Saimaa University of Applied Sciences
Business Administration Lappeenranta
Degree Program in International Business

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Selecting the Internationalization Strategy for Russian Healthcare Market Entry with Special Reference to International Service Template for Occupational Healthcare.

Thesis 2015

Abstract

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The objective of the study was to examine appropriate internationalization strategies for Russian healthcare market entry and determine the one with the highest potential. The work was commissioned by the International Service Template for Occupational Healthcare (OCCSET) project.

The theoretical information on the foreign market entry strategies was collected from literature, articles and various web-sources. The internationalization strategy selection was implemented with the help of Russian healthcare market experts. Interviews were arranged to obtain their expert opinion on the current market situation and its possible influence on a market entry. Also, experts were asked to assess the market entry alternatives for revealing the best appropriate one.

Based on findings, the entry strategy with the highest potential in the conditions of the current market was determined. The results can be applied to any foreign medical company, aiming to enter the Russian healthcare market. The information on the most appropriate entry strategies, its assessment by the local experts, as well as market specifications, opportunities and challenges can be obtained from this thesis.

Keywords: Internationalization, Entry Strategy, Russian Healthcare Market

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1 Introduction

1.1 Background Information

The objective of this report is the investigation and selection of the best way of entering a foreign industry of healthcare services. The decision to choose this topic came from the OCCSET project which aims to explore the Russian Healthcare market for further business establishment. Since the system of the chosen industry operates in a completely different way in Russia, a lot of questions appeared within the process of the market investigation for the best appropriate entry mode selection. Intensive work on the project has encouraged my interest in this sphere, therefore the topic for the thesis is related to the project and the industry it focuses on.

The topic is absorbing and research results are important for the project's development. Therefore, I have decided to investigate and evaluate different ways of entering the Russian healthcare market by foreign companies, considering the current market situation and challenges. I have decided to choose two most perspective entry strategies and build a comparison matrix in accordance with the selection criteria set. For the outcome of the thesis the final decision is to be generated through a deep analysis and comparison of foreign market entry strategies for the purpose of bringing value for the project.

1.2 Objectives

Since the aim of the project is investigating and analyzing the Russian healthcare market for factors influencing market entry strategies selection and importance of those factors, I suggest that the efforts of a Russian-speaking St. Petersburg citizen will appear to be maximally useful for resolving some key obstacles of the project. Interviewing representatives of the Russian healthcare market is also critical in terms of invaluable information that can be explored straight from the tin. Involving local experts in a decision-making may appear to be a crucial success factor for the trustworthiness of the decision on the Russian healthcare market entry strategy selection and thus, for achieving successful results.

Deep research will strengthen my knowledge and expertise in the subject of internationalization strategies, namely of characteristics of all possible ways of entry to the foreign market, its possible outcomes, deep understanding of advantages and disadvantages of each entry option, ability of determing criteria for selecting the most appropriate entry strategies, measuring the extent of the market situation impact on the success of various entry modes. I hope to find it beneficial for my future career in terms of possessing enough skills to make critical decisions for my own business or for a company I will work for.

1.3 Research Questions

By the end of this research a clear answer on the main question is expected to be found:

- How should a foreign company enter the Russian healthcare market?

There exist a number of foreign market entry modes that are possible for consideration in this case. Their number, however, is high and there are factors on the Russian healthcare market that make some of them. Thus, in order to find the answer for the main question, a few sub-questions are required. These are four sub-questions, which aim to construct the direction and framework of the research:

- What are the most appropriate options for entering this kind of market?
- What is the possible impact of the current situation in the Russian occupational healthcare market?
- Which criteria should be used for choosing the entry strategy and what is the extent of its significance?

1.4 Research Method

For this kind of thesis, the qualitative research method is the most appropriate to use. A deep analysis of qualitative data as the first part of the research, obtaining experts' knowledge for empirical research and the final argument formulation are the essentials for successful results of this research process.

Interviews will be arranged and implemented with certain representatives of the Russian healthcare industry. The main purpose of taking interview is obtaining information on their own opinion of the evaluation of selected internationalization strategies in accordance with the criteria suggested. Interviews are going to be semi-structured, conditioned by a direct contact with interviewees. The interview is going to be implemented in a ”conversational” style, meaning that a few questions may be added during the interview and the emphasise is planned to be made on the actual opinion of respondent. The answers will be analysed, statisics of the most frequent scoring results will be measured and considered in the final comparison matrix. Different perspectives of the people who have strong experiece in the industry and know the market by working with it for many years already can bring a very big value to the direction of thinking, which could not have even been considered before. Those opinions will definitely make an impact on the final decision-making of the entry strategy selection.

1.5 Theoretical Framework

For answering all research questions, the main theoretical research is required to be focused on the ways of entering foreign market. Internationalization strategies are a broad and sophisticated topic. There has been plenty of research done and even more literature written on the topic. One of the essential features to consider is the fact that the targeted market is the market of services. Therefore, a large number of market entering options, such as direct exporting, should be delimitated.

After investigating all possible entry strategies and selecting two most appropriate ones, a list of criteria for evaluating potential options and the possible impact of current market situation has to be explored. Information on challenges and specifications of today’s healthcare market can be obtained from articles intended for medical executives and medical organizations’ owners. Moreover, such information will be collected through interviews with above mentioned specialists, as well as their assumptions on the possible impacts of the market situation on market entry by a foreign company.

For the actual comparison of the selected foreign market entry strategies the method of using internationalization selection matrix will be applied. The idea of this technique includes the significance of selective criteria, by weighing each criterion before the actual alternatives assessment. After that the potential strategies are evaluated in accordance with the criteria given, and then those rates are multiplied by the weighting given to each of the criteria in order to produce a result. With the result it becomes clearer, which internationalization strategy is more favorable in this case and the usage of the decision matrix technique guarantees the objectiveness of the decision. (Time-Management-Guide 2005.)

1.6 Delimitations

This report will consider the case of entering the Saint-Petersburg healthcare market by a foreign company. Therefore, all market entry specifications, legislation and selection criteria will be applicable to the Saint-Petersburg healthcare market only.

The thesis will not either include a huge part of legislative procedures related with the Russian market entry, since most specifications were reported for the project previously. Advantages of internationalization will also be excluded.

The first objective of the research is to investigate and analyse all possible Russian Healthcare Market entry modes. The simplest and most common form of entry strategy is direct or indirect exporting (Okpara 2008). However, since the case project is aiming to operate in a sphere of healthcare services, any type of export or other product-related strategies, like manufacturing contracts, assembly operations or turnkey project, will not be considered as potential entry modes.

2 Case Project Decription

As it has been already mentioned in the introduction, the idea for the topic of the thesis came from the project, which is currently running with collaboration of Saimaa University of Applied Sciences, Lappeenranta University of Technology and Finnish Institute of Occupational Health. International Service Template for Occupational Healthcare (or OCCSET project) started in 2013 and the target market research is still keep going.

It has been noticed, that service sector composes the largest part of the European Union’s GDP (Gross Domestic Product) – in a year 2014 it has been established as a 73% of the total GDP (Central Intelligence Agency 2015). The international tradability of services increases because lots of innovations take place in services nowadays, thus the sector is constantly growing and developing (European Commission 2015). Occupational healthcare is not an exception, the industry of medical services is something that really receives a lot of attention from both, the public and private sector. Healthcare and safety are among the most significant issues, which make people concerned, therefore the business in this sphere is constantly developing and accelerating.

The Russian service sector composes 59.4% (established in 2014) of its total GDP, which is considerably smaller compared to the European Union level (Central Intelligence Agency 2015). For Russia, as a developing economy, trends for the growing service sector are expected, therefore there is a good potential in a sphere of occupational healthcare services as well.

So the initial aim of the project was to create a commercial export service product based on Finnish know-how on occupational health service, which improves the productivity and corporate responsibility of international corporations, especially in Russia. In other words, to use advanced knowledge and expertise of Finnish occupational healthcare services providing system and establishing a business for exporting these kind of services to the St. Petersburg area.

The desirable outcomes of the project were planned to be, firstly, providing ability for international corporations to implement their HR strategies and improve employee retention and satisfaction in their international operations. The company, which provides its employees with high-quality occupational health care, has a strong advantage in the recruiting process and in retaining the workers. Moreover, such companies attract more employees and thus, improve their corporate competitiveness and image a lot. At the same time, Finnish occupational health care services get the advantage of developing into an export service product, which is a good step for the occupational healthcare sector as a whole.

However, during the stage of target market research, it has been explored, that the occupational healthcare sector does not exist in Russia in a way it does exist in Finland. In Russia healthcare and occupational safety industries work separately. Healthcare services for employees are managed by Voluntary or Mandatory Health Insurances, whilst occupational safety is controlled and regulated by special organizations, which have more or less nothing to do with healthcare. Those differences between Russian and Finnish occupational healthcare systems are described in more detail further in the next chapters.

All in all, it appeared that exporting occupational healthcare services to the Russian market would be entering a non-existing market or even creating a new sector of medical services. It takes too much resources and effort to do, especially for foreign initiators and the outcomes are not clear. Consequently, a decision has been made to use only a healthcare service export approach, in other words the objective has changed from creating an organization operating in a sphere occupational healthcare services to establishing a business in the healthcare industry of St. Petersburg area. Therefore, the thesis is directed to investigate St. Petersburg’s healthcare market and to find the best possible way of entry. Theoretical and empirical research of the thesis will bring informational value for the project’s further development.

3 Internationalization Strategies

3.1 Theoretical Information

In accordance to Peng & Pleggenkuhle-Miles (2009), an international (internationalization) strategy is a strategy by which the company sells its goods or services outside its domestic market (Hitt 2009, p. 219). When the company decides to enter a foreign market, there is a variety of possible options to do it. All of them differentiate with risk, cost and control level, as well as with profits and development opportunities. Investigating and analyzing the foreign market to reveal the most applicable entry strategy is a huge stage of project planning and usually takes a lot of time and efforts to implement.

In case a firm succeeds with the formulation and implementation of the value-bringing strategy, it is said that a firm has a strategic competiveness. McGregor (2009) deems that by choosing a strategy, firms make choices among competing options as the way for deciding how they will pursue strategic competitiveness. (Hitt 2009, p.4.) Figure 1 presents various internationalization opportunities and a pathway to its successful outcomes.

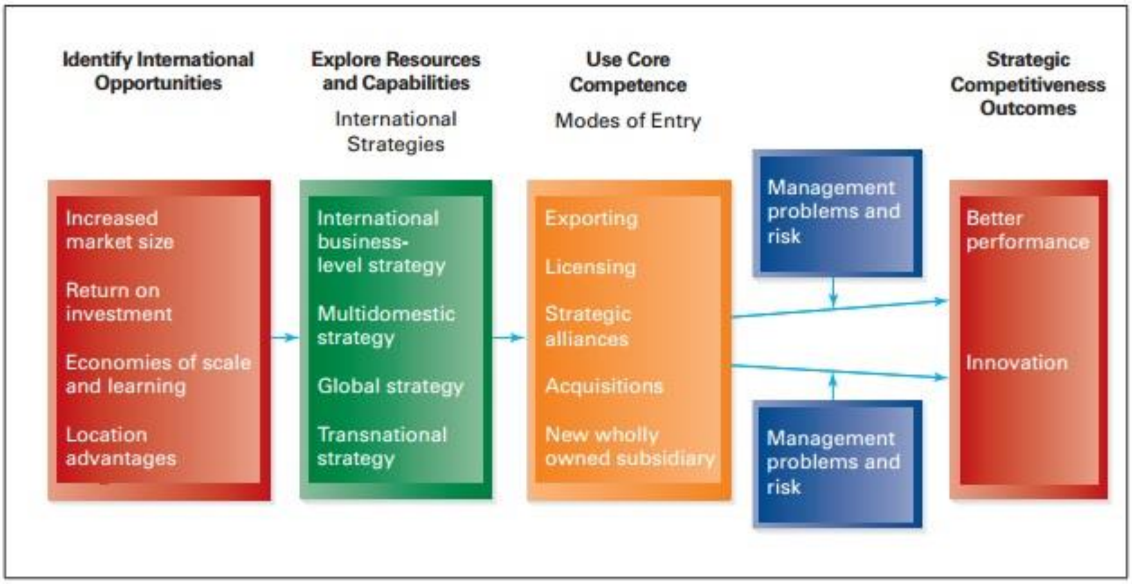

Figure 1. Opportunities and Outcomes of International Strategy (Hitt 2009, p.219)

3.1.1 Licensing

Licensing can be defined as “the method of foreign operation whereby a firm in one country agrees to permit a company in another country to use the manufacturing, processing, trademark, know-how or some other skill provided by the licensor” (Carter 1997). Those rights to provide the product’s or service’s concept, accumulated managerial skills, developed technology, etc. eliminate the necessity for the licensor to open a new operation overseas. The reason is the opportunity for the licensee to manufacture and sell in the host country a similar product or service that the licensor has already been producing and selling in the home country (Mittal 2014, p. 39).

By the licence agreement, licensor earnings represent one-time payments calculated as a percent of gross revenue. The level of gained revenue depends on both parties of the agreement. The licensor's responsibilities inlude constant monitoring, training, permits and renewal of information provided upon the development of its own operations. Sometimes, to ensure the competence of operations being implemented in compliance with the instructions provided, there is a spokesperson from the licensor's company on the site. From the licensee's side, it is mostly the high level of compliance with instructions provided, that leads to the high quality product or service and thus, higher revenues. (Mittal 2014, p. 39).

Licensing is possibly the least costly form of internationalization mode, since the licensee, as a company to which licence is granted, takes all the risks and makes the investments of own funds into the processes of manufacturing, marketing, and distributing the goods or services (Hitt 2009, p. 233). It is also an extremely attractive entry mode for companies that are new in international business as a safiest first stage of international expansion (Mittal 2014, p. 39).

However, providing manufacturing information, processing, managerial skills and sometimes even sending a representative responsible for the control of the licensee's operations do not always guarantee proper compliance with the standards and thus, there will be loss in the quality of products or services provided. The main drawback of licensing as a form of market entrance is too limited participation of the company, which issues the license. Loss of control of the licensee's manufacture and selling operations frequently leads to deprivation of trademark quality or reputation (Mittal 2014, p. 39). Moreover, according to Okpara (2008) licensing is known as a strategy pursued primarily by manufacturing companies, whereas franchising is a strategy employed chiefly by service companies, which makes franchising a more favorable option to consider for the case.

3.1.2 Franchising

Franchising may be perceived as another kind of licensing. “There are three critical components of the franchise system - the brand, the operating system, and the ongoing support provided by the franchisor to the franchisee” (Sherman 2003).

In the franchising system, business owners known as franchisees, pay certain fees to a parent company, known as franchisor, in return for which the franchisee obtains the right to become identified with the franchisor’s trademark, to use its brand name, to sell its products or services, to apply its business operating system, to receive its ongoing support and at the same time agrees to operate his or her outlet according to the franchiser's requirements. The fee usually includes an initial franchise fee and regular percentage payments of the franchisee’s sales (the amount of the initial fee and percentage of sales are established in the franchise contract). In return, the franchisee gets valuable services such as market research, elaborate business system, name recognition and many other forms of assistance. (Zimmerer & Scarborough 2004.)

The uration of franchising agreements is usually longer than licensing agreements. Moreover, compared to licensing, the franchisor offers a wider range of rights and resources, such as equipment, management organizations, procedure manual, initial trainings, site approval and other types of support that are needed for the franchisee to operate its business in the same manner it is practiced by the franchisor. (Mittal 2014, p.40).

The major benefit for the franchisee is the opportunity to start a business relatively quickly, and because of the brand name recognition, financial assistance, proven product and business format, a franchisee often reaches the break-even point faster than a start-up business. The successful performance of the franchisee’s business is obviously beneficial for the franchisor, especially in terms of its business expansion and enhanced brand recognition. (Mittal 2014, p.40).

The extent of the franchisor's participation in a business process is significantly higher, than the licensor's. However, franchisees are still independent businesses and franchisors cannot manage franchisees in a way they can manage their own employees. Hereof there is again a threat of deprivation of the trademark quality or reputation due to the lack of participation.

What is more, there sometimes may be a problem with getting regular percentage of the franchisee's sales, some firms may try to conceal the actual sales volume to reduce the amount payable for the franchisor. This may cause a conflict that leads to the termination of a franchise contract. Although franchising agreements prohibit franchisees from disclosing the information they received or using it outside the chain, conflicts may cause such misconduct which is quite difficult to withstand. (Encyclopedia of Small Business 2007.)

Franchisees may also decide to terminate the agreement because they find it limiting or because they consider the royalty payments unjustified. If such franchisees open competing businesses with the similar system, managing organizations, operations and so on, it may affect the franchisor's business dramatically.

3.1.3 Management contract

Hiring a company under a management contract is one more option of entering the foreign market. The management contract is an agreement between owners of a project and the company hired for the implementation of all necessary managerial functions in return for a fee (Eveannlovero 2014).

Under the management contract the business owner keeps the full ownership and provides the funds necessary to run the business to the hired management company, whereas the management comapny provides an integrated package of managerial skills and expertise of the market, required to handle the business operations. The management company is paid for its services under the terms of the management contract. (Hegstad & Newport 1987.)

In other words, the management contract does not involve technologies, trademark, operational system and other things included in licensing and franchising, but its actual implementation, such as management of personnel, accounting and other operational functions. The details of the agreement, such as the extent of control given to the menagement company, payment and termination terms, are outlined in the contract (Ray 2015).

The anagement contract is possible within creating a separate business entity in a foreign market. Usually it is used for support of a wholly owned subsidiary, however there may be also a joint venture or acquired enterprise that is subjected to the management company administration.

Besides all benefits that licensing and franchising strategies also have, creating a management contract is advantageous in terms of obtaining an access to local management expertise, especially if the foreign market has specifications which are dissimilar from the company's domestic market features. At the same time, a firm that uses management contracts retains strategic control over its foreign branch. While the management company is handling day-to-day activities, the business owner has an ability to focus on more comprehensive and important issues.

This entry mode's disadvantages include the possibility of service quality falls, consequently the lack of profit in case of choosing an improper partner company. In addition, the foreign company will have the possibility to gain much insight into the business procedures of the expert company and become a strong competitor after the termination of the contract. And again, the process of seeking the proper partner may be too long-lasting or even unsuccessful at all.

3.1.4 Global Strategic Partnership

The variety of forms of cooperation strategies includes collaborative agreements, strategic alliances, strategic international alliances, and global strategic partnerships (GSPs). All those refer to the relationships between companies from different countries to jointly pursue a common goal. The nature of strategic alliances include, first of all, the independency of participants within the alliance. Secondly, those participants share common benefits of alliance as well as control over performance of assigned tasks. Parties strive to make ongoing contributions in technology, products, and other key strategic areas. (Blanchard 2004.)

“A strategic alliance involves at least two partner firms that: (1) remain legally independent after the alliance is formed; (2) share benefits and managerial control over the performance of assigned tasks; and (3) make continuing contributions in one or more strategic areas, such as technology or products” (Yoshino and Rangan 1995). By sharing the risks and resources, enterprises within the alliance get the opportunity for development of new core competencies, and thus for the future strategic competitiveness. (Hitt 2009, p.233.)

In recent years, strategic alliances have become a popular way of internationalization. A cross-border strategic alliance (a firm’s headquarters from different nations) is valuable for foreign partners from an operational perspective, because the local partner has significantly more information about factors contributing to competitive success, such as a local market knowledge, sources of capital, networks, legal procedures, and politics. Local firms usually form strategic alliances to gain access to sophisticated technologies that are new to them. Each partner in an alliance brings knowledge or resources to the partnership. (Hitt 2009, p. 233, 268.)

In accordance with Todeva & Knoke (2005), the motives to form strategic partnerships can include:

- market seeking
- acquiring means of distribution
- gaining access to new technology, and converging technology
- learning & internalization of tacit, collective and embedded skills
- obtaining economies of scale
- achieving vertical integration, recreating and extending supply links in order to adjust to environmental changes
- diversifying into new businesses
- restructuring, improving performance
- cost sharing, pooling of resources

- developing products, technologies, resources
- risk reduction & risk diversification
- developing technical standards
- achieving competitive advantage
- cooperation of potential rivals, or pre-emptying competitors
- complementarity of goods and services to markets
- co-specialization
- overcoming legal / regulatory barriers
- legitimation, bandwagon effect, following industry trends.

However, besides the numerous advantages of strategic alliances, there are a few strong drawbacks that may lead to the failure of a business. Like in the most entry modes described above, strategic alliance partners may also suffer from the lack of control. Moreover, despite the fact that both enterprises remain independent, wrong or illegal actions of a partner may cause discredit of another partner as well. Even if the company was not involved in improper operations, having an alliance with such a company can tarnish the reputation of both, because the alliance bands partners together in the minds of customers. Last but not least, unless a contract is not verifyed carefully, there is a probability that an alliance will not be equally beneficial for partners, meaning that one will not get as much benefits as another. (McQuerrey 2015.)

Therefore, selecting credible partners, accurate contract forming and proper implementing of prescribed activities are inevitable conditions for successful strategic alliances. But if a company needs a more involved and more permanent entry strategy, it is wise to create a joint venture, in which two companies typically pool resources to create a separate business entity.

3.1.5 Joint Venture

A joint venture is an independent commercial enterprise undertaken by two or more organizations that share a common interest, as well as risks and profits. Usually one of the partners is physically located in the jurisdiction of the joint venture. The joint venture is typically formed for a defined purpose or specified project and partners' contribution normally depends on the capabilities of each partner and the nature of the venture. (Stewart & Maughn 2011.)

International joint ventures ensure faster and cheaper entry to the foreign market than other strategies, like acquisitions or creating a wholly owned subsidiary. For a foreign company, starting a joint venture with the local enterprise guarantees a quick access to the knowledge and know-how of the local market, elaborated networks of suppliers and customers, required expertise of the business and social norms, which enhances the probability of success for the venture. These benefits can be especially critical to a small or medium-sized business that does not have enough resources or expertise required to pursue internationalization of its business. (Stewart & Maughn 2011.)

Joint venture partners usually suffer from the similar drawbacks, as strategic alliances or any kind of partnerships do. However, unlike strategic alliances, the joint venture is managed by both partners together. Because various conflicts regarding managing the venture's operations may arise, there should be a strong conflicts-resolving mechanism established to avoid negative influences of disagreements on the venture's performance. In addition, lack of permanence of joint ventures may cause difficulties with debt financing, which creates the necessity of financing to be provided by partners, thus increasing the level of risk. And again, there is always a risk for partners of joint venture to become strong competitors for each other after completion of the project. (Stewart & Maughn 2011.)

3.1.6 Mergers and Acquisitions

The term "merger" refers to the combination of two companies resulting in the appearance of one new company which continues to exist. Mergers may be categorized as horizontal, vertical and conglomerate. In a horizontal merger two competing firms are united across similar products or services, used as a way to increase the market share. In a vertical merger two firms, for example manufacturer and supplier, are united along the value-chain, used as a way to gain a competitive advantage on the market. A conglomerate merger occurs when two companies in completely different industries unite in order to smooth out wide fluctuations in earnings and provide more consistency in long-term growth. (Evans 2000.)

The term "acquisition" refers to the purchase of assets of one company by another company. The acquiring company will remain in business and the acquired company will be integrated into it, in other words the acquired company still continues to exist as a part of the acquiring company. (Evans 2000.)

The main idea behind mergers and acquisitions is one plus one makes three. The most common reason for firms to enter into the merger and acquisition is to merge their power and control over the markets. M&A of two companies create additional value which is called "synergy" value. Synergy value includes higher revenues, lower expenses and lower cost of capital. (Evans 2000.)

Mergers and acquisitions often provide the fastest and the largest initial international expansion among any other foreign market entry strategies. At the same time, it is the most expensive entry mode and thus, the decision requires the strongest due diligence. (Hitt 2009, pp. 234-235.)

This entry mode will immediately provide the acquirer with the status of being a local company and the benefits of local market knowledge, an established customers' and suppliers' base and an opportunity to be treated by the government as a local firm. Sometimes, due to the government regulations, this is the only option for a company to enter the foreign market. (Tradestart 2015.)

Needless to emphasise, that the most favorable advantage of mergers and acquisitions, compared to all previously discussed entry strategies, is the highest extent of control. Moreover, mergers and acquisitions result in tax benefits. There is also a great advantage of the decrease of the financial risk and again, combination of operational powers, such as technological know-how and in-depth knowledge of local market specifications.

"In some cases, a profitable company can reduce its tax liability by acquiring a less profitable company in the same industry. However, acquisitions accomplished through stock purchases can also result in potential liability for the company making the acquisition." (Blank 2015).

The M&A strategy has many advantages and may appear to be highly beneficial for the companies involved. However, both parties have to understand and accept the fact that mergers and acquisitions are not risk-free. There is another side of any advantage, and problems do occur in any kind of acquisition. Figure 2 presents both sides of the M&A strategy which should be definitely taken into consideration by initiators before the actual implementation of this foreign market entry mode.

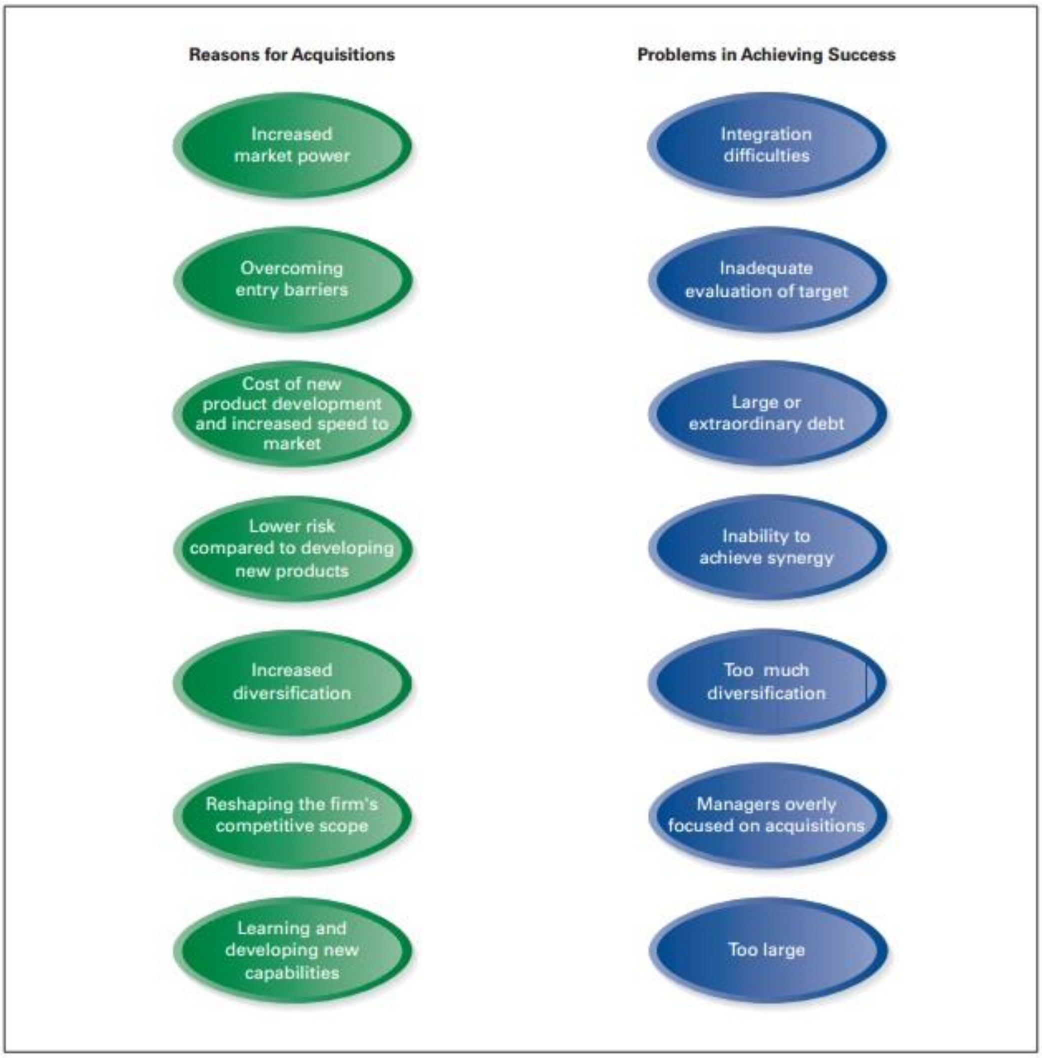

Figure 2. Reasons for Acquisitions and Problems in Achieving Success (Hitt 2009, p. 199)

Acquisitions differ from mergers, even though those two processes are usually united into a single entry strategy. “Negotiations during a merger process involve the relative ownership interest each company will hold in the merged entity. In an acquisition, on the other hand, negotiations focus on the relative value of each company in negotiating a purchase price.” (Blank 2015.)

3.1.7 Wholly Owned Subsidiary

A wholly owned subsidiary is known as one of the most costly methods of serving a foreign market. Using such an entry approach implies carrying the full costs and risks associated with setting up overseas operations by one company itself. Nevertheless, there are two striking advantages of establishing a wholly owned subsidiary. Firstly, when a company’s competitive advantage is based on control over a technological competency, a wholly owned subsidiary will normally be the preferred entry mode, since it reduces the risk of losing control over that competency. Secondly, a wholly owned subsidiary gives a company the kind of tight control over operations in different countries that is necessary for pursuing a global strategy. (Okpara 2008.)

In other words, this strategy provides maximum control to the firm and has the most potential to provide above-average returns. Moreover, all the financial benefits in case of the subsidiary’s success would be fully directed at the parent company’s value. It also reduces the company’s liability of obtaining a new or risky business (Chantal 2012).

Nevertheless, risks related with establishing a new business in a foreign country are also high. Unlike strategic alliances or joint ventures, a new business requires much more time to establish relationships with suppliers and customers. Searching for skilled employees and managing them properly, in accordance with cultural specifications of the foreign country, may not be easy either; any cultural barriers may interfere the integration of parent and subsidiary operations (Basu 2015). The firm may have to acquire the knowledge and expertise of the existing market by hiring either host-country nationals, or through consultants, which can be costly (Hitt 2009, p. 235).

One more difficulty may arise in managing the subsidiary for a parent company, located in other country. Once again, unlike strategic alliance, joint venture or M&A, in this kind of entry strategy, there is no backup located physically close to the venture. The parent company may become too dependent on performing the subsidiary's operations, which can cause lack of focus and control for the master enterprise.

3.2 Entry Strategies Analysis

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3.3 Selection of Applicable Entry Strategies

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4 Market Description

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5 Decision-Matrix Technique

A selective matrix allows making a decision from the variety of options on the basis of several criteria. The list of options has to be primarily prioritized to the most appropriate ones. The decision matrix enables the user to solve a problem through evaluating, rating and comparing the different solutions. (Technology Evaluation Centers 2015.)

Decision Matrix for selecting internationalization strategy is a practical application of the Analytic Hierarchy Process (AHP), introduced by Thomas Saaty in 1980. The AHP was developed as an effective technique for dealing with complex problem solving, fasciliating the decision maker to set priorities and make the best selection among alternatives. The AHP helps to consider both, subjective and objective aspects of a decision. (Coyle 2004.)

The main advantage of using such a technique is that besides the basic evaluation of options according to the criteria, the final decision considers the significance of each criterion for a case problem. That is exactly what the research problematic needs.

In this research, a COWS method of decision-matrix will be used. COWS stands for an information that has to be obtained for a final decision-making – Criteria (required for selection), Options (decision alternatives), Weights (put based on its importance for the final decision), and Scores (rate for each option according to criterion). (Technology Evaluation Centers 2015.)

After the criteria and options are chosen, the importance of each criteria for the foreign market entry mode selection is evaluated (weights are put). Further, the alternatives are assessed in accordance with each criteria using 0-10 scale (rates are put). After that the score is calcuated by multiplying rating on weight (Score = Rating x Weight) and then the final decision is made in accordance with the total score (Total Score = SUM(Scores)). The higher the total score – the better the option for a specific case is. (Technology Evaluation Centers 2015.)

To ensure the accuracy of the final choice, selection matrix will be filled in by different experts of the healthcare market. Final results together with experts' remarks will be combined to make a final decision on the best appropriate Russian healthcare market entry mode.

6 Internationalization Strategy Selection Matrix

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7 Experts' Opinion on the Market Opportunities

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8 Research Results

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9 Summary

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10 Further Research Needs

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