Universidade Católica Portuguesa

MALO CLINIC

Paths for an international expansion

Author : Ana Isabel Almeida Matos

Advisor: Nuno Magalhães Guedes

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Abstract

Title: MALO CLINIC: Paths for an international expansion

Author: Ana Isabel Almeida Matos

The main goal of this dissertation is to develop a business case study on MALO CLINIC, a Portuguese health service provider in the dentistry segment. The company also provides services in other medical areas with a focus in diagnosis and treatments in the aesthetics segment. Currently, the company is present in several foreign countries. The dilemma faced by the company is based on the choice of what entry mode to adopt in each new country and the correct timing for investing given the company's financial constraints.

Following the case study, a Literature Review is developed. The topics in this section are directly connected with the case itself, such as industry, service and internationalization, with a special focus on entry modes, which is the main topic of this dissertation. The topics approached in the Literature Review constitute a basis for the analysis in the Teaching Note section. The Teaching Note presents several personal considerations about the case, aligned with a possible way to use the case study in a classroom. The application of strategic concepts intends to provide a better understanding of the company's current situation, and to suggest some recommendation for the future as well.

From the detailed analysis, it is possible to find a possible path for the next steps of the clinic's internationalization process. Without losing the focus on the entry modes, different suggestions are offered for the locations where the clinic wants to be present.

Resumo

Título: MALO CLINIC : Caminhos para a expansão internacional.

Autora: Ana Isabel Almeida Matos

O principal objetivo desta dissertação é desenvolver um *case study* sobre a MALO CLINIC, uma empresa portuguesa que oferece serviços de saúde, na área dentária. A empresa também dispõe de serviços noutras áreas da medicina com um enfoque no diagnóstico e tratamentos no segmento da estética. Atualmente, a empresa está presente em vários países estrangeiros. O dilema que a empresa enfrenta é baseado na escolha dos *entry modes* a adotar em cada novo país e qual o tempo correto para o investimento, dados os constrangimentos financeiros da empresa.

Após o *case-study,* é desenvolvido um capítulo com a revisão da literatura. Os tópicos abordados nesta secção estão diretamente relacionados com o caso em estudo, tais como a indústria, os serviços e a internacionalização, com um especial enfoque para os *Entry Modes* que se assumem como um dos principais tópicos desta dissertação. Os tópicos abordados na revisão da literatura constituem uma base para as análises na secção da *Teaching Note.* A *Teaching Note* apresenta algumas considerações pessoais sobre o caso, alinhadas como uma possível forma de abordar o *case-study* numa aula. A aplicação de conceitos de estratégia pretende providenciar um melhor entendimento sobre a atual situação da empresa, assim como sugerir algumas recomendações para o futuro.

Através de uma análise detalhada do caso, é possível encontrar um caminho para os próximos passos a serem seguidos no processo de internacionalização da clinica. Sem perder o foco nos *Entry Modes,* várias sugestões são oferecidas para as localizações onde a empresa pretende estar presente.

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I. Introduction

MALO CLINIC is a Portuguese dental clinic established in 1995 by Paulo Malo. The MALO CLINIC's case describes the challenges of internationalization in an industry that typically expands its activity domestically. The power of the brand and the focus on innovation turned MALO CLINIC into a market leader in the dental health segment, present in many countries. This internationalization process started with the opening of clinics in some strategic locations. However the consequent high debt made it difficult to proceed with this expansion and MALO CLINIC had to readapt its strategy entering new markets through partnerships.

In 2011, MALO CLINIC is the largest centre of Implantology and dental aesthetics worldwide according to the number of patients treated and the dimension and internationalization of the clinics, with annual consolidated revenues of around EUR 50m.

The present dissertation aims to highlight the dilemma of Paulo Malo about the future international expansion of his clinic with the new investment restrictions. The Case Study (II) offers an arena for business strategy students to analyse and discuss the two fundamental issues: how and when to internationalize in order to be successful in the markets where the clinic intends to be present. Such analysis, individual and in class, should address the dilemma of the clinic's CEO.

The goal of this thesis is not only to describe a case, but also to review the theoretical concepts and frameworks that might be useful to apply to the case. The central idea of the Literature Review (III) is to provide tools for the mained themes raised in of the case in the field are industry, services and internationalization process. The final purpose of the theoretical overview is to support the Teaching Note (IV), which includes detailed examination of the MALO CLINIC past and future challenges with the intention of enhancing a class discussion and helping the students and instructor preparation.

II. Case Study

In the late 2012, Paulo Malo, the man that gave the name to his dental clinics and was the President of the MALO Group, sat in his Lisbon office after a morning of medical consultations wondering about the future of his company. The failure of the model applied for the clinics in Brazil, challenged the success that the internationalization process had enjoyed previously. He was worried with the high debt level of the balance sheet and with the high risk involved when opening each new clinic. Due to the macroeconomic environment prevailing in Portugal, the availability of the banks to bet on the company's expansion decreased and the financial costs for purchasing its internationalization effort alone.

The success and recognition of the MALO CLINIC created the possibility to develop a new model of international partnerships with local doctors since 2011. But several questions about the benefits of the method hang in Paulo Malo's mind. Could it be the solution for the future of the clinics? Or should the company keep investing alone?

Company Overview

MALO CLINIC was a well-known dental clinic company, with revenues of EUR 50m a year, operating in the dental health industry and was in 2012 the world's largest centre of implantology and dental aesthetics according to the number of patients treated and the dimension and internationalization of the clinics. The company started its activity in Lisbon in 1995 with only two doctors' offices. Thenceforth it has been expanding its business creating national and international companies related to the provision of health service and well-being, as well as goods and services related to the activity. In 2012 its headquarters occupied an 18 floor building in the centre of Lisbon.

The company became famous due to its charismatic leader, the dentist Paulo Malo. His success was related to his innovative method of immediate function all-on-4 technique, a concept of rehabilitation that was one of the major developments in implant dentistry worldwide. This treatment provided edentulous patients a new dentition practically without pain in one day while the time and recuperation in the majority of other dentists is more lengthy and painful for the patient. In addition to the all-on-4 technique, the group developed a set of revolutionary products such as the implant NobelSpeedy™ and the fixed prosthesis MALO CLINIC Bridge, all accounting for meaningful progress in terms of innovation. These techniques allowed for fixed teeth to be placed in a single operation, without bone surgery.

After the consolidation of the Lisbon clinic, the group expanded its project to different locations inside and outside Portugal. The Lisbon project was the pilot model to be applied in all the other locations.

The concept

The concept created by Paulo Malo went much further than a simple dental clinic and could be considered as a dental and medical spa, where clients could be treated without any pain and enjoying an untypical comfort atmosphere during their stay in the clinic.

More than the service provided, the cosy environment concept of the clinics where the black and white colours stood out, provided an environment of peace and calm in the waiting and relaxing areas of the clinic. The patients could also breathe a pleasant and relaxing fragrance in the air and every space was thought for different targets allowing everyone to find his own space inside the clinic. For the younger's the clinic also provided a fully dedicated space with lots of colour (exhibit 3).

During the first fifteen years of activity, the clinics only provided dentistry services, although very close to the surgery that was always his passion. Later on, understanding that the concept developed by Paulo Malo had a strong relation with aesthetics, the MALO CLINICs group decided to diversify its activity. Health services available in hospitals were unattractive for many patients that just pretended to make a routine check-up. Bearing it in mind, Paulo Malo and his team implemented a strategy in order to expand its activity to other medical specialties and services, allowing for a provision of check-ups, with high quality and comfort standards. This strategy was implemented in countries strategically selected (Portugal, United States and China) in order to increase the quality and the average life expectancy of its patients.

According to the demand for this type of service in the local market the clinics that would be successful in this new area of the business were identified. One of the potential markets identified was Asia, where the group opened the first Medical Spa in Macau in 2009. With a Clinic and Spa, MALO CLINIC Macau, offered for the first time health care in a spa environment, included in one of the biggest leisure spaces of the world, the Venetian Sands Resort and Casino. This new concept of the Medical Spa allied wellness services to outpatient care, preventive medicine, diagnosis medicine and aesthetics surgery in a spa environment. It provided more than dental services and required an aesthetic and well-being component. Beyond the clinical treatments, the clinic also provided a day care hospital in the same building.

In 2012, MALO CLINIC Macau was the biggest and best equipped infrastructure in the world. It was also recognized and awarded as “Best Luxury Medical/Welness Spa in China” in 2011 and 2012.

With the success of this strategy in Macau, the group continued to develop the check-ups, establishing strategic alliances with recognized institutions in the health sector, complementing the valences of the MALO CLINIC and allowing the access to diagnostic facilities with high standards, medical doctors and expert specialists with recognized quality.

In Lisbon the concept of the Medical Spa was added to the initial project through an acquisition of the Heart Institute in 2008 where patients were able to do a premium general check-up to their health.

The team

Paulo Malo, a dentist and an entrepreneur, founded the MALO CLINICS six years after its graduation in Dental Medicine. He was known for his management capacities. Moreover, he was really interested in challenging cases in his field of study, which made him successful and recognized in the area.

The notoriety and recognition of the clinic as a global leader and educator of advanced oral rehabilitation could be attributed to Paulo Malo and his research team that together have developed several techniques. The most known and recognized worldwide, as one of the major advances in the implant dentistry field, was the All-on-4™, a concept of rehabilitation that was a major breakthrough.

In addition to his activity on the clinic, Paulo Malo was a visiting professor in several prestigious universities, published scientific articles and was a consultant to international dental health companies. All over, Paulo Malo had received numerous distinctions for his contributions to innovation in the dental medicine field. More than a charismatic leader, he could be defined by its entrepreneurial skills, an enthusiasm for complex cases and a strong competitive character.

With more than 1500 employees scattered around the world, MALO CLINICS had a major presence in Portugal with 93 dentists. A major concern for the firm was an over reliance on the image of Paulo Malo and how to give space to the other doctors. One of the main steps in this field was to give the possibility to other doctors to do the all-on-4 surgeries, which happened with the beginning of the expansion process in 2007. Until then they were exclusively performed by Paulo Malo. However, he was still relevant in areas such as Research & Development and international networking.

Regarding management, there was a structure of shared services that covered the different functional areas with top notch directors. Additionally there was a function of financial advice, to support the administration in the evaluation and development of new businesses. The managerial areas were the ones with the highest lack of qualified professionals due to difficulties to hire qualified human resources for management and operative functions in some locations.

The clients

MALO was positioned as a premium clinic, providing a specialized and innovative service, attending on average 1000 patients a day in all the clinics. MALO patients were mostly targeted in A or B segments, i.e., people with a high income level. Only the most affluent would be willing to pay the high prices required for the quality provided. In order to mitigate the dependence on this two segments, MALO CLINIC developed partnerships with Portuguese several banks in order to finance some of its surgeries and most innovative techniques.

The service provided by the MALO CLINICS was specific, as they were focused on dental surgery, based on its technique of all-in-4, so people who looked for the company were mainly edentulous people or with oncological problems.

According to these specific characteristics, a MALO CLINIC a typical patient would be someone more than 50 years old and with one of these problems, able to pay for the quality of the service. On average, 42% of the people aged 65 plus were edentulous, which constituted an opportunity for the clinics activity.

Health Tourism

In the Lisbon Clinic, where the health tourism was more significant, 60% of the patients came from foreign countries. The clients came from different origins. On the top of the list were countries close to Portugal, like England, Spain and France followed by the Asian market (China and Japan). It was also usual for the clinic to receive clients from Angola, South Africa, Middle East, US and Brazil.

According to Paulo Malo, the clinic received in Lisbon a vast array of clients, including Royal families' members, presidents, politicians, clergy, top corporate executives and actors. Ordinary citizens came to the clinic as well.

To accommodate its clients and provide them a satisfactory trip to Lisbon and an excellent service, the clinic celebrated a partnership with three of the best hotels in the city. The Marriott Lisbon hotel near the clinic sometimes had 40% of its occupation with the clinic patients. Pestana Palace, a member of "The leading hotels of the World" and Corinthia were also partners chosen by the clinic to develop packs for patients that included the stay and the treatments in the clinic.

With the beginning of the MALO CLINIC internationalization expansion and the consequent spread of the clinics around the world, the health tourism associated with the Lisbon clinic become less relevant.

However, complex cases could only be solved in three MALO CLINICS (Lisbon, Macau and New Jersey), as the all-on-4 technique was only available in these places. This choice of locations was made in order to have a reference company in Europe, Asia and America. External dentists could refer some of their patients to Malo Clinic to apply its innovative techniques and receive 10% of the Malo Clinic invoice with the treatment.

The Competitors

Within the health industry, the dental segment was truly fragmented with lots of small clinics or even one office dental practices. With an increasing concern about dental health, people started requiring more from the dental services and small clinics proliferated in the market.

When compared with the existing competitors in the market, the MALO CLINIC could be distinguished from the other clinics, since the service provided to its clients was based on a personalized and high standard service. With it, the MALO CLINICS provided an unique and differentiated services that could only be compared with the 32 Senses group.

32 Senses was a high quality service Portuguese group of dental clinics present in almost all the main cities of the country. The mission of these clinics was "offering and implementing the best integrated solutions in the oral care". The group belonged to Inter-risco, a private equity that bought several dental clinics, expecting to consolidate a high potential business in a fragmented industry, with a focus on the high quality and high end technology. The 32 senses clinics, one in Lisbon and the other in Porto were the major competitor of the MALO CLINIC in the advanced oral care segment. Alba Clinics and Smile Up were also part of the 32 Senses group. Smile Up was present everywhere in the Portuguese territory since it was focused on proximity and Alba could be classified in the dental low-cost segment.

Internationally, as it was a clinic that focused mainly in surgery and difficult cases, the industry was also very fragmented without any major competitor.

Marketing Strategy

It was impossible for the MALO CLINICS to adopt a common and standardized communication policy as every country had its particularities. In some countries, such as Portugal, it was not allowed to directly advertise for health services, so the MALO CLINICS had to come up with other types of strategies in order to spread the technique and the image of the clinics. However, in countries like the United States almost everything was allowed and the communication strategy of the product and services provided could be completely different. So, these two countries could be used as extreme examples.

In countries like Portugal where direct advertising was not allowed, health companies were dependent on magazines and newspapers to give interviews to spread the techniques. Paulo Malo was an example of it. He was used to give various interviews and his image "sold", bringing clients to the clinics. At the same time, the clinic had the opportunity to promote its activities, as Paulo Malo could explain the innovative techniques and methodologies applied in the clinics. The other way the clinic could use was related to the corporate social responsibility. Two times a month, in collaboration with a TV programme named "Você na TV", the clinic offered a free treatment for edentulous people applying the all-on-4™ technique developed by Paulo Malo. The surgeries and the follow-up within the clinic were totally done by Paulo Malo and in the programme people were able to see how the patient looked before and after the surgery. With it, the group had the possibility to explain the all-on-4™ technique and to promote the name of the clinic associating its image with worthy causes.

In contrast, in the US almost everything was allowed in what relates to advertising. What was really important was the way to sell the idea, the product or the service. On average any dollar invested in advertising would bring a gain of 8 dollars within three months. Following this idea, the strategy of the MALO CLINIC in this country was to deliver the message "teeth in one day".

Internationalization Process

Under the overall objective to "make the innovative techniques of Implantology and Cosmetic Dentistry accessible to the largest number of people, using the same medical protocols and assuring the same rigour and quality", the company had started its internationalization process in 2007, with the opening of a clinic in Warsaw, Poland. Given the ambition of the objective and the willingness to grow internationally, the clinic started opening several clinics in locations strategically chosen in order to place the group in the medium-term as a global leader in its sector.

The Expansion

The international expansion of the clinic was phased in three steps. The first phase had the goal of making the MALO CLINIC brand credible and recognized globally. The choice of Warsaw was related with the good performance experienced by the company in terms of growth and the recent entry of Poland in the European Union, which increased the security of the investment. Poland was also a preferable destiny of health tourism in central Europe, receiving tourists mainly from the United Kingdom and Germany. Other benefits were the possibility to enjoy the health treatments paid by British or German insurance companies in this location, a common practice in this location. The biggest disadvantage found by MALO CLINIC in Poland was the instability of the exchange rate that sometimes generated unexpected losses to the company.

The business model that had been developed in this first phase, included the creation of clinics with a relevant dimension, aligned with the image and standards of the MALO CLINIC. Typically, they were located in contemporary buildings with high visibility and with enough space to guarantee the growth in the long term. However, the opening of a clinic required an investment of around 5 million euros, whose return was not immediate. Due to that, this model extended the range of the break-even point, requiring not only huge investments in capex[1] but also in opex[2] to guarantee its self sustainability. One of the major advantages of the clinics being wholly owned was the capacity of control and involvement. The MALO CLINICS idea was to invest in a clinic and with the generated profit along the years use the capacity for further investments.

Nonetheless, not everything went perfect in this first phase of the expansion of the Group. The large investment in the opening of clinics in several locations added to the costs of training and coaching and made the MALO Group accumulate losses since 2010. With it, financial needs to reinforce the capital structure became mandatory. Moreover, some cultural particularities became a challenge for the activity of the clinics, especially in Brazil.

[1] Capital Expenditure
[2] Operational Expenditure

The Brazilian Experience

Brazil was a very competitive market, where the differentiation factors of the MALO Group, namely surgery and aesthetics dentistry, were already perfectly implemented and consolidated. In addition, the group overestimated the quality of the products provided and the purchasing capacity of the Brazilian population. Due to this overestimation of the expected success and the evolution of the clinics activity in São Paulo and of the six surgery blocks in Campinas, many of the infrastructures were underused. Finally, in this market, the MALO CLINIC opted to invest alone, without any local partner. This factor led to delays of more than one year in the beginning of the clinics activity with enormous consequences for shareholders. When the clinic finally started the consultations, it had already paid the rent for more than a year and salaries to the doctors that were not still working for the clinic due to the delays in the opening. So, when the clinic started its activity in Brazil, it had to compensate for the high negative cash-flow from the previous years.

MALO CLINIC believed that it was providing a premium service as it is perceived in Europe and in many regions around the world. However this definition had not the same meaning in Brazil. The perception of quality in Brazil was more related with attention rather than quality. So, when MALO CLINIC thought that it was offering a differentiated product even in a Brazilian market full of dentists, as it offered high-quality and high-end technology allied with innovative techniques, the understanding of the Brazilian market was different and these services were not well accepted.

In addition to the problem of too many competitors there was also the unsuitability of the service provided by the MALO Group to the Brazilian population needs. They were unwilling to pay the prices required by the clinic for its treatments due to the quality of the infrastructures. This led to the failure of the expansion to the Brazilian market. Allied to it, there was the fact that Brazilians needed attention and if a clinic nearby lap its patients to the doctor's office they would appreciate this attention and preferred this clinic even if the service had not the same quality.

Recently, the Brazilian clinics presented a mild positive activity evolution but still with uncertain perspectives. However, MALO CLINICS in Brazil still required a significant financial support in working capital and fixed operating costs by a period longer than what would be reasonable and with uncertain return. Allied to this factor the activity in Brazil accumulated millions of losses. Balancing all these problems and the debts of the business, Paulo Malo and his team decided to close the Brazilian clinics, after five years in the market.

New Business Model

In spite of the Brazilian failure the international expansion was successful in other locations. For Miguel Espírito Santo, advisor to the board, more important than to be successful in all strategies of the internationalization process was to learn with the mistakes and to understand what went wrong in the cases where the clinic was not so successful. Beyond the cultural challenges that the group found in Brazil, they strongly believed that the inexistence of a partnership with a local player prevented the successful implementation of the clinic in the country.

Accounting for all the challenges and imperfections of the model applied in the first phase of the international expansion, the group has adjusted the model for the second phase, which was being implemented.

Based on the credibility and notoriety achieved in the first phase, the model was adjusted, allowing the implementation of new and less investment demanding business models. These new business models would include the development of local partnerships or corporate structures that allowed MALO CLINIC to preserve the medical activity management, with the investment mostly or totally assumed by the local partner. In return, MALO CLINIC gave its brand and know-how as counterpart for the capital invested by its partner. In this scenario, MALO Group avoided the risk of investing in a project that did not reach the expected return, solving part of its financial needs. Nevertheless, the group's expansion did not lose focus on increasing its credibility worldwide. Along the first phase of the expansion that lasted four years, the clinic achieved several awards and distinctions. It had become the only global brand in the field of dentistry, a recognition that could be compared to the notoriety of brands like Mayo Clinic or John Hopkins Hospital in the medical sector. However, the MALO CLINICS brand was not yet identified by its quality service by senior dentists and improving this was defined as a main goal for the second phase of the expansion. Moreover, MALO CLINIC had difficulties to place senior dentists with a long experience working for the clinic in its foreign clinics. This sometimes made the recognition in the foreign countries difficult. Young doctors seemed less experienced.

In order to sustain its recognition and notoriety in the dental health medicine, MALO CLINIC, developed a partnership with Nobel Biocare. Nobel Biocare was the major and most recognized international supplier for prosthesis which financed the research activities of Paulo Malo and his team, having in return the exclusive supply of products for the clinic and its subsidiaries. This partner was a precious help in the choice of the locations. In the second phase of the expansion, it became even more important in the selection of the partnerships to celebrate, as it worked with the best dentists around the world and the quality provided by each could be easily controlled through this partnership.

In a partnerships system it would be expected that the growth happened faster. These partnerships might emerge in different scenarios. One could be a partnership with an already existing clinic where the MALO CLINIC through a fee on invoicing allowed the use of the MALO CLINIC name. Other scenarios could appear when opening a new clinic. In these scenarios, the group could start as a minor shareholder, moving or not later on towards major shareholder. The majority or the totality of the investment was secured by the local partner and the MALO group contributed with property assets or brand rights and know-how.

To use the MALO CLINIC brand the dentists were forced to follow several rules in order not to lose its partnership. First, and as a way to control the quality of the products used in the treatments and the quality of the service provided by the partners to its patients, the partner had to be supplied by implant leader Nobel Biocare. In addition, the contracts were celebrated taking into account the conditions and the dentists that worked in the clinic at that moment, so if they decided to resign the clinic, MALO could also leave the partnership with that clinic. Finally, MALO CLINIC could also withdraw the MALO brand from a clinic in case of a quality downgrade or if the clinic faced financial difficulties that might affect the regular development of the activity.

The majority of the partnership opportunities happened through conferences that Paulo Malo gave on invitation from its major supplier Nobel Biocare or from Nobel Biocare present action about the techniques developed by MALO. Dentist tended to become interested in the technique and wanted to provide that service to its patients. Moreover they could also explore the possibility to develop a partnership with MALO to use its brand. Other partnerships could emerge from the courses given at the Lisbon clinic where part of the techniques used were taught to dentists. The third option appeared when dentists attended the clinic training programs and asked to develop a partnership with the clinic. In all these cases, it started by giving the opportunity to use the name of MALO CLINIC as “in partnership with MALO CLINIC”. But the partnership was only consolidated if the potential of the partnership was confirmed. In these cases, was agreed a licensing fee with the partner to use the MALO CLINIC name.

This model was tested for the first time in the United Kingdom where the clinic looked for a partner. The licensing process to open a MALO CLINIC in the center of London lasted for more than four years and, after the failure in Brazil, the Clinic felt the need to test the brand locally before advancing with the investment in a clinic. Thus, the MALO CLINIC celebrated a partnership with Dr. Chana, a dentist with a clinic in Teddingdton[3] that accepted the challenge of giving to its clinic the name of MALO CLINIC Teddington. In this partnership they had the possibility to test the influence of the name in the choice of dental medical services.

The clinic was partly managed by MALO and during six months to a year two MALO CLINIC dentists worked directly in the new location. After that period, the strategy of the clinic had to be approved by MALO, for example, in what marketing or other campaigns were concerned. The clinic was managed by the local clinic by the partner but under the at distance monitoring of MALO CLINIC.

The partnership in this clinic was advantageous for both parts. Dr. Chana, the clinic's director, benefitted from an increase in the number of the clients and MALO CLINICS had the possibility to test the influence of its name in the country.

Given the success of the first partnership, more result-based partnerships were celebrated as the MALO Group felt that it could be the best way to enter a new market and as several dentists were interested to use the Malo brand. It happened in Tokyo, Melbourne and Israel and some others locations were expected to open soon. In these partnerships, the MALO CLINIC just supplied the know-how of the techniques developed. In the case of the all-on-4™, in order to protect the whole knowledge for the Portuguese doctors working in a regime of exclusivity for the MALO CLINICS, only 60% of the technique was explained in a course in Portugal developed by the Lisbon's clinic to the dental doctors' of the partner clinic.

Partnerships were responsible for EUR 2.5m of the EBITDA, which corresponded to a 16% margin. With the growth of the number of the clinics expected for the next years with already established partnerships, it was foreseen that the importance of them in the financial results would increase significantly.

[3] a suburban area in the southwest of London

Further Investments

Besides Portugal, MALO CLINIC was also operating in Poland, Spain, China, Japan, United States, United Kingdom, Australia and Israel. The idea to maintain the expansion process was not mitigated by the difficulties in obtaining financing and partnerships has appeared as a solution for the expansion in a challenging time. With it, the clinic had the opportunity to pass the risk and all the initial investment to the partner, receiving a fee for the name usage.

The success of some partnerships made the company consider future openings with the same partner. Dental Corporation, the MALO CLINIC partner in Melbourne, was planning to open other clinics with MALO in other Australian cities such as Sidney. The Melbourne clinic was a strong success. It had an annual invoicing of 8 million Australian dollars and the partner saw its invoicing grow 23% in one year with the conversion to his clinic into a MALO CLINIC. Given the Australian culture of not moving from one city to another to do any kind of treatments it made sense to open clinics in the most populous cities in Australia. The same partner also intended to open a MALO CLINIC in Canada, Vietnam, Singapore and India. In Latin America, the MALO CLINIC partner was Sonría Group, which had more than 100 clinics in the region. This region was one of the most fragmented in the world within the dentistry field and the idea was to open some medium-size clinics along the region. MALO and Sonría Group were planning to open 12 clinics in Mexico, Colombia, Panama, Costa Rica, Equator and Peru.

Finally, the clinic was planning to open a fully owned clinic in Moscow, Russia and another in China. The idea of opening another clinic in China was related to the success of the MALO CLINIC in Macau. The differentiation factor of the clinic was that the driver for the visit of the MALO CLINIC Macau was gambling which justify locating the clinic in a casino hotel. In this new location in mainland China, in Beijing, the idea was to take advantage from the high purchasing power and the inexistence of European dentistry services in the region. This was a differentiation factor as Chinese's prefer to be treated by European doctors instead of Chinese ones.

Exhibits

Exhibit 1: Locations, Date of Opening

	Company*	Doctor	Local	Opening date
Partnerships	Podensu	Prof. David Suarez	Coruña	2011
	Elmefield house	Dr. Harpal Chana	Teddington	2010
	Sonria	-	South America	2012
	Dr Fermon Eran, Ld	Dr. Fernom Eran	Ramat - Israel	2012
	Dr Ronen Bordovski, Ld	Dr. Ronen Bordovski	Tel Aviv - Israel	2012
	Bond Street group	Dr. Larry Benge	Australia	2011
	Shanghai Core Culture Investment	-	China	2013
	Antony Carbery Dentisterie	-	Canada	2013
	Clinic do Parc	-	Canada	2013

*To note that each company has a doctor associated, with who MALO CLINIC did the partnership.

Exhibit 2: MALO CLINIC in the world

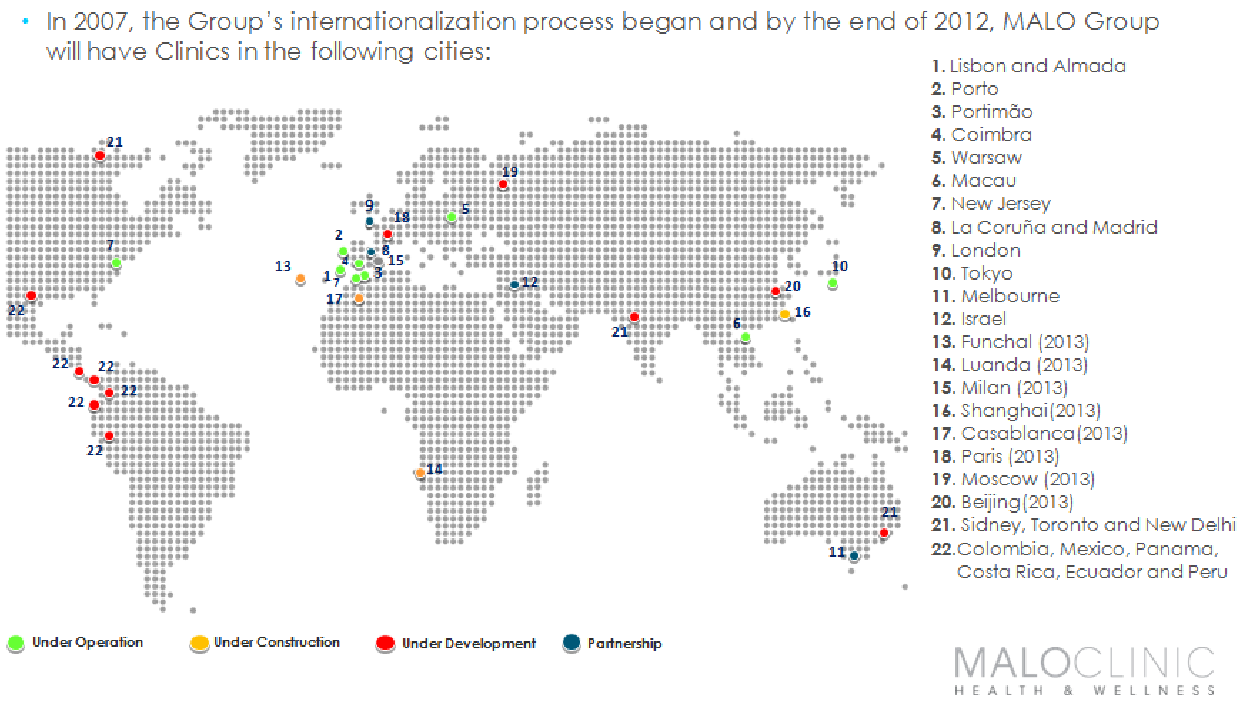


Exhibit 3: The clinics environment

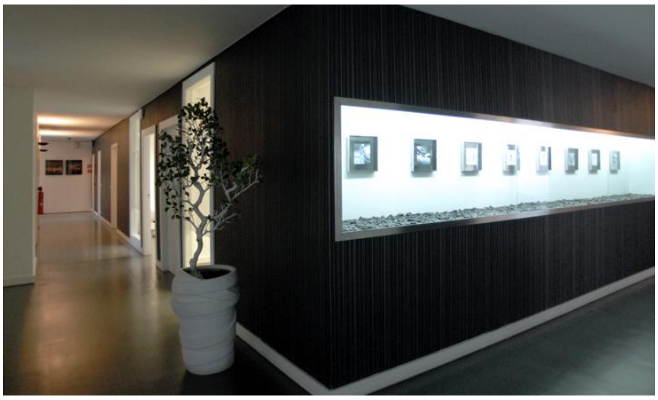
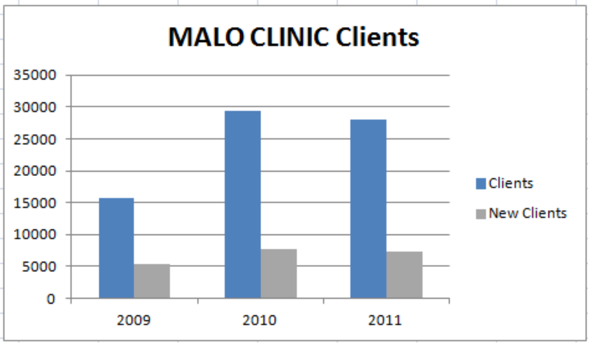
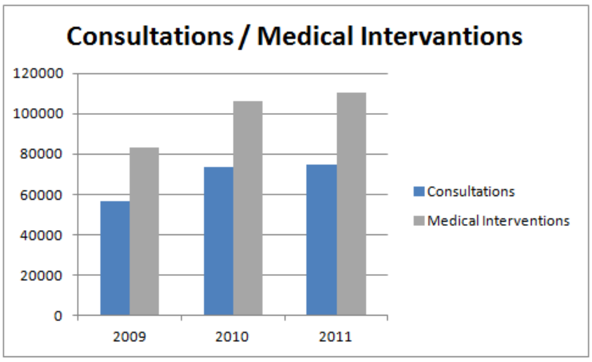


Exhibit 4: Activity data





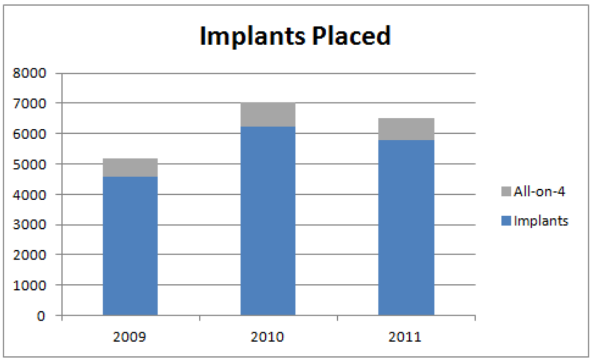


Exhibit 5: MALO CLINIC turnover (2009 - 2012)

Amounts in €

MALO CLINIC GROUP - TURNOVER

CONSOLIDATED ENTITIES	YEAR-TO-DATE					
	2009	2010	2011	2012	Δ 10 | 11 %	Δ 11 | 12 %
MC LISBOA	22.930.549	22.896.127	23.684.736	19.774.438	3%	-17%
MC ALMADA	0	0	184.913	334.497	-	81%
MC PORTO	1.438.133	4.715.478	4.635.149	5.165.140	-2%	11%
MC PORTIMÃO	0	8.081	309.164	1.016.779	3726%	229%
MC COIMBRA	972.085	1.225.557	1.429.061	1.782.778	17%	25%
DENTAL - Portugal	25.340.767	28.845.243	30.243.023	28.073.632	5%	-7%
MC POLAND	123.122	443.701	401.292	250.212	-10%	-38%
MC MACAU CLINIC	848.175	1.142.105	1.997.680	2.637.493	75%	32%
MC MACAU PHARMA	0	46.373	264.163	410.646	470%	55%
MC NEW JERSEY MEDICAL	1.966.371	3.417.610	2.881.947	2.063.291	-16%	-28%
HEALTH - International	2.937.669	5.049.790	5.545.082	5.361.641	10%	-3%

PARTNERSHIPS	YEAR-TO-DATE					
	2009	2010	2011	2012	Δ 10 | 11 %	Δ 11 | 12 %
TOTAL	0	4.468.485	10.319.796	12.508.323	131%	21%

In 2012 there was a change of installation in the MC Poland. The MC New Jersey started its operations in 2012, where it is visible the impact of the construction of the surgery blocs in the clinic's turnover.

III. Literature Review

The main focus of this section is to review the theoretical frameworks related with the issues that will be addressed in the Teaching Note. This section will be divided in three main topics: industry, services and internationalization, with a special focus on entry modes. The first topic to be covered is the industry where the company is integrated, and then a service analysis will be performed since MALO is a service provider firm. Some topics in services marketing will be addressed as well. Lastly the internationalization process will follow covering the importance of internationalization for the company's growth with special attention to the entry modes and how it would make the company more successful.

1. Industry

1.1 Structural Analysis of the Industry

The Competitive Forces approach, also known as five forces model, is a framework to help companies analyse its potential profitability within an industry, relating a company with its environment. Furthermore, the model can also help to find a positioning in the industry, differentiating one company from its competitors.

Knowing that for Porter competition is not the only factor that influences the profitability in the long-run, with this model companies can find the best position to prevent competition through the use of the five forces in its favour (Porter, 1980).

The first force analysed by the model is the *threat of new entrants.* In this force the new players may analyse the benefits from the possible entrance in the industry and the incumbents the challenges inherent to the entrance of new competitors. A new entrant looks for market share and to achieve it, it will have to do some price and cost cuts, reducing the potential profit of the whole players in an industry. Therefore, the threat of the entry barriers depends on the weight of the entry barriers; the higher the better for the established players. The entry barriers can be created from different sources: economies of scale that lower the cost for existing firms in a larger scale and create newwork effects; switching costs; capital requirements;

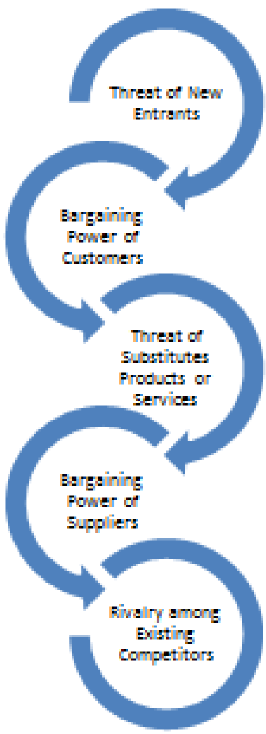


Figure 1: Porter's Five Forces
Source: Porter, 1979, pg.6

possible restriction for the government like protecionism, amongst others. (Porter, 2008)

Another force of the industry is the *power of suppliers*. Powerful suppliers are the ones that are able to charge higher prices, can limit the quality or services provided and can shift costs to industry participants. The suppliers become powerful if the industry to which they sell is more fragmented, the switching costs are higher, they offer a differentiated product or there are not any substitute products. On the other side, the model includes *the bargaining power of buyers*. Powerful customers are price sensitive, normally purchases represent a significant slice of its costs or buyers earn lower profit. The level of negotiation and the power increase if they purchase for a high volume, standardized products or the switching costs are little.

Margins can also be affected by the *threat of substitutes*. High threat of substitutes will lead to lower margins and it happens when the substitute product have an attractive quality-price performance and is relatively easy to change product.

The last force is the *rivalry among existing firms* that can be expressed with a launch of a new product, a new marketing campaign or an improvement in the services. The intensity is higher in companies with the same size and capabilities or in industries where the growth rate is low.

In conclusion, the model analyses the profitability of an industry through the forces that can affect them.

The environment has changed a lot since the 80's and some authors have critized the model and refer its limitations. The competitive forces is a static model so, it expressed some weaknesses in dynamic environments, ignoring some relevant factors of the competitive environment, like technological and science innovations, path dependencies or switching costs (Teece, 2007). In addition, in a rapid changing environment as experienced today's, a company can emerge and take over the market leader (Tidd et al., 2005).

1.2 SWOT Analyis

The aim of the SWOT analysis is to formulate a strategy for the company taking into account serveral internal and external forces. The study of this variables can result in a recognition of the company's environment, that will be fundamental in the company's good decision making process. The model identifies the strenghts and weaknesses of an organization and opportunity and threats of the environment. The strenghts and weaknesses of a company are identified through an internal appraisal while opportunities and threats are identified by the evaluation of external factors. In the first ones are analysed the personnel, facilities, location and products and services of a company and in the external side, it is analysed the Political, Economical, Social and Technological Environment plus the competitive landscape (Dyson, 2002).

The TOWS matrix aggregate two factors of the SWOT analysis, for example the strengths and the threats, and examine them together, with the intention to "stimulate a new strategic initiative" (Weihrich, 1982). This variation gives a practical side to the model.

1.3 Strategic Groups

The definition of strategic groups was pioneered by Hunt (1972) as a "symetry of operations" observed in an industry. The concept argued that if we group some firms which follow similar strategies it become possible to understand what are the viable strategic options in the industry (Hunt, 1972). In this cases, firms with similar decisions in the key areas in a certain industry can be clustered in a strategic group (Porter, 1980). In addition and to make the analysis more visible it can be mirrowed in a graph where the clusters are identified, grouping members with the same strategic characteristics (McGee and Thomas, 1986).

Furthermore, the concept of strategic groups appears related with the concept of "mobility barriers" (Caves and Porter, 1973), i.e., it is relatively more difficult or easy to enter in an industry according to the cluster that we want to get in or how different we can be from the other players. This notion explains the differences in performance within the same industry. An advantage of this model is its dynamism, since firms can move from one cluster to other according to the strategies adopted, improving its position in the industry (Porter, 1981).

1.4 Industry Life Cycle

The industry life cycle model can be used by firms to analyse the products and industries stage of maturity. Each product or industry stage has its characteristics and might be an advantage for the definition of strategies in accordance with the expected revenues in each stage. The model is useful especially in sales estimation that have a major impact in the general economic and financial performance of a firm.

The industry life cycle that can be also be called as product life cycle as it has the same characteristics for industries and products, have four stages; introduction, growth, maturity and decline (Fox, 1973; Anderson and Zeithaml, 1984).

In the **introduction stage**, that is the first an the early formative stage, the product is introduced in the market for the first time. In this stage, the industry and the product experience a high level of uncertainty as the acceptability of the product in the market is unkown. In order to create awareness for the customers so that they have the need to purchase the product, it is in this stage that the marketing expenses are more elevated. The market volume is low and the product design tends to be primitive. The competition in the early stages is higher and there are tipically many firms in the market, looking for the innovation that might distinguish them from the others and make their products better and less imitable. Moreover, the number of the products supplied is low and the production is done using unspecialized machinery.

Next, in the second stage that can be characterized as the **growing phase** or an intermediate development stage, the firms experience a high increase in the sales volume. The level of uncertainty remains high but lower than in the introduction phase as customers have an increased knowledge of the product, the output experiences a high growth and sometimes is not able to respond to all the demand needs. It is in this stage that the manufacturing techniques tend to improve to respond to the increasing demand. It is also in this stage that the product innovation start to decline and the design begins to stabilize. As a result, the industry reaches the peak and the number of participants will not grow in the next stages.

Arriving to the third stage, the industry achieves **maturity** and everything starts to be more predictable which can sometimes be compared with mature people characteristics. The growth tends to stabilize, innovation tends to decrease and the number of players in the market starts to decline. As products are well-known, investment in marketing also decreases because brand awareness between firms and clients was created in the earlier stages.

Finally, when the sales further decrease, firms reach the decline stage. It happens when an innovative products appears in the market and substitutes the previous one, which tends to disappear.

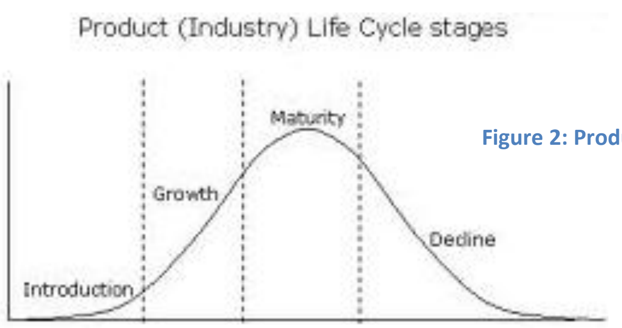


Figure 2: Product/ Industry Life Cycle

(Source: 12management.com)

2. Services

2.1 Service Definition

A service can be defined as a product but with some particular characteristics that differ in the time of commercialization. The characteristics that distinguish a service from a product are the intangibility, the incapacity to separate the production to the consumption, the heterogeneity and the perishability.

The first characteristic, cited by many authors is the intangibility. While products represent an object that can be commercialized, a service is a performance that cannot be touched, smelled or felt. For Bateson (1979), the distinguishing factor between a good and a service is the intangibility; the other factors emerge from that one.

As a consequence of the intangibility, a service is also inseparable in terms of production and consumption as they may happen simultaneously. This is also a distinction from goods as they are firstly produced, then sold and finally consumed while services are sold and then produced and consumed at the same time (Regan, 1963). Some examples are haircuts, medical examinations or an airplane trip where customers are consuming during the production phase (Carmen and Langeard, 1980). It is possible to say that the two activities are inseparables. Moreover, the seller and the producer are the same entity in the majority of the cases (Upah, 1980) which make the marketing in this segment very interactive between the seller and the customer (Gronroos, 1978).

The third characteristic is the heterogeneity of a service. When we compare a service it may vary from producer to producer. The quality and the experience in one service provider is not necessarily the same as other producer of the same service (Langeard et al, 1981). It also may vary according to expectancies and preferences of the consumers. Moreover, the same producer may have different performances day by day as the way of communicating with the customers and the service provided can differ.

The last characteristic of a service is its perishability which means that a service cannot be saved (Besson and Jackson, 1975; Thomas, 1978). Some examples of it are airplane seats or hotel rooms. If the hotel is not full of clients or the plane does not have the seats occupied it cannot be reclaimed to further use in another day.

2.2 Services Marketing

The relationship process with the customers is a central part of any service business. So, service marketing is defined as relationship marketing. According to Berry, relationship marketing is "attracting, maintaining and – in multi-service organization – enhancing customers relationship".

Following the Berry perspective, service marketing is more than captivating a client to try a specific service. It should be seen as an intermediate step for the final objective that is creating loyalty to the service provider in the clients. The objective is no more than trying to create a solid relationship with the clients in order to transform the indifferent ones into loyal clients of our service. In order to achieve it there are some strategies that can be followed:

1) Developing a core service around which to build a customer relationship;
2) Customizing the relationship to the individual customer;
3) Augmenting the core service with extra benefits;
4) Pricing services to encourage customer loyalties;
5) Marketing to employees so that they, in turn, will perform well for customers.

Analysing in depth each of the strategies it is possible to find some solutions for the different services. Each firm has a core business, however there are several complementary services or products that could be sold to the customer when establishing a relationship about its preferences and necessities. For example, the provider of a haircut can also sell some related products like shampoos or other cosmetic services such as doing the nails.

To understand the second strategy, the example of a travel agency will be used. In order to develop the best trip for its customers, it has to develop a customized relationship in order to understand the individual preferences and personality that will allow the travel agent select the best options. Moreover with the use of a clients' database the agency can retain its customers knowing its past travels and offer something related.

The implementation of extra benefits for customers that will attract the clients to purchase the core service is other strategy that can be implemented. It can be an advantage for companies to introduce a card that give one free service at the tenth time someone enjoys a certain service. With it, the firm is creating brand awareness and the preference for a specific service provider over others at it offers extra benefits.

Another relationship strategy is the relationship price. A relationship price is related with the offer of a favourable price to a client as a counterpart of having the exclusivity of the supplier of a specific service. This strategy is mainly associated with quantitative discounts. One of the most common examples of this strategy is the frequent passenger card of many airlines. The much you use its service the more advantages you will achieve, which also locks a passenger to a specific airline.

Finally, the last strategy is the internal marketing which is an important strategy in the labour-intensity activities. Internal marketing is no more than evaluating the internal performance of a firm and to promote it. For example, it is common to ask the clients about the satisfaction with the services offered and ask for suggestions in order to improve them. The publication of the results can work as a marketing strategy for the company.

3. Internationalization

3.1 Diamond Model

In the 18th century, Adam Smith (1776) based absolute advantage as a justification for trade between countries. Later on, David Ricardo (1817) considered the comparative advantage as a factor to explain trade between countries, giving a new perspective to the theory developed by Adam Smith. Recently, some authors added other explanations for this phenomenon, like macroeconomic variables, labour or natural resources, government and management policies and product life cycles (Neven and Droge, 2001). For Porter (1988), these factors are not enough to measure competitiveness between countries since they ignore the micro level.

The Diamond Model proposed to evaluate different factors that can be determimant for the regional advantage. The four determinant issues evaluated by the model are firm strategy, structure and rivalry, demand conditions, factor conditions and related and supporting industries that are influenced by “government” and “chance” (Porter, 1988).

The idea of the new framework developed by Porter, wants to evaluate firms international competition (Smit, 2010). While the other models work with only two dimensions, this framework developed by Porter has introduced for the first time a multilevel theory that can evaluate more realistically the international competitiveness connecting firms, industries and nations (Peng, 2009).

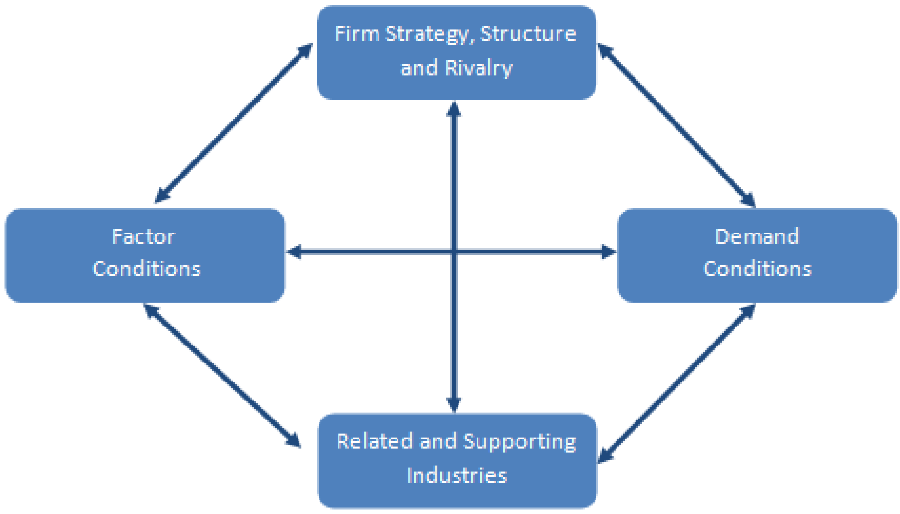


Figure 3: Porter Diamond Model

Source: Porter, M.E., 1990. The Competitive Advantages of Nations, Harvard Business Review

3.2 International Strategies

The starting point to analyse the international strategies is to understand the international competition, in order to be aware of what can differ from industry to industry. Moreover, companies need to decide which strategies to apply in each market, if they should adapt their products and services or just standardize them according to its local production. This dilemma that many companies face can be called as the global-local dilemma.

There are four basic kinds of international strategies that merge from the choices of the companies in coordination and configuration of activities. The configuration can be divided into ranges, concentrated and dispersed. Concentrated implies that a company concentrate its activity in one location and serves the world from it. The order range, dispersed, implies that every activity is performed in a different location. On the other side, it is important to analyse the level of the coordination of the activity that could be characterized as high or low, that represented a decentralised and centralised way to manage respectively (Porter, 1987).

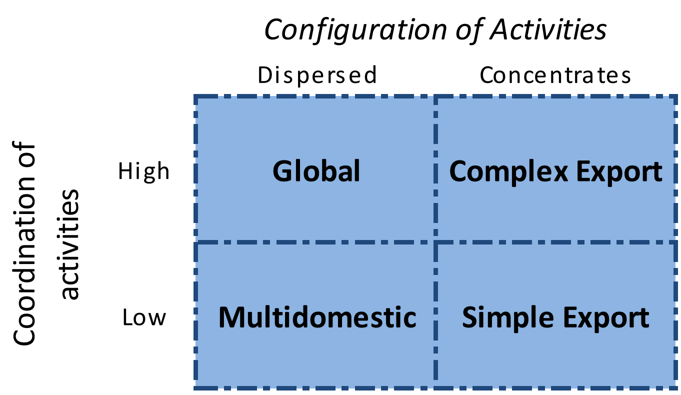


Figure 4: Internationalization Strategies Matrix

Source: International Strategies book, chapter 8.

After conducting that analysis, we can finally find a cluster that corresponds to a strategy. As mentioned, there are four basic kinds of international strategies, which are multidomestic, global, simple export and complex export.

The first strategy to analyse is simple export. In this strategy a company is based in one location and the only activity it does with the exterior is to export the production typically based in the origin country. The company's decision making process is also made locally in what concerns pricing, branding and marketing. This kind of strategy can be found in organizations with strong locational advantage, as determined by Porter Diamond. With a higher level of dispersion, the multidomestic strategy involves a presence in many countries not only through exports but as local production. Moreover the know-how is transferred from the parent company to its subsidiaries and the competitin happens on a country-by-country basis. To note that in this strategy the main decisions of the company are still made locally.

On the other side, we can find strategies that coordinate its activities at a higher level. The complex export strategy concentrates the greatest part of its activities in a single country but some activities that are not core to the business tend to be outsourced to a foreign country, like R&D, marketing or call centers. This activities used to be outsourced for emerging countries that benefit from economies of scale and charge lower prices.

Representing the most mature strategy, with high levels of coordination and with the activity dispersed by several countries worldwide, we have the global strategy. In this strategy everything is planned according to the specific locational advantage for each activity, enabling the company to have different activities in different countries. As a group works as a whole, the position in one country can influence the position in other. In addition, it is important to note, that when companies have a global strategy they compete directly with the players of each market being each subsidiary responsible for the majority of the decisions (Porter, 1987).

3.3 The Integration Responsiveness Model

The Integration Responsiveness framework is useful to identify the international strategy when a company decides to expand its activities worldwide. Multinational entreprises (MNE's) can use this framework to plan their international strategy and organizational structure. The model, developed by Barlett and Ghoshal (1989), categorize the firms into four stages of internationalization taking into account the level of global integration and the level of local responsiveness.

Global integration, named as cost pressure by Prahalad and Doz (1987), evaluates the capacity of a company to produce where it is more efficient and export to other locations in a desirable scale. Simultaneously, the company faces pressures to adapt to the local conditions and to set its operations in the countries where it operates. The higher the trend to respond to local wishes and obtain local incentives the more locally responsive the company is.

According to the model (Figure 5), the framework is divided into four strategies according to the low or high level of pressure in each of the axes. **International** firms operate in an environment characterized by low global integration and low local responsiveness pressures. Typically, these companies produce their products locally, exporting their products with minor modifications or without any adaptation for the destiny market. The coordination of the entire process is developed in the headquarters of the company as well as all the decision making process. With a higher local responsiveness pressure we have the **Multinational** firms. In this case, a few main decisions are approved locally in the company's headquarters while the products and services may have more adaptation and the production is spread by different markets where the firm operates. With it, the activities are largely decentralized with only the main functions working locally and its subsidiaries have a high level of autonomy, driven by local adaptation.

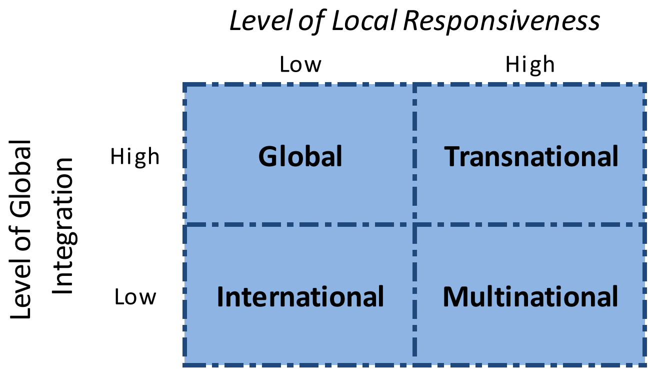


Figure 5: The Integration Responsiveness Matrix

Source: Bartlett, C.A., Ghoshal, S. 2002. Managing Accross Borders: The Transnational Solution, Harvard Busines School Press.

In a different perspective, **Global** firms work in an environment characterized by high global integration and low local responsiveness pressures. Most of the decision-making process is centralized with a few functions dispersed worldwide while the majority of the functions is concentrated in a single or a few locations. Due to the dimension of the company, a high level of coordination of the subsidiaries is required. As the adaptation to the different markets is low, it is advantageous for the subsidiaries as they can benefit from the favourable conditions in any of the locations, specially in terms of production.

Finally, and not necessary the most advantageous strategy, **Transnational** firms have high level of local responsiveness and global intergration. These companies are the ones with a much complex organization owning foreign subsidiaries through foreign direct investment. The foreign operations are tipically managed locally with the subsidiaries assuming the decision making in issues like R&D and marketing strategy. One of the main advantages of this international strategy is the ability to maintain a solid strategy for each local market as it is defined accordingly to the evolution of the local markets.

3.4 Entry Modes

An entry mode is "an institutional arrangement that makes possible the entry of a company's products, technology, human skills, management, or other resources into a foreign country" (Root, 1987 cited by Wagner, 2008). The selection of the entry mode where a company has to decide how to invest in a foreign country is one of the most relevant and complex strategic decisions a company have to take (Agarwal and Ramaswani, 1992). It might be one of the critical issues of defining a strategy for entering a market (Terpstra and Sarathy, 1994) and the success of the choice may lead to the future longevity of the expansion (Li, 1995; Root, 1994).

The rationale of the choice of an entry mode was positioned as a paradigm by many authors. One of the conditions that has to be evaluated while investing is the future profitability of any strategy that can be adopted in terms of the way to internationalize (Buckley and Casson, 1998). Dunning's (1997) identified ownership advantages, location advantages and internationalization advantages as relevant factors to make the decision of which entry mode to select. In the ownership advantages, a company should consider its specific assets and skills which result in the company's experience and ability to succeed in a foreign market. The location is directly related with the attractiveness of the selected market and the internationalization advantages include the existence of an exit when a market fails (Agarwal and Ramaswani, 1992; Dunning, 1988). Hill, Hwang and Kim's (1990), considered strategic variables, environmental variables and transaction variables as the factors that influence the selection of an entry mode. The strategic variables are related with the level of involvement and control that a company intends to have in the foreign market, that is considered the most basic criteria to evaluate an entry mode (Anderson and Gatignon, 1986; Erramilli and Rao, 1990); the environmental variables are related with the impact on the resource commitment and the transaction variables intend to evaluate the risk that a company is exposed in each entry mode option.

Along the years, many were the entry modes used to enter a foreign market. In the 1960's the main discussion was centralized between simple export of foreign direct investment were we can find the Hymer-Kindleberger theory (Hymer, 1976; Kindleberger, 1969) and the product line cycle theory (Vernon, 1966). In this decade, one of the major concerns of the internationalization was the "compensation" advantage that allowed a company to overcome the “costs of foreigness” (Hymer, 1987; Kindleberger, 1969). The focus in 1970’s relates to other strategic forms of internationalization like licencing, franchising and subcontracting. In the 1980’s, and as a route for the globalization, we start assisting to merger & acquisitions. The most common entry modes for the foreign expansion were through exporting, licencing, joint venture and sole venture (Agarwa and Ramaswani, 1992).

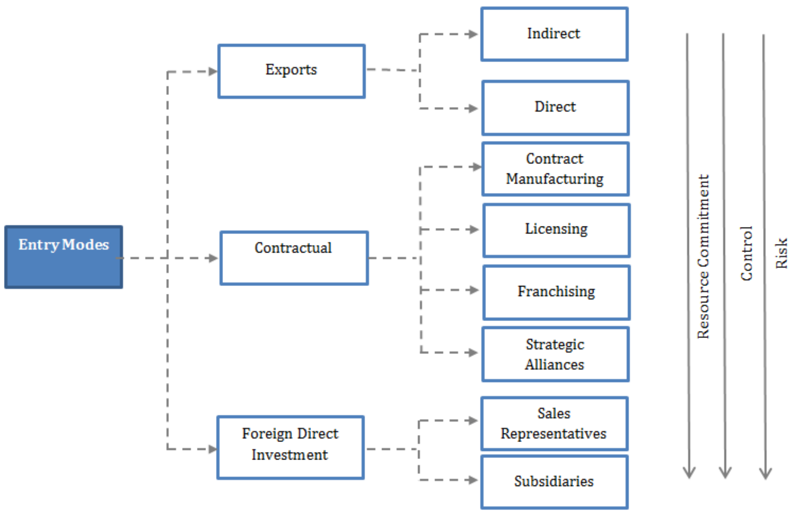


Figure 6: Entry Modes

There are several ranges that classify the way to enter a foreign market and they can have a significant influence on results. The expansion can be reached through exports, a contract and foreign direct investment. Exporting is the simplest method to enter a new market and can be made in a direct or indirect way. If a company opted to export directly it has a direct relation with the customers abroad while in the indirect export, it exports with the help of an intermediary (Peng and York, 2001). Direct exporting is the most common path of internationalization, however, indirect export may bring further advantages to companies with a small structure. If a company opted to export indirectly with the help of an intermediary who has higher knowledge of the markets and the distribution channels, the company would avoid the knowledge gaps and the concerns about finding the customers needs. With this intermediary, it became easy to achieve the knowledge and the best way to contact the customers. Moreover, it would reduce the level of uncertainty and risk to operate in a foreign market (Terjesen et al, 2008). The function of collecting data about the foreign market behaviour, seek for new clients and the burocratic issues would be delegated to the intermediary.

In the contractual range, there are several ways of entry. Licencing and franchising typically permits a company in a target country to use a property of the licensor, paying a fee for that use and a per unit royalty-fee. With that payment, the franchisee is allowed to control the operations and the company's local strategy. The licensee is responsible for the majority of the cost of opening and serving a foreign market, i.e., the licensee owns all the generator-assets of the company. This resource commitment is compensated by the licensor with personnel training and general know-how of the business. Subsequently, the licensor has the obligation to monitor the activity and verify the contract fulfillment. One of the big disadvantages of this entry mode for a multinational company is the dissemination of the firm-specific know-how (Hill and Kim, 1988). In terms of risk it tends to be low for the licensor or franchisor, but the return is lower than in other options of internationalization.

In the Joint Venture/Strategic Alliances case, classified as an equity-based cooperative venture, the level of control is dependent of the ownership split and the number of parties involved. This entry mode option is characterized to be in the middle between a fully owned and a licensing option. In this case, any decision that have to be made have to be agreed by all the parties. The same happens with the resource commitment. As a conclusion, we can say that the risk is divided between two or more players and it is a entry mode between licensing and wholly owned solutions.

The most advance way of entry is through foreign direct investment (FDI). In this entry mode option the company is a wholly owned subsidiary. In terms of control it is given the possibility to delegate to its subsidiary some daily operations and strategic decisions but the last word is always given by the multinational firm. The cost of opening a firm is completely in the company's side and the resource commitment is also high. With it, all the generator benefits are attributed to the parent company. Concluding, it provides a high degree of control, but the risk and the resources commitment level is also high.

	Control / Involvement	Cost	Dissemination Risk	Returns
Licensing / Franchising	1 (Lowest)	Low	High	Low
Exporting	2	Low	Low	Low
Management Contract	3	Low	Moderate	Low
Joint Venture	4	Moderate	Moderate	Moderate
Sole Ownership	5 (Highest)	High	Low	High

Table 1: Entry Modes Summary

Source: Erramilli and Rao, 1990); Douglas and Craig (1995); Lovelock (1996); Hill, Hwang and Kim (1990) (adapted)

After knowing the different entry modes (resumed at table 1), it is important to understand the decision framework that applies to a company selecting an entry mode. To select an entry mode a company takes into consideration strategic, environment and transactional variables.

The main strategic decision a multinational firm has to make is whether to adopt a global or a multi-domestic strategy (Hout et al, 1982). The first proposition of the model says that a multi-domestic firm tend to prefer licensing and joint ventures as an entry mode as they favour low control. Moreover, firms with a global strategy will prefer alternatives with a high control level. Wholly owned subsidiaries should be an alternative entry mode when requirement of a global strategy is high. The criteria analysed in this variable are the extent of national differences, the extent of scale economies and the global concentration.

The environmental variables take into consideration four factors: country risk, location familiarity, demand conditions and volatility of competition. The country risk is evaluated through the political instability, the control risk in terms of expropriation, the local requirements for the development of an activity in a foreign country and finally through the transfer risk, evaluated with the currency convertibility risk and the remittance control. When a contry has a high level of risk, companies tend to favour entry modes with lower resource commitment for fear of seeing its investment being expropriate by the country, for example. The location familiarity is related with the existing similiarities between the local and the foreign country. If the two countries are perceived to be similar a high commitment of resources is favoured. On the other hand, when the perception is to have clearly distinguished countries, a low resource commitment entry mode option is favoured. When a company start to invest in a foreign country and the product/service is not still available in that market, it is difficult to estimate the acceptability a certain product/service will have in that market. If the level of uncertainty of a market is high, a multinational company tends to prefer an entry mode with low resource commitment. Finally, the competitive conditions, if a market has volatile competition the parent company will prefer to have a low resource commitment to that market, as it happens in the generality of the markets.

At last, it is important to evaluate the importance of the transaction variables. It argues that The inexistence of transaction costs tends to benefit licensing as an entry mode as it has a low resource commitment. However, it is important to highlight that granting a license can bring some know-how dissemination problems. This can be used as an argument for the preference of a joint-venture partnership where the multinational company is more able to protect its knowledge. To conclude, the greater the know-how a company has to protect the higher the necessity to protect it, so the most a company values its know-how the greater is the desire for a company to minimize dissemination risk.

3.5 Dynamic Capabilities and the VRIN Model

The dynamic capabilities perspective is widely present in the management literature in the recent years after the pioneer work by Teece, Pisano and Shuen. For them, dynamic capabilities are an important tool to analyse the company's wealth creation and the ability to survive in a dynamic and rapid technology change environments. The average period a company is able to sustain competitive advantage has diminishing drastically in the last years due to hypercompetitive environments (D'Aveni, 1994), related with faster competitive, regulatory, social and technologic shifts (Wiggins and Ruefli, 2005). The dynamic capabilities of a firm can be considered as its key internal components.

The resource based view (RBV) aims to explain the internal sources of a firm's stable competititve advantage beyond other's efforts to duplicate or eliminate it. According to the theory, for a firm to achieve that competitive advantage, it must be able to develop resources that are valuable, rare, in-imitable and non-substitutable (VRIN) (Barney, 2002). During several years, many analysis were carried with the purpose to evaluate the capacity to achieve stable competitive advantage; core competences (Hamel & Prahalad, 1994); dynamic capabilities (Teece et al., 1997) and the knowledge-based view (Grant, 1996) were some examples.

There are different streams of knowledge that criticized some points of the RBV specially its valuability. For Barney (2002), the RBV is only valuable in stable environments as they have the unique conditions to produce stable competitive advantage, while in dynamic environments the use of dynamic capabilities becomes more useful (Helfat et al., 2007). The VRIN may also create 'the illusion of total control' or the idea that it is possible to predict the future (McGuiness and Morgan, 2000). However, in the long run, and as markets tend to be volatile the environment may change and a firm may not be able to control its position. Moreover, "a firm that has the superior capacity to develop structures that better innovate products will, in due course, surpass the firm that has the best product innovation capability today…" (Collis, 1994:148).

IV. Teaching Note

The teaching note chapter is divided into six sections. The case synopsis (1) summarizes the case study *Partnerships as a solution for International Expansion: the case of MALO CLINIC*. The Pedagogical Overview section (2) highlights the key teaching goals of the case and provides the basis for the structuring of the Assignment Questions (3). The class topics (4) suggest a road map with the key subjects that allow the instructor to reach the learning objectives, while providing sufficient closure for the Assignment Questions. The Analysis (5) provides a detailed and in depth explanation of how each of the Class Topics shall be addressed, having in mind both the Case study (II) and the Literature Review (III). Finally, the key findings are then summarized on the conclusion (V) chapter.

1. Case Synopsis

MALO CLINIC was created in 1995 with the opening of two medical offices in Lisbon. Thenceforth the clinic started its expansion, first in Lisbon and then in other locations in Portugal and abroad. This was possible due to its charismatic leader, Paulo Malo and his interest by difficult cases. These characteristics leveraged him and his team to the most relevant discoveries in the dental medicine field, and registered patents like All-on-4 and NobelSpeedy in the implantology area, that were the most innovative methods. With it, in 2012, Malo clinic was the world's largest centre of implantology and dental aesthetics according to the number of patients treated and the dimension and internationalization of the clinics.

The concept designed by Paulo Malo went further than a simple dental medical service. He created a concept of dental medicine in a spa environment as he found out that his concept could be easily related with aesthetics. MALO CLINIC had an international team of 2000 employees spread by all its clinics, 93 of which in Portugal. Seventeen years after the opening of the first clinic, MALO CLINICS were attending, on average, 1000 patients a day. Their patients were people with high income level, targeted in A or B segments. Due to its focus in Implantology, patients were edentulous or people with oncologic problems.

Health tourism was one of the most important targets of the Lisbon clinic before the international expansion, as 60% of its patients come from foreign countries. With the beginning of the international expansion of the clinic, this number has decreased, though it was still relevant for the activity of the Lisbon clinic.

In 2007, MALO CLINIC started its first phase of the international expansion with the opening of a clinic in Poland. The choice was related with the growth experienced in the country at the time. Moreover, this location was also chosen as a health tourism destiny due to its accessible prices and quality of the services. Some health insurance companies in Germany and United Kingdom even used to pay services in this country. In this first phase of expansion that started in Poland, the clinic opted to invest alone, incurring in all the expenses of opening a clinic in a foreign country. It happened also in Brazil, Coruña and New Jersey, amongst others. However, the costs of opening a clinic were high and the breakeven seemed more difficult to achieve than expected which leaded to excessive debt and difficulties to repay the debt. This situation was more critical in Brazil, where the competition was higher and people seemed not to be willing to pay the price the clinic wants for the high quality and differentiated service provided. With it, Paulo Malo and its team opted to close its clinics in Brazil and leave the country, despite some improvements in the countries' activity.

Achieving a high level of notoriety and recognition with some prizes received for its innovative methods, the clinic become able to sell its image and name. This opportunity emerged in a period where the clinic was facing critical debt problems but wanted to proceed with its expansion. While Paulo Malo participated in some events developed by Nobel Biocare, the most important supplier worldwide and with whom MALO CLINIC had a partnership, he had the opportunity to contact with some dentists that became interested in its techniques and to invest in a MALO CLINIC. This partnership with Nobel Biocare made easy the evaluation of the quality of the dentists and its clinics. MALO worked with the most relevant dentists and the high quality products in the market. This way the clinic opted for the first time to invest in partnerships, beginning the second phase of the expansion.

In the second phase of the clinic's expansion that started in 2012, MALO CLINIC tested for the first time a partnerships' model. This model started with a clinic in Teddington, a suburban area in the southwest of London, in a partnership with Dr. Shana. In this partnership, Malo clinic just contributed with the know-how and equipment while the local partner was responsible for all the financial investment. After celebrating the partnership, the dentists that would work in the clinic were integrated in a course in Lisbon where they became familiar with the techniques used by Malo and 60% of the All-on-4 technique that could be used easiest cases. In the first months of activity, MALO CLINIC sent two or three dentist from its Portuguese clinic to manage and involve the partner dentist in the Malo environment. Those Portuguese dentists were also responsible for the difficult cases. This model was further applied in other locations like Melbourne, Israel and Tokyo.

In the final of 2012, MALO CLINIC had 19 clinics worldwide, on the five continents. Three big clinics were responsible for the most complicate cases: the Lisbon's clinic for Europe, the New Jersey's clinic for America and the Macau's clinic for Asia. All the other clinics could refer its patients to these clinics if one of the most complicated techniques were necessary. Those were only applied by Portuguese dentists in order to protect the knowledge, as they work in exclusivity for the MALO CLINIC.

2. Pedagogical Overview

The MALO CLINIC's case describes the challenges of internationalization in an industry that typically expands its activity in domestic markets. The power of the brand and the bet on innovation turned MALO CLINIC into a market leader in the dental health segment, present in many countries. This internationalization process started with the opening of clinics in some strategic locations. However the consequent high debt made it difficult to proceed with this expansion and MALO CLINIC had to readapt its strategy entering new markets through partnerships.

The main purpose of the MALO CLINIC's case study is for students to analyse the strategy of the company in terms of internationalization taking into account the different entry modes used at the time, allied with some financial insights.

The present case was developed as a teaching tool for strategic management courses. Due to the required knowledge of some strategy concepts, useful for the analysis and some required knowledge of finance, this case is appropriate for an advance strategic management course at a master's level.

The fundamental objective is to teach students to develop their skills regarding the decision making process at a corporate level. Through this case students will have the opportunity to analyse a real company, study some of its dilemmas and endorse some alternatives for the decisions made by the company and the future positions that they should adopt.

After reading the case, there are some concerns in the protagonists' mind about the future of the company's expansion. The dilemma of investing alone or to continue finding partners that can condition the path followed by the clinic in terms of strategy and recognition. In addition, the case is a good tool for students to evaluate the importance of the external environment in the choice of the locations and how people react differently to the same service when the culture varies. Finally, the evaluation of the future of the company, bearing in mind the opinion of the different clients in different locations of the world.

Finally, students will have to analyse different ideas about MALO CLINIC case. First, it is important to realize the importance of the internationalization in the recognition of the company and the consequences that it provides for the future of the clinic and how partnerships could be a good solution for the internationalization process.

The instructor should expect that students complement the case at home with further information about the company and the industry where it is inserted, to conduct better analysis. They should also prepare the presentation of the assignment questions and be free to find more updated information within the social media about the perception of the clients about the service provided by the clinic and the success/failure of the next expansions.

3. Assignment Questions

The present section aims to help students to prepare the case for a class discussion; with a suggestion of assignment question.

1. Analyse the internationalization strategy adopted by the company in the first phase.
2. The company experienced liquidity problems due to the high leverage, consequence of the high volume of investment during the internationalization process. To continue its expansion and reduce this problem, the company opted to invest through partnerships. Do you think it was a good solution or should it moderate the investment and continue to enter new markets alone?
3. How likely is MALO CLINIC to create a successful international company?

4. Class Plan

1. **Analyse the internationalization strategy adopted by the company in the first phase.**
   1.1 Which factors contributed to MALO CLINIC's performance in the Portuguese market?
   1.2 How would you position MALO CLINIC when compared with the other players in the market? Does MALO CLINIC have a sustainable competitive advantage?
   1.3 Was it the right time and the right way to enter the selected markets?

2. **The company experienced liquidity problems due to the high leverage, consequence of the high volume of investment during the internationalization process. To continue its expansion and reduce this problem, the company opted to invest through partnerships. Do you think it was a good solution or should it moderate the investment and continue to enter new markets alone?**
   2.1 Compare the entry modes planned for the first phase of expansion with the second phase.
   2.2 Could partnerships be a possible solution for the next markets where MALO CLINIC wants to have a presence? Consider Moscow, Beijing, Sidney and Mexico as the locations for the answer of this question.

3. **How likely is MALO CLINIC to create a successful international company?**
   3.1 Characterize the stage of internationalization of MALO CLINIC.
   3.2 Which strategies should be adopted by MALO CLINIC to overcome the barriers of international recognition by clients and to replicate the success achieved in Portugal.

5. Analysis

1.1 Which factors contributed to MALO CLINIC's performance in the Portuguese market?

Before conducting an analysis of the company's performance it is important to analyse the industry where it is present.

MALO CLINIC is a player of the health industry operating mainly in the dental segment (where it started) with some others specialties in the health industry, such as cardiology, dermatology and gastroenterology. Moreover, recently the clinic allied its activity to aesthetics, developing a concept of Medical Spa where patients can enjoy several treatments.

In the last three years of activity in the dental field, it was visible a good evolution in terms of sales (consultations and medical interventions) that have been growing year on year. During 2009, in all its Portuguese clinics we can count around 140 thousand consultations and medical interventions. This value increased to 185 thousand in only 2 years, representing a growth of 32%. The impact on sales can also be explained by the number of new clients year on year. In 2009, the number of clients that visited the clinic for the first time were 5449, representing 34.5% of the total clients in the year. A year later, the number of new clients increased 42.6% reaching 7774 new clients. In 2011, the clinic faced a decrease in the number of clients from approximately 29 thousand clients in 2010 to almost 28 thousand. However, it did not negatively impact company's sales.

For a better understanding of how the industry behaves and how attractive it is for incumbents and new entrants, it is essential to perform an industry attractiveness analysis, conducting a Porter's five forces analysis.

Dental Health Threat of New Entrants

Medium

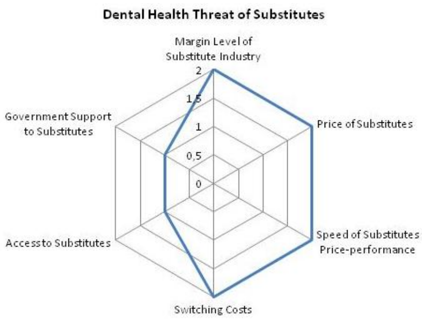
In Portugal, we can characterise the dental health industry as a fragmented industry with a few big players. In order to summarize the pressure performed by each factor that influences the threat of new entrants (as mentioned in the literature review), it was designed the graphic. Scope economies impacted positively this industry as the clients' experience with the dentist would create a dependency of the client to a specific dentist if the service provided was up to the expected level. Furthermore, it has a positive or negative impact in a dental clinic performance if a dentist works specifically for a client, according to the clients' judgement. The capacity to offer a differentiated product to the patients is one of the things that may bring more patients to the clinics. It is also one of the factors that distinguish MALO CLINIC from most oher clinics. The capital requirements tend to be medium and higher in the implementation phase. The costs required to open a clinic were higher due to the required equipment but when the clinic is operating the only concern is about maintenance and the essential equipment to develop the activity, which is also high when compared with other industries. The switching costs are medium as a patient is free to change from a dentist to another. The major disadvantage of doing it could be the knowledge of the patient's dental health history, registered just by one dentist or clinic. It can be seen as a drawback to switch when to look for another dentist. Dental medicine is in the health segment that is one of the industries that advanced more within the last years. In order to compensate the investment made by doctors and clinics patenting assumes a positive role in the knowledge of the innovative techniques. So, we can conclude that patent control tends to be high and influence the new entrants in the industry. Finally, it is important to highlight the power of the government which tends to be low. In Portugal we have low public dental health services with only a program for children a few years ago named "dental check".

Taking into consideration the behaviour of all that variables we conclude that the threat of new entrants in this industry is medium.

In the case of the MALO CLINIC segment, the scenario is similar, with the advantage of the high capital requirement, as it operates in a premium segment and the techniques developed were more capital intensive.

Dental Health Threat of Substitutes

Low



Dental Health is a segment of the health industry, however within it there are not any substitutes for the service provided by dentists.

The consumption of dental health services has grown in the last years with an increasing health concern, especially in the dental segment that sometimes had a lower importance. In the majority of the developed countries, the government provides health services to the population, spending on average 10% of GDP on it.

Due to the inexistence of alternatives in this segment of the health industry, the majority of the factors that may influence the threat of substitutes are low, leading to high margins.

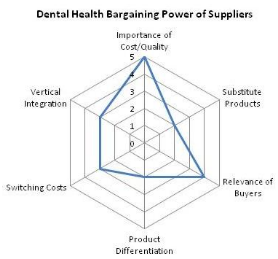
Dental Health Bargaining Power of Buyers

Medium

In the health industry buyers are assumed as patients and the bargaining power of buyers is medium, as medical doctors are more informed about the industry and the solutions than patients. The patients concentration has a low impact as every people can be a patient of this industry, so they can be everywhere but with lower power for the above mentioned reasons. The switching costs may be compared to the cost of switching from a dentist to another and in this case it has a medium influence as the doctor should be more informed than other of the entire file of his patient. The margins were also on average. The relevance of the service provided is medium as it is not felt as one of the crucial fields of the medicine. Finally, the service differentiation tends to be low in the generality of the cases. However, in the last years in Portugal there are some clinics who provide a differentiated service like MALO CLINIC or 32 Senses. In the majority of the clinics or doctor offices all doctors provide the same treatment to its clients with a major difference for the equipments and infrastructures of the clinic, that are the ones that most impacted the patients choice. In MALO CLINIC and 32 Senses, they focus on providing a differentiated service, where the relationship with the patient is the central idea and should be kept for a long time.

Dental Health Bargaining Power of Suppliers

Medium Low

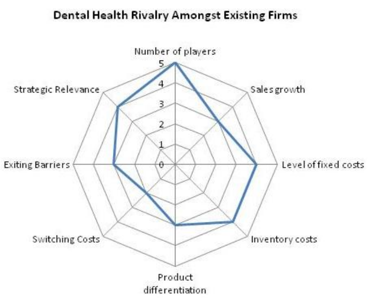


In the health industry the suppliers, mainly of equipment, have a medium influence through dentists, since quality may differ among suppliers. Suppliers are very fragmented, with lots of small players, but with three main players that have a significant market share. The three major players in the industry were Nobel Biocare, Straumman and Ictec, all Swiss companies given the strong relation between the implantology and the clock industry in what technologies are concerned. The influence of the suppliers in this industry is medium low, due to the concentration of suppliers (the three referred firms accounted for the majority of the market share). The other high number of small supplies have the remaining market share.

In the case of MALO CLINIC, its clinics were supplied exclusively by Nobel Biocare, the leader supplier in Implantology. The long term relation between the clinic and its supplier included the financing of its research programs in return of being the exclusive supplier of the products required for the execution of the techniques. MALO CLINIC also receives a fee for all the orders of the techniques developed by them. In the case of MALO the power of the supplier is higher than the generality of the clinics and the switching costs were very high due to the existent relationship that can be seen as a win-win situation for MALO and Nobel Biocare.

Dental Health Rivalry Amongst Existing Firms

Low



Portugal had in 2012, 7576 dentists that in general developed its activity in small clinics or a single dental office. However, a few of them are placed in the big clinics that are still a minority in an industry characterized for being fragmented. Benefiting from increasing concerns from patients in the medicine area, the sales have grown slowly in the last years. The fixed and inventory costs are high as products used in the development of the activity tend to be expensive.

It is easy to change between firms as the service provided is similar, however it is fundamental to create brand awareness in order to protect patients and the fact that a doctor that monitors the health of a patients will have an advantage over a colleague since he knows how a patient reacted to a treatment in the pass. With it, switching costs tend to be lower than expected.

SWOT Analysis

After understanding the behaviour of the industry where MALO CLINIC is inserted, it is important to relate the company's behaviour within the industry. For it, it is crucial to analyse what are the strengths and weaknesses of the company, with the help of a SWOT analysis.

First of all and regarding the strengths of the clinic, it stands out from the others due to its quality and expertise, being the 1st world clinic in dental medical expertise due to its unmatched know how on total edentulous. In this field the investment of the clinic in R&D results in patent techniques, being the most known the all-on-4, a concept of rehabilitation that was one of the major developments in implant dentistry worldwide. Unlike other clinics, MALO provide its patients a variety of services within the clinic in different areas like other medical specialties and Spa services. With it, patients established a relation with the clinic increasing awareness. In addition, it is more vertical integrated than its competitors as it integrate the educational part within the clinic to qualify its doctors with the techniques used exclusively in the clinic. Other strengths are related with the worldwide notoriety of Paulo Malo, a charismatic leader that brings recognition to the clinic due to the techniques he developed. The location of the clinic can also be considered as a plus for the clinic, as it is located in the city centre in an impressive and well located building.

Some weaknesses of the clinic are the lack of qualified human resources out of the dental medicine in areas like management and operative functions in some locations. Additionally, the clinic is experiencing difficulties to attract senior doctors to develop partnerships in the locations where the clinic wants to be present, as they can bring easily the credibility that the clinic pretends to achieve. Related to that, it is sometimes the difficulty felt by MALO CLINIC to be identified by its excellent quality when compared to its competitors.

The opportunities that the company should bet on are the medical tourism that is currently focused in the Lisbon clinic but can be easily spread to other locations like Madeira, Macau and Algarve. Moreover, the rate of edentulous people (aged 65 plus is 42%) could be an opportunity for the clinic due its advanced techniques in this field.

Finally the threats faced by MALO CLINIC are the diversity of cultures and idioms of the clinic placed in different locations worldwide, which make the existence of a common strategy for all difficult. The accumulated losses during the last three years have resulted from excessive leverage related with the high investment in the international expansion of the MALO CLINICS. With this situation, MALO CLINIC is trying to find the financial resources to allow it to reinforce its capital structure that is currently quite fragile. Another problem that can be faced by the clinic is the use of dental doctors to work in different clinics and the risk of sharing the knowledge with competitors. However, in order to try to mitigate this problem, MALO CLINIC doctors work exclusively for its clinics.

1.2 How would you position MALO CLINIC when comparing with the other players in the market? Does MALO CLINIC have a sustainable competitive advantage?

MALO CLINIC started as a dental clinic like many others, as mentioned in the case, with only to medical offices. The focus in the research and development and the interest demonstrated by Paulo Malo for the difficult cases, contribute for the path the clinic follows and how it is positioned today.

Regarding the clinics activity at the moment with the other players in the market, it is possible to make an evaluation of the competitive landscape in the industry. The best way to visualise the differences between the players in the dental health segment is to develop a strategic group map. Bearing in mind what most distinguished the dental services providers in the market, the two axes used for the analysis are innovation and price.

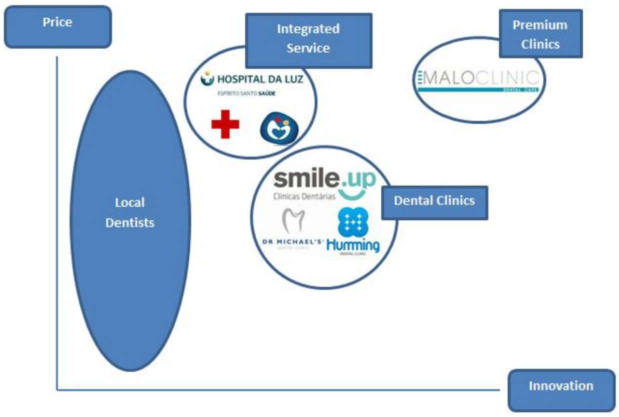


Figure 7: Health Industry Srategic Groups

Looking at the it is visible the existence of four clusters in the dental health sector, being the most expensive for patients the one that invests more in innovation (R&D) and where the MALO CLINIC is present. As it provides the most innovative methods to its clients, it is able to charge more to its treatment in the premium segment in the dentistry field. In the middle stage, we can find the cluster of the clinics that have some notoriety as they reached several locations in its origin country but do not achieve the innovation and techniques developed by the first cluster. It is possible to find in other cluster all the small players in the market, which are the less innovative ones and charge low to moderate prices when compared with its competitors. Finally, there are some clinics and hospitals that provide dental medical services within its larger offer of medical services.

The capacity to internationalize can also be related with the capacity of being innovative and it might be one reason for the fact that the only internationalized firm presented in the strategic groups is the MALO CLINIC, as it is the one that more invest in R&D.

Other important topic to analyse when conducting this type of analysis, is the ability to have a sustainable competitive advantage. As described in the literature review, one of the models that evaluate this ability is the VRIN framework.

Valuable – MALO CLINIC provides to its patients a differentiated product when compared with its competitors. They have the possibility to enjoy premium dental health services in a spa environment and practically without pain. The techniques used by the clinic are valuable since the patient can benefit from the service with lower pain thanks to the techniques developed by Paulo Malo and his team.

Rare – Paulo Malo developed several techniques that are patented for the exclusively use of its clinic. All the doctors able to use these techniques work exclusively for the clinic which wants to protect the knowledge solely for the dentists that develop its activity for the clinic.

Inimitable – The fact that it is a complex discovery in the dental medicine field makes it not easy to copy. Moreover, all the findings of Paulo Malo and its team are patented in order to guarantee the exclusivity of the knowledge to its clinics.

Non-substitutable – There are other techniques that reach the same results as the ones used by MALO CLINIC, so we cannot consider that the service is non-substitutable. However, the non-substitutability is enhanced since there are some differences between the results showed by MALO CLINIC and the generality of the dentists. While in MALO the patients is able to get its treatment practically without pain and in the case of the edentulous get a new dentition in one day, the time and recuperation in the majority of the dentists is more lengthy and painful for the patient. Therefore and until a new discovery in the dental medicine that is proof the get better effects for the patients, it is a non-substitutable service.

	Variables	Sustainability
Valuable	No pain treatments Premium Service	Sustainable Unsustainable
Rare	Human Resources	Sustainable
Inimitability	Complexity of the techniques Confidence in the clinics	Sustainable Sustainable
Non-Substitutable	Treatments	Sustainable

Table 2: VRIN Model Variables

The sustainability in terms of competitive advantage of MALO CLINIC is relatively high (5/6) if we apply the VRIN model to the generality of the services provided by the company.

1.3 Was it the right time and the right way to enter the selected markets?

In 2007, MALO CLINIC was already recognized in Portugal by its quality and innovative techniques in the field of dental medicine. The Lisbon Clinic received lots of foreign customers wanted to enjoy its services. Being the dental medicine sector very fragmented and providing MALO a differentiated service from its competitors with a good receptivity from the foreign customers that visit the clinic, internationalization was seen as an opportunity for the MALO CLINIC.

After making the decision to internationalize the clinic, it was important to define the countries where they wanted to be present and the way to enter the respective markets. The first MALO CLINIC outside Portugal was in Poland, a market that at the time was experiencing high growth rates and receiving lots of health tourists from the United Kingdom and Germany. Moreover, insurance companies from these countries used to pay treatments in Poland due to the lower prices charged and the quality provided. With it, and focusing on the European customers, it seemed to be a good option. The success and expected profitability of the clinic in Poland made MALO CLINIC to think about opening in other places in the world. It happened in Brazil, Spain and others. However, the ambition of MALO CLINIC to open so many clinics in a short period of time with a lower success than expected, lead them to a problem of excessive leverage.

Despite the choice of growing countries where the increase of the life's expectancy standards could help the clinic to be well acceptable in some locations the expected success was not achieved in the predicted time. The Brazilian case that was highlighted in the case was a clear case where the strategy of the MALO CLINIC was not well studied and the existing competitors, even if fragmented, were undervalued. The failure or the incapacity to achieve the breakeven of each clinic in less than three years, conducted the strategy to failure as MALO expected to finance the next clinics with the profits generated by the previous ones.

For the first phase of the expansion, the clinic opted to enter each market through foreign direct investment incurring in all the expenses necessaries to open a dental clinic. Analysing the business model of the company and the need to protect the existing know-how and techniques for MALO CLINIC, it seemed to be the better option in the first phase. However, the ambition and the desire to be present in many markets in a short period of time, conducted the strategy to failure and it could be seen as the major mistake of the clinic.

2.1 Compare the entry modes planned for the first phase of expansion with the second phase.

In the first phase of the expansion, MALO CLINIC opted to internationalize its concept through foreign direct investment (FDI), opening clinics in different locations, incurring in 100% of the investment. However, the breakeven (the moment where the clinic start being profitable and covers the amount of the investment) displayed longer than expected and the leverage reached uncontrollable values.

Trying to avoid this problem, in 2011, MALO CLINIC has decided to change its internationalization strategy. The cost of entering alone a market with high level of uncertainty and the failure of some strategic locations led MALO to enter the markets through a contractual mode. After that, the clinic tried to find partner in the strategic markets where it wanted to be present, expanding through partnerships.

Both entry modes bring advantages and disadvantages to the clinic. In the first phase of the internationalization process, that started in 2007 and went on until 2011, the clinic expanded its activity through foreign direct investment. During that period and if the strategy went well, the company would be able to finance the next locations and control the whole company while in the second option, the partnerships that were developed after 2011, the company just received part of the invoices and was unable to be independent in the management of the clinics. On the other side, if anything went wrong and the clinic was not as successful as expected, when in the first phase the risk was all in the MALO CLINIC side as they incurred in all the investment, in the second option, the risk was divided between MALO CLINIC and its partner, as both invested in the clinic. One of the major challenges of the FDI mode is the level of investment required to open a clinic as projected by MALO with the uncertainty to know if the patients will be able to pay the price of the investment and the service provided.

Analysing narrowly what happened in the MALO CLINIC situation, we conclude that not everything went as expected. It was expectable that the company reached the breakeven point in less than 3 years but in many locations it did not happen. The Brazilian case, allied with the bank debt problem due to the excess leverage for the investment, it showed a high amount of suppliers' debt. Moreover, the debt's repayment capacity was not showing results good enough to keep the clinics opened as Brazilian seems not to be willing to pay the price charged for the service. With it, the company decided to close the activity in the country, with a high amount of losses to the business.

In the second phase of expansion, the company opted to enter foreign markets through partnerships. Thus, the problems of the high investment to open a new clinic are overcome as the MALO CLINIC is in charge of the knowledge and equipment investment while the counterparty pays for the investment in infrastructure. This type of contracts are less penalizing for the MALO CLINIC balance sheet, as the counterparty is responsible for the majority of the investment, providing the possibility for MALO to reduce its debt.

In recent years the profitability of the partnerships and the increasing turnover achieved (EUR 12.5m in 2012), improved the capacity of MALO to repay its debt, which was reduced to half of the company's assets in the final of 2012. Partnerships were generating on average a profit of EUR 2.5m a year with an increasing trend and in the 2012, the United States clinic in New Jersey will be consolidated for the first time which will contribute positively for a large reduction of the company's debt. The Lisbon clinic could be considered as the group's cash-cow, generating the greatest part of the group's profit. The clinic expects to solve its debt problem in the final of 2013 benefitting from the consolidation of the MC New Jersey and the partnerships revenues.

2.2 Could partnerships be a possible solution for the next markets where MALO CLINIC wants to have a presence? Consider Moscow, Beijing, Sidney and Mexico as the locations for the answer to this question.

To consider partnerships as hypothesis for each of the mentioned locations it is necessary to perform an analysis about all the selected locations, taking into account the different factors that may influence the success in every location.

Following the same strategy that MALO usually follows when making a decision, we will start to conduct an analysis of the current macroeconomic indicators that may influence the decision, such as, population structure and number of inhabitants, geographical reach that the selected location may bring (influenced by the already existing clinics), the existence of a recognized urban area and the growing rate trend. Moreover and entering in the dentistry field, it is important to analyse the private and public expenditure in healthcare, the number of dentists in each country and its density per 10000 population.

The first location to be analysed will be **Moscow**. Moscow is Russia's capital and has more than 10 million residents. The country counted almost 143 million people and was the 9th most populous country in the world in 2012. In the last year the demographic trends, contrary to what happen in the majority of the European countries, showed a positive evolution in Russia, increasing the number of births while the majority of the population was concentrated in the working age. Russia benefits not only from a big urban area in Moscow but also in San Petersburg with more than 4 million habitants. Moreover, the dimension of the country and its geography made the country an attractive place as it borders 16 countries, some of them the European Nordics.

In the economic field, Russia is also an attractive place as in 2012 it was the 8th largest economy worldwide in nominal values and the 6th considering the purchasing power parity, which presented in 2012 a growth rate of 3,4%. This country was included in the BRIC's, with one of the major potencies for the future. Its economy was based in the industry segment with lots of natural resources available. One of the major concerns in the country were the income disparities between the richest and the poorest.

Beijing was also one of the possible locations for the establishment of a MALO CLINIC. With almost 19 million habitants in 2012, it is the capital of China, a country famous for being the most populous in the world and with high income disparities.. The most populous city of the country with more than 1338 million inhabitants was Shanghai with around 22 million people living in the city. The demographic structure follows the trend of developing country but with a trend to decrease the number of births in the last years, mainly related with anti-natalist policies.

Economically, China was the world's second largest after the United States with impressive growth rates in the last years. It was the nation with the highest economic growth in the last twenty five years. In 2012, it saw this value decrease to 10% which was still a good value and higher than the worldwide average.

Other location considered in the MALO CLINIC plans for investing was **Sydney**. Coupled with Melbourne (the Australia capital), Sydney was the most important city in the Australian continent. Both cities counted more than 4 million habitants in a country that had a little more than 23 million habitants. Its demographic structure was typical a developed country, with a narrow base, widening in the working age and increasing at the top. Australia had one of the largest capitalist economies being in 2011 the 12^{th} largest economy by nominal GDP and the 17^{th} on purchasing power parity. The GDP country growth was 3.3% in 2012.

Finally, the last place to consider was **Mexico City**. Mexico was a Latin America country with a population of 115 million. Its three main cities were Mexico City with 20 million and Guadalajara and Monterrey with 4 million inhabitants. The age structure presented a true age pyramid with a wide base and a narrow top. Economically, according to the World Bank data it was the 13^{th} largest economy in the world (in nominal terms) and the 11^{th} in purchasing power parity.

After this general view on each location, it is important to focus on public and private healthcare expenditure and more specifically in the field of dental medicine that is the target segment of MALO CLINIC.

In **Mexico**, more than half of the healthcare expenditure is done by private doctors. However, it is important to note that between 2000 and 2009 the government increased the health expenditure in percentage of GDP from 5.1% to 6.1%. The same scenario is also visible in the other countries under analysis where in the last decade (2000 to 2009) most governments increased their expenditure in healthcare as a percentage of the GDP which resulted in a decrease of the weight of the private expenditure in the industry. The country where that difference varied slowly was in **Russia**, followed by **China**, the two markets that had more GDP growth in the previous decade. In the case of **Australia**, a wide change in the sector is not visible. In the selected markets, with an exception for Mexico where it was impossible to collect data, the density of dentists by 10000 habitants is lower than in

Portugal, the local market of MALO CLINIC which may result as an opportunity. In 2012, there were 7656 dentists in Portugal which corresponded to a density per 10.000 habitants of 7.2. The prospect country that presented values similar to Portugal was **Australia** that had 14500 dentists which corresponded to a density of 6.9. Despite the high number of dentists in **China** and **Russia**, the number of people of the two countries made the penetration of these professionals lower than the generality of the countries. In **China** the density was in 2012 one of the lowest worldwide, 0.4 while in **Russia** this value was 3.2.

When comparing the conditions and concerns in dental health within the four countries we can conclude that we can find some discrepancies. **Australia** is a developed country and the conditions of dental health are similar to Portugal or any other developed country. The demand for dental clinics is moderate and the existing number of dentists is sufficient to satisfy the demand of the service. In the other cases, the dental health medicine practiced in the country tends to be expensive and mainly private. The consumers did not have many concerns about dental health and did not give any importance to the consultation of a specialist in the area. Moreover, the prices charged for a consultation were higher than the majority of the population was willing to pay. This was time not only because the density of doctors was lower but also due to cultural factors. It is important to note the effort made by the recent governments to overcome this situation and to develop preventive health medicine instead of reconstructive and to increase the quality and number of professionals available. Finally, it is important to highlight that in all locations the industry was truly fragmented and mainly concentrated in the private side.

Having studied the environment of each selected locations, we have now the ingredients to analyse the sustainability of developing a partnership in this countries or to look to another entry mode strategy. In Table we have 3 a summary of the main indicators.

	Russia (Moscow)	China (Beijing)	Australia (Sydney)	Mexico (Mexico City)
Number of Habitants	143 million (9th)	1338 million (1st)	23 million (53rd)	115 million (14th)
Economic GDP Ranking	8th	2nd	17th	13th
GDP Growth (2012)	3.4%	7.8%	3.3%	4.3%
Density of dentists by 10000 Habitants	3.2	0.4	6.9	-

Table 3: Locations Options Summary

Looking at the table, it is easy to see that the selected countries are mainly some of the most populous countries in the world and with sustainable economies. In a time where many countries were facing economic difficulties the selected countries presented strong GDP growth rates and a good position worldwide. In the dentistry field, with an exception for Australia, all have low penetration rates of dentists. Also, the culture to consult a dental health professional was weaker.

In order to make a decision for the most adequate strategy to enter these markets, we will perform an analysis using different strategy frameworks. The first one to be used will be the industry life cycle in all markets.

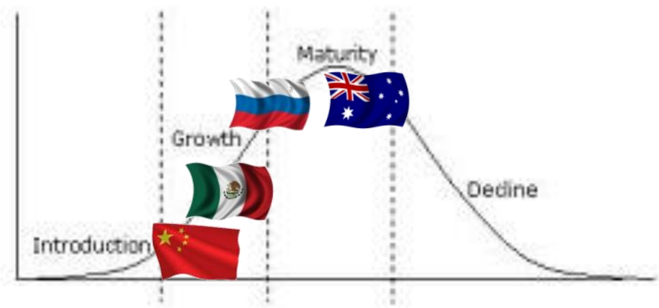


Figure 8: Proposed Industry Life Cycle

The industry life cycle intends to evaluate the stage of development of the industry in the selected markets. With it, we can see that in the majority of the cases, dental medicine was in the growing phase in these countries (China, Mexico and Russia), with an exception for Australia that due to its stage of development has characteristics of a mature market. The model tells that the opportunities happen in the introduction and growth phase. So, China, Mexico and Russia constitute a better opportunity for MALO CLINIC than Australia. Moreover, the increasing life quality and population number also have a positive impact in the same countries. The advantage in the Australia's choice is cultural as the demand for a premium service, the one offered by MALO CLINIC, is higher in this location.

Second, it is important to analyse the competitors and acceptability in the country. China is a known market for MALO since it has a clinic in Macau. The success of the first location not only in the dentistry field but also in the other areas where MALO is present may leverage the investment of the new clinic in the country. MALO CLINIC Macau is the most relevant clinic in Asia, receiving all the important and most complicated cases in the region. Due to the importance of this location for MALO CLINIC, as the first investment in the country (Macau), they developed a fully owned clinic. The debt required for the investment in 2012 was not all paid yet. An amount of EUR 10m was missing to cover all the expenses of the first investment and finance the first years of activity. Moreover, since its opening, the MALO CLINIC Macau has been one of the most profitable clinics with a good balance between the dental and the spa treatments. The turnover presented high growth rates along the years which were good news for the opening of a new location. The main driver of the clinic in Macau were the casinos, so MALO CLINIC intends to open a clinic in Beijing where the main driver will be the high purchasing power of the city and the preference to be treated by European doctors instead of Chinese.

In Mexico all the dental services were private and were potential competitors to MALO CLINIC. An advantage for MALO competitors in this market is the price, much smaller than what is usual in the US where MALO has a clinic, benefitting from the dental tourism flow from the US into Mexico. Even a family that is not able to pay an insurance in US can afford to pay the dental services in Mexico. The dental clinics and hospitals in Mexico used the most advanced technology and many of its dentists were recently trained, which was not true in the past. Despite the great opportunity Mexico represents in the health tourism segment, for customers looking for affordable prices, MALO CLINIC will face a strong although fragmented competition in the country.

In Russia, most dental services are private. However, the market is clearly fragmented without any large dental group that could be a strong competitor for MALO CLINIC. The dental service provided by the public hospitals is very poor and only the lowest income people used the service. An average consultation in Russia can cost around 25 euros in a private clinic and is free in the public hospitals.

According to the clinic information, Australians do not travel to look for a medical service. The success of the MALO CLINIC in Melbourne triggered the interest to open another MALO CLINIC in the country, in Sydney. The conditions in this second location should be the same as the first one and MALO plans to open the clinic with the same partner. In terms of dental health, Australia indicators are similar to those of Europe.

In order to sum it up and make the final decision about the most desirable way to invest for the MALO CLINIC in each of the locations, some conditions that will influence the sustainability and success of the opening of a MALO CLINIC in the selected market will be evaluated.

The first condition to be analyzed will be the local demand. In the cases of Sydney and Beijing, where MALO CLINIC is already present, it is easy to have a most accurate idea of the acceptability of a new MALO CLINIC but not in a different location such as Russia and Mexico, where MALO does not have any presence so far. Given the good acceptability of the clinic in Melbourne that works in a regime of partnership with Dr. Larry Benge, a localtor, and the fact that Australians do not use to travel from one city to another for health treatments purposes, it would be expectable that the opening of a MALO CLINIC in Sydney with the same partner would have a similar success.

The same could happen in the MALO CLINIC Beijing where the conditions to open are different. While in Australia MALO CLINIC opted to have a partner, in China (Macau) it was the full owner of the clinic. This difference is based on the importance of this location that is strategic for the clinic and is the most important location in Asia, where the most complicated cases in the area are directed to. The decision to open another clinic in the country is related with the driver demand. In Macau, the main demand driver is gambling and the presence of many casinos. In Beijing, the demand driver is the high purchasing power of the city. It is also important to note the profitability of the MALO CLINIC Macau, which is one of the most profitable clinics of the group. In terms of demand, it is expectable that they would be at the same level.

In Russia the MALO CLINIC is still unknown by most people. However, there are some factors that should be taken into consideration when analysing the location. Russia has one of the highest growth rates in the world and its medium-class is gaining space. Moreover, it is important to note the size of the population as it is one of the most populous countries worldwide. Russia and particularly the capital, Moscow, have some dental health aspects that can be seen as an advantage for MALO CLINIC. Dental services provided in the country seemed expensive and with low quality. This can be a crucial factor for MALO which considers quality and innovation as the most important factors to satisfy its clients.

The last location to be analysed is Mexico. It is also an unknown location for MALO CLINIC and probably the most challenging one in terms of demand. Mexico is one of the locations sought by the Americans to enjoy dental health treatments, due to the low prices practiced in the country when compared to the United States. As it was said, a premium clinic in this location charging for a quality and innovative service may constitute a challenge for the success of MALO CLINIC. Given the general demand conditions, it would be a destiny where MALO CLINIC should not invest alone, but rather with an experienced partner in the region. With a local partner making all the investment, the case may change since MALO CLINIC would not have much to lose.

Human, knowledge and capital resources and the way they are used in each country will now be analysed.

Part of the team that will be working in any chosen location is from one of the MALO CLINICS in Portugal and the remaining team is trained by MALO. In all locations, they always look for the best and most recognized dental medicine doctors in order to mitigate the risk of having under quality doctors that would provide uncertain quality service.

However, capital resources in the case of MALO CLINIC tend to be high. As we are talking about a premium clinic that provides a premium service with the "state of the art technology", the investment required for opening of a clinic is high. Bearing in mind the limitations of capital that the clinic faces, the solution of founding a partner to open a clinic in several locations was well received by the clinic in order to continue its international expansion.

The majority of the firms, when expanding its activity to other countries, used to use home based suppliers. However, MALO CLINIC even when located in other country has an exclusive supplier for all the MALO CLINICS worldwide, Nobel Biocare. This supplier is responsible for supplying all the material required for the clinic's activity and also for financing its research and development programs.

The last factor to be analysed are the local strategic conditions. Starting with China, where MALO has a clinic in Macau and intends to have a clinic in Beijing, the strategy that should be followed by the clinic in Beijing should be the same as in Macau. It happens as it is the same country, where the rivalry and the demand conditions are similar (but with a different driver). The concept of the clinic should include also a hotel with a spa, as it could be difficult to support a spa outside the hotel. Concluding, the strategy adopted in the MALO CLINIC Beijing is clearly similar to the clinic in Macau.

The same happens in Sydney. The strategy, structure and competitors are the same as in the MALO CLINIC Melbourne. The demand factors are crucial in the choice of the location and if the factor demand remains unchanged it is expectable that with the remaining factors happens the same.

In Moscow and Mexico City, as they are new markets for MALO CLINIC, it is essential to be more careful in the analysis of these two countries. In Russia, the dental health segment is very fragmented without a major player in the country. In the public hospitals, patients can enjoy dentistry for free but the service is very poor. The perception of quality is higher in the private companies; however, it does not reach the average requirements of the population. Given this information, MALO CLINIC should have a clinic in Moscow to provide a high quality service to its patients. Being present in a premium segment in a fragmented market and with a higher quality, it constitutes a differentiator factor when compared with the other clinics in the country. In terms of rivalry as MALO operates in a different segment, it should have its own patients.

In Mexico, the strategy should be adapted given the particularities of the country. Contrasting with the majority of the locations, in Mexico people look for low prices and average service. Similarly to what happens with the MALO CLINIC Poland, which receives patients from the North and Central Europe, Mexico is a health tourism destiny for the United States, where MALO has a clinic. Given this particularity, MALO CLINIC strategy should be centered on the opening of a single clinic in Mexico City focused exclusively in dentistry without any extra service, such as a spa or other medical specialities. The prices charged should be a little lower than in the other clinics in this market according to the above mentioned reasons.

Balancing all the previous analysis about the four possible locations, we have now the conditions to make a decision about the entry mode MALO CLINIC should adopt to enter in each market, bearing in mind the preference of the clinic for partnerships.

China and Russia are among the most populous countries in the world and the ones that are growing the most. So, they are seen as a good location to open a MALO CLINIC. The demand drivers of the location also have a positive impact in these locations selection. The profitability and success of MALO CLINIC Macau make me advice an investment on their own in a new clinic in the country, this time in Beijing. The conditions of the two locations are similar and the expected success compensates largely the risk.

In the case of Moscow, the most adequate entry mode may be also an investment on their own. Not only due to the population structure factor but due to the type of service provided in the country and the necessity to provide a premium and quality service. I strongly believe that MALO CLINIC would be able to fill a gap in the dental health market in the country.

Australia is also one of the markets where the clinic's activity is going well but where MALO CLINIC has a local partner. The Australian market has the particularity of the lower flexibility of the population to change from its city to enjoy from health treatments which is an opportunity for the clinic to open in another location. However, synergies from one location to the other should be easily achieved if the clinic invests with the same partner in Sydney. Moreover, the dimension of the market makes it an uncertain place to invest as it is impossible to predict the success of the clinic in this new location.

Finally, the last location to analyse is Mexico City. This may be the most challenging place for MALO CLINIC where the level of uncertainty of the success in the country is high. So, it will only make sense to risk an investment in the country with a partner that really knows the region and is able to cover the entire investment amount. Otherwise, MALO CLINIC should not invest in this location at the moment.

Concluding, MALO CLINIC should opt for partnerships in its future investments in locations where the probability of succeeding in those markets is uncertain. It is the case of Mexico due to the demand conditions in the country and in Australia where the clinic has already a partnership in another location. For the largest markets, such as Russia and China, where the development and growth of the economy may sustain the success of the activity, MALO CLINIC should invest alone if financially possible.

3.1 Characterize the stage of internationalization of MALO CLINIC.

MALO CLINIC is a large and recognized Portuguese company with a presence in several countries in the five continents. However and despite the success of its techniques and quality of the service, it fails to be as successful as expected in some locations outside Portugal, such as Brazil or Macau. The company that has the knowledge and the resources to achieve a good performance and profitability is being unable to achieve it due to its high level of debt. To partly solve that problem the company opted recently, in 2012, to expand its business through partnerships celebrated with local partners (dentists that operate in places where MALO CLINIC wants to be present).

As described in the case, the company achieved its internationalization through two different entry modes, foreign direct investment (FDI) and strategic alliances. In the first, MALO CLINIC controls 100% of the clinic. This was the case in the Portuguese clinics and in Warsaw, Macau, Tokyo and New Jersey. There, all the strategy is defined by the clinic in what concerns management and marketing decisions but each clinic could give its suggestions to be approved in the Lisbon headquarters. In the case of the partnerships, there are some guidelines that must be followed by the clinics in order to continue with the partnership but the decision making is done locally with only some exceptions defined contractually.

Aiming to characterize the level of internationalization of the clinic some models presented in the literature review will be applied, like the Integration Responsiveness Model and the International Strategies pointed out by Porter.

Analysing first the international strategies of Porter, that characterise the level of internationalization of a firm according to the coordination of the activities and its configuration, MALO CLINIC is a multidomestic company, tending to become global. As it is a company that provides a service directly to its clients it is normal that its activity is spread in different places of the world. Moreover, the company opted to manage the clients in a centralized mode, controlling each one in the MALO CLINIC headquarters, in Lisbon. We could

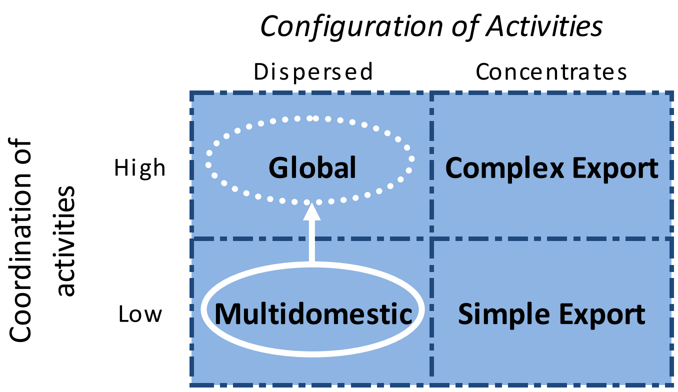


Figure 9: Proposed Internationalization Strategies Matrix

say that MALO CLINIC is tending to become global, the most mature phase of a company in terms of internationalization, as the second phase of the internationalization develops. It happens as it became more difficult to manage the whole clinic centrally and the operational decision has to be engaged locally. In the partnerships regime, MALO CLINIC define the worldwide strategy of the clinics while the partner makes the decisions locally as it has a more reliable perception of what can work out in its market.

Other classification of the internationalization strategy was suggested by Barlett and Ghoshal in 1989. This model pretends to evaluate the level of integration and the level of local responsiveness. In terms of local integration it evaluates the capacity of a company to produce where it is more efficient while local responsiveness takes into account the pressures felt by the company to adapt to the local conditions. Evaluating the MALO CLINIC strategy using this framework, we conclude that MALO CLINIC reached in 2012 a high level in terms of global integration. The clinic has its activity located in several clinics within the five continents where the different services provided by the clinic were available to its clients. However, in order to protect the knowledge of some implantology techniques used exclusively by MALO CLINIC it was strategically defined to have three clinics, one in each of the most relevant continents where the clinic is presented (Europe, Asia and America) to develop the activities of the most complicate cases that use the all-on-4 technique. These clinics were located in Lisbon, Macau and New Jersey. Unlike what happened previously, when the company was only located in Lisbon and had a low global integration (allowing just to export its activity through the health tourism activity that bring the recognition to the company's techniques), the MALO CLINIC is now able to be close to its possible patients with the opening of several clinics around the world. In terms of local responsiveness, the clinic has still a low adaptation to the different markets, mainly related with the type of service provided but it is doing efforts in order to adapt its strategy to its different clients. This is being made possible by the developed partnerships, where the knowledge and proximity of the local partner to its country reality is superior and can easily match the clients' needs to the services provided.

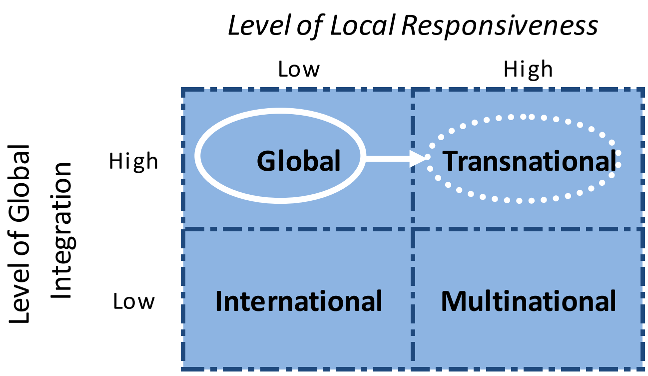


Figure 10: Proposed Integration Responsiveness Model Matrix

Using this framework, we conclude that the MALO CLINIC strategy should be classified as global tending in the long run to be a transnational strategy as the company pretends to reach a high level of global integration and a high level of local responsiveness.

3.2 Which strategies should be adopted by MALO CLINIC to overcome the barriers of international recognition by clients and to replicate the success achieved in Portugal?

MALO CLINIC is a recognized Portuguese company in the area of dental medicine which achieves the present recognition through its charismatic leader and the innovative techniques applied in its clinics. In Portugal it has a sustainable presence with several clinics in the mainland and intending to open one in the Madeira Island. One of the major challenges the company faces in its activity in Portugal is the perceived high prices charged for the service. However, the quality of its services is recognized in the majority of the cases.

In foreign countries, MALO CLINIC is recognized by a small group of people in the higher disposable income segment. The patients that typically visit the clinic in Lisbon to do health tourism and enjoy the clinic services, recognized high the prices charged by MALO when compared with the other clinics. Within the professionals, the recognition of MALO CLINIC and its services and techniques is more perceptible. With currently 19 clinics around the world and with the objective to be present in the five continents, MALO CLINIC is the leader in the Implantology. However it is a perception from dentists rather than from patients. So, the company should take some initiatives in order to overcome these situations especially in the foreign markets.

In this analysis, several alternatives that could be adopted by the clinic in order to achieve the international recognition will be suggested, such as marketing campaigns promoting the services provided and through partnerships with local partners that know better the markets and may be a valuable help in the acquisition of the new clients.

The first important thing to notice is that MALO CLINIC provides a premium service to its patients with innovative techniques, so the success and recognition that they intend to achieve for its activity may take time.

Starting with the domestic market, it is visible that one of the major challenges they face is the perception of high prices charged to the clients. The solution found by the company to advertise its services was corporate social responsibility. Every two weeks in a partnership with a TV program, MALO CLINIC offers a total reconstruction using the all-on-4 technique to someone who normally does not have the possibility to do it and has the chance to show the final result on the program where it is shown the before and after the operation. The results of this initiative had a positive effect in the recognition of the quality of the services provided but not on the perception of higher prices.

Internationally, the strategy adopted could be very different, as in the majority of the countries where MALO CLINIC was present it is allowed to advertise directly to the patients. The major challenge is to adapt the advertising to the country's culture. In some locations where the company works in partnership, it was easier for the clinic to find a good portfolio of clients. It happened as the company adopted the clients' portfolio of its partner. It also may have the knowledge advantage as the partner acts in that market for a longer time, having a higher perception of what can work there.

Some alternatives that may make MALO achieve the international recognition, should include increasing the number of patients of the clinics. As mentioned before, in the partnerships option it is a responsibility of the partner and its dentists. However, it is important to motivate the professionals that work in the MALO CLINICS worldwide in order to establish a customized relationship with each patient. As they want to be a premium clinic, it makes sense that patients are specially treated when visiting the clinic. A major challenge here is the ability to attract senior dentists to work in locations outside Portugal. Sometimes, the perception of the patients that are paying for high quality service is that the young dentists do not have the required experience to provide the service that is charged to them.

Some strategies that would bring patients to the clinics only have visible results at the end due to the service nature, as mentioned in the services marketing literature, addressed in the literature review. As MALO provides many services in the health industry and in aesthetics which are both related with the MALO concept it would be a good strategy for the clinic to give extra benefits for the clients that use one of its services. For example, a client that visits the clinic to enjoy for dentistry service could receive an offer for the spa or a client that uses the spa may receive a discount to do a check-up in the clinic. The idea is to take advantage from the product differentiation the clinic provides to its patients in order to increase the awareness by the different services of the clinic, increasing the volume of services used by each client. However, this procedure only improves the relationship with the patients that are already MALO CLINIC patients. To find new clients for the clinic one strategy to be adopted could be do direct advertising in the countries where it is allowed or wait for the results of the word-of-mouth effect. With this, it is expected that the clinic not only increases the satisfaction and creates brand awareness with its clients offering multi-product options, but also increases the recognition and the number of new clients by this way of advertising its services.

V. Conclusion

The first point I would like to mention is the excellent opportunity this thesis gave to me, to get involved with the true challenges of a company's daily life. I am particularly interested in the internationalization topic which is generally seen as a positive step for the maturity of a company. However, if the decisions made by the company are not well grounded, it may be a ruinous step for the entire company's activity.

MALO CLINIC started its international expansion in 2007, in a time where the macroeconomic conditions were favourable. The large dimension of the planned expansion, in addition to the change in the macroeconomic environment, changed the conditions of the internationalization that was not as successful as expected.

As previously mentioned, this dissertation is divided into three sections, a case, the literature review and the teaching note. The case study was extremely useful and was a challenge for me since for the first time I was in the role of the writer and not in the reader. Moreover, being on the other side it was possible to create a higher involvement with the company's reality and to improve my capacity to further analyse the situation. The Literature Review made me understand the crucial importance of different strategic theories in the solution of several problems of the company, especially in the internationalization field where my research was more deeply rooted. It also provides me with several tools that helped me to build the analysis of the teaching note. It really made me apply the theory to a real case. Moreover, the teaching note also allowed me to have some distance from the case and look for different solutions for the future expansion of the company and give some possible recommendations that may change the path the company is following.

In future research, it may be possible to analyse what happened with the MALO CLINIC and the impact of the solutions adopted by the company in order to face the current challenges.

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Websites

Dr. Paulo Malo Homepage

http://www.drpaulomalo.com/pt/home.html

MALO CLINIC Homepage

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