Health Services Marketing in a Cross-Cultural Environment:
Elekta in Hong Kong

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ABSTRACT

Title: Health Services Marketing in a Cross-Cultural Environment: Elekta in Hong Kong
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Aim: The aim of this research is to explore how the process variables adaptation/standardization, trust and networks are utilized for handling the service characteristics heterogeneity and intangibility when services are introduced in new culture, in this case in Hong Kong.

Method: The method chosen for the study was case study and primary qualitative data collection was made through semi-structured interviews with seven key persons at Elekta.

Result and Conclusions: Results from this work indicate that networks, trust and adaptation/standardization are important variables for handling heterogeneity and intangibility in services. It also shows that adaptation and standardization needs to be carefully balanced to achieve the optimum effect. The study shows that the process model do have a basis for use in identifying how the adaptation/standardization, trust and networks might be utilized to reach a successful balance during service entry in a new culture, through the use of Hofstede’s 5 cultural dimensions together with time as a new variable.

Suggestions for future research: For future research service introductions in other cultures need to be studied, both by Elekta as well as other service companies outside the MedTech Area. As a further expansion and for future generalization of the model, reversed studies should also be made where foreign companies entry into Sweden is studied. The possibilities of integrating culture closer into the process model also need to be explored as well as the inclusion of the time dimension in the relationship process.

Contribution of the thesis: The thesis contributes to academic research in that it expands on the current state of theory and integrates Hofstede’s 5 cultural dimensions closer to existing models as well as including the time variable of relationship development. On a managerial perspective it provides the basis for a tool to show how, in practice, managers might act when introducing their business in a new culture. Finally it has a social dimension in that further research into a narrow field, increases the overall understanding of intercultural mechanisms.

Key Words: Services marketing, Internationalization, Hong Kong, Culture, Adaptation, Standardization.
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1. INTRODUCTION

This chapter serves as an introduction to the subject of services marketing in an international arena. Starting with an overview to give the reader a frame where the work fits in current research, the second section is assigned to explaining the scope and questions that are studied here.

1.1 Background and motivation of the study

Service industry is rapidly growing and making an important contribution to the economies. In 2011, service industries contributed to 70.7% of the Swedish Gross Domestic Product. For US, the contribution was 79.6% while for Hong Kong the numbers were 92.3% and for China 43.3%. (CIA, 2011) Since 1929 the same industry has grown from encompassing 53% of the U.S. labour force up to 82% in 2006. (Zeithaml et al., 2009)

Increasingly, service companies are now looking outside their own countries and geographical or cultural regions to find new markets and in this process encountering new difficulties, not only in the form of laws, regulations and other restrictions posed on them from the foreign governments (Hollensen, 2004; Ghauri and Cateora, 2006), but also from the foreign culture itself. The bigger the cultural distance is compared to the home country, the bigger can the challenge for establishing the new service be (Kogut and Singh, 1988).

Despite this, not much research have been done in the area of internationalization of services, even if there have been increased activity in the last years. Most researchers have chosen to focus on the entry-mode for service providers (Grönroos, 1999; Moen et al., 2004), instead of how to make the service attractive, or even usable on the new market.

A thorough review was made on existing research on International services marketing between 1980–1998, where Knight made a call for the need of continued future research where he saw the need for extending the current research status with more solid theories and models. Knight proposed this because one of the key challenges when marketing services internationally is the cultural setting. Since services characteristics are fundamentally people-oriented and since people are the bearers of culture, international services are highly sensitive to the cultural setting they are performed in and research need to be made in order to better understand these interaction processes. (Knight, 1999)
A reason for this lack of research is probably the difficulty in defining a service. Lovelock (1983) proposed 5 different schemes for classification of services based on different characteristics of the service. In *The nature of the service act*, the services tangibility is put in comparison to if the recipient is a person or a thing. If the method of delivery is continuous or discrete compares against if the relationship is through membership or discrete in *The relationships between service provider and customer*. Customization and the service staff is the focus of *Room for customization and judgement (from service personnel)*, where the level of personal judgement needed from the service staff for meeting needs vs. the level of customization needed to deliver the service is used for classification. The fourth classification scheme; *The nature of demand and supply for the service* focuses on how the service can meet peak demand in comparison to how much demand fluctuates over time. Last, is *The method of service delivery* – do the customer visit the provider, the provider visit the customer or are no meetings necessary for the delivery? This is matched to if the service is delivered through a single or through multiple service outlets. These schemes are useful in that they allow us to classify services in one or several dimensions when we study them, depending on the purpose of the study at hand. (Lovelock, 1983)

Blomstermo *et al.* on their hand, chose in their study of service firms’ entry modes in foreign markets to make a distinction between hard and soft services. In their definition, hard services are services where production and consumption can be decoupled and list software services and architectural services as examples, where the service can be transferred on a tangible medium such as a diskette. Hard services can therefore often be standardised and easily mass-produced and the need for the service provider (because of the decoupling) to be present in the new market from day one, is not as big as for the soft services. Soft services are defined as those where decoupling of production and consumption is not possible and where the service provider have to be present from day one to deliver the service. (Blomstermo *et al.*, 2006)

Furthermore, services have a number of characteristics that differentiate them from products, and that makes the definition and therefore the research and study complicated (Grönroos, 1999; Samiee, 1999). These characteristics are:

- **Intangibility** - since services are performances or actions rather than objects they cannot be seen or touched.
- **Heterogeneity** - no two services are alike, since services are a result of and action/interaction between service employee and customer, the service delivery will
vary with the persons involved and cannot be standardized since each service experience will be unique.

- **Simultaneous production and consumption** - The client will find him/herself being part of both consuming and producing the service.

- **Perishability** - A service cannot be manufactured and saved for use at a later date; it cannot be stored, returned or resold.

These characteristics influence how the customer judges how services are delivered. If expectations are not met in how the customer perceives the service delivery, this service gap will affect how he/she judges the service quality. (Parasuraman *et al.*, 1985; Zeithaml, 2009)

As a result of these service characteristics, the 4P:s of the marketing mix; Product, Place, Promotion and Price (McCarthy and Perreault, 2002); have to be expanded to 7P by adding; Participants, Physical evidence and Process (Blooms and Bitner, 1981). This is where the difficulties in internationalization comes in - Participants, who are delivering the service as well as other customers in the service environment; Physical evidence, colours, designs etc. in the servicescape where the service is delivered; Process - how the service is delivered and the flow of activities involved. These are all factors that figure in the definition of culture (Zeithaml, 2009). Hofstede (Hofstede *et al.*, 2010) use four terms to describe how cultural differences manifest themselves; Symbols, Heroes, Rituals and Values and we are shown how they can interfere, or take active part in the service delivery and reduce the service gap. People are through their actions bearers of their culture and its manifestations, just as the servicescape, through its design is conveying a similar message. Even the process can carry cultural values. For example the case of Gamma Knife in Egypt (Hyder and Fregidou-Malama, 2009) where the normal process of doctors meeting patients alone was changed to let the whole family participate in the consultation, based on the differences in culture between Sweden and Egypt. This shows that cultural awareness can be important on several levels of the international services marketing strategy and implementation.

It has been argued that in order to facilitate easier management of customer adaptation, the traditional 4P marketing mix model (7P for services) should be abandoned in favour for a relationship marketing model, based on the Interaction approach by the Industrial Marketing and Purchasing (IMP) Group as will be described later in this chapter (Grönroos, 1994; Grönroos, 2008). Here the idea of consumer co-
creation of the service is introduced as a part of the relation marketing process (Ravald and Grönroos, 1998; Grönroos, 2004).

Compared to manufacturing industry (Chadee and Mattsson, 1998), services businesses when going international will therefore in most cases need to adapt their services to their new environment to a larger or lesser degree, while part of them are still standardised to the way they are performed in the home culture.

The balance between standardization and adaptation for Asian companies entering Europe was studied by Chen and Wong who found that the better performing firms were more committed to their market and more prepared to invest in local relationships and take a long-term view. Contrary to their expectations, they found that the relationship between adaptation and performance was negative and suggest a reason to be that high product adaptation makes it difficult to achieve economies of scale on a global basis (Chen and Wong, 2003)

To make this internationalization process easier, and to facilitate a higher degree of standardisation over regions, Chung shows in a study of European market for New Zealands services companies that it is possible to find countries where the same type (degree) of marketing standardisation can be used. This study only examined countries pair-wise, and the companies’ home country were from a cultural perspective not very distant to the new markets. This means that a company that manages to find the factors in a culture that affect the adaptation of their services will be able to identify which other countries the same level of adaptation will be accepted. When choosing to enter a new market, the services company might not want to choose neighbouring countries as a convenience, but might perform better if choosing to enter those countries where the differences in adaptation of the services are none or minimal. The research in international services marketing can contribute here by theories and conceptual models for a better understanding. Information is still lacking to what use Hofstede’s five cultural dimensions can be of use for identifying what parts of a service to adapt and how to adapt them. (Chung, 2005)

Finally, Javalgi and Martin (2007) point out how much work will still be needed to get the research on internationalization of services to take off and become a viable research area. In their view, the greatest obstacles to overcome are that theory development, measurement and practice need to be done. Conflicting theories need to be reconciled and that the existing

"... manufacturing-based theories provide a strong theoretical background for further
extension and modification of the existing research to a multinational service context.” (Javalgi and Martin, 2007 p.395)

Contrary to this view, Grummesson argues that defining services with the same terms as goods limits the possibility of us to fully understand the nature of services:

“An old term in marketing theory gives the reader associations to the old, even if the content is revised or new. For example, to understand services it is not sufficient to compare it to goods, which as so far been common. Services are treated with the use of goods terminology, and are defined in comparison with goods. This does not give room for understanding services on their own premises.” (Gummesson, 2005 p.318)

What we discover is that even in recent papers, there is a disagreement between schools of research in international services marketing as of which platform should be used to build further research; should marketing of services be treated as an extension of marketing of goods, or is the concept of services so fundamentally different from goods that the use of marketing of goods as a platform will give researchers a “tunnel vision” that blinds us to important aspects of the services in an international perspective?

As we have discussed above, at least two important areas exist for research in international services marketing; first the approach to services marketing research as an extension or separate of goods marketing research. Second is the lack of integrating models for culture and cultural adaptations in international services marketing. It is believed that if ever the field of international services marketing will move forward, these two questions need to be resolved and this should be the challenge for researchers in the coming years.

One such step was made in 2009 when Hyder and Fregidou-Malama (Hyder and Fregidou-Malama, 2009) presented a model for the process of how a services business handle the adaptation/standardisation process of their service when introduces in a new, culturally different market. The model is still lacking in terms of telling what to adapt, and how to adapt it, as well as how to classify or quantify a culture and needs more investigations to be developed.

1.2 Elekta

“Elekta is a global medical technology company that develops and sells innovative clinical solutions for the treatment of cancer and neurological diseases. Every year, about one million patients receive treatment aimed at improving, prolonging
and saving lives with a solution employing one or more Elekta products.” (Elekta, 2012 p.iii)

Elekta is listed on NASDAC and in 2012 had 3.162 employees globally, 33 of these were employed in Hong Kong. (Elekta, 2012) Elekta established their business in Hong Kong in 1992 and is now the market leader within radiotherapy in Asia Pacific (42%), followed by Varian (40%), Siemens (7%) and Accuracy (3%). Elektas global market share was in June 2012 39%, which put them on second place after Varian (48%) with Accuracy on third place (9%) followed by Siemens place (5%). (Elekta, 2012a)

1.3 Hong Kong

1997 Hong Kong was handed over to China after 155 years as a British Crown colony, since then it has been allowed special privileges as a Special Administrative Region (SAR) with its own government, law and economy separated from Beijing (Tsang, 2007).

Hong Kong is mainly consisting of islands outside Chinas south coast, close to Shenzhen and the Guangdong province. For more than 100 years Hong Kong have served for Western companies as an important stepping stone for he Chinese market. The population consist of about 95% Chinese while the remaining 5% is a mix of people from South East Asia, Europe and Africa. Hong Kong have about 7.1 million citizens living on an area of 1.108 km² (population density of 6.407 persons/km²) (Census and Statistics Department, 2012; Planning department, 2012), for a comparison is similar to putting the whole Swedish population (ca 9.4 million) on the island of Öland (1.347 km², resulting in 6.978 persons/km²) (SCB, 2011).

Contrary to what public expectations might be of a region associated with Communist China, Hong Kong’s market economy has for over 15 years been ranked as number one at The Index of Economic Freedom by the Heritage foundation and Wall Street Times (The Heritage Foundation, 2013) for 19 years and is an important centre for international business and trade. In the same listing, Sweden is ranked on 18th place and China on 136th place out of 177. With little arable land and few natural resources, Hong Kong imports most of its need. It is the worlds largest re-export centre which most of the export consisting of goods manufactured in China and re-exported to other parts of the world. What makes Hong Kong especially interesting for this study is that only 9% of its GDP comes from industry, while as much as 90% originates from the service industry. This makes it a highly competitive market for new entrants and a successful
adoption of a service to the market needed for success. Another factor of interest is that the official language is English, which makes interviews and language barrier less of a problem. Even western cultural influences are obvious on the surface, the high degree of Chinese in the population still maintain the traditional Chinese values. (El Kahal, 2001; Census and Statistics Department, 2012)

1.4 Problem and aim

The aim of this research is to investigate how the process variables adaptation/standardization, trust and networks influence the service characteristics heterogeneity and intangibility when services are introduced in a culturally distant country, in this case in Hong Kong.

This will be done through expanding on the research made in the healthcare service sector in 2009 where Hyder and Fregidou-Malama (Hyder and Fregidou-Malama, 2009) made a case study of Gamma Knife Centre from Elekta in Sweden, and how they handled the adaptation/standardisation process of their service when it was introduced in Egypt. This case study has later been expanded by a similar case study with Elekta in Brazil (Fregidou-Malama and Hyder, 2011). The same model has also been studied as a master thesis with Elekta in China (Hong and Lin, 2011), Philippines (Ryndback, 2011) and Russia (Bazyleva and Zaytzeva, 2012). The main research consist of total five cases, and this new study continue building evidence for the model they constructed by collecting and analysing a new case, also this from a Sweden culturally distant country.

1.5 Research questions

By conducting a case study in another culturally different country, continue to build on the model for internationalization of services proposed by Hyder and Fregidou-Malama (Hyder and Fregidou-Malama, 2009) by addressing the following research questions:

RQ1. How is adaptation/standardisation used to address the difficulties associated with intangibility and heterogeneity?

RQ2. How is trust used to help overcome the intangible and heterogeneous nature of service offerings?
RQ3. How are local networks established to secure resources for business operations and make contact with the customers for handling problems with intangibility and heterogeneity?

1.6 Limitations

This is a qualitative study limited to interviewing a number of key persons at Elekta in Hong Kong and Sweden.

Hong Kong was chosen for several reasons, one being convenience with the author living there at the time of the study. Another reason was the language, as mentioned before the official language is English and Cantonese (even if Cantonese proportion slowly have been increasing), which is more than other countries based on Chinese culture. (Bolton, 2002) Hong Kong is also interesting because it is a country where the Chinese culture is alive and the Chinese culture, being different enough from Swedish to make differences clearly visible, was thought to be an interesting choice for a next case study after Egypt and Brazil. At the same time there are also similarities enough not to make analysis and comparisons too complex. An obvious risk with this is that it can be argued that Hong Kong’s is not a natural culture. After over 150 years of British rule, western culture have merged with the original Chinese and created a system where the western law and regulatory system exist as a layer on top of the traditional Chinese culture.

1.7 Disposition

The remainder of this work consist of 6 chapters: Chapter 1 serves as an introduction to the subject as well as presenting the research questions, aim and limitations of the research. A thorough theoretical foundation is presented in chapter 2, covering both theories in services marketing, internationalisation of services, relationship theories and culture. In chapter 3, the methods used for data collection and analyses is presented as well as a discussion of the study’s reliability and validity. The 4th chapter presents the collected data in a comprehensive form and in the 5th chapter this data is discussed and analysed in the light of the theoretical framework from chapter three. Chapter six contains the conclusions drawn from this study, as well as presents thoughts for possible future research in the field.
2. Theory

This section lays the theoretical foundation for the following research, and presents the theoretical model to be tested for validity in a second country by the following case study. Using a theoretical model as a conceptual framework can be a useful tool when used to understand a subject area (Rowley and Slack, 2004).

2.1 Literature search

As a starting point for the literature search, the studies from the two previous Elekta cases by Fregidou-Malama and Hyder were used. From these cases, relevant references was looked up and read. First by looking up the sources of original research and then by finding more recent studies that use the same sources as reference, sometimes in combination with relevant keywords to reduce the amount of articles. When an article was found, the contents relevancy was first determined through reading its abstract, and if it then seemed relevant for the current study, it was read in full. Through these articles, a set of keywords was found which served as a basis for a wider search to catch works that were not found by the previous search patterns. By doing this it is possible to find articles that are either too new to have seen much referencing, or from different research disciplines. (Rowley and Slack, 2004; Beins and McCarthy, 2011) The main databases used for searching was: DiVA, Emerald, JSTOR as well as the search portal Discovery. Major search terms were: (international) marketing, adaptation, standardization, relationships, trust, services marketing and cross-cultural as well as derivations of these in connection to culture.

2.2 Foundation - Fregidou-Malama and Hyder (FMH) adaptation/standardisation model

In this theoretical model, see figure 1, Fregidou-Malama and Hyder argue for heterogeneity and intangibility as the main factors where a reduction facilitates the internationalization process. In order to overcome this challenge, their framework was originally composed of three variables; adaptation/standardisation, trust and network. (Hyder and Fregidou-Malama, 2009) After the second case study a fourth variable, culture was added to the model. (Fregidou-Malama and Hyder, 2011)
In this FMH model, they assume that the two service characteristics intangibility and heterogeneity are the two major obstacles for international services marketing. They further assume that the three variables trust, adaptation/standardisation and networks are the way that intangibility and heterogeneity can be handled in different cultural settings. The three variables will be further discussed below:

### 2.3 Culture

A search on the term “national culture” as a subject term in Discovery database (EBSCO Publishing, 2013) gives almost 7,000 results, the term “culture” alone gives close to 900,000 matches. It is a well-researched and debated area and for the sake of brevity and comprehensibility this study needs to limit its focus to a single model.

#### 2.3.1 Definitions of culture

“Culture is the collective programming of the human mind that distinguishes the members of one human group from those of another.” (Hofstede, 1980 p.24).

According to Hofstede, culture is learned from our social environment while growing up, not something ingrained from birth by our genes and should therefore be separated from human nature and personality. In this discussion he claims that Human nature form the basic layer of the mental programming and is genetic and universal. The next level is Culture, which is learned and specific for the group. The last level is the
Personality, which is specific and unique for the individual and can be both inherited through genes and learned. (Hofstede, 1980)

Hofstede also proposes that Culture (cultural differences) have several ways to express themselves and identifies four terms that cover all forms of expressions. In this model he arranges the terms as layers of an onion with Values at the core followed by Rituals, Heroes and Symbols. With Symbols at the visible attributes (flags, clothing etc) of a culture that can be exchanged by time by other attributes, Values are at the core of the being and more fundamental. Rituals and Heroes lie in between these and are also together with Symbols labelled as Customs. (Hofstede et al., 2010)

One critic of Hofstede’s Onion model is Tony Fang, who in his paper “From “Onion” to “Ocean”” (Fang, 2006) calls for a shift from the old Onion model of culture to a modern view that captures the “...dynamics of national cultures and international cross-cultural management in the age of globalization” (Fang, 2006 p.1).

Fang argues that culture is not as static and unchangeable as Hofstede’s model proposes, and that the culture is not only what is seen on the surface of the ocean but that invisible and “unconscious” values and behaviours beneath the surface can come up to the surface through internal mechanisms and external forces, creating ebbs and flows. (Fang, 2010) Fang extend this criticism onto the full paradigm on culture as a static entity composed of bipolar cultural dimensions. He proposes a dynamic view on culture, where a Chinese YinYang duality thinking replaces the bipolarity (Fang, 2012). The view that culture is dynamic in opposite to static and unchangeable is also echoed by Trompenaars and Hampden-Turner (1993).

2.3.2 Hofstede’s 5 cultural dimensions

One of the models of culture is Geert Hofstede’s 5 cultural dimensions. As a result of extensive research among International Business Machines Corporation (IBM) employees in 70 countries he composed 4-dimensional index as a tool to describe national culture. (Hofstede, 1983) This model was later expanded with a 5th dimension to explain the fast economic rise of Asian countries during the 1980’s (Hofstede and Bond, 1988). Although the initial research spanned 70 countries, there are later research, and/or studies and estimates for most major countries today. (Hofstede et al., 2010)

The basis for Hofstede’s reasoning is the thought of culture as mental software of the mind that the human behaviours in part is decided by the social environment where he grew up and gathered experiences from life. The other part is the basic ability
of a human to act outside the programming, in a creative destructive or unexpected way. For this reason Hofstede pointed out that the 5-D model is only useful as an indication on what reactions are probable and understandable for an average person in the studied culture. Subcultures and subgroups, just as individuals can have different values than the national culture as a whole. (Hofstede et al., 2010)

The 5 Dimensions and their descriptions are:

- **Power Distance (PDI)** - The extent to which the less powerful members of society accept that power is distributed unequally.

- **Individualism (IDV)** - Collectivism: people belong to in-groups (families, clans or organisations) who look after them in exchange for loyalty. Individualism: people look after themselves and their immediate family only.

- **Masculinity (MAS)** - Femininity: the dominant values in society are caring for others and quality of life. Conflicts are solved through compromise and negotiation. Masculinity: the dominant values are achievement and success. Conflicts are won by the strongest.

- **Uncertainty Avoidance (UAI)** - The extent to which people feel threatened by uncertainty and ambiguity and try to avoid such situations.

- **Long Term Orientation (LTO)** - The extent to which society shows a pragmatic future-oriented perspective rather than a conventional or short-term point of view.

(Hofstede, 1983; Hofstede and Bond, 1988; Hofstede et al., 2010)

Fang has put forward strong criticism against Hofstede’s 5th dimension (LTO), which at the time of presentation was named “Confucian dynamism”. Fang reasons that this dimension’s values are confusing for the western researchers, since they mainly have been aimed to describe the Asian culture, but also that it is just as confusing for the Chinese mind. Hofstede’s dimensions are built on contrasting or opposing alternatives but according to Fang, the values used to measure Long Term Orientation are not to the Chinese considered as opposing or contrasting, but rather interrelated to each other. The 5th dimension is thus built on a polarised view of the values, while the Chinese regard them with a Yin/Yang perspective where one value cannot exist without the other. (Fang, 2003; Faure and Fang, 2008; Fang 2012)

Fang also claims that Hofstede has misinterpreted the meaning of some of the Chinese words/values used in his questionnaire and that values labelled as negative or
short/term oriented do not necessarily have to be regarded that way by the Chinese. Fang have other concerns as well regarding the 5th dimension, such as redundancy within the value words, incorrect translation of the Chinese values to English, which confuses interpretation of the results as well as different treatment during the data analysis of the survey results. (Fang, 2003)

Despite the above criticism against Hofstede and especially LTO, his 5 dimensional model will be used as the cultural basis for this research. The first reason for using this cultural model is that this is the same model that the previous research cases are built on, which will facilitate comparisons. The second reason is that it is one of the most accepted and complete cultural models today.

2.3.3 Hofstede’s 5 cultural dimensions and Hong Kong

Below (table 1) is shown the values for a selection of countries that Hofstede collected through his research. The countries values are also discussed in a comparative context as well as fitted into the Hyder model (Hyder, 2010) in an attempt to predict outcomes of the research.

Initially, it is noteworthy that the values for Arab World and Hong Kong are quite similar for many dimensions. For PDI and IDV the estimated values for Egypt puts it at almost the same level as Hong Kong. For MAS the difference between them is somewhat larger, while for UAI the difference is large. Compared to Sweden, Hong Kong differs quite significantly on all dimensions except UAI, where the index is the same for both countries. On the 5th dimension LTO, Hong Kong and Sweden are far apart, but since no measures have been made from Arab World, comparison on this dimension can only be made between Sweden and Hong Kong. LTO aside, the similarities between Egypt and Hong Kong on all but one dimension give interesting opportunities to investigate how a change in only one variable might change the effect on the proposed model. It should however be noted that even if the cultural index is similar, the way this expresses itself in the culture could be different. Hong Kong and China are also close to each other in ranking on the dimensions, even if China are higher on both PDI, MAS as well as LTO.

Looking at the UAI alone as comparison to the Egypt study, it could be indicative of a lesser need in Sweden and Hong Kong to control and reduce uncertainty by contracts, laws and structures (Hofstede et al., 2010). Values for Russia and Philippines are found to be significantly different from those of either Sweden or Hong
Kong and will not be discussed here in order to reduce the complexity of the comparisons.

Table 1  Values for Hofstede’s 5 dimensions for Sweden, Brazil, Egypt, Hong Kong, China, Russia and Philippines.

<table>
<thead>
<tr>
<th>Country</th>
<th>PDI</th>
<th>IDV</th>
<th>MAS</th>
<th>UAI</th>
<th>LTO</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sweden</td>
<td>31</td>
<td>71</td>
<td>5</td>
<td>29</td>
<td>20</td>
</tr>
<tr>
<td>Brazil</td>
<td>69</td>
<td>38</td>
<td>49</td>
<td>76</td>
<td>38</td>
</tr>
<tr>
<td>Egypt (est)</td>
<td>70</td>
<td>25</td>
<td>45</td>
<td>80</td>
<td>-</td>
</tr>
<tr>
<td>Hong Kong</td>
<td>68</td>
<td>25</td>
<td>57</td>
<td>29</td>
<td>96</td>
</tr>
<tr>
<td>China (est)</td>
<td>80</td>
<td>20</td>
<td>66</td>
<td>30</td>
<td>118</td>
</tr>
<tr>
<td>Russia</td>
<td>93</td>
<td>39</td>
<td>36</td>
<td>95</td>
<td>-</td>
</tr>
<tr>
<td>Philippines</td>
<td>94</td>
<td>32</td>
<td>64</td>
<td>44</td>
<td>19</td>
</tr>
</tbody>
</table>

Source: Own construction adapted from: Hofstede et al., 2010

2.4 Network

Many researchers have chosen the network approach when studying relations between businesses (Ford et al., 2003). The relationship approach will be used to deepen the discussion and background for networks. Parts of this discussion will also be used later in connection with trust. Most studies have been made on industrial marketing, but it can be argued that they show strong similarities (Grönroos, 1999) with services marketing in that they are both concentrated on small numbers of customers, long-term relationships, customisation, delivery times etc. In the following we use the interaction approach as presented by the IMP Group (Håkansson and Snehotra, 1995; Ford et al., 2003) to get a better understanding on the nature of relationships and their place in a network. The interaction approach is also interesting in this case because it recognises that barriers (for example culture) for interaction between businesses exist and that if the businesses recognise that the barriers exist, they will try to reduce the social distance between them (Håkansson, 1982).

What exactly is a relation? How do we define it? Starting from the interaction approach an important issue to remember about relationships is that they take place within a company’s network. Something that happens in a relationship does not only affect the two principal actors, but also to larger or smaller degree to the other,
secondary actors in the same network. This effect will not be extended further in this work, but it is an important effect of this approach to relationships. (Ford et al., 2003)

In the following, important attributes to relationships from the perspective of the interaction approach will be presented in order to lay out a solid foundation for understanding how a network is built and its dynamics. To work within a network of relationships is, according to Ford et al. (Ford et al., 2003), not a matter of choice for a company, it is vital for their existence. What can be varied are the relationships content, strength and duration. Depending on how they are managed, relationships can be both an asset and a burden. They mean:

“We use the term “relationship” to describe the pattern of interactions and the mutual conditioning of behaviours over time, between a company and a customer, a supplier or other organisation. Time is the defining feature of a relationship. Both the past and the future affect current behaviour in a relationship and experiences, expectations and promises underlie the interaction within it.” (Ford et al., 2003 p.38)

By entering time as a dimension, they stress the definition away from the single transaction and toward a dynamic, interactive perspective. In their terminology, a relationship has substance, facets and stages where it develops over time. These terms are further explained in the following.

The substance of a relationship is composed of three aspects; actor bonds, activity links and resource ties. These are the fundamental building blocks of the relationship. Actor bonds refer to the individuals within the companies that are the physical representations of the bond. Activity links are the emerging pattern of transactions or; “interlocking of behaviours” of the two companies. The last aspect; resource ties refer to how the companies resources are tied to each other through investments and adaptations for the relationship. (Ford, et al., 2003)

Apart from the three aspects that make up the substance of a relationship, it can also be regarded as having three different facets (faces, sides or views) which all come into play when a close examination is made of the relationship; The relationship as a device, asset and problem. (Ford et al., 2003) While they are all important in the overall picture of relationships and networks, it is the second facet, Relationships as assets that is of main interest for this study and will be further discussed below.

A relationship can be an important asset to a company, and from this view we can understand that a relationship needs sound management and investment of resources and time. Especially the time aspect is important here, some relationships last for only a
single transaction – with years passing before negotiations and delivery are concluded, while other relationships build on small repeated transactions. It is therefore of interest to take a closer look at the four stages of relationship development as illustrated in figure 2. (Ford et al., 2003)

**Figure 2** The development of buyer-Seller relationships in business markets

![Diagram showing the development of buyer-Seller relationships in business markets](image)

Source: Own construction adapted from Ford et al., 2003 p.51

In the beginning (pre-relationship stage) the two parts are cautious and considering questions such as what will we get from this? What will it cost? What will the relationship mean in terms of operative changes? How can they develop the level of trust needed for relationship to develop? The two parts can be looking for different answers, which might result in no relationship being developed.

When the parties are satisfied that the possibility for successful relationship exists, they enter the exploratory stage of the relationship. Here is when negotiations start in earnest and prototypes or samples is delivered. It is here where the actor bonds have to be formed and learning about each other is fundamental in making the distance between the companies shrink. Trust will be low and there will be considerable concern
regarding the other company’s commitment. It is vital that both parts convince each other about a serious interest in the relationship.

When business begin to grow, or change in character in a positive way the relationship enter the developing stage where all three aspects of the relationships substance grows and the uncertainties about commitment, abilities and ambition have been reduced through the developed actor bonds. It is also here where trust is grown through showing commitment by adaptation, resulting in growing activity links and resource ties.

Finally, when the development process between the companies has reached certain stability they enter the mature stage in the relationship. This is characterised by that deliveries of offerings is routine (or of larger products, several purchases have been made). Here the companies work together with standardised routines and procedures, uncertainties between the actors will be low and the costs of handling the relationships are low. This is a stage where one of the actors can become dependent on the other and because of that open for exploitation. There is also a risk that the stable situation can give an impression that one or both of the companies are no longer committed to the relationship. The authors note that these stages are an iterative process, and that there is also no guarantee that the nature stage is ever reached, for different reasons. (Ford et al., 2003)

It is important to note that the interaction approach focuses mainly on industrial networks, which is a possible limitation. Its strengths are that it is well researched and developed. There are however some other interesting models, such as the one presented by Holmlund and Törnroos where they present “A marketing model of three network layers in business networks”. (Holmlund and Törnroos, 1997) They show the network as consisting of 3 dimensional concepts (Structural, Economic and Social) together with three network layers (Production, Resource and Social). They also stress the time factor as an important facet of researching the changing facets of a relationship. In their theoretical paper they do however not present any research to support the theory.

In the FMH model, the authors’ argue that networks are an essential means for communicating the services to the customers and that communication is the key for handling intangibility and heterogeneity (Fregidou-Malama and Hyder, 2011). This is in accordance with how other researchers have shown that communication is essential in order to make the consumer understand the service offering and reduce the service gap (Parasuraman et al. 1985; Zeithaml et al., 2009).
2.5 Trust

“(Trust) is the willingness of a party to be vulnerable to the actions of another party based on the expectation that the other will perform a particular action important to the trustor, irrespective of the ability to monitor or control that other party.” (Mayer et al., 1995)

From this definition they show that without trust between actors few business relations could work. For example, when would a transaction be paid? When the order is placed so that the manufacturer can ensure no losses? When Production is finished and after products are shipped? When the buyer receives the products? All of these alternatives subject either the seller or the buyer to a certain amount of risk and without some level of trust that the agreement will be honoured; neither of them might be willing to take the chance.

When looking at the second facet of relationships: relationships as assets in the previous section, we notice that trust is an important variable in order for a relationship to grow and evolve further. We also find that the connection between relationships - trust is iterative and that stronger relationship breed stronger trust and so on. Even other researchers have similar thoughts, Ravald and Grönroos (Ravald and Grönroos, 1998) make the same connection for trust to develop between customer and supplier as their relationship grow.

In the case of a client-professional relationship, trust has been identified as a key factor due to the fact that the client usually is not able to validate competence or integrity of the professional (Blomqvist, 1997). Parkhe (Parkhe, 1998) also notes that in a cross-cultural perspective, it is critically important to know and understand the cultural differences. Ignorance, cultural naiveté and ethnocentric arrogance can have costly consequences for the service provider.

Blomqvist (1997) provides a wide interdisciplinary analysis on how trust is approached and defined in different disciplines and shows that the possibility of separating trust into subcategories exist. One of the ways used by the IMP group (Huang and Wilkinson, 2006) is to separate trust into cognitive and affective trust as proposed by Johnson and Grayson (2005). While cognitive trust is based on rational and logical decisions based on possible outcomes from collaborations, affective trust is the result of emotional bonds between people. Johnson and Grayson (2005) further discuss that even if affective and cognitive trust have high correlation, they are empirically distinguishable. They find that cognitive trust provides an initial foundation that serves
for further building affective trust, although at later stages the effect might be bidirectional. An organizational perspective on trust is given by Williamsson (1993) where he originally labelled cognitive trust as *calculative* trust, which in essence is cognitive trust adapted to organizational relationship. He further divides trust into *personal* trust, which close corresponds to affective trust. Last is discussed *institutional* trust, which is defined as the trust the public have in official institutions to safeguards. (Williamsson, 1993) That the *affective* aspect of trust has a stronger connection to culture than the *calculative* trust is discussed by Craswell (1993).

Fang (2006) argue that in China the level of trust between the parts in a negotiation is determining which strategy the Chinese negotiator chooses: the “Confucian Gentleman” and the “Sun-Tzu like strategist”. While the first emphasizes smooth negotiations and regard cooperation and win-win solution for everyone as success, the latter is characterized by negotiation as a zero-sum game and the marketplace as a battlefield. A high level of trust brings out the Confucian Gentleman, while the Sun-Tzu strategist is present when trust is low and it is therefore essential for the foreign part to create a high level of trust before beginning to negotiate. (Fang, 2006)

Due to the intangible nature of especially professional services, trust is here an essential force to use in order to reduce the intangibility and make the service seem more tangible to potential clients to reduce risk and uncertainty. (Laing and Lian 2005)

### 2.6 Adaptation/standardisation

During the literature search was found that not much research is done on the subject of adaptation/standardisation of services in an international perspective, and little of what is written discuss how and why the service companies act and reason when deciding on what to adapt and what to keep unchanged.

Vrontis (Vrontis, 2003) identified in his research that adaptation and standardisation were used simultaneously and created a somewhat convoluted AdaptStand model for the process taken by companies when identifying how to deal with adaptation and integration. Since services involve human resources to some degree the likelihood of cultural incompatibility is greater and the possibilities for a total standardisation are small, or none (Samiee, 1999; Pattersson and Smith, 2001; Javalgi and White, 2002).
The thought that culture affects perception of service delivered has been studied in research, where the provider has been from one culture and the receiver from several different cultures (Crotts and Erdmann, 2000).

There are also elements of adaptation built in the model of relationship marketing, where focus on communication lead to improving the customers’ service offering (Raval and Grönroos, 1998; Grönroos, 2004). According to the IMP Group, trust between businesses can at a certain point only be built on actions and that adaptations are a way for businesses to show in action that they can be trusted to care for the requirements of other part in the relationship (Ford et al., 2003).

2.7 Hyder and Fregidou-Malama findings

In the conclusion of their studies of Elekta in Egypt and Brazil Hyder and Fregidou-Malama (Hyder and Fregidou-Malama, 2009; Fregidou-Malama and Hyder, 2011) find that intangibility and heterogeneity is the main hindrances to marketing health care practices. To overcome this they conclude that trust and networks are essential tools to use in order to make the intangible more tangible and the heterogeneous more homogenous.

Trust facilitates this through the company’s reputation and through involving local people and customs making the foreign service appear more local and less estranged. In the same way, networks are used to encourage resource and information exchange which both help the foreign firm to understand the local culture, but also to give the service a heightened credibility in the new cultural context.

They sum it up as that a balanced combination of adaptation and standardisation is required to make international service offerings tangible and homogenous - while adapting and integrating the business into the local community and networks with respect for local traditions it is also imperative to uphold the basic characteristics of the service, the basis for the service quality, which is the source of competitive advantage. (Hyder and Fregidou-Malama, 2009)

In the second paper (Fregidou-Malama and Hyder, 2011) they study Elekta in Brazil and add the cultural variable and find indications that national culture influences the marketing process. They find that the dimensions PDI, IDV and UAI have affected management of the business. “The culture of country of origin eases the standardization of the service while the local culture affects the adaptation in the market. (Fregidou-Malama and Hyder, 2011 p.14)” Further they conclude: “Thus culture is important to
build trust and networks, for the process of standardization and adaptation and contributes to making the service tangible and homogenous. (Fregidou-Malama and Hyder, 2011 p.14)"

2.7.1 Related studies in China, Philippines and Russia

Three previous master theses have been written on the subject of Elekta at the University of Gävle. In spring 2010 about Elekta in China (Hong and Lin, 2010), in spring 2011 (Rydback, 2011) and in autumn 2012 a study of Elekta in Russia (Bazyleva and Zaytzeva, 2012) was made.

For brevity, the findings in regard to the original HFM model are presented in the table below since the closeness of Chinese and Hong Kong values on Hofstede’s values makes comparisons between them interesting.

2.7.2 Previous cases in Egypt, Brazil, China, Philippines and Russia

Since this is the 6th case based on the same model and company, it is important to start making comparisons between the results of this research (Hyder and Fregidou-Malama, 2009; Fregidou-Malama and Hyder, 2011; Hong and Lin, 2011; Rydback, 2011; Bazyleva and Zaytzeva, 2012). A summary of the findings in the five countries studied so far is done in table 2.

The way networks and relationships are implemented is shown to be highly dependent on the culture, although the partners of the relationships mostly are the same (authorities, customers – and in many cases academic). Trust have in most cases been shown to (initially) be a result of Country of Origin and Corporate reputation that existed before the time of entry on the market and later increased by effective use of networks. Adaptations have been minimized in order to create homogeneity, with the main purpose to create trust between markets. Standardization – as a passive strategy have been important for tangibility and to keep costs of entry low. The Brazil study discuss how culture affect management of the business in terms of Hofstede’s cultural dimensions and here Power Distance (PDI), Individualism/Collectivism (IDV) and Uncertainty Avoidance (UAI) was shown to be influential dimensions.
Table 2  Factors influencing the marketing process. Egypt, Brazil, China, Philippines and Russia.

<table>
<thead>
<tr>
<th>Egypt</th>
<th>Brazil</th>
<th>China</th>
<th>Philippines</th>
<th>Russia</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Trust</strong></td>
<td><strong>Internal network</strong></td>
<td><strong>Years of experience</strong></td>
<td><strong>Country of origin</strong></td>
<td><strong>Country of origin</strong></td>
</tr>
<tr>
<td>- Commitment to local medical education</td>
<td>- Rel to Government</td>
<td>- Team expertise</td>
<td>- Company reputation</td>
<td>- Company reputation</td>
</tr>
<tr>
<td>- Service Quality</td>
<td>- Rel to Authorities</td>
<td>- Service quality</td>
<td>- Word of mouth</td>
<td>- Gamma knife is known as “gold standard”</td>
</tr>
<tr>
<td>- Foreign firms technical competence</td>
<td>- Rel to Treatment Centres</td>
<td>- Part of the medical curriculum</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>- Rel to Universities, doctors, students</td>
<td>- Patients family present</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Network</strong></td>
<td><strong>External network</strong></td>
<td><strong>Affiliated doctors all over the country</strong></td>
<td></td>
<td><strong>Gamma knife societies</strong></td>
</tr>
<tr>
<td>- Informal contact</td>
<td>- Internal network</td>
<td>- Centre’s location</td>
<td>- Events worldwide</td>
<td>- Local contacts</td>
</tr>
<tr>
<td>- Linking local doctors as part-time employees</td>
<td>- Joint venture system</td>
<td>- Training ground for (new) neurosurgeons</td>
<td>- Trainings, seminars etc.</td>
<td></td>
</tr>
<tr>
<td>- Supervising doctoral students</td>
<td>- Guarantee for repair</td>
<td>- Old equipment</td>
<td>- Local contacts</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Adaptation</strong></td>
<td><strong>Structure of ownership</strong></td>
<td><strong>Hiring based on personal relationship</strong></td>
<td><strong>Formal and informal network</strong></td>
<td><strong>Adapted assembly</strong></td>
</tr>
<tr>
<td>- Presence of relatives when visiting doctors</td>
<td>- Lower the price</td>
<td>- Hiring based on personal relationship</td>
<td>- Affiliated doctors all over the country</td>
<td>- Distributorship</td>
</tr>
<tr>
<td>- Political support</td>
<td>- Hiring local people</td>
<td>- Hiring based on personal relationship</td>
<td>- Centre’s location</td>
<td>- Translation of software</td>
</tr>
<tr>
<td></td>
<td>- Develop the service</td>
<td>- Training ground for (new) neurosurgeons</td>
<td>- Local contacts</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Old equipment</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Standardisation</strong></td>
<td><strong>Gamma knife surgery</strong></td>
<td><strong>Hiring based on personal relationship</strong></td>
<td><strong>Product</strong></td>
<td><strong>Adapted assembly</strong></td>
</tr>
<tr>
<td>- Service concept</td>
<td>- Joint venture system</td>
<td>- Hiring based on personal relationship</td>
<td>- Price</td>
<td>- Distributorship</td>
</tr>
<tr>
<td>- Timing</td>
<td>- Guarantee for repair</td>
<td>- Hiring based on personal relationship</td>
<td>- Service quality</td>
<td>- Translation of software</td>
</tr>
<tr>
<td>- Teamwork</td>
<td></td>
<td>- Training ground for (new) neurosurgeons</td>
<td>- Gamma knife surgery</td>
<td></td>
</tr>
<tr>
<td>- Visiting hospital</td>
<td></td>
<td>- Training ground for (new) neurosurgeons</td>
<td>- Std. way of entering EM</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>- Std. price and quality globally</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>- Std. training</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Culture</strong></td>
<td><strong>Expressions of culture was not part of the original study</strong></td>
<td><strong>Expressions of culture was not part of the original study</strong></td>
<td><strong>Expressions of culture was not part of the original study</strong></td>
<td><strong>Expressions of culture was not part of the original study</strong></td>
</tr>
<tr>
<td>- Expressions of culture was not part of the original study</td>
<td>- Conflicts</td>
<td>- Expressions of culture was not part of the original study</td>
<td>- Expressions of culture was not part of the original study</td>
<td></td>
</tr>
<tr>
<td></td>
<td>- Formal/Informal relationships</td>
<td>- Expressions of culture was not part of the original study</td>
<td>- Expressions of culture was not part of the original study</td>
<td></td>
</tr>
<tr>
<td></td>
<td>- Education package</td>
<td>- Expressions of culture was not part of the original study</td>
<td>- Expressions of culture was not part of the original study</td>
<td></td>
</tr>
<tr>
<td></td>
<td>- Local people</td>
<td>- Expressions of culture was not part of the original study</td>
<td>- Expressions of culture was not part of the original study</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>- Expressions of culture was not part of the original study</td>
<td>- Expressions of culture was not part of the original study</td>
<td></td>
</tr>
</tbody>
</table>

Source: Own construction from: Hyder and Fregidou-Malama, 2009; Hong and Lin, 2011; Fregidou-Malama and Hyder, 2011; Rydback 2011; Bazyleva and Zaytzeva, 2012

2.7.3 Cultural Perspective on Networks, Relationships and Trust

Hyder (2010) based on a number of in-depth interviews of Swedish managers in Egypt shows that Low Power distance (PDI) encourages formal relationships where trust development is less important, but the dimensions influence is weak. Collectivism (low IDV) and high uncertainty (UAI) encourage people to collaborate closely and therefore trust becomes a vital issue. For trust to develop, it is necessary that interacting parties
frequently utilise informal and direct relationships to build their networks. Influences from Masculinity (MAS) were not reported as having any influence on relationships and Long-term orientation (LTO) is not mentioned by Hyder. Hofstede however, means that in a trade simulation game, LTO is a factor that affects the level of trust needed to conduct a transaction. Persons from a high LTO oriented country showed a greater need of trust before making the transaction. (Hofstede et al., 2008) That LTO have an effect on trust is shown in research on Chinese online shopping. In a study from 2009, Yoon show that a high UAI, just as high LTO implies a higher need of trust needed to commit to transactions. (Yoon, 2009) Finally a study of relationship building between US and Latin America in a buyer-seller setting showed that high UAI resulted in the need of stronger relationship ties. (Hewett et al., 2006)

Since Hong Kong is based on the Chinese culture (El Kahal, 2001), they to some degree utilize “guanxi”. Guanxi is the Chinese art of personal networking and a main feature of this is reciprocity. If you do someone a favour, they will be obliged to “pay back” with a favour of equal or higher value. Most services and favours can be exchanged here and the line between exchange of favours and corruption can be fine. This shows that development of networks is important in China (Buttery and Leung, 1998; Faure and Fang, 2008)

2.8 Theoretical framework

In order to incorporate the previously missing dimension of time into the theories of cultural adaptation/standardization, I make use of the four stages of relationship development as presented by the IMP group in their discussion of the asset facet of a relationship and develop the stages according to the development of cultural adaptation to the market in a network/trust perspective. (Ford et al., 2003)

The first stage – Pre-relationship stage – is a stage where the service company investigates the market. Here is when initial contacts with authorities are made to discover what Institutionalized adaptations will be necessary for the new market. Institutionalized adaptations refer to adaptation to local regulations and legislations that have to be made in order to even enter the market, and have their roots in culture (Hofstede et al., 2010). These actions are the foundation for what Williamsson call institutional trust (Williamsson, 1993). Organizational relationships are formed to exchange information. (Ford et al., 2003) This is what is referred to as the well-
researched entry mode stage in international literature (Grönroos, 1999; Moen et al., 2004; Hollensen, 2004; Ghauri and Cateora, 2006)

The **Exploratory stage** is when the service company decides to enter the market. Trust is here still low, and in the form of calculative trust (Williamsson, 1993; Johnson and Grayson, 2005; Huang and Wilkinson, 2006) but now the previous organizational relationships begin to reform as personal relationships (actor bonds) (Ford et al., 2003) and through them, affective trust is being formed (Williamsson, 1993; Johnson and Grayson, 2005; Huang and Wilkinson, 2006). The level of trust is still low at this time and the need for trust between the parties is determined by two factors; first the total level of trust needed will depend on the culture being entered, or rather the relative difference between the entering and entered culture and will be decisive for how strong personal relationships need to be built. Second, if considering the difference of trust needed as a creator of the gap between expected and perceived service the level of trust needed might be reduced through word-of-mouth (Parasuraman et al., 1985; Zeithaml et al., 1986; Zeithaml, 2009), as existing through factors such as country of origin and corporate reputation as seen in the previous Elekta studies (Hyder and Fregidou-Malama, 2009; Fregidou-Malama and Hyder, 2011; Hong and Lin, 2011; Rydback, 2011; Bazyleva and Zaytseva, 2012). With trust defined as willingness to vulnerability to another party (Mayer et al., 1995), this serves the purpose of increasing the relationship strength (Ravald and Grönroos, 1998; Ford et al., 2003) and reducing the intangibility of the services offering (Liang and Lian, 2005; Zeithaml, 2009).

In the **Developing stage**, relationships and actor bonds are firm, trust is stronger and commitment is shown through adaptation by other means than institutionalised, here is when the cultural adaptations come in, when the entrant company feel safe in that they will have the opportunity to succeed in the new market (Ford et al. 2003). This is where in China the Chinese negotiator would change from being the Sun-Tzu strategist to the Confucian gentleman (Fang, 2006).

The last stage of the relationship is the **Mature stage**, and occurs when the service company has reached an optimal balance between adaptation and standardisation, networks and actor bonds are in place and the situation is stable, until changes in the market occur.

The connection between the different levels of trust, relationship and their related cultural dimensions are shown in figure 3 while the dynamics of the variables is further developed in the theoretical model presented in Figure 4.
This far we have not discussed how adaptation and standardization influence the different variables, which will be the topic of the following section. As adaptations and standardisations are two sides of the same coin, in that a feature of a service must be either standardised or adapted we propose a further change to the FMH-model in term on how adaptation/standardisation affect Intangibility and Heterogeneity. As shown above, adaptations drives to reduce the service gap and increase the tangibility of the service. At the same time, standardisation is a force for homogeneity of the service (Zeithaml, 2009), but excessive standardisation reduces the possibility to adapt and reduces the service gap and as such increases the intangibility of the service. For this reason, we propose in this model that while adaptation to a local culture through increased trust reduces the intangibility of a service; it will at the same time reduce the homogeneity on a global scale. For standardisation the opposite applies, with increased standardisation, homogeneity increases but at the cost of increased intangibility. The service companies therefore need to carefully consider each local adaptation against possible damage it might have on the global scale. This is an alternative interpretation of
the findings by Chen and Wong (2003) where they attribute the lower performance that follow local adaptations of products to loss of economy of scale (Chen and Wong, 2003). This balanced approach is partly supported by the meta-analysis made of 23 international studies on the marketing mix published between 1992 and 2010 (Brei et al., 2010).

Last we need to incorporate culture in the model. Starting from a general view on how culture and its effects can be incorporated in the model, we continue with a discussion on how differences between the entrant service company’s culture and the entered national culture, Hofstede’s 5 dimensions can be used to predict how the service company should act on the new market based on the previous study in Brazil performed by Fregidou-Malama and Hyder (2011).

In the previous sections we discussed culture as affecting three areas of the internationalisation process; the level of trust needed (Ford et al., 2003; Laing and Lian, 2003; Fang, 2006), how relationships are formed (Hyder, 2009) and institutionalised adaptations in the form of regulations and laws (Hofstede et al., 2010). In the reviewed literature, Hofstede’s 5 dimensions have been discussed in their relation to trust and relationship. High UAI and LTO were shown as determinants for a high level of trust and at the same time connected to a need of strong personal relationships. No discussion has been made of MAS and the influence if PDI and IDV have been inconclusive although Hyder (2009) discussed that low PDI encourages formal relationships and Fregidou-Malama and Hyder (2011) noted no Influence from MAS on marketing of services. In a high PDI culture social and organisational hierarchies are also accepted, with the result that higher levels in society, profession or management are less accessible to the lower levels. This would increase the difficulties in forming relationships with a high-ranking member for a person from a lower level. A link between low IDV (high collectivism) and close personal relationships has also been observed by Hyder. In this discussion, the words “high” and “low” in relation to cultural dimensions are the relative values between the entering service company and the culture of the country being entered. (Hewett et al., 2006; Hofstede et al, 2008; Hyder, 2009; Yoon, 2009)
In Figure 4 the theoretical model of this study is presented. In the model I have incorporated several new concepts to the previous study from Brazil (Fregidou-Malama and Hyder, 2011). Most central, we have incorporated time as a dynamic variable in a relationship with the market. We have also discussed that cultural differences influence the marketing process on three fronts; Level of trust, How relationships are formed and last the Institutionalised adaptations. We also discuss how a balance between adaptation/standardisation is needed in order to optimise local and global benefits. On the terms of relationships, we divided these in Organisational, as necessary for entry and personal, which strengths is decided by the level of trust needed to enter the new market. We also noted that Organizational relationships have a connection with calculative trust, while personal relationships are connected to affective trust, the latter being stronger related to culture. Further, we noted that institutional trust is present during the pre-relationship stage of a relationship.
3. Method

In this chapter the methods and sources used for collecting empirical and secondary data are presented. A discussion is made to give understanding of the process of analysing data and the chapter ends with a discussion of the study’s reliability and validity.

3.1 Data collection

This research is based on a case study from one Swedish service company in the health care sector. An interpretive approach was used when formulating the study, and recognizing that culture is dependant on its members a constructionist standpoint was adopted with research questions formulated through induction from previous research. A qualitative methodology was chosen for the case study as the aim to closely investigate the case in order to develop theories further. The purpose of qualitative studies is to understand a certain behaviour, opinion and valuation of the respondents rather than to generalise (Malhotra and Birks, 2006). The primary data for this work has been collected through personal interviews and correspondence with seven persons who have direct involvement at Elekta’s business operations in Hong Kong. The positions involved were Board member/Owner, two Vice Presidents, Director of Global Marketing, and Regional Sales Manager. One interview was made with a person not connected to Elekta, but with extensive experience from consulting Swedish businesses in Hong Kong (Area Manager for Greater China South of the Swedish Trade Council). This interview was used to support the formulation of interview questions and give background to business in Hong Kong as a whole.

Initial e-mail contact was made with Laurent Leksell (Board Member and owner) at Elekta in Stockholm in early spring 2010, who referred back to current manager in Hong Kong – this effort was unsuccessful due to the researcher’s sudden relocation to Taiwan and during 2010, only the background interview were carried out with Jens Wernborg at the Swedish Trade Council. In spring 2012, new contact was made both in Stockholm through Torgny Landin (Director, Global Marketing) by introduction from University of Gävle as well as in Hong Kong through Peter Thelin (Vice President). These contacts resulted in the subsequent interviews with Rolf Kjellström (Vice President) and Mona Lee (Regional Sales Manager). Through Thelin contact was made with Shaun Seery (previous Director of Sales and Marketing Radiation Oncology at
Siemens Healthcare) in February 2013 in order to straighten out questions about Siemens withdrawal from the radiotherapy business. Seery is currently (from May 2012) Vice president of Sales and Marketing Asia Pacific at Elekta. At the end of the telephone interview, a date was set for scheduling a full-length interview about the main case study. During the course of this work, Leksell, Landin and Seery as well as other interviewees have been answering clarifying questions by e-mail.

A mixed Non-probability sampling technique was used to select employees to interview personally. Ideally for a case study all persons with relevant information pertaining to the case should be interviewed. For several reasons this is often not possible, and a method for selection must be made. A basis for the sampling was snowball sampling, where each interviewee is asked to consider if there are others that might be of interest for the study (Malhotra and Birks, 2006). A judgemental sampling approach was also taken, where the researcher from experience with the research subject judges if an employee is deemed to possess relevant information. For some higher management placed in Sweden a convenience selection was made in terms of personal interviews, but this was in some cases replaced by brief questions by e-mail. (Malhotra and Birks, 2006) At the end of this work, only details regarding Elektas operation in Hong Kong were revealed and no new relevant information yielded. At the same time, the interviewees could no longer suggest any new suitable persons to interview, which can be seen as a sign for saturation and that the selection is representative if not total of all, suitable interviewees.

A semi-structured question format has been used during the interviews. During such interviews, the researcher uses a guide with questions that will be discussed during the interview, but the researcher is given flexibility to ask the questions in different order, depending on the discussion. The researcher can also ask follow-up questions and add new questions for clarification or to follow a new trail to deepen the knowledge of the case. This kind of interview makes it possible for the respondent to discuss in depth what they feel is important and to explain why. (Malhotra and Birks, 2006) Having a set questionnaire can also result in guiding the respondents’ answer in a negative way and make the conversation freeze (Booth et al., 2003), which is why the questionnaire were used as a guide for the interview rather than a strict template to follow.

The interview questions were based on the questionnaire used at the study in Brazil, but adapted to the situation in Hong Kong. (Appendix 1, 2, 3 and 4) The questions were written in English and Swedish and sent to the respondents in advance,
in order to save time and to allow the respondents to prepare themselves. This may result in the disadvantage that the respondents do not say what they really think but on the other hand it has the advantage that time allows the interviewed persons to really think back, reflect and possibly check facts.

The questionnaire was also adapted between each interview in order to adjust for when new information was revealed in previous interviews or to address the interviewees’ duties at Elekta in a relevant manner. Since the interviews were semi-structured, sometimes new questions were asked during the interview that were not prepared in advance in the questionnaire. This might be a questionable approach to add data collection methods during the study, but as noted by Eisenhart for theory building research this is allowed since the investigators are trying to understand the case in as much depth as is feasible it is imperative that new opportunities for data collection is taken into account and not discarded (Eisenhart, 1989).

The respondents were offered the opportunity to be anonymous to increase the chance of honest answers, no one responded that this was necessary, but the individual responses will in most cases not be shown in the analysis due to requests that responses not being traceable back to the source. (Hague, 1993; Tourangeau et al., 2000; Dillman, 2007).

The interviews with Elekta staff lasted for approximately 2 hours each, and the supporting interview 3 hours. Recordings were made of the interviews as a whole and later transcribed to a text document. As a complement, notes were taken as well, to ensure that no observations of body language or other high-context communication was forgotten. (Yin, 2002) Next the transcribed interviews were sent to the interviewees in order to get confirmation of the responses and adjustments made where necessary. They were told that if they did not respond to the mail and wanted adjustments, the interview would be regarded as correct. None of the interviewees responded with changes.

3.2 Presentation and analysis of primary data

One disadvantage with case studies is that they can be difficult to analyse (Blaxter et al., 2006). According to Yin (Yin, 2002), there are no clear guidelines for how a case study shall be reported, and his advice is to start composing the study as early as possible. In this case the full interview was written down fully. Later the interview was condensed to a manageable size until essential structure remained and is presented in the empirical section of this document. Condensation of data is an
important step in order to handle the large amounts of information, but it is also critical to avoid looking for the average or typical when doing this, and not reject anomalies and exceptions (Gummesson, 2005). This condensation was in a first step made through dividing the interview in paragraphs judged to have similar content and assigning them a category. In total six main categories were used: Hong Kong, Elekta, Adaptation, Standardisation, Trust and Cultural influence. This was made to all interviews, and subsequently merged into one document. This step is what is presented in the Empirical Findings chapter.

After the interviews were categorised and condensed, comparisons, “fitting” and analysis against the theoretical model was made. At this stage, comparisons for cross-case patterns with previous case studies of Elekta was then made with the purpose of finding differences or similarities between the cases as well as avoiding biased interpretations and offering new perspectives (Eisenhart, 1989).

The last step was by using the original research questions, RQ1 to RQ4, interpret the findings to further understand how they relate to the questions and in this way connect the conclusion to the initial problem statements.

3.3 Reliability and validity

The reliability of a study indicates if the result of the study would be the same if it were repeated (Malhotra, 2003). Grummesson is of the opinion that reliability and representativeness in general cannot be applied to case study research (Grummesson, 2005). One way to increase the reliability of a case study is through careful documentation, the more detailed description of how information was collected and analysed, the higher are the chances that a repeated study will yield the same results (Yin, 2002). For this reason the process and method used have been outlined in this chapter and questions asked are included in Appendix 1 through 4.

In connection to reliability, Saturation is often mentioned as factor. Saturation is the point in the qualitative research when no new or little new information is added when additional persons are interviewed (Eisenhardt, 1989; Grummesson, 2005). It is possible that more interviewees could have been made in this study but none of the persons interviewed could identify any additional subjects. This points to the conclusion that the level and number of interviewees are enough for securing the reliability of this study.
The validity is an important factor in qualitative research and states how trustworthy a study is, how well it agrees with the reality; so called internal validity (Yin, 2002). External validity states how well the result of a study can be generalised (Malhotra and Birk, 2006). A weakness with qualitative studies is that the results are subjective and based on subjective assumptions when designing the research, while another weakness is that one cannot generalise the results by statistical inference methods, they are valid only for the case that have been studied and offer a poor basis for understanding according to critics. (Yin, 2002) An opposite view is that these quality criteria for validity are not valid for case study research and that there is no way to predict how many cases are needed to draw conclusions, the research should preferably be done until no or very little new data is added by each additional interview (Grummesson 2005). There are also the question of the construct validity, which concerns the question if the study represents the theoretical framework it is supposed to measure (Shaughnessy et al., 2012) Since the persons interviewed in this study were the ones identified as having relevant information about Elektas business in Hong Kong, the demands on validity is fulfilled through a representative and possibly total selection. Another strong point for the case of validity is the fact that the questionnaire used have been tried and tested in previous research, which let us make use of experiences gained during previous studies and reduces the risk of irrelevant questions being asked.

One additional concern stems from the fact that we are dealing with several cultures and languages. In this study, the researcher is Swedish, but the respondents have been from Hong Kong and Sweden. The language chosen for interviews were English (for the English speaking staff) and Swedish for the Swedish staff, which made translation from Swedish to English necessary. That translation, both linguistic and through the participants’ respective cultural lenses can be a source of misunderstandings should not be forgotten. (Deutcher, 2010; Smith and Reynolds, 2001; Shah, 2004) It should be noted that while the interviewer is Swedish, he has a fluent command of English as well as having lived in Hong Kong and Taiwan for close to 5 years at the time of the research, which reduces the risk of translation errors or misunderstandings during the interview.
4. **EMPIRICAL FINDINGS**

This chapter presents the empirical findings from the research. The interviews are rewritten with repeated comments and comments that do not give any information relevant for this study are removed. The text is also summarised and arranged into subchapters where each topic can be identified.

4.1 **Hong Kong culture and characteristics**

Since Elekta is providing medical equipment that performs a surgical operation on the patient they are working in a regulated area of business. This means that there are demands, certifications and licenses needed in order to be allowed to sell their products and they have to be registered by the authorities, for sales, import and use. As far as the interviewee knows, up until 1997, the system in Hong Kong was one of the least complicated but it still involved quite a bit of contact with the Hong Kong authorities. The licensing process of equipment is today simple but in 2013 new regulations will be in place (adaptation to international standards) and Elekta staff have already been on training arranged by Hong Kong’s health care department.

When asked to compare Hong Kong to China the interviewees noted that Hong Kong has a greater experience with western business culture and a material standard of living that China yet have to reach. The previous British government has put a stable foundation in place of norms, legislation and regulations as well as experience and knowledge that do not in all cases correspond to the Chinese culture. After the handover the Chinese have been taking over from what remains of the British. Public hospitals in Hong Kong have high pressure with patients, treatments are free but in future there will be market pricing on new technology treatments.

4.2 **Elekta in Hong Kong and Asia Pacific**

Elektas entry in Hong Kong begun in 1992 and they were then working through distributors. From before, Japan had been and still is a large successful market and they saw after the first sales of a Gamma Knife center in Hong Kong 1992 a great potential in the area, above all in China. After a couple of successful years, the decision to open a regional office was taken in 1995. Elekta was then choosing between Singapore, Malaysia and Hong Kong as possible locations. The decision finally fell on Hong Kong since it was at that time (more so than now) the entrance port to China and have a very
central role in Asia, both for as a business hub and for transportation. Other reasons was that the Hong Kong society is, compared to other in the region quite low regulated, which made it easy to start and run a business there. Hong Kong also had a more developed bank- and legal system in the region.

In 1996, Elektas office opened in Hong Kong and the office grew fast, not least thanks to a purchase of Philips radiology section, which was then integrated in Elekta. Soon thereafter Elekta established in India and Singapore, as well as a representative office in China.

Hong Kong is still kept as the base for the regional head office in Asia. The current structure of Elekta in the region consists of a regional Asia Pacific office with responsibility for 5 regional business units: India (India, Sri Lanka, Bangladesh, Nepal and Maldives), Mainland China, Japan, Pacific (Australia, New Zealand and the Pacific Islands) and Elekta Far East (Korea, Hong Kong, Taiwan and the ASEAN countries). ASEAN is comprised of Brunei, Cambodia, Indonesia, Loa PDR, Malaysia, Myanmar, Philippines, Singapore Thailand and Vietnam (ASEAN, 2013) At the regional office, 10 people are working in sales and marketing related functions, while the total number of persons in some way related to the marketing process is around 50 including the business units. Aside from the vertical division in business units, Elektas Asia Pacific 10 sales/marketing staff also have 4 specific business areas; Oncology, Software, Neuroscience and Brachytherapy with one person assigned responsibility for each business area, supported by people that either are specialized in one of the areas, or covering all of them.

The Hong Kong office is also the base for Elekta Far East, which manages direct sales to Singapore, Hong Kong and Korea, while the other countries in their business unit is managed by distributors (ASEAN and Taiwan). The staff in both the regional office and in Elekta far East is made up of a mix of expats and local staff, but a shift to replacing western or regional expats with locally recruited personal is being made when possible, one reason being the higher cost of expat salary, living etc., but also for local staffs better cultural knowledge and local language skills. A Chinese from Shanghai for example speaks excellent English, often Mandarin Chinese as well as at least one, sometimes more Chinese dialect(s), most commonly Cantonese and/or Fujianese which enables them to work all over China, Hong Kong as well as Taiwan (Where aside from Mandarin Chinese, the local Taiwanese language are very close to Fujianese).
At the time of writing there are one Gamma Knife installed in Hong Kong, which is close to enough to cover the needs of the city, although there are room for one more. Linear accelerators and software is the bigger market here with 7 units installed by Elekta out of a total of 40 linear accelerators in Hong Kong. Exchanging a Linear Accelerator costs around 2-3 million USD and establishing a Gamma knife treatment facility costs around 5 million USD. There are currently 49 private and public hospitals in Hong Kong and around 15 oncology departments.

Regarding software the market is more diverse with many competitors and Elektas main sales of software is through packages together with their products. On Gamma Knife, Elekta has no direct competition, although there is some Chinese manufactured “copies” as well as the Cyberknife by Accuracy, which claims to do the same thing as Gamma Knife, but with a different technology. In theory, even a Linear Accelerator could compete with the Gamma Knife in certain ways. In the linear accelerator segment, the only competitor is Varian (American) since Siemens 15 November 2011 announced that they would pull out of sales of Linear Accelerators. The target was to stop accepting new contracts after 31 December 2011 but to after this date continue to handle already signed contractual commitments, producing less than 10 new accelerators until December 2012. At the same time, already started plans for development of their own software for radiation oncology was scrapped as well before they went into sales. After 2012, no new sales or production is made but as a result of previous sales and support commitments, Siemens keep a smaller R&D and service staff for running support and upgrades of existing Linear Accelerators.

The official reasons for the withdrawal from the Linear Accelerator market was that Siemens could not be truly competitive and profitable on the Global market with the current products and strategy and decided on a new strategy - to become the partner of choice in imagery. In May 2012, Siemens entered a strategic alliance with Varian where they are supposed to cooperate so that Siemens introduce Varian to Siemens existing customers, while Varian allow Siemens to packet Varian’s Linear accelerators in larger procurements that include radiology. This might affect Elektas business in a negative way, although there are indications of dissatisfaction among Siemens clients because of their new strategy that might make this alliance a less threat than it could be and instead become an opportunity for Elekta to increase market shares on Linear Accelerators. Another advantage for Elekta as a result of Siemens withdrawal is that although Siemens traditionally have been very strong in Asia they have not had any own software for
Radiation Oncology. Instead they have been packaging their Linear Accelerator sales with Elektas software. Now as a result, these existing Siemens users will need to turn to Elekta for software updates which is putting Elekta in an ideal position to become these customers new Linear Accelerator partner instead of Varian since the transfer from Siemens to Elekta Linear Accelerator will be easy with Elektas software already installed. Also, in many cases hospitals choose Siemens as an alternative to Varian, i.e. they choose Siemens as a supplier because they did not like Varian. This also strengthens Elektas opportunities to replace Siemens in these sites and Elekta have implemented an internal program to target and actively visit the current Siemens users to make the switch to Elektas Linear Accelerators. This has been very successful, outperforming Varian at a 2:1 ratio in replacing old Siemens Linear Accelerators.

*Elektas future challenges* - A future challenge for Elekta in Hong Kong is that marketing needs to be modernized. One interviewee feels that Elekta is on the frontline of MedTech, but old fashioned in regards to marketing. They have recently managed to get a foot in government hospitals on linear accelerators and are targeting to increase the user base from 20% to 50% in 3 years time.

The sales cycle for a Gamma knife is approximately 2 years and the one that exists now is more or less enough for the current populations need even if two might be useful to lower the pressure on the existing Gamma Knife. A growing problem is that even if the Hong Kong government would decide to be generous and set up a cancer clinic in every public hospital, they would not be able to staff it. There is a lack of trained oncologists, therapists etc. that limit the possible factor of growth. This is not only true for Hong Kong, it is even more serious in China where it even right now can be doubted if the staff handling the Linear Accelerators really have the experience and qualification to do so. Even if Hong Kong is considering importing skilled physicians from abroad, there is probably no oversupply of oncologists anywhere in the world, due to cancer becoming a more common ailment as the world population ages.

Another challenge is not to grow too fast but still in sync with the market needs. Region Asia have been expanding very fast and fast expansion have risks if investments are made and the demand decline.

Elekta is foreseeing new business models for hospital equipment. Traditionally a hospitals treatment center has bought the equipment, paid and then the deal was done. Now when hospital care get more commercialized and budgets for investments are getting smaller, the demands are increasing on suppliers like Elekta to present more
creative ways of financing. There will be more risk sharing with the customer and the company will get more integrated in the hospitals operation and invest in the centers. It might even be that Elekta will have some own staff localized at the customer’s centre.

Competition will change and there will be fewer and fewer companies competing, in return they will also be bigger than now and entrance for new competitors will be very difficult since product development is very costly. It is not likely that any startups will suddenly show up to take over major markets shares. The barriers of entry are too high, with high investments needed and many difficulties in licensing a product. It is then more possible that any of the large general health care companies that previous sold out their radiation oncology business (for example Siemens, Philips, General Electric) decide to buy up Varian or Elekta, although a reason for companies to withdraw from the Linear Accelerator market is the risk of litigation. If a patient get hurt and they decide to sue the manufacturer instead of the hospital/physician. This has not happened in Hong Kong, but there were a couple of cases in the US where Varian got into trouble in an article in the New York Times. These news articles did however reflect the Gamma Knife in a positive manner as the alternative treatment, partly because the difference in technology put the Gamma Knife under the supervision of the stricter Nuclear Energy Commission, while Varian’s Linear Accelerator is supervised by the Food and Drug Administration. (Bogdanish, 2010; Bogdanish and Rebelo 2010)

4.3 Adaptation

There was no recollection of any specific product or service concept adaptation made to the Hong Kong market, however it was mentioned that contrary to Sweden, during consultations the whole family is preferred by the doctors to be present since they feel that the patient often get quite upset and can have trouble remembering everything that is said.

Pricing - Price is more or less set by the market. Customers are often quite aware of what they will have to pay for a system and bargain for it up to 10%. It is not often the contract goes to the lowest price nevertheless. In Hong Kong there is a local Varian “Fan group” for Linear Accelerators and they try to block any sale by Elekta. Elekta here try to use a tactical pricing method, where they from case to case attempt to offer a special deal on price, or offer some extra product or service than is asked for in order to be considered more favorably. This local “Fan group” shows up in several countries, but
is more noticed in Hong Kong because it is a small, homogenous marketplace where their noise can have impact.

*Product* - One change that has had to be made lately have been that they have needed to start delivering documentation in Chinese and English while previously it have been enough with English. Most users are highly educated and are good enough at English, so the user interface do not need to be translated to Chinese as it has been in China and Taiwan.

*Sales and Marketing* - In terms of marketing, adjustments to the product portfolio are made for Hong Kong. The market here is relatively small, so some products, especially low-end backup Linear are kept out of Hong Kong out of fear that it could destroy Elektas reputation as a premium brand. There is also no interest from the market for this product.

### 4.4 Standardisation

*Pricing* - Elekta also cannot have too large price differences within or between countries. The users are a small and specialized group that often meet at conferences and similar and if they start discussing the price and discover that there are large differences it will give a very negative picture of Elekta. There are also international websites such as www.mdbuyline.com where buyers enter the quoted prices they get from suppliers and which can then be used to benchmark prices of equipment and machines on a global scale. Not only quoted prices are entered here, the buyer can after purchase also supply the final purchasing price in the database and this will give an idea of the average discount a customer can expect. There might be variations on markets where Elekta do not have their own office but are using distributors for sales; the distributor will need to raise the price in order to get some profit out of the deal for himself.

For Linear Accelerators, Hong Kong is now into the third generation and buyers know quite well what price to expect and what they will get for the money. Prices are more or less the same as 10 years ago – but the technology and features you get for the money have increased.

*Sales and Marketing* - Gamma knife, Linear Accelerator, Brachytherapy and Software are in general all sold and promoted in a similar way but with different approaches due to different target groups. There are no adaptations made for the Hong Kong market. For Brachytherapy, Elakta need to make a very clinical sale to the doctors
to convince them that they need to change their clinical practice and do things different from how they are done now.

Linear accelerator sales is technical sales, it’s mainly sold on features and benefits over the competition, with comparisons between brand A and brand B. The reason is that many hospitals often already have a radiotherapy center for cancer treatment, they already know maybe up to 5 years in advance when the existing Linear Accelerators will need to be exchanged. Because of this, Elekta will know when a hospital will purchase a new Linear Accelerator and can approach (or be approached by) those hospitals when they know the purchasing process will begin. In certain cases, when there is a new feature you present to the Linear Accelerator, Elekta might try to make a more clinical or financial sale to doctors instead of the more technical approach to physicists or engineers.

The Gamma knife is different in that it has no direct competitors and the sales of Gamma Knife is more about proving the customers clinical need of the product to the neurosurgeons. This also makes a difference since neurosurgeons often have a very low tolerance for incompetence. If Elekta can show that they can save time and treat more patients, thereby free themselves, make more money and become more efficient, there is a strong case. The Gamma Knife treatment centers are quite scarce and will have to be built up from the ground. For the Gamma Knife, Elekta most often will have to study the market and by themselves, decide if they should approach it or not and select the potential hospitals. The hospitals are then approached and Elekta tries to show them the advantage of starting up a Gamma Knife center.

At the same time, selling the Gamma Knife is more of a consultative process, the customer will most of the time not be as familiar with the technology and will need more education. The more mechanical part of the marketing process is as well quite similar between countries, for the Gamma Knife the main channels are to send the neurosurgeons academic papers featuring Gamma Knife, presentation folders, emails, news etc. that can be of professional interest. Marketing at professional medical conferences and journals read by the surgeons are also used. It is also said that the best way always is to be out and where you can actively talk and discuss with the customers and answer their questions and concerns directly. For Linear accelerators, it is not the surgeons or doctors that are targeted as buyers but the radiotherapy sections medicine physicists or biomedical engineers since they more often have input on the purchase of replacement machinery to the departments. The physicians are more often just users
here. So, in short selling a Linear Accelerator is mostly a matter of replacing existing equipment (or sometimes expanding a center with additional Linear accelerators), while selling a Gamma knife Center is about creating the need with the customer.

**Product** - Elekta also want to make as few adaptations as possible of their products. Since they work in such a regulated market the regulations demand a high level of documentation on every change made to some equipment, even as small change as exchanging one type of screw for another.

**Service quality** - With a high number of patients on each physician, Hong Kong’s health care system is under a heavy load. As a result of this, purchasers can tend to look more on the time a treatment take than the price. Out of safety concerns and to preserve service quality Elekta does not compromise or try to adapt the service for faster treatments.

**Service concept** - Through initial training of both doctors and staff Elekta insures that the process is coherent and similar to all patients. By international conferences and knowledge sharing, new methods and tips are shared throughout the international community.

### 4.5 Network

**International user networks** - Regarding arranged formalized networks, Elekta does in some countries arrange for user seminars and user networks, but not in Hong Kong. One reason is that there is no rush to do this and they have high workload. Another is that the user base is still quite low; around 30 users and they feel they will start when they reach about 50. The responsibility for regional networks lies on the regional offices and for the Global networks on the global office. For the Asia network Hong Kong is responsible. Elekta also have an international discussion forum on their web where users can discuss with each other. Bi-annually they have a global conference with all users at a Gamma Knife Society meeting. The years when the Global Gamma Knife Society doesn’t meet there is an Asian Gamma Knife Society meeting. It is seen as an academic organization and its almost all members are neurosurgeons. Elekta is heavily involved in these meetings, supporting them, might provide some speakers, the son of the inventor might come and give update on new features and current research, but keep at the same tome in the background.

Users do also often meet through their professional organizations, as well as changing jobs from hospital to hospital which get them in contact to other users in other
places. Examples of this is that Elekta in Hong Kong is commercial member in both Radiation Therapists Society, Medical Physicists Society and take part in their dinners, sometimes sponsoring the dinner and get the chance to hold a speech etc. These societies are both for the technical staff at the hospitals, the Medical societies tend to keep a wider distance the higher you get in the hierarchy, not allowing the memberships, but still might ask for sponsoring of dinners or events.

Another type of relationship is with the individual client; when he just purchased a new machine, he might want to host an event where referring doctors is invited and want Elekta to sponsor it, take the bill for the dinner etc.

*Relationship with customers* - “The best relationship is the social relationship”. A sales person that has been in the business long and knows everyone important in the industry can tell you who they are, what they are and how long they have been there is essential. The need for this is more or less the same everywhere, not (much) stronger in Hong Kong than it is in Europe or in the USA. In some ways it is easier to get in direct contact with the owners (or top layer) of private hospitals in Hong Kong than in USA or EU. In Hong Kong they are often more directly involved in the day to day operations, and especially if you have a local sales person calling and asking for a meeting while saying that “I have Vice President here on visit from Sweden and wonder if you could spare us 5 minutes.”, they will like this. Name cards, titles etc. is often a door opener, but you need to combine this with the local knowledge of culture and language. It might work well for a westerner with English once or twice, but in the long run it is not a working solution.

The sales cycle is typically long, and the relationships with clients ideally longer. When you first meet the customer it is always very cordial, although when meeting the responsible doctor it should never be too cordial, you are a sales person and they hold a medical degree so they expect a respectful distance. As long as you manage this social dimension with the doctor, all you need to do is convince the technical staff, which often has higher influence on purchase, that the specifications are what they need. Since the prices are quite fixed in the market, this is enough to make the doctor sign on the purchase order. A smaller difficulty here is that many locally recruited sales come from a technical level and are used to being subservient to the doctors, this is something we need to work on to remove so that they can form a relationship where they as sales persons can challenge the doctor. This is where the trouble with using distributors might come in. A distributor that have been selling your products for long time in the market
will have created very strong social relationships with the customers, so strong that you will have difficulties to go in by your own and you might have to buy them out if you wait too long.

**Relationship with authorities** - The company has recognized the importance of having good relations with Hong Kong’s Hospital authority and did already from the start meet with its Chief Executive. They want him to know about Elekta, that Elekta was establishing themselves in Hong Kong as a regional office, that they are making investments and employing people in Hong Kong to show that they are contributing to Hong Kong and its citizens. Then it is good that the Hospital Authorities know that Elekta are there if they want to purchase.

**Relationship with competitors and other companies** - The company has absolutely no cooperation or relationship with competitors in the region. There are however on a Global level some cooperation with third-part suppliers. For example there are basically two companies that manufacture alignment lasers to Linear Accelerators and Elekta is open to cooperation with both of them, unless a customer or country have relationship or preference for one specific of them. The same is true for dosimeters that measure the amount of radiation put out of the Linear Accelerator during the procedure, two suppliers exist and Elekta work with both of them, but because of existing relationships one of them is the preferred supplier.

**Relationship with patients** - Elekta has no relationships or marketing directly to patients, even if some other companies do that, for ethical reasons there are no plans to introduce this in Hong Kong. What is done is some general technical information regarding their products that are presented on the website for informational purposes.

**Public and private cooperation** - Hong Kong hospital system is in one way quite unique compared to other countries in that private hospitals also can accept public hospitals referrals for specialty treatment. Since Hong Kong health department have the patients but not the Gamma Knife they (with help and support from Elekta) set up a cooperation agreement with the private hospital that have a Gamma Knife center. The result of this cooperation is that if a Public physician in Hong Kong have a patient that diagnosed with an illness where a Gamma Knife is the right treatment, then this patient can be remitted to a private center for treatment. The patient is remitted to a Public neurosurgeon that is trained and experienced in use of the Gamma Knife, but he then perform the treatment at the private hospitals center in a team together with the private hospitals staff. The public physician is always the patients “doctor” that he discusses the
treatment with, but the Gamma Knife center is responsible for the equipment and facilities and such.

_Evolving relationship in a market_ - In Hong Kong, Elekta initially sold their products through a distributor, although when the time was right and they could reach economy of scale they opened their own office here. This is a typical way of entering a new market. A distributor often have many products in their portfolio, and if they fail with Elektas product this might only make up 10% of their investment, while if Elekta made a direct entry it would be a 100% loss. This is a typical process of establishing a presence on a new market and is also affected of regulatory factors – as example is mentioned that in Malaysia you need to be at a minimum 30% locally owned company to sell to the government. A drawback of using a distributor however, is that if you let them go on too long, they become too strong and get too strong direct relationships with the clients so that it is difficult or impossible for you to enter by yourself, to enter, you would need to buy the distributor out. If you are newcomer on a market, you would typically want to establish a beachhead, you want to establish a hard and fast win, preferably with someone influential. There would be no use to entering a market through a low level rural hospital. Instead you want to take over a high-profile big name hospital, as Hong Kong Sanatorium, Queen Elizabeth or Queen Anne here in Hong Kong. Especially if there is no competition yet on the market you want to grab attention. Unfortunately in many new markets it is not the high-profile government hospitals that buys, but a private investor that is in the business for the money. They will not serve as a good beach head since they just want to go in to the business, treat as many patients a day as possibly, probably with low quality work and get a return on their investment.

At the same time, on a new and especially small market Elekta would probably not offer a full product portfolio, to always keep service engineers at hand that know the full product portfolio is costly before you are fully ready to commit to the market. The remaining products can then, at need be introduced when you have reached the necessary economy of scale.

4.6 Trust

_Familiarity with product and process_ - The Hong Kong government is less price-sensitive than private hospitals, since it has good finances and the civil servant is less careful with the money. They prefer something they already know, compared to something new so if you get a foot in the doorway its easy to stay. This is also true if a
physician change job and starts working at another hospital, he is then more likely to want to continue working with familiar equipment instead of new.

**Customer support and information** - Gamma knife, Linear Accelerator and Software are all sold and promoted the same way but to different target groups. By participating in medial conferences Elekta inform and find customers, which are later visited for presenting the services. Typical target groups are Hospitals with existing or planned oncological departments. Typical conferences are Oncology, cancer, brain, IT etc. Direct contact is always the best way, giving much better return in investment than other marketing channels to create confidence and a personal relation to the neurosurgeons and Elekta spend most of their efforts there whether it is through visiting the clients, seeing them on a cup of coffee, dinner or at some other event it is all important to show that Elekta is interested in them. The strategy is to show that Elekta cares, Elekta present news, Elekta give me information that is important for my work. They have also always been very involved in guiding and support the Gamma Knife customers how to use clinically the Gamma Knife. This is done through training, participating in each start-up and keeping a continuous dialogue as needed. Most of the customers also report annually how many patients they treat and for which indications.

**Subcontracting part of product** - For the dosimeters used to measure the radioactive dose used in the procedure for Linear Accelerators, Elekta have chosen to work with third-part suppliers for reasons of trustworthiness. They have the capacity and knowledge to manufacture dosimeters themselves, but choose not to. The amount of radiation used in a procedure is very sensitive and to have the same name on both the machine putting out the radiation and the box that is measuring this amount of radiation for quality assurance might create serious thoughts of doubt on whether the right things is being measured.

**Corporate reputation** - Elektas brand has a good standing globally and in Hong Kong. Having a long-standing contract with the government (1992 – Gamma Knife) is a strong selling point. For the Gamma Knife the target group is neurosurgeons since they are the one that are responsible for the patients and there are very few of them that have not heard the name Elekta and know the history of the founder Lars Leksell since that can often be part of the curriculum during studies of neurosurgery. It should be added that this global brand awareness is within the healthcare industry and users, not among the general public.
Country of origin - The fact that Elektas products are “made in Sweden” is a definite advantage to the company. It gives a picture of high tech, quality and reliability. Sweden has a reputation of quality through skilled engineers and well thought through designs in the products. An advantage in China, that also might be advantage in Hong Kong is that Sweden was the first county the acknowledged the Peoples Republic of China. It was however also mentioned that the country of origin of Elekta might not be that well known.

4.7 Cultural influence

Negotiations - One thing that differ Hong Kong (and other Asian countries) from Sweden is that the business situation can be very different, as an example is given that people never stop to negotiate, not even after hands are shook and the seller will think that an agreement is made. As a foreign seller you have to be more aware that agreements can change “forever” and prepared to adapt to this situation.

Willingness to Protest - One interesting factor in sales here can be the fact that resistance to change between systems can be higher and can be a determining factor if a sale is made and that it often is that on the nurses level that the resistance and willingness to protest is bigger. It can be that the nurses say that “I know how to use this old system and I do not want to learn a new system and I want us to keep the old. If you don’t keep the old I might protest and then there will be problem.” For example by refusing to fully learn the new system, which of course creates great problems.

This willingness to protest can in a different shape also be seen in the previously mentioned Varian “Fan groups” which makes quite a bit of noise, partly because the market is small, homogenous where noise can have impact.

Hierarchy is important - In the case of sales, hierarchy was mentioned as a sometimes obstructing and sometimes facilitating factor. In the case of salesperson (with technical background) vs doctor it was seen as a hindrance since the technical staff traditionally is used as being subservient to the doctors. At the same time it was relatively easy to overcome and easy access to the higher layer of decision makers at the hospitals if the sales person was bringing a person from the higher management of Elekta, preferably someone visiting from Sweden.

Social relationships essential - It was stressed that to be successful in Hong Kong, the salesperson needs to form deep social relationships with key persons in the hospitals and that this can be both an advantage and a threat. A sales person should
always be dropping in and be sensitive and understanding of the customers needs. A key sales person can be one of the companys most important assets, and at the same time one of the biggest weaknesses if resigning.

**Dual relationship to authorities** - On government network they work with both personal and organizational relations. They reason that organizations need to know each other professionally, but on another level it is good to have a personal relation with a responsible person to call and talk to if the need arises.

**Informal/Personal feedback from customers** - Most of Elektas feedback comes directly from the customers about what is good and bad and also requests for improvements of the products.

### 4.8 Summarizing the results

- Some adaptations were made by Elekta in the Hong Kong market, apart from letting the patients families be present during the consultations. They have also on a tactical level been using offerings of extra features, products or services as a way to be looked upon more favorable in quotations without having to reduce prices. Minor adjustments to product portfolio have also been made, where low-end Linear Accelerators have been kept out of the product line. There have also recently been necessary to translate documentation to both English and Chinese, where English previously have been enough.

- Elekta standardize much of their work in Hong Kong through keeping a fixed price, product and service quality as well as Service concept. The major parts of the sales and marketing process are also the same as in other countries.

- Elektas networks in Hong Kong work on two levels: With customers it is mainly at a personal level, where they care for the individual both for giving info and for receiving feedback. The importance of a social long-term relationship with the customer was emphasized as well as the dual advantage and disadvantage of respect for superiors and titles. International and regional user forums exist for the user to meet other users and discuss. On a governmental level Elekta created relationships at an early stage and identified this as important.

- On a relationship level, the existence of different stages in time on relationship building was confirmed through the initial use of distributors, which later might not be needed; through the preference to have a strong high-profile sell initially and also by the possibility of limiting the product offerings in the initial stage.
• Through a strong corporate reputation and from being Swedish, Elektas name is inspiring trust in the market. This is enhanced by Elektas efforts to train, inform and support customers on both organizational and individual level. A combined strength and weakness is that the relatively complex systems create a lock-in effect that makes resistance to change an important factor in keeping customers. Trust was also achieved by a conscious choice to use third-party suppliers for dosimeters.

• Several cultural factors affect Elekta in Hong Kong. One is a tendency for negotiations never to end, not even after the contract is signed or hands are shook. The other is resistance to change on the lower levels in the hospital, where willingness by nurses to voice protests against changes of equipment can jeopardize the sales process. Similar willingness to protest and make noise was seen among fans of Elektas competitors. Another is the use of dual (organizational and personal) relationships to authorities as well as the high importance of creating lasting social relationships with customers. Last was mentioned the difficulty in handling customers on a different organizational hierarchy then the sales person, and how to overcome this by bringing some higher in Elektas management to open the doors.

• A complete summary and comparison of all cases studies, including Hong Kong is shown in Appendix 4.
5. **Analysis and Discussion**

This chapter discusses the empirical findings in the light of previously presented theory and models. The findings are studied in comparison to the previous predictions made from Hofstede’s cultural dimensions.

**5.1 Implications of Hofstede’s research**

If we apply the values for the researched countries for making predictions based on Hofstede’s dimensions as discussed in our theoretical model, we can see that ranking the countries in order of LTO places them in the order (from high to low): China, Hong Kong, Brazil, Sweden. In terms of UAI the order is: Russia, Egypt, Brazil, China, Hong Kong, Sweden. Unfortunately no data is available on LTO for Russia and Egypt.

If we compare the rankings of LTO with the strength of personal relationships reported in the current and previous studies, we find that the relative strength is corresponding to the ranking of LTO (Fregidou-Malama and Hyder, 2011; Hong and Lin, 2011). In fact, if the LTO and UAI values for the countries are added together, the ranking is still unchanged. Since no values for LTO are available for Russia and Egypt, this cannot be further tested.

If we apply the values for Sweden and Hong Kong for making predictions based on Hofstede’s dimensions as discussed by Hyder (Hofstede and Hofstede, 2005; Hyder, 2010) we find that on relationships, the relatively higher PDI indicates that informal relationships are encouraged rather than formal. At the same time, lower IDV and a higher score on the LTO index, reinforces the need for personal relationships to counteract the lack of formal connections.

On the trust variable UAI is the same for both countries, while LTO is markedly higher for Hong Kong, which indicates that the level of trust needed to conduct transactions and overcome intangibility is higher than in Sweden.

Compared with Brazil, PDI is similar which means the level of formality is the same for both countries and personal connections are more important than contracts. Hong Kong also has lower IDV and higher LTO which points at greater need for personal relations compared to Brazil. With a lower UAI and higher LTO, the level of trust needed to overcome might be similar, but the relative importance of the two factors has not been studied.
A comparison between Hong Kong and China is interesting since for one thing the countries have much in common with a common past, although Hong Kong have had a layer of British laws and regulation put upon the core of Chinese culture. Comparing the results from Hong Kong with the study in China (Hong and Lin, 2011), we can indeed observe many similarities and the importance of personal relationships seem indeed to be higher through the Chinese concept of guanxi. (Buttery and Leung, 1998; Faure and Fang, 2008)

5.2 Adaptation/standardisation, trust, networks and intangibility

When considering intangibility and the process variables used to overcome this we notice first that Adaptation plays a role here by allowing the presence of relatives during the doctor-patient consultations, thereby being a force for tangibility through trust, which also is a repetition of the study in Egypt (Hyder and Fregidou-Malama, 2009), while standardization plays a somewhat larger part in creating homogeneity. Through the sales and marketing process, Elekta try to make the service as concrete as possible for the future customers and by keeping a consistent service quality they create trust and reduce the fear of the unknown that an intangible service can inspire. To increase the usability and reduce the unknown factor both documentation and Graphical User Interface is also now in Chinese (documentation is also a regulatory issue).

Through an early contract with Hong Kong’s hospital authority, which was the factor that initiated Elektas decision to establish office in Hong Kong, they have earned strong brand awareness in the region, above that that already existed as being a Swedish company and professional awareness of the Leksell family history by physicians. For reasons not to damage the reputation as a premium brand and lose trust, Elekta has chosen not to make some low-end Linear Accelerators available on the Hong Kong market. These factors are the main components of the trust variable in reducing intangibility. By letting prospective customers attend the Gamma Knife Society’s annual gatherings, Elekta uses networks as a tool to communicate their product/services offering and reduce intangibility for prospective buyers. We can here identify the effects from country of origin as a factor for lowering the level of trust needed, just as the actions on the initial contacts correspond with the pre-relationship stage, as well as the exploratory stage of our model.
5.3 Adaptation/standardisation, trust, networks and heterogeneity

Homogeneity is achieved in Hong Kong in several ways, although adaptation is not revealed to be a contributing process. Through standardization by fixed price globally, unchanged product and service concept the influence of heterogeneity is kept low and trust is created through initial and continuous user conferences and training – which contributes to a homogenous service delivery. However, in order to keep price intact and still be competitive on a market with hard competition Elekta has chosen a tactic in quoting offers where prices are intact, but often some extra product, feature or service is added on the original product offering. In this case adaptation has been made in order to keep standardized pricing and keep Globally homogenous pricing. On the network side, the international user networks such as the Gamma Knife Society let users discuss and exchange ideas that without Elektas influence adds to the homogeneity of the service. This is in accordance with our models discussion of standardization as a force for global homogeneity.

5.4 Interview data and the revised process model

Based on the above discussion from the empirical data in this study the theoretical model presented in earlier sections can be described as follows:

One of adaptations purposes is to reduce the uncertainties (intangibility) of an unknown service and create trust. Trust then has a major impact as a force for tangibility but in the case of Hong Kong only a minor influence on the homogeneity of the service. Another purpose is that that the action of adaptation itself (the willingness to adapt) is an enhancer of trust by itself. This connection between adaptation and trust have support from several sources where they claim that at a certain point, trust can only be built on actions, and that adaptation is one such action. (Ford et al., 2003; Zeithaml, 2009) Adaptations have also been seen in terms of regulatory demands, as a minimum to market entry.

Standardization on the other hand has no direct discernable connection with creating trust, but through keeping a consistent service directly affect the services global homogeneity. In the case of Elekta in Hong Kong, this is shown to be true for several factors, among them Pricing and Service quality, which they want to keep as unchanged as possible on a global scale for the reason that their customers talk to each other at international conferences and forums and a discovery that pricing is treated different in different countries would affect Elekta in a negative way. Instead added features or
services are used as a way to keep prices stable pricing intact. Standardizations influence on tangibility is not seen in Hong Kong. This confirms the theory of adaptation and standardisation as two sides of the same coin, where a balance must be kept to optimise the offering. (Chen and Wong, 2003; Zeithaml, 2009; Brei et al., 2010)

The variable trust, have been seen as connected and amplified through adaptations made in the form of letting patients family be present during consultations and through networks by providing user support and training and information sharing. In the early stages of entry, factors such as Country of origin and the corporate reputation also served to enhance trust. A global approach by Elekta to facilitate trust is to use third party dosimeters in linear accelerator to measure the radioactive output from the machine. It should be noted that no clear indications of calculative or non-calculative aspects of trust have been found, but also no indications that the division is not applicable. We therefore assume that it is behavioural trust that has been measured, as a composite of calculative, institutional and personal trust. (Williamsson, 1993; Johnson and Grayson, 2005; Huang and Wilkinson, 2006)

As discussed in the model, networks do not seem to have any large effect on either adaptation or standardization. Although as described by Ford (Ford et al., 2003) relationships in the later stages of development do result in standardization of routines between the actors. Instead its main purpose is to create trust. Through its effect of creating familiarity and communicating working practices, it is also a force for tangibility and homogeneity as well. Even the link between Network and trust is time dependant (Ford, et al., 2003), while initially in a relationship trust is low the time spent in a relationship creates trust, and this increased trust is what let the relationship grow further. As a first entry, relationships would be a driver for trust, and a future source for standardization of service delivery. We have also shown that the social dimension of relationships is put in focus in Hong Kong.

The latest addition to the model, time has here been proven as a factor influencing the Elektas entry to Hong Kong. First in the way that connections were made, from initial contacts on an organizational level (pre-relationship stage), to formal organisational contacts (exploratory stage), followed by increased personal relationships when actor bonds were formed (developing stage) (Ford et al.; 2003) Similar was seen in the trust variable, where in the pre-relationship stage the level of trust needed was reduced by pre-existing factors Country of origin and Corporate reputation. (Mayer et al., 1995; Liang and Lian, 2005; Zeithaml, 2009). A later step in increasing trust was
later made in the *exploratory stage* when adaptations to the service was made in terms to adapt to the local regulations and legislations. Last, adaptations were made in the *developing* stage to adapt to the end-users wishes of having family present during consultations.

How the process variable, “Dimensions of national culture” that was introduced by Fregidou-Malama and Hyder (2011) in their study of Brazil affects the other variables through Hofstede’s cultural dimensions will be discussed in the following section.

### 5.5 Fitting Hofstede’s 5 dimensions in the model for Hong Kong

Previously we found the following when comparing Hong Kong to Sweden in terms of Hofstede’s 5 dimensions. (Hofstede *et al.*, 2010)

*A relatively higher PDI indicates that informal relationships are encouraged rather than formal.* From interviews it is shown that most feedback form customers comes on an informal basis and that initial contacts with governmental bodies was made on a organizational level “...to inform them that we exist in Hong Kong”. (This is also mirrored in the choice of Hong Kong as one of the less complicated countries in Asia to set up business at the time Elekta entered.

*Lower IDV/High Collectivism and a higher score on the LTO index, reinforces the need for personal relationships to counteract the lack of formal connections.* This is confirmed by the study as the interviews emphasize that relationships are on a personal level and that the organizational level is secondary.

*Constant UAI and higher LTO for Hong Kong tell us that the level of trust needed to conduct transactions and overcome intangibility is higher than in Sweden.* We have noted above that relationships develop over time, and that the method and speed of development as well as the level of trust needed to initiate a relationship might depend on LTO. This also leads to acceptance of standardisation and make the service homogenous.

In terms of matching the factors of the Cultural Influence variable to Hofstede’s Cultural dimensions:

*Willingness to Protest* - Willingness to change is often connected to accepting vulnerability to the actions of another party and as such dependent on the level of trust. (Mayer *et al.*, 1995) This confirms the above findings that a high level of trust is needed
in Hong Kong. Also, according to Hofstede (2010), a low UAI culture like Hong Kong is characterized by a society where citizen protest is acceptable and a tolerance of extreme ideas. The nurses’ willingness to protest and not to perform duties can also be regarded as a way to show their strength to get the conflict resolved their way. We have also seen how the Varian “fan group” is making noise to block any sales of Linear Accelerators by competitors. This interpretation points toward a high Masculinity (MAS). (Hofstede et al., 2010) There are however no indications for how, or if MAS would be a factor influencing trust or relationships although Elekta have been adapting the pricing strategy to address the resistance form the “fan group” by introducing extra services or features while keeping pricing constant.

*Negotiations* - Here is observed that negotiations can be slow and difficult, as discussed in the earlier theory (Fang, 2006), this can be the result when trust between the negotiation parties is still at a low level. This confirms the above findings that a high level of trust is needed in Hong Kong. It is shown that while the process is quite similar across Asia, somewhat different approaches need to be taken compared to Europe or US.

*Hierarchy is important* - The result that salespeople need to keep a respectful distance to doctors, but some times can be too respectful due to their background as well as the fact that the presence of a senior management person from Elekta often open doors are both indicative of the relatively higher PDI value in Hong Kong. The presence of a centrally placed senior person might be seen as a factor that increases the level of standardization of the service offering across the region.

*Social relationships essential* - It is noted that for a salesperson to be effective in Hong Kong, they do not only have to spend a long time building the relationship with a client, they will also have to keep up this social/personal relationship for years after the initial sale. This is consistent with the high LTO and low IDV index that Hong Kong shows in Hofstedes dimensions.

*Dual Relationships to Authorities* - It was discovered that Elekta were setting high value on the relations to authorities in Hong Kong, both on an organizational level and on a personal. This would be consistent with the Chinese *guanxi* (long-term personal networks) (Buttery and Leung, 1998; Faure and Fang, 2008) and an indicator of high LTO and low IDV. (Hofstede et al., 2010) It should however be noted that no clear signs of *guanxi* have been observed or mentioned in any of the interviews and that the different legal systems between China and Hong Kong might discourage the use of *guanxi* in any higher degree.
Informal/Personal feedback from customers - As discussed above, this indicates a low IDV (high collectivism) and a high score on the LTO index and confirms that relationships work on two levels.

When studying the resulting model for Hong Kong, we find that the main structure still is intact. What has changed is above all the direction of the connecting arrows and the strength of these connections. If we study the discussion about the use of Hofstede’s 5 cultural dimensions, we find that UAI, PDI, IDV and LTO have been found having an impact on relationships and/or trust, while the high MAS also have been indicated, but not shown how it influences the models variables. How and if MAS should be integrated in an extended model that can be used for predictions at time of entry is still uncertain. Through this the model might find real value for managerial decisions. This is shown in the adapted theoretical process model in figure 5 with values inserted for Hong Kong.

Figure 5 Services marketing process and the impact on service characteristics for Hong Kong.

Source: Own construction adapted from: Fregidou-Malama and Hyder, 2011 p.7
6. Conclusion

This last chapter of the study presents conclusions as of how culture influences the use of the variables adaptation/standardization, trust and networks as tools for handling heterogeneity and intangibility when services are introduced on an new market. Here conclusions to the study are made by first discussing the study’s findings in relation to the initial three research questions and secondly point out areas for future research.

6.1 Discussion of research questions RQ1 to RQ3

RQ1. How is adaptation/standardisation used to address the difficulties associated with intangibility and heterogeneity?

When studying how adaptation/standardisation take place during entry to a foreign market it should be remembered that choosing standardisation is a passive act, keeping the service or aspect of the service unchanged from how it is presented at the home or global market. Adaptation on the other hand have to be an active strategy, since it depends on analysis of the new culture and planning actions on how to meet its different needs. As discussed before, the adaptation act is sometimes costly and as much as possible of the service should be kept unchanged for that reason.

We have also revealed that adaptation acts as a creator of trust, as well as a force for local tangibility, while standardisation on the other hand directly becomes a force for global homogeneity. An excessive use of local adaptation therefore comes at a cost of global homogeneity and reduces trust at the entry stage in another country. An example from the case is that Elekta have as strategy to keep prices constant, in order to avoid customers discussing and comparing the prices between countries and lose faith in the company. There are however deviations for this since we have seen that Elekta in Hong Kong have used a sales tactic on Linear Accelerators where adaptions in the way of offering extra services or products enable them to compete in a tough marketplace without reducing the prices.

There are also reasons to keep adaptations as low as possible since they are a source of cost for the company - the world is also shrinking and we can no longer regard homogeneity within a single culture, but in some cases it has to be considered in a regional or even global perspective simultaneously.
RQ2. How is trust used to help overcome the intangible and heterogeneous nature of service offerings?

In Hong Kong trust has been created mainly by way of adaption to the market, both in the move from pre-relationship stage to the exploratory stage. A second driver for trust has been how the networks were utilised. No examples have been found that indicate that standardisation has been used for this purpose. Another major influence on how trust was created in order to reduce intangibility of the offering was in how information and training was used in order to increase familiarity with the service. A third way to keep trust in the Elekta brand has been that low-end Chinese made Linear Accelerators are not part of the product line marketed in Hong Kong.

Trust was used as a force for tangibility, while as a force for homogeneity has been shown to be negative. As noted earlier, trust already existed before entry, through a strong brand, country of origin effect and participation at medical conferences. Different aspects of trust have not been clearly identified and we therefore assume that it is behavioural trust that has been measured, as a composite of calculative, institutional and personal trust. It could be hypothesized that a negative influence from the cultural dimensions indicate a stronger reliance on calculative trust, while a positive influence increases the need for affective trust.

RQ3. How are local networks established to secure resources for business operations and make contact with the customers for handling problems with intangibility and heterogeneity?

In the case of Elekta Hong Kong, local networks were established with both customers and on governmental level. On governmental level it was deemed necessary to work at an organisational formal level on the early stages, but at a later stage paralleled by informal, personal relationships with officials as high as the Chief Executive for the Health Department. On the customer level, personal and unofficial relationships were the norm. It is also confirmed that through the user networks, Elekta utilise relationships to handle both intangibility and heterogeneity.

To a higher degree than trust (RQ2), Networks and the balance between adaptation/standardization is an active act by the company and need to be considered carefully. In this sense, variables affecting trust (COO, reputation, product familiarity) could be regarded as the foundation on which relationships and networks are built in the move between the pre-relationship and the exploratory stage of a relationship. However,
as soon as relationships are started and networks initiated they create a positive feedback where the (if handled right) company’s reputation and familiarity increases and so build higher levels of trust where the company and customer are even closer tied together. The importance of social relationships for sales personnel has been emphasized.

If we look at a relationship through the IMP Groups (Ford et al., 2003) second facet “relationship as an asset”, we have noticed how the relationship through time progresses through stages with increased trust and later a standardization of the service delivery within the relation.

Comparable to trust, it is a possibility that a negative influence from a cultural dimension increases the value of organisational relationships, while a positive influence from a cultural dimension show that a higher level of personal relationships is needed.

It is important to remember that this needs to be regarded in a time perspective. Relationships change with time and act as a strong force to create trust. Because of this there will be a time then the level of trust for the activities in a certain culture reaches a point of saturation and move into a new phase of the relationship. A dynamic view on relationship building in a cultural setting may thus be considered.

6.2 Implications, reflections and suggestions for further research

6.2.1 Implications

This study and its findings have a number of theoretical and practical implications. From a research and academic perspective it first of all contributes to the ongoing research in international marketing in general and on how culture affects the adaptation and standardization of services during entry in new cultures, particularly in the under researched health sector.

Second, it expands on the existing theory to provide a more complete picture of how adaptation/standardization through networks and trust is affected by the introduction of a service in a new cultural setting.

Third, it is noted that according to the IMP Group (Ford et al., 2003) relationships move through stages and changes by time and that this is a new factor in the context of this series of studies. It is also noted that different aspects of trust as discussed in other works might be present to further deepen understanding of the influence of trust in international business and how this is connected to the different
levels of relationships. (Williamsson, 1993; Johnson and Grayson, 2005; Huang and Wilkinson, 2006)

Last, it is shown that while trust acts as a driver for reducing intangibility on the local market, this is done at the cost of increased heterogeneity on the global scale and that this heterogeneity contributes to the corporate reputation as a factor to lower trust during the entry in other markets. In connection to this it is also observed that a change in the original model is relevant in terms of Networks being a factor contributing to Standardization instead of the opposite as have been modeled before.

On a managerial level, it shows the possibility for business managers to practically adapt and use the model described here as a working model to prepare the services businesses for entry in a new cultural setting. While still leaving openings for further study, especially in terms of culture influence, the current state of research gives managers information on what to think of and where to look for guidance on entries in new markets.

There are also Social implications from this study. By researching cultural differences in different settings and disciplines, the variables of culture are varied and from this we might gain deeper insight in the workings of cultural interactions and also how to manage cultural clashes smoother and more efficient.

6.2.2 Reflections

This study has been the 5th in a series of cases based on the research of Hyder and Fregidou-Malama and it is clear the model shows promise, it is now in a stage where it can act as an effective tool for predicting and advising managers on how to balance adaptation/standardisation and how to utilize networks to reduce a services intangibility and heterogeneity.

Some limitations of the study exist: First of all, it is conducted on one Swedish company in a very narrow, specialized and regulated market as well as focusing on only one country (Hong Kong). That it is a one-country study is not a large hindrance since several studies already have been made on other cultures around the world on the same company and services. By focusing on the same country and same culture of origin, it is possible to create a narrow lens to enable study of a similar setting at each time. Also, while it can be considered a drawback to study MedTech, which is a quite regulated and government controlled area in most countries, it also gives the benefit of studying how official relations’ work in the selected culture, something that is not easily done in a
more common services setting. One factor that was not included in the study was the time factor – i.e. in what way relationships needed to evolve/develop by time, which according to the IMP group (Ford et al., 2003) is a characteristic for relationships. In the model is also shown that the influence from Hofstede’s 5 dimensions is unclear. Even if some contributions have been made there are still inconsistencies and contradictions. Due to the dynamic nature of the framework, it might be that a dynamic cultural model suits the purpose of this research better instead of a static model with bipolar dimensions. For example the YingYang model proposed by Tony Fang (2006, 2012), which is conceptualised in a paper by Fletcher and Fang (2005).

6.2.3 Suggestions for further research

It is my hope that my study will inspire students and researchers to look deeper into the cultural aspects of international marketing and I will therefore present suggestions for possible further research that have come to my mind while conducting this research.

First of all I suggest that further studies should be done in examining how culture can be further integrated in the FMH process model. The suggestion is that Culture is viewed in a larger dynamic perspective like mentioned in the previous setting and that an effort is made to find what channels can be identified to link culture to the process variables and that can be used to identify relevant expressions of culture. Perhaps in a setting similar to what is studied by Ahmed et al., where they show factors contributing to long-term relationships that all can be regarded as dependant on culture to some degree. (Ahmed et al., 1999) It is suggested that an initial effort of this is done through already existing research about Elekta (Brazil, Egypt, Hong Kong etc.), since the questions are already asked and it should be possible to get initial indications from this material to judge if the approach is valid. This study might also be able to clarify diffuse connection between calculative/affective trust and organisational/personal relationships and how they connect to culture.

From a comparative study valuable insights might be gained through using the same theoretical framework as in the current Hong Kong study, applied on Taiwan or Singapore, countries with cultural similarities with Hong Kong. Through this parallel case study, above all it might be possible to further judge the practicality of using Hofstede’s cultural dimensions as a practical tool for determining how a company should act in a new culture.
In a wider perspective, one should conduct studies of entries from Sweden into even more cultures in order to evolve the model further. Continued studies might also be made that focus on different business areas but in the same countries that have already been researched as well as researching by “looking through the other side of the lens” and study how similar companies in the previously studied countries (Egypt, Brazil, Hong Kong, China) act when presenting a service in Sweden. This would give valuable information for the research to investigate if the models constructed are valid in both directions and can be generalized between any set of cultures.
APPENDIX 1 - INTERVIEW GUIDE FOR SUPPORTING INTERVIEW

This interview guide was used for the collection of supporting data regarding business practices in Hong Kong from Jens Wernborg, Area Manager Greater China South at Swedish Trade Council.

Hong Kong

• Both your own, and the company’s background are described on the home page - is there anything you would like to add to give a updated picture?
• What is your view on the last 10 years of Hong Kong’s development from a Swedish perspective?
• How do you think that Hong Kong will develop during the next 10 years?

Networks

• What importance do networks have for the opportunity to reach success in Hong Kong? (compared to Sweden)
• Is it the individual or the organisation that are in the centre of the networks? (compared to Sweden)

Relations

• What is, in your opinion, characteristic for the relations that a company need in order to be successful in Hong Kong?
• Is the creation and maintenance of relations a process that is structured to a higher or lesser degree? (formal)
• Does creation and maintenance of relations need a high or low intensity of contacts between the actors?

Trust

• What is the importance of trust in the context of creating relations for networks?

Management

• Is the formal power important for leadership in Hong Kong - is decision making focused to the top of the organisation or distributed on all management levels?
• In what way do you think that Hong Kong differs from Sweden in terms on how to motivate service personnel on all levels to deliver a constant and high degree of service?

• Does the expression “good service” have the same meaning in Hong Kong as in Sweden? Is the service experience a formal experience, or informal and personal?

• Are employees encouraged to cooperate and take responsibilities outside that specified in their contract?

**General Questions**

• What advice would you give to a Swedish company that want to do business in Hong Kong?

• What are the most common mistakes that Swedish companies make or neglect to do when they do business in Hong Kong?

• Do you have anything else to add, apart from what we already have discussed?
APPENDIX 2 - INTERVIEW GUIDE FOR ELEKTA

This interview guide was used for the collection of data from the staff at Elekta regarding Elekta in Hong Kong. The questions were supplied by Assistant Professor Maria Fregidou-Malama, adapted from the ones used in their initial study of Gamma Knife in Brazil. These questions were used in the two initial interviews with Mona Lee, Regional Sales Manager and Rolf Kjellström, VP Neuroscience Sales and Marketing:

General / Introduction
- Briefly describe your major function in Elekta Health Care Solutions.
- What type of company did Elekta establish when first entering the Hong Kong market?
  – How and why was the Hong Kong market initially chosen?
- Briefly describe the process of establishment of a Gamma Knife Centre in Hong Kong.
  – When and which hospital imported the first Leksell Gamma Knife in Hong Kong?
  – How many Hospitals are now using Elektas core products?

Adaptation/Standardization
- Did you make some changes of the product/service concept (Gamma knife etc) when introducing them on the Hong Kong market?
  – If yes, what kind of changes and why did you make them?
  – Which of these changes do you consider most important?
  – Were there any changes that you could have done in order to get a stronger position but decided not do do?
- Which factors affect your pricing strategies?

Network and Trust
- Is there some relationship, network or cooperation between Elektas customers in Hong Kong?
  – If any relationship exists, what form does this take?
- Which role does Elekta Health Care Solutions Sweden play within the network?
- What kind of relationships or networks (personal or organisational) do you need to establish in Hong Kong to work efficiently? Why?
- Are any competitors offering the same kind of service as Elekta in Hong Kong? How many?
• Do you cooperate with other companies or competitors in Hong Kong or other countries?
• Do you think “made in Sweden” benefit you to sell your service in Hong Kong?

Marketing and Promotion
• Which of Elektas products/services are marketed in Hong Kong?
  – Are any core products absent? Why?
  – Are there any differences in how the different products/services are marketed?
  – What are the market shares for the different core products?
• What is the promotion strategy in Hong Kong market? What kind of promotion do you find most effective in the health care sector?
• What challenges do you think Elekta will meet in the future? What are the future plans in the Hong Kong market?

Further Questions
• From the extent of your experiences, if this interview would have been about Elekta Health Care Solutions in China, would your responses have been different? In what way?
• The interview is now finished, last I would like to ask if there is anything you would like to add to what you have said here or any important issues you feel have not been covered.
**APPENDIX 3 - INTERVIEW GUIDE FOR ELEKTA (SHAUN SEERY)**

This interview guide was used for the collection of data from the staff at Elekta regarding Elekta in Hong Kong. The questions are adapted from the ones used in the two initial interviews as presented in Appendix 2. This questionnaire were used in the later interview with Shaun Seery, *VP Sales and Marketing Asia Pacific*:

**General / Introduction**
- Briefly describe your major function in Elekta Health Care Solutions.

**Adaptation/Standardization**
- Compared to other markets, for example Europe, do you make any changes in the product/service concept (Gamma knife etc) when introducing them on the Hong Kong market?
  - If yes, what kind of changes and why did you make them?
  - Were there any changes that you could have done in order to get a stronger position but decided not do do? Why?
- Which factors affect your pricing strategies?

**Network and Trust**
- Is there some relationship, network or cooperation between Elektas customers in Hong Kong? – what form does this take?
- Which role does Elekta Health Care Solutions Sweden play within the network?
- What kind of relationships or networks (personal or organizational) do you need to establish in Hong Kong to work efficiently? Why? With whom?
- Do you cooperate with other companies or competitors in Hong Kong?
- Do you think “made in Sweden” and Elektas reputation benefit you to sell your service in Hong Kong? In what way?
- Can you see any difference in how Elekta acts in terms of relationships etc depending if it is a new relationship or existing (presales / first sales / recurrent sales)?

**Marketing and Promotion**
- Which of Elektas products/services are marketed in Hong Kong?
  - Are any core products absent? Why?
– Are there any differences in how the different products/services are marketed?

• What is the promotion strategy in in Hong Kong market? Could you do this different?
• What challenges do you think Elekta will meet in the future? What is the future plans in the Hong Kong market?
• Do Elektas marketing strategies differ if you are newcomers in the market or if you have been present a longer time and established a reputation?

**Further Questions**

• The interview is now finished, last I would like to ask if there is anything you would like to add to what you have said here or any important issues you feel have not been covered. (relationships / networks / trust / adaptation, time)
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