Even though competitor offerings are another factor in the Price Triangle (Zeithaml et al., 2008), Landin and Weimo believe that standardising the price is another effective strategy to ensure the service quality and enhance the competitive ability rather than price campaigns.

### **5.1.2 Three Variables in international service marketing trust**

The process of building trust consumes money and time (Mandok, 2006 cited in Hyder and Fregidou-Malama, 2007:264). “Made in Sweden” benefits Elekta in the trust-building process, which is corresponding with the COO effect (Bruning1997, cited Michaelis *et al.* 2008:407). Having the leading technological device and treatment planning system, Elekta has successfully built up a good reputation among Chinese customers. Landin claimed that Elekta also has a very good corporate reputation in Chinese hospitals. That is to say, “Made in Sweden” and good corporate reputations impress the Chinese customers and reinforce the fact that the Leksell Gamma Knife is reliable and of high quality. However, this is far from enough. Word of mouth, as the most efficient and popular way to convince customers (Zeithalm 2006:95), is wisely employed by Elekta. Furthermore, society meetings provide the platform for Gamma Knife users to exchange experiences and problems. Society meetings critically utilise the positive effect of WOM since the users prefer to share their successful experiences with others. Meanwhile, according to Landin, the educational promotion is the central promotion strategy of Elekta, so that Elekta can earn the long-term trust from customers. Elekta may face challenges of trust from time to time. For example, Elekta came across a fake patient from a competitor appearing in Chinese hospitals and spreading lies about the Leksell Gamma Knife, in an attempt to reduce the real patients’ trust in this treatment. However, the negative behavior did not affect Elekta too much. Just as Fombrun (1996 cited in Michaelis

et al. 2008:407) claim “reputation perceptions are held by people inside and outside a company”, which indicates this also attribute to the strong trust of Gamma Knife made by Elekta has stick into the customers’ heart.

## **Adaptation/Standardisation**

Elekta deploys the same product with the same price globally. The Chinese market also follows this standardisation strategy. As Landin indicated, different prices makes customers confused to the point of doubting the quality of product. This corresponds with one of the advantages of standardisation, consistency with customer (Buzzell 1968, cited in Zou, *et al.*, 1997:109).

Accordingly, it is necessary for Elekta to make some changes to adapt to the Chinese market, because diverse markets in different countries have dissimilar market rules. Cultural differences should not be ignored while doing business in a cross-cultural environment. Therefore, the local Elekta organisation was established to better handle the cultural differences. Taking EBMEI for example, Elekta collaborated with the local hospital in the form of a joint venture with 80% ownership. In other words, the local hospital held 20% ownership, which can motivate the local employees financially. Landin mentioned that Elekta empowered BMEI to recruit their Chinese employees independently. He believed that local employees work more efficiently because they are familiar with local environments and markets. This argument supports the McLaughlin and Fitzsimmons’s (1996, cited in Hyder and Fregidou-Malama, 2009:263) viewpoint that hiring local employees is the best solution to overcoming the cultural differences in international service marketing. In addition, Elekta extend the guarantee period for Chinese customers as they require longer guarantees, but customers have to sign a contract and pay annual fee for the extended guarantee service.

Building and keeping good relationship (Guanxi) by communicating with government and customers is an essential factor for Elekta China in their adaptation to the Chinese market. Wong & Leung (2001) assert that Chinese culture emphasises the value of



maintaining personal harmony. So Chinese view relationships as a kind of decisive aspect to understanding Chinese people well, which will help people in other countries to better integrate into the Chinese culture. People rely on Guanxi not only for getting things done, but also for supporting the company or government, because governments play significant roles in most of those countries (Wong & Leung, 2001). In a word, Guanxi is a must and precondition for a foreign company such as Elekta to start their business successfully in China.

## **Networking**

Network development is the key for a firm to enter new international markets successfully (Johanson & Mattson, 1988). China is a country with a local culture that all businesses start with relationships or Guanxi, whereby firms will succeed by doing half the work with double the results. Therefore networks can assist firms to discover new opportunities, which can also influence how often, and with whom, such firms contact each other and engage in alliances (Gulati, 1998). According to this research study, Elekta has developed two crucial types of network to run operation well in China. One is an internal network, including the local sales and marketing team and technical R&D group. Electronic communication and meetings facilitate the staff of Elekta China to keep in contact with one another on a regular basis. Effective internal networks enable Elekta China to build friendly relationships within the whole organization, which encourages the employees to work hard for the company.

Another network Elekta has is an external network, which is aimed to keep contact with the government and customers. Hyder and Abraha (2003) also indicate that the firm should be continuously involved in various relationships to accumulate resources to reach organisational objectives. Meanwhile, existing research asserts that networks with the government and medical institutions have been developed not only to obtain legitimacy, but also to develop relationships helpful to business operations. Due to the strict supervision rules required by Chinese government, local hospitals have to apply for and acquire a device license, so that they can purchase the Gamma Knife

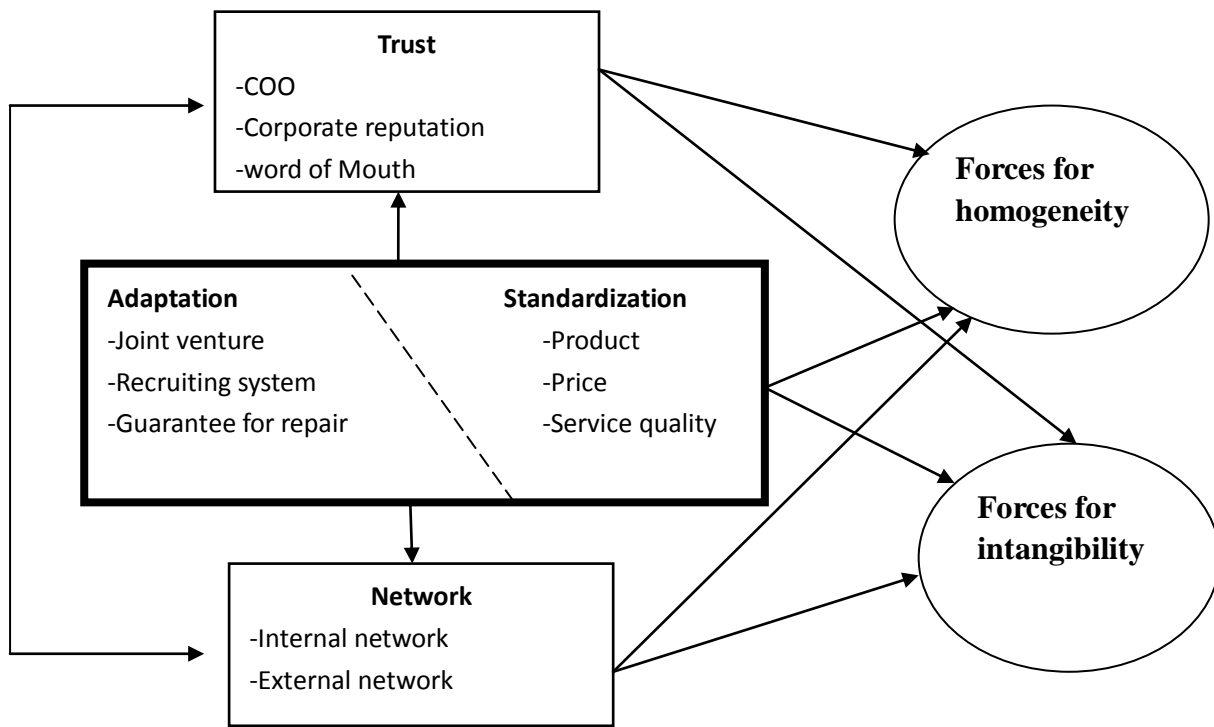
from Elekta. Therefore, building up better Guanxi with government and gaining more licenses for the local hospitals are the focal task and reason for Elekta China to keep good relationships with government. Otherwise, it is difficult for firms to survive in a culture with a high rate of 80 for power distance (Hofstede, 2010:75). Sometimes officials, who the company has already kept good Guanxi with, are relocated to another department or another position. It will make Elekta China feel challenged to start a new Guanxi in order to fulfill its business mandate. Therefore, Guanxi in China is a hierarchically structured network of relations (Wong & Leung, 2001), which is one of the significant factors to decide whether you can finally succeed or not.

On the other hand, keeping good relationships with their current and potential customers is another element in external networks. Landin thinks that it may take a longer time to build relationship with the customers, because it is a process to build trust as well before the customer buys your product, especially expensive medical equipment. Zeithaml *et al.* (2008) agree that close relationships can help customers to increase confidence and trust to the offering product and service. On the other hand, Landin still implied that traditional marketing usually neglects customers in the process and failed to meet customer expectations. So Elekta China organises a group involving doctors and users to develop and research more new technology and services to meet customer needs. Moreover, it is worthwhile to mention that the Elekta Society Meeting is a rather innovative way to create a win-win benefit for both customers and Elekta.

In conclusion, it is better for us to summary these three variables by applying a model (Figure 8) to illustrate trust, network, and adaptation/standardisation. It is aimed to outline the structure and show how to overcome two intrinsic characteristics of service, heterogeneity and intangibility. Adaptation/standardisation strategies are the central role in this study, which can affect both trust and network. Elekta China adapted to these factors through the use of a joint venture, hiring of local personnel, and providing longer guarantees on equipment as the local customers required. Meanwhile, Elekta China also standardises their service globally, from the perspective of product, price, and service quality. An adaptation strategy facilitates Elekta China

in better dealing with the cultural differences, and establishes a local network more smoothly, while the standardisation strategy benefits Elekta China in building trust by offering the same quality service. Besides, trust and network will interact with each other to overcome the heterogeneity and intangibility. High levels of trust between parties will ease network establishment and development whereas the successful contacts with parties will enhance the possibilities to gain their trust. Consequently, all three variables enable Elekta to reduce the difficulties of heterogeneity and intangibility.

**Figure 8 The process of international services marketing of Elekta China**



**Implication:**

- ↔ = Interconnection of the variables
- = Representing high importance
- = Influence on the variables and service characteristics
- - - - - = Two sides of adaptation/standardization variable

*Source: Adapted from Hyder and Fregidou-Malama, 2009*

## **5.2 Modification of theoretical framework**

### **5.2.1 National culture integrated in international service marketing**

#### **● PDI**

According to Hofstede's finding, the rank of PDI in China is 80, which reveals China is a high power distance country. In such a culture the people who hold power are entitled to privileges and are expected to use their power to increase their wealth (Hofstede et al., 2010:75). In this case, Landin mentioned that the Health Ministry of China is the organization which has the power to give out the licenses that hospitals require to purchase Gamma Knife equipment. However, only six licenses are available every year. It means three are for the foreign medical device company, and three are for the domestic ones. In other words, the Chinese government controls the sales of Gamma Knife despite the demand which exists in the Chinese market, which limits the scale of marketing for Swedish companies with low PDI to gain a solid foothold in Chinese markets. In view of this, enhancing the ability to adapt to the local culture is a wise solution to succeeding in China.

Additionally, the phenomenon of the fake patient from the competitor company appearing in the hospital to spread lies about Leksell Gamma Knife to real patients, is aimed to decrease their confidence and trust. Even if Elekta thinks it is a rather negative phenomenon in China and unfair behaviour working against them, being tolerant and ignoring the competitor efforts and trying to do their best are the best ways to refute the negative effect of these fake patients.

#### **● IDV**

The IDV ranking of 11 shows that China is obviously a collectivist country (Hofstede *et al.*, 2010:90). Chinese are integrated from birth into a strong and collective group. Another concept in collective Chinese society is face, which is one of the factors involved in Guanxi (Hofstede et al., 2010:110). To Chinese, losing face is a sense of

being humiliated. They also consider “giving someone face” is a means to examine whether the Guanxi is concrete or not. Basically, face describes the proper relationship within one’s social context. So it is common that employers hire people based on personal relationship. However, Landin said most of their employees are employed from university through the formal procedure of recruitment. It can be seen from this that EBMEI is trying to standardise the recruitment system the same as in other subsidiaries. To some extent, Swedish culture is affecting the Chinese way of recruitment that focuses more to the employees’ competence rather than relying on Guanxi to access a company.

### ● **MAS**

The MAS score of China is 50. This dimension reflects the gender role of female and male in the society and organization (Hofstede et al., 2010:138). Generally speaking, China is regarded as a masculinity country. In a company, it means the male employees outnumber the female ones. Landin and Weimo also reflected that in Elekta China, female employees tend to be in charge of the office or sales, whereas the male employees mostly occupy the technical and marketing jobs, which is a common phenomenon in China.

### ● **UAI**

The ranking of UAI is rather low in China, which is just up to 35. People in uncertainty avoiding countries are also more emotional (Hofstede et al., 2010:198). They have tolerance for ambiguity and chaos. Landin reflected that their customers usually trust the Swedish brand Leksell Gamma Knife, but expect a longer guarantee after the initial sale. This manifestation shows that Chinese customers are positive and neutral to the foreign brand, which in terms of the reliable brand and quality, which indicates that COO affects consumer decision making.

### ● **LTO**

Hofstede’s result of research for China shows that China ranks the highest score in terms of Long-term Orientation (LTO) at 118. It indicates that Chinese people are persevering, patient and determined to overcome obstacles with time (Hofstede *et al.*,

2010:239). LTO stands for a society in which wide differences in economic and social conditions are considered undesirable (Hofstede *et al.*, 2010:246). Therefore, in a high-LTO country, if Elekta wants to obtain more market share, having ones' personal network of acquaintances is essential for success. This is an evident consequence of collectivism that puts relationships before tasks, but it also demands a long-term view. Landin also realises that it may take time to build and keep this kind of LTO relationship. To a businessman, the capital of Guanxi lasts a lifetime, and he would not want to damage it for short –term gains with a bottom line reason.

### **5.2.2 Communication as the bond between trust and network**

Gopal (2009) stressed communication as the foundation for running and expanding a business effectively. This implies that people maintaining contact with each other also help business to go smoothly. Utvich (2004) indicates that poor communication within a company can be costly, impacting on the bottom line directly and indirectly through ripple-like effects. Landin stressed qualified employees should be well educated and have good communication skills with various languages, so that they can know about the product and culture of Elekta. This will initially help them to trust the quality of Gamma Knife and then deliver the required service levels to customers. Thus, employees' communication abilities are very important to Elekta China.

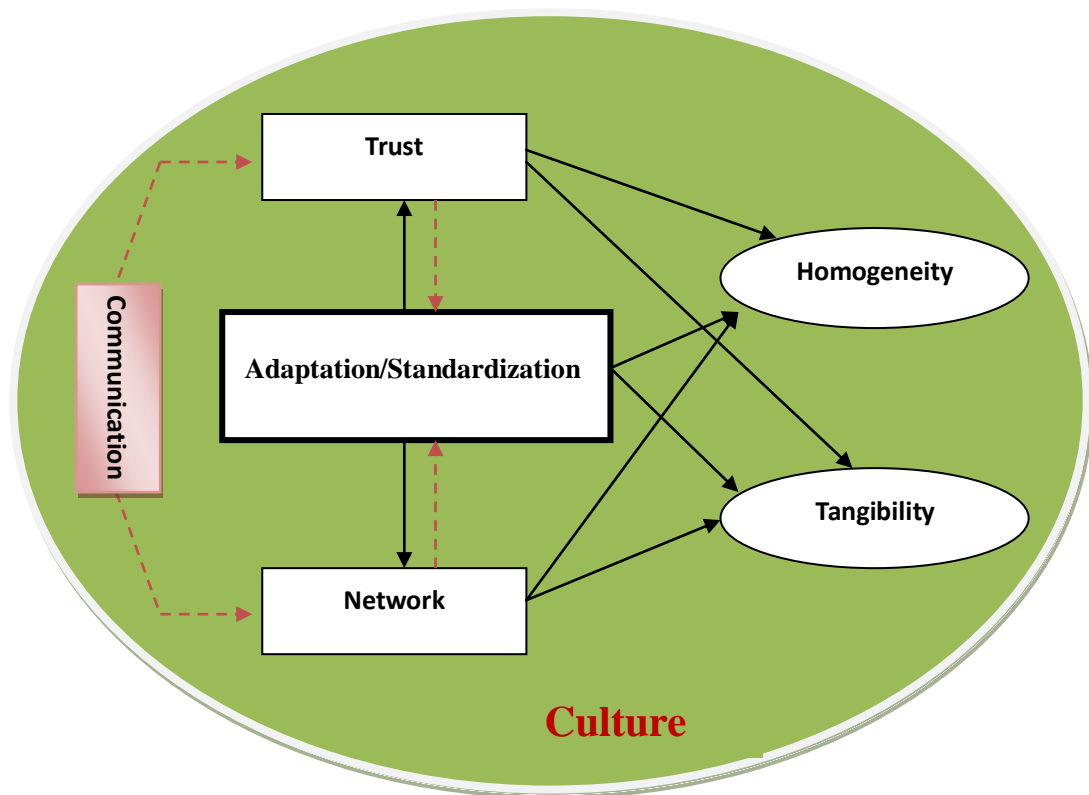
External communications work well with external networks. Through external communication, Elekta China tries to keep good relationship with Chinese government and customers. Effective external communication with those outside a company builds goodwill, and ensures the continued existence and growth of the business (Gopal, 2009). In developing a relationship with government, Weimo suggested that the voice of the local hospital to government and patient is much more useful than Elekta's. In other words, communication with the local hospital is critical, whereafter the local hospitals express their demands more effectively than Elekta building the relationship with Government themselves. All in all, communication plays a role as bond between trust and network, which enables Elekta China to solve the problems encountered and successfully grow in the Chinese market.

In Figure 9, the previous model is changed into *The modified model of the process of international service marketing of Elekta China*. The culture factor (in green) is regarded as the pre-condition background in the process of international service marketing, whereas communication (in blue) is added to be a bond between trust and network. And these two new factors combined with the original three variables are assisting foreign companies like Elekta China to enter the Chinese market successfully.

The national culture influences the trust, adaptation/standardisation and network developments. China is a high power distance country with a collective society. It is necessary to build reliable relationships (Guanxi) to gain trust. So culture determines what kind of relationship (Guanxi) Elekta should focus on, and how the company can benefit from this kind of Guanxi. Moreover, culture also influences the aspects that Elekta China should adapt and standardise. For example, Elekta should obey the regulation of medical market and supervision by Chinese government, and Chinese customers need longer warranties for the Gamma Knife. On the other hand, trust and network interact to the adaptation/standardization of the Elekta China. For instance trust, including initial trust, COO and WOM is the solid pre-condition to helping Elekta China gain a foothold in the Chinese market, which also facilitates it to adapt and standardise their health service to suit China.

From our modified model, we conclude that culture is pre-condition for the foreign company to consider before entering the Chinese market. Trust and network are interacting with adaptation and standardisation to overcome the challenge of intangibility and heterogeneity in the process of international service marketing and communication is key. However, the modification cannot be generalised because it based on only one organisation, though it does not negate the finding which is unique and original.

**Figure 9 The modified model of the process of international service marketing of Elekta China**



**Indication :**

- ↔ = Interconnection of trust and network.
- ▬ = Importance of adaptation/standardization.
- = Influence of the variables on service characteristics.
- - - - -> = New influence between the original variables and the new added features

*Source:* Adapted from Hyder and Fregidou-Malama, 2009

**5.3 Summary**

In this section, the findings of the study have been analysed by combining the theory and empirical work. The process of international service marketing model created by Hyder and Fregidou-Malama (2009) has been modified in this chapter, which means two new variables culture and communications are added into the model. Therefore, trust, adaptation/standardisation, network, culture and communication, are the crucial factors that will be essential and helpful for foreign companies like Elekta to overcome the intangibility and heterogeneity in the international service marketing.



## 6. Conclusion

*This chapter presents the conclusion of this study. First, the answers to the three research questions are discussed. Then the limitations of this study are presented. Suggestions are given for further studies.*

### 6.1 Discussion of the research questions

In conclusion, our research is aimed at analysing how adaptation/standardisation, trust and network development are combined to solve the problems caused by intangibility and heterogeneity of services, in the case of Elekta China. The following are the answers to the research questions.

#### **RQ1. How does the Leksell Gamma Knife employ adaptation / standardisation in Elekta China?**

Elekta China employed the adaptation strategy to overcome the difficulties derived from the cultural differences, which shows that cultural adaptation is helping Elekta to reduce the gap of misunderstanding between the interacting parties, such as the foreign service provider and the local users. More specifically, they adapt to the Chinese market through three aspects, structure of ownership, recruitment systems, and length of warranty. It is worthwhile mentioning that Elekta China provides the extra length of warranty in response to the demand by local customers with LOW UAI for a longer warranty period. The extra length of warranty reduces the purchasing risk that is attributable to the intangible characteristic of service. Therefore, focusing on local consumers' expectations and preferences is the key to success for international marketers (Hyder & Fregidou-Malama, 2009).

Meanwhile, Elekta China utilises the standardisation strategy in the Chinese market. The identical product with the same pricing strategy globally maintains consistency of

brand image in the global market. Furthermore, Elekta China was dedicated to delivering the best service quality as other branches of Elekta did in the global market, which effectively decreases customer concerns towards the heterogeneity of service. With the service offering and its development, it is valuable for such a foreign company to form and ensure the quality aspect as a part of standardisation, while adaptation should be based on local culture and practices.

To sum up, Elekta China have a well-balanced adaptation/standardisation strategy in Chinese market. Consequently, their service becomes more tangible and homogenous for the local customers.

**RQ2. How is trust developed in the local environment and how does it help to overcome intangibility and heterogeneity nature of service offerings?**

The country of origin, corporate reputation, and word of mouth among customers benefits Elekta China for building and developing trust in Chinese market. This is also the reason why Elekta standardise the price all over the world, even in developing country markets. Actually, price, to some extent, is the indicator of service quality, which means high price is equal to high quality that people always prefer. With the label of “Made in Sweden” and being a world-famous brand in the clinical solution area, local customers reveal a high level of trust in the service quality of Elekta China. And the positive effect of word-of-mouth ensures the sustained development of trust. Specifically, the society meetings provide a platform for word-of-mouth promotion. Thus, the level of trust is enhanced after communication with other satisfied customers. This result shows that trust is a significant outcome in adapting to the requirements of the local culture, and it is also necessary when the service provider delivers services in a complex service field like healthcare. In conclusion, these three approaches of trust-building reduce the perceived risk due to the intangibility of service.

**RQ3. How are Elekta China networks established and how does it help to overcome the intangible and heterogeneous nature of service offerings?**

Networks are regarded as the common and useful way to demonstrate the medical service to consumers. However, in Chinese markets, effective internal networks are seen to be helpful in earning the loyalty of employees, and enhance the team spirit, which results in an excellent service offering to their customers. On the other hand, it is also crucial to build the external relationships (Guanxi) with Government and local hospitals in the process of network establishment.. Relationships with local government are important, as the Ministry of Health is in charge of issuing the purchasing licenses for Gamma Knife machines. In other words, the better relationship you keep, the more government knows about Elekta and Leksell Gamma Knife, so that it is easier for the qualified local hospitals to get more licenses and purchase the medical device. Meanwhile, in terms of Elekta's customers, the high-class local hospital and military hospital are big customers of Leksell Gamma Knife machine in China. Since communication is the bond between trust and network, employees with good communication skills can handle the internal and external network to raise trust levels. Thus, establishing and developing a good relationship with both of them through communication is vital for the development of Elekta China. Good communication enables Elekta China to build a good network. And good relationships with government and local hospitals become the pre-condition for service delivery. Hence, network development combined with adaptation/standardization can be an effective tool to make the service offering tangible and homogeneous.

## **6.2 Reflections**

Not all the research and results turned out to be perfect as you would expect. Reviewing the research of the past three months, there are still large gaps for us to improve and perfect the study in order to reveal a deeper insight into Chinese market research. So limitations encountered in the process of study are the main obstacles on the way to success.

Firstly, a single case study in one country only was executed. China is a rather large country that involves different market segments. Only EBEMI and the headquarters of Elekta were successfully contacted in order to conduct interviews and collect useful data.

Secondly, lack of involvement of competitors in the study. At the beginning of the investigation, Chinese gamma knife equipment companies other than Elekta in China were discovered, which increased the interest in studying the competitive advantage of Elekta further. Unfortunately, the Chinese gamma knife providers were not included in the study, because Chinese companies seldom accept academic research if they are not familiar with the investigators' background, or due to the investigators' lack of Guanxi with the target company. That is only the internal research angle to investigate the development of Elekta in Chinese market was presented.

Thirdly, insufficient data offered by EBEMI. It shows that cultural differences were encountered during our investigation as well. Chinese staff members are reluctant and dare not accept any interviews on their company for investigation, unless it is an empowerment task. Moreover, the Chinese manager indicated that his answer was sufficient and staff input was not required.

Fourthly, the perspective of the patients should have been included in order to raise discussion about service marketing in the healthcare sector. Feedback is a relatively significant information source for service providers to enhance their service quality.

Last but not least, a lack of direct observations. Due to the geographic location of the researchers in Sweden and the case study target in China, it was hard to observe daily operations of EBMEI and to comprehend deeply.

### **6.3 Suggestions for Further Studies**

Shanghai Elekta Oncology System (SEOS), as another joint venture of Elekta in China, is advised to be investigated by researchers in order to build the complete picture of Elekta China. Meanwhile, direct observation is essential even it costs time

and money, because it may provide contextual event data from the observing environment. Furthermore, China is the only case where there are existing Elekta competitors, which reflects a different market situation to other countries. Thus, it is suggested that the perspective from competitors could be considered as a new angle for further study. Also, the patients should be heard, which will improve the service quality.

All in all, this study tests the Process of International Services Marketing model advocated by Hyder and Fregidou-Malama in the Chinese market, which also shows how solutions to the research answers can contribute to handling the complexity of heterogeneity and intangibility of service characteristics. Meanwhile, communication is expected to be the bond between trust and network. The cultural difference is considered to become a general background affecting the process of international service marketing, which results in the foreign managers' attention to get to know the variables of entering a foreign market. Hopefully, this study provides insights for researchers, and businessmen who intend to invest their efforts on the service marketing in Chinese health care sector.

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## **Interviews 2011**

Landin, Torgny, the Director of Global Marketing in Elekta , 26<sup>th</sup> April.

Sheng, Weimo, the business Manager ENS China in Elekta (shanghai), 16<sup>th</sup> May.

# Appendix 1

## Letter of Recommendation



### LETTER OF RECOMMENDATION FOR SHUNZHAO LIN & SISONG HONG TO WHOM IT MAY CONCERN

Shunzhao Lin (born 1987-12-28) and Sisong Hong (born 1986-10-02), are Master students in Marketing Management at the University of Gävle, Department of Business Studies. They started their studies as international studentS in 2009. They have been successful in passing their courses. They study in English and finished their Bachelor Thesis. Now they start writing their Master Thesis.

I know Shunzhao Lin and Sisong Hong as their supervisor and teacher. They have integrity and are ambitious in their studies. They are good at writing; they use a logical structure in their presentations and critical thinking through the assignments they present. They can handle complex issues, describe problems and suggest appropriate solutions.

At the department of Business studies a research project is ongoing. I myself and my colleague Akmal Hyder did research and published an article about Gamma Knife in Egypt. We continue with Gamma Knife in Brazil and two of our students researche Gamma Knife in Hong Kong and Philippiness.

I hope Shunzhao Lin and Sisong Hong will be able to continue their thesis writing by getting the opportunity to research Gamma Knife in China! We hope you will give them the opportunity to explore and research your company. To write a thesis they need at least to conduct six interviews but the number of interviews depends also of the size of your company. I believe they can write a good thesis which can also be used of your company in the future. Thank you very much in advance!

After contacts with Mr Torgny Landin from Elekta in Stockholm we get your names to contact you for an interview. We will be very grateful if you can agree to give us an

interview.

Sincerely yours

Maria Fregidou-Malama, Ph.D. Assistant Professor  
Departmental International Co-ordinator  
Phone: 0046-26-648687 or 0046-70-62016

# Appendix 2



## Questionnaire

### DEPARTMENT OF BUSINESS AND ECONOMIC STUDIES

Dr. Maria Fregidou-Malama

Sisong Hong

Shunzhao Lin

#### *Basic information*

*Date of interview:*

*Duration of interview:*

*Place of interview:*

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*Name of the company:*

*Location :*

*Name of interviewee:*

*Position:*

---

#### **Basic Questions**

1. Discuss briefly your major function in the company.
2. Briefly describe the process of establishment of Gamma Knife Centre in China.
  - Why Chinese market was chosen?
  - When and which hospital imported the first Leksell Gamma Knife in China?
  - How many Gamma knife machines have been sold to China till now?
3. General information about Gamma Knife Centre in China.
  - Production
  - Sales
  - Profits

#### **Adaptation/Standardization**

4. Do you make some change for the Chinese market? If yes, what is your change?
5. Which factors do you consider to adapt/standardize the service in Chinese market?

6. How do you adapt/standardize your service in Chinese market? Example.
7. Compared to other service providers, what makes you special?
8. How do you make your service attractive in Chinese market?
9. Which factors affect your pricing strategies?
10. Are Chinese customers satisfied with the price of Leksell Gamma knife? Why?
11. Briefly describe the staffing system in Gamma Knife Centre in Beijing.
  - Total number of employees (affiliated doctors, senior officials and administrative staffs)
  - Rate of Swedish employees and their related occupations.
  - The recruitment system
  - The training system

### **Network & Trust**

12. What type of company did you establish when entering the Chinese market?
13. How many service centers have been established till now? Is there relationship between them?
14. If relationship exists among different service centers, how often do you communicate with each other?
15. Which role does Elekta Gamma Knife Sweden play within the network?
16. What kind of relationship do you need to establish in China? Why?
17. Are there any competitors offering the same kind of service in China?
18. Do you cooperate with other service provider in China or other countries? Why?
19. Do you think “made in Sweden” benefit you to sell your service in China?
20. How does the patient think about the service quality of Gamma Knife in China?
21. What is the promotion strategy in Chinese market? What kind of promotion is most effective in the health care sector?
- 22.

### **Further Questions**

23. Briefly summaries the development of Gamma Knife Centre in Beijing since it established.
24. What challenges do you think Elekta will meet in the future? What is the future plan in Chinese market?
25. Suggestions for the other health service companies to succeed in China.
26. Do you want to advice us about important issues we may consider in our research?
27. Do you have something else to add?

**Thank you very much for giving us the opportunity for**

**this interview!**

## Appendix 3

### List of Chinese users of Leksell Gamma Knife in Elekta AB (Chinese version)

进口瑞典医科达公司 LEKSELL 伽玛刀中国用户表

	医 院	城市
1	上海华山伽玛刀中心	上海
2	山东淄博万杰医院	山东
3	河南洛阳 150 医院	河南
4	广医二院伽玛刀治疗中心	广州
5	北京天坛医院	北京
6	北京万杰医院	北京
7	吉林化工总医院	吉林
8	武汉协和医院	武汉
9	长沙湘雅伽玛刀中心	长沙
10	辽宁省人民医院	辽宁
11	天津医科大学二院	天津
12	河北省人民医院	河北
13	广州军区总医院	广州
14	新疆自治区人民医院	新疆
15	四川华西医科大学一附院	成都
16	第三军医大学附属新桥医院	重庆
17	上海瑞金医院	上海市
18	浙江大学附属第一医院	杭州市
19	西安交通大学附属第一医院	西安市
20	山东省立医院	济南市

Source: .Sheng, Weimo, Elekta China

## List of Chinese users of Leksell Gamma Knife in Elekta AB

(English version)

	<b>Local Hospital</b>	<b>City</b>
1	Shanghai huashan Gamma Knife Centre	Shanghai
2	Shandong Zibo wanjie Hospital	Shandong
3	Henan province Luoyang NO.150 Hospital	Henan
4	Guangzhou 2nd Affiliated Hospital and Gamma Knife Centre	Guangzhou
5	Beijing Tiantan Hospital	Beijing
6	Beijing Wanjie Hospital	Beijing
7	Jilin Chemical industry general Hospital	Jilin
8	Wuhan Xiehe Hospital	Wuhan
9	Changsha xiangya Gamma Knife Centre	Changsha
10	Liaoning province People's Hospital	Liaoning
11	Tianjin 2 <sup>nd</sup> affiliated Hospital of Tianjin medical university	Tianjin
12	Hebei province People's Hospital	Hebei
13	Guangzhou general Military Region Hospital	Guangzhou
14	Xinjiang People's Hospital	Xinjiang
15	Sichuan 1 <sup>st</sup> affiliated Hospital of west China medical University	Chengdu
16	Xinqiao Hospital of the 3 <sup>rd</sup> Military Medical University	Chongqing
17	Shanghai Ruijin Hospital	Shanghai
18	The 1st affiliated Hospital of Zhejiang University	Hangzhou
19	The 1st affiliated Hospital of Xi'an Jiaotong University	Xi'an
20	Shandong province Hospital	Jinan

*Source: Sheng, Weimo, Elekta China*