Title: Internationalization of Services Business- a Case Study of Bumrungrad International Hospital

Bumrungrad International Hospital

By

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# ABSTRACT

<table>
<thead>
<tr>
<th>Date</th>
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</thead>
<tbody>
<tr>
<td>Program</td>
<td>International Business and Entrepreneurship (IB&amp;E)</td>
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<tr>
<td>Title</td>
<td>Internationalization of Services Business: A Case Study of Bumrungrad International Hospital</td>
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<td>Authors</td>
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<tr>
<td>Tutor</td>
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<tr>
<td>Research Problem</td>
<td>“How does Bumrungrad International Hospital internationalize to United Arab Emirate market?” “Can internationalization process of Bumrungrad International Hospital be described by U-model?”</td>
</tr>
<tr>
<td>Purpose</td>
<td>The purpose of this thesis is to study how the Bumrungrad International Hospital expanded their service internationally and to understand the internationalization process of Bumrungrad International Hospital in United Arab Emirate by using U-model as the main concept in this study.</td>
</tr>
<tr>
<td>Method</td>
<td>Qualitative research approach is chosen as our method to conduct our thesis since we aim to understand internationalization process of BIH. Both primary data and secondary data are collected and used as empirical data to analyze in our thesis. We used semi-structure interview to gather primary data. For secondary data, we used the reliable sources such as Mälardalens University’s data base to search for relevance literature.</td>
</tr>
<tr>
<td>Conclusion</td>
<td>Bumrungrad International Hospital provides medical treatment which we can group it as service firm since the treatment that the hospital provides has characteristic of service that is intangible, inseparable, perishable and heterogeneous. Moreover, from studying internationalization process of BIH, we can see that the hospital followed the steps of U-model. The hospital went through all elements of U-model during its internationalization process. Some steps in establishment chain are skipped and some steps are occurred in different way from manufacturing firms.</td>
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<tr>
<td>Key Words</td>
<td>Bumrungrad International Hospital, Internationalization Process, Uppsala Model, Internationalization of Service, Internationalization of hospital, United Arab Emirate Market, Market Knowledge</td>
</tr>
</tbody>
</table>
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Methawee Phancharoen & Kosin Ruangphaisan

June 2010
# TABLE OF CONTENTS

<table>
<thead>
<tr>
<th>Section</th>
<th>Title</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Introduction</td>
<td>1</td>
</tr>
<tr>
<td>1.1.</td>
<td>Background</td>
<td>1</td>
</tr>
<tr>
<td>1.2.</td>
<td>Problem Statement</td>
<td>2</td>
</tr>
<tr>
<td>1.3.</td>
<td>Purpose of Study</td>
<td>3</td>
</tr>
<tr>
<td>1.4.</td>
<td>Contribution</td>
<td>3</td>
</tr>
<tr>
<td>1.5.</td>
<td>Limitation</td>
<td>3</td>
</tr>
<tr>
<td>1.6.</td>
<td>Thesis Structure</td>
<td>4</td>
</tr>
<tr>
<td>2.</td>
<td>Theoretical Framework</td>
<td>5</td>
</tr>
<tr>
<td>2.1.</td>
<td>Literature Reviews</td>
<td>5</td>
</tr>
<tr>
<td>2.1.1</td>
<td>Uppsala Model (U-Model)</td>
<td>5</td>
</tr>
<tr>
<td>2.1.2</td>
<td>Barriers of Internationalization</td>
<td>9</td>
</tr>
<tr>
<td>2.1.3</td>
<td>Service Theory</td>
<td>10</td>
</tr>
<tr>
<td>2.1.4</td>
<td>Internationalization Strategy</td>
<td>15</td>
</tr>
<tr>
<td>2.2.</td>
<td>Conceptual Framework</td>
<td>16</td>
</tr>
<tr>
<td>3.</td>
<td>Method</td>
<td>17</td>
</tr>
<tr>
<td>3.1.</td>
<td>Research Design</td>
<td>17</td>
</tr>
<tr>
<td>3.2.</td>
<td>Data Collection</td>
<td>18</td>
</tr>
<tr>
<td>3.2.1</td>
<td>Primary Data</td>
<td>19</td>
</tr>
<tr>
<td>3.2.2</td>
<td>Secondary Data</td>
<td>20</td>
</tr>
<tr>
<td>3.3.</td>
<td>Validity and Reliability</td>
<td>21</td>
</tr>
<tr>
<td>4.</td>
<td>Empirical Finding</td>
<td>22</td>
</tr>
<tr>
<td>4.1.</td>
<td>Internationalization of Service in Private Hospital in Thailand</td>
<td>22</td>
</tr>
<tr>
<td>4.2.</td>
<td>Services of Bumrungrad International Hospital</td>
<td>23</td>
</tr>
<tr>
<td>4.3.</td>
<td>Internationalization of Bumrungrad International Hospital</td>
<td>26</td>
</tr>
<tr>
<td>4.4.</td>
<td>Internationalization of Bumrungrad International Hospital in United Arab Emirate</td>
<td>29</td>
</tr>
<tr>
<td>5.</td>
<td>Analytical Review</td>
<td>32</td>
</tr>
</tbody>
</table>
5.1. Hospital service in Local market

5.1.1 Service of Bumrungrad International Hospital

5.1.2 Internationalization of Service

5.2. Internationalization Process of Bumrungrad International Hospital in UAE

5.2.1 Market Knowledge

5.2.2 Market Knowledge

5.2.3 Commitment Decision

5.2.4 Current Business Activities

5.2.5 The Relationship between each element

6. Conclusion and Recommendation

6.1. Conclusion

6.2. Recommendation

7. Reference

8. Appendix
List of Figures & Tables

FIGURES

Figure 1: The basic mechanism of internationalization – state and change aspect
Figure 2: Establishment chain
Figure 3: Augmented service offering
Figure 4: Conceptual framework
Figure 5: Service package and service process of hospital service
Figure 6: The establishment chain of Dubai
Figure 7: The establishment chain of Abu Dhabi

TABLES

Table 1: Key point of qualitative & quantitative research
Table 2: The information of data method and collection

List of Abbreviation

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>BH</td>
<td>Bumrungrad Hospital Public Company Limited</td>
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<tr>
<td>BI</td>
<td>Bumrungrad International Company Limited</td>
</tr>
<tr>
<td>BIH</td>
<td>Bumrungrad International Hospital</td>
</tr>
<tr>
<td>ER</td>
<td>Emergency Care</td>
</tr>
<tr>
<td>FDI</td>
<td>Foreign Direct Investment</td>
</tr>
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<td>GATS</td>
<td>General Agreement on Trade in Service</td>
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<tr>
<td>GNP</td>
<td>Gross Nation Product</td>
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<tr>
<td>ICT</td>
<td>Information and Communications Technology</td>
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<td>IGRT</td>
<td>Image-Guided Radiotherapy</td>
</tr>
<tr>
<td>IPD</td>
<td>In-Patient Department</td>
</tr>
<tr>
<td>IT</td>
<td>Information Technology</td>
</tr>
<tr>
<td>JCI</td>
<td>Joint Commission International</td>
</tr>
<tr>
<td>OPD</td>
<td>Out-Patient Department</td>
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<tr>
<td>PACS</td>
<td>Picture Archiving and Communications System for Medical Imaging</td>
</tr>
<tr>
<td>R&amp;D</td>
<td>Research and Development</td>
</tr>
</tbody>
</table>
1. Introduction

In this chapter, we introduce the topic and the background of the thesis including the definition of service and service industry background. The Company background is also briefly introduced in this section. Then, we introduce the problem statement and purpose of study. Contribution and limitation of this study are also presented and the readers can follow this thesis along with the thesis structure.

1.1. Background

International trade takes place in world economic. Nowadays, firms are more reaching out to the global market in order to gain access to more specific resources (e.g. skilled labour and better technology and etc.), reduce cost (from cheaper labour, lower raw material cost and etc.), and seeking for new market for sales opportunities (Hill, 2007; Dunning, 2001). From existing literature such as Incremental Process and Uppsala-model (Johanson & Vahlne, 1997) where internationalization studies were mostly focused on manufacturing firms, and highlighted on the mechanism of market knowledge, market commitment, firm’s activities and firm’s decision making. Johanson and Vahlne identified export to be the first step of internationalization and will be one of the focus in this paper. Nevertheless, as mentioned by Johanson and Vahlne (1990), the U-model is applicable to the manufacturing industry but they do not mention on the applicability of this model to the service trade industry. Therefore, we will be focusing on the validity of U-model for the internationalization of trade service industry as part of our industry.

To further go into details of the U-model and how it fits with the service industry, the study will first be focusing on the identification of key components of service industry to verify whether there is any linkage between the service industry and the U-model. A service is processes or series of activities which occurs as part of interactions between customers and service providers (Grönroos, 1990). Moreover, services generally have a long interaction time and high level of foresight and mostly are served face to face and characterized by processes rather than products (Silvestro et al., 1992). With the above definition, there is a large number of businesses that can be classified as a service business. However in this particular research we have chosen to study a health care service since this area is one of key services that has the most impact to Thailand economy especially the private hospital industry. The growth of hospital industry has increased continuously since 2003 (Krassanairawiwong T. et al., 2008). Additional, this growth drive service sector in Thailand reach 47% of GDP, 37% of labor market and employ 12 million people (World Bank, 2008). According to this phenomenon, Thai government has created a strategy to improve service sector in Thailand. This strategy is to promote Thailand as “Medical hub of Asia” and in the recent years Thailand has become a world leader in health services which provide world-classed medical infrastructure and high standard of medical treatment. 400 private hospitals are founded to provide medical services to both local and international patients. Interestingly, the numbers of international patients traveling abroad to get the treatment increase every year and the number is over 1 million people as of now (Thai Board of Investment, 2009).
One of the outstanding private hospitals that claim as the largest private hospital in Asia and has a great performance in responding the government strategy is Bumrungrad International Hospital (BIH). In year 2005, Bumrungrad International Limited (BIL)\(^1\), the affiliated company of BIH, was established in order to support and operate in foreign investment directly. The company has the duty in consulting the management team to set up a plan and management policy to invest in the foreign country. Aim of BIL is to invest in Asia and Middle East, including the United Arab Emirate (UAE), in order to expand a network of hospital and healthcare clinics in that markets (BIL, 2008). Furthermore, the research will focus on its internationalization in UAE market because the UAE has become an interesting market since the main customer of global medical tourism come from this particular area (Laow, 2010).

At this stage, an internationalization process of Bumrungrad International Hospital has become an interesting subject to explore and by the end of the research we strongly believe that the study of service industry in this special case of Bumrungrad International Hospital can be understood by U-model.

1.2. Problem Statement

In the past, service firms tend to follow their manufacturing clients to provide their service abroad in each country (Weinstein, 1977; Vandermerwe & Chadwick, 1989 cited in Grönroos, 1999). Nowadays, service firms go abroad because of three main drivers; multilateral trade-agreement, develop trends in ICT and the increased presence of global network (Netland & Alfnes, 2007). However, the studies in internationalization of healthcare service firm are still limited (Dawley et al, 1999; Ovara, 2001)

Internationalization seems to be a tool for professional service firms to expand their services and markets more internationally. However, from the previous study of internationalization, such as U-model, a Nordic stages theory, and incremental stage process, internationalization depends on the level of market knowledge the company has accumulated from step-by-step of internationalization process (Johanson & Vahlne, 1977). From that angle, we have wondered that in service industry which products are group of processes and activities whether U-model is applicable to understand the internationalization process of service firms same as internationalization process of manufacturing firms or not. Therefore, the researchers will try to use U-model explain internationalization process of the selected hospital so that we will be able to understand and see how the U-model fit the case study. That idea leads us to create our research question as following;

“How does Bumrungrad International Hospital internationalize to UAE market?”

“Can internationalization process of Bumrungrad International Hospital be described by U-model?”

\(^1\) Throughout this thesis, we use BIL as the abbreviation to refer Bumrungrad International Limited.
1.3. Purpose of Study

Our aim of research is to study how the private hospital expanded their service internationally and to understand the internationalization process of private hospital by using U-model as the main concept in this study.

1.4. Contribution

This research is conducted to provide knowledge of internationalization of services especially focusing on the private hospital industry in Thailand. We contribute this research to people in hospital industry who is interested in international investment. Moreover this research is also suitable for student or people who are interested in international business or hospital industry. We are interested in the case study of how the service can be expanded through internationalization process in kind of hospital business because the combination between Europe theory and Asia practical will be useful to other scholar.

1.5. Limitation

Bumrungrad International Hospital has invested in many countries, thus, to scope down our study, we focus on studying internationalization of the hospital in the UAE only. Moreover, since this study focus in internationalization process of a hospital from Thailand to UAE, the result from this study may not fit to other hospitals in different market and condition. This case study is a hospital in Thailand, so it may not suitable for other hospitals in other countries.
1.6. Thesis Structure

Introduction
- Background and Company Profile
- Problem Statement
- Purpose of Study
- Purpose of Study
- Contribution
- Limitation

Theoretical Framework
- Uppsala Model
- Barriers of Internationalization
- Theory of Service
- Internationalization Strategy
- Conceptual Framework

Methodology
- Qualitative Research
- Data Collection
  - Primary Data – Telephone Interview
  - Secondary Data – Internet Website, Text Books and Journals

Empirical Finding
- Internationalization of Service in Private Hospital in Thailand
- Service of BIH
- Internationalization of BIH
- Internationalization of BIH in UAE

Analysis
- Service of Bumrungrad International Hospital
- Internationalization of Service
- Internationalization Process of BIH in UAE

Conclusion
- Conclusion
- Recommendation
2. Theoretical Framework

In this chapter, we introduce the theoretical framework of our thesis. Literature reviews of the concept that related to our topic are created. U-Model theory, barriers of internationalization, the service theory and internationalization strategy are our main literature that we use to conduct our thesis. Conceptual Framework shows relationship among literature and we also use the conceptual framework to understand and answer our problem statement.

2.1. Literature Reviews

2.1.1 Uppsala Internationalization Process Model (U-Model)

The Uppsala internationalization process model (U-model) begins with a research of four Swedish companies about how they expanded their business to the foreign country by Johanson and Wiedersheim-Paul (1975). From this research Johanson and Wiedersheim-Paul (1975) concluded that the multinational firms committed to the foreign market step-by-step as no regular export, export via independent agents, establishment of a foreign sales subsidiary, and establishment of a foreign manufacturing plant. This incremental process is called establishment chain. This model represents the steps to take increasing action of commitment and knowledge development in the overseas market (Johanson & Vahlne, 1977). Johanson and Vahlne (1977) developed the dynamic model called the Uppsala Internationalization Process Model or U-model for more understanding in incremental process. Moreover, Johanson and Vahlne (1977) cited in Morgan and Katsikeas (1997, p. 72) mentioned that market knowledge is able to decline a “psychic distance” which is the problem that obstruct the flow of information between the firms and the market such as language, culture, legal, political and education system (Nordström & Vahlne, 1994). Swedish firm develops the mechanism of internalization model when the firm is lack of information, experience and resource (Johanson & Associates, 1994). This model is easy to describe how the firm performs steadily in each state as the model states that “They often develop their international operations in small steps, rather than by making large foreign production investments at single points in time” (Johanson & Vahlne, 1977, p. 24).

There are two aspects in internationalization model or U-Model. Firstly, state aspects are concerned with resource commitment and market knowledge. This aspects show that firms will select or commit in resource in step by step before the firm is going to the next stage. Secondly, change aspects are concerned with commitment decisions and current activities of the firms. Flexibility, visions, and experience are very crucial for decision making (Johanson & Vahlne, 1977). From the figure, market knowledge and market commitment in state aspects will affect to current activities and decision making in change aspects of the firms. In the same time, the change aspects also affect back to the state aspects. From these actions, the accumulation of knowledge and commitment will increase in every stage of internationalization process (Carlson, 1974).
State Aspects

- **Market Commitment**

This state is started from various resources in the market but how firm can select or capture the best resource before commitment both tangible and intangible assets as human, service, knowledge, technology and etc. (Campbell, Stonehouse, & Houston, 1999). There are two factors in market commitment which are the amount of resources and degree of commitment. Amount of commitment refers to how the firm chooses resources from all resources in the market that company committed in. Moreover, before committing to the resources, the firm has to scope down which resources are interesting that the firm can commit and select the resources exactly by using its market knowledge (Forsgren & Hagström, 2007, p. 293). Degree of commitment defines when the firm has to consider how much it would commit to the resources. Firm will increase the market commitment gradually by integrating and evaluating the size of investment in foreign market. After that, the firm will exploit resources and transfer them to other markets (Forsgren & Hagström, 2007, p. 293).

- **Market knowledge**

Opportunities and problems are the factors that the firms use to gain knowledge which is the crucial factor for the firms to internationalize (Carlson, 1974). In the other word, it is the result of opportunities and problem evaluation. As firms can gain experiential knowledge from learning by doing, we can imply that when firms face opportunities and problems, firms will take action by many activities to sustain or improve their decision making such as...
how to find the problem solution, and how to expand their business. Therefore, the firms can obtain knowledge through those activities. This stage directly affects to the change aspects and the outcome will be back to this stage as circular dynamic which are based on current activities and performance in the market (Carlson, 1974). Lack of knowledge can be considered as a main obstacle to go to overseas market. According to Penrose (1959) cited in Johanson and Vahlne (1990, pp.12), there are two categories of knowledge. Firstly, objective knowledge is knowledge that can be taught or learnt from textbooks. Secondly, experiential knowledge is knowledge that cannot be taught as it is subjective knowledge which is gained from personal experience. As a firm, it is required to possess both objective and experiential knowledge. However, experiential knowledge is more emphasized since it can only be gained through individual experience and it is seen as important knowledge which can lead to the business success and reduce the possible risk from market uncertainty (Forsgren & Hagström, 2007, pp. 293).

In addition, both market commitment and market knowledge are crucial elements to affect in the change aspects. The firm can make the stronger resources commitment since it has more experience from the current activities in the market. Therefore, it will easily make the commitment decision if state aspect is strong (Johanson & Vahlne, 1977).

**Change Aspects**

- **Current business activities**

This state is concerned with experience and performance in marketing activities. Current business activities is defined as source of experience including firm experience which can be gained as firm specialist in internal company, and market experience can be gained this experience by hire the person who has high experience in both internal and external in the company or in their market. Finally, it becomes the activities or the firm can be performed namely marketing campaign, sales promotion, product launching, etc. (Johanson & Vahlne, 1990, p. 11). Interpretation of professional can be more benefit in the company and taken more advantage than competitors. Without specialist, the problem will be occurred and it will mainly impact to internationalization process as the slow learning in current business activities.

- **Commitment decisions**

In this stage, market commitment is still increased and integrated gradually regarding above stages. The decision making depends on interpretation of existing problems, market knowledge and opportunities at that time (Carlson, 1974). The situation will be stable or be in risk in the firm that is depending on the decision maker. An economic crisis is an uncertain effect challenge to the ability of decision maker to maintain their organization. The leader is the crucial combination to predict the company direction in present and future market as well. The firm can be exception or not follow in internationalization process if there are possessed three qualifications (Johanson & Vahlne, 1990, pp.12): first, the firm has large resources; second, the market is stable and homogeneous which mean experience is not important, and third, the firm has some considerable experience from other similar market conditions.
The relationship between State Aspects and Change Aspects

Referring to the U-model, it shows the interaction among four core elements which are market knowledge, market commitment, current business activities, and commitment decisions. These elements can be divided into two aspects that are state aspects and change aspects. The model illustrates the connection between international market development and operation knowledge; besides, it shows an incremental commitment of resources to overseas markets. The crucial element is market knowledge which the firms can collect from their current activities in the foreign market. Firms can gather market knowledge from their experience when the firms confront problems and opportunities. The more market knowledge the firms gain, the more confidential the firms make a commitment decision. Moreover, the experiential knowledge is a crucial tool to reduce market uncertainty. To earn more market specific knowledge, the firms expect to make a strong commitment to the foreign market since market specific knowledge is specific knowledge of each foreign market (Johanson & Vahlne, 1990). In addition, when firms commit to a foreign market, they will face more opportunities and problems in that market. Thus, the firms will have more capabilities to solve the problems and generate other way than others competitors outside the market (Johanson & Vahlne, 1990).

A level of market knowledge and market commitment of the firms in one period will affect commitment decision and current business activities subsequently; meanwhile, the commitment decision and current business activities will also affect back the firm to commit more to the market and earn more knowledge as an incrementally developing cycle (Forsgren & Hagström, 2007).

Firms are able to create long term profit while they can reduce uncertainty and risk as well as seeking new opportunities in that foreign market by applying U-model. Nonetheless, since U-model is a process consisting of incremental commitment, the process may take a long time for firms to expand their business overseas (Johanson & Vahlne, 1990).

Establishment chain

According to U-Model, establishment chain shows how the firms commit into foreign market. It also shows that establishment chain is the beginning of the U-model. Establishment chain is stage of internationalization process shows that resource commitment to foreign market is increased step by step. Establishment chain will start from no regular export which means firms concentrate on local market only. The next step is export via agents. Firms will export their products through their representatives in overseas markets. In this stage, firms are able to get some market knowledge from their current activities between the firms and their

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**figure 2: The Establishment Chain**
*Source: Jonsson and Choudhury, 2009, p. 4*
agents. After gaining knowledge, the firms can make a decision to commit more into that market. The sales subsidiaries will be founded in order to spread out their products to that market. From this investment, the firms will be able to gain some specific knowledge of that market. The last stage is establishing their production subsidiaries which the manufacturing will be fully committed to the foreign market (Johanson & Wiedersheim-Paul, 1975).

Moreover, the establishment chain refers to current business activities that lead the firms to different market experience. It means that each activity create different experiential knowledge in each stage. For example, firms will not have any market knowledge when they do not have any export transaction. After firms start to export their products through agents, firm start to gain some market knowledge such as distribution channels from that activities. Therefore, when the firms operate their business activities, they can receive wider and deeper experiences about that market so that the firms can better understand the market (Johanson & Vahlne, 1990).

### 2.1.2 Barrier of Internationalization

When firms decide to expand their business abroad, they may face many problems as barriers during they consign into the new market. According to U-model, these barriers were mentioned in two groups; psychic distance and lack of knowledge. The definitions of both are as follows;

**Psychic Distance**

Psychic distance is defined as an element that obstructs the flow of information between the firms and the markets. The difference in cultures, languages, regulations, laws, education background, business practice, industry development, political system and economic system is example of obstacles that the firms may face when they expand their business abroad. However, nowadays the globalization makes the world more homogeneous so the effect of psychic distance has been decreased (Nordström & Vahlne, 1994).

**Lack of knowledge**

Garvey and Brennan, (2009) define the characteristic of knowledge in the U-model is as follow;

- Firms accumulate knowledge from their activities. Learning-by-doing process is the way that firms use to gain knowledge.
- Knowledge is subjective so it is not easy to transfer to other individuals.
- The market specific knowledge is important for firms to enter the foreign market.
- The degree of market commitment depends proportionally on market knowledge acquirement.

From the above, knowledge is an important element of the firm to improve international operation. Therefore, lack of knowledge may affect internationalization process of the firm.
On one hand, the vital knowledge can be achieved from overseas operation (Garvey & Brennan, 2009).

### 2.1.3 Service Theory

#### 2.1.3.1 Characteristic of Service

The definitions of service are suggested in many literatures. Even though the definitions are different, one basic characteristic of services that can be concluded from those literatures is that services cannot be perceived in the tangible goods way (Grönroos, 1990). From that sense, Grönroos (2007) has proposed the definition of service as following;

"A service is an activity or series of activities of more or less intangible nature that normally, but not necessarily, take place in interactions between the customer and service employees and/or systems of the service provider, which are provided as solutions to customer problems.” (p.27)

There are four main characteristics of service which are intangibility, inseparability, perishability and heterogeneity that distinguish services from goods (Clark et al, 1996). Since services are processes or series of activities, services cannot be tangible or it can imply that a pure service is intangible. That means we cannot see, touch, hold, or store pure services (Bateson, 1977; Berry, 1980; Schneider & White, 2004). Moreover, pure services are inseparable since service organizations have to produce and customers have to consume or have to participate in those activities at the same time (Grönroos, 1977). Services are more heterogeneous than physical goods because perception of each service is depended on each customer (Langeard et al., 1982; Schneider & White, 2004). Lastly, services are perishable so that unused capacities in the moment cannot be stocked or kept as inventory for other moment (Berry, 1975; Lovelock, 1982).

According to inseparability characteristic of service, service can be group into two types which are separable service and non-separable service (Freeman & Sandwell, 2008). Separable service or hard service is defined as service that consumers do not have to participate in production activities. Hard service can be packed in tangible package such as a disk, blueprint, and document thus it is quite similar to manufacturing products. Music entertainment, college education, and television program are services that allow production and consumption to be apart (Erramilli & Rao, 1993). Another type of service is soft service or non-separable service that requires participation between the service provider and the customers. Healthcare, hospitality, car rental, and management consulting are example of soft service (Erramilli & Rao, 1993).

From the above, hospital service which is one of healthcare service can be implied as soft service. Hospital service cannot separate production from consumption since hospital service requires participation between doctors and patients.
Augmented service offering

As characteristics of service are different from physical goods, it is not easy to understand service in the product way. Augmented Service Offering model is developed to understand service as products that can be developed, produced and delivered, marketed, and consumed (Grönroos, 1990).

Augmented service is adding extra into the basic services in order to make the unique service (Berry, 1983; Levitt, 1983 cited in Grönroos, (1990)). Augmented Service Offering is a complement between service package and service processes.

- **Service package**

To understand service as a product, we have to understand that service is a package of different services that are both tangible and intangible that form the total product (Grönroos, 1990). From that, basic service package can be distinguished into three groups; core services, facilitating services, and supporting services.

**Core services** (Grönroos, 1978; Eiglier & Langeard 1981; and Normann, 1984) or substantive services (Sasser, Olsen, Paul & Wyckoff, 1978) are the major service of the industry. For example, the core service of airline and vessel line is transportation. To reach core service, some additional service will be provided so that the customers can perceive core service. This additional service is called facilitating service (Maister & Lovelock, 1982). Moreover, the service provider may add some more service to make their customer more satisfied. This kind of service is support service. Support service is used to increase values of service and/or to differentiate from the competitors.

- **Service process**

The service processes or the transaction between the organizations and customers are perceived in many ways. In managerial point of view, there are three basic elements to view constitute the process. They are accessibility of the service, interaction with the service organization and customer participation (Grönroos, 1990). With these three elements, customers can perceive benefit from service package.

1. Accessibility of the service relies on the number and skills of the personnel, the time that organization offers service, location of the office, the equipment, etc. It depends on how customers feel to get access to the services (Grönroos, 1990).

2. Interaction with the service organization can be based on interaction with the organization’s staff, interaction with various resources of the organization, interaction with systems, and interaction with other customers (Grönroos, 1990).

3. Customer participation shows that the customer has an effect on the service he or she perceives. It means that customer perception depends on how customer understands the service procedure (Grönroos, 1990).

Therefore, customers will perceive the core service, the facilitating service, and the supporting service of the basic package service in many ways depending on how they can
access to services, how they interact with the service organization, and how well they understand their roles in the service production process (Grönroos, 1990).

![Diagram of the Service Concept]

Figure 3: Augmented Service Offering
Source: Grönroos C, 1990, p77.

2.1.3.2 Internationalization of Service

Type of Service Trading

Nowadays, services account for 60 percentages of global production and employment and become more internationally mobile (World Trade Organization, n.d.). The traditional way that service firms go abroad is to follow manufacturers that they provide services in local market (Weinstein, 1977; Vandermerwe & Chadwick, 1989 cited in Grönroos, 1999). At the present, service firms internationalize because of three main drivers; multilateral trade-agreement, develop trends in ICT and the increased presence of global network (Netland & Alfnes, 2007). From the characteristic of service that mostly is activities and group of processes, services are generally assumed as non-tradable because of location-bound (Boddewyn et al., 1986). Furthermore, some services are able to be exported only when the firms have located in the foreign market as a delivery system (Shama & Johanson, 1987). It shows that stage of exporting is important for internationalization of service firms (Robert, 1999). The concept of service exports have been created that services occur not only in
overseas market, but also in local market (Robert, 1999). *Domestically located service export* is formed to explain how service can be export in domestic market. When firms provide service in their local place to foreign clients, exportation occurs. Service firms may provide service in foreign country in term of report, letters, and video which are *embodied service*. Some service may be transferred via telecommunication network in the form of *wired service*. Transhuman exports which are offering service in foreign country by sending employee to that country may be used (Robert, 1999).

According to General Agreement on Trade in Service (GATS), service can be traded in 4 different modes (World Trade Organization, n.d.).

1) *Cross boarder mode* defines service flows from one country to another country. For this mode, service can be trade by using IT system such as internet or teleconference for example, bank service and architecture service.

2) *Consumption abroad mode* refers a service consumer move or travel to the country that provides service. Customers move or come to the country in which the service provider is located (Ovara, 2001). This kind of trade is also called domestically located export (Robert, 1999). The example of this service is tourism service.

3) *Commercial presence mode* implies that service provider of one country establish a territorial presence through ownership or lease of premises in other country to provide services; for example hotel chains.

4) *Presence of natural person mode* consists of person of one country move to other countries to provide services such as teachers, accountants, and doctors.

**Entry Mode**

The choice of entry mode for service firms depends on existing clients when they internationalize or looking actively for new markets (Erramilli & Rao, 1993) and also the advance of technology such as Internet and satellite technology (Grönroos, 1999). General entry modes of service firms are client following mode, market seeking mode and electronic marketing mode. The three types of entry modes are not used for only one objective. A firm using the Internet as electronic marketing mode to enter the e-commerce market is able to access into new international markets as well. In addition to, a firm following a client abroad may have decided to take this opportunity to seek new markets in the same time (Grönroos, 1999).

Comparing with the manufacturing firms, entry mode of service firms may depend on the type of service that the firms provide. As Erramilli and Rao (1993) had studied that how service firms enter the new market is depended to the types of service that they provide. Soft services are limited the entry mode since this kind of service needs the participation between the producers and the receivers in the same time (Erramilli & Rao, 1993). Contractual entry, licensing or franchising, and foreign direct investment are entry modes that soft service firms can used to enter the foreign market (Erramilli & Rao, 1993).
type of service is hard services which have similar characteristic as tangible product that the production can be separated from consumption so that hard services can be exported as the product in manufacturing (Erramilli & Rao, 1993). From those characteristics, service firms that provide hard service are able to enter into foreign market in the same way as the manufacturing firms do (Erramilli & Rao, 1993).

For this research, entry modes that we focus on are export, management contract and joint venture. Although Erramilli and Rao (1993) argue that soft service cannot be exported, there are many types of export that soft service can be traded internationally (Robert, 1999).

**Exporting**

In internationalization, exporting is the beginning step that the firms usually use to distribute products to foreign countries. Exporting is an original simple method and it is good tool for the firms which are firstly interested in entering the overseas market. Advantage of export is that it avoids huge investment in establishment of production manufacture. Investor can minimize risk and have more experience in learning new market. However, exporting has some disadvantage which are high transportation cost and firms may have to allocate local resources to support the host country (Hill, 2007).

**Management Contract**

International management contract is an agreement to allow a firm to manage the daily operation of organization in an overseas market. The advantage of management contract is it provides low risk but investors do not prefer management contract since it cannot use to create strong market position for firms’ product (Root, 1998).

**Joint Venture**

A joint venture is an establishment of a firm that owned by two or more independent firms. Each firms required to share revenue and cost as well as manage the venture among partners. In addition, since joint venture is the co-investment among different firms, each firm can use its specific skills to operate their venture efficiently. Joint venture has many advantages that firms may acquire from this investment. Firstly, firms can earn specific knowledge from each member. In this term, knowledge refers to business knowledge and also the host country’s culture, political system and business network. Secondly, since there are many parties in joint venture, firm can mitigate risk and reduce cost. Finally, firms can enter into the foreign countries that they may have barrier to foreigner investor. On the other hand, joint venture may confront some obstacles because of limitation of management and reliability on foreign partners. Moreover, if strategies and goals of each partner change, disagreement may occur (Hill, 2007).
2.1.4 Internationalization Strategy

In the past, most multinational companies give priority to unilateral rather than multilateral (Bartlett & Ghoshal, 1987). On one hand, organizational capability is a vital constraint on which firms usually concentrate. To be successful transnational organization, Bartlett and Ghoshal (1987) suggest that combination of three traditional strategies which are efficiency, responsiveness and ability to exploit learning simultaneously is what firms need in their international business.

*Rewarding efficiency in global industry*

In global perspective, the firms should concern about customer needs, lowest efficient scale and competitive strategy. All are viewed as global economy instead of individual environment. Therefore, the global strategy is what the firms should consider in order to earn maximize efficiency rather than focus only on specific country approach (Barlett & Ghoshal, 1987).

*Building Responsiveness in multinational industries*

When firms enter to foreign market, they have to adapt their products to fit with differentiation of each market. Not only production angle, but marketing strategy is also one more thing that firms should focus on. That means the firms have to respond on marketing strategy which may be different in condition depending on different location. This differentiation can lead the firms to be success (Barlett & Ghoshal, 1987).

*Exploiting Learning in international industries*

When the multinational firms invest in international industries, firms can transfer knowledge to foreign organization and manage their product life cycle more efficiently and flexibly. In some industries, exploiting and learning knowledge are crucial elements of the firms to accomplish in that region. This ability to learn and adapt organization to be suitable with the market can turn the weak organization to the strong business (Barlett & Ghoshal, 1987).

With all three elements, the new strategy is that firms have to create multilateral aspects in order to discover the ways to handle efficiency, knowledge, and responsiveness in international environment. Transnational industry is the business that is driven by concurrent demand among these three elements. The firms not only manage these three factors compatibly, but they also have to balance these three elements optimally. Moreover, the firms also give precedence to responding to increase transnational capability. Although the firms have all competencies, the firms still have to develop their capability in multi dimension way (Barlett & Ghoshal, 1987).
2.2. Conceptual Framework

The conceptual framework illustrates how the research will be conducted. From the study, we believe that some hospitals have potential to internationalize their organization to foreign countries. Thus, the firms will internationalize by setting up their business abroad.

The left box represents consideration of service firms to manage internationalization. In the other word, it shows the hospitals before going through internationalization. This concept will be supported by explanation about characteristic of service that clarifies type of the company’s service, and service trading pointing out how services of the firm are traded in local market.

The arrow refers to internationalization of the hospitals. The Uppsala-model and entry mode theory will be used to analyze how the hospitals manage internationalization process concerning investment in the foreign countries. This internationalization process brings about an idea of the firm to found another hospital abroad. Consequently, the right box represents the international hospital in overseas that is resulting of the local hospital internationalize the company in global market by constructing another hospital there. However, during the process, the company might face any problems so we use another star crossing the arrow to represents the barriers. The company will face and learn these barriers. The effects from barriers lead to new knowledge gaining of the firm from solutions creation in order to skip over these problems. The company then learns and obtains market knowledge from foreign market which leads to an increase of commitment and activities in the market respectively.
3. Method

In this chapter, we introduce the methodology of our research. A qualitative approach is employed for this research. Primary data and secondary data will be collected. Primary data will be mainly collected by interviewing and secondary data will be gathered from many sources such as books, literature, database, and internet materials. These collected data will be used as empirical finding as well.

3.1. Research Design

According to the research design by Fisher (2004), there are two types of researches which are a quantitative research and a qualitative research.

A quantitative research is used to find and analyze a connection among variables in order to prove a hypothesis by applying a statistical method to measure the result (Fisher, 2004). It is a numerical measurement based on statistically reliable information. A researcher can use questionnaire surveys or databases to gather data to analyze and the result must be accurate.

A qualitative research emphasizes an interpretation and understanding of a situation by interviews, documentaries exegeses, observations and case studies without a statistical measurement. Moreover, it can help researchers to understand people in awareness, society and culture. A lot of information leads to the point of view of the people and idea of differentiate (Kaplan & Maxwell, 1994).

In addition, there are many interesting key points between qualitative and quantitative researches. Table 1 shows how the key points in details.

*table 1 Key Point of Qualitative & Quantitative Research*

<table>
<thead>
<tr>
<th>Qualitative</th>
<th>Quantitative</th>
</tr>
</thead>
<tbody>
<tr>
<td>&quot;All research ultimately has a qualitative grounding&quot; (Donald Campbell)</td>
<td>&quot;There's no such thing as qualitative data. Everything is either 1 or 0&quot; (Fred Kerlinger)</td>
</tr>
<tr>
<td>The aim is a complete, detailed description.</td>
<td>The aim is to classify and count features as well as construct statistical models in an attempt to explain what is observed.</td>
</tr>
<tr>
<td>The researcher may only know roughly in advance what he/she is looking for.</td>
<td>The researcher knows clearly in advance what he/she is looking for.</td>
</tr>
<tr>
<td>Qualitative</td>
<td>Quantitative</td>
</tr>
<tr>
<td>---------------------------------------------------------------------------</td>
<td>-------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>Recommended during earlier phases of research projects.</td>
<td>Recommended during latter phases of research projects.</td>
</tr>
<tr>
<td>The design emerges as the study unfolds.</td>
<td>All aspects of the study are carefully designed before data is collected.</td>
</tr>
<tr>
<td>The researcher is the data gathering instrument.</td>
<td>The researcher uses tools, such as questionnaires or equipment to collect numerical data.</td>
</tr>
<tr>
<td>Data is in the form of words, pictures or objects.</td>
<td>Data is in the form of numbers and statistics.</td>
</tr>
<tr>
<td>Subjective - individuals’ interpretation of events is important, e.g., uses participant observation, in-depth interviews etc.</td>
<td>Objective – seeks precise measurement &amp; analysis of target concepts, e.g., uses surveys, questionnaires etc.</td>
</tr>
<tr>
<td>Qualitative data is ‘richer’, more rigorous, and less able to be generalized.</td>
<td>Quantitative data is more manageable, able to test hypotheses, but may not contain contextual details.</td>
</tr>
<tr>
<td>The researcher tends to become subjectively immersed in the subject matter.</td>
<td>The researcher tends to remain objectively separated from the subject matter.</td>
</tr>
</tbody>
</table>

*Source: Miles & Huberman, 1994, pp.40*

To understand the internationalization process, individuals’ interpretations of events are significant to us. Thus, for this research, the qualitative approach is chosen since we want to understand the factors involved in expansion of business, service industry and internationalization process of Bumrungrad International Hospital in depth.

### 3.2. Data Collection

Data can be gathered from both primary and secondary data. The primary data is an initial data while the secondary data is the previous data that was used for other purposes (Fisher, 2004). We plan to collect both kinds of data in this research. There are many kinds of research methods used to collect data. We also use “Researching and Writing a Dissertation for Business Student” (Fisher, 2007) as the main guide to gather and select suitable data for our research.
3.2.1 Primary Data

Referring to Fisher (2007), the primary data is the data that researchers collect by themselves by using research methods such as interviews, surveys, panels, and observations. For our research, interview will be used as a research method to collect the primary data.

The interviews can be conducted in three ways; open interviews, pre-coded interviews, and semi-structured interviews. Open interviews are very open and straightforward. The interviewer uses informal conversation with a respondent and let the respondent lead the direction of the interview. Pre-coded interviews are controlled by interviewer. The scripts and logical questions are prepared and handled by the interviewer. Some answers may be prepared for the respondent to choose and add more details to a particular question. Semi-structured interviews lay between open interviews and pre-coded interviews. The interviewer has a schedule to conduct the interview but, in the same time, the respondent can answer the question freely (Fisher, 2007). In this research, semi-structured interview has been selected as our method to run the interview because the main topic in the interview was controlled by the interviewer to guide the respondents to give the relevant answers. On the other hand, the respondents could also provide other related information.

Moreover, for this research, we chose to interview over the phone because it saved cost and was convenient for our respondents to answer our questions. Using this method, it was more convenient to gather deep comprehensive information. Our target respondents were two specialists who were in the medical industry and involved in management of the internationalization process. For the additional questions, we have re-contacted through the phone interview.

The interview information and description are showed as below;

<table>
<thead>
<tr>
<th>No.</th>
<th>Name</th>
<th>Occupation</th>
<th>How to Interview</th>
<th>1&lt;sup&gt;st&lt;/sup&gt; Interview Date</th>
<th>2&lt;sup&gt;nd&lt;/sup&gt; Interview Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Dr. S</td>
<td>Associate Professor, MD</td>
<td>Telephone</td>
<td>20-Apr-2010</td>
<td>28-May-2010</td>
</tr>
<tr>
<td>2</td>
<td>Ms. A</td>
<td>Clinic nurse cooperator, Management Assistant</td>
<td>Telephone</td>
<td>10-May-2010</td>
<td>31-May-2010</td>
</tr>
</tbody>
</table>

*Source: The Authors*

Both interviewees are in the hospital business in Thailand. The first interviewee, Dr. S, is a doctor who has worked for both public hospitals and the private hospitals for more than 40 years. Dr. S. also used to work as a vice president in one of the biggest public hospitals in Thailand. The interview questions with Dr. S were about general information of the hospital service in order to understand the hospital service in Thailand. The second interviewee, Ms A, is a clinic nurse cooperator and also the assistant of the hospital management of Bumrungrad International Hospital. For Ms. A, we asked how Bumrungrad International Hospital provided hospital service internationally, how the hospital selected the country to
set up its representative and how the hospital prepared to find the hospital branch in the foreign country. We decided to interview two persons in order to acquire adequate information on both general hospital business and in-depth information of Bumrunrad International Hospital. Moreover, we decided to interview two times as we revised the conceptual framework. Therefore, some of empirical data from the first interview were not comprehensive, relative and in details. As a consequence, we decided to conduct the second interview in order to obtain more information which related to the theories and the new conceptual framework. All questions were based on the theories to assure that we got the relative data that was analyzable. The second interview question was used for both respondents for more understanding in our case study. Furthermore, we noted the first interview questions in the appendices A and B and the second interview questions in the Appendix C, respectively.

Since the secondary data is inadequate and we cannot gather comprehensive information concerning the case study because some of the data are confidential, thus not publishable. In addition, since there is a high competition in the private hospital market in Thailand, the hospital has to control how much information can be released to the public. Some marketing strategy and confidential information is not accessible to the public. Interviewing these specialists as mentioned above, provided us the necessary information and led us to reach the updated information for analysis. Moreover, communication was also another obstacle since we were not fluent in English. Consequently, we conducted the interview in Thai instead in order to get the accurate information and then we translated the information back to English. We have tried, to the best of our abilities, to maintain the original context from the interviews.

3.2.2 Secondary Data

Secondary data is defined as the previous data which had been gathered by other individuals or organizations (researcher, institutions, governments, etc.). The secondary data can be in formats of academic literature, articles, online materials, annual reports, journals and newspaper which may contain some existing documents to support or extension used in the research (Cnosse, 1997). The advantage of the secondary data is to prevent researchers from duplicating their works as well as help reducing cost and spending less time since the data is already available to the public. Nevertheless, the researcher should still interpret proper information before using the information (McCaston, 2005). If a process of choosing secondary data is vague, the research may take a longer time and can be misleading. Nevertheless, the researcher may be impacted by using the data that is used in different purposes (Fisher, 2007). Moreover, the selected data should be related to selected literature (Fisher, 2007).

In this research, the secondary data is the literature related to the international business, service industry and internationalization, as well as Bumrungrad International Hospital general information. For the literature part, we gather data from many sources such as the university libraries, the university databases, and internet sources. Publications and literature on international business, service industry, and internationalization are used as our
main sources. To choose the proper literature, we use Mälardalens University’s Electronic Library Navigator as the main tool by using key words such as ‘service industry’, ‘internationalization of the firms’, ‘internationalization of service’, etc. In addition, DIVA’s thesis database and Google Scholars are also our main databases to find publications. Moreover, information from World Trade Organization and World Bank are also used to validate the data. For BIH general information, information from news, magazines, and the company website are used as our empirical data. Other sources such as news, magazines and other related journals about BIH are used to make information more reliable.

3.3. Validity and Reliability

Validity and reliability are emphasized in all data gathering since they affect our analysis. Validity is defined as the best available approximation to the truth or falsity of a given inference, proposition or conclusion (Cook & Campbell, 1979). To gather the valid information, we collected data from many sources from both primary data and secondary data that provided information both in English and Thai. Nevertheless, for the primary data, we also conduct the interview in Thai in order to get the accurate information. Then, we translated the information back in English and verified the content so that our analysis and conclusion would be justified and reliable.

Regarding the reliability, this research is clearly defined with references. The reliability of the sources is very important and we rechecked the gathered data before we used it in the analytical part. Both primary data and secondary data were used in our research to support the reliability of information from many aspects. We selected respondents who had been working in the hospital business for many years. They had also worked with foreign patients and been involved in Bumrungrad international Hospital directly. Therefore, the data from interviews was sufficient and reliable for the research analysis. Furthermore, information from interview was translated from Thai to English as directly as possible. For the secondary data, we selected the data from the reliable sources and well-known journals such as Stock Exchange in Thailand (SET), World Trade Organization, and World Bank. We also cross-checked the secondary data between each source so that we could assure that the gathered data was accurate and applicable. As a result, both of our primary and secondary data was reliable and useable for our research.
4. Empirical Finding

In this chapter, we present the selected data from both primary data and secondary data. Collected information will be our supporting items for the analysis part in the next chapter. We present this chapter from a general hospital service and then scope down to the internationalization of the hospital.

4.1. Internationalization of Service in Private Hospital in Thailand

Private hospital business has been continuously growing every year because of the rapid increase of health issues and patients’ demands (Goldman & Romley, 2008). In addition, private hospital is one of the healthcare businesses that play a significant role in developing service sector and overall economy of the country in term of GNP (Gross Nation Product). Consumers or patients usually have to wait for a long time to get treatment from public hospitals especially in a developing country of which the healthcare system is not adequate. Private hospitals that have medical expertise and service quality have become an alternative for patients to receive better treatment and service. Although investment in private hospital industry requires a lot of money, the return of the investment is satisfying, and the private hospitals can also fulfill the large demand of the customers. Same as any other businesses, a well-constructed business plan is employed to guide the hospital management team throughout all of the business needs with both theories and practices. Location strategy is an important element for hospital building as the hospital must be easily accessible by a large population, especially in case of emergency (Golden Years of Thai Private Hospital, 2003). Nowadays, private hospitals are highly competitive with each other when it comes to facilities including modern equipment, security as well as technology. Therefore, new private hospitals should coordinate with other medical businesses and hire well-trained professionals (Bandhitkul, 2003).

In Thailand, private hospitals have been in a fierce competition since 1998. During 1998-2000, the financial status index of the private hospitals is evaluated by surveying more than 200 private hospitals in Thailand. The private hospitals can be divided into three groups according to the size of the hospital (ARIP, 2001). From this survey, the average gross margin of the private hospitals in Thailand is 37.1 percent, which is quite high. It is because the average cost is only 36 percent, which is very low comparing to the average costs of other industries. In year 2000, the growth rate increased slightly, around 4.7 percent, mainly from large and medium-sized private hospitals. However, large private hospitals could still pay dividends to the shareholders with a high rate, about 9.6 percent. Moreover, the financial liquidity of the hospitals on average tends to increase every year as the current ratio has increased to 1.8 times, 2.5 times and 5.1 times in 1998, 1999 and 2000 respectively (Krassanairawiwong T. et al., 2008).
The government has announced Thailand to be “the Medical Hub of Asia” (Thai Board of Investment, 2007). With this campaign, the private hospitals in Thailand decided to improve their standards to the international level in order to attract foreigners to come to their hospitals. With the improved standards and reputation of the private hospitals, internationalization of the private hospitals becomes possible. From this investment, the hospitals are able to expand their markets to other countries.

The economic crisis in Thailand in 1997 has impacted the private hospital market. Thai people changed their behaviors from getting service from private hospitals to public hospitals in order to save the expense. The private hospitals had to improve their services and change their strategy to satisfy their patients to be able to compete in the market. Most of the private hospitals that survived the economic crisis were large hospitals. The private hospital market after the economic crisis is still a highly competitive market although there are fewer competitors. That means the hospitals have to compete with each other by marketing strategy, service quality and technology (Krassanairawiwong T. et al., 2008). In year 2006, Ministry of Commerce of Thailand organized a road show in the Middle East and Europe to promote Thailand medical service through the campaign "Healthcare from the Heart”. The strength of Thai private hospitals is that they are unique to combine the medical treatment with Thai-style hospitality (Golden Years of Thai Private Hospital, 2003). As a result, over the past few years, there are more than 400 private hospitals in Thailand that have served for foreigners. The majority of the patients, taken from 2003, were from Japan (130,000 persons), USA (59,000 persons) and U.K. (41,000 persons) (Marketeer, December 2003, Vol. 46). Government expects that the number of foreign patients has increased with average growth rate of 15 percentages. The private hospital business has a plan to invest in the foreign market as well.

There are now 6 major private hospitals in Thailand that have tried to invest in other countries. They are Thai Nakarin Hospital, Piyavate Hospital, BNH Hospital, Praram 9 Hospital, Phyathai 1 Hospital, and Bumrungrad International Hospital. Each hospital has relied on a third-party company to do research and analysis of the internal and external factors in order to compare themselves with other competitors. The third party also does a survey by collecting opinions from patients and staffs so that they know their weak points and where to improve their business.

4.2. Services of Bumrungrad International Hospital

Bumrungrad International Hospital (BIH) is located in Bangkok, Thailand, and first opened its doors in 17 August 1980 with a 200-bed facility. Nowadays, BIH is the largest private hospital in Southeast Asia with new 554 beds, over 1,000 medical specialists and more than
one million square feet was opened in 1997 (BIH, 2010). The management of the hospital believes that the position of the hospital depends on its current activities (BIH, 2005).

BIH provides many kinds of services, which are divided into two categories; medical service and other service.

Medical service of Bumrungrad International Hospital

Bumrungrad International Hospital offers hospital services as follows (BIH, 2009a);

1.) Outpatient service (OPD). Bumrungrad International Hospital has 34 outpatient clinics with over 200 examination rooms. The hospital is able to service 4,500 patients per day.

2.) Inpatient service (IPD). The hospital has 538 beds which include 37 adult intensive care beds, 14 cardiac care beds, 9 pediatric intensive care bed, and 5 level III neonatal intensive care beds. The patient rooms are decorated with modern facilities in order to make the patients and their families feel comfortable.

3.) Emergency care (ER) and special facilities. The hospital has 24-hour emergency care including emergency cardiac catheterization. Moreover, 19 operation theaters fully equipped with modern medical equipment are offered. The hospital also has 2 cardiac catheterization laboratories and 2 cardiac operating theaters. The hospital has a facility that is fully equipped with PET/CT, MRI, CT, lithotripsy and 64-slice CT scanners. In addition, the hospital has invested in lab automation, pharmacy robot and PACS (Picture Archiving and Communications System for medical imaging) for patient safety and operation efficiency. It also provides surgical navigation systems and Image-guided Radiotherapy (IGRT).

In 2009, BIH has over 1,100 doctors representing almost 60 subspecialties in 32 medical clinics and centers of specific disease such as allergy center, breast care center, children center, etc for patients who want to consult with specialized doctors in each center. The hospital also has medical staff to support the doctors to provide the highest quality in medical treatment for each patient (BIH, 2009a).

Therapeutic service and diagnostic service are the main services that the hospital provides to the patients. Therapeutic service is the treatment that the hospital gives to the patients consisting of physical treatment, occupational treatment, nursing and pharmacy. Diagnostic service is investigating causes of illness and injury that consists of medical laboratory and radiology and imaging (Dr S. April 20, 2010).

Other service

Dr. S. gave information about other services of the hospital. The hospital does not only provide medical service, but also give additional services such as registration, queuing system, and healthcare knowledge service to offer efficient operation. Some other services such as restaurants, internet access in the hospital, and modern decoration were added in order to make the patients and their families feel more comfortable and convenient (Interview, April 20, 2010).
In addition, Bumrungrad International Hospital has provided other services to support its patients both local and international. International Patient Services Center is set up to facilitate and accommodate international patients. The services are interpreters, international insurance coordination and international medical coordinators, referral center, email correspondence, visa extension counter, embassy assistance, airport reception and travel assistance. Furthermore, “International Medical Corporation Office” or “IMCO” is a department that will help the foreign patients to organize procedure schedule, answer their family question during treatment, and plan the follow-up care when the treatment is done. Moreover, BH also operate two serviced apartment provided for patients and families. They are Bumrungrad Hospital Residence (BH Tower) with 74 fully serviced apartments connected to the hospital and Bumrungrad Hospital Suites with 51 fully serviced apartments (BIH, 2009a).

Bumrungrad International Hospital is the pioneer hospital that provides medical service to international patients. At the beginning, the majority of foreign patients were the expats who lived in Bangkok and some tourists who were travelling in Thailand. The foreign patients first came to BIH because of its location on Sukhumvit Road, which is the business area of Bangkok (Dr. S, April 20, 2010). BIH provides medical service for both Thai and foreign patients with the same standard. All of the medical equipments meet the international standard, so all medical equipments are fit for both Thai and foreign patients. “It can be said that to provide a high standard treatment to all patients, the hospital has invested in up-to-date medical equipment and developed the medical team to provide high quality of services continuously” Ms A said (Ms A., May 10, 2010). In term of investment in the medical team, training programs have been set up for doctors and nurses such as a continuation in learning about new diseases, medical innovation, and improvement of the ability of each specialist. The hospital has arranged medical conferences annually in different topics concurring to the current situation; for example, BIH has arranged Bangkok 2007 International Conference on Anti–Aging in order to provide knowledge of the latest medicine science to interested doctors and other interested persons (Ms A, May 31, 2010).

For other services, BIH also pays attention to cultural differences among the patient from multi-cultures. For an example, Ms A explained that the Arab have the culture to wash their feet. Sometimes they wash their feet in the washbowl, which may make other patients feel uncomfortable. BIH will not prohibit the Arabs, but will use the announcement board to communicate with the Arabs that the washbowl is for hands only instead. The hospital also provides service for religious practices such as the prayer room for the Muslims (Ms A, May 31, 2010).
4.3. Internationalization of Bumrungrad International Hospital

Bumrungrad International Hospital has a good reputation and is well-known among Thai people. The hospital has a continuously increasing number of patients. Foreigners living in Thailand are another group of patients since the hospital is famous in international standard treatment, service and professionals. The hospital has professional doctors and staffs for medical treatment. They graduated from famous medical schools all over the world. Besides, some of the professors in medical treatment from famous universities in Thailand join the hospital. Therefore, all of the patients trust that he doctor team will provide a high quality treatment. (Dr. S, May 28, 2010)

There are one-stop services in interpreters, an international concierge service, embassy assistance, airport transfers, and international medical and insurance coordination in the hospital. There are awards to guarantee the quality of hospital in Organization Accredited by Joint Commission International (JCI) and Hospital Accreditation program conducted by the Institute of Hospital Quality Improvement and Accreditation, and BIH was the first hospital in Thailand to be accredited (BIH, 2010). A giant banner proclaims "Asia’s 1st Internationally Accredited Hospital" was granted and accreditation by U.S.-based Joint Commission on International Accreditation as the first hospital in the world to receive ISO 9001:2000 and 14001 certification (Kittikanya, 2003). Bumrungrad is more than an ordinary hospital as it also focuses on clinical care, research, education, and international hospital management (international hospital management, consultancy services, and investment).

Even though the hospital is famous, its popularity is still limited to the Thais and foreigner living in Thailand and countries nearby. The turning point of the hospital fame was when it was presented in 60 Minutes, the famous television program in USA. It led the hospital to be well-known internationally (Homchit, 2007). Another factor leading to BIH investment in foreign market is the economic crisis in Thailand in 1997. The crisis had a big impact on the hospital as the number of patients within country decreased. Consequently, the hospital got an idea to expand their service to the global market. At the beginning, the hospital started from creating a website so that the hospital could convey some information to foreign patients. BIH also contacted hospitals in the other countries and tour agencies to promote itself. Additionally, BIH did public relation and marketing such as joining with Tourism Authority of Thailand Department to promote the hospital (Talk to commerce ambassador, 2008). The number of patients is increasing. The largest number of foreign patients is from America, while the second largest one is from the Middle East (Ms. A., May 10, 2010). They started having some patients contact the hospital via embassies and international health insurance companies namely BUPA (British United Provident Association), SOS insurance, etc. To keep up with the demand, the hospital then has set up another department to take care of patients from health insurance companies (Ms. A, May 31, 2010).

The hospital records patient profiles indicating information about their health and nationality. They use this information to analyze the appropriated location to establish a representative in the global market. The representative is the organization who coordinates between patients in a particular country and the hospital in order to support the patients to get treatment with Bumrungrad International Hospital in Thailand. The representative will
give the hospital information to the patient who is interested in getting treated at the hospital. The representative asks the patient about their symptom and disease, and then they will pass all the information to the hospital. The hospital relays the information to doctor who then analyzes the symptom and gives feedback to the International Medical Coordination Office (IMCO) about possibility of treatment, disease, treatment process, and treatment cost assessment. IMCO will transfer all information to the representative, who will pass all the information to the patient eventually. If the patient would like to get treatment, the representative will make an appointment with the patient and the hospital. Next, the representative coordinates with the hospital to arrange all transportation, visa, and all other logistics for the patient such as providing a car or helicopter to pick up the patient at the airport. If the patients would like to have a doctor or a nurse to take care of them after they get back to their country, the hospital can arrange staff to fulfill their requirement accordingly (Ms. A, May 10, 2010). For the process of representative selection, the hospital contacts local hospitals in the country of interest. Then the hospital will study of possibility of setting up a representative. They will go to the hospital in foreign market to observe activities and learning their culture before choosing any company to be the representative.

In some countries, the hospital has set up the representative by hiring local interpreters who are able to speak Thai to be coordinators between the patients and the hospital (Ms. A, May 10, 2010).

Nowadays, BIH has 30 representative offices overseas, which are in Angola, Australia, Bahrain, Bangladesh, Cambodia, China, Ethiopia, Germany, Ghana, Hong Kong, Korea, Kuwait, Mongolia, Myanmar, Nepal, New Zealand, Nigeria, Oman, Portugal, Seychelles, Singapore, Sri Lanka, Sudan, Taiwan, United Arab Emirate, Ukraine, United Kingdom, Vietnam, Western Hemisphere and Yemen (BIH, 2010). The ratio of foreign patients per Thai patients is now at 30:70 approximately. BIH expect that the number of international patients will grow constantly (Ms. A, May 31, 2010).

In term of investment, Mr Chai Sophonpanich and Mr. Curtis J, Schroeder, the Chairman and the Group Chief Executive Officer of Bumrungrad International Hospital stated that BIH tends to expand its investment to Asia and Middle East market (BIH, 2005). Bumrungrad investment plans were to continue the expansion of investment, which was the latest investing decision in venture capital with investors from United State of America and China. The hospital launched a cardiac program in Beijing with Chinese investors. The flow of investment in overseas market penetration occurs continuously. Since 2003, Bumrungrad has had agreements to manage hospital in Myanmar and Bangladesh. Moreover, in early 2008 Bumrungrad International Limited increase its value of investment around 59.29 million SEK in “Asian Hospital”, a private hospital in Manila, Philippines. It was for serving an increasing demand in high-end market after BIH has managed and improved the hospital since 2005 (BIH, 2008). Moreover, BIH is one of international healthcare centers, including Johns Hopkins and Clever Clinic from USA, who got invited from United Arab Emirates (UAE) to manage hospitals in UAE. This announcement happened after BIH joined Asia Rental Care, which had total value of investment of 547.65 million SEK more or less. This made BIH affiliated with more than 70 clinics in six countries. They are Japan, South Korea, Philippines, Taiwan, Malaysia and Singapore (BIH, 2007).
### Barriers to provide service to foreign patients in Thailand

#### 1. Language

The hospital faced some problems at the beginning, especially in languages. Language is the main problem at the beginning even when the hospital hired local interpreters. There were still some misunderstandings since medical terms are too difficult for persons who have no medical knowledge. To solve this problem, the hospital arranged training to give basic medical knowledge along with medical vocabularies to the representatives. Moreover, the hospital also hired more staff who have medical knowledge to reduce this problem. In term of quick responsiveness, since sometimes there were many patients, the representatives were not able to serve the service in time. The hospital solved this problem by adding more channels of contact and the patients are able to contact directly to the hospital. All information about patients from the representatives will be gathered by IMCO. In order to improve the service, the hospital has annual conference with the representatives. The representatives and the hospital share knowledge and obscurity they found among each other (Dr. S, April 20, 2010).

#### 2. Economy

Economy condition in each foreign market is also the key factor that influences patients’ decision to travel to get treatment in Thailand. The cost of treatment along with the cost of traveling is quite high. In an unstable economy, some patients may face financial problems and decide to get service locally.

#### 3. Politics

The conflict of politics in Thailand has an impact on patients’ decision whether they will come to Thailand or not. For example, in 2008, there was a demonstration and closure at Suvannaphumi Airport in Bangkok, and some of patients canceled their appointment with the hospital. For some patients who had already arrived Bangkok at that time, the hospital sent a helicopter to pick them up at the airport. For patients who kept their appointments, they arrived at another airport, and the hospital went to pick them up (Krassanairawiwong T. et al., 2008).

#### 4. Culture

Another barrier for providing service to the international patients is culture difference of each country. Dr S. said that "illness causes by many reasons. One reason is food. If we don’t know what the patients eat, it’s hard to diagnose.” Moreover, communication between Thais and other countries are different. The physicians cannot speak to the patients directly. They have to inform their patients in an indirect way. That is very different from the Western way that doctors have to inform the patients everything about the disease directly. For example, if patients got...
cancer, the Thai doctors would have to tell Thai patients indirectly, but they would be able to tell Western patients straightforwardly (Dr. S, May 28, 2010).

5. Religion

"In some religion, the blood transferring is prohibited, so it is impossible to treat the patients in that case by transferring blood (Dr. S, May 28, 2010)."

4.4. Internationalization of Bumrungrad International Hospital in United Arab Emirate

According to the huge amount of the UAE patients, Bumrungrad International Hospital has seen opportunities in the UAE market. Two site investments are in Abu Dhabi and Dubai. In addition, BIH had an independent financial consultant to consult with in foreign investment from both local and international firms to manage the risk in foreign investment (BIH, 2006).

Abu Dhabi

In 2007, Bumrungrad International Hospital has signed a four-year management contract with the Health Authority of Abu Dhabi to manage Al Magrag Hospital, which was the public hospital in Abu Dhabi, the UAE. The Al Magrag Hospital provides 460 beds including 14 ICU rooms and 14 new born rooms. The hospital can provide medical services to 310,000 patients annually including 25,000 in-patients. In the perspective of Abu Dhabi, from this contract, people of Abu Dhabi will have a clinical quality and care standards from a good health system within their own country. The Government of the UAE believes that attracting BIH, which is the world class healthcare institution, to the UAE is the important health policy. It is to provide the very best health care management within the country without the need to travel. The Health Authority is an organization whose duty is to set up the policy and strategy in healthcare system of UAE including improving the health quality of the people. In BIH perspective, the hospital aims to provide healthcare service to people of Abu Dhabi and others in UAE with the international standard and high level of quality along with satisfaction of the patients at the Al Magrag Hospital. BIH has sent five staffs from Thailand to Abu Dhabi to manage quality control, improve customer service for patients, and supply a better medical team to patients’ needs in time (Shammaa, 2007). Ms A. also said that the staffs also provided both training courses and on-the-job training to UAE staffs (Ms. A., 31 May 2010).

Dubai

Bumrungrad International Hospital has signed joint venture contract with Istithmar PJSC in order to build a new hospital in Dubai namely Bumrungrad International Dubai LLC. The hospital chooses Dubai because the UAE has good economic system, high revenue resident and a huge number of expats. Moreover, the UAE faces high cost in healthcare service for
their people, thus the UAE needs foreign investment from other countries in healthcare business so that UAE residents can reach healthcare service easier. Since the majority of international patients of BIH come from the UAE, setting up the hospital in the UAE will also be beneficial for the hospital to provide more service to this group of patients. With qualified doctors, and know-how in healthcare service, setting up the hospital in the UAE also increases the quality of life for the people of the UAE. This project is the cooperation between Bumrungrad International Limited, the affiliated company of BIH, and Istithmar PJSC. BIL in the name of BIH will provide the hospital management know-how and the medical team while the Istithmar PJSC will provide the investment support for the hospital (Homchit N, 2007). The construction has begun since 2006, but the project was halted because of the world economic crisis since 2008 (BIH, 2008).

For the preparation period, Ms A. said that the hospital has sent the doctors and nurses to Dubai so that they could learn about the culture and circumstance of the new country. “The team was sent to see how to live, eat and work,” said Ms. A. (May 31, 2010). While the hospital was under construction, BIH had an office to take care of the team. In term of the staff, BIH has selected the staffs that had potentials to work overseas and contact them to join the team. Because of the culture difference, female staffs were required to provide services to female patients. Unfortunately, some prospect staffs were not interested in working abroad. To solve this problem, the hospital asked for volunteers to work there. (Ms. A., 31 May 2010).

**Barriers of internationalization in UAE**

During the period of investment in the UAE, Bumrungrad International Hospital has faced some problems that were barriers in expanding its business to the UAE market. Barriers can be grouped as follows;

1. **Regulation**

The regulation of the UAE does not allow a foreign company to invest in whole subsidiary. The foreign company must have one or more national partners to operate with. According to the regulations, the foreign shareholders can invest in the new company only 49% of the whole investment. The agreement has to be made and signed in Arabic (Ministry of foreign affair, n.d.). Moreover, there are some construction regulations that the hospital has to be concerned such as the height of the building is not over the mosques and the area of the building have to be located far away from the mosques (Ms. A., 31 May 2010).
2. Lack of workforce

Lack of local healthcare professionals in the UAE is one of the barriers in hospital services because BIH has to provide many staffs from Thailand to serve in the UAE. Moreover, the UAE also lack specialists in some special diseases, so it is difficult to find and hire the UAE’s physicians for special diseases as those doctors already work for other UAE hospitals. (Ms. A, May 31, 2010)

3. Culture

There are limitations because of the religion, for example a man cannot touch a woman. Thus, female patients must be treated by female doctors only. This culture also leads to a problem of profession lacking as the demand between female doctors and male doctors are not balanced. For example, most of obstetrician doctors are required to be female (Ms. A, May 31, 2010).

4. Language

Language is not the main problem since English is used in the UAE in general. Yet Arabic is the official language, which means Arabic is used widely in making contracts and other document. For Thai staffs, there are some problems when the staffs communicate to international patients. Ms. A said that the hospital solved the problem by setting criteria of staff recruitment that all staffs must have ability in communicating in English. TOEIC (Test of English for International Communication) is another criterion for recruiting employees for BIH. For example, nurses must have TOEIC scores over 700. Although the medical staffs can communicate in English well, there are some patients who cannot communicate in English. To solve this problem, Ms A said that the hospital also provided interpreters for the patients in order to reduce this conflict. The hospital recruits employees who have ability in Arabic to support this group of patients. If the interpreters do not have any knowledge in medical terms, the hospital will provide the basic medical training so that the interpreters can understand the patients and communicate to the physicians. Moreover, the hospital also provides training courses to improve English skills for all staffs, both medical staffs and non-medical staffs of the hospital (Ms A, May 31, 2010).

5. Economy

Economy is an important factor that impacts an investment of BIH in the UAE. The construction of Bumrungrad Dubai was halted because of the financial crisis in the UAE and all over the world. This reflects how economy of the foreign market affects BIH, leading to project postponement. (BIH, 2008)
5. Analytical Review

In this chapter, the empirical data about hospital service and Bumrungrad International Hospital from the previous chapter were used as basic information for analysis. According to the conceptual framework and literature review in the previous chapter, the empirical data was analyzed in two main perspectives which were hospital service characteristic and hospital service internationalization.

5.1. Hospital service in Local market

5.1.1 Service of Bumrungrad International Hospital

According to characteristics of service theory, service consists of four main characteristics which are intangible, inseparable, perishable, and heterogeneous. Similar to services of Bumrungrad International Hospital, its services are about treatment which is a set of activities such as diagnosis, providing treatment and following-up result of treatment. Therefore, the service is intangible product. Moreover, healthcare service is an interaction between patient and people who are concerned about providing treatment such as doctors, nurses, physicians, technicians, coordinated staffs, etc. It reflects that healthcare service is a kind of pure service that cannot be separated, so the services fit to inseparable service concept based on the theory. Furthermore, the service of Bumrungrad is also heterogeneous since perception of each service depends on subjective perception of each customer towards the services. Another trait of Bumrungrad service is perishable; services of the hospital cannot be stocked as it is produced at the moment that customer needs to be cured. Therefore, the service is unable to be kept as inventory for other periods.

As mentioned about all characteristic of Bumrungrad’s activities provided to customers, we can imply that these activities can be considered as a type of services since the hospital’s services are intangible, inseparable, perishable, and heterogeneous.

Besides, regarding augmented service offering (Grönroos, 1990), service and product are different. To understand service in term of product, service package and service process concept are applied for analyze the case study as below;

- **Service package**

Core service is the main service of the industry; therefore, core service of Bumrungrad International Hospital can be its treatment and diagnosis. Besides the core service, there is additional service named “Facilitating Service” as the service provider will create this kind of service in order to enable customer to perceive the core service (Maister & Lovelock, 1982). Support service is another aspect to support the core service in order to increase value of service or add customer’s satisfaction. In case of Bumrungrad hospital, example of service package can be given as following;

**Core service**: Treatment and diagnosis
**Facilitating service**: Registration, operation equipment, medical equipment, patient rooms, interpreters and international medical coordinators

**Support service**: Restaurant, internet access, service apartment for patient’s family (Bumrungrad Hospital Residence), modern decorated hospital, email correspondence, visa extension counter, embassy assistance, airport reception, international insurance coordination and travel assistance.

Since the hospital provides treatment to patients as the main service, we classified treatment and diagnosis as the “Core Services” of the hospital. However, the hospital also has to provide other services and equipments to run the operation within the hospital such as patient registration, medical equipments, and patient rooms. These services and equipment can be grouped as “Facilitating Services” because they are elements that make the patients reach core services. In addition, the hospital also provides other services to make patients and their families feel more comfortable. These services are internet access, the accommodation for patient’s family and international patient service for example. We called these services as “Supporting Services”. With these three kinds of services, we can see them as “Service Package” of hospital services.

- **Service process**

The service processes are the transaction between the hospital and patients which can be occurred in several ways. According to Grönroos (1990), there are three aspects of how customers perceive service. Likewise Bumrungrad hospital, its service processes also consist of these three aspects;

1. **Accessibility of the service**

   Since Bumrungrad Hospital is a large hospital, therefore they possess a large number of professional staffs. They offer 32 centers of specific diseases, so the hospital contains variety of services in one place in order to provide treatment to all patients. In addition, the hospital is located in city center where is easy to access for patients. The hospital also prepares helicopter and ambulance to support the patients all day and night. This is a kind of a convenient service provided to their patients. Consequently, we can imply that Bumrungrad is easily accessible for patients both inside and outside Thailand.

2. **Interaction with the hospital**

   There are many interactions between patients and the hospital starting when the patients are sick and decide to get treatment with hospital. The interactions of hospital are subsequence interactions involving hospital systems for example; interactions between patient and register staff, patient and doctor, patient and nurse, patient and cashier. These interactions occur directly towards the patient. However, there are some indirect interactions between patient and other parties such as laboratory technicians, housekeepers, and other back office staffs. Hence, it reflects that interactions can be created from various sources of the hospital but all interactions will reflect total performance of the hospital.

- 33 -
3. Customer participation
In healthcare service, perception of customer is a perception of patients and their families. To perceive good service, it is very important for this business that the customer needs to understand their disease and treatment procedure comprehensively as this service is very sensitive. The better understanding in disease and treatment procedure, the more satisfaction of customer towards the hospital service will have. Therefore, it is significant that the doctor has to explain and educate patients about their disease, healthcare and process of treatments.

In summary, referring to our case study, Bumrungrad International Hospital’s product has characteristic as service which fit to the service theory according to both service package and service process. Also, patients will perceive and assess the service via both service package and service as below figure.

figure 5 Service package and service process of hospital service
Source: The authors
5.1.2 Internationalization of Service

Service Internationalization of Bumrungrad first started by providing treatment to foreign patients who contact the hospital via representatives in many countries. These patients came to Thailand to get treatment. After that, the hospital then decided to construct another hospital in other foreign markets.

Further to type of service trading by General Agreement on Trade in Service (GATS), we can imply that Bumrungrad has gone through internationalization via three modes as following;

1. Consumption abroad mode

As Thai government promoted the country as "Medical Hub of Asia", it had an influence to Bumrungrad Hospital to improve their services in order to response to foreign patients’ requirement. Some patients traveled from abroad in order to get treatment from Bumrungrad Hospital in Thailand. Moreover, the hospital also has representatives in several countries to gather patients and take them to get treatment with the hospital. As a result, we can say that the services of the hospital are traded via consumption abroad mode.

2. Commercial presence mode

Referring to investment of Bumrungrad International Hospital in Abu Dhabi, the hospital has signed management contract in order to get authority to manage Al Mafraq Hospital in Abu Dhabi. One of the services that BIH provided to Al Mafraq hospital was setting up medical service system so that people in Abu Dhabi can get the same service as the patients of BIH in Thailand. In the other word, BIH gave Al Mafraq hospital know-how of operation system of high-standard hospital.

3. Presence of natural person mode

Besides, Bumrungrad International Hospital also sent their medical staffs such as doctors and nurses to Al Mafraq Hospital in Abu Dhabi. These staffs had responsibility in setting up new operation system and suggesting local staffs. Additionally, the medical team of BIH also educated local staffs concerning medical technology, new technical treatment and shared knowledge involving medical issues. Furthermore, BIH also offers service by sending physician to take their patients to Thailand for getting cure as well as the hospital can send doctor team to provide treatment abroad as patients’ request. With all mentioned services, they illustrate that some of BIH’s international services can be spread out by using presence of natural person mode.

From the above, we can see that BIH has provided a pack of medical service to its patients in many ways. We can also imply that the hospital has traded its services internationally via three mode of supply of GATS. With that international interaction, the hospital considered to
run more international activities. In the next part, we analyzed how BIH internationalized the hospital in the foreign market.

5.2. Internationalization Process of Bumrungrad International Hospital in UAE

From the service trading, we can see that Bumrungrad International Hospital has many activities involving foreign market. As a good feedback from customers, the hospital created an idea to increase commitment into foreign market especially in UAE market. They decided to construct new hospital in Dubai and signed management contract with another hospital in Abu Dhabi. To understand how they managed internationalization, we analyzed the case study towards the Uppsala Internationalization process model as follow;

5.2.1 Market knowledge

BIH gained market knowledge from many ways namely UAE patients, representative in UAE, and Istithmar PJSC; the investment partner. Briefly, we can view that market knowledge is from interactions between hospital and other parties in UAE where the hospital was interested in investment.

At the beginning, the hospital did not have any market knowledge; however, the firm gradually gained knowledge by activities with international patients. For example, the UAE patients in Thailand got treatment from the hospital, so the staff involved with this interaction learnt how to deal with these patients and realized what the problems in serving service to the patients were. The hospital kept statistic record of UAE patients, this activitie made the firm realize size of UAE patients demand and benefit that the firm gained from these patients. The hospital then added more commitment which caused market knowledge to their staffs; firm adjusted and improved itself to cope with UAE patients that would like to get treatment with the hospital by offering interpreters and praying room. Some of additional services were also offered to international patient as common service but it reflects how the firm adjusted itself after gaining knowledge such as visa extension, airport transfer and IMCO department. Moreover, they also learnt UAE culture from patients’ behavior such as personal space between men and women; the hospital have to offer female doctors for UAE women as being touched by stranger especially men is prohibited for UAE women. When they got more knowledge and set up representative in UAE, the hospital gained market knowledge from representative as the representative kept sharing information concerning patients, limitation of patient and patient requirement continually. All information helped the hospital to decide in augmenting commitment by investing in UAE. According to joint venture contract with Istithmar PJSC, the hospital obtained knowledge about regulation, laws and process of investment in UAE. Getting into UAE market leaded the hospital got better understanding in life style of people so they were able to deal with barriers better such as BIH learned which kinds of specialist are lacking in UAE, so BIH could provide the medical team to improve standard of treatment in UAE. With the support of
partner and experience from the hospitals’ staffs, BIH had more confidential to make an investment into UAE market by constructing the new hospital.

From all above, we can separate market knowledge that the firm gained from UAE market into two types which are objective knowledge and experiential knowledge.

According to Penrose (1959) cited in Johanson and Vahlne (1990), objective knowledge is knowledge that can be taught but experiential knowledge cannot. In the case of BIH, we can imply that law, regulation, and investment process are objective knowledge because they are knowledge that the partner provided for the hospital. Istithmar PJSC is a professional investment firm that is an expert in foreign direct investment in UAE; therefore, having partner as Istithmar PJSC, BIH can gain that kind of knowledge. In term of experiential knowledge, BIH had learnt culture, life styles and problems from participating with the UAE patients in Thailand, the representatives, and the staffs of the hospital in UAE. These experiences can be group as knowledge since it is what BIH has learnt from the situation that the hospital has faced. With both objective knowledge and experiential knowledge from all activities, BIH can earn market specific knowledge in UAE. With both objective knowledge and experiential knowledge, BIH has gained market specific knowledge in UAE market. Market specific knowledge is the main resource that BIH used to create current business activities and make a decision in committing to UAE market.

Knowledge sharing among BIH, the representatives, and the UAE hospital is also noted. The annual conference between BIH and the representatives is held in order that BIH can share knowledge with the representatives. In the conference, the representative can give information about the patients including problems from providing services to BIH; meanwhile, BIH can provide updated information about their services to its representatives. Thus, the representatives can provide new information to the prospect patients as well as BIH can use knowledge to improve and create further services. In aspect of knowledge sharing between BIH and the hospital in UAE, market knowledge can be shared via staffs that were sent to UAE. When the staffs went to UAE, the staffs can learn about UAE healthcare services. They confronted with the real situation in the real environment. After the staffs came back to Thailand, BIH can gain that market knowledge about what service required by UAE hospital so that BIH can prepare the medical team to support the UAE hospital. Transferring knowledge between the representatives and the UAE hospital will occur via BIH.

In our point of view, from the case study, the process of getting market knowledge of BIH is different from the manufacturing one as BIH can gain knowledge from UAE people that came to the hospital in Thailand. Therefore, it is not necessary for the firm to obtain market knowledge abroad directly. As the hospital basically learnt about the market through UAE patients at the beginning, so the important point is how the hospital make UAE patient interested in the hospital and come to get treatment with them. This is the first gate to introduce the firm to foreign market and the first channel to help the firm obtain market knowledge accordingly.
5.2.2 Market Commitment

Frosgren and Hagström (2007) stated that market knowledge is an important element of the firm to select resources in each market. Committing to the market depends on two factors which are amount of resources and degree of commitment. Resources can be divided to tangible and intangible assets. Referring to BIH, their resources can be separated as follow:

*Tangible resource:* land, the hospital building, medical equipment, facilities, vehicle, office furniture, and other equipment.

*Intangible resource:* abilities of medical staffs, hospital operation system, brand, and relationship with partners.

With regard to the case study, after BIH had adequate knowledge, the hospital enlarged size of commitment into the resource. The representative in UAE was promoted first and then BIH committed more to UAE market by signing management contract with Al Mafraq Hospital in Abu Dhabi and made joint venture in setting up Bumrunrad Hospital Dubai with Istithmar PSJC.

The first step to commit into UAE market of BIH was to set up the representative in UAE. As Ms A. said that the representative is an office that provides information about BIH to patients (respondent interview, 31-5-2010), the amount of resources was not huge amount in the beginning. The tangible assets consisted of office furniture, and computer that use to contact with BIH in Thailand while intangible assets comprised knowledge about the hospital of the staff. In this stage, degree of commitment was still low since the hospital did not invest much in the market.

Signing management contract with Al Mafraq Hospital is the next commitment of BIH. Intangible asset such as management contract, hospital management knowledge, knowledge of medical staffs, and brand of BIH are referred as resources in this stage. Even though BIH did not invest more in tangible asset, we believe that intangible resources that BIH provided for Al Mafraq Hospital were adequate. These intangible resources cause interaction between patients and system. Thus, relationship between BIH and patients was increased. It can be said that BIH increased degree of commitment from this relationship.

The highest commitment of BIH in UAE market is signing joint venture contract with Istithmar PSJC to set up Bumrungrad Hospital Dubai. BIH has to provide a huge amount of resources in both tangible and intangible assets. BIH has built the hospital building in Dubai. The medical staffs were sent to Dubai to learn culture and life styles. From these two activities, we can refer that BIH had invested in both tangible and intangible assets to support this project. Since the hospital was built up in Dubai, we can apply that it is hard to give up from the market.
**Establishment chain**

We believe that establishment chain can apply to the case study in order to reflect how BIH increased market commitment. Establishment chain illustrates internationalization process which reflects degree of resource commitment in foreign market. Regarding the theory, basically establishment chain starts from no regular export to exporting via agents, and then shifts to sales subsidiary establishment and production subsidiary establishment respectively. Further to our case study, BIH also started their internationalization process at no regular export until they have started construction of new hospital in Dubai and made an agreement with another hospital in Abu Dhabi. In term of service export, it is different from exporting tangible product as the service firm does not require moving its service to other foreign market, while the manufacturing business requires distributing tangible goods. Therefore, service trading or service export regarding BIH occurred when UAE / foreigner patients traveled to get treatment from BIH in Thailand. The next step is export via agents. BIH gave an authority to representative in UAE in order to promote the hospital and find patients who are interested in treatment with BIH. This stage shows that BIH increased resource commitment into UAE market from no regular export activities to having service export via their representative. After the second stage, BIH continued an addition of resource commitment as BIH associated with Istithmar PJSC to build the new hospital in Dubai. In year 2007, they decided to signed agreement with the Health Authority of Abu Dhabi to get permitted to manage Al Mafraq hospital. As a result, the establishment can be defined in two types; establishment chain of internationalization process in Dubai and Abu Dhabi as figure 6 and figure 7.

![Figure 6: Establishment Chain of Dubai](source: The authors)

![Figure 7: Establishment Chain of Abu Dhabi](source: The authors)

There are some differences from the original establishment chain as BIH does not have sales subsidiary establishment stage before shifting to the last step; production subsidiaries establishment. Furthermore, regarding production subsidiaries establishment stage of BIH,
we realized that BIH proceeded this stage in several ways. The first one was investment in new hospital in Dubai and another one is signing management contract with other parties in foreign market. Hence, we can imply that firm can commit with the resource in foreign market in many ways. Also, from the case study, we learnt that firm is able to skip some stages of establishment chain; in this case BIH does not have sales subsidiary and the agent still remains even though BIH set up new hospital or signed management contract with local hospital. BIH can skip sales subsidiary stage because BIH had large amount of capital from mutually investment with the partner; Istithmar PJSC, so to walk large step is possible for BIH. While, in Abu Dhabi, BIH got only management contract and setting up new hospital or sales subsidiary required huge capital, therefore agent still played an important role in Abu Dhabi. Although BIH skipped one step of establishment chain, the processes in gaining market knowledge, market commitment, commitment decision and current business activities are still in accordance with U-model as each process was happened step by step and market learning are still slow. In summary, establishment chain patterns in Dubai and Abu Dhabi are different depending on existing capital, market knowledge and commitment decision. Each stage of establishment chain leads to different market experience. In the other words, each stage of establishment chain shows current business activities which create different experiential knowledge. The experiential knowledge is a key force driving internationalization process to run smoothly.

**Entry Mode**

Besides, we can analyze the case studying by considering its entry mode. As mentioned, BIH started its internationalization process by selecting exporting as the first entry mode. However, we can see that the firm has changed their entry mode after first foreign market entry because the firm changed from exporting healthcare service by agents to joint venture with foreign partner in UAE. The management contract was another example showing how they converted entry mode. It also gives an idea about degree of commitment addition which the firm made with UAE market. The firm could not be able to add more commitment to UAE market without market knowledge addition. They had to learn from current activities which caused market knowledge such as market opportunity. This led the hospital to continue internationalization process and increase market commitment accordingly. Thus, we can summarize that entry mode can be changed by level of market commitment and market knowledge.

**5.2.3 Commitment Decision**

In this stage, market commitment still increased gradually regarding addition of market knowledge. The resources commitment and current business activities cannot be happened without decision making of the firm. Market knowledge which consists of existing problems, opportunities, uncertainty of market, etc. affects decision making of the firms (Carlson, 1974). Decision making leads to risk or stability of the firm as firm can accept or reject in managing internationalization. For BIH, management team is the heart of decision making. The vision of the management team can lead the company to the proper goal. Mr Chai Sophonpanich, Chairman, and Mr. Curtis J, Schroeder, Group Chief Executive Officer of
Bumrungrad International Hospital stated that the position of the hospital depended on current activities of the hospital. BIH aims not to stay only in the country, but also tends to expand its investment to Asia and Middle East market. (BIH, 2005) Moreover, to cope with the uncertainty in foreign investment, BIH had independent financial consultant to consult in foreign investment from both local and international firms (BIH, 2006). Regarding current activities of the hospital, the hospital can gain more knowledge to support the management team in making a decision into new foreign market; thus, the hospital decided to manage its internationalization process.

According to the above information, we can imply that commitment decision making of Bumrungrad International Hospital was based on the vision of the management, its current activities that led to market knowledge and preparation to cope with uncertainty in the market.

5.2.4 Current Business Activities

Current business activities are referred as the source of experience. With cooperation from the professionals can gain knowledge from each activity. If firms do not have those specialists, the firms may face problems that cause internationalization processes of the firms occur slowly. (Johanson & Vahlne, 1990) From the case study, Bumrungrad International Hospital provides many activities in both its daily operation and investment activities. BIH daily activities are provided to support all patients who need to get treatment at BIH. With all professionals such as physicians, nurses and technicians, in many kinds of services, all patients can get the high standard of treatment and other services. Meanwhile, the hospital also could gain knowledge from problems that may occur during each activity and use that knowledge to improve their services. For example, the interpreter service was added since the hospital face problems in communication between the staffs and the patients. The other activity that BIH concerns about is investment activities, such as investment in up-to-date medical equipment, staff training, and also investment in foreign market. One of the hospital goals is expanding its business to foreign market. BIH has found the partners such as Istithmar PSJC, the investment firms in UAE, to support in its investment activities. With these professionals who are expert in foreign investment, BIH can have enough knowledge of investment for making a decision to commit into the new market.

All market knowledge leads to strategy creation of the firm. Strategy and policy will conduct the direction of the firm in international business. Likewise, BIH also have strategy and policy to be as a mutual goal for all employees from top to down. We can analyze characteristic of international strategy for BIH as follows;

Internationalization Strategy

To be successful in the global market, Bartlett and Ghoshal (1987), suggest that firms should focus on three perspectives which are global perspective, differentiation for local
market, and knowledge sharing management. According to BIH, the high standard of medical treatment is very important, so the hospital did not adjust its service for foreign patients but the important thing is to remain their service in high standard. Ms A. said that BIH provides service for both Thai and international patients in the same standard and all medical equipment already reaches international standard (Personal Communication, 31-5-2010). In operation of Al Mafraq Hospital in Abu Dhabi, BIH aims to provide the same standard of treatment to people of Abu Dhabi. It means that BIH believes in its service and tends to share the same service as the hospital provided in Thailand to people in Abu Dhabi. Since products of BIH are medical service that requires the consistency standard of treatment, the differentiation of product is not necessary. That means BIH has to use the same standard of their service in both local and global market to treat patients in the same way. Knowledge sharing is also important for BIH. To provide the same standard of treatment, sharing knowledge between the hospitals is what the hospital concerned about. The professional staff was sent to Al Mafraq Hospital to provide knowledge from BIH in Thailand; therefore, both hospitals have the same medical knowledge and they also can provide the same standard of treatment to their patients. Further to international strategies which comprise of global strategy, differentiation in local market, and knowledge sharing, although internationalization strategy of BIH may not fit all three perspectives, it may be change in the future. For example, if the hospital has learnt more knowledge from that market, BIH will know more what they should do especially for Al Mafraq Hospital. For example, BIH can keep data about disease that resident of Abu Dhabi mostly catch, so BIH can make a decision to provide specialty clinic for that disease.

From this theoretical view, we can see that knowledge is also important in managing internationalization process. Knowledge can affect business activities as well as decision making for committing into foreign market.

**Barriers of Internationalization in UAE**

Even though BIH have their own strategy and try to gain market knowledge as much as they can, barriers were still occurred during the internationalization process. They are from many factors. Some problems have been solved, while some of them still remains or being under process of solving. We found that the barriers of BIH were not limited in only psychic distance and lack of knowledge as Nordström and Vahlne (1994) mentioned about. However, lack of workforce is one of main obscurity for this case study.

1. **Psychic distance**

Psychic distance is referred as a factor which blocks flow of information between firm and market. For BIH, psychic distance plays an important role as follow;

- Language
Since most of people in UAE can communicate in English well, so language is not a big problem for BIH as all staffs of BIH can speak English fluently, they were recruited with high-standard criteria of BIH. In addition, the hospital also provides the training course to improve English skills for all staffs both medical staffs and non-medical staffs of the hospital. However, there are a few people using Arabic only and Arabic is official language in UAE. Therefore, BIH tried to prevent language problem by hiring some interpreters and also providing session for training these interpreters to help them understand in medical issue continuously. As a consequence, we can summarize that language is not main problem that obstruct the flow of internationalization process. Even though there was a problem at the beginning, the hospital has solved this problem after they got specific market knowledge via interaction with customers and was able to go through internationalization eventually.

- Religion

UAE women require female doctor/nurse to give them treatment as touching by strange guy is prohibited for them. Therefore, we can imply that UAE need many lady doctors. This leads to lack of professional problem in UAE continually. BIH is still facing this problem and trying to solve the problem by importing Thai women staffs to work in UAE. Anyway, it is still inadequate. In our opinion, we think another way that BIH can solve this problem is to provide training to local women staffs so that they can develop their skill and work for the hospital.

- Regulation

As the regulation of the UAE does not allow the foreign company invested in wholly subsidiary, the company had to find partner before investing in the market which was quite difficult. Therefore, it took long time to find the appropriate partner for healthcare business as the business needs enormous capital. Moreover, the law of UAE is quite complicated and dynamic in which can affect to the investor such as height of the building as well as the area of building has to be far away from mosques. Therefore, BIH needed to study about laws in detail. With cooperation from Istitithmar PSJC, BIH could skip over this barrier as they support the hospital in law issues.

- Economy

Economy is very important barrier as the medical service charge is quite costly due to expensive cost of equipment and facilities. If UAE people face financial problem and cannot afford it, there will be an impact to the hospital’s liquidity. Similar to
Bumrungrad Dubai hospital, since there is an economic crisis in UAE, BIH has to holds construction of Bumrungrad Dubai hospital.

2. Lack of knowledge

The hospital was lack of knowledge in culture and life style of UAE people which can lead to misunderstanding with patients. So the hospital sent some staffs to observe activities, life style and culture of them. Moreover, lack of knowledge in term of laws and economy in UAE brought about the delay of internationalization process. For example, if the firm understands the economic situation and laws of UAE comprehensively, they would be able to deal with change and process the construction of Bumrungrad Dubai further.

The hospital's staffs in Abu Dhabi are still not skillful in medical area. BIH provided training as well as on-the-job training by Thai professionals. We think as performance of service depends on skill of people, focusing on human resource improvement is very significant for service business and it is required to develop constantly.

3. Lack of work force

UAE has a small size of population and the main business does not focus on healthcare service, moreover the public health is also not in the same standard throughout the country. BIH came across this problem as they did not have adequate professionals or other staffs in medical area. Hence, most of the skillful labors in Bumrungrad Dubai Hospital were expected to import from Thailand. However, it might against the law as BIH needs to hire local people as well. For example, some of physicians are hired in many multinational companies. This leads to inefficient performance of the firm. In our opinion, the good solution should be hiring local unskilled labors to work in unskilled job and import skill labors from Thailand. Nonetheless, we think the hospital might face cost of labors problem as wages in UAE is much higher than Thai’s.
5.2.5 The Relationship between each Element

In accordance with Uppsala-Model theory, all four elements affect to each other recursively. Firms can gain market knowledge from current business activity in each market. With market knowledge, firms have resources to make a decision in order to commit more into foreign market. When market commitment increases, firms can provide more activities in that market. (Johanson & Vahlne, 1990) From internationalization process of BIH, the hospital started its international activities by providing hospital service to international patients. The hospital can gain market knowledge such as culture of each country, demand of patient in term of special disease, etc. This market knowledge led to service improvement as they had additional services for more convenient for customer namely visa extension, car rental and pray room. With the growing up number of international patients, the hospital made a decision to commit to UAE market by setting up the representative at the beginning. In this stage, BIH learnt a lot more about the market and they got valuable market knowledge which was a factor that made the firm assured to invest in the hospital construction in Dubai in the next period. All four elements; market knowledge, market commitment, commitment decision and current business activities were occurred continually. When the firm got adequate market knowledge and capital, BIH then decided to construct new hospital in Dubai as well as sign management contract with Al Mafraq Hospital in Abu Dhabi. This reflected the committed resource addition which depends on commitment decision of CEO and it resulted in current activities of the firm. The establishment chain also was applied for illustrating market commitment throughout current business activities. Moreover, international strategies showed direction of the firm as well as reflected direction of business activities which was one of the factors that made each stage of establishment chain happened. Without international market investment strategy, BIH could not manage internationalization process smoothly. However, internationalization process was not often smooth since there were some obstacles which BIH needed to find solution to solve these barriers for going through internationalization. Firm needed to find out the solution or procedure to get rid of these barriers. This led to new knowledge creation as firm learnt how to cope with the problems in foreign market and it also enabled firm to step forward in bigger investment. From the above process, we can see that BIH had passed all elements gradually and we can explain internationalization process of BIH by using this mechanism of U-model.
6. Conclusion and Recommendation

In this chapter, we will summarize our purpose of this study and answer our research question of how Bumrungrad International Hospital internationalize to UAE market and how U-Model can be used to explain its internationalization process. Furthermore, some recommendations for further studies will be proposed for other researchers in hospital industry and international business.

6.1. Conclusion

According to the purpose of this research, we aim to understand an internationalization process of Bumrungrad International Hospital (BIH) to a UAE market by using the U-model as well as proving whether the U-model can be applied to describe this case study or not as BIH is in service business. In this part, we summarize the internationalization process of BIH regarding the conceptual framework based on our empirical data and analysis.

In order to understand the whole process easily, we would like to describe a characteristic of BIH business first. Bumrungrad International Hospital can be regarded as one type of service since the hospital provides products with service characteristics: intangibility, inseparability, perishability, and heterogeneity. Moreover, we can say that the hospital is a soft service since the hospital service cannot be separated from the service providers and the customers. To see a service as a product, an augmented service offering a concept is used to describe a service package and a service process. For the hospital service, we can assume that a medical treatment is a core service. Facilitating services are register service, medical equipment, and support services are other services that make patients feel more comfortable and support the patients in perceiving core service. In a service process perspective, BIH has assets that lead the patients to perceive services at the hospital; thus, accessibility, interaction, and participation between BIH and the patients are already occurred. Even though Erramilli & Rao (1999) stated that a soft service cannot be exported according to its characteristics, the hospital service can be exported by providing services to foreign patients via the consumption abroad mode, commercial presence mode, and presence of natural person mode.

Although Bumrungrad International Hospital is a service firm that provides different products from manufacturing firms, the internationalization process of BIH follows the steps of the U-Model. BIH also obtained market knowledge from its current business activities and used that knowledge as the resources to make a decision to commit to the UAE market. A difference between how a manufacturing firm and BIH obtain the knowledge is that BIH can get the knowledge from its patients who travel to Thailand to get treatments without moving products to UAE market. This is a beginning point of the internationalization process of BIH. After the firm has gained adequate knowledge from an interaction between the firm and foreign patients, it recognized the opportunity and demand in healthcare business in UAE. Hence, it decided to set up representative in UAE in order to respond to the demand of the patients who were interested in receiving treatments from BIH in Thailand. From time to time, BIH gained knowledge from these activities with international patients and this knowledge encouraged the firm to invest in construction of a hospital in Dubai. Furthermore, BIH also signed a management contract with a local hospital in Abu Dhabi, UAE for
managing the local hospital to reach the international hospital standard. This incremental stage was also described by using an establishment chain (figure 6 & figure 7) which differs from the original pattern as there is no sales subsidiary stage.

Furthermore, the establishment chain shows the entry mode of BIH. BIH started its internationalization process by selecting exportation as the first entry mode. However, we can see that the firm has changed its entry mode after the first foreign market entry because the firm has changed from exporting healthcare service by agents to a joint venture with a foreign partner in UAE.

During the processes of internationalization and knowledge sharing, there are several barriers that challenged the firm, for example, languages, economic uncertainty, regulation, lack of knowledge and lack of workforce. However, what they learnt from the barriers became the knowledge that the hospital can apply to its future business.

Finally, the firm was able to manage its internationalization following the above process. They went through the process until they set up a new hospital in a foreign market as well as had an agreement to get the authority to manage the local hospital in the foreign market. Even though there are a few differences between the theory and the case study, the firm's internationalization process, procedure of gaining market knowledge and market commitment happened in an expected manner. Therefore, we can conclude that the internationalization process of BIH matches the U-model and the U-model is still practical for describing the internationalization process of Bumrungrad International Hospital in UAE market.

6.2. Recommendation

Since our research is limited to the internationalization process of only one private hospital in Thailand as well as indicating area of the foreign market in UAE only, further researches in other foreign markets are important as each particular market has its own unique characteristic. Thus, the way to deal with each foreign market should be different. Moreover, since the hospital has to operate businesses in many countries, the study of managing subsidiaries especially in hospital businesses in other countries should be carried out in the future. In addition, the international healthcare business is a new market and has received much interest from investors for a few years; hence the result of international hospital may not be obvious. Thus, the further research in the international process is beneficial.

In terms of the healthcare business, it requires enormous capital to invest in this business field. Therefore, market knowledge is very important to reduce the risks of investment. Feasibility researches are necessary for making decisions. Moreover, the standard of service is also a crucial element to expand a business from a local to a global market. If the customers have a good perception of the service, the business will likely benefit from the word-of-mouth publicity.
7. Reference


Appendix

Appendix A – Letter and Interview Question

Västerås, the 9th of May 2010.
To Bumrungrad Hospital:
Dear Ms. A. Clinical Nurse Coordinator, Bumrungrad International Hospital

We would like to start thanking you very much for taking the time for telephone interview with us. We are graduate students in one of the international master programs at the school of business at Mälardalen University. The University is one of Sweden’s largest universities, with more than 13,000 students and offers 60 programs and about 750 courses.

The course we are taking right now is “Master’s Thesis in International Business and Entrepreneurship”, and it is as part of this course that we are doing this case analysis. The title of our paper is “Internationalization of Services Business-Case Study in Hospital Industry in Thailand” and the research question that we have chosen is the following: “How BH export their services internationally?”, “What are the factors that BH has to concern in internationalization process according to hospital business?”

Together with this letter we send you some of the questions that we would like to ask you. After the interview we would be very grateful if you can e-mail us as much documentation as possible about Bumrungrad’s involvement and if possible send you some complementing question that you can answer via e-mail if you have the time.

We really look forward talking to you.

Yours Sincerely,

Methawee P., and Kosin R.

INTERVIEW GUIDE

Interview Question 2 use for more understanding in hospital internationalization

1. What is the beginning step of the hospital to internationalize?
2. Why the hospital interested in internationalization?
3. What are obstacles of the hospital to internationalize to foreign countries?
4. How do you deal with the obstacles in operating the hospital in foreign countries?
5. Which country is your first country to enter in? Why you choose that country?
6. How did you do firstly when you make a decision to expand your business abroad?
7. What service that you provide internationally? Is it in the same standard as it is in the local market?
8. How international patients can get the medical service from Bumrungrad?

9. Does Bumrungrad have cooperation with other hospitals in the foreign country? How is the cooperation among those hospitals?

Thank you
Appendix B – Letter and Interview Question

Västerås, the 9th of May 2010.
To Dr. S,

We would like to start thanking you very much for taking the time for telephone interview with us. We are graduate students in one of the international master programs at the school of business at Mälardalen University. The University is one of Sweden's largest universities, with more than 13,000 students and offers 60 programs and about 750 courses.

The course we are taking right now is called “Master’s Thesis in International Business and Entrepreneurship”, and it is as part of this course that we are doing this case analysis. The title of our paper is “Internationalization of Services Business-Case Study in Hospital Industry in Thailand” and the research question that we have chosen is the following: “How BH export their services internationally?”, “What are the factors that BH has to concern in internationalization process according to hospital business?”

Together with this letter we send you some of the questions that we would like to ask you. After the interview we would be very grateful if you can e-mail us as much documentation as possible about Bumrungrad’s involvement and if possible send you some complementing question that you can answer via e-mail if you have the time.

We really look forward talking to you.

Yours Sincerely,

Methawee P., and Kosin R.

INTERVIEW GUIDE

Interview Question 1 use for more understanding in hospital service.

1. What is the main service that hospital does?
2. Does hospital offer other services? What are they and who provide that services?
3. How many departments in the hospital?
4. What are they do in each department?
5. Who is the main person in the hospital? What do they do?
6. What is the service procedure in hospital service?

Thank you
Appendix C – Addition Interview Question

Beginning

1. When Bumrungrad International Hospital began providing services to foreign patients? How the hospital keeps in touch and improves more connection with the patients?

2. What did Bumrungrad International Hospital invest in service and materials? Are there any things similar to or different from other hospitals?

3. Can you give some examples of services and activities that the hospital provides to the foreign patient?

4. What are obstacles that the hospital confronts when the hospital provide services to the foreign patients?

5. Why BIH had decided to expand its business to foreign market? What kind of invest that Bumrungrad has probably to make the decision?

6. What is responsibility of Agent or Representative? What do they do for the foreign patients? How BIH selected or choose the agents and representatives? Are there any problems to select or found the agents and representative?

Internationalization in UAE

1. Why Bumrungrad International Hospital decided to invest in United Arab Emirate? What kind of investment that BIH had probably made the decision to invest in? Are there any obstacles during the beginning and during the investment period? If yes, what are they and how can the hospital deal with those problems?

2. Had Bumrungrad International Hospital invested in developing its operation in order to provide services to UAE people? How did the hospital prepare for this change?


4. How the hospital adjusted to new service providing to international patient in new environment?
5. What are obstacles in providing service to foreign patients in foreign country?

6. What does the hospital plan to do after investment in UAE? Is the hospital interested in investing to other countries after UAE or is the hospital interested in investing more in UAE market? What kind of investment that the hospital is interested in?