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

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## **ABSTRACT**

**Title:** Services Marketing in a Cross-Cultural Environment – The Case of Elekta in Russia

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**Aim:** The aim of this research is to investigate how the products and services of the Swedish company Elekta are marketed in Russia, a country with cultural environment different from Sweden. For this purpose such aspects of marketing strategy as adaptation/standardization, trust and network development, which help to decrease the influence of intangibility and heterogeneity of services, are examined.

**Method:** In present research explanatory applied type of study was used to describe services marketing process. Combination of induction and deduction methods, and qualitative methods of research were used. Case study of Swedish company Elekta was chosen as the research area. Primary data was collected through survey by means of semi-structured interviews and open questionnaires. Secondary data was collected from sources such as relevant books, scientific articles, company brochure, and websites of company and its clients.

**Results and conclusion:** The research reveals that trust, network building, balance of adaptation and standardization strategies, employed by Elekta company, help to overcome heterogeneity and intangibility of its services in Russian market. It has also been found that the image of Sweden as a country of origin plays an important role in trust establishment in Russia, but in a sense that it is a foreign country, not Sweden in particular. Moreover, it is suggested, that organizational structure of international company, matrix structure in this particular case study, favours the development and effectiveness of the discussed variables. In spite of such characteristics of Russian market as high bureaucracy, corruption, “blat” network, unstable laws, etc., this market is considered to be a promising emerging market for international business. Russian national culture displays large power distance, high uncertainty avoidance, collectivist and feminine values, which influence the whole society and the business sphere as well.

**Suggestions for future research:** It would be beneficial for future research to expand the range of complementing studies, examining the cases of Elekta in different countries and emerging markets in particular. In addition, in order to develop international services marketing theory, it is necessary to include other services industries in the scope of research. Furthermore, getting feedback from the patients, who experienced treatment on Elekta equipment, can contribute to the future research.

**Contribution of the thesis:** The modification and adaptation of the theoretical framework of Fregidou-Malama and Hyder (2011) made by authors of this study contributes to the theory of international services marketing process. In addition, as there is lack of research in this area for health care sector, this study can be valuable addition to this research area. Research of the case of Elekta in Russia complements the range of studies on international services marketing process in health care sector with the cases of Elekta company in different countries: Egypt, China, the Philippines, Brazil, Hong Kong. Besides, current research has certain practical value: it is beneficial for international companies expanding into emerging markets in general and in Russian market in particular. This research may help to increase awareness about Elekta treatment solutions.

**Key words:** Elekta, Gamma Knife, Russia, Services Marketing, Services characteristics, Network, Trust, Adaptation, Standardization, Culture, Organizational structure.

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**ABBREVIATIONS**

<b>BRIC</b>	Brazil, Russia, India and China
<b>CNS</b>	Central nervous system
<b>COO</b>	Country of origin
<b>DTC</b>	Diagnostic and Treatment Center
<b>EM</b>	Emerging market
<b>HRM</b>	Human Resource Management
<b>IDV</b>	Individualism
<b>IIBS</b>	International Institute of Biological Systems in Saint Petersburg
<b>IGRT</b>	Image guided radiation therapy of cancer, where high precision and accuracy is achieved using high resolution three-dimensional X-ray images of the patient’s soft tissues at the time of treatment
<b>IMRT</b>	Intensity modulated radiation therapy of cancer, where instead of being treated with a single, large, uniform beam, the patient is treated with many very small beams; each of which can have a different intensity
<b>LGK</b>	Leksell Gamma Knife
<b>MAS</b>	Masculinity
<b>OJSC</b>	Open Joint Stock Company
<b>PDI</b>	Power distance
<b>PFX</b>	Perfexion
<b>RAMS</b>	Russian Academy of Medical Sciences
<b>SRI</b>	Scientific and Research Institute
<b>UAI</b>	Uncertainty avoidance

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## 1. INTRODUCTION

*Chapter 1 consists of five sections. The first part presents the general background of the presented research in order to provide the theory overview for the readers. The motivation of this study provides the reasons for carrying out current research and is presented in the second section; the purpose of the study and research questions are presented further in the third section; limitations illustrate the borders for this research and can be found in the forth section; and a brief outline of the following chapters, providing a structure of the study, closes this Chapter.*

### 1.1 Background of the study

Nowadays globalization is seen as a force, influencing every aspect of the modern world. International business is not an exception. Barriers to trade and investment are falling, encouraging companies to act globally. According to Wild et al. (2010, p.26) international business is different from national one. The most significant aspect is that every country has its own specific set of environments: social, legal, political, cultural and economic, which influence business activities in particular country. (Wild et al., 2010)

However, some believe that the world is becoming a “global village”. This term characterizes the similarity of markets around the world and means that markets are becoming closer not only through geographical accessibility, but also due to the increased commonality of tastes and fashion among people all over the world (Woodruffe, 1995, p.280). Globalization also causes greater dependence of economies of countries, which in turn leads to freer flow of resources, products and services across nations and creates new market opportunities for countries. It also increases customers’ convergence in goods and services preferences. Despite this fact, managers always have to consider specific local needs, while acting internationally. (Wild et al., 2010, p.6-7)

#### 1.1.1 International marketing services theory

The service sector is growing in size in both developed and emerging markets. Today services are occupying the central place in the value chain of multinational companies (Javalgi et al., 2006, p.13). International trade in services composes 20 percent of total world trade and continues to increase (Wild et al., 2010, p.144). The most developed world economies today provide more services, as it is seen by many companies as a mean of retaining existing customers and attracting new ones, thus, creating “sustainable competitive advantages” (Zeithaml et al., 2006, p.vi). As services companies expand their business globally, the ability to recognize customer preferences and behavior in different countries becomes essential (Javalgi et al., 2006, p.12). One more fundamental aspect of marketing services internationally is the decision whether to standardize marketing strategy for different countries, to adapt it to each local market or to reach some balance between these two polarities (Vrontis et al., 2009, p.479).

At the same time, Lovelock and Wirtz (2007, p.6) observe that the majority of academic literature and research is dedicated to marketing of manufactured goods. However, nowadays the number of studies about service marketing is increasing substantially due to the importance of service economy, especially in an international arena. This implies using marketing skills in markets outside the home country (McAuley, 2001, p.4).

#### 1.1.2 Emerging Markets

Jansson (2007, p.1) believes that emerging markets are of great importance for international business, especially for multinational companies. He defines emerging markets as growing markets in the stage of



transformation to market economy, which occurs through the range of societal, economical and other reforms. He also calls such markets “*network societies*”, which means that relationships are really important and “*everything influences everything else*” (Jansson, 2007, p.11-12).

According to Jansson (2007, p.5) the general characteristics of emerging markets include economic growth, fast change, uncertainty together with turbulence, complexity and uneven demand. Such countries also undergo reformation of the whole society alongside with privatization of ownership and liberalization processes. The condition of being under change results in imperfections in both product and service industries. In addition, the impact of former centrally-planned economy is still being strong and evident among emerging markets (Jansson, 2007, p.5-6). One more important feature of emerging markets is the lack of financial resources, which is often the main obstacle for further transition to the market economy with low spending capability of the major part of market. The role of government, political and legal systems are crucial aspects for the future development of these markets. (Jansson, 2007)

Nowadays many former centrally-planned economies still undergo the process of transition to market economies, which causes the wave of companies’ internationalization (Jansson, 2007, p.1). China, India and Russia are the largest emerging markets and are believed to be leading in the future (Jansson, 2007, p.2). That is why their attractiveness for Western companies is increasing, and many firms are interested in emerging markets even more than in mature ones (Jansson, 2007, p.4). Economies of emerging markets have many commonalities, but at the same time they differ from each other significantly in many aspects: size, growth rate, economic, political, legal and social patterns. All this can present many opportunities and threats for international companies. Russia as an emerging market is believed to be one of the most abundant in both threats and possibilities (Alon and Banai, 2000; Shama, 2000 cited in Kouznetsov, 2009, p.376).

McAuley (2001, p.56) states that by 2020 Russia will be one of the 15 largest economies (the 13th place). Experiencing complicated process of transition from centrally planned economy and government ownership to market economy, Russia still indicates unstable standards of living for its people. The gap between so called “oligarchs”, extremely wealthy businessmen, and common citizens is huge. Those, who want to run business in this country, usually face many obstacles, such as organized crime, changing laws, significant corruption level, unstable political and investment conditions. Moreover, after central planning era Russian companies face substantial lack of managerial talents. (McAuley, 2001)

### **1.1.3 Culture in international marketing**

The role and influence of culture in international marketing was the focus of different studies for decades. The real flourishing of this research topic begins since the 1990s (Yaprak, 2008, p.216). In the existing studies of culture in international marketing field, scholars often apply Hofstede’s framework of national culture dimensions, one of the most widely used and popular frameworks. Emerging markets are frequently the focus of such studies (Yaprak, 2008, p.219). Hofstede et al. (2010) framework has formed the basis for managers and researchers to recognize cultural differences and peculiarities. This framework is used in the current study as the foundation for discussion and comparison of Russian and Swedish national cultures.

Undoubtedly, culture has a great impact on the international marketing process (Jansson, 2007, p.44). “*In an increasingly interdependent world where barriers to trade and to international exchange constantly diminish, cultural differences remain the single most enduring feature that has to be taken into account for localizing marketing strategies*” (Usunier, 2000, p.1).

In emerging markets, which are experiencing substantial changes, culture plays pivotal role, because it impacts perception of new products and services (Salmi and Sharafutdinova, 2008, p.384). For example, it was found that culture influences a choice of entry mode to any national market and this aspect is widely discussed in the literature on international marketing (Kouznetsov, 2009, p.376 ). Sanchez-Peinado et al. (2007 cited in

Yaprak, 2008, p.220) have discovered during their research that the cultural distance between home and host countries has influence on the choice of control mode by service enterprises, acting internationally.

Moreover, culture is considered to impact customer's perception of products and services of international companies. This aspect will be examined in the current research.

## 1.2 Motivation of the study

The primary focus of this research is examining the international services marketing process in health care sector. One of the reasons for that is lack of existing knowledge and research in this field (Hyder and Fregidou-Malama, 2009, p.273). However, service is a core activity for health care sector (Grönroos, 2000, p.2) and to continue research in this sensitive and specific area could benefit the entire theory.

Swedish company Elekta occupies the leading positions in the following fields: image guided radiation therapy, stereotactic radiotherapy and surgery and workflow solutions (Elekta, 2010/11, p.7). Moreover, it successfully operates in 24 countries all around the world. The most sophisticated equipment, so called "*state-of-the-art* *gold standard*", *treatment modality for brain disorders and brain metastasis*" (Appendix B) is Leksell Gamma Knife (LGK), which is created and produced by Elekta. Despite the fact that some other Elekta business areas with treatment solutions (ex., linear accelerator, brachytherapy) can be easier ones to apply as an entry mode to new markets, Gamma Knife was chosen as a focus for this study. The success of this treatment solution in cancer care around the world is unquestionable fact. Therefore, the way Elekta provides its services and products is of great interest for this research.

Moreover, there is a range of studies, dedicated to Elekta's presence with Gamma Knife in different emerging markets: China, The Philippines, Hong Kong, Brazil and Egypt. The accordant research of Elekta in Russian market will add to this scope of studies and benefit to the theory, because the Russian market can be considered specific due to the unique cultural environment, economy going through the transformation phase and other peculiarities. In addition, nowadays Russia is a promising emerging market in international business arena (Appendix B). Elekta places high expectancies on this market and its development in a cancer care sector (Elekta, 2010/2011, p.17). Today there is a number of Gamma Knives installed in Russia. For the purpose of this research two Elekta customers, medical Centers using Gamma Knife in Russia (Moscow and Saint-Petersburg) were chosen.

## 1.3 Purpose and research questions

The aim of this study is to investigate how the products and services of the Swedish company Elekta (with the focus on Leksell Gamma Knife) are marketed in Russia, a country with cultural environment different from Sweden. For this purpose such aspects of marketing strategy as adaptation/standardization, trust and network development, which help to decrease the influence of intangibility and heterogeneity of services, are examined further in the work. In order to conduct the study and reach its aim, three research questions were adopted from the original study of Hyder and Fregidou-Malama (2009) and modified for the purpose of current research:

**RQ1.** How is trust developed in the local environment and how does it help to overcome the intangibility and heterogeneous nature of service offerings?

**RQ2.** How networks established by Elekta company help to overcome the intangibility and heterogeneity of service offerings?

**RQ3.** How does adaptation/standardization of Elekta company services take place in the Russian market?

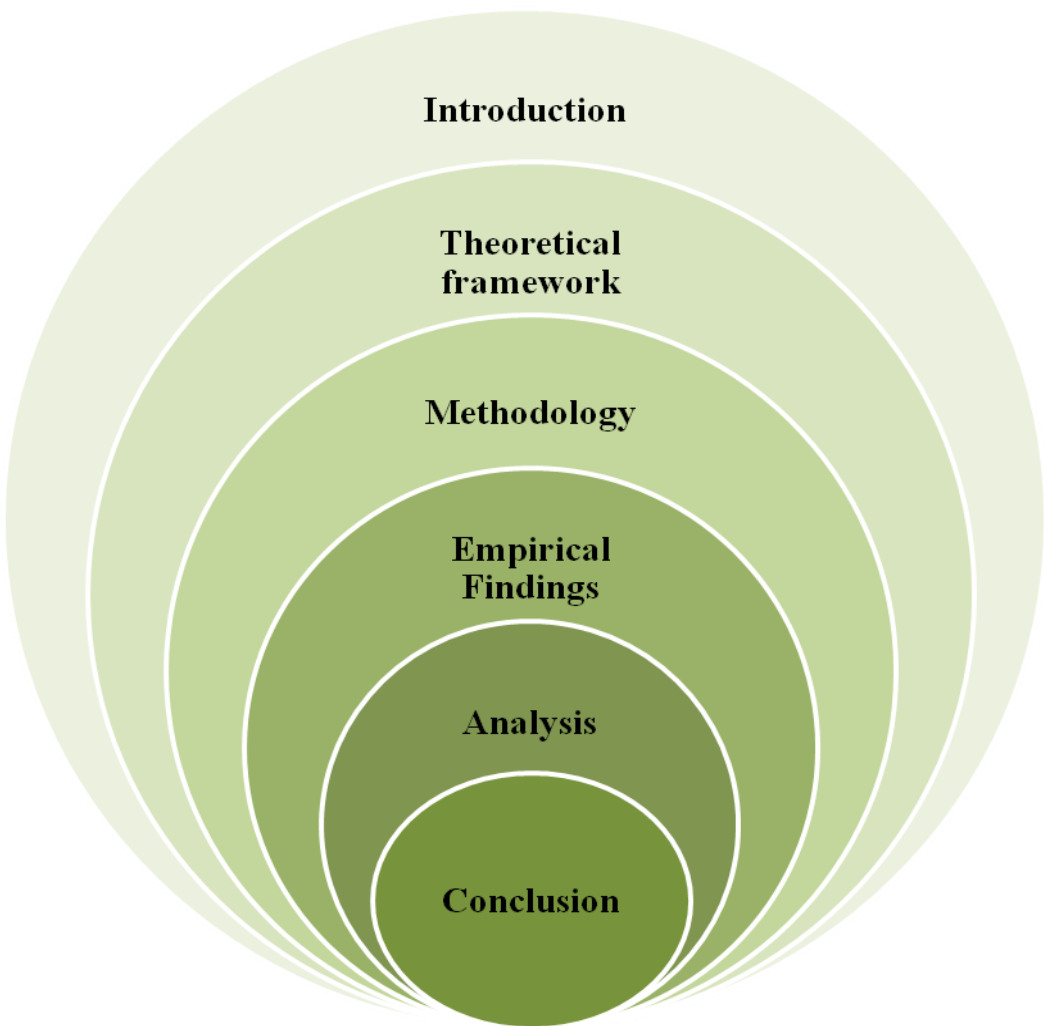
**1.4 Limitations**

This research is focused on the examining of relationships between Elekta company as a service provider and hospitals in Russia as its customers. The main limitation is that only one case study of Elekta equipment and services in Russian hospital was examined. And only clinics in Moscow and Saint-Petersburg provided data for current research, though equipment of Elekta and its services are purchased by other hospitals in the country. Gamma Knife was taken as a focus for this research, being unique installation and “gold standard” of radiosurgery. There are no competitors with the same product. Also, the hospitals examined in the study mentioned only Gamma Knife installations as a product of Elekta in their Centers. The survey of Centers in Russia was made via questionnaires sent by e-mail. There was no possibility to make direct observation and interview respondents in person and ask specializing questions. Moreover, not every person working with Elekta equipment was interviewed (Center in Moscow).

**1.5 Outline of the study**

This study is composed of 6 chapters, going from broad to narrow in presenting the information (Figure 1). Figure 1 visually illustrates the writing process. In Chapter 1 (Introduction) background of the study, motivation, purpose and research questions, and limitations are presented. The theoretical framework of the study is given in Chapter 2. Chapter 3 explains and describes how the study was conducted, which methods and strategies were used to make comprehensive research. Chapter 4 presents the information about peculiarities of Russian market, about Elekta company and its customers in Russian market, as well as people involved in the work with equipment - Empirical findings. After that, the theory and empirical findings are combined and discussed in the Analysis part - Chapter 5. Then, the answers to the research questions, limitations, and implications and suggestions for future research are shown in Chapter 6 - Conclusion.

**Figure 1. Outline of the Study**



*Source: own construction.*

## 2. THEORETICAL DISCUSSION

*This chapter presents the literature review of services marketing and culture theories in the section of international business. The notion of services, service characteristics and evaluation are discussed, followed by Hofstede's dimensions of national cultures with the application to medical sector. Also, Russian and Swedish national cultures are compared using Hofstede's framework. Further, the theoretical framework of the process of international services marketing with the main variables - trust, network and adaptation/standardization - is presented.*

### 2.1 Services

According to Grönroos (2000) nowadays the notion of service is often misunderstood because of obsolete way of viewing services as “something provided by a certain type of organization”, hospitality services, for example (p.1). This leads to underestimating of importance of services in society. Grönroos (2000) believes that in modern world companies experience service competition, which means competing not simply with the core service or manufactured product, but with surrounding services. That is why it is of great importance to take a service perspective on business. It is a good alternative to competing with lower costs, which can negatively influence the profits and does not provide sustainable advantage. One more aspect Grönroos (2000) emphasizes is that “*services are inherently relationship-oriented*” (p.22), which implies always existing interaction between service provider and customer. (Grönroos, 2000)

Many scholars at different times tried to define service. Early attempts of defining service contrasted it against manufactured product (Lovelock and Wirtz, 2007, p.14). Zeithaml et al. (2006), for example, describe services as “*deeds, processes and performances*”. One more interesting definition belongs to Gummesson (1987 cited in Grönroos, 2000, p.46): “*A service is something which can be bought and sold but which you cannot drop on your feet*”. This definition highlights the intangibility characteristic of service. However, Lovelock and Wirtz (2007, p.15) criticize it, saying that it is memorable, but not really useful for marketing strategy formulation.

When discussing services marketing, it is also necessary to recognize difference between four various service categories: service industries and companies, services as products, customer service, and derived service. *Service industries and companies* include those for whom providing services is their core business area (ex., Marriott International - lodging; American Airlines - transportation). *Services as products* are those intangible offers that are sold in the marketplace (ex., Hewlett-Packard - information technology consulting services). *Customer service* is the service offered together with the main product, which is usually free of charge and used to establish relationships with customers (ex., customer service call center, shop assistant). *Derived service* means that the value we get from physical good is in reality a service of this good, not the product itself (ex., razor - barbering services). (Zeithaml et al., 2006, p.4-6)

#### 2.1.1 Services characteristics and service evaluation

Grönroos (2000) considers that it can be impossible to define services properly, instead, it is important to identify characteristics, intrinsic to all services. This can facilitate understanding of the service marketing and management (Grönroos, 2000, p.47).

Four characteristics are attributed to services, which have the impact on marketing programmes: intangibility, inseparability, heterogeneity/variability, perishability (simultaneous production/consumption).

- *Intangibility*. It is usually quite complicated for a customer to understand quality and value of the service, as services can not be seen, or touched, for example. To measure service quality and value, customers

tend to do it indirectly, for example, from the qualification of doctors and other medical staff, outlook of the hospital, in the case of health services. Customers, when describing services, use such words as “trust”. “feeling”, “experience”, etc. This subjective manner of perception is derived from the intangibility of services

- *Inseparability*. Services are produced and consumed at the same time, which means that the provider of the service is an inseparable part of the service itself. This can affect the sequence of service provision, and can be considered as an advantage of services.

- *Heterogeneity/variability*. As service is consumed at the same time when it is produced, and as the qualities of individual taking part in providing service influence its characteristics, any service is argued to be unique, it can not be repeated in exactly the same manner. Because of that, service quality is an issue that should be addressed by marketers in order to preserve the same high service quality perception among customers. (Grönroos, 2000, p.48)

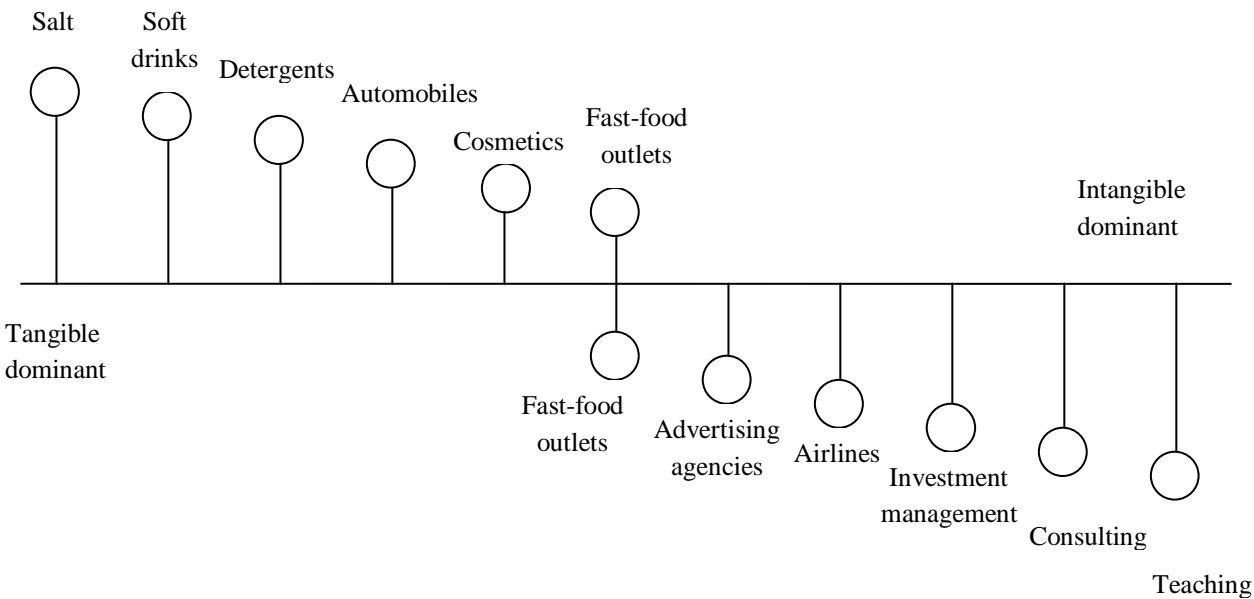
- *Perishability*. This characteristic means that services can not be stored or kept for some time. This can cause a problem for a company, which has a period of low demand, so it can not save services for another period of big demand (Woodruffe, 1995, p.19; Lovelock and Wirtz, 2007, p.17).

Grönroos (2000) also highlights that services display the following features:

- services are processes, which in turn are composed of activities;
- there is no ownership transfer during service delivery (Grönroos, 2000, p.47).

Usually intangibility is considered to be one of the most important distinctive feature of services, because it makes evaluation of service a complicated aspect and dependent on customer’s perception (Lovelock and Wirtz, 2007, p.42). Services are considered to be intangible or possessing a bigger degree of intangibility than products. Products, in their turn, are used to be considered tangible, or more tangible than services (Zeithaml et al., 2006, p. 6). This implies that there exist only few, if any, “pure” services or products in the market. Instead, every market entity is a composition of separate tangible or intangible elements which are connected together in “molecule-like wholes” (Figure 2, Shostack, 1977, p.74).

**Figure 2. Scale of Market Entities**



*Source: Shostack, 1977, p.74*

Researches state that intangible elements of entities are dynamic, subjective, and ephemeral. It is impossible to touch them, check the size or display on a shelf in a shop; they can’t be quantified (Shostack, 1977, p.75). “*The more intangible elements there are, the more the marketer must endeavor to stand in the consumer’s shoes*” (Shostack, 1977, p.78). However, some researchers, Grönroos (2000) for instance, believe that the process nature of services is the most important feature of service, whereas *intangibility*, which the

most refereed in the literature service characteristic, is not the most suitable way to distinguish product from service. This is because goods can be also perceived in intangible subjective way (Grönroos, 2000, p.48).

Service quality is difficult to measure due to the characteristics of services. That is why a user-based approach is common in defining service quality; this approach correlates quality and customer satisfaction levels.

It is difficult to measure service quality, in particular, because of the three characteristics of services – intangibility, heterogeneity, and inseparability. Instead, service quality can be measured through other parameters. Consumers estimate the service according to:

- Experience. Consumers can evaluate the service according to their own experience if they have already received it. If not, they make assessment based on credence.

- Credence. This means that consumer, taking the service for the first time, will most probably check the information about qualifications and experience of service providers, in order to get the best quality. (Woodruffe, 1995, p.22)

In general, there were found ten determinants of service quality, namely, reliability, access, understanding of the customer, responsiveness, competence, courtesy, communication, credibility, security, and tangible considerations (Malhotra et al., 1994, p.5).

## 2.2 International services marketing

As the significance of service economy and its size are constantly growing, “*the scale of services marketing internationally can be seen to be increasing dramatically*” (Woodruffe, 1995, p.278). No company can avoid this, that is why the entrance to foreign markets and operating internationally is the only means for survival for today’s service organizations. The reasons for this change - international transportation (including available air travel), international telecommunications, and increased standards of living - facilitate the internationalization. And there are fewer barriers for international trade in services than in goods, these barriers are lying in the nature of services and their characteristics - intangibility, inseparability, etc. Such characteristics, especially intangibility of services, often require organizations to go internationally through local representatives, who are familiar with culture, language and legal procedures. (Woodruffe, 1995, p.278)

The incentive to further develop the services marketing and management is adapted from traditional service industries such as *banking, transportation and health care*, which has evolved and became more competitive. Other industries, such as manufacturing or technology, have a strong need to supplement their products with services in order to compete in international market. Mostly, services companies provide technical knowledge, professional services, software services, consultancy, etc., especially in emerging markets, where there is lack of expertise. Besides that, as services usually require human capital, international companies chose markets with lower paid labor. (Zeithaml et al., 2006, p.9)

The increased competition and fast development of new products make it difficult to get “strategic competitive advantage” by means of a single product. Services marketing, apart from traditional four Ps (product, price, promotion, and place), include other components:

- people, as they are a part of services rendering;
- physical evidence, as services environment is included into services rendering;
- process, which talks about functional quality (ex., service delivery, timing). (Woodruffe, 1995, p.23)

“*In international marketing a good product-service programme may provide the company with the competitive edge and valuable feedback that can be built into product improvement and other aspects of the marketing mix*” (Nicoulaud, 1989, p.56).

One of the biggest challenges in international services marketing is the problem of cultural differences, which are highly important when providing services to foreign clients. Delivery of services has to be verified and adapted to target customers in international markets, and the service quality should satisfy the customers in various markets the company enters. (Woodruffe, 1995, p.32)

### 2.3 Cultural aspect in international services marketing

In order to apply international marketing strategy effectively managers should take cultural perspective on their business activities in other countries (McAuley, 2001, p.37). It is also important to avoid cultural stereotyping during this process and the impact of own ethnocentrism (Yaprak, 2008).

Cultural differences can be compared with prism, which distorts the one's view of the other, during international business. The way cultural differences are understood and managed substantially impacts the success of parties involved. It is to great disadvantage to ignore the importance of culture. Moreover, cultural and physical distances often really differ from each other. (McAuley, 2001, pp.46,52)

Many researchers at different times studied the notion of culture: Laurent (1983), Trompenaars (1993), Hofstede (1994), Hill (1997), Fukuyama (1995), Locke (1995), Hoecklin (1995), Kasper and Bloemer (1996), etc. (McAuley, 2001, p.14-49). And Kroeber and Kluckhohn (1952 cited in McAuley, 2001, p.47) found out that there is more than 160 definitions of what culture is.

One of the most cited definitions of culture is the one created by Hofstede et al.: *“the collective programming of the mind which distinguishes the members of one group or category of people from another”* (2010, p.6).

Some researchers provide definitions, describing elements of culture. Usunier (2000), for example, sees culture as *“a complex and interrelated set of elements, comprising knowledge, beliefs and values, arts, laws, manners and morals and all other kinds of skills and habits acquired by a human being as a member of a particular society”* (p.5).

Culture expresses itself in many different ways, which are all important to take into consideration: belief systems, aesthetics, language, social institutions, etc. As dealing with unknown cultural environment is indeed complicated task, many companies choose to establish connection with local firm and representatives to avoid cultural misunderstandings (McAuley, 2001).

Trompenaars and Hampden-Turner (1997) carried out study about cultural differences based on 30,000 participants, answering the questionnaire from 50 countries. They came up with five cultural dimensions, some of them are similar to Hofstede's ones. These authors also distinguish cultures by how they look on environment and time concepts. Regarding the latter there is one more interesting theory created by Hall (1983, cited in Usunier, 2000, p.29). He has divided individuals' behaviour according to task scheduling to monochronism (M-time) and polychronism (P-time). This means, that M-time individuals do things according to timetable, and only one at a time. They would rather stop the conversation/meeting, if it takes more time than planned. On the other hand, P-time people can do several tasks during the same period of time, and tend to change their timetables according to situations. They seldom face the notion “wasted time”, and are more people-oriented. M and P time is significant in business negotiations, especially when dealing with foreign partners (Usunier, 2000, p.29).

#### 2.3.1 Hofstede's framework

The impact of national culture on a number of business issues, such as interaction of companies with external environment (customers, distributors, etc.), is great. Managers working in different countries prove

that in international business culture is always important aspect to consider (Minkov and Hofstede, 2011, p.13).

One of the most famous and comprehensive research about cultural differences is developed by the Dutch anthropologist and social psychologist Geert Hofstede in 1970s. This research is based on the data obtained from 116, 000 questionnaires answered by the IBM employees from subsidiaries in 73 countries (Minkov and Hofstede, 2011, p.10). As Mark Peterson, International management Professor, assessed the contribution of Hofstede's research: "*perhaps, the first edition of Culture's Consequences did not create the field of comparative cross-cultural studies but it certainly has shaped the field's basic themes, structure and controversies for over 20 years*" (Peterson, 2003, p.128 cited in Minkov and Hofstede, 2011 p.10).

Hofstede's dimensions of national culture, even they have been initially evaluated for management and organization, are useful for marketing and sales (Usunier, 2000, p.64).

Hofstede originally described the following four dimensions of national culture:

1. *Power distance (PDI)* reflects distribution of power within society and organizations, and how people accept it. In high power distance societies, administrative staff and subordinates are separated from each other, the contact is complicated, and power belongs to superiors. In low power distance societies, there is equality and close contact between individuals within organization (Usunier, 2000, p.65). Power distance is reflected in all spheres of society: family, school, workplace, state, healthcare, etc. (Hofstede et al., 2010).

2. *Masculinity / femininity (MAS)* dimension reflects the values of society. Thus, masculine societies "*favour assertiveness, earning money, showing off possessions and caring little for others*" (Usunier, 2000, p.66). In masculine societies strong people cause admiration, and weak people have no society support. Feminine societies are characterized with nurturing, caring for others, and quality of life for every member of society. In such societies education, medical care and other social services are well developed and easily accessible for all individuals (Usunier, 2000, p.66). One of the core differences between masculine and feminine societies is reflected in the attitude to work: in the masculine culture people "live to work" and in feminine – "work to live" (Hofstede et al., 2010).

3. *Uncertainty avoidance (UAI)* is a typical characteristic of individuals in all nations, which reflects behavior in risky and uncertain situations, but the degree of the indicator can differ. Hofstede et al. (2010) use this notion as "*the extent to which the members of a culture feel threatened by ambiguous or unknown situations*" (p.191). Countries with high uncertainty avoidance can be described by a great degree of anxiety and aggressiveness, which from the point of organizations makes people work harder. People in such countries prefer stability to changes, while in countries with low uncertainty avoidance individuals are flexible and generate change themselves, as they consider it important for development (Usunier, 2000, p.67).

It is interesting to notice, that there is a negative correlation between uncertainty avoidance and self-ratings of health in countries, which means that in low uncertainty avoidance societies people feel healthier. Moreover, it appeared that there is strong negative correlation between uncertainty avoidance and average happiness rates.

4. *Individualism / collectivism (IDV)* (or self-reliance / dependence) reflects the issue of the self. Self-reliant (individualistic) people rely on themselves, motivate and control their actions, while dependant (collectivist) people need outside support, motivation and control. The typical Westerner is on average more self-reliant than the average Easterner (Usunier, 2000, p.71). Collectivism implies people's integration into various groups through their life, whereas individualism implies high degree of independence and freedom. This is reflected in all spheres of people's life, including their choices, ideas, behavior and thinking patterns. It is important to mention that there is negative correlation between this dimension and power distance dimension, which means the larger power distance the lower individualism level in society (Hofstede et al., 2010).



### 2.3.1.1 Hofstede's dimensions and cross-national differences in medical communication

Meeuwesen et al. (2009) argue that Hofstede's dimensions are applicable to health care sector and medical psychology to explain cross-national differences in this sphere. The results of their study revealed the following:

1) Countries with large PDI show fixed roles of doctors and patients during medical encounters, which are shorter than in low PDI countries. Physicians use more social talk than so called backchanneling, which implies both affective talk and counseling. Patients are more often females.

2) In countries with high UAI the level of physician's satisfaction with their job is less. They also show the stronger belief in psychosocial impact on disease of patient. The eye contact during medical encounter and time for rapport-building between doctor and patient are less than for countries with lower UAI. The higher UAI the greater exchange of psychological information.

3) The higher IDV country has the less correspondence of expectations and performance, which means higher flexibility of roles of both doctor and patient. Furthermore, the higher IDV, the stronger belief in psychosocial impacts on disease. High UAI increases this tendency. In addition, in individualistic countries physicians are more inclined to take risks, such as "wait and see". The higher IDV the more backchanneling was showed by physicians, which means more affective behavior. The amount of information exchanged also increases with high IDV.

4) MAS didn't expose great influence on medical communication. Masculine countries exposed more social talk and less biomedical talk than feminine ones. However, in more feminine cultures patients are more inclined to give a lot of information about themselves and to use biomedical talk.

5) Country's wealth is also an important predictor. Richer nations usually have more male doctors, greater number of psychosocial diagnoses, better patients health condition, longer encounters and more amount of time for conversations. (Meeuwesen et al., 2009, pp.58-66)

### 2.3.1.2 Criticism of the Hofstede's study

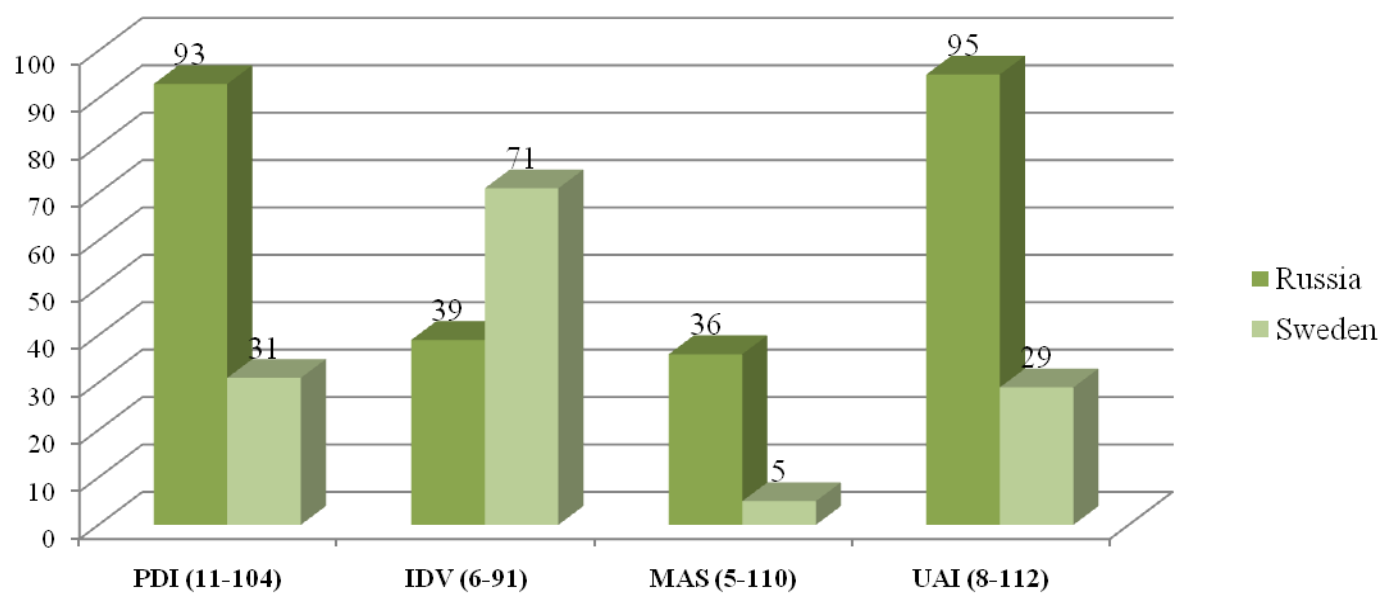
Despite the fact that Hofstede's study is still being one of the most comprehensive and popular studies about culture, it undergoes criticism too, for example, for being outdated. Moreover, Hofstede used particular category of respondents for answering his 116,000 questionnaires - the IBM employees in 73 different countries. This can make difficult to generalize the results for other categories of people.

According to Peterson (2003 cited in Minkov and Hofstede, 2011) Hofstede's framework was often "*undervalued and overused*", inspiring many studies based on misunderstanding of it. Hofstede himself considers cultural differences being permanent. In respond to criticism regarding his research Hofstede claims that despite the fact that cultures undergo development, they have tendency to evolve together in relation to each other. That is why cultural differences remain relatively unchanged and they are the subject, described by his dimensions. Inglehart (2008 cited in Minkov and Hofstede, 2011, p.13) analyzed the data from the period 1970-2006 about development of Western European countries cultures. He discovered that Western cultures while evolving still preserve the main tendency through those 36 years, which confirms the validity of Hofstede's framework in modern world (Minkov and Hofstede, 2011).

### 2.3.2 Russian national culture in comparison with Swedish national culture

In order to illustrate the differences, existing between Russian and Swedish national cultures the following bar chart was composed (Figure 3). It shows the comparison of these two national cultures on four Hofstede's cultural dimensions discussed in theoretical part of the study. It can be seen that all four indexes for Russian national culture significantly differ from Swedish ones.

**Figure 3. Russian national culture in comparison with Swedish national culture**



*Source: Itim Culture and Management Consultancy, 2012*

**PDI.** Russia has a great power distance and belongs to “10% of the most power distant societies in the world” (Itim Culture and Management Consultancy, 2012). This implies that status is important in business relationships, as there is a big inequality between people. Subordinates are usually highly dependent on their superiors having higher status. As for health care sector, in Russia doctor - patient encounters are shorter, self-medication is more widespread among people than in small-power-distance countries. What is also really important to mention is that patients perceive doctors as superiors and affected by their status (Hofstede et al., 2010). According to Meeuwesen et al. (2009) backchanneling during medical encounters is less popular than social talk.

Sweden is a lower-power-distance society in comparison with Russia. This means that power is distributed more equally among people in this country; they treat each other like equals and status with power are not of significant importance. That is why patients think about doctors as about equals and backchanneling is actively used (Hofstede et al., 2010; Meeuwesen et al., 2009).

**IDV.** Russian culture is collectivist, which can also be reflected in the language sayings (“we” instead of “I”). Relatives, friends and people around, and personal and trustful relationships with them and in business life are important (Itim Culture and Management Consultancy, 2012). For people from collectivist culture it is important to belong to a range of groups through their life, which implies the importance of group members’ opinions for person (Hofstede et al., 2010). In a health sector collectivist cultures, such as Russia, doctors show inclination to consider psychosocial impact on disease and have less counseling.

In general, people are much more dependent on each other, than in individualistic cultures, to which Sweden belongs to. Swedish people are more independent in their choices, behavior and thinking (Hofstede et al., 2010). High IDV implies more used backchannelling between doctor and patient and greater amount of income spent on medical services (Hofstede et al., 2010; Meeuwesen et al., 2009).

**MAS.** Russia has a relatively low score on masculinity, which means that the society has more feminine qualities like caring for others, appreciating what you do, being moderate and tolerant (Itim Culture and Management Consultancy, 2012). However, Sweden is much more feminine society than Russian, and it has the lowest score 5 on this dimension to compare with Russian 36. This implies such core values as caring for others, quality of life for everyone together with nurturing. That is why high quality medical care and other important social services are well-developed in Sweden (Hofstede et al., 2010).

**UAI.** The level of uncertainty avoidance is considerably high in Russia, this leads to unwillingness to take responsibility and risks (Jansson, 2007, p.125). It also impacts the inclination of Russians to create many laws and unwritten rules in order to increase security in the face of unpredicted events (Salmi and Sharafutdinova, 2008, p.386). As a result, Russians created a complex bureaucracy in their country. Stability is

much more desired than changes in Russian society. The high UAI means also that people in such society more often perceive themselves unhealthy and unhappy in comparison with low UAI countries. In a health sector Russia exposes less time spent for rapport-building and shorter eye contact during medical encounters.

As for Swedish society, in general changes are usually desirable and generated by people themselves as a way to personal development. In medical sector physicians are more satisfied with their jobs and spend greater amount of time for building a rapport with a patient. (Hofstede et al., 2010; Meeuwesen et al., 2009)

## 2.4 Model of the Process of International Services Marketing

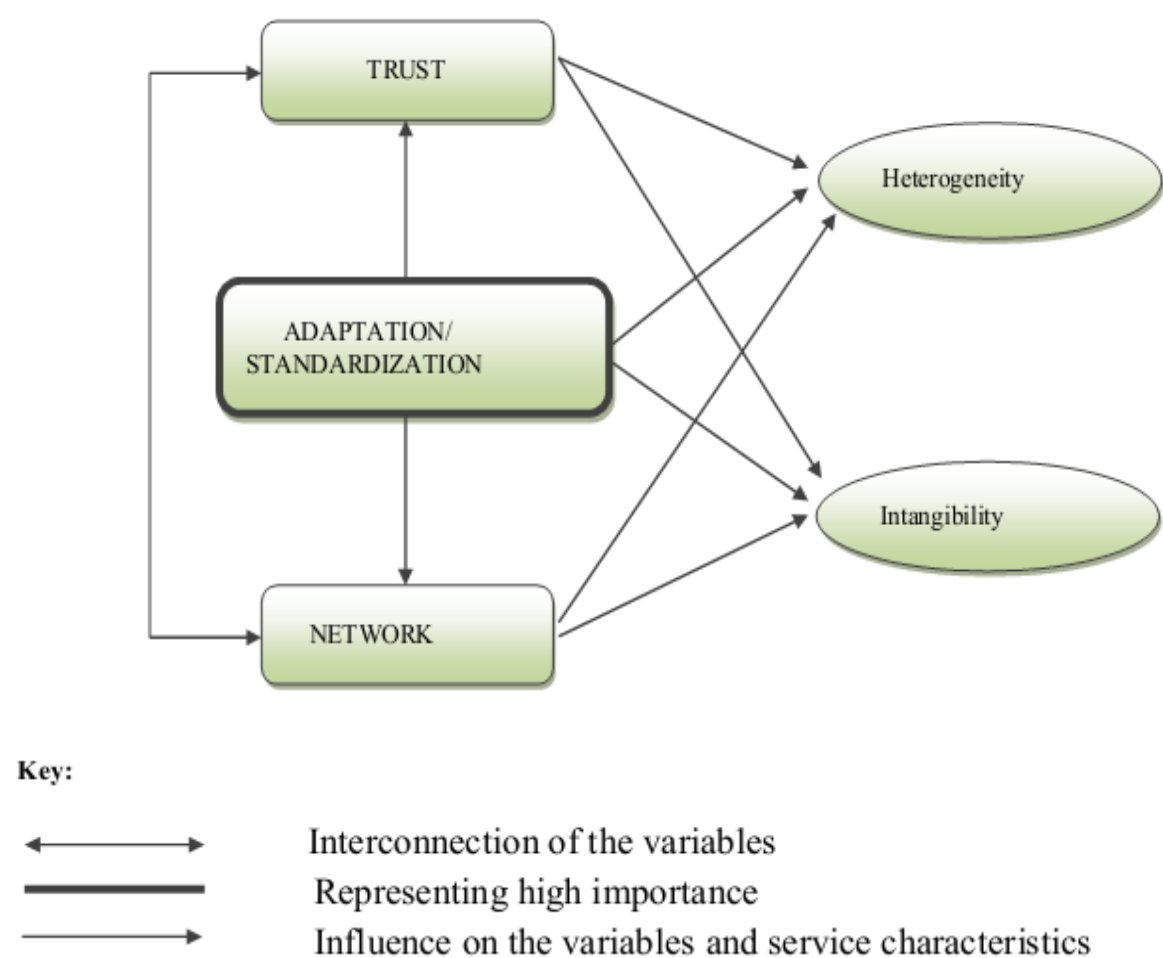
Researchers Hyder and Fregidou-Malama (2009) examined services marketing in a cross-cultural environment. For this purpose the case of joint venture Gamma Knife between Egypt and Sweden was used. This study presents the theoretical framework of the process of international services marketing. The framework was also used for subsequent studies, conducted for Brazil, China, Hong Kong and the Philippines. In order to be accordant with these studies and benefit the whole project dedicated to examining the international services marketing process in a cross-cultural environment Hyder and Fregidou-Malama (2009) framework was adapted for the research of Russian market as well.

According to Hyder and Fregidou-Malama (2009) existing literature lacks in-depth research on the importance of communication and adaptation/standardization during the process of international services marketing. This is especially significant in people-processing services, which means that the customer is a direct participant of services delivery (Lovelock, 1983 cited in Hyder and Fregidou-Malama, 2009).

Characteristics, ascribed to services: intangibility, heterogeneity inseparability, and perishability make the internationalization of services even more complicated. Hyder and Fregidou-Malama (2009) believe that the last two, inseparability and perishability, being important, are not critical in the process of international marketing. Cultural environment does not influence these characteristics as much as the other two. That is why they were excluded from the framework illustrating the process of international services marketing (Figure 4).

The initially developed framework consists of three variables, such as trust, adaptation/standardization and network. Each of them and their combination help to deal with intangibility and heterogeneity of services in the process of international services marketing.

**Figure 4. The Process of International Services marketing**



*Source: Hyder and Fregidou-Malama, 2009, p.263*

The central position belongs to adaptation/standardization variable, because it assists the evolvement of trust and networks. In their turn, trust and network are interconnected and help to overcome the heterogeneity and intangibility of services, marketed internationally (Hyder and Fregidou-Malama, 2009).

This theoretical framework presents the process of international services marketing and can be used for illustrating how international company employs such aspects of marketing strategy as trust establishment, network building and adaptation/standardization combination in different cultural environments. The theoretical framework of Hyder and Fregidou-Malama (2009) was used in accordant studies of Elekta in different countries, such as Egypt, Brazil, China, the Phyllipines and Hong Kong, as it suites for investigation of the process of international services marketing in cross-cultural environments.

Below three main variables: adaptation/standardization and networks are discussed in depth.

#### **2.4.1 Adaptation/standardization**

The debate over standardization versus adaptation strategies continues more than 50 years (McAuley, 2001, p.174; Vrontis et al., 2009, p.477). The literature written about international service marketing often promotes the idea of combination of adaptation and standardization for the best result. Supporters of standardization strategy believe that there is no need to make any modifications in order to reach customers, as they share the same needs and markets are “*increasingly homogeneous and global in scope and scale*” (Vrontis et al., 2009, p.478). Standardization approach pursues uniform strategy, which helps to decrease the level of confusion in media and among travelers and to respond to consumers’ taste convergence. Furthermore, costs are reduced and economies of scale are achieved (Levitt, 1983 cited in Vrontis et al., 2009, p.478).

Opponents of standardization strategy think that to approach customers in different countries different messages should be used (McAuley, 2001, p.174). They support the idea of adjustment to unique features of international markets, which are believed by them to be insurmountable (Vrontis et al., 2009, p.478). Therefore marketing has to be adapted to some extent to the local markets requirements. This strategy is often applied to emerging countries markets (Jansson, 2007, p.21).

However, the debate about which strategy should be prevalent continues and empirical data about international services companies would be beneficial for this research topic (Boddewyn and Grosse, 1995 cited in Hyder and Fregidou-Malama, 2009).

The decision to adapt or to standardize and to what extent is usually complicated one. It is not for the company advantage to try to adapt entirely to specific cultural environment of every single national market. Adaptation of those features, which can lead to misunderstanding on the local market, or of management practices can be done. The balance between adaptation and standardization can be different for particular international service provider. Some scholars consider that standardization and adaptation are not “*all-or nothing proposition, but a matter of degree*” (Vrontis et al., 2009, p.482). Heterogeneity existing among various markets doesn’t make full standardization possible. On the other hand, adaptation can’t be the only strategy because of high costs involved. That is why multinational firms choose to combine both approaches for the best result: they try to standardize marketing strategies where possible and to adapt them where necessary. (Vrontis et al., 2009, p.482)

Moreover, this process is of ongoing nature, which means that the balance between standardization and adaptation tactics should be constantly revised.

#### **2.4.2 Trust**

Trust is especially important to establish while acting in service sector. It is even more essential for doing business internationally, because it helps to overcome heterogeneity and intangibility of service in culturally different environments. The importance of trustful relationships also increases when the level of

uncertainty is high. Indeed, operating in another cultural environment puts the service provider into condition of higher than usual uncertainty and developing reciprocal trust between parties becomes a crucial task. In spite of the fact, that building trust is usually time- and money-consuming process, it should be seen by a company as a long-term investment (Madhok, 2006 cited in Hyder and Fregidou-Malama, 2009). Truthworthiness is also reflected in the firm's reputation (Jansson, 2007, p.68). According to Groenland (2002 cited in Walsh et al., 2006, p.413), a positive corporate reputation generates, in its turn, a positive impact on consumer trust in the respective company. Company reputation also reduces uncertainty (Walsh et al., 2006, p.413). A favorable image of a firm or country of origin (COO) is a great asset to any enterprise, because it impacts significantly the perception of customers and helps trust establishment process. Customers often perceive information about COO as a "*signal of product quality and authenticity*" (Han, 1989; Holt et al., 2004 cited in Josiassen and Assaf, 2010, p.294). This signal, in turn leads to the intention to purchase product or service.

If image of the company is positive it also helps it to communicate effectively to customers and increases the influence of word of mouth marketing (Grönroos, 2000, p.294). Walsh et al. (2006) found in their study, that corporate reputation and customer satisfaction are strongly correlated. Customers, satisfied with the services and products of a company, often engage in positive word-of-mouth, effecting the company's reputation positively (Walsh et al., 2006, p.414). The influence of word of mouth communication marketing on customer is often even greater than communication, which was planned. Word of mouth implies "*messages about the organization, its credibility and truthworthiness, its ways of operating, its services and so on communicated from one person to another*" (Grönroos, 2000, p.269). Besides that, when stimulating word-of-mouth, culture aspect should be considered (Nicoulaud, 1989, p.58).

Trust evolvement influences greatly network establishment and vice versa. According to Jansson (2007, p.49) trustworthiness is a core of network, its capability.

### **2.4.3 Network**

According to Andersson et al. (1994, cited in Jansson, 2007, p.17) network is a range of direct and indirect relationships. Hyder and Abraha (2003, p.79) see network as a "*set of two or more connected business relationships*". However, network development in service marketing process wasn't the subject of many studies in comparison with industrial sector.

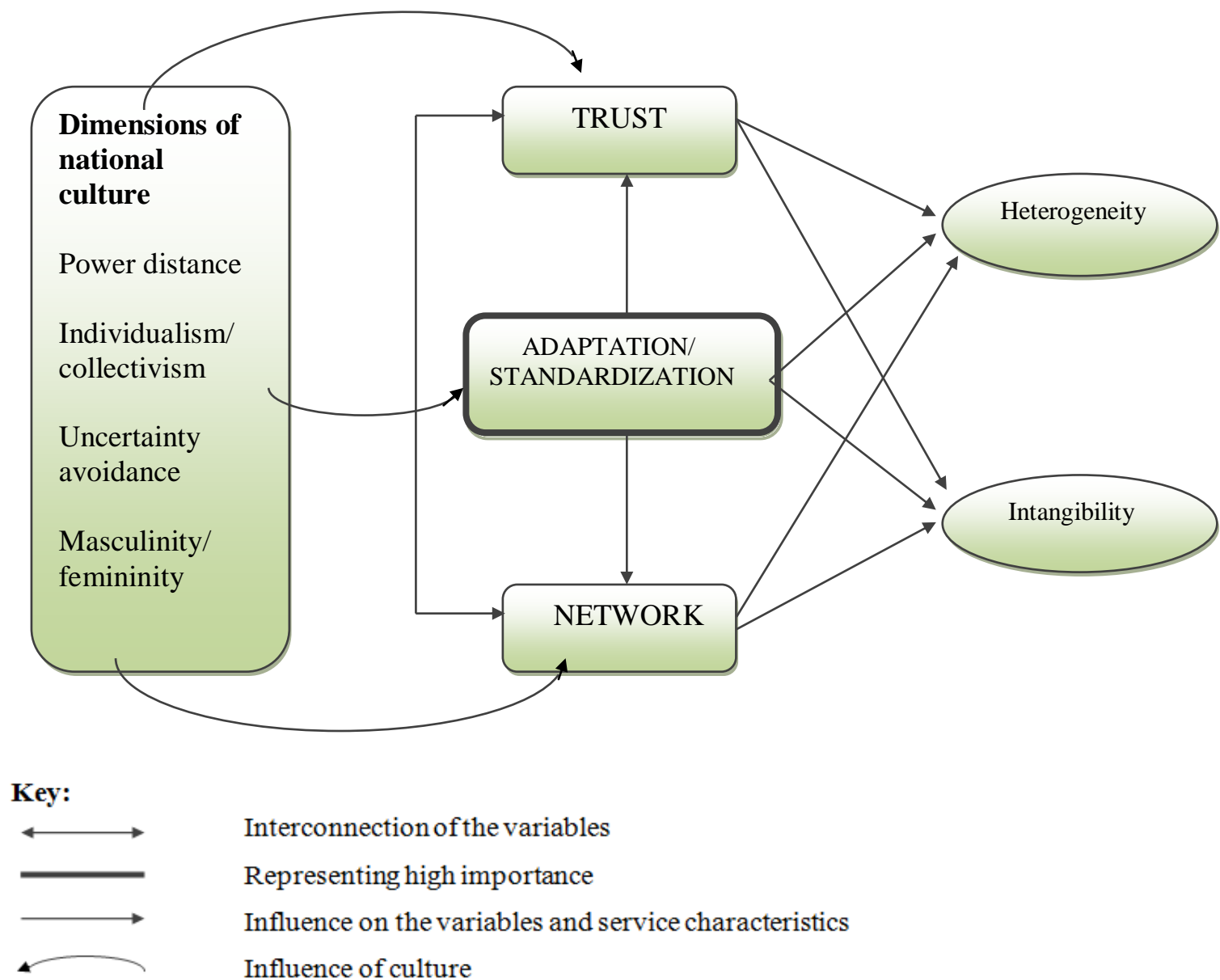
In order to manage the entire service process effectively firm should pursue partnerships and establishing networks (Grönroos, 2000, p.27). The entire company's performance and development is dependent on its networking abilities, because they allow narrowing the gaps between different societies (Håkansson and Snehota, 1995 cited in Jansson, 2007, p.55). Furthermore, the development of networks allows companies to pursue new opportunities, to gain access to knowledge and to get advantage from pooling resources together (Hyder and Abraha, 2003). Some authors highlight the importance of establishment and maintaining networks in emerging markets (Jansson, 2007, p.23). Emerging markets are relationship-oriented, which implies that companies on such countries usually are parts of various networks. Moreover, relationships in emerging markets are often personal, whereas Western companies pursue impersonal communication (Jansson, 2007, p.12).

Three variables discussed, namely adaptation/standardization, trust and network together help to overcome difficulties caused by intangible and heterogeneous nature of services. Trust and network evolvement assist in surmounting intangibility and communication obstacles, whereas adaptation and standardization practices deal with overcoming heterogeneity caused by cultural differences and people's involvement (Hyder and Fregidou-Malama, 2009).

Later, in another study “Health Care Services Marketing in a Cross-Cultural Context: Elekta in Brazil” Fregidou-Malama and Hyder (2011) further developed their theoretical framework, adding the variable “culture”, which they consider to be the environment, where international business occurs. It is important to take it into account as cultural differences impact considerably how services are marketed (Figure 5).

For the purpose of current research the described above modified theoretical framework of the process of international services marketing (Fregidou-Malama and Hyder, 2011) is adopted.

**Figure 5. The Process of International Services Marketing. Modified framework**



Source: Fregidou-Malama and Hyder, 2011, p.7

## 2.5 Organizational structure

International marketing strategy should take into consideration not only network building, but organizational structure of the company as well (Jansson, 2007, p.52). Organizational structure implies “*the way responsibility and power are allocated, and work procedures are carried out among organizational members*” (Nahm et al., 2003 cited in Hao et al., 2012, p.38).

In order to run international business effectively company can choose different types of organizational structure. According to Wild et al. (2010, p.315) there are four main types of organizational structure used among international firms: division structure, product structure, area structure and matrix structure.

1) The first one, *division structure*, implies creation of a separate division for international business within the company, running by its own manager. This international division consists of units presenting countries, the firm operates in. Usually each country unit has own departments, such as Marketing, Production, Finances, etc. There is a range of advantages in applying this organizational structure:

- creating one international division helps to enhance efficiency and expertise of dealing with foreign markets;
- international activities don’t interfere with domestic ones;



- cost reduction due to increased efficiency.

However, there are disadvantages too:

- coordination between international and domestic managers can be poor, which can harm entire business;
- there is one general manager responsible for international division, thus the authority of each country manager is decreased. This can lead to poor cooperation and lower efficiency. Wild et al. (2010, p.315)

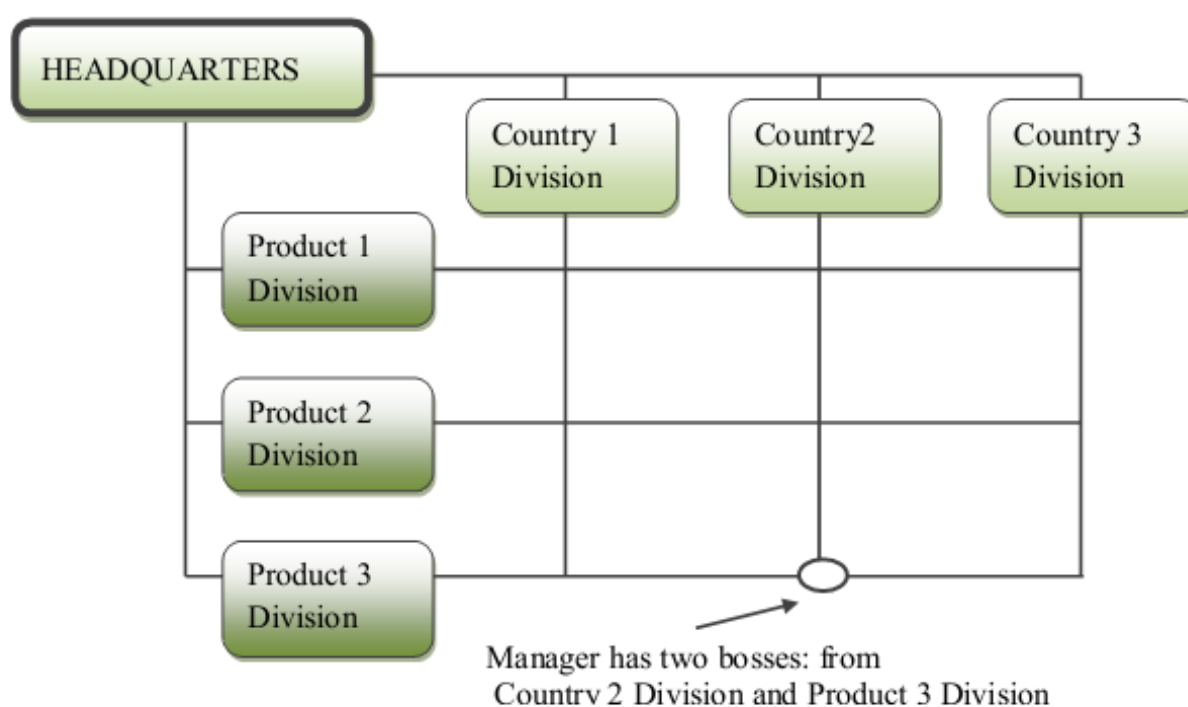
2) The second type of organizational structure, *product structure*, implies the differentiation of product or service areas. Product divisions, in turn, are divided into international and domestic units, which mean that each department is duplicated. However, this type of organizational structure is suitable for enterprises with large range of products or services. In order to apply this structure successfully coordination between managers, domestic and international, has to be well organized.

3) The third kind of organizational structure, *international area structure*, means distinction between geographic regions or countries. In such organizational structure each unit general manager has a great extent of decision-making power. The advantage of this structure is that it allows operating efficiently in significantly different markets, because manager of each country unit acquire a great expertise in particular markets. The disadvantage can be caused by high independence level, which sometimes leads to insufficient cooperation and knowledge exchange among different units.

4) The last organizational structure, *matrix structure*, allocates the chain of command between area divisions and product (service) division (Figure 6). This means, that each manager has to report to head of the geographic area and the product (service) area. The aim of such allocation is joint decision making process. This organizational structure grows in popularity among international companies, because it helps to coordinate operations globally, enhances responsiveness and cost reduction. Moreover, it eliminates the problems of other organizational structures by better coordination and cooperation levels. But matrix structure presents some drawbacks too:

- it can be cumbersome in a sense that many meetings are required to coordinate the operations effectively. It also slows decision making process sometimes;
- shared responsibility can cause difficulties in defining individual responsibility and problems sources. Wild et al. (2010, p.315)

**Figure 6. Matrix Structure**



Source: Wild et al., 2010, p.317

According to Hao et al. (2012, p.36) senior managers consider that suitable organizational structure influences positively company's performance, both directly and through innovation. Despite the fact that in some business areas certain organizational structures perform better than others, there is no the best one (Meijaard et al., 2005 cited in Hao et al., 2012, p.37). Leitao and Franco (2008 cited in Hao et al., 2012, p.37) prove that there is strong relationship between the organizational structure and performance of a company. If organizational structure is efficient, it has positive impact on both economic and non-economic performance.

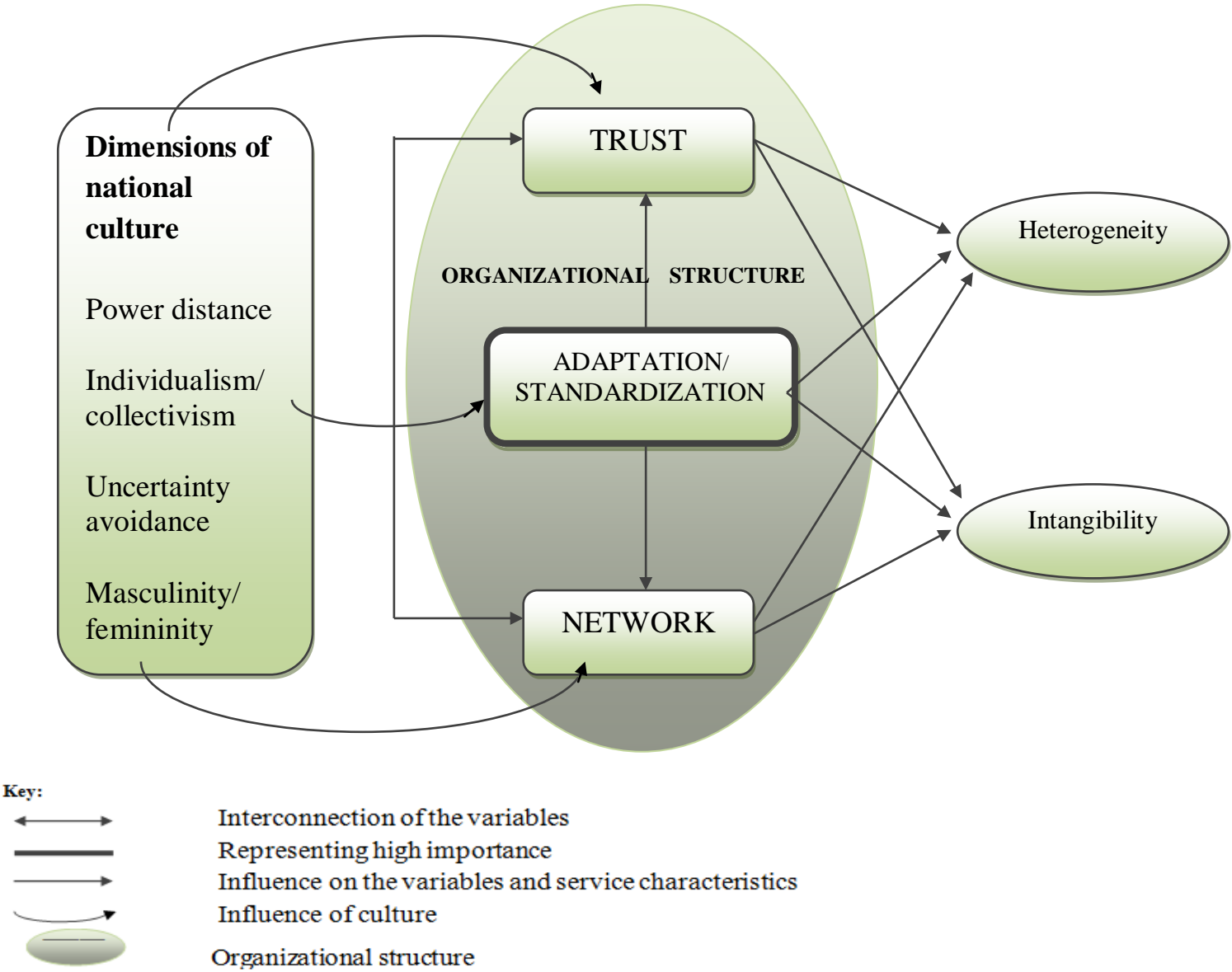
## **2.6. Theoretical framework**

With the help of theory discussed in this chapter the notion of service and its intrinsic characteristics are described. The authors agree with Grönroos (2000) that it is important to identify service characteristics in order to understand what service is. From four service characteristics described, namely intangibility, inseparability, heterogeneity and perishability, two of them, intangibility and heterogeneity, usually cause problems in international service delivery process. This is proved by Grönroos (2000), Lovelock and Wirtz (2007), Fregidou-Malama and Hyder (2011) in their studies. Literature on international services marketing suggests employing adaptation/standardization, trust and network building as means of overcoming the influence of intangibility and heterogeneity issues. The importance of these three variables is confirmed by different researchers (McAuley, 2001; Vrontis et al., 2009; Jansson, 2007; Hyder and Abraha, 2003; Hyder and Fregidou-Malama, 2009). Thus, the theoretical framework of international service marketing process developed by Fregidou-Malama and Hyder (2011) is perceived as the comprehensive foundation for this investigation, because it includes trust, network, and adaptation/standardization variables and illustrates how these variables are applied for surmounting intangibility and heterogeneity of services. This theoretical model also has culture component, influencing three variables. It is important to take culture into consideration because it plays a pivotal role in making decisions about the extent of required trust, a combination of adaptation/standardization and networks in local markets. Many researchers consider cultural influence on business and other life spheres as significant one (Woodruffe, 1995; McAuley, 2001; Usunier, 2000; Trompenaars and Hampden-Turner, 1997; Hofstede et al., 2010). That is why it is important to have cultural peculiarities in mind when discussing the process of international services marketing. For examining the cultural aspects Hofstede et al. (2010) framework of cultural dimensions is applied, as it is comprehensive and reliable study, including both Russia and Sweden. It allows looking at these cultures through four dimensions and exploring cultural peculiarities, which, in turn, enhances the understanding of trust, network and adaptation/standardization implementation in particular national market.

While examining the process of international services marketing the authors found that appropriate organizational structure increases the effectiveness of international company's performance (Wild et al., 2010; Hao et al. 2012). The authors of current research believe that organizational structure, appropriate for particular international firm, enhances its operational effectiveness and as a result the way trust building, network establishment and adaptation/standardization are managed. Thus, it is decided to develop the chosen theoretical framework of Fregidou-Malama and Hyder (2011) adding organizational structure element. Doing this, the authors of current research want to note that effective organizational structure, suitable for company business activities, increases the effectiveness of trust, network and adaptation/standardization variables. If international company is well-organized, it helps such company to operate effectively; which includes building networks, trust and implementing adaptation/standardization. The authors consider that organizational structure can be added as a background element without direct links to variables, which implies that organizational structure influences the entire company's performance in general (Figure 7).



Figure 7. Process of international services marketing with organizational structure element



Source: Fregidou-Malama and Hyder, 2011 with own construction

### 3. METHODOLOGY

*This chapter presents the methodology used to carry out present research, and explains the adequacy of the chosen methods in relation to the aim of the research and research questions. Further it makes the reader get acquainted with the procedures of interviews, carried out during the research process, with the respondents and further procedure of analyzing empirical data.*

#### 3.1 Business research: types and methods

Business research is a systematic request for information and data, which helps managers to solve problems and make better decisions. Modern complexity of decision making can lead to managerial risk that is why careful information gathering is of utmost importance. *“Research methods provide you with ideas, instruments and models that demonstrate how to conduct sound research”* (Blumberg et al., 2011, p.4).

A quality research creates reliable data, which can be used by professionals in their every day practices. For a good research, the purpose should be defined carefully, as it will help to further solve a problem or make decisions. The problem statement should be followed by research questions in order to go through research process. (Blumberg et al., 2011, p.13, 49)

The aim of the current research was defined at the beginning and consistent research questions, adopted from original study of Hyder and Fregidou-Malama (2009), were formulated.

There are four kinds of study, conducted by managers or researchers. They include reporting, descriptive study, explanatory study and predictive study. Reporting is the simplest way of presenting information, that means providing some data or generating statistics; the information is either gathered or easily accessible. Descriptive study is intended to describe events, people, problems and is used when the answer to the questions “who”, “what”, “when”, “where” and sometimes “how” are needed. Explanatory study is used to explain the reasons for the phenomenon, that the descriptive study can only observe, and answer “why” and “how” questions; in this type of research theories or hypotheses are used to study phenomenon and forces that can influence it. Predictive study contains both theory and explanations of events and is intended to learn how to predict similar future events. Research can also be divided into pure and applied, depending on whether it is used for research purpose or for practical use. Both types of research are problem-solving. (Blumberg et al., 2011, p.8-11)

Present research is explanatory in its nature, as it tries to explain why and how marketing strategy for the services of Elekta company should be exercised in a different environment (Russian culture); and this research is applied as after analysis of the data it can be used for practical purposes, including company’s marketing strategy formulation.

##### 3.1.1 Induction and deduction

There exist two types of research methods: induction and deduction. Deduction is a method of research where conclusions are derived from hypothesis, which should be true to make deduction valid and reliable. It involves testing of theory. Induction method has no strong connection between premises and conclusions. This method suggests to derive a conclusion from a number of facts or evidences. *“The conclusion explains the facts, and the facts support the conclusion”* (Blumberg et al., 2011, p.21). Thus, the results of research are obtained through empirical data (Bryman, 2004, p.11).

Induction and deduction testing can be combined in a systematic way to illustrate the scientific method (Blumberg et al., 2011, p.23). In current research, the combination of methods is used in order to show the relationships between the studied variables.

3.1.2 Qualitative and quantitative methods

Traditionally research methods imply qualitative and quantitative ones (Table 1). Sometimes they are opposed to each other. However, such way to view these research methods is similar to “*looking at the world with one eye closed*” (McAuley, 2001, p.142). It is more appropriate to combine them.

Table 1. Comparison of Qualitative and Quantitative Data

Qualitative data	Quantitative data
§ Qualitative information (ex., words, sentences, narratives);	§ Quantitative data (ex., numbers and figures);
§ Reflects ideas, feelings, attitudes;	§ Involves statistical research methods;
§ Answers “why” question.	§ Answers “how” questions.

Source : Blumberg et al., 2011, p.144-145; Woodruffe, 1995, p.50-56; and own construction.

To sum up, many research problems can be examined qualitatively and/or quantitatively, they are both widely used methods, but the choice depends on the kind of research that should be done. In present research qualitative methods to obtain information are used as they correspond to the formulated research aim and research questions, type of research (explanatory), and the kind of information available (Blumberg et al., 2011, p.144-145).

3.2 Research process

Research process consists of collecting and analyzing data, received from different sources. Methods for analyzing data include induction and deduction, qualitative and quantitative methods. In this section two types of data and methods of its collecting are presented.

While conducting research, primary and secondary data is collected in order to answer the research questions.

Primary data is the data gathered first-hand about a specific problem. Methods of collecting primary data are the following:

1. Survey (personal, telephone, etc.). Survey is conducted in the form of interview or questionnaire.
- 1.1 Interview in its tern can be structured, semi-structured, or unstructured. Structured interviews usually have a form of a questionnaire, so that all the important issues are mentioned and discussed during the interview. Unstructured interviews, or depth discussions, can be done with several respondents, where discussion flows freely. The role of the interviewer is to make respondents to follow the topic. This method of interview is used to gather qualitative information.
- 1.2 Questionnaire can be of two types - closed or open. “Open” questionnaires are usually used to collect qualitative data, which have no certain answer. And it is quite difficult to process such questions, because of low rates of response and time-consuming procedure of analyzing those. “Closed” questions usually provide with alternative answers, which have to be chosen. This is the easiest type of questions and can be answered via mail, telephone, etc.
2. Observation, another method of collecting primary data, can be human and mechanical. Observations can be used in cases where questionnaire is not appropriate. Observation can be done by people (ex., mystery shoppers) or by mechanical tools (ex., camera). (Woodruffe, 1995, p.50-56)

3. Experimentation. Experimentation is based on traditional scientific experimentation methods, and is usually used where impact of some phenomena on physical objects is studied.

*Secondary data* is the data, gathered from other resources, already published. The secondary data is examined before collecting of primary data in order to avoid duplication (information can already be available) and high costs (the cost for primary data can be high).

Internal secondary data can be obtained via company accounts and websites; sales reports; customer database and prospect files; previous marketing research reports; information about competitors; journals and special publications; sales personnel, etc. While external secondary data can be presented by government statistics; market information of specialized organizations; information on companies; information about advertising and media and others. (Woodruffe, 1995, p.50-56)

In current research both primary and secondary data was collected. Primary data was gained through the survey in the form of semi-structured interviews and open questionnaires. Secondary data was obtained through relevant sources of internal information (company website, websites of hospitals in Russian, company's brochure, etc.) and external information (scientific articles, relevant literature, internet sources, etc.).

### **3.3 Case study as a research method**

The case study is one of a number of possibilities to do research within social sciences. Also surveys, histories, experiments can be done. The choice of research method depends on the type of research questions; investigator's control of the situation/event; and interest in contemporary data (Yin, 2009, p.2).

Case study is "*an empirical inquiry about contemporary phenomenon, set within its real-world context (organizational and managerial processes, international relations, small group behaviour, etc.), especially when the boundaries between phenomenon and context are not clearly evident*" (Yin, 2012, p.4).

Case study research as a research method can be applied in a number of situations: when research questions are descriptive or explanatory ("what", "how" and "why" questions); when there is limited control of researcher over the situation/event; when phenomenon is studied in its real-world context, and data from natural environment is necessary; and, finally, when doing evaluations of phenomenon. Strength of case study is the excess to all sources of evidence (documents, interviews, observations). Weaknesses of case study include flexibility of research and lack of 100% accuracy due to the qualities of researcher; little possibilities for scientific generalization (impossible to do from only one case); and time-consuming research and lengthy report. (Yin, 2009)

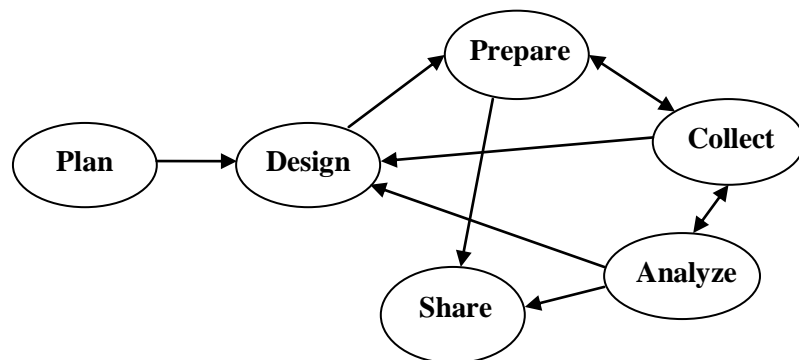
In real-life case studies there are many variables of data, that is why multiple sources of data are recommended. Case studies include direct observations of the studied events and interviews with individuals involved in these events; there are exploratory, descriptive and explanatory case studies; and they can include qualitative and quantitative data. (Yin, 2009, p.8-19)

The process of conducting case study research can be described by the following model (Figure 8). It includes five steps, which are described further. The first step, plan, includes formulation of research questions for case study, reasons to choose case study method, and positive and negative sides of case study method. During the next step, design, the phenomenon to analyze and the case to study should be chosen, the type of case study defined, the relevant literature should be studied, and the quality of case study should be ensured. (Yin, 2009, p.2)

The case in the case study research serves as the only source of information for further analysis, therefore should be chosen carefully. In present work the case of Russian clinics (customers) using Elekta product (Leksell Gamma Knife (LGK)) has been applied. The theoretical framework of International services

marketing process by Fregidou-Malama and Hyder (2011) was adopted for the purpose of current study. The data about the case company was obtained through reliable sources of information, such as company brochure, company website and interviews with company representatives and Russian customers.

**Figure 8. Doing Case Study Research. A Linear but Iterative Process**



*Source: Yin, 2009, p.1*

The third step, prepare, includes the development of case study research skills. Next step, collect, means collecting information from different sources of data. The theory was used in present research for developing research questions, theoretical framework of the study, and for preparing case study interviews and questionnaires. The fifth step, analyze, considers supporting case with theory, using analytic techniques, studying rivals and displaying data. Finally, the last step, report, implies choosing the audience; preparing visual presentation, provide evidence to research and redoing the work until perfect. (Yin, 2009, p. 126, 164)

### 3.4 Reliability and validity

Reliability of the study means that if someone would like to conduct the same type of research, it should be possible, and the results obtained in that research should be similar to current research. Validity of the research means that the conclusions derived from the theory and empirical data are integral, logical and confident (Easterby-Smith et al., 2002). In order to support reliability and validity of the current study, the authors carried out five interviews with individuals, working for Elekta company or with Elekta equipment. To make the study reliable, the interview guidelines are presented in the Appendices to present research, so any other researcher can use them. And the same or similar questions were given to different respondents to derive the most valuable data, important to current research, which also enhances the validity of the research and its reliability.

### 3.5 Respondents

Below the respondents are presented in a sequence, in which the authors of current research have obtained the information from them, in a form of interviews or answers to questionnaires.

***Gustaf Schwang***

***Market development manager, region Europe and Aflame***

***Elekta AB***

Gustaf Schwang was recommended to the authors by thesis supervisor Maria Fregidou-Malama as a person, already familiar with the research of Elekta company services marketing practices in cross-cultural environments and great source of information about this company. He was contacted by e-mail in advance, and the interview was assigned for April 12, 2012. Before conducting the interview, the interview guidelines in the form of open questionnaire were prepared. The questionnaire included several blocks of questions

concerning Gustaf Schwang as an employee at Elekta company; Leksell Gamma Knife invention by Elekta; Elekta in Russian market; purchase procedure of Elekta equipment; trust, network and adaptation/standardization blocks; future perspectives and expectations from the research. Before preparing questionnaire, literature on the topic was observed and theoretical framework of the study prepared. The semi-structured interview was carried out at 3pm on April 12, 2012 at the Headquarters of Elekta in Stockholm, at Kungstensgatan 18. During the interview the order of the questions was changed, according to the flow of discussion (Appendix B). The interview lasted fifty minutes, and provided a good overview of the Elekta business, equipment, mission and future perspectives. The interview was fully recorded on audio recorder with the respondent's permission, transcribed and edited later.

***Ivanov Pavel Igorevich***

***Neurosurgeon, radiation therapist.***

***The Radiosurgery Center at the Diagnostic and Treatment Center. International Institute of the Biological Systems, Saint- Petersburg (The Radiosurgery Center at DTC of IIBS)***

On May 2, 2012 the Radiosurgery Center in Saint Petersburg was contacted by phone. After a thorough explanation of the purpose of the contact with Head of the Department of Radiosurgery at the Center, Pavel Ivanov, his contact was received from administrator. Pavel Ivanov was contacted by phone the same day, and the aim and significance of current research for the company Elekta and patients were explained to him. Two open questionnaires: one - for the Head of the Department of Radiosurgery, and another - for medical personnel directly working with Elekta equipment, were developed and further sent by e-mail to Pavel Ivanov. The questionnaire consisted of a number of blocks of questions - information about the respondent, cooperation with Elekta, medical personnel of the center and its training, network, patients of the center, and future perspectives of the center and its cooperation with Elekta. A recommendation letter (Appendix A) from Maria Fregidou-Malama, the coordinator of the current research project was also attached. As soon as he is the only person who undertook training for working at Gamma Knife, only one questionnaire was filled in and sent back. It is enclosed in Appendix C.

***Andrey Vladimirovich Golanov***

***Chief medical officer, senior radiologist.***

***“Gamma Knife” Center at the Scientific and Research Institute named after N.N. Burdenko of the Russian Academy of Medical Sciences, Moscow (“Gamma Knife” Center at SRI of RAMS)***

The Center was contacted on May 10, 2012 with the aim to communicate with personnel working directly with Elekta equipment. The contact of Andrey V. Golanov, as a chief medical officer and a person directly involved in cooperation with Elekta was received. He was contacted the following day, after the two open questionnaires (for the Chief Officer and for medical staff trained to work with Elekta equipment) with explanation of the purpose of research and recommendation letter of Professor at the University of Gävle, Maria Fregidou-Malama, had been sent. The research and request for e-mail survey in the form of questionnaire were met with enthusiasm. The same day the results were presented by Valery Kostjuchenko (see below), one of the physicist-operators, and on May 16, 2012 the respond from A.Golanov was received. The questionnaire for the Chief Officer had the same structure, as the one, sent to the Head of Radiosurgery Center in Saint Petersburg; and the questionnaire for other medical personnel (physicists-operators) had slightly different structure, because the responsibilities of the other personnel are different - the aim of this questionnaire was to know more about background, training, and experience of working at Elekta equipment from the particular person. The questionnaire answered by Andrey V. Golanov is presented in Appendix E.

***Valery Kostjuchenko***

***Physicist-operator***

***“Gamma Knife” Center at SRI of RAMS, Moscow***

The results of the questionnaire, answered by Valery Kostjuchenko, a physicist-operator working at Leksell Gamma Knife C and Leksell Gamma Knife® Perfexion, were received on May 11, 2012 by e-mail (Appendix F). The structure of the questionnaire was presented earlier. The answers of this person were the most interesting, and included comments valuable for the research. This person has worked directly with many patients (around 1000), and has experienced a lot.

***Irina Sandin***

***Business Unit Manager for Eastern Europe***

***Elekta AB***

Irina was first contacted in March, 2012 by phone and later by mail by the professor of the University of Gävle, Maria Fregidou-Malama. As there is no representation of Elekta company in Russia (office), and the business and contacts are established with the help of distributor, the contact with a person, responsible for Russian market is important.

Later Irina Sandin was contacted by the authors of this research, and the interview was planned in advance for May 24, 2012 at Elekta Headquarters in Stockholm. The interview guidelines were prepared in advance, and the interview was carried out in a manner of conversation. Thus, it was semi-structured. The interview was conducted in Russian. The interview lasted two hours and was recorded with the permission of the respondent. Further, the interview was translated, processed and main points were put into Appendix G.

In total, there have been done two personal semi-structured interviews in Stockholm at the Headquarters of Elekta with the representatives of the company, Gustaf Schwang and Irina Sandin, and three open questionnaires were filled in by the medical staff of Russian medical establishments, actively working with Elekta equipment and cooperating with the company.

It is important to mention, that except one interview with Gustaf Schwang in English (Appendix B), all the communication with medical personnel of the Centers in Russia, as well as with Irina Sandin from Elekta AB, and questionnaires for them were done in Russian language, as it is a mother tongue for both the respondents and researchers of the present study. This can be seen as an advantage for research, because communication in native language could help to get more in-depth and detailed information and to understanding and interpret it more precisely. Later, the results received from three questionnaires and one interview conducted in Russian language were translated into English, and can be found in Appendices to the present study (Appendices C, E, F, G). The information from questionnaires and both interviews relevant for the purpose of research is presented in Empirical part of this work, later summarized, and the answers of respondents are compared in the form of tables (Tables 3, 4). The rest of the information, that was also gathered during the survey, but not relevant for the purpose of the study, can still be found in the Appendices. This information can be interesting for readers to get information about Elekta and its business in general.

Further, the information obtained through interviews, questionnaires and other sources, presented in empirical part of the work, is compared with relevant theories applied in for current study, and the results of analysis are presented in the analysis part. The aspects of marketing strategy, used by Elekta in Russian market, that were found through interviews and questionnaires, are put into theoretical framework applied for Russian market (Figure 13). The results of current study are presented in Conclusion part, where the main outcomes of the research are presented and the research questions are answered.

## 4. EMPIRICAL FINDINGS

*This chapter presents the information obtained during the research. Firstly, Russia as an emerging market and Business environment in Russia are illustrated. Then, Swedish company Elekta, which is the case company in this research, is described. Later, the information about Centers in Russia, customers of Elekta company, and medical personnel of these Centers is given. The comparison of Centers in Moscow and Saint-Petersburg, derived from the respondents to questionnaires, is further presented. Information on aspects of marketing strategy is discussed, formed in the Table, and closes this chapter.*

### 4.1 Russia as an emerging market

Russia is the largest country in the world uniting around 160 nationalities within its borders with approximately 80 per cent of Russians (Federal Service for State Statistics cited in Salmi and Sharafutdinova, 2008, p.386). Despite the fact that there are cultural differences among Russian population, this country's citizens usually share similar values, beliefs and behavior patterns. This is often believed to be the result of *“the overwhelming standardizing influence of state institutions on individuals during Soviet times”* (Salmi and Sharafutdinova, 2008, p.386)

As for business sphere, Russia is sometimes described in literature as one of the least stable emerging markets (Kouznetsov, 2009, p.385). Russian market is usually characterized as a market being in transition state from centrally-planned economy to a market one. Consumer's purchase power varies significantly depending on occupation and city (Wagner, 2005, p.201). Business-to-business sector in Russia is challenging and promising market for foreign investors. McCarthy and Puffer (2002 cited in Wagner, 2005, p.202) describe Russian business-to-business markets by *“three Russian cultural traditions”*:

- personal networks;
- low trust;
- circumventing laws and directives.

Moreover, many Russian organizations still focus on short-term monetary performance and transactions (Wagner, 2005, p.212).

Jansson (2007) refers to Russian business network as “blat” network. According to him this kind of network appeared during the existence of the Soviet Union and implies close personal ties helpful to obtain some products and favours in deficit conditions (Mikhalova and Worm, 2003 cited in Jansson, 2007, p.117). The “blat” was mostly used for personal purposes. These connections were also used to get promotions or to enter universities, for example. So, blat usually was not about money, it was more like a barter of favours and goods. Blat network required strong relationships and trust. Despite the end of the Soviet regime the influence of blat networks is still being significant in Russian economy. Personal relationships are helpful, especially in encounters involving banks, customs, health care system and other institutions. Blat can facilitate the faster resolution of issues, particularly in the deeply bureaucratic organizations (Jansson, 2007, p.119). In spite of the fact, that blat can be useful phenomenon for establishing networks; it is often used in combination with corruption for gaining influence in governmental structures. High level of uncertainty associated with the transition stage of economy partially explains the existence of blat system, which helps to overcome this uncertainty to some extent. However, with the transition phase of Russian economy blat concept became more materialistic in nature and less human oriented. (Jansson, 2007)

In general, trust and personal relationships are perceived to be more important in Russian business culture than legal ties. However, it is quite difficult to build such relationships as from the Soviet past Russians inherited the inclination to be suspicious about others and expect to be cheated. But if trustful



relationships are established they usually appear to be strong and helpful (Johanson, 2001 cited in Jansson, 2007, p.126).

As for situation in working sphere and state, there are strict hierarchy, bureaucracy and strong government control (Ember and Emer, 2001, p.1860). At the same time the majority of Russians don't believe they can change the way authorities act and that it is worth it (Zorkaia and Diuk, 2004, p.11). "Initiative is punishable" Russians say. Russian authorities are rarely trusted among business people, and, if it is possible, problems are solved with the aid of personal connections, rather than legal institutions (Jansson, 2007, p.131).

What is also interesting to point out about Russian market features is that consumers in such transition economies are believed to view domestic goods and services as less favourable than foreign ones. It was found that Russia clearly displays such tendency (Klein et al., 2006, p.305).

Below the Table 2 is presented, describing the main characteristics of Russia as an emerging market. Different environments, important to consider for doing business in Russia, are described. In the last column the influence of peculiarities of every environment is estimated as favourable or unfavourable for international companies entering Russian market.

**Table 2. Business environment in Russia**

Environment	Description	Unfavourable/favourable
Political	High political risk, government instability, ineffective leadership,increased nationalism, mistrust in government	Unfavourable
Legal	Great number of laws and unwritten rules, sometimes of contradictory nature	Unfavourable
Social	Demand for western products Crime and corruption Vast pool of educated, skilled labour	Favourable Unfavourable Favourable
Economic	Market potential of 143 million consumers Abundant resources Lack of economic security and monetary instability Infrastructure is underdeveloped	Favourable Favourable Unfavourable Unfavourable
Financial	Limited amount of capital, especially foreign currency 2/3 of foreign investments and 80% of financial potential in one city - Moscow	Unfavourable Favourable/Unfavourable

*Source: McAuley, 2001, p.276 , with own modifications.*

Thus, it can be concluded, that in spite of many risks existing in Russian factors, there are many favourable conditions and opportunities as well. Taking into consideration specific characteristics of Russian market and adjusting to them can facilitate international companies to successfully entering this emerging market.

Today, emerging markets, including Russia are the main focus of Elekta and are promising to show constant growth in the future. It is said, that 70 percent of mortality from cancer is occurring in low- and middle-income countries. The reasons for that are lack of early diagnostics and prevention treatment.

According to Elekta's Annual Report 2010/11 (p.17) order bookings have increased in number during the fiscal year 2010/11, especially because of Russian and Turkish markets. But still, health care expenditures per capita in emerging markets are substantially lower than those in Scandinavia or Western Europe. At the same time growth of economy and population actualizes the enhancement of health care sector. (Elekta, 2010/11, p.10-17)

According to Irina Sandin the challenges for emerging markets are usually similar, there are many problems in those markets, and their attitudes towards business are different from developed markets. Low acceptance of radiotherapy; governmental support of pharmaceutical industries; lack of specialists in radiotherapy; late diagnostics of cancer are the main features. The whole system of health care should be changed in Russia and other emerging markets. In order to facilitate changes Elekta company tries to spread education, awareness and understanding of cancer burden, starting with governmental authorities' level (Sandin, 2012).

#### 4.3 General information about Elekta

**Elekta AB** is a Swedish public limited liability company, which was established in 1972 by Lars Leksell, who was a Professor of Neurosurgery at the Karolinska Institute (Stockholm, Sweden). He contributed to the progress of stereotactic neurosurgery and creation of Leksell Gamma Knife, which is unique patented equipment, allowing non-invasive way of treating brain disorders. First patient was treated clinically with Gamma Knife in 1969. Today Gamma Knife operations are spread in the world, but primarily in the developed world (Schwang, 2012). Starting from the 1990s Elekta grew substantially through organic growth and acquisitions. It allowed company to develop sophisticated portfolio of products and supporting software in the field of cancer care. The solutions Elekta offers are aimed "to improve, prolong and save lives". *Elekta's values* are presented by responsiveness, trust and responsibility, creativity, and long-term relationships. (Elekta, 2010/11)

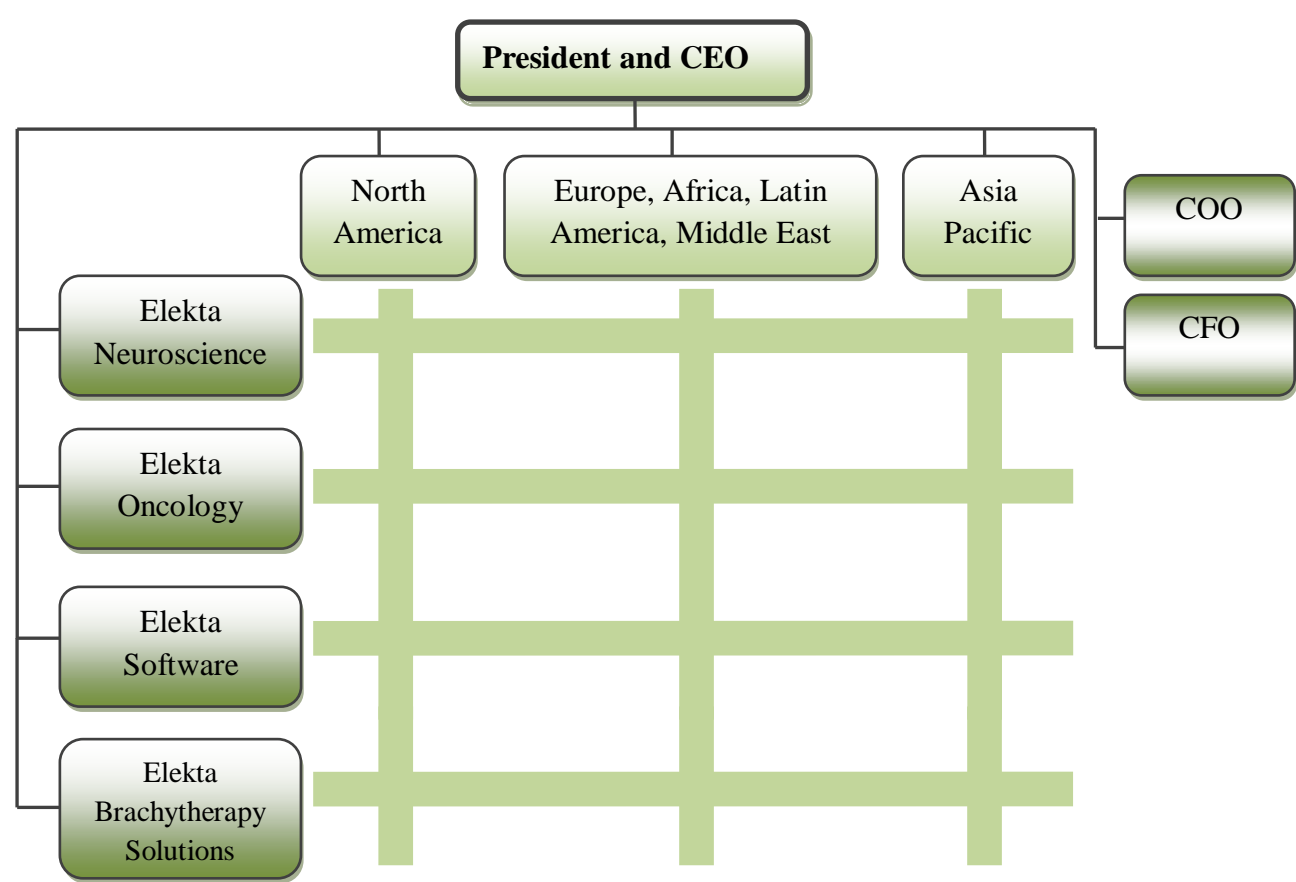
Elekta operates in four areas: neuroscience, oncology, software, brachytherapy solutions and services. Leksell Gamma Knife, which is the focus of this research, is a part of Elekta Neuroscience. Elekta occupies the leading positions in the following fields: Image guided radiation therapy, stereotactic radiotherapy and surgery and workflow solutions. Radiotherapy and radiosurgery are increasingly used means to treat cancer nowadays with minimal or without invasion. Moreover, it is comparatively cost-effective methods. Elekta employs these ways of treatment effectively and offer well-developed portfolio of corresponding products and services (Elekta, 2010/11, p.6-7). And also, Elekta tries to help developing markets to mature quicker in cancer care by creating awareness about cancer burden. Training is also an important factor, where Elekta can help, setting up the training facilities in education hubs, supporting narrowing knowledge gaps in these areas and financing some projects. For example, Elekta and Swedfund together created the joint venture Global Medical investments for investing in projects in developing markets (Schwang, 2012).

Elekta employs 2,760 workers in 24 countries all around the world and its business is divided according to geographical regions: North and South America; Europe, Middle East and Africa (including Russia) and Asia Pacific (Elekta, 2012).

As for competitors, in the studied Leksell Gamma Knife treatment Elekta has no competitors, as it is a unique equipment, created and produced by this company. However, in other business spheres Elekta has a few competitors: Varian Medical Systems (the main competitor in the field of radiation therapy) and some small competitors (TomoTherapy, Accuray) (Elekta, 2010/11, p.63).

4.3.1 Organizational structure

Figure 9. Organizational Structure of Elekta



Source: Elekta, 2012

According to Elekta website this company has matrix organizational structure (see Theoretical Discussion Chapter). Three geographical regions are presented by: North America; Europe, Africa, Latin America, Middle East; Asia Pacific. Business areas consist of: Elekta Neuroscience, Elekta Oncology, Elekta Software and Elekta brachytherapy solutions. President and Chief Executive Officer (CEO) is in the head of the whole organization. Elekta’s organizational structure is shown by Figure 9. This kind of structure helps to coordinate activities in different countries and business areas and is especially effective if there are enough workers responsible for different tasks.

4.3.2 Elekta in Russia

Need for cancer cure is experiencing increase in the modern world, and the majority of markets outside the US and Western Europe face the lack of adequate capabilities for it. The reasons for that are population growth together with its aging, which leads to increasing number of age-related cancer cases. The possibility to get effective cancer treatment is significantly uneven in modern world. For instance, in North America there is one installed linear accelerator per every 84,000 people, whereas in the BRIC countries it is one per 2.6 million (Elekta, 2012). Therefore, Elekta’s range of products and services is in a great demand in emerging markets, which according to Tomas Puusepp, President and CEO of Elekta, comprises the one third of company’s sales.

Despite the worldwide problems, caused by financial crisis, the demand in the European region still remains high. Russia showed particularly great demand for Elekta’s treatment solutions, which was also facilitated by the activities of a national program, aimed to invest in and develop radiation therapy capacities.

According to the CEO statement of Tomas Puusepp Elekta plans to expand geographically along with maintaining the leadership in emerging markets in order to facilitate cancer care to more people all around the world. (Elekta, 2010/11, pp.2-3)

In order to investigate how Elekta delivers its services to Russian market, the authors of current research interviewed two persons working for Elekta, Gustaf Schwang and Irina Sandin. The information obtained

through these two interviews allows examining the process of international services marketing from the service provider perspective.

**Gustaf Schwang** has been working for Elekta for almost three and a half years, started working as a manager, being the right-hand man to the President and CEO Tomas Puusepp. And since about year and a half back Gustaf is working as the Project leader for region Europe and Aflame (Africa, Latin America and Middle East). His main focus is emerging markets, Africa in particular. Since couple of months back Gustaf is running also a strategic program, dedicated to entering and expanding in emerging markets in a more standardized well-assessed way.

**Irina Sandin** is currently a Business Unit Manager for Eastern Europe at Elekta company, and holds this position for almost 10 years now. She performs functions of business developer, distributor companies' manager and key account manager; her overall responsibilities include sales and marketing, service support, logistics, clinical and technical training of customers. She is working together with two project managers in a team, which is responsible for Eastern Europe region. This region belongs to "Europe and Aflame" geographical division of Elekta. However, Irina admits that workload for their small team is huge and there is a need in hiring more people. Currently, Elekta is in the process of hiring highly qualified staff for expanding this team.

When talking about emerging markets challenges, both Gustaf and Irina state that these markets impose similar obstacles: lack of local financing, late cancer diagnostics, corruption and bureaucracy problems. Irina also adds low acceptance of radiotherapy as a way of treatment and preferred support of pharmaceutical industry by governments of emerging markets. However, Gustaf highlights that Elekta's range of products can make enormous difference to the patients in every country and change the situation in their cancer care sector.

Regarding Russian market, both Gustaf and Irina state that Elekta is successful in Russia, clearly the market leader on the linear accelerators and Gamma Knife solution sides.

The way of entering each emerging market is dependent on many variables. It can be done through sales agent or distributor or with own legal entity at that market place. But the latter Elekta uses where it typically has been for a while through representation. According to Gustaf selection of distributors is conducted through a screening process to make sure that they can represent Elekta on chosen market properly. Distributors also sign a code of conduct, saying that they are not allowed to engage in any bribery or corruption activities. Irina adds that in Russian market Elekta is presented through a distributor, company MSM-Medimpex, which also has signed Elekta's Code of Conduct. Effective and fruitful relationships are established with this distributor. MSM-Medimpex contributes financial and human resources for the benefits of partnership with Elekta. And, what Irina highlights, this distributor shares Elekta values and purposes. Moreover, this company is enthusiastic and helps Elekta with understanding of peculiarities of the Russian market and settling local issues with authorities. Such mutually beneficial collaboration according to Irina helps Elekta to spread knowledge about radiotherapy innovative and effective treatment solutions, starting with Russian governmental level.

Irina also notes that the purchasing procedure sometimes varies depending on the kind of customers. For example, if the Russian clinic is commercial, the communication with Elekta and purchase itself are often direct, without intermediaries. If the customer belongs to public health care sector, the relationships with Elekta are often indirect, through local distributor. Regardless the way equipment is acquired, a customer must have a license for carrying out medical services and follow all the legal requirements in Russia. In its turn, Elekta equipment has to follow the local standards in order to be qualified as medical equipment and not to be taxed additionally.

Irina gives concrete details about Elekta presence in Russia: today there are fifty linear accelerators and five Gamma Knives in Russia. But only three of Gamma Knives are already in exploitation, others wait for

installation. According to Irina Elekta plans to open its office in Russia, Moscow, in the future. (Sandin, 2012; Schwang, 2012)

Below two Russian private medical Centers, using Gamma Knives are presented in detail.

#### **4.3.2.1 Moscow**

##### **“Gamma Knife” Center of the PLC “Business center of neurosurgery” at SRI named after N.N. Burdenko of RAMS in Moscow**

“Gamma Knife” Center at SRI of RAMS in Moscow was opened on April 26, 2005. It is the first center of stereotactic radiosurgery in Russia, which uses the only “Leksell Gamma Knife® Perfexion” equipment in Russia.

Since April 2005 with the help of “Leksell GammaKnife®” about 2382 patients went through radiosurgical treatment with different types of pathology of CNS. Stereotactic radiosurgery with “Gamma Knife” equipment is an effective and quite safe method of treatment of patients with low probability of post-surgical complications.

Since June 2, 2011 the Center started to make radiosurgery with new equipment for stereotactic radiosurgery – “Leksell Gamma Knife® Perfexion”, which allows to expand significantly the capabilities of existing methods, to facilitate and accelerate the planning of treatment, to form more complex radiation areas with enhanced security to the surrounding structures.

The medical personnel of the Center have completed internships at leading foreign radiosurgical centers in Sweden, Germany, France, the USA and other countries; and they have considerable personal experience of radiosurgical procedures.

The main advantages of the Center “Gamma Knife” include high qualification of doctors and other medical staff; close cooperation with SRI of neurosurgery named after Burdenko; close scientific and practical collaboration with the world and European communities of radiosurgeons; and a non-invasive method of treatment (stereotactic radiosurgery) (Gamma Knife Center at the Scientific and Research Institute named after N.N. Burdenko of the RAMS, 2012).

#### **4.3.2.2 Saint-Petersburg**

##### **Radiosurgical Center at DTC of IIBS named after S.M.Berezin in Saint Petersburg**

The Radiosurgical Center opened in November 2008. The Center has all the possibilities to provide a modern highly qualified radiosurgical treatment of patients with brain tumors, vascular malformations and functional pathology. The center has a hospital with 50 places, rooms of computer tomography and magnetic resonance tomography.

It is important to note that the Center disposes of the best line of equipment for radiosurgery in Russian Federation.

Only a few clinics in the world can boast that they have the Gamma Knife at their disposal, which is the gold standard for radiosurgery procedures on the brain for more than forty years. This clinic also has the Cyber-Knife and the up-to-date True Beam Accelerator manufactured by company VARIAN, Elekta’s main competitor.

When choosing an instrument for surgery, the center is guided exclusively by medical factors, which gives it an unquestionable advantage over clinics that have only a single type of equipment. Based on the nature of the pathology, its size, location, distance to critical brain structures, an operation is carried out on the equipment, which does as well as possible for a particular patient situation.

4.3.2.3 Doctors in Russian Medical Centers

**Pavel I. Ivanov** works at the Radiosurgery Center of the International Institute of the Biological Systems in Saint Petersburg since 2008, the time when the Center was opened; and currently occupies a position of the Head of the Department of Radiosurgery at the Center. He is a neurosurgeon of the highest category with the overall professional experience of 15 years. He knows the methods of stereotactic surgery with the use of Laitinen and Leksell devices; in 2007 he went through observation training at Karolinska University Hospital, Stockholm, Sweden (Ivanov, 2012) and is able to work with Leksell Gamma Knife, which is currently used at the Center. His main responsibilities include selection of patients, conducting of treatment procedures at LGK, postsurgical control and human resources management.

**Andrey V. Golanov**, works at the “Gamma Knife” Center at SRI named after Burdenko of RAMS in Moscow since the creation of the Center – for about eight years already; and currently occupies the position of the Chief Medical Officer. He is a senior radiologist at the Center and is responsible for all medical issues related to the treatment of patients: primary and secondary consultation and participation in all stages of the treatment process. Andrey V. Golanov is laureate of the I All-Russian Award in the field of oncology. The Center has the only “Leksell Gamma Knife® Perfexion” in the country, and Andrey Golanov undertook training to be able to work with equipment (Perfexion and Leksell frame and streotactic apparatus).

**Valery Kostjuchenko** has been working at the “Gamma Knife” Center at SRI named after Burdenko of RAMS in Moscow for seven years. He is a physicist-operator, working at Leksell Gamma Knife C and Leksell Gamma Knife® Perfexion after being trained in Stockholm and Marselle to use the equipment. His responsibilities include planning of irradiation, providing installation operability, dosimetric control, development and support of information system and its integration with the LGK; he also carries out scientific activity.

4.3.2.4 Russian Centers Relationships with Elekta

Using the information provided by the respondents Ivanov, Golanov and Kostjuchenko the following Table 3 was composed, which illustrates the relationships of Russian customers – medical centers with Elekta through a range of aspects. The data for this was derived from answers to questionnaires sent to Russian Centers. This table combines the information, which is objective and can be clearly compared. It is also important to remember that these Centers started working with Gamma Knife at different time: Moscow Center in April 2005 and Saint-Petersburg Center in November 2008.

Table 3. Cooperation of Russian medical Centers with Elekta

Questions	Respondents		
	<b>Pavel Ivanov</b> Radiosurgery Center at DTC of IIBS in Saint Petersburg	<b>Andrey Golanov</b> “Gamma Knife” Center at SRI of RAMS in Moscow	<b>Valery Kostjuchenko</b> “Gamma Knife” Center at SRI of RAMS in Moscow
Cooperation with Elekta			
1. Equipment used currently	Leksell Gamma Knife 4C	LGK “Perfexion”, stereotactic apparatus of Leksell for biopsy and functional neurosurgery	
2. Purchase		Directly, using leasing schemes	
3. Reasons	Elekta is the only producer of the LGK	The need to develop radiosurgery in Russia, of the “Gamma Knife” presence at the Center	
4. Obstacles => Solution		Lack of governmental support => Participation of OJSC “Neuro-surgery business center” in “Gamma Knife” project	
5. Satisfaction	yes	In general, yes	Satisfied
6. Continuation	yes	yes	

Questions	Respondents		
	<b>Pavel Ivanov</b> Radiosurgery Center at DTC of IIBS in Saint Petersburg	<b>Andrey Golanov</b> “Gamma Knife” Center at SRI of RAMS in Moscow	<b>Valery Kostjuchenko</b> “Gamma Knife” Center at SRI of RAMS in Moscow
<b>Medical staff</b>			
1. Number in total	5	8 (3 nurses, 3 doctors, 2 medical physicists)	
2. Work directly	3	7: 3 (“Perfexion”) + 4 (Leksell frame+ streotactic apparatus)	
<b>Training</b>			
1. Doctors trained	1	3	
2. Places of training	Karolinska University Hospital, Sweden; Tokyo Women’s Medical University, Japan	Stockholm, Pittsburgh, Marseille	Stockholm, Marseille
3. Duration	2 weeks	3-5 days	1 week
4. Language	English	English	English
5.Further training	No	Yes, once 3-4 years	Yes, transition to PFX
6.Evaluation (1-10)	8	8	8 (9 for equipment)
<b>Other Elekta services</b>			
Types	Sending information, articles, organization of congresses and conferences	Communication with colleagues, visits to conference and workshops, provision of information and lists of publications about LGK radiosurgery	
<b>Network</b>			
1. Events	The Fifth Asian Gamma Knife Academy organized by IIBS	Meeting of the European “Gamma Knife” users, World Congress of the “Gamma Knife” users, seminars	Initial training for LGK C in Stockholm; course of transition to PFX in Marselle
2. Frequency	1-2 times per year	once a year	2 times
3. Organizing and financing	IIBS or Elekta	OJSC “Neuro-surgery business center”	
<b>Patients</b>			
1.Number treated	1876	2382	about 1000
2.Sources of awareness	From doctors, via Internet.	Mass media, Internet, doctors	Patients, doctors, Internet, TV, after treatment itself
3.Interest in country of origin	sometimes	yes	sometimes; usually asked at the preliminary consultation
4.Image of Sweden	Influences reputation of the Center	Influences positively	Image of foreign western country influences positively
<b>Future perspectives</b>			
1. Ability to meet current demand	yes	yes	
2. Expansion plans	expansion is planned	expansion is planned	

*Source: own construction derived from questionnaires*

It is noteworthy, that as a reason for establishing cooperation with Elekta, the Heads of medical Centers indicated different reasons. Ivanov stated that this choice was made due to uniqueness of Gamma Knife, whereas Golanov stressed the need of development of radiosurgery in Russia through the presence of Gamma Knife in their hospital. As for initial obstacles for cooperation with Elekta, lack of governmental support was mentioned by Golanov. All respondents expressed general satisfaction in Elekta products and services with the desire to continue this cooperation in future.

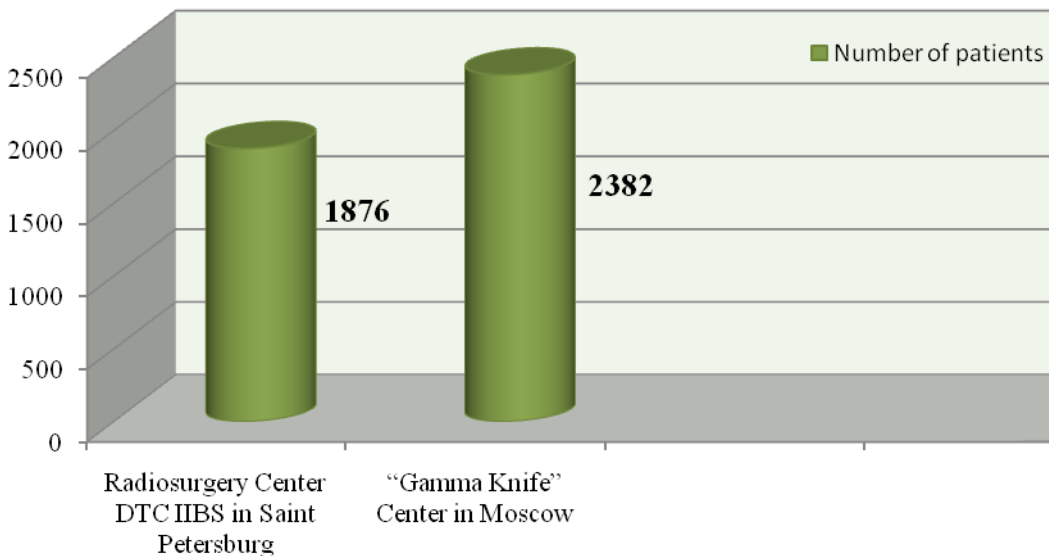
All three respondents independently evaluated training services provided by Elekta equally - 8 (on the scale 1 to 10). Interesting comment was provided by Kostjuchenko, who thinks that one-week training is not enough for comprehensive preparation for working with Gamma Knife for those, who haven't encountered it before. He adds that ideally it should be about half-a-year internship to fully prepare medical staff without relevant experience to work with Elekta equipment independently.

Concerning the interest of patients in the country of origin of equipment, sometimes patients ask about it, mostly at the preliminary consultations with doctors. Regarding the image of Sweden, as a country of origin of equipment, all respondents stated that it has some influence. Golanov specified that this image is positive. However, as Kostjuchenko explained, that this positive image is typical of any western foreign country, not Sweden in particular. He also mentioned that patients prefer the equipment to be not Chinese.

As regards future perspective of both Centers, currently they are able to meet the demand in treatment, however they plan to expand.

Using the information provided by our respondents Ivanov and Golanov the following Figure 10 was composed, which compares the total number of patients treated (the data was acquired in May 2012).

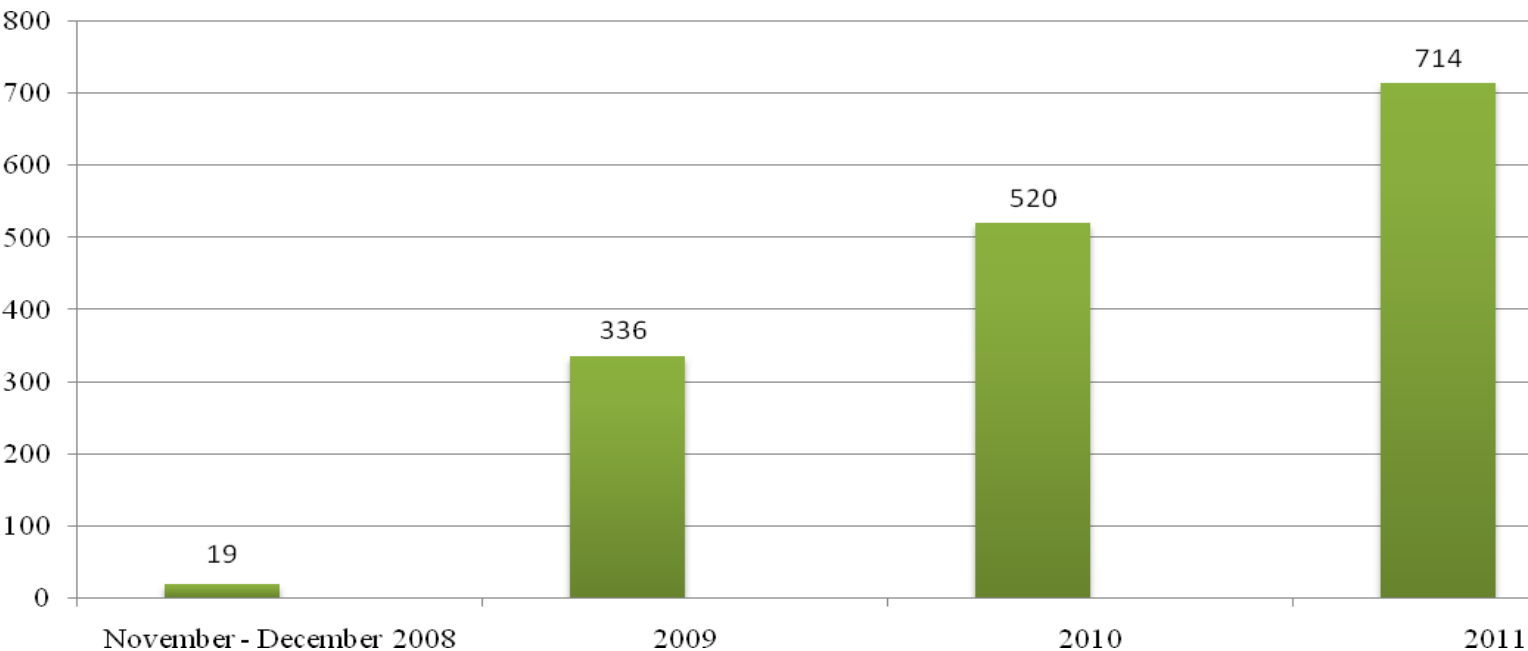
**Figure 10. Number of patients treated with Gamma Knife in Russia**



*Source: own construction derived from questionnaires*

Using the statistics from the website of the Radiosurgery Center at DTC of IBS in Saint Petersburg, the figures below illustrate the annual growth in number of patients treated with Gamma Knife in the Center (Figure 11).

**Figure 11. Annual growth in number of patients in Radiosurgery Center DTC IBS in Saint Petersburg**

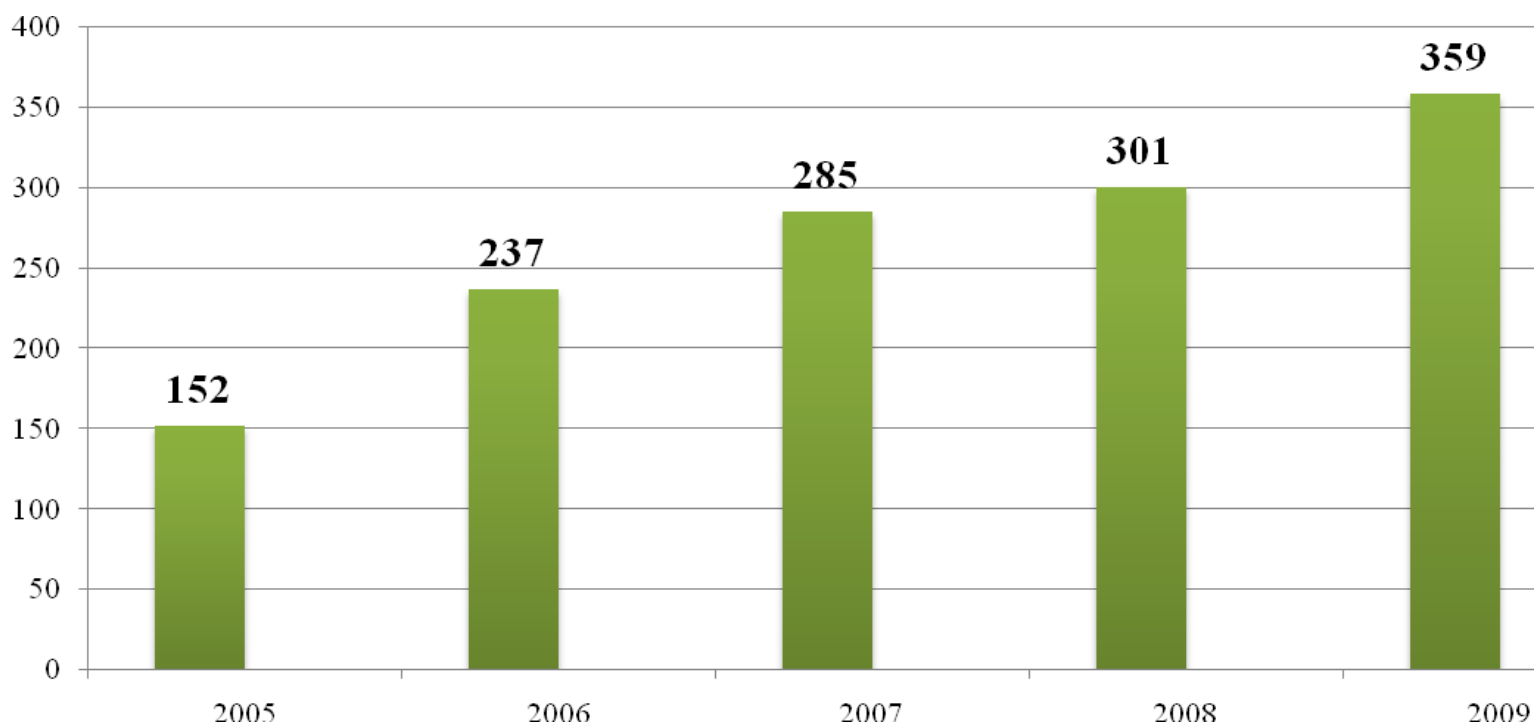


*Source: Radiosurgery Center at the Diagnostic and Treatment Center of the IBS (2012) and own construction*



The same type of figure (Figure 12) was composed for “Gamma Knife” Center at SRI of N.N. Burdenko of RAMS in Moscow using the data available on their website.

**Figure 12. Annual Growth in Number of Patients in Gamma Knife” Center at SRI of N.N. Burdenko of RAMS in Moscow**



*Source: Gamma Knife Center at the Scientific and Research Institute named after N.N. Burdenko of the RAMS (2012)*

It can be seen that there is a constant growth of number of patients operated with Gamma Knife in both Centers. According to answers of respondents, both Centers can satisfy the current demands in treatment, however, the Centers plan their expansion. That means that more patients are getting to know about possibilities of such treatment. But still there is lack of awareness of Elekta equipment among people and even doctors in Russia. As an evidence of that is an example of patient successfully treated in “Gamma Knife” Center in Moscow, who found out about “Gamma Knife” treatment possibility herself via Internet. Doctors and patients in Krasnoyarsk hospital, where she was diagnosed, didn’t know about existence of this technology (lgkrussia, 2010).

**4.3.3 Three variables of international service marketing process**

There are three variables of international services marketing process – trust, network and adaptation/standardization – that are discussed in the following chapter with the application to services provided by Elekta company.

**4.3.3.1 Trust**

One of the Elekta’s values is trust together with responsibility. In Elekta it is believed that “trust is something that is hard earned and yet so easily lost”. Responsibility is needed to develop trust, and the latter is required for long-term cooperation and research. Elekta pursues high level of customer loyalty and long-term relationships, as the results of great customer satisfaction. Satisfied and loyal customers become “ambassadors” of Elekta services. (Elekta, 2010/11, p.5, 46)

Life protection activity can’t be done without maintaining trust to the treatment solutions. To monitor its performance Elekta uses customer surveys for better understanding existing demands and needs (Elekta, 2010/11, p.50).

Moreover, Sweden in general has rather good image in most of the world. It is recognized that Swedish people are open and straight-forward, and not into bribery and corruption (Schwang, 2012). In previous studies of Elekta in China and Brazil, for example, it was found that Sweden as a country of origin of medical

equipment has a favorable image. The contact procedure for the purpose of this study with hospitals in Moscow and Saint-Petersburg can be considered as the evidence of that. During calls to both hospitals, the administrators were not willing to connect directly to Ivanov and Golanov, but after mentioning that the call is from Sweden about the research of Swedish company the mobile numbers of the doctors were received. Irina Sandin highlights that the image of Sweden usually plays positive role for those, who are involved in medical area and aware of Karolinska Hospital in Stockholm and its research practices. So, it increases trust. But for Russians in general, Sweden has no special image; in this case just the fact of being European benefits the attitude towards Swedish equipment (Sandin, 2012). Doctors at medical centers also mention, that image of Sweden has a positive influence on reputation of equipment, however, not Sweden in particular, but the fact that is foreign western country, usually mixed with Switzerland. As Kostjuchenko mentions, equipment should be foreign and not Chinese in order to be perceived as good by Russians.

Furthermore, as Elekta treatment solutions are expensive and relatively new for emerging markets, representatives of such markets are often suspicious and fear to be deceived. That is why it is really important for service provider to be reliable and responsible. When it comes to extremely accurate and high dose of radiation to the brain, it needs to be reliable. No one wants to question it and go for the second best. And that is to the favor of Elekta as it has treated so many patients over the years with Gamma Knife, thus, it has a proven concept (Schwang, 2012).

Understanding culture, mentality of people and current situation at the market is essential for success in this market. Irina Sandin compares herself with the “bridge” between Swedish company and Russian customers, which helps to fill in the culture gap. Company creates loyal customers, by means of establishing long-term trustful relationships and providing quality products and services. So, personality of manager and the corporate image play crucial role in establishing trust to company’s products and services. “*Elekta’s key to success is customer care*” (Sandin, 2012).

#### **4.3.3.2 Network**

To increase awareness about its treatment solutions Elekta participates in different congresses and trade shows, organizing also peer-to-peer activities. Elekta uses different channels to communicate, but not so much strait and traditional marketing (Schwang, 2012).

Company could help to influence key opinion leaders and policy makers in emerging countries to invest in cancer care. Training is also a big important factor, where we can help, setting up the training facilities in training education hubs, to support knowledge gaps in these areas. Elekta will continuously educate people, so, it is a continuous relationship with every center to make sure that they stay on top of the knowledge developed and also with the new features and upgrades (Schwang, 2012).

And financing is another thing, where Elekta can help these projects to develop. Elekta has together with Swedfund created joint venture, it is called Global Medical Investments, and that company is really a good way of enabling these projects to come true in developing markets (Schwang, 2012). Typically, the reason why Elekta uses distributor and agency is that there is lack of local knowledge and local relationships. Sometimes, for instance, Swedish Trade Council, or Swedish embassies, help to deal with local markets. The representation of the market has connection with local government; and they are particularly the Ministry of Health.

Elekta collaborates continuously with research institutions, leading cancer care experts and hospital personnel worldwide. This helps to develop and new treatment systems, for example, like it was in the case of Leksell Gamma Knife Perfexion @, Elekta Synergy, Monaco treatment planning system and others (Elekta, 2010/11, p.7). Elekta collaborates with Karolinska University Hospital in Stockholm, running together a three-year research in stereo-tactic radiation therapy. Engagement in such partnerships assists exchange of

information, knowledge and experience among oncologists globally. Furthermore, Elekta also finances organizations and research groups, thus enhancing the standards for entire cancer care market (Elekta, 2010/11, p.7).

Some Partnerships, in which Elekta is involved:

*The Elekta International IMRT consortium* was established in 1995 and is dedicated to clinical practice and IMRT research in North America and Europe.

*The Elekta synergy Research Group* is aimed to create cooperation with clinical partners in order to develop image radiation therapy (IGRT).

*Leksell Gamma Knife Society* was founded in 1989. It facilitates development and improvement of treatment techniques of brain disorders without invasion. The meeting of this society is biannual event with more than 2,000 participants, resulting in important publications.

*The Elekta Lung Research Group* develops stereotactic radiotherapy of lungs cancer.

*Elekta Software* collaborates with the range of advisory boards of leading professionals: physicians, oncologists, pathologists, administrators, etc. (Elekta, 2010/11, p.8).

In the summer 2011 Elekta has decided to purchase the leading in brachytherapy company, Nucletron, which allowed to broaden the range of products and to increase the existing customers' network (more than 5000) by 1000 customers. It also helps to reach more people geographically and to distribute more effectively. All this together assists Elekta in creating higher value to its stakeholders (Elekta, 2010/11, p.2).

Before entering Russian market, the company prepared for a long time to establish local contacts with government, local representatives, etc. The distributor was found, and the company continues to work with the same distributor for all this time as he is very enthusiastic about cooperation, knows the local market procedures, and shares Elekta strategic vision. Russian distributor works with a team of 12 engineers, who train other specialists in this market. This team is of great importance for Russian market, because it helps to provide already purchased equipment with sufficient technical support. There are Leksell Gamma Knife societies at international, European, and local levels. Also, meetings of Elekta equipment users, seminars, conferences and congresses are organized. Training is also a part of network, as experienced users educate their colleagues, and exchange experience and ideas. Elekta and its Russian distributor, MSM Medimpex, organized the first Eastern European Users Meeting, which convened in Moscow, June 24-25, 2011. Unfortunately, there weren't other meetings, but they are planned. (Sandin, 2012)

#### **4.3.3.3 Adaptation/standardization**

In order to be flexible and respond to needs of particular customers, Elekta employs "open interfaces and industry services". It means that customer can get product and software, suitable for its specific technical needs. Moreover, components from another manufacturer can be used to complement the chosen solution. (Elekta, 2010/11, p.8)

When adapting/standardizing the service to Russian market, the company should consider the influence of post-soviet past, and lack of knowledge about radiotherapy in Russia (Sandin, 2012).

Thus, most of Elekta's software is translated into the world largest languages, but it depends on kind of software. The process of translation continues in order to adapt to local markets. For example, MOSAIQ and other software used mostly by doctors are translated in Russian language. As speaking English is not common practice for Russians, especially older generation, Elekta tries to bring Russian-speaking doctors to various seminars, meetings, other Centers in order to present the information and share experience in a comprehensive manner (Sandin, 2012).

In order to enhance the understanding and interest in developments of radiosurgery and in Elekta products and services, the company organizes seminars and events, where Russian speakers participate and

share their experience and achievements in this area. This increases the level of understanding by other Russian-speaking participants.

To adapt to specifics of Russian market local representation is used. It allows to adjust to peculiarities of this market and to meet local demands. But the company carefully selects their distributors and representatives, who are obliged to sign a code of conduct, agreement saying that they are not allowed to engage in any bribery or corruption activities (Schwang, 2012). In Russian market, Elekta cooperates with its Russian distributor MSM Medimpex. In addition, Irina Sandin (2012) admits that sometimes she acts as the “bridge” between Western company (Elekta) and Eastern customers (Russians) for being the person who fills in the culture gap.

The company uses global standardized price; however, it differs depending on configuration of equipment (Sandin, 2012). When machine is assembled, it’s not a standard way. All doctors have their own requirements, needs, and desires (Schwang, 2012).

In order to get a comprehensive overview of the usage of such aspects of international services marketing as trust building, networks establishment and adaptation/standardization by Elekta in Russian market, the following Table 4 was composed. It unites the information obtained from questionnaires answered by Russian doctors and interviews with Elekta representatives regarding marketing strategy variables and is separated accordingly. The information presented in this Table is analyzed and compared with Theory in Analysis part.

**Table 4. *Aspects of international services marketing implemented by Elekta to Russian market***

Respondents	Aspects of marketing strategy		
	Trust	Network	Adaptation/ Standardization
<b>Gustaf Schwang</b>	Company reputation; Proven concept; Good image of Sweden (politics, foreign aid, open, no corruption and bribery);	Training education hubs; Continuous relationships with every Center; Global Medical Investments; Congresses, trade shows, peer-to-peer activities; Swedish Trade Council, Swedish embassies, Ministry of Health; Gamma Knife society, its World, European meetings	Standardized way to assess and chose the market; Entry mode depends on markets criteria; Standard price; Adapted assembly
<b>Pavel Ivanov</b>	Image of Sweden; Long-term relationships	Fifth Asian Gamma Knife Academy, organized by IIBS, financed by Elekta Trainings	Trainings in English; Certificate of Attendance
<b>Andrey Golanov</b>	Positive image of Sweden	Cooperation with colleagues from Sweden and others countries; Meeting of the European “Gamma Knife” users, World Congress of the “Gamma Knife” users, seminars OJSC “Business center of radiosurgery”	Trainings in English; Certificate of Attendance
<b>Valery Kostjuchenko</b>	Positive image of Sweden as a foreign country, and not China; Accuracy of equipment.	Trainings at “Gamma Knife” Centers	Trainings in English; Certificate of Attendance
<b>Irina Sandin</b>	Image of Sweden as a European country; Reputation of Karolinska Institute; Company reputation; Quality service and products; “Customer Care”; Personality of manager	Contacts with government, local representatives; Russian distributor with a team of 12 engineers; Gamma-Knife societies at international, European and local levels; Training, meetings, congresses,conferences,etc.; First Eastern European Users meeting in Moscow	Training is in English; Some software is in Russian, continue translating; Russian-speaking doctors to hold seminars, etc.; Global standardized price; Adapted assembly

*Source: Own construction*

### **Culture aspect**

Both Gustaf Schwang and Irina Sandin confirm that culture is important aspect to consider for international company while acting globally. Gustaf states that the person should be open-minded and pursue understanding of different cultures. As a confirmation of importance of culture factor, Irina mentions that the fact that she belongs to Slavic group of cultures (Belorussian, Russian and Ukrainian cultures) and speaks Russian as a mother tongue, was one of the reasons for hiring her as Elekta representative for Eastern Europe region. Irina's origin facilitates her understanding of Russian mentality and as a result the ways of doing business in Russia. Moreover, she compares herself with a "bridge" linking Swedish company (Elekta) and its customers and distributor (Russians).

### **Organizational structure**

Elekta company is organized as a matrix structure, which is found as one of the most effective for international company, providing equipment and services worldwide, as it enhances coordination and collaboration between company entities. As the focus of this investigation is Elekta services marketing in Russia, the authors clarified the effectiveness for Elekta of being organized as a matrix structure with Irina Sandin, who is responsible for Russian market. She proves that this kind of structure helps to coordinate activities in different countries and business areas; especially good if there are enough workers responsible for different tasks. In the business unit of Eastern Europe currently all the task are performed by a small team of three of persons, including Irina. These people are highly involved in all kinds of business operations of Elekta in Russian market and therefore are useful sources of knowledge about this emerging market for the entire company (Sandin, 2012).

By summarizing, the empirical study shows, that

- Business environment in Russia is not completely favourable, as it is characterized by high political risk, government instability, bureaucracy, crime and corruption, lack of economic security and monetary instability;
- Russian national culture is characterized by large power distance, high uncertainty avoidance, collectivistic and feminine values;
- For establishing trust in Russian market, the creation of favourable image of foreign country, reputation and high standards are important;
- In order to enter Russian market, it is important to use both adaptation and standardization practices;
- Network establishment for foreign business in Russian market is essential.

## 5. ANALYSIS

*This chapter is written in order to combine and critically discuss the differences and similarities between theory and empirical findings. First, the comparison of national cultures with the help of four cultural dimensions is discussed; further, the ways Elekta company in Russian market employs trust, network, and adaptation/standardization as a part of their international marketing strategy are discussed. Then, theoretical framework and service peculiarities, applied for Elekta, are presented and a new framework developed.*

### 5.1 Russian national culture in comparison with Swedish national culture

**PDI.** Russia is a large-power-distance society, which means high inequality and importance of status. That, in turn, implies significant influence of authorities' power on doing business in Russia (Itim Culture and Manangement Consultancy, 2012). Government can either support or interfere in business processes. When doing business in Russia, especially at the initial stage, companies require financial and legal governmental support. But at the same time the system is highly bureaucratic and often there is lack of finances available, these can be a big obstacle and challenge for foreign companies entering Russian market and conducting business there. For example, Golanov mentioned in his answers to the questionnaire, that the "Gamma Knife" Center faced lack of governmental support at the initial stage of establishment of the Center. But they overcame the problem in "Gamma Knife" project with the help of OJSC "Neuro-surgery business center" (see page 39). As Irina Sandin pointed in her interview, at the initial stage of entering Russian market, it was necessary to establish contacts with local government and local representative – distributor. The whole system of health care should be changed in Russia and other emerging markets. In order to facilitate changes Elekta company tries to spread education, awareness and understanding of cancer burden, starting with governmental authorities' level (see page 34). In contrast, for Sweden, which is lower-power-distance society (Hofstede et al., 2010), the relationships with authorities are different and the level of bureaucracy is lower.

**IDV.** Being a collectivist culture, Russian people pay a lot of attention to general opinion and image of clinics, doctors and equipment, created by means of word of mouth, for example. Also, people from collectivist cultures like to belong to different groups, with respect to opinion of group members (Hofstede et al., 2010). It is wise for Elekta to create networks, such as "Gamma Knife" societies, and organize meetings, conferences and other events, where people can share and exchange their opinion and experience. Moreover, as there is lack of awareness of Elekta equipment among people and even doctors in Russia, and taking into account Russian collectivism in contrast to Swedish individualism, it is really important to reinforce good image and reputation of Elekta in medical Centers in Russia, so that it can be spread by patients and medical staff. All respondents mentioned, that typically patients get to know about treatment from doctors, other patients or Internet (see page 39). As an evidence of lack of awareness about possibilities to be treated with Elekta equipment is a case of successfully treated patient from Krasnoyarsk hospital, where doctors and patients didn't know about existence of this technology. And, occasionally, she found out about "Gamma Knife" Center in Moscow herself via Internet (lgkrussia, 2010). This means, Elekta still needs to spread the information about its treatment solutions more among medical personnel and via Internet sources.

**MAS.** Russia is a country with rather feminine values (score 36 out of 110). However, it yields to Sweden, which has the lowest score 5. More feminine values for society include caring for others, quality of life and high quality medical care, social services, etc. In Sweden medical sector is well-developed and health care is easily accessible (Hofstede et al., 2010). In Russian society the situation is more complicated. About 70 percent of mortality from cancer due to late diagnostics is occurring in low- and middle-income countries, which Russia belongs to. The cause of that is often late diagnostics, which means that the level of health care

accessibility and people tendency to care about their health are lower than in Sweden. Gustaf Schwang also referred to these problems as typical to emerging markets and said that Elekta often encounters them (see page 33). Irina Sandin also stated, that health care expenditures per capita in emerging markets are substantially lower than those in Scandinavia or Western Europe (see page 34).

**UAI.** Uncertainty avoidance is noticeably high in Russia, especially in comparison with Sweden. This leads to creation of a great number of laws and rules, both written and unwritten, in order to avoid risks and to preserve stability (Salmi and Sharafutdinova, 2008, p.386). As a result, highly bureaucratic system was developed. All this, in turn, complicates entering Russian market for international companies. Moreover, high UAI means that changes are not so easy to make, including innovative ways of treatment, provided by Elekta. Thus, favorable image of company and country of origin can help to overcome suspicion, generated by high uncertainty avoidance. According to results of the survey, Elekta managed to overcome high level of uncertainty and suspiciousness to company and its products and services, as respondents from both Centers state that they are satisfied with cooperation with the company, highly evaluate its products and services, and plan to continue cooperation in future (see page 39). In such a sensitive area as providing services to patients the personality of the manager plays an important role. Russian market is not an exception. Customers need to rely on persons who represent the company. From the patients' point of view, country of origin and the fact that Sweden is a foreign western country, creates positive attitude towards equipment. Still, they are more dependent on doctors' opinion and decision.

## **5.2 Three variables of international service marketing process**

In the following section the variables of the process of international services marketing for the case of Elekta company in Russian market are discussed.

### **5.2.1 Trust**

Trust is especially important to establish while acting in service sector. It is even more essential for doing business internationally, because it helps to overcome heterogeneity and intangibility of service in culturally different environments.

According to Elekta website (elekta.com) trust together with responsibility are core values of the company. In such a sensitive area as brain treatment solutions it is of great importance to maintain high level of trust and customer satisfaction, which in turn lead to increased customer loyalty and long-term relationships. Satisfied and loyal customers become "ambassadors" of Elekta services (Elekta, 2010/11, p.46). To monitor its performance Elekta uses customer surveys for better understanding of existing demands and needs.

The image of country of origin influences trust towards its products and services. According to Gustaf Schwang, Sweden in general has rather good image in most of the world; Swedish people are open and straight-forward, and not into bribery and corruption. In this study it was observed that this fact is still being true in case of Elekta in Russia, as all the respondents mentioned good image of Sweden being important in establishing trust to company's products and services. However, it is because, in general, Russian people value foreign products and services, not Swedish in particular. Irina Sandin highlights that Russians also value European origin of equipment. Authors of this research from their own experience prove this point of view. Considering the preference of foreign origin by Russians in general, rather than Swedish in particular, it is important for Elekta to create a strong reputation of the firm in order to enhance trust of customers. According to Gustaf Schwang the company has already gained a favorable reputation in health care sector. It is also proved indirectly by the Russian hospitals, which expressed their satisfaction and desire to continue



cooperation with Elekta. Moreover, good reputation of Karolinska Hospital between medical personnel helps to increase trust.

It is also important to mention, that Gamma Knife itself helps to create strong trustful image, because it is “*state of the art, gold standard, treatment modality for brain disorders and brain metastasis*” (Schwang, 2012). All this enhances reliability and consequently level of trust towards Elekta and its products and services. However, such trust can be partly a consequence of the Gamma Knife uniqueness, Elekta is the only producer of this equipment. Those customers, who want to purchase Gamma Knife, can do it only via dealing with Elekta. Whereas in other solutions, where Elekta has competitors (accelerators, for example), the choice can be made in favor of another company (Varian accelerator in Saint-Petersburg Radiosurgery center). Still, Elekta equipment and services are of high quality, that make the company to stay competitive, as Irina Sandin mentions, and Valery Kostjuchenko proves its high accuracy.

One more important aspect to take into consideration is that in Russia patients treat doctors as superiors and are affected by their status and experience. This is also reflected in high PDI and low IDV indices for Russia. The importance of trustful relationships increases when the level of uncertainty is high. That is why, the personality of doctor is often more important factor for Russians than the country of origin of equipment. Taking it into account, the authors of this work want to stress the importance of high quality training of medical personnel working with Elekta equipment, as doctors indirectly represent the company to patients in Russian market.

### **5.2.2 Network**

As it was discussed in “Empirical findings” section Elekta is highly involved in networks of different kinds: congresses, trade shows, meetings and other peer-to-peer activities. Moreover, it continuously participates in collaboration with research institutions and cancer care experts worldwide.

Jansson (2007) calls emerging markets, where Elekta is operating, “*network societies*”, which means that relationships are really important and “*everything influences everything else*” (p.11-12). Thus, creating events and enhancing communication in such a market, the authors believe, will benefit the company.

Regarding Russian hospitals examined, the respondents answered that medical staff working with Elekta equipment participates in a range of events, organized and financed by Elekta or Gamma Knife centers all around the world. Golanov pointed that there are annual events in Gamma Knife centers and countries, in which the doctors of Moscow Center participate. For example, Meeting of the European Gamma Knife users, World Congress of the Gamma Knife users and other educational seminars, which allow exchange of experience. Ivanov told that medical personnel of Radiosurgery Center in Saint-Petersburg participates in events, organized by Elekta one-two times per year. For instance, The Fifth Asian Gamma Knife Academy. Some of these events and internships in Gamma Knife centers around the world are organized and financed by IIBS.

This networking helps to exchange knowledge and experience among specialists globally. Training is an important factor. Elekta supports knowledge gaps in cancer care areas, so, it is a continuous relationship with every center to make sure that they stay on top of the knowledge developed and also with the new features and upgrades. Furthermore, Elekta provides financial aid to some organizations and research groups, thus developing the standards for entire cancer care market.

In order to operate successfully in a challenging foreign market, such as Russia, it is important to establish contacts with local authorities, as a part of external network. As for country with high level of power distance, the relationships with authorities are of great importance. As soon as it is difficult to do directly also because of specifics of emerging markets, such as economic growth, fast change, uncertainty together with turbulence, complexity and uneven demand, and lack of financial resources, described earlier, Elekta has



chosen distributorship as an entry mode to Russian market (see page 42). This entry mode in contrast to other forms, green-field investment for example, allows to reduce potential risks related to emerging markets. The authors agree, that taking into account the situation with Russian emerging market, it is more secure to find a local representative, who knows the market better, at least for the initial stage of expanding into Russia.

### 5.2.3 Adaptation/Standardization

The literature written about international service marketing often promotes the idea of combination of adaptation and standardization for the best result. From one point, standardization helps to reduce costs, while adaptation favours cultural understanding and, consequently, better satisfaction of customers' needs.

Elekta employs both adaptation and standardization strategies while entering emerging markets. For example, Gustaf Schwang runs global strategic program of entering and expansion into emerging markets, which implies assessment of markets and the efforts in a more standardized way. Furthermore, the price and the high quality of the equipment are standardized in national markets. According to the respondents from Russian hospitals, the training process they experienced, was held in Stockholm, Pittsburgh, Marseille and Tokyo in English language. This means that training is standardized and is the same for doctors of different nationalities. And as a result of training, doctors and other medical personnel get certificates as a proof. Thus, senior medical staff in Russia, working with Elekta equipment, also has to know English language well.

Regarding implication of adaptation strategy to Russian market, machines are assembled to particular requirements, needs and desires of doctors in local hospitals. This increases satisfaction of customer needs, and it is not a standardized way of doing business with clients

Also, some of Elekta software is translated into Russian language, and the process of translation continues in order to adapt to local market. For example, MOSAIQ and other software used mostly by doctors are translated in Russian language. As speaking English is not common practice for Russians, especially older generation, Elekta tries to bring Russian-speaking doctors to various seminars, meetings, other Centers in order to present the information and share experience in a comprehensive manner (see page 43).

Dealing with Russia through distributorship also can be perceived as an adaptation to this market, as it helps to avoid undesirable risks and to adjust to local specifics, including cultural features. Despite the existence of such notion as a "blat" network in Russian business, it is unlikely that it is happening in cooperation of Russians with Elekta, because Elekta pursue uncorrupted and clear ways of doing business. That is why this company carefully selects their distributors and representatives, who are obliged to sign a code of conduct, agreement saying that they are not allowed to engage in any bribery or corruption activities (see page 44). Certainly it is not an absolute guarantee of absence of destructive phenomenon, but undoubtedly enhances credibility of business.

As company has gained success while operating in Russian market, the authors can conclude, that the combination of adaptation and standardization techniques was chosen right.

As it was discussed in theoretical part of this study such services characteristics as heterogeneity and intangibility complicate customer understanding of quality and value of the service. This is even more important for international services marketing, as people's subjective perception of service varies significantly among different national cultures. Because of heterogeneity and intangibility customers tend to evaluate quality and value of services indirectly. That is why in order to create right customer's perception of high quality and credibility three variables, namely trust, adaptation/standardization and network, can be used. These variables individually and together help partly to surmount difficulties in international services marketing, caused by heterogeneity and intangibility. Trust and network mostly influence intangibility, while

adaptation/standardization helps to overcome heterogeneity, caused by cultural specifics in different countries (Fregidou-Malama and Hyder, 2011).

### **5.3 Culture aspect**

According to Woodruffe (1995) one of the biggest challenges in international services marketing is the problem of cultural differences, which are important when providing services to foreign clients. Delivery of services has to be verified and adapted to target customers in international markets, and the service quality should satisfy the customers in various markets the company enters (Woodruffe, 1995, p.32). In order to apply international marketing strategy effectively managers should take cultural perspective on their business activities in other countries (McAuley, 2001, p.37). The comparison of Russian and Swedish national cultures with a help of Hofstede et al. (2010) cultural dimensions illustrate significant cultural differences between these two countries. Russian culture, being collectivist, highly uncertainty avoidant and with large power distance appreciate trustful, reliable relationships and networks. Feminine values, intrinsic to Russians, make the development of health care sector important and desirable goal for Russia.

According to respondents, Gustaf Schwang and Irina Sandin, culture is important aspect to consider for international company providing its products and services in different cultural environments. Gustaf states that the person should be open-minded and pursue understanding of different cultures. As a confirmation of importance of culture factor, Irina mentions that the fact that she belongs to Slavic group of cultures (Belorussian, Russian and Ukrainian cultures) and speaks Russian as a mother tongue, was one of the reasons for hiring her as Elekta representative for Eastern Europe region. Irina's origin facilitates her understanding of Russian mentality and as a result the ways of doing business in Russia. Moreover, she compares herself with a "bridge" linking Swedish company (Elekta) and its customers and distributor (Russians). The fact, that Elekta deals with Russian market through local distributor, also helps to overcome difficulties, caused by cultural characteristics of Russia. Russian distributor assists Elekta in solving issues with local authorities and government, as it is aware of ways of doing business in Russia.

Thus, the authors can make conclusions, that knowing and understanding cultural peculiarities of Russian culture and using an assistance of Russian distributor have helped the company to be successful in this destination and to become a market leader.

### **5.4 Organizational structure**

Organizational structure of the international company influences the effectiveness of its business (Wild et al., 2010, p. 315). Elekta company has chosen matrix structure (see Figure 9), as it is a big medical company with research centers in different countries; and this structure helps to coordinate global activities, increases responsiveness and reduces costs. The coordination of activities and cooperation between employees are also better at matrix structure.

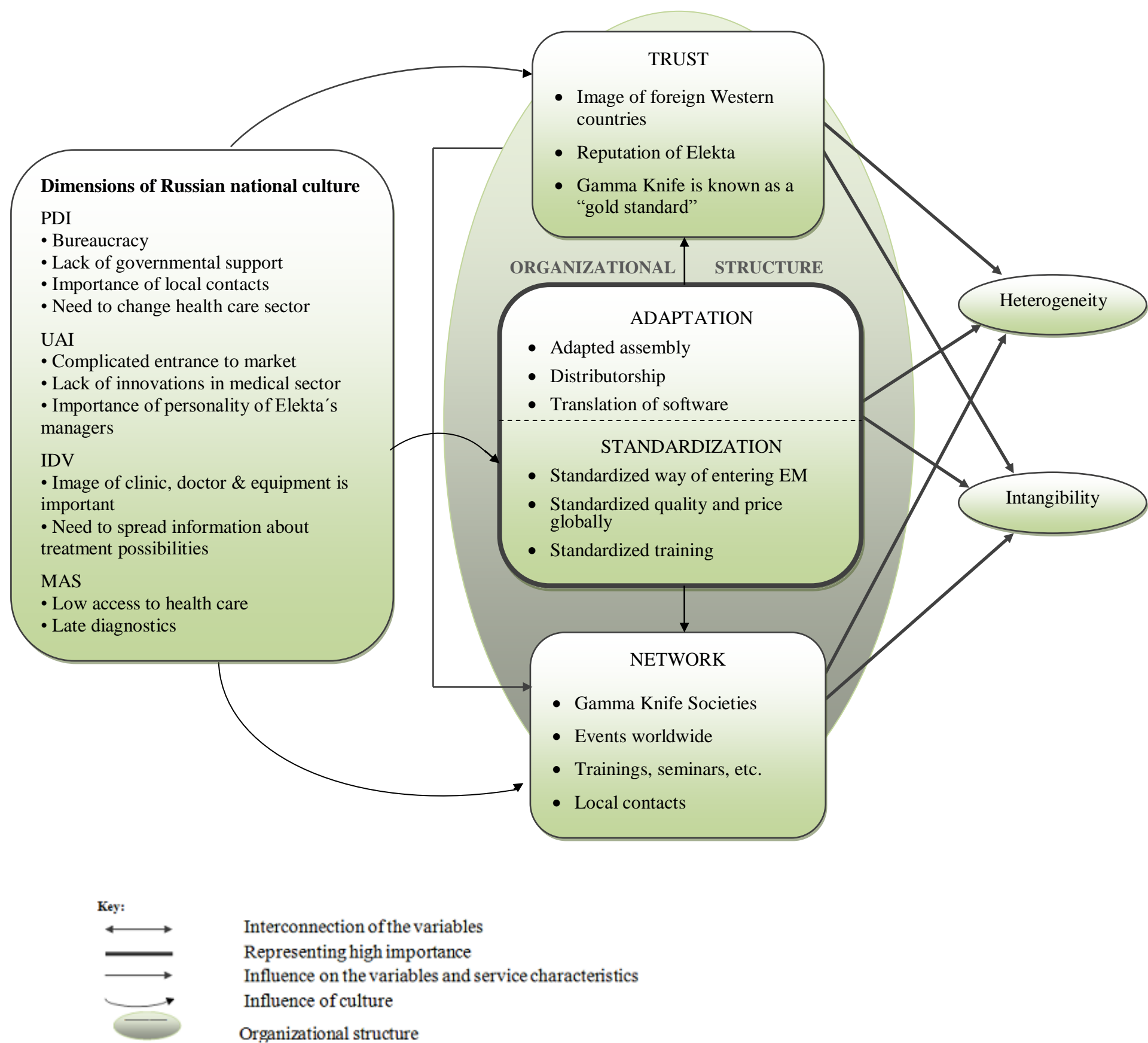
As Elekta company is entering emerging markets with its products and services, matrix structure can help better coordinate these international activities, creating trust to its products/services worldwide, creating global networks and adapting to local markets where it is necessary. This kind of structure helps to coordinate activities in different countries and business areas as the company has three country divisions and four product divisions; thus, every manager reports directly to two bosses within the company: one – responsible for region, another – responsible for products and services area. This structure is especially effective, if there are workers responsible for different tasks and working in the same intersection of product and country division. For

example, in the business unit of Eastern Europe currently all the tasks are performed by a small team of three persons, including Irina Sandin. This means a great workload, as the region of Eastern Europe is quite big.

### 5.5 Process of international services marketing: the case of Elekta in Russia

The theoretical framework adopted from Fregidou-Malama and Hyder (2011) was modified in this study, taking into account the theory and empirical findings presented above. Three variables effecting intangibility and heterogeneity of services are explained in the model (trust, network, and adaptation/standardization) with the implication to Russian market; and organizational structure supplements the model as it has certain influence on the effectiveness of doing business internationally and consequently on discussed variables. Below the figure illustrating the process of international services marketing by Elekta in Russia is presented (Figure 13).

**Figure 13. Process of International Services Marketing in Russia**



Source: Own construction

## 6. CONCLUSION

*This chapter concludes the present research. Firstly, the answers to three research questions are discussed here. Further, limitations of the study are presented. And implications of the study and recommendations for future research are given.*

### 6.1 Discussion of the research questions

This study was aimed to investigate how the Elekta company products and services are marketed in Russia. For this purpose such aspects of marketing strategy as adaptation/standardization, trust and network development, which help to decrease the influence of intangibility and heterogeneity of services, were examined. In this Chapter the authors summarize the results of current research, answering three research questions.

**RQ1.** *How is trust developed in the local environment and how does it help to overcome the intangibility and heterogeneous nature of service offerings?*

Trust is an integral part of service offerings in health care sector, especially in such a sensitive area as treatment of brain disorders. Elekta was able to develop trustful relationships with its customers in Russian market. Firstly, image of Sweden as a foreign European country is favorable for Russia as a post-soviet country. However, doctors, who are aware about research at Karolinska Hospital in Stockholm, appreciate the image of Sweden in particular. Secondly, a good reputation of Elekta company in international arena has helped the company to enhance trust to its products and services. Thirdly, the Gamma knife itself gained fame as unique equipment – “gold standard” in brain radiosurgery. Moreover, Gamma Knife is equipment created, patented and produced only by Elekta. Besides that, trust in Russian market is created by word-of-mouth communication, which can be developed and spread during Gamma Knife society events and peer-to-peer activities. One more important aspect of maintaining credibility by Elekta is the fact that distributor acting in Russian market is obliged to sign a code of conduct, which requires honesty in conducting of business. Furthermore, the current Russian distributor is effective partner to Elekta in its strategic goals and values. This distributor also facilitates solving issues with local authorities and government, as it is aware of Russian business and cultural specifics. Being representatives of Russian national culture helps Russian distributor to deal with customers. High PDI and UAI, low MAS and low IDV influence the way Russians do business and perceive services. As a result, for Russians trust and positive word of mouth is of utmost importance. All together, described ways of developing trust eliminate to some extent the influence of such service characteristics as intangibility and heterogeneity on customers’ perceptions.

**RQ2.** *How networks are established by Elekta company help to overcome the intangibility and heterogeneity of service offerings?*

Establishment of internal and external networks is crucial for prosperous business, especially if the company is international. Elekta is successful in building networks, for example, by creating and organizing various events, peer-to-peer activities, and trainings and seminars. One of the biggest networks is Gamma Knife Users society, which unites health care professionals from Gamma Knife Centers all over the world, including Russian doctors. Eastern European Gamma Knife Users meeting, organized in Moscow in June, 2011, is a first step to development of network for this particular region. Such meetings result in exchange of experience and knowledge, numerous publications in health care and innovative solutions. Moreover, Elekta is involved in fruitful collaborations with research institutions, Karolinska Hospital, for example, in order to develop cancer care treatment solutions.

Besides that, network of local contacts is necessary step in doing business in foreign market, especially in Russian market which has a high level of bureaucracy and many legal rules. These features are common for such national cultures as Russian, which are highly uncertainty avoidant and have great power distance. That is why the contacts with local intermediaries can facilitate the business process. Thus, establishment and development of discussed networks helps to reduce the impact of service characteristics - intangibility and heterogeneity - in the process of international services marketing.

**RQ3.** *How does adaptation / standardization of Elekta company services take place in Russian market?*

Elekta maintains the balance of adaptation and standardization strategies in Russian market. For example, the assembly of its products is adapted to particular requirements of each customer needs and financial possibilities. Distributorship is another way to adapt to local market peculiarities, as local intermediaries can be useful links between company and customers, by means of that some problems created by cultural differences can be avoided. The fact that Business Unit Manager, responsible for Eastern Europe region, including Russia, is Belorussian and speaks Russian as a mother tongue, also facilitates overcoming cultural differences. This person acts as a “bridge” between Elekta and its Russian distributor, customers. One more aspect of adaptation is that some software is translated into Russian and this process continues. Moreover, company encourages participation of Russian speakers in different conferences, which allows to adapt knowledge transition process for other Russian participants.

As for standardization practices, Elekta pursues the standard way of assessing and entering emerging markets. Furthermore, the high quality and pricing policy of Elekta products and services are the same for different international markets. According to the answers to the survey questions, education and training programs are also standardized and carried out in English language for participants from different countries.

Such combination of adaptation and standardization strategies, employed by Elekta for dealing with different national markets, helps this company to overcome heterogeneity and intangibility of services making it more visible for customers.

During this study international process of services marketing was examined using the case of Elekta company in Russia. It was accomplished by analyzing how Elekta employs trust, network building, and balance of adaptation and standardization strategies in order to overcome heterogeneity and intangibility while marketing their products and services in Russian market. It is also interesting to mention, that in contrast to the results of the previous studies of Elekta (in China, for example), in Russia the image of Sweden as a country of origin is important mostly in the way that it is a foreign (European) country and not because of Sweden in particular. However, situation can be different for professionals, who are familiar with research in Karolinska Hospital in Stockholm. Moreover, the status, experience and reputation of the particular doctor play a crucial role for Russian patients. The reasons of that are derived from characteristics of Russian national culture, such as large power distance, high uncertainty avoidance and collectivism. Moreover, it was suggested by the authors, that organizational structure of international company Elekta, matrix structure in this particular case study, favours the development and effectiveness of the discussed variables. Coordination and responsibility distribution, which are attributable for this organizational structure, facilitate operational effectiveness of its divisions and as a result of entire company.

## 6.2 Critical reflection on the study

In order to support reliability and validity of the current study, the authors carried out five interviews with individuals, working for Elekta company or with Elekta equipment. To make the study reliable, the interview guidelines are presented in the Appendices to present research, so any other researcher can use those. And the same or similar questions were given to different respondents to derive the most valuable data, important to current research, which also enhances the validity of the research.

On the final stage of the research the authors identify the drawbacks and limitations of this study.

The research was focused on the examining of relationships between Elekta company as a service provider and hospitals in Russia as its customers. It would be beneficial to get also feedback from patients who experienced treatment on Elekta equipment.

The main limitation is that one case study of Elekta equipment and services in Russian hospital was examined. Moreover, only private clinics in Moscow and Saint-Petersburg provided data for current research. However, Moscow and Saint-Petersburg are rather distinct from the rest of Russia, being the largest and the most developed cities. Thus, one case study is not sufficient for making generalization of results of research. The results can be generalized only for markets displaying similar characteristics.

Gamma Knife equipment was taken as a focus for this research, being unique installation and “Gold standard” of radiosurgery. There are no competitors with the same product. Also, the hospitals examined in the study mentioned only Gamma Knife installations as an equipment of Elekta in their Centers.

The survey of Centers in Russia was made via questionnaires sent by e-mail to the Heads of the Centers, both in Moscow and Saint-Petersburg. There was no possibility to visit Centers to make direct observation and interview respondents in person, what could help to increase the amount and quality of data, and to clarify unclear moments. Ideally, it would be better to have answers to questionnaires from every person working with Elekta equipment and experiencing their services in the Centers.

Both authors of current study belong to Slavic group and speak Russian as their mother tongue; this fact creates an advantage in communication with Russian respondents. This is due to common mentality and the same language, which allow to increase the level of understanding between researchers and respondents and avoid cultural and language misunderstandings.

## 6.3 Implications and suggestions for further research

### *Implications*

The present research has a number of theoretical and practical implications.

The modification and adaptation of theoretical framework of Fregidou-Malama and Hyder (2011) contributes to the theory of international services marketing process. In addition, as there is lack of research in health care sector, this study can be valuable addition to this research area.

Also, this study continues research of international services marketing in health care sector with the case of Elekta company in different countries (Egypt, China, the Philippines, Brazil, Hong Kong). Research of case of Elekta in Russia complements this range of studies with information applicable to Russian market, and thus, develops the theoretical framework.

Besides, current research has certain practical value in a sense that it can be beneficial for international companies expanding into emerging markets in general and in Russian market in particular. They can get general insight into peculiarities of Russian business and national culture, which can be helpful for entering this market successfully.

Moreover, it was discovered during the research that there is lack of awareness of existence of Gamma Knife treatment among Russian patients and even doctors. That is why, it is important to increase awareness about it. This research can to some extent assist this inclination. This can be considered as a societal implication of the research.

#### ***Future research suggestions***

This study contributes to the development of international services marketing theory and its practical implication. However, it would be beneficial to expand the range of complementing studies, using the cases of Elekta in different countries and emerging markets in particular. It makes great sense, as Elekta operates in 24 countries around the globe.

Health care industry is specific, especially cancer care sector and services marketing in this sphere is also special. The fact that Gamma Knife is unique equipment makes this research even narrower in a sense that there are no competitors with the same equipment. That is why the authors suggest that in order to develop international services marketing theory, it is necessary to include other services industry in the scope of research.

Furthermore, it can be beneficial for the purpose of future research to get answers from the patients who went through treatment on Elekta equipment about their experience, and attitude towards treatment on this particular equipment. It would be a feedback for Elekta company and useful addition to the research and possibility to increase awareness of Elekta treatment solutions.

One more important issue, which can be a focus for future research of Elekta services marketing in different national markets are the reasons for customers to prefer products and services of Elekta competitors in the service areas others than Gamma Knife.

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## APPENDICES

### Appendix A. Letter of recommendation from Maria Fregidou-Malama



UNIVERSITY OF GÄVLE  
DEPARTMENT OF BUSINESS STUDIES  
MARIA FREGIDOU-MALAMA

Gävle 2012 04 27

#### **LETTER OF RECOMMENDATION FOR ALENA BAZYLEVA AND MARIA ZAYTSEVA TO WHOM IT MAY CONCERN**

Alena Bazyleva, born 1986-05-16, and Maria Zaytseva born 1987-04-17, are Master students in Marketing Management at the University of Gävle, Department of Business Studies. They started their studies at the department the year 2011. Alena and Maria have been successful in passing their courses. They study in English, The Swedish Institute is financing their studies and this semester they started writing their Master Thesis about Elekta in Russia.

I can say I know Alena and Maria as their supervisor and teacher. They have integrity and are really ambitious in their studies. They are good in writing; they use a logical structure in their presentations and critical thinking through the assignments they present in the class. 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 Elekta in Brazil and one of our students researches Elekta in Hong Kong. We also studied Elekta in Philippines and in China.

I hope Alena and Maria will be able to continue their thesis writing by getting the opportunity to research Elekta in Russia! We hope you will give them the chance to explore and research your company. To write a thesis they need to conduct at least six interviews but the number of interviews depends also of the size of your company and whom you recommend them to interview. I believe they can write a good thesis which can be for use for your company in the future. Thank you in advance!

Sincerely yours

A handwritten signature in blue ink, appearing to read 'mfregidou'.

Maria Fregidou-Malama, PhD. Assistant Professor  
Departmental International Co-ordinator  
Phone: 0046-26-64 86 87 or 0046-70-620 16 01

Appendix B. Interview with Gustaf Schwang

Interviewee’s name	Gustaf Schwang
Interviewee’s position	Market development manager, region Europe and Aflame, Elekta AB
Title of interview	“Elekta in emerging markets. General information”
Interviewed by:	Alena Bazyleva and Maria Zaytseva
Type of interview	Semi-structured interview, recorded
Location and date	Stockholm, Elekta Headquarters, 2012-04-12
Time and duration	15.00, 50 minutes

Maria: *What are your main functions (duties) within Elekta?*  
Gustaf: I have been working for Elekta for almost three and a half years now, started working as a Manager, which is right-hand man to the President and CEO Tomas Puusepp. So, I did that for a little bit more than two years, involved in different projects. And since about a year and a half back I am working at the region Europe and Aflame - Africa, Latin America and Middle East, and I am focused on our emerging markets. My focus has been more on Africa. But since a couple of months back I am running also a strategic global program, where we are looking at how we enter and expand in our emerging markets in a more standardized way, so, how we assess markets, where do we put our effort in a more standardized well-assessed way.

Alena: *Do you want to enter all markets, doesn’t matter whether it is Africa or Latin America, with a standardized way?*  
Gustaf: It is about the way we assess what market to choose and where to go. We can do that in a more standardized way. And then, how we enter a market or how we expand it is, of course, very much depending on the criteria of a particular market. The way we are present at the market can either be through sales agent or distributor, or we form our own legal entity at that market place. But the latter is more common where we typically have been for a while through representation. So, that could be done in a standardized way, how we look at different important facts, before we make a decision to sign a distributorship or an agent agreement, or if we are going with our legal entity. So, this process is standardized. And also, I would like to say, within that program we are also looking at how do we help these markets to mature quicker for becoming interesting markets for us. It is not a matter of just sitting, waiting and analyzing what markets to go to, it is also to help the countries to mature quicker in cancer care. And there is a lot, what we can do in terms of creating awareness, to get them to understand, there is a cancer burden in the country to get together with collaborating partners and large organizations like WHO (World Health Organization), UICC (Union for International Cancer Control) and others. We could help to influence key opinion leaders and policy makers in these countries to invest in cancer care. Training is also a big important factor, where we can help, setting up the training facilities in training education hubs, to support knowledge gaps in these areas. And financing is another thing, where we can help these projects to develop.

Alena: *Is financing of cancer projects in local markets available only for Elekta representatives or for any hospital in the field?*  
Gustaf: The financing, we are talking about, is for projects to buy our equipment or, we even have been engaged into one project in Ghana, where we are also in hospital management. This is quite unique, but we have together with Swedfund created joint venture, it is called Global Medical Investments, and that company is really a good way of enabling these projects to come true in developing markets.

Maria: *When you start to work with emerging markets and they have bought the equipment from you, you provide them with training and after sales service. After some time, a few years, for example, is this training still the same or the doctors, who already can work with the equipment, teach others?*  
Gustaf: It is both, I think. Because the doctors, that get the initial training through Elekta, get to the level, where they can safely and effectively operate in oncology clinic with our equipment. And, of course, younger physicians, working with them, will learn from them or from more experienced doctors. But at the same time, we will continuously educate people, perhaps also the same doctors. So, I think it is a continuous relationship with every center to make sure that they stay on top of the knowledge developed and also with the new features and upgrades.

Maria: *Is it possible to update software on old equipment?*  
Gustaf: Sure, yes. Typical linear accelerator life span is around 12 years (10-12 years in the developed world), it is longer in the developing markets. But during that life time there would be a number of upgrades on the software side, and also, if they are financed, on the hardware side.

Alena: *Do you have some competitors with similar product in emerging markets?*  
Gustaf: The Gamma Knife is state-of-the-art “gold standard”, treatment modality for brain disorders and brain metastasis. There is only one Gamma Knife, and that is Elekta. It was founded at Karolinska hospital, in the 1960s. The first patient was treated clinically in 1969. And Elekta Instrument AB was founded in 1972, around the Gamma Knife basically. Today we have around 400+ Gamma Knife operations in the world, but primarily in the developed world. Unfortunately, in the developing, emerging markets there is a big demand. The patients are typically diagnosed at the very late stage of their disease. So, they usually have quite a lot of brain metastasis and problems, when they get into health care system.  
When it comes to linear accelerators there is a risk of competition. We are three in the game: Elekta in Sweden, Varian - American company, and Siemens - German company producing linear accelerators. And now Siemens had retired from this business field. We are only two companies still competing.

Alena: *Do other companies produce something similar to Gamma Knife?*

Gustaf: There are some Chinese companies trying to make copies of Gamma Knife. So far they have only been able to sell the products in China. When it comes to extremely accurate and high dose of radiation to the brain, it needs to be reliable. You do not want to question it and go for the second best. And that is to the favor of Elekta as we have treated so many patients over the years with Gamma Knife. It has a proven concept.

Alena: ***Have you already created the reputation of your company?***

Gustaf: Yes, sure.

Maria: ***How do you increase awareness in the emerging markets?***

Gustaf: What we typically do is participating in different congresses and trade shows. And we do a lot of peer-to-peer activities, for example, speakers at congresses talk about our equipment. We have different channels to communicate, but not so much straight and traditional PR marketing.

Alena: ***When you go to local market do you require customers to have special license for buying this kind of equipment?***

Gustaf: That is a regulatory question. It differs from country to country, what requirements are. Typically you need a license to sell the equipment in the country. I'm quite convinced that most countries in the world have a demand that a person who is operating on surgical device is trained enough to do it safely.

Typically the entry point of our company to an emerging market is not through the Gamma Knife, because it is a kind of upper level of treatment that we provide in our portfolio. Rather often and current way is to start with radiotherapy, for example, brachytherapy. The latest acquisition Elekta did about half a year ago is Nucletron, the largest provider in the world of brachytherapy equipment and solutions. Another way is to start with the linear accelerators.

Alena: ***Do you enter foreign market with the same price, is it standardized?***

Gustaf: It's quite flexible I'd say. We have standard price but it, of course, varies depending on the configuration of the project, and all projects have different requirements. When you assemble a machine, it's not a standard way. All doctors have their own requirements and needs, and desires.

Maria: ***What obstacles do you usually meet when you enter emerging markets?***

Gustaf: It varies a lot: what part of the world you are, what kind of customer you are dealing with (is it a private entity, is it a combination - private-public partnership, or is it a complete public procurement, ex., the Ministry of Health). But, of course, there are many different obstacles, bureaucracy is one of them, and also corruption. That's of course, a big obstacle.

Maria: ***Do you know whether Elekta wants to expand its business in Russia?***

Gustaf: Absolutely. We see Russia is a very interesting and important country and a market of course. And we are very successful in Russia. We are clearly the market leader, both on the linear accelerator side and Gamma Knife side.

Alena: ***What image does Sweden have in other countries, to your opinion?***

Gustaf: Sweden in general has rather good rumor and we are well-received in most of the world. It is probably due to our politics and our foreign aid, and hopefully also because it is recognized that we are open and straight-forward, and not into bribery and corruption, honest.

Maria: ***Do you select distributors?***

Gustaf: Yes, we select our distributors. We go through a screening process to make sure that they can represent us on that market. We also make them to sign a code of conduct, agreement saying that they are not allowed to engage in any bribery or corruption activities. But despite of that, we do what we can to avoid any such activities.

Alena: ***How do you create relationships in local markets?***

Gustaf: Typically, the reason why we use distributor and agency is that we have lack of local knowledge and local relationships. Sometimes we can do that with the help of, for instance, Swedish Trade Council, or Swedish embassies. I'd say more, that we choose representation of the market, and the representation of the market has connection with local government. And they are particularly the Ministry of Health.

Maria: ***Do you have networks?***

Gustaf: If you take the Gamma Knife, we have the Gamma Knife society. And there is one world meeting which is biannual event. There is meeting with about 300-500 neurosurgeons, who use the Gamma Knife. And then there are also more local Gamma Knife societies' inside meetings, like the European Gamma Knife society meetings. Elekta also hosts on the linear accelerator side, radiotherapy side, we have user meetings. And for instance, there is a European users' meeting, that's also biannual event with lot of participants, who are using Elekta linear accelerators, typically around 500-600 participants with the same kind of settlement.

Alena: ***Do you consider the culture of a country you enter important for your business?***

Gustaf: Absolutely. I think culture in general is very important when you do business. Elekta today is very multinational company, we have 3 000 - 4 000 employees globally, spread in 36 legal entities around the world; we have most nationalities, represented in our company. There is a group of about 5-6 people, covering an enormous amount of countries. So, they need to be very open-minded and understand different cultures in those territories. But, of course, again this is where the local representation comes into picture, where the local distributor agent can help with the culture.

Maria: ***What is a social implication of your business?***

Gustaf: I think that's the fantastic thing about the whole product range that we have, it made enormous difference to the patients in every country where we enter. It's really very efficient and good way to start and treat patients in any sort of level of

development in a country. We don't just sell products that are suited for the developed world, but also take the countries from the lower level of capabilities to allow more sophisticated treatment modalities for a lot of people.

Alena: ***Do you try to make your treatment more available for people from developing countries?***

Gustaf: Absolutely. Our mission is to make it accessible to as many people as possible, and sometimes it is done within a number of different solutions, where the private sector takes a certain number of people from the public system to treat them in a private center. There is a number of different opportunities.

## **Appendix C. Questionnaire answered by Pavel I. Ivanov**

### **Translation of the questionnaire: Services Marketing in a Cross-Cultural Environment – The Case of Elekta in Russia**

#### ***General questions***

1. For how long do you work at the Diagnostic and Treatment Center of the International Institute of the Biological Systems in Saint Petersburg? – Since 2008.
2. What is your current position at the Center? – Head of the Department of Radiosurgery, Neurosurgeon.
3. What are your main responsibilities? – Selection of patients for treatment, conducting of treatment procedure with the help of Gamma Knife, postsurgical control of results, HRM.

#### ***Cooperation with Elekta***

4. When did the Center begin collaboration with the company Elekta? – Since 2008.
5. What factors influenced the decision to cooperate with the company Elekta? – Elekta is the only producer of the Leksell Gamma Knife.
6. What difficulties have you encountered at the initial phase of collaboration with Elekta (lack of financing, for example)? How did you overcome those?
7. When did you purchase the first equipment? – June 2008.
8. What equipment of company Elekta and in which quantity is currently used at the Center? – Leksell Gamma Knife 4C.
9. How was the equipment purchased (through a distributor or directly from company Elekta)?

#### ***Medical staff of the Center and its training***

10. Number of medical staff working at the Center? – 5 persons.
11. Are there any foreign nationals among the medical staff? – No.
12. How many doctors are involved in direct work with Elekta equipment? – Three.
13. For the use of which equipment of company Elekta, it is necessary to go through training provided by Elekta? – Leksell Gamma Knife.
14. How many doctors went through this training? – One.
15. Who provides training? And where? – Education provided by Elekta, was held at the Karolinska University Hospital, Sweden. Besides that, I undertook training, provided by our Institute at Tokyo Women's Medical University, Japan.
16. What is the average duration of training? – Elekta – two weeks.
17. What is the language of training? – English.
18. Is there further training or retraining? If yes, how often? – No.
19. Do the specialists who were trained get some evidence (ex., certificate)? – Yes.
20. Evaluate on 10-point scale the quality of training provided by Elekta (where 1 - the lowest score, 10 - the highest score). – 8 points.
21. What other services does Elekta provide for the Center, besides training? – Sending of information about new products, congresses and conferences, sending of relevant articles, organization of conferences.

#### ***Network***

22. Does the Center cooperate with Headquarters of Elekta in Stockholm, Sweden? If yes, what does cooperation includes?
23. Does Elekta organize some meetings, activities and events for the users of Elekta equipment? If yes, which? – Elekta was the main sponsor of holding of the Fifth Asian Gamma Knife Academy, which was organized by the International Institute of the Biological Systems.
24. Are medical workers of the Center involved in the events, organized by Elekta (conferences, seminars, society meetings)? If yes, how often? – 1-2 times per year.
25. How often and with what purpose are the trips to the “Gamma Knife” Centers in other cities and countries organized? Is Elekta directly involved in those?
26. Who organizes and finances training and events? – Sometimes Institute, sometimes Elekta.
27. Are you satisfied by working at the equipment and by training? – Yes.

#### ***Patients and Elekta***

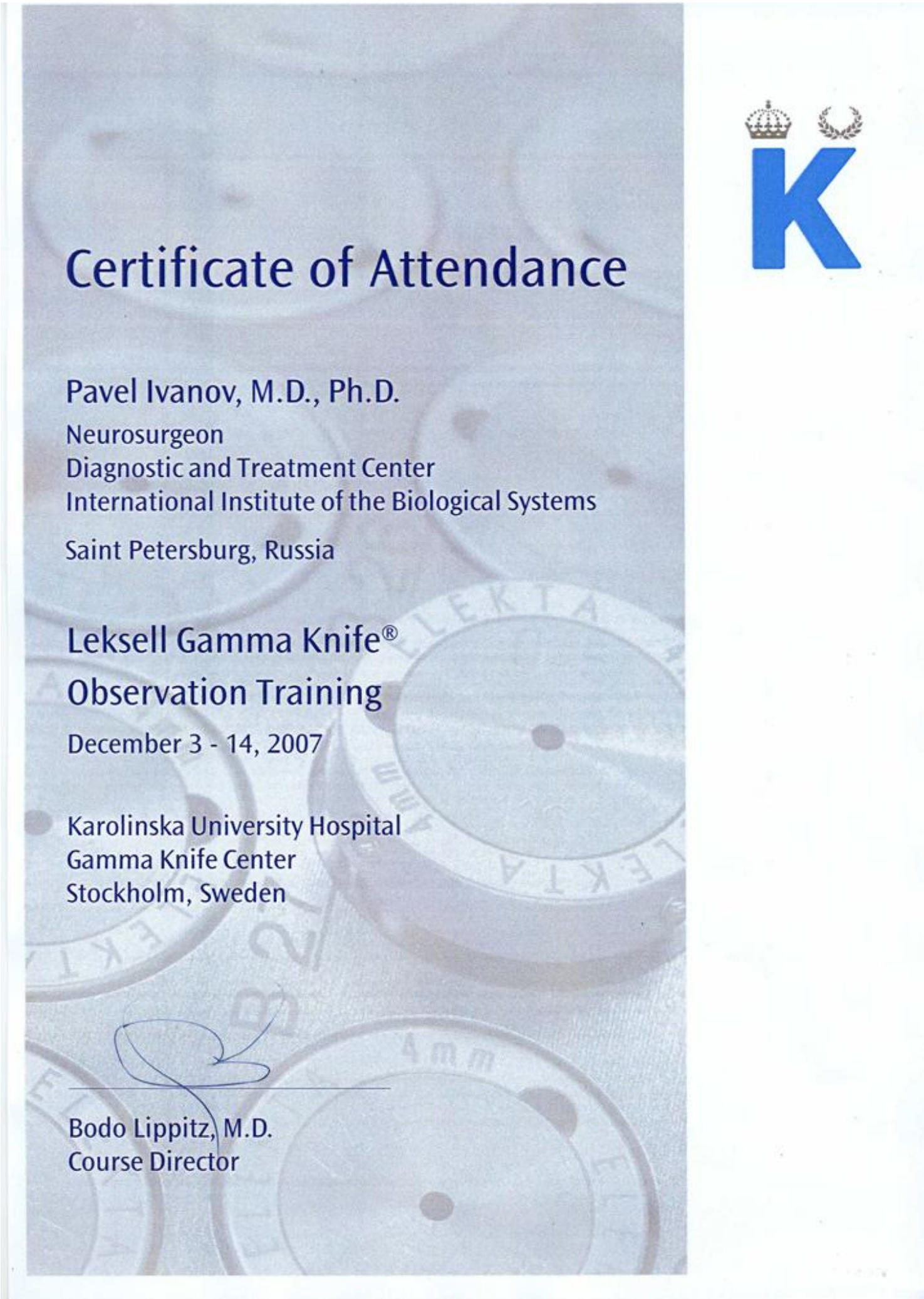
28. How many patients went through treatment with the help of Elekta equipment? – 1876.
29. Are the patients interested in the country of origin of equipment? – Sometimes.
30. Does the image of Sweden influence reputation of the Center and confidence of patients? If yes, how? – Yes.
31. How do patients get to know about the Center? – From doctors, via Internet.

#### ***Future perspectives of the Center***



- 32. Does the Center satisfy the current demand in treatment? – Yes.
- 33. Do you plan to expand the Center, increase the number of equipment, personnel and the range of services? – Yes.
- 34. Are you satisfied with the results of cooperation with Elekta? – Yes.
- 35. Do you plan to continue cooperation with company Elekta? – Yes.

***Thank you for your answers!***



## Appendix E. Questionnaire answered by Andrey V. Golanov

### Translation of the questionnaire: Services Marketing in a Cross-Cultural Environment – The Case of Elekta in Russia

“Gamma Knife” Center at the Scientific and Research Institute named after N.N. Burdenko of the Russian Academy of Medical Sciences

#### General questions

1. For how long do you work at the Center “Gamma Knife”?  
*Since the inception of the idea and the creation of the center – about 8 years*
2. What is your current position at the Center?  
*Chief medical officer, senior radiologist*
3. What are your main responsibilities?  
*Responsible for all medical issues related to the treatment of patients: primary and secondary consultation and participation in all stages of the treatment process*

#### Cooperation with Elekta

4. When did the Center begin collaboration with the company Elekta?  
*Since the inception of the idea and the creation of the center – about 8 years*
5. What factors influenced the decision to cooperate with the company Elekta?  
*Understanding the necessity of the development of radiosurgery in Russia, in particular, of the presence of “Gamma Knife” at the SRI of Neurosurgery named after Burdenko*
6. What difficulties have you encountered at the initial phase of collaboration with Elekta (lack of financing, for example)? How did you overcome those?  
*Lack of governmental support. The participation of PLC “Business center of neurosurgery” in the project “Gamma Knife”.*
7. When did you purchase the first equipment?  
*In 2005*
8. What equipment of company Elekta and in which quantity is currently used at the Center?  
*LGK “Perfexion”, stereotactic apparatus of Leksell for biopsy and functional neurosurgery*
9. How was the equipment purchased (through a distributor or directly from company Elekta)?  
*Directly, using leasing schemes*

#### Medical staff of the Center and its training

10. Number of medical staff working at the Center “Gamma Knife”?  
*Three nurses, three doctors, two medical physics*
11. Are there any foreign nationals among the medical staff?  
*No*
12. How many doctors are involved in direct work with Elekta equipment?  
*Three (“Perfexion”)+ four (Leksell frame+ stereotactic apparatus)*
13. For the use of which equipment of company Elekta, it is necessary to go through training provided by Elekta?  
*LGK*
14. How many doctors went through this training?  
*Three*
15. Who provides training? And where?  
*Stockholm, Pittsburgh, Marselle*
16. What is the average duration of training?  
*3-5 days*
17. What is the language of training?  
*English*
18. Is there further training or retraining? If yes, how often?  
*Yes, once three-four years*
19. Do the specialists who were trained get some evidence (ex., certificate)?  
*Yes*
20. Evaluate on 10-point scale the quality of training provided by Elekta (where 1 - the lowest score, 10 - the highest score).  
*8*
21. What other services does Elekta provide for the Center, besides training?  
*Communication with colleagues, visits to conference and workshops, provision of information and lists of publications about LGK radiosurgery*

#### Network

22. Does the Center cooperate with Headquarters of Elekta in Stockholm, Sweden?  
*Yes, communication with colleagues is the cooperation with Headquarters*
23. Does Elekta organize some meetings, activities and events for the users of Elekta equipment? If yes, which?  
*Meeting of the European “Gamma Knife” users, educational seminars, World Congress of the “Gamma Knife” users*
24. Are medical workers of the Center involved in the events, organized by Elekta (conferences, seminars, society meetings)? If yes, how often?  
*Yes, once a year*
25. How often and with what purpose are the trips to the “Gamma Knife” Centers in other cities and countries organized? Is Elekta directly involved in those?

- Yes, seldom (once a year)*
26. Who organizes and finances training and events?  
*PLC “Business center of neurosurgery”*
27. Are you satisfied by working at the equipment and by training?  
*In general, yes*

***Patients and Elekta***

28. How many patients went through treatment with the help of Elekta equipment (Gamma Knife)?  
*Patients – 2382*  
*Treatment procedures – 2645*
29. Are the patients interested in the country of origin of equipment?  
*Yes*
30. Does the image of Sweden influence reputation of the Center and confidence of patients? If yes, how?  
*Yes, positively*
31. How do patients get to know about the Center?  
*Mass media*  
*Internet*  
*Doctors, who send them for treatment to the Center*

***Future perspectives of the Center***

32. Does the Center satisfy the current demand in treatment?  
*Yes*
33. Do you plan to expand the Center, increase the number of equipment, personnel and the range of services?  
*Yes*
34. Are you satisfied with the results of cooperation with Elekta?  
*Yes*
35. Do you plan to continue cooperation with company Elekta?  
*Yes*

***Thank you for your answers!***

## Appendix F. Questionnaire answered by Valery Kostjuchenko

### Translation of the questionnaire: Services Marketing in a Cross-Cultural Environment – The Case of Elekta in Russia

“Gamma Knife” Center at the Scientific and Research Institute named after N.N. Burdenko of the Russian Academy of Medical Sciences

#### General questions

1. For how long do you work at the Center “Gamma Knife”? *7 years*
2. What is your current position at the Center? *Physicist-operator*
3. What are your main responsibilities? *Planning of irradiation, providing installation operability, dosimetric control, development and support of information system and its integration with the LGP, scientific activity.*

#### Medical staff of the Center and its training

4. Are you involved in direct work with Elekta equipment? *yes*
5. Which equipment? For how long? *LGK C – 6 years, PFX – 1 year*
6. Have you gone through training provided by company Elekta to work with its equipment? *Yes (LGK-C, initial course)*
7. Where the training took place? *Stockholm*
8. What was the duration of training? *1 week*
9. What is the language of training? *English*
10. Have you gone through further training or retraining? *Yes (Marseille, transition to PFX, 1 week, English)*
11. Do you have the evidence of the undertaken training (ex., certificate)? *yes*
12. Evaluate on 10-point scale the quality of training provided by Elekta (where 1 - the lowest score, 10 - the highest score).  
*8*
13. Evaluate on 10-point scale the reliability and accuracy of the equipment. *9*

#### Network

14. Which meetings, activities and events of Elekta did you participate in?
15. Did you participate in trips to the “Gamma Knife” Centers in other cities and countries? Are you satisfied working with equipment, and with the organized events? *(look above –Marseille, course of transition to PFX; satisfied)*

#### Patients and Elekta

16. With how many patients did you work with the help of Elekta equipment (Gamma Knife)? *~1000*
17. Are the patients interested in the country of origin of equipment? *I meet with patients when they come for treatment. So, such a question, if being important for patients, usually appears earlier, at the preliminary consultation with a doctor. But sometimes they are interested.*
18. Does the image of Sweden influence reputation of the Center and confidence of patients? If yes, how? *Patients often ask whether it is Swiss equipment, assuming that if it were Swiss, it would be more authoritative. Sweden doesn't make any impression – neither positive, nor negative. Among the majority of people in our country there is no certain attitude towards Sweden – neither good, nor bad. If something is good, than only the fact that it is foreign, and not Chinese.*
19. How do patients get to know about the Center? *Our Center carries out active marketing activities, so that all sources have an impact – information from other patients, doctors' directions, internet sources, treatment itself (seldom – information on TV -- the number of calls increases, but usually with diagnoses not suitable for PX). Further information about this can be obtained from our marketing manager.*

***Thank you for your answers!***

Appendix G. Interview with Irina Sandin

Interviewee’s name	Irina Sandin
Interviewee’s position	Business Unit Manager for Eastern Europe, Elekta AB
Title of interview	“Elekta in Russian market”
Interviewed by:	Alena Bazyleva and Maria Zaytseva
Type of interview	Semi-structured interview, recorded
Location and date	Stockholm, Elekta Headquarters, 2012-05-24
Time and duration	17.15, 2 hours

Questionnaire  
for Irina Sandin

1. Introduction

- 1.1. From which year do you work with Elekta. With Russian market in particular?  
*Since 2003, was recruited by Gerry Van Oortmarssen as a Business Unit Manager for Eastern Europe.*
- 1.2. What is your position and main function within the company?  
*Business Unit Manager for Eastern Europe. Business manager, business developer, distributor companies’ manager and key account manager; overall responsibility for sales and marketing, service support, logistics, clinical and technical training of customers.*
- 1.3. How many people are involved in working with Russian market within Elekta company?  
*The team includes two project managers. There is need for qualified employees to add to the team, due to a big work overload.*
- 1.4. Is it coincidence, that you are a Russian speaking person (Belarusian origin) responsible for Russian market?  
*That was one of the reasons for employment, because of understanding of Eastern European mentality and culture.*

2. Organizational structure

- 2.1. Whether organization structure (matrix structure) was chosen on purpose?  
*This kind of structure helps to coordinate activities in different countries and business areas; especially good if there are enough workers responsible for different tasks. In the business unit of Eastern Europe currently all the task are performed by a small team of three of persons.*

3. Elekta in Russian market

- 3.1. How did Elekta plan to expand to Russian market?  
*Before entering market, the company prepared for a long time, for some years, to establish local contacts with government, local representative, etc. The distributor was found, and the company continues to work with the same distributor for all this time as he is very enthusiastic about cooperation, knows the local market procedures, and share Elekta strategic vision.*
- 3.2. What is the entry mode?  
*It depends on the type of customer. If it is a commercial clinic or center, the communication and purchase are usually direct. If the customer belongs to public health care, the relationships are in most cases indirect, through local distributor.*
- 3.3. Which obstacles did Elekta face when entered Russian market? How they were overcome? How difficult it was to enter Russian market?  
*The challenges for emerging markets are usually similar, there are many problems in those markets, and their attitudes towards business are different. Low acceptance of radiotherapy; governmental support of pharmaceutical industries; lack of specialists in radiotherapy; late diagnostics of cancer*
- 3.4. What kind of Equipment does Elekta sell to Russian market?  
*Gamma Knife and linear accelerator.*
- 3.5. What services does Elekta provide together with equipment?  
*Installation, software, training, etc.*
- 3.6. Where (in which cities) the Elekta equipment is presented widely in Russia?  
*Moscow, Saint-Petersburg, Novosibirsk, Tomsk, etc.*
- 3.7. Are there competitors with similar products and services in Russian market?  
*Varian is the main and only competitor in linear accelerators, Kiber-Knife. Siemens was a competitor in past, and now it is leaving the oncology business. Nowadays the competition is really tough between the two.*
- 3.8. Do you use any kind of advertising in Russian market? How do you increase awareness about Elekta treatment in Russian market?  
*Yes, but mostly through meetings of Gamma-Knife societies, congresses, conferences, peer-to-peer activities.*

4. Education and training

- 4.1. Who carries out education and training in Russian market?  
*Elekta usually educates physicists-operator and engineers working with equipment. Russian distributor works with a team of 12 engineers, who train other specialists in this market. This team is of great importance for Russian market, because it helps to provide already purchased equipment with sufficient technical support.*
- 4.2. What language is used for educational and training programs, seminars, software, and communication in Russian market?  
*Generally trainings are in English, software is also mostly in English. But some of software was translated in Russian language (MOSAIQ, for example) and the process of translation continues. As speaking English is not common practice for Russians, especially older generation, Elekta tries to bring Russian-speaking doctors to various seminars, meetings, other Centers in order to present the information and share experience in a comprehensive manner.*

## **5. Progress**

5.1. What progress in cancer treatment has been seen during Elekta presence in Russian market?

*There are 5 Gamma-Knives in Russia (3 of them are functioning), and linear 50 accelerators.*

## **6. Purchase procedure**

6.1. Where Elekta equipment is produced?

*Linear accelerators are produced in England, and Gamma Knife – in Sweden.*

6.2. What is the purchase procedure for Elekta equipment in Russia?

*Hospital or medical center buying equipment of Elekta should have a license for carrying out medical services, and follow all the legal requirements. In its turn, Elekta equipment should follow the local standards in order to be qualified medical equipment and not to be taxed.*

6.3. Who is the distributor in Russian market?

*MSM Medimpex*

6.4. What obstacles from the government side do you encounter (support/restrictions)?

*The whole system of health care should be changed in Russia and other emerging markets. There is lack of knowledge and understanding of modern radiotherapy, and company tries to spread education, starting with governmental authorities' level.*

## **7. Trust and network**

7.1 Does the image of Sweden as a country of origin influence/benefit the attitude towards equipment/service in Russia?

*Yes, especially for those, who are involved in medical area, they usually know about Karolinska Institute and its research. So, it increases trust and awareness. But for others, Sweden has no special image; in this case just the fact of being European benefits the attitude towards Swedish equipment.*

7.2 Does the company reputation play a big role in building trust in Russian market?

*Company Elekta creates loyal customers, as its main business idea and a key for success is "Customer Care" By means of establishing long-term trustful relationships and providing quality products and services, reputation of the company is established.*

7.3 Whether network with other hospitals, companies, government, customers (external and internal network) is developed? What does Elekta for maintaining and developing these networks?

*There are Leksell Gamma Knife societies at international and European levels, and at local levels. Also, meetings of Elekta equipment users, seminars, conferences and congresses are organized. Training is also a part of network, as experienced users educate their colleagues, and exchange experience and ideas.*

7.4 Are there special networks, communities or events designed for Russian or Eastern European market?

*Elekta and its Russian distributor, MSM Medimpex, organized the first Eastern European Users Meeting, which convened in Moscow, June 24-25, 2011. Unfortunately, there weren't other meetings, but they are planned.*

## **8. Adaptation/standardisation**

8.1 Are there any product/service adaptations for Russian market (language of software, trainings, instructions, guarantees, etc.).

*Training and software are in English language, however, MOSAIQ and other software used mostly by doctors are translated in Russian language.*

8.2 Whether pricing policy is different for Russian market?

*The company uses global standardized price; however, it differs depending on configuration of equipment.*

8.3 Which factors do you consider when adapt/standardize the service in Russian market?

*Influence of post-soviet past, lack of knowledge about radiotherapy.*

8.4 How do you make your service attractive in Russian market?

*By providing quality service and equipment, trying to educate and communicate in local language, creating trustful relationships and caring about customers (personal approach).*

8.5 How culture influences business?

*Understanding culture, mentality of people and current situation at the market is essential for success in this market. Being the bridge between western company and eastern customer helps to fill in the culture gap.*

## **9. Present and future of Elekta in Russia**

9.1 Which expectations do you have about Russian market? Does Elekta want to expand its business in Russia?

*Elekta considers Russian market as perspective one. The relationships with distributor are well-established, which helps to solve many local problems in a more professional way. The opening of Elekta office in Russia is in future plans of the company.*

***Thank you for spending your time to answer our questionnaire!***