This is the peer reviewed author accepted manuscript (post print) version of a published work that appeared in final form in:

> Uner, M Mithat, Cetin, Burak & S Tamer 2020 'On the internationalization of Turkish hospital chains: a dynamic capabilities perspective', *International Business Review* in press, pp. 1-11.

This output may not exactly replicate the final published authoritative version for which the publisher owns copyright. It is not the copy of record. This output may be used for non-commercial purposes. This version is licensed under a Creative Commons CC-BY-NC-ND 4.0 license (http://creativecommons.org/licenses/by-nc-nd/4.0/).

The final definitive published version (version of record) is available at:
https://doi.org/10.1016/j.ibusrev.2020.101693

Persistent link to the Research Outputs Repository:
http://researchoutputs.unisa.edu.au/11541.2/141618

General Rights
Copyright and moral rights for the publications made accessible in the Research Outputs Repository are retained by the authors and/or other copyright owners and it is a condition of accessing publications that users recognize and abide by the legal requirements associated with these rights.

- Users may download and print one copy for the purpose of private study or research.
- You may not further distribute the material or use it for any profit-making activity or commercial gain
- You may freely distribute the persistent link identifying the publication in the Research Outputs Repository

If you believe that this document breaches copyright please contact us providing details, and we will remove access to the work immediately and investigate your claim.

IBR_2019_477 Second revision: February 7, 2020

Uner, Cetin, Cavusgil

ON THE INTERNATIONALIZATION OF TURKISH HOSPITAL CHAINS: A DYNAMIC CAPABILITIES PERSPECTIVE

Abstract

How do professional service firms build the capabilities required for effective international operations? Although the internationalization of manufacturing firms is a widely studied topic, the literature on the internationalization of service firms remains scant. The problem is even more acute when it comes to studies of professional services such as healthcare organizations and hospitals. Yet, we encounter remarkable examples of international market expansion by professional service firms. In this paper, we report on a study of large privately-owned hospital operators from the emerging economy of Turkey, based on in-depth interviews with senior executives. Taking advantage of Turkey's strategic location in the region, these firms have shown extraordinary entrepreneurial initiative expanding their operations beyond the home market over the past two decades. Even more impressive is the creative strategies these firms have been deploying in terms of market entry modes. These range from medical tourism to setting up diagnostic clinics abroad, operating full-service hospitals in key markets, management contracts, and attracting equity capital from international investment firms. We draw from the theory of dynamic capabilities in order to explain the success these firms have had in cultivating international market opportunities. We contend that it takes a variety of organizational capabilities for traditionally domestic-market focused firms to expand into international markets. We provide an integrative discussion and offer implications for advancing knowledge and managerial practice.

Keywords: Internationalization of hospitals, internationalization of professional services firms, cross-border trade and investment, hospital chains, medical tourism

ON THE INTERNATIONALIZATION OF TURKISH HOSPITAL CHAINS: A DYNAMIC CAPABILITIES PERSPECTIVE

Professional service firms (PSFs) traditionally delivered their services locally, and most PSFs were small, local establishments. Yet, as we entered another major phase of globalization since the 1980s, even service firms sought market opportunities beyond their national borders (Brock, 2012; Cavusgil et al, 2020). Advances in technology, digitalization, and deregulation of services in recent WTO agreements all gave rise to internationalization by such PSFs as management consulting, advertising, engineering, and banking. A notable example is what we typically refer to as medical tourism. This relatively new form of cross-border business can be defined as "the organized travel outside one's natural healthcare jurisdiction for the enhancement or restoration of the individual's health through medical intervention" (Carrera and Bridges, 2014:447). Some estimates put the number of consumers who cross national borders to seek medical care at some 30-50 million annually (Lunt et.al, 2011;14). Hence, medical enterprises have been able to cross national boundaries and, in the process, cultivate substantial business and grow in scale and scope. More recently, large, privately owned hospital operators joined this trend and began to expand their reach beyond their home markets (see, e.g., Jayachandran et al, 1992;).

Despite the prevalence of PSFs going international, scholarly research on cross-border trade and investment by healthcare organizations is in its infancy. Scholars have only begun to explore these PSFs, addressing such questions as motives for internationalization, entry modes, marketing strategies, and profitability (Abdelzaher 2012; Brock 2012; Holden 2003; Holden 2005; Pla-Barber and Ghauri 2012; Xing et al, 2018).

Responding to this gap in our knowledge, we examine the practices of leading, large-scale Turkish hospital corporations that have aggressively expanded their global footprint

over the past two decades. In addition to tapping secondary data about these firms, we draw from a series of in-depth interviews we conducted with senior managers of large, privately owned Turkish hospital enterprises. We address several unresolved issues through this exploratory research. What are the underlying motivations behind their internationalization drive? What capabilities appear to explain their success? How do decision makers in these organizations prioritize international expansion?

Given the paucity of scholarly work on the internationalization of healthcare enterprises, we aim to contribute to the discussion on drivers of PSFs. The firms under study represents a finite number of establishments – about two dozen large, privately owned Turkish hospital operators that have gone international. In addition, the nature of information sought from these firms – in-depth explanations of dynamic, firm-specific advantages and organizatioal capabilities – implies that in-depth personal interviews would be best in eliciting genuine reflections and explanations. Finally, given the concerns over confidentiality and competitive advantage, respondents had to be assured that their specific information would not be shared with others.

The contributions of this study are as follows. First, this article contributes to the limited but growing literature on the internationalization of healthcare enterprises by providing insights from an empirical examination of hospital operators. Second, it explores the underlying internationalization strategies of hospital operators within the dynamic capabilities theory. Thus, the question of what it takes for traditionally domestic professional service firms to succeed in international markets is addressed. The discussion illustrates that PSFs that can deploy creative organizational strategies can achive impressive success in their market-spanning efforts.

Third, the study demonstrates that creative and market-responsive strategies of well-capitalized emerging market firms can propel them into global markets. Finally, the study findings challenge the gradual internationalization model described by Johansson and Vahlne (1977) and Cavusgil (1980) as it reveals that the hospital operators in question do not necessarily follow a predictable pattern of internationalization. In this way, the current study paves the way for future studies that explore market entry and expansion strategies by healthcare organizations.

The remainder of this paper is organized as follows. We next provide a brief review of the scant literature on the internationalization of hospital enterprises. We then discuss the suitability of three potential conceptual frameworks for studying the internationalization of PSFs, including the dynamic capabilities theory. Methodological details of our empirical data collection and analysis are provided. We elaborate and interpret the findings next, often citing specific comments from the interviews. Finally, we delineate the limitations of the present work, and discuss scholarly and managerial implications.

WHAT CAN WE LEARN FROM THE EXTANT LITERATURE?

Although there are several studies have explored the internationalization of healthcare organizations, a knowledge gap exists on the internationalization process of hospitals. These works focused on various aspects of these firms but not necessarily on capabilities that account for internationalization. Table 1 provides an overview of the extant literature and highlights the key contributions of each study.

******Insert Table 1 about here******

The studies summarized in Table 1 reveal interesting insights about healthcare enterprises in general, and their internationalization experiences, in particular. Yet, several limitations can be noted. First, most of the papers do not specifically address entry and

expansion strategies of healthcare businesses. Second, several studies take the public policy perspective, and are descriptive in general. Third, with a few exceptions, the context is limited to advanced economy settings. Fourth, a glaring weakness of these studies is that they do not provide insights into the internal dynamics of the firms under study. Studies employing the survey method often touched the surface in terms what specific firm processes, strategies, and capabilities served to propel PSFs into international markets and contributed to their success. The present study is unique in the sense that it explores the internal processes of hospital operators in going international, as told by senior executives via in-depth questioning.

In the discussion that follows, we review three potential conceptual frameworks that could best explain the novel aspects of internalization by professional service firms.

THEORETICAL FOUNDATIONS FOR INTERNATIONALIZATION OF PROFESSIONAL SERVICE FIRMS

We consider three theoretical frameworks that can shed light on the experiences of healthcare service firms in going international. These are: the internationalization process model, the services perspective, and the dynamic capabilities theory.

The Internationalization Process Perspective

Internationalization process of the firm has been a widely studied topic in international business. One theoretical framework that has been widely adopted in such studies has been the internationalization process perspective. This perspective views internationalization as a process, journey, and an innovation in the firm. Scholars who contributed to this stream include: Bilkey and Tesar (1977); Cavusgil (1980); Johanson and Wiedersheim-Paul (1975), Johanson and Vahlne (1977 and 1990), Reid, 1980; and Uner et. al. (2013). These conceptualizations are commonly referred to as the Uppsala model, stages model, or the

innovation in internationalization model. These scholars conceptualized internationalization of the firm as a sequential and gradual process, taking place over a long period, reflecting the cautious attitudes by managers.

While the internationalization process perspective gathered much attention in the literature, it was developed largely with manufacturing companies rather than service firms in mind. It is also an outdated explanation in view of today's fast-paced, digital, and highly interconnected global economy.

Services Marketing Perspective

While some scholars argue that the internationalization process models – largely developed from the experience of manufacturing firms -- can be also be applied to services as well (Cicic, Patterson and Shoham,1999, Sacremento, Almeida And Silva, 2002; Pogrebnyakov and Maitland, 2011); others argue that service firms follow a different internationalization pattern (Buckley, Pass, Christopher and Prescott, 1992; Roberts, 1999, Javalgi and Martin, 2007; Coviello, Ghauri, and Martin,1998). These scholars argue that there are differences between internationalization of service firms and internationalization of manufacturers primarily because the characteristics of services that differentiate them from goods (Cicic et al., 1999).

Three very well documented distinctive features of services are intangibility, heterogeneity and inseparability. Intangibility suggests that services cannot be touched, seen, inventoried and tested prior to purchase decision. Services also tend to be inseparable' that is, production cannot be separated from consumption. In other words, production and consumption of most services occur simultaneously. Third, services are heterogeneous in nature, it is difficult to produce services identical to each other (Parasuraman, Zeithaml and Berry, 1985).

These unique characteristics of services critically affect not only the internationalization process but foreign market entry decisions as well. Tradability of a service depends on the degree to which is embodied in a physical product. When the service is embodied in a tangible product, it is then possible to export the product, license it, or invest in the foreign market. If, however, the provision of service depends on the professional service provider, then the firm's representatives must either travel to the consumer or be in close proximity to the consumer. Second, the degree to which the production and the consumption of the service can be spatially separated matters. If production and consumption coincide or take place simultaneously (as in the case of medical care), it then becomes imperative for the marketer to locate activities abroad either through contractual agreements with host-country suppliers or through foreign direct investment (Buckley et al, 1992:54). The exception to this is when the consumer travels to the country of service, as in medical tourism.

Discussing fundamental characteristics of services, Lovelock's (1983) proposes the "nature of the service act" perspective. He argues that the two key questions are: At whom (or what) is the service act directed? And is the service act tangible or intangible in nature? These two questions result in a four-way classification scheme. These are: people-processing, possession processing, mental stimulus processing, and information processing services. The nature of processing can be either tangible (e, g., medical procedures on patient's bodies), or intangible (engaging minds or intangible assets) (Wirtz and Lovelock, 2016).

Turning to healthcare services, a clear majority of such services can be characterized as people-processing services, involving tangible actions directed on people's bodies such as heart surgery. Another small portion of health care service includes mental stimulus processing services, consisting of intangible actions directed on people's minds such as psychiatry.

Yet another dimension of services that should be taken into consideration by international marketing scholars is the characterization of service encounters on a range varying from high-contact to low-contact. High contact services entail intersection throughout service delivery between customers and the service organization. The customer's exposure to the service provider takes on a physical and tangible nature. At the opposite end of the spectrum, low-contact services involve little, if any, between customer and service provider (Wirtz and Lovelock, 2016).

People-processing services, including a clear majority of health care services, are high-contact in nature, and a small portion involves low-contact between the provider and the patient. Thus, a vast majority of health care services requires a physical contact between patient and the service provider. The typical practice of seeking healthcare services is visiting the healthcare facilities in person and contacting with a wide range of service providers ranging from medical assistants to physicians. In other words, healthcare services are high contact in nature, and require physical presence of both patients and service providers simultaneously usually in a healthcare facility. On the other hand, low-contact health care services do not require any physical contact between service provider and customer. Instead, any contact between the parties may take place at arm's length through electronic media.

All generic modes of market entry -- importing (attracting patients from other countries to facilities in home country), contractual modes of market entry, including licensing, franchising, management contracts and finally foreign direct investment can potentially be employed by healthcare firms. It should be noted however that, in recent years, both the nature of services and service delivery methods have changed as a result of technology (Vandermerwe and Chadwick, 1989). In other words, digitalization has arrived and continues to impact healthcare services (Grönross, 2016). Digitalization enables the

internationalization of not only low-contact health care services but high-contact health care services such as remote surgery, also known as telesurgery.

Dynamic Capabilities Theory

The dynamic capabilities perspective was first proposed by Teece and Pisano (1994) and elaborated by Teece, Pisano and Shuen (1997) to address the limitations of the resource-based theory which views capabilities as given and static. These scholars conceptualized dynamic capabilities as "the firm's ability to integrate, build, and reconfigure internal and external competences to address rapidly changing environments" (Teece, Pisano and Shuen 1997; p. 516). Also contributing to this perspective, Eisenhardt and Martin (2000, p. 1116) defined dynamic capabilities as "a set of specific and identifiable processes such as product development strategic decision making, and alliancing." Imbedded in such capabilities is the firm's ability to renew its competences in response to changing business environment -– new market opportunities, competitive repositioning, technological advances, and regulations, and so on (Cavusgil, Seggie and Talay; 2007).

Dynamic capabilities theory is especially suitable in describing the experiences of Turkish hospital chains' internationalization practices. As we will elaborate in the discussion section, a conspicuous aspect of the internationalization experiences of Turkish hospital firms was the deployment of organizational and strategic routines or processes that resulted in new resource configurations, in response to such external events as market openings, customer demand, digital capabilities, and globalization in general. These firms renewed their organizational routines on an ongoing basis, based on market experience.

Specifically, at least three types of strategic routines are notable in the experience of Turkish hospital operators. First, they are quick to learn from experience and transform their organizational routines swiftly. Second, they seemed to accumulate considerable experience

in serving international customers in innovative ways, and internalize their growing stock of knowledge by nurturing successive teams of capable managers. Third, it is apparent that these firms regularly tapped into their distinctive assets in cultivating international market opportunities. These include: a rich stock of investment capital, world-class medical practices, reputation with domestic customers, favorable relationships with regulatory agencies, and digital technologies. Fourth, these firms tend to exhibit an admirable level of ability to replicate best practice from one country market to another. They are especially apt in transferring competences from one venture to another, facilitating their success with new ventures.

We will illustrate the Turkish hospital firms' deployment of unique processes -- evident in the constant integration, reconfiguring, and learning, in view of a dynamic environment, with specific observations – later in the findings section.

RESEARCH METHODOLOGY

Case study research is one of the most preferred methods of data collection in the international business literature (e.g., Johanson and Wiedersheim-Paul, 1975; Knight and Cavusgil, 2004; Erramilli, 1991; Freeman and Cavusgil, 2007; Cavusgil, 1984; Buckley and Horn, 2009). A case study research is preferable to other methods when: (i) the principal research questions are "how" and "why;" and (ii) a researcher has little or no control over behavioral events (Yin, 2014:2). Since our intent is to discover what types of firm capabilities contribute to the internationalization of hospital chains that have traditionally relied on domestic markets, it was felt that in-depth, exploratory interviews would yield most genuine and reliable responses. Of direct interest are managers' perceptions, opinions, and organizational processes.

The case study approach employed in the current study represents grounded theory and inductive methodology. Originally developed by Glaser and Strauss (1967), grounded theory is a general methodology for developing theory that is grounded in data systematically gathered and analyzed (Strauss and Corbin,1994:27; Gioia, Corley, and Hamilton, 2012). The rationale for using multiple cases is to reveal varying perspectives on the same subject (Creswell, 2016:99).

As part of the present project, we carried out a series of semi-structured, in-depth, face-to-face interviews with executive directors and board members of nine Turkish hospital operators in the latter half 2018. Profile of the interviewed executives is presented in Table 2. The sample size is in the range suggested by which Yin (2003:48-49) for exploratory studies. The interviews typically lasted from 45 to 70 minutes. In some cases, we arranged for subsequent interviews or telephone calls for follow-up questions. All interviews were taped and fully transcribed.

We employed QSR NVivo 12 to analyze, manage and format qualitative data. First, all data were coded. Punch (2011:199) states that data coding consists of three stages -- open, axial and selective coding. In open coding, each word in the data was analyzed in detail. Open coding is the most important stage, crucial for the accuracy and completeness of coding in other stages. The code list involves codes, code themes and code groups. It is important to classify codes and grouping similar concepts in the research. Concepts in the code list were grouped and axial and selective codes were determined. In axial coding stage, the common themes which were fractured during open coding are combined and categorized (Strauss and Corbin, 1998:124; Kendal,1999:747; Simmons, 2017:2). Axial coding is the process of relating outcomes and categories to their subcategories. Axial coding assists in identifying properties of a category, understanding the relationships between category and its subcategories.

In the final, selective coding stage, we focused on conceptualization, delineating the relationships of core categories and key themes and concepts emerging from the data. The selective codes in the code list are also main themes of this study. Those themes referenced by different names by the participants but represented similar concepts were merged under the same code. A theme appears more than once in the code list. Table 3 depicts the codes, common themes, and main themes obtained for each hospital during the coding stages of the study.

---- *Insert Tables 2 and 3 about here* ----

The Study Context: Why Turkey?

There are several reasons why Turkey qualifies as a suitable country context for studying internationalization of hospital corporations. First, this emerging market constitutes and ideal setting as it has experienced a remarkable level of activity by its leading hospital chains in cultivating markets beyond their national borders. Turkey possesses world-class hospitals, a well-trained pool of medical professionals, customer networks that spill over to the region, and an entrepreneurial drive to serve foreign markets. Indeed, some 551,748 consumers visited Turkey in 2018 for medical purposes [1]. It is estimated that the expenditures a medical tourist undertakes is about 12 times more than a typical tourist [2]. Medical procedures ranging from cosmetic surgery, dental work, and orthopedic surgery can now be provided at high quality and affordable rates in many countries, Turkey is a strong contender in the medical tourism market and in top ten medical tourism destinations in the world (Dalen and Alpert, 2018;9).

[1] https://biruni.tuik.gov.tr/medas/?kn=74&locale=tr
[2] https://www.hospitalmanager.com.tr/saglik-turizminde-kisi-basi-gelir-tatilcilere-gore-12-kat-fazla/

Second, the hospital chains under consideration are also catering to large Turkish diaspora in Europe. Turkish diaspora includes ethnic Turks employed in such countries as Germany, Netherlands, France and elsewhere in western Europe, as well as Bulgaria, Cyprus, Georgia, Kosovo, the Republic of Macedonia and Romania. It is estimated that some 5.5 million Turks now live and work in Europe alone. The existence of this population segment often served as a pull factor for PSFs. Third, a very favorable policy environment has propelled many Turkish medical industry enterprises abroad in recent years. Government has been providing generous funding for such endeavors. Many service firms went abroad for the first time as a result of such incentives.

Finally, there is a widespread interest in the internationalization of emerging market firms in general, and Turkish firms, in particular (see, for example, Deng et al, 2018). Scholars are keen on identifying the motivations and success factors responsible for emerging market firms' international forays. How can such firms overcome the disadvantages of late internationalization and liability of foreignness? What unique capabilities appear to assist them in their new ventures? Does it matter that PSFs have found it easy to reach Turkish diaspora based on their linguistic and ethnic ties?

EMPIRICAL FINDINGS

Brief information about each of the hospital corporation is presented in Table 4. Each had already established an international marketing team and structure. Team members were typically bilingual or multilingual. Each hospital chain is active in about 10 country markets, and international patients make up at least 10 percent of all patients. Remarkably, two corporations have patients from some 100 countries. All had earned multiple industry certifications. Each possesses at least one of the quality certificates of the *Joint Commission of International (JCI), Turkish Standards Institute (TSE),* or *Technisher Überwachungs-*

Verein (TUV). Details of the international operations of the corporations are presented Table 5. In the discussion that follows, we present the key themes that emerged from the extensive interviews as well as the examination of secondary information available to us about each of the hospital operators.

---Insert Tables 4 and 5 about here---

Capability to Internationalize Quickly. Large hospital chains have a relatively recent history in Turkey, initially catering to local markets. Their growth has been spurred by rapid market liberalization and economic transformation of this emerging market that began in the early 1980s. These medical corporations were quick to respond to the growing market potential of domestic markets first, made possible by a spectacular rise of middle-class consumers, concentrated in large urban areas – Istanbul, Ankara, Izmir and others. Once established in the domestic market, these hospital chains sought international patients rather quickly, on average, only about 10.8 years after establishment. One, Liv Hospital, is unique in that it achieved earlier and rapid internationalization. Since Liv was a spinoff from an existing enterprise, Medical Park Hospitals, it transferred critical resources from the latter to make its early internalization possible. Liv was founded by Medical Park Hospital in 2013 and was positioned as an upscale hospital catering to international markets.

The following comments from an executive of Liv Hospital, details how this operator equipped itself with the necessary talent base, organizational processes, and structure in response to rapidly evolving market opportunities:

> "From the inception, we prepared ourselves in a way to serve international patients originating from various cultural backgrounds. From the signs on the walls to the forms we deliver, anything you may imagine has been created bilingually. We keep track of the patient satisfaction surveys in a way separating the domestic and foreign patients.

> Some 45 employees are dedicated to serving our international guests, and some 17 languages are spoken in our hospitals. We learned to serve Russian, Arabic, and European origin patients with sensitivity to their unique religious, dietetic, and cultural needs. Realizing growing potential in these markets, we invested in our international presence by setting up offices in certain countries and deploying agents in others. Today, we operate our own offices in five countries, and while we are represented in other countries through a network of more than 100 agents."

Similarly, Dünyagöz (specializing in eye care and surgeries) was quick to react to growing demand from the international clients and built an organizational structure and capabilities required for expansion. Dünyagöz executives setup a system and work flow processes, and rounded up the medical staff of physicians, nurses, and technical personnel. It also adopted modern IT systems, transformed into a corporate structure, and established field staff.

Responsive to both Domestic and International Market Signals. The Turkish hospital chains under study were largely established to serve a growing domestic market for healthcare services. Most informants indicated that initial stimuli for seeking outbound expansion consisted of unsolicited inquiries. These inquiries were originating from both the Turkish diaspora as well as other groups. While living and working abroad, ethnic Turkish maintain strong ties with their home country, frequently visit the homeland, and find it attractive to seek medical diagnosis and treatment in Turkey, or in the healthcare facilities established by Turkish entrepreneurs abroad. Once the inquiries became common, Turkish hospital chains proactively set up foreign offices, established channels of communication, and began disseminating information about their medical capabilities and services.

Comments from a senior executive of Dünyagöz Hospitals illustrates how proactive and systematic these corporations were in their efforts to build international business:

> "Our principal motivation for going international has been to serve those patients who sought us out from abroad, thus akin to medical tourism. Beginning with the 2000s, a large number of patients began to arrive from Germany and Holland. We hardly did anything to attract them. As our reputation spread, people began to search us via the

> internet, and the number of our patients increased. This then justified a formal market potential analysis. We discovered that the medical service we provide, the quality of our doctors, and the technology we deploy tend to surpass even those of the European standards. In addition, our fees turned out to be very competitive, making medical care more affordable in Turkey than those of many other countries.
>
> Consequently, we decided to establish an international operations unit. Having designated such Northern European countries as Germany, Denmark, Holland, and England as our target countries, we attended various fairs, got in touch with medical doctors, advertised over the internet, and thereby realized an increase in inbound patient traffic.
>
> In 2010, we took a strategic decision to serve patients directly in their countries. We inaugurated our first hospital abroad in Frankfurt. Prior to that, we had set up diagnosis clinics in Amsterdam, Cologne, and London. In these diagnosis clinics patients only undergo an examination; no surgery is performed. If the patient is eligible for surgery, we then bring them to either Istanbul or Antalya – their preference."

An exception to those hospital operators that were first established to serve domestic clients, is Liv Hospitals. This hospital operator actually got its start from a proactive assessment of the international market for medical services. From the outset, it aimed to cater to an increasing number of patients from such neighboring regions as central Asia, Balkans, the middle east and north Africa as well such countries as Germany, Austria, Belgium, the Netherlands where the Turkish diaspora live and work.

Ongoing Search for Competitive Advantage. Professional service firms must seek and sustain distinctive sources of completive advantage. This was evident in our interviews as managers described core strengths and capabilities that set them apart. Apparent sources of competitive advantage include: modern facilities (both at home and abroad), world-class physicians, specialized care, modern equipment, services for accompanying relatives, and cost efficiencies. As an example, Dünyagöz claims that it is a large-scale buyer of medical device and equipment from suppliers, giving them a price advantage. This apparently puts them ahead of its ahead of its competitors in the German and Holland markets.

Another hospital operator, Lokmanhekim prides itself in exclusivly targeting thos patients in Europe who have private health insurance and pay for their services with such

insurance. In this way, Lokmanhekim avoids incurring higher transaction costs by avoiding (ethnic Turkish patients) who wish to pay from their insurance plans with the Turkish Social Security Administration (SSK). It also gives priority patients based in Holland, Sweden, and Denmark, countries which who do not precondition EU membership in their insurance coverage.

Medical Park, another healthcare service provider, targets patients from geographically close countries such as Azerbaijan. It claims superiority over the medical infrastructure and the quality of medical care that currently exists there and some Middle Eastern countries. It gives lesser priority to European patients who have access to technically comparable or superior systems available there. Dünyagöz cites another reason for physical proximity. It claims that patients who are willing to reach its facilities all live in a radius of flight distance of 4.5 hours. They do not prefer travel longer than that.

Assumption of Greater Risk by Establishing Presence in Foreign Markets. Initially, Turkish hospital chains contracted independent intermediaries located in foreign markets. Working with these intermediaries in high-potential markets provided them with a low-cost means of identifying and serving foreign patients. This approach also proved to be a 'safer' strategy in view of the knowledge gaps, market uncertainty, and commercial risk. Once a requisite level of foreign market expertise had accumulated, each hospital chain invested in company-owned sales offices in high potential markets. Ultimately, almost all hospital operators employed dual channels, incorporating both low-commitment independent agents and integrated channel systems. Establishing integrated sales offices abroad allowed the hospital chains to maintain permanent footprint in the foreign market, in addition to gathering local market knowledge and allowing more responsive strategies. Finally, these enterprises avoided payment of commission to independent intermediaries and derived greater profitability.

Creative Provision of Medical Services by Establishing Diagnosis Centers Abroad.

A key barrier to internationalization of PSFs is the need to duplicate physical and human capabilities in foreign markets. Three of the hospital chains we interviewed have formulated a solution to costly duplication of medical facilities and set up diagnosis centres abroad. Diagnosis centres can be viewed as a prototype of hospital investment in foreign countries. Through such an investment, hospital corporations secure a more permanent presence abroad.

Establishing diagnosis centres abroad offers several benefits for the corporations. First, professional staff at these centers carry out medical diagnosis on the premises. If the treatment is a relatively routine procedure, this is accomplished on the spot. Complicated medical cases, however, are referred to one of the affiliated hospitals in Turkey. Second, setting up a diagnosis center abroad represents a form of foreign direct investment which requires a relatively low level of resource commitment than establishing an entire hospital facility. The hospital enterprise avoids the high cost of establishing a full-service facility and gains the opportunity to test a country market for its market potential prior to higher degree of involvement. Third, establablishing a presence abroad contributes to brand awareness and fosters brand equity. Fourth, establishing a diagnosis centre in Europe is a way of overcoming strict regulations of the European Union. Due to the nature of the healthcare sector, the European Union imposes strict regulations on private hospitals.

A senior manager of Dünyagöz, which has diagnosis centres abroad, rationalizes the decision to set up foreign diagnosis centres in the following way: “It is not possible to go everywhere and set up hospitals there. For foreign patients who wish to have receive a diagnosis first, it makes it much more practical to that in their backyard, and in the meantime, be exposed to the full range of healthcare services we offer in Turkey.”

Lokmanhekim, another chain with diagnosis centres abroad, inaugurated diagnosis centers in such markets as Iraq. Their research suggested that Iraq was suffering particularly in terms of medical devices and equipment, and the Iraqi people had lost their confidence to their native doctors, whereas they fully trusted Turkish doctors. Yet, it was also not feasible for them to leave their country to come to Turkey for just a preliminary analysis or examination. Lokmanhekim began to provide medical diagnosis and routine care to patients on-site and transferring them to Ankara or Istanbul if they need complicated treatments.

Escalating Commitments – Engaging in Foreign Direct Investment. In an unusual step for most healthcare organizations that typically cater to a limited geographic area, two of the private hospital operators under study made direct investments in foreign markets by setting up their first full-fledged hospitals outside of Turkey. These are DünyaGöz Hospital and Acıbadem Group. Although there are some limited examples of such forms of internationalization in the healthcare sector (Outreville, 2007:311), this is still a bold move on the part of the hospital chains. Apart from meeting the regulatory requirements of the host country, these enterprises need to assume extensive risk and commit substantial capital to manage these host-country based facilities, processes, and people.

Our interviews with the executives suggest that these hospital chains gained considerable experience so far and are also aiming for greater returns for their investments abroad. Managers interviewed suggest that setting up full-fledge hospitals abroad will now allow the opportunity to widen the patient base. For example, Belgian patients can be served from a hospital in Germany, or Macedonian patients can receive medical care from a hospital in Bulgaria. Managers also considered geographic proximity to Turkey in location decisions for their host-country based hospitals. This is because they seek to transfer more complex medical cases from these locations to their Turkey-based hospitals.

An executive from Dünyagöz Hospital rationalized their decision to operate full-service hospitals abroad in the following manner:

> "Frankfurt is, in fact, our first actual foreign investment. Prior to 2010, we relied on -diagnosis clinics in Amsterdam, Cologne, and London. However, these centers perform diagnoses only. If the patient is eligible for surgery, then she is brought to İstanbul or Antalya.
>
> Germany is a large market with more than 80 million of population. Frankfurt is at such an accessible location that is two flight hours away from Germany's neighbouring countries of Belgium, Holland, and Switzerland. We should be able to attract patients also from these countries… We reached an agreement with Krankenkasse[1], Germany's state insurance, similar to our social security system, and arranged for our hospital to perform all surgeries from cataract to retina to be reimbursed by the state. We are about inaugurate new hospitals in Holland, Georgia, and Azerbaijan."

Acıbadem Group also escalated its international involvement via foreign direct investment but opted to acquire an ongoing hospital chain in Bulgaria. In stepping up its commitment to international customers, managers were confident that the medical and managerial experience they had accumulated thus far would greatly facilitate success. Acibadem is about to inaugurate new hospitals in Macedonia and elsewhere.

Internationalization via Management Contracts. Export of managerial knowhow in the form of management contracts held by professional service firms also represents a form of international expansion. A management contract, as a generic mode of market entry (Uner et al. 2018), amounts to provision of specialized managerial knowhow to customers abroad (Brooke, 1985; Welch and Pasifico, 1990). It represents a widely used strategy in the healthcare business as well (Berliner and Regan. 1987).

Of the Turkish hospital operators studied, Acıbadem was the only hospital enterprise found to be engaged in this mode of international expansion. As a well-known hospital chain with an international reputation, Acıbadem chain, had begun to provide management knowhow to operate a hospital to a firm in Iraq and had been generating revenues from this operation. These revenues are in addition to income earned from other modes of international

operations Acıbadem had been earning. The absence of state-of-the art medical facilities and practice in neighboring Syria and Iraq certainly contributed to the development of these opportunities.

International Portfolio Participation in Acıbadem Group. Remarkably, some of the Turkish hospital operators have begun to receive international portfolio investment attention, leading to equity participation by large, international investors and sovereign funds. This represents yet another dimension of internationalization by these enterprises. It also implies the profitable nature of healthcare services that spill over national borders.

As an example, consider Khazanah Nasional Berhad, the strategic investment fund of the Government of Malaysia. One of the essential investments of the fund is IHH Healthcare Berhad, a leading premium healthcare provider that maintains hospital industry investments in Malaysia, Singapore, China, India and Turkey. Interestingly, IHH Healthcare Berhad operates 83 hospitals, 30 medical centers, and more than 50 clinics across the globe. These statistics make IHH Healthcare Berhad one of the largest hospital groups in the world[3].

In 2012, owing to its very favorable international reputation, global footprint (including east Asia), and impressive financial performance of Acıbadem Healthcare Group, 60 percent of Acibadem's shares were bought by IHH Healthcare Berhad for $1.68 billion. Mehmet Ali Aydınlar, the founder of Acıbadem Healthcare Group in 1991 in Istanbul, serves as the chairman and chief executive officer of Acıbadem Healthcare Group at IHH Healthcare Berhad. He is also a non-independent executive of the board of IHH Healthcare Berhad. Remaining ownership of Acıbadem Healthcare Group is accounted by Mehmet Ali Aydinlar and Japanese Mitsui and Co [4].

[3] https://www.ihhhealthcare.com/overview.html
[4] https://www.ihhhealthcare.com/milestones.html

Acquisition by global investment funds represents yet a new strategy in the internationalization of health care organizations. It also signals that global capital is constantly searching for attractive investment opportunities beyond national borders, yet another facet of globalization. No doubt we will witness other examples of infusion of investment capital in successful international healthcare providers in the years to come.

DISCUSSION

We began our inquiry with a key research question: what does it take for traditionally domestic professional service firms to succeed in international markets? More specifically, we sought to understand how globalizing professional service firms cultivate and deploy unique organizational capabilities to succeed in international markets. We believe the current study represents a pioneering effort that examines the internationalization of large, hospital operators. Since these firms originate from an emerging market and targeted largely advanced-economy customers, the study also contributes to the growing body of research on emerging market multinationals.

In the discussion that follows, we first discuss both theoretical and managerial contributions of the study. We conclude by delineating the limitations of the study and offer avenues for future research.

Theoretical Implications

International business scholars have largely neglected to empirically investigate the experiences of professional service firms. Yet, as this study demonstrates, professional service enterprises in the healthcare sector have made great strides in taking their knowhow, resources, and capital across national borders in exploiting their competitive advantage. Their

internationalization experiences, while bearing some similarities to those of manufacturers, still exhibit unique features.

A key implication for advancing knowledge is that the professional service firms indeed leverage a rich set of dynamic capabilities in cultivating international market opportunities. The interviews clearly suggest that the hospital operators demonstrate a high degree of market-focused learning capability among others. In addition, they exhibit an admirable capability to internalize learning, and deploy experiential knowhow in subsequent international market entry ventures. These findings corroborate those of 'born-global' companies well documented in the studies of Cavusgil and Knight (Cavusgil and Knight, 2015; Knight and Cavusgil 2004).

Interestingly, in addition to validating the significant role dynamic capabilities – especially learning and knowledge orientation – these firms also exhibit a high degree of entrepreneurial orientation. Evident in the manager interviews is a strong desire to identify, pursue, and materialize new market opportunities. We had not anticipated this finding given the relatively recent establishment of the hospital chains under study. Yet, we discovered that these enterprises displayed solid entrepreneurial proclivity, apparent in their proactive, innovative, and risk-seeking behaviors in international expansion. Undertaking such high-commitment modes of market entry as setting up full-fledged hospitals abroad supports this contention.

In contrast to the gradual, incremental nature of conventional internationalization patterns (see, for example, Cavusgil, 1980), the hospital chains studied achieved internationalization over a relatively short period, facilitated by rapid growth at home -- made possible by rising middle class, and the liberalization of the Turkish economy. Often, the initial motivation came unsolicited, as inquiries from Turkish diaspora began to intensify.

Yet, once these firms recognized the substantial nature of demand from foreign-located patients, their response was swift. Acquiring and internalizing new capabilities such as market assessment ad talent development, Turkish hospital enterprises begin to serve foreign patients in earnest. As they become more knowledgeable about serving international patients, these firms gradually progressed to contractual modes, foreign direct investment via diagnosis clinics established abroad and, finally, participation in global investment funds. All the executives interviewed for this study emphasized that international forays made possible faster growth of their enterprises, integration of contemporary medical practices, and substantial revenues.

Remarkably, risk -- a typical deterrent in international expansion – does not appear to be a huge factor in international market forays of these firms. While meeting host country regulations is highly critical for hospital operators, the core capabilities they had to transfer and launch abroad were essentially intangible assets and intellectual property. This proved to be a facilitating factor, and a relative advantage compared to manufacturing firms. From what we could gather, Turkish hospital chains, while they did not necessarily compete directly with each other -- as they possess largely no-overlapping specialties -- they appeared to benchmark and learn from each other. A certain degree of cross fertilization also took place with the recruitment of experienced managers from each other.

Clearly, the Turkish diaspora has served as a lightning rod in the internationalization of Turkish hospital enterprises. During the interviews, executives frequently referred to the so-called ‘diaspora effect,’ and emphasized the importance of Turkish citizens living and working abroad (Europe, Balkans, Middle East, and central Asia). It was indicated that Turkish people living abroad were effective at each stage of the internationalization process. Their pursuit of world-class yet affordable healthcare led these consumers to modern Turkish hospital firms many of which were established as late as in the 1990s. In response, these

firms were able to quickly cater to this demand by shifting resources to newly established international teams. Admittedly, coupled with medical tourism, seeking healthcare in Mediterranean resort cities such as Antalya seemed very attractive to both ethnic Turkish and other foreign patients.

Finally, responding managers accentuated the importance of modern technologies in the internationalization of their enterprises. As an example, akin to the distance learning services by universities, a psychotherapy hospital can easily internationalize through telemedicine. Telemedicine involves the use of telecommunications and virtual technology to deliver healthcare outside of the physical venue of facilities. It is intended to overcome geographical barriers, connecting professional service providers and patients who are not in the same physical location. Telemedicine found widespread acceptance and use in Turkey, and the interviews revealed that all the hospital chains had adopted such technologies and were engaged in digital innovation in their business models. Combined with high speed internet access, these modern technological tools certainly gave boost to rapid internationalization of Turkish hospital enterprises.

Managerial Implications

Internationalization of healthcare sector firms is a fascinating area of research with rich implications for practitioners. The current study has revealed interesting insights about the case of large Turkish hospital operators. Next, we offer guidelines for managers in this sector.

First, the interviews with the hospital executives made it clear that strategic location of Istanbul and easy accessibility by air from numerous capital cities in Europe, the middle east, and central Asia contributed to the competitiveness of Turkish hospital firms. All nine firms have their major presence in Istanbul. These firms can certainly encourage Turkish Airlines, which has a record of rapid and bold expansion of destinations served, to even serve

additional destinations. The existence of a direct flight from a target country to Turkey has already been proven to be major facilitator. Hospital firms can, in turn, target those cities that have direct flights from Istanbul.

Second, the interviews suggested that geographic distance from Istanbul matters. Any destination within four hours and 30 minutes of flight time is thought to be a potential market for hospital firms. This suggests that these firms can target such destinations with greater intent. In addition to physical proximity, perceived psychic distance or cultural ties with the population of target countries do matter. Respondents identified such countries as Azerbaijan and Bosnia-Herzegovina as prime targets as linguistic and cultural ties link them to Turkey.

Our research also reveals that over 5.5 million Turks living in western Europe[5] tend to have a strong preference for treatment by Turkish medical doctors either in Turkey or abroad. This way, they get to communicate in their native language. In addition, they possess utmost confidence in Turkish medical doctors.

Cultural and historical ties also matter prominently. Turks share cultural and linguistic affinity with middle eastern and north African countries (Egypt, Iran, Iraq, Jordan, Lebanon, Libya, Palestine), Central Asia (Azerbaijan, Kyrgyzstan, Uzbekistan, Kazakhstan, Turkmenistan) and Balkan countries (Albania, Bosnia and Herzegovina, Bulgaria, Kosovo, Macedonia, Montenegro). These countries lack well-developed medical infrastructure, making them ripe markets for patient populations.

Third, we detected a varying degree of readiness to manage international operations among the hospital enterprises. The size and the extent of experience among the international teams varied among the organizations we examined. Those that are well-endowed with the requisite managerial talent, processes, and resources – dynamic capabilities -- demonstrated

[5] http://www.mfa.gov.tr/the-expatriate-turkish-citizens.en.mfa

greater readiness to cultivate international market opportunities. Therefore, it is critical that these enterprises invest in the professional development of their managerial talent base.

Fourth, it is clear that reputation of the hospital enterprise in terms of therapeutic specializations provides another source of competitive advantage. Thus, such medical service as obesity care would be most appropriate for patients in such countries as Great Britain, France, Germany, and Netherlands. Each enterprise ought to develop a clear reputation for certain therapeutic areas where they aspire to lead others.

Fifth, the cost of health care services and procedures also seems to matter. Such healthcare services as hair transplants and geriatrics are relatively expensive, and usually are not covered by insurance in countries as Great Britain, Norway, Sweden, and Finland. This compels the hospital operators to be more cost-competitive in marketing such services.

Sixth, the ability to deliver quicker access to medical care for patients also provides a competitive advantage for Turkish hospitals. In such countries as the U.K., long wait times are especially troublesome for patients. The National Health System in England is failing to meet its target to operate on 92 percent of people within 18 weeks. For example, since June 2017, there has been an increase of more than 21 percent in the number of patients waiting longer than 18 weeks to some 400,000. It is estimated that more than four million people are waiting for medical procedures[6]. These facts imply a huge potential for Turkish firms to target patients from the United Kingdom.

Seventh, achieving accreditation from international accreditation bodies requires maintaining adequate facilities and well-trained staff to meet high standards for patient care. There is evidence suggesting that accreditation improves the overall quality of care in a hospital enterprise. Patients from western Europe pay special attention to accreditation as a

[6] https://www.bbc.com/news/health-40886598

reflection of service quality. Thus, managers ought to pursue proper accreditation from relevant bodies to be able to fully exploit foreign market potential.

Finally, it became clear that setting up a diagnosis center abroad is a highly effective, yet a cost-effective means of establishing foreign market presence. Diagnosis clinics require relatively small resources to launch. Yet these clinics allow the Turkish hospital operators to acquire practical and detailed information about the market, create brand awareness, and generate a modest revenue. More complicated medical cases requiring greater expertise are directed to their full-fledged hospitals in Turkey.

Limitations of the Study

Naturally, a key limitation arises from the specific context. We interviewed and gathered information about the practices of health-care enterprises (hospital operators) that have their beginnings in the dynamic, emerging market of Turkey. Second, given the relatively small population of the sector – large, privately owned hospital chains – we opted for in-depth interviews with senior managers, rather than survey them. Even though we are confident that we were able to elicit accurate and genuine responses from the managers, there may have been a slight bias on their part to accentuate the success, and understate the challenges faced by their firms. Third, ours was a 'supply-side study' only. We have not attempted to survey and gather information about, and perceptions of, customers of these enterprises. Even with these limitations, the present work stands as a solid foundation upon which future research can be built. Future studies can overcome these limitations by broadening the scope of healthcare enterprises and country contexts.

This study has been motivated by the paucity of empirical knowledge about the internationalization experience of professional service firms. We know even less about the international ventures of hospital operators. The present investigation contributed novel

knowledge and unique insights into the experiences of Turkish hospital operators. We find that a rich set of dynamic capabilities propel these relatively young firms into international markets. Such capabilities and an elevated degree of entrepreneurial initiative serve to offset any liability of foreignness that may exist. Further scholarly work exploring internationalization of professional service firms remains an acute need in international business. It is hoped that the present study and its findings will stimulate further investigations of healthcare enterprises in the international realm.

REFERENCES

Abdelzaher, Dina M. (2012). The impact of professional service firms' expansion challenges on internationalization processes and performance, *The Service Industries Journal*, 32(10), 1721-1738.

Abdullah, Nuraisyah Chua, Rosnan Herwina & Yusof, Norzayana (2018). Internationalisation of Hospitals in the Wake of Green Agenda: How Much More to be Done? *Environment-Behaviour Proceeding Journal*, 3(7), 161-166.

BBC (2017). Surgery Waiting Numbers Highest In Decade, NHS England https://www.bbc.com/news/health-40886598/ accessed 30 October 2019.

Berliner, Howard S. & Regan, Carol (1987). Multinational Operations of US For-Profit Hospital Chaisn: Trends and Implications. *American Journal of Public Health*, 77(10), 1280-1284.

Bilkey, Warren J. and Tesar, George (1977). The Export Behaviour of Smaller Sized Wisconsin Manufacturing Firms. *Journal of International Business Studies*, 8(1),93-98.

Brock, David M.(2012). Building global capabilities: A study of globalizing professional service firms. *The Service Industries Journal*, 32(10), 1593-1607.

Brooke, Michael Z. (1985). International Management Contracts: Servicing Foreign Markets and Selling Expertise Abroad. *Journal of General Management*,11(1), 4-15.

Buckley, Peter J., Pass, Christopher L. & Prescott, Kate (1992). The Internationalization of Service Firms: A Comparison with the Manufacturing Sector**.** *Scandinavian International Business Review*, 1(1), 39-56.

Buckley, Peter J. & Horn, Seirk A. (2009)**.** Japanese Multinational Enterprises in China: Successful Adaptation of Marketing Strategies**.** *Long Range Planning*, 42(4), 495-517.

Carrera, Percivil and Lunt, Neil (2010)**.** A Europe and Perspective on Medical Tourism: The Need for a Knowledge Base**.** *International Journal of Health Services*, 40(3), 469-484.

Carrera, Percivil and Birdges John F.P. (2014). Globalization and Healthcare: Understanding Health and Medical Tourism. *Expert Review of Pharmacoeconomics & Outcomes Research*, 6(4), 447-454.

Cavusgil, S. Tamer (1980). On the Internationalization Process of Firms. *European Research*, 8(6), 273-281.

Cavusgil, S. Tamer (1984)**.** Organizational Characteristics Associated with Export Activity**.** *Journal of Management Studies*, 21(1), 3-22.

Cavusgil, S. Tamer and Knight, Gary (2015). The Born Global Firm: An Entrepreneurial and Capabilities Perspective on Early and Rapid Internationalization**.** *Journal of International Business Studies*, 46 (1), 3-16.

Cavusgil, S. Tamer, and Gary Knight and John Riesenberger (2020). *International Business: The New Realities*. New Jersey, Pearson Higher Education.

Cavusgil, Erin, Seggie, Steven & Talay, Mehmet Berk (2007). Dynamic Capabilities View: Foundations and Research Agenda, *J. of Marketing Theory and Practice*, 15(2), 159-166.

Cicic, Muris, Patterson, Paul G. & Shoham, Aviv (1999)**.** A Conceptual Model of The Internationalization of Service Firms**.** *Journal of Global Marketing*, 12(3), 81-106.

Coviello, Nicole E., Ghauri, Pervez N. & Martin, Kristina A. M. (1998)**.** International Competitiveness: Empirical Findings from SME Service Firms**.** *Journal of International Marketing*, 6(2), 8-27.

Creswell, John W. (2016). Qualitative Inquiry Research Design: Choosing Among Five Approaches. Thousand Oaks, California. Sage Publications.

Dalen, James E.& Alpert Joseph S. (2018). Medical Tourists: Incoming and Outgoing. *The American Journal of Medicine*, 132(1),9-10.

Deng, Ping, Liu, Yang, Gallagher, Vickie C., & Wu, Xiaojie (2018). "International Strategies of Emerging Market Multinationals: A Dynamic Capabilities Perspective," *Journal of Management & Organization*, 1-18. doi:10.1017/jmo.2017.76.

Eisenhardt, Kathleen M. & Martin, Jeffrey A. (2000). Dynamic Capabilities: What are They?. *Strategic Management Journal*, 21,1105-1121.

Erramilli, M. Krishna (1991). The Experience Factor in Foreign Market Entry Behaviors of Service Firms. *Journal of International Business Studies*, 22(3), 479-501.

Freeman, Susan & Cavusgil, S. Tamer (2007). Toward a Typology of Commitment States Among Managers of Born Global Firms: A Study of Accelerated Internationalization. *Journal of International Marketing*, 15(4), 1-40.

Gioia, Dennis A., Corley, Kevin G. & Hamilton, Aimee L. (2012). Seeking Qualitative Rigor In Inductive Research: notes On The Gioia Methodology. *Organizational Research Methods*. 16(1),15-31.

Glaser, B. G. & Strauss, A. L. (1967). The Discovery of Grounded Theory: Strategies for Qualitative Research. *Chicago, IL: Aldine Publishing Company.*

Grönross, Christian (2016). Internationalization Strategies for Services: A Retrospective. *Journal of Services Marketing*, 30(2), 129-132.

Hanefeld, Johanna, Smith, Richard, Horsfall, Daniel & Lunt, Neil (2014). What do we know about medical tourism? A review of the literature with discussion of its implications for the UK National Health Service as an example of a public health care system. *Journal of Travel Medicine*, 21(6), 410-417.

Holden, Chris (2002). The Internationalization of Long-Term Care Provision: Economics and Strategy. *Global Social Policy*,2(1),47-67.

Holden, Chirs (2003). Actors and Motives in The Internationalization of Health Business. *Business and Politics*, 5(3), 287-302.

Holden, Chris (2005). The Internationalization of Corporate Healthcare: Extent and Emerging Trends. *Competition & Change*, 9(2), 201-2019.

Hospital Manager (2018). Sağlık Turizminde Kişi Başı Gelir, Tatilcilere Göre 12 Kat Fazla. Hospital Manager website. https://www.hospitalmanager.com.tr/saglik-turizminde-kisi-basi-gelir-tatilcilere-gore-12-kat-fazla/Accessed 25 October 2018.

Hreinsson, Julius & Woldearegay, Yonathan (2015). Internationalization of Health Care Services: Networking Aspect. *Master Thesis*, Uppsala University, Sweden.

IHH Healthcare Berhad(2019). https://www.ihhhealthcare.com/overview.html / accesed 30 October 2019

IHH Healthcare Berhad (2019. https://www.ihhhealthcare.com/milestones.html /accesed 30 October 2019.

Javalgi, Rajshekhar G. & Martin, Charles L. (2007). Internationalization of Serivces: Identifying the Building-Blocks for Future Research. *Journal of Services Marketing*, 21(6), 391-397.

Jayachandran, Chinnappa, Chandran, Rama & O´Hara, Laura (1992). Internationalization of Multihospital Systems. *Journal of Hospital Marketing*, 6(2), 183-196.

Johanson, Jan & Wiedersheim-Paul, Finn (1975). The Internationalization of The Firm- Four Swedish Cases. *Journal of Management Studies*, 12(3), 305-323.

Johansson, Jan & Vahlne, Jan-Erik (1977). The Internationalization Process of The Firm- A Model of Knowledge Development and Increasing Foreign Market Commitments. *Journal of International Business Studies*, 8(1), 23-32.

Johansson, Jan & Vahlne, Jan-Erik (1990). The Mechanism of Internationalization. *International Marketing Review*, 7(4), 11-24.

Kendal, Judy (1999). Axial Coding and The Grounded Theory Controversy. *Western Journal of Nursing Research*, 21(6), 743-757.

Knight, Gary and Cavusgil, S. Tamer (2004). Innovation, Organizational Capabilities and the Born Global Firm. *Journal of International Business Studies*, 35(2), 124-141.

Kuhlman, Ellen & Burau, Viola (2008). The Healthcare State in Transition. *European Societies*, 10(4) 619-633.

Lovelock, Christopher H. (1983). Classifying Services to Gain Strategic Marketing Insights. *Journal of Marketing*, 47(3), 9-20.

Lunt, Neil, Smith, Richard, Exworthy, Mark, Green, Stephen T., Horsfall, Daniel & Mannion, Russel (2011). *Medical Tourism: Treatments, Markets and Health System Implications: A Scoping Review*. Paris: OECD.

Lunt, Neil, Richard D. Smith, Russell Mannion, Stephen T. Green, Mark Exworthy, Johanna Hanefeld, Daniel Horsfall, Laura Machin & Hannah King (2014). Implications for the NHS of Inward and Outward Medical Tourism: A policy and Economic Analysis Using Literature a Review and Mixed-Methods Approach. *Health Services and Delivery Research*, 2(2).

Nam, Hyun-Jung & An, Yohan (2017). Patent, R&D and Internationalization for Korean Healthcare Industry. *Technological Forecasting and Social Change*, 117, 131-137.

Outreville, J. François (2007). Foreign direct investment in the health care sector and most-favoured locations in developing countries. *The European Journal of Health Economics*, 8(4), 305-312.

Parasuraman, A. Parsu, Zeithaml, Valarie A. & Berry, Leonard L. (1985). A Conceptual Model of Service Quality and Its Implications for Future Research. *Journal of Marketing*,49(4), 41-50.

Pla-Barber, José & Ghauri, Pervez N. (2012). Internationalization of service industry firms: understanding distinctive characteristics. *The Service Industries Journal*, 32(7), 1007-1010.

Pogrebnyakov, Nicolai & Maitland, Carleen F. (2011). Institutional Distance and The Internationalization Process: The Case of Mobile Operators. *Journal of International Management*, 17, 68-82.

Punch, Keith F. (2011) Introduction to Social Research: Quantitative &Qualitative Approaches. London, Sage Publications.

Reid, Stan D. (1980). The Decision Maker and Export Entry And Expansion. *Journal of International Business Studies*, 12(2), 101-112.

Republic of Turkey Ministry of Foreign Affairs (2019). Turkish Citizens Living Abroad. http://www.mfa.gov.tr/the-expatriate-turkish-citizens.en.mfa/accessed 30 October2019.

Roberts, Joanne (1999). The Internationalization of Business Service Firms: A Stages Approach. *Service Industries Journal*, 19(4), 68-88.

Sacremento, Isabella, Almeida, Victor M. C. & Silva, Maria S.M. (2002).The Internationalization Process of Services Firms: A Two Case Study in Brazil. *Latin American Business Review*, 3(2), 43-64.

Siddiqui, Samee, Ramesh, Anand, Manoharan, Karthick, Hussein, Annas, Jawad, Ali M. & Hussain, Farhan (2014). Developing a Framework for The Internationalization of British Healthcare Institutes: A Qualitative Dual Case Study Analysis. *International Journal of Healthcare Management*, 7(1), 14-20.

Simmons, N. (2017). Axial coding. In M. Allen (Ed.), *The sage encyclopedia of communication research methods* (pp. 80-82). Thousand Oaks, CA: SAGE Publications.

Smith, Richard D. (2004). Foreign direct investment in the health care sector and most-favoured locations in developing countries. *Social Science & Medicine*, 59(11), 2313-2323.

Strauss Anselm & Corbin Juliet (1994). Grounded Theory Methodology: An Overview. In N.K. Denzin & Y.S. Lincoln (Eds.), Handbook of Qualitative Research (pp. 1-17). Thousand Oaks, CA: Sage.

Strauss, Anselm & Corbin, Juliet (1998). *Basics of Qualitative Research: Techniques and Procedures for Developing Grounded Theory*. (2nd ed.) Thousand Oaks, California: Sage.

Teece, David J. & Pisano, Gary (1994). The Dynamic Capabilities of Firms: An Introduction. *Industrial and Corporate Change*, 3 (3), 537-556.

Teece, David J., Pisano, Gary, & Shuen Amy (1997). Dynamic Capabilities and Strategic Management. *Strategic Management Journal*, 18 (7), 509-533.

Turkish Statistical Institute. Purpose of Visit: Health and Medical Reasons (2019) https://biruni.tuik.gov.tr/medas/?kn=74&locale=tr/Accessed 27 October 2019.

Uner, M. Mithat, Kocak, Akin, Cavusgil, Erin & Cavusgil, S. Tamer (2013). Do Barriers to Export Vary for Born Globals and Across Stages of Internationalization? An Empirical Inquiry in the Emerging Market of Turkey. *International Business Review*, 22(5), 800-813.

Uner, M. Mithat, Cavusgil, Erin & Cavusgil, S. Tamer (2018). Build-Operate-Transfer Projects as A Hybrid Mode of Market Entry: The Case of Yavuz Sultan Selim Bridge in Istanbul. *International Business Review*, 27(4), 797-802.

Vandermerwe, Sandra & Chadwick, Michael (1989). The Internationalization of Services. *The Service Industries Journal*, 9(1), 79-93.

Veerasoontorn, Ruamsak & Beise-Zee, Rian (2010). International Hospital Outshopping: A Staged Model of Push and Pull Factors. *International Journal of Pharmaceutical and Healthcare Marketing*, 4(3), 247-264.

Welch, Lawrence S. & Pacifico, Anibus (1990). Management Contracts: A Role in Internationalisation? *International Marketing Review*, 7(4), 64-75.

Wirtz, Jochen and Lovelock, Christopher (2016). Services Marketing: People, Technology, Strategy. (8th ed.) New Jersey: World Scientific.

Xing, Yijun, Liu, Yipeng and Lattemann, Christoph (2018). Institutional Logics and social enterprises: Entry Mode Choices of Foreign Hospitals in China. *Journal of World Business*. https://doi.org/10.1016/j.jwb.2018.11.004

Yin,Robert K.(2003). Case Study Research: Design and Methods. 3rd Edition. Thousand Oaks, Sage Publication.

Yin, Robert K. (2014). Case Study Research and Methods. 5th Edition. Thousand Oaks, Sage Publication.

Table 1. An Overview of the Relevant Literature

Author(s)	Year	Key Contribution
Jayachandran et al.	1992	These authors investigated the international expansion strategies of multi-hospital systems in terms of a bundle of variables.
Holden	2002, 2003, 2005	Holden examined the extent and form of internationalization by three largest for-profit providers of long-term nursing and residential care for U.K. seniors. His work explores the actors and motives behind the internationalization of health businesses through case studies.
Smith	2004	Sought to provide the first comprehensive and systematic review of evidence concerning foreign direct investment and health services.
Outreville	2007	Delineated determinants of foreign direct investment by large, multinational companies operating in the healthcare industry.
Kuhlmann & Burau	2008	The authors map out the specific configurations of the changing governance of healthcare.
Veersoontorn & Beise-Zee	2010	Examined the contextual factors underlying the decision-making process of international hospital operations.
Carrera & Lunt	2010	Explored medical tourism within the broader context of health organizations.
Lunt et al.	2011	Explores the system, organization and clinical issues in medical tourism.
Hanefeld et al.	2014	Assessed the U.K. National Health Service.
Lunt et al.	2014	The authors examine the magnitude, directions, patterns of specialization, and growth of international trade in healthcare services
Siddiqui et al.	2014	These authors focus on key strategic factors for successful overseas operations.
Hreinsson & Woldearegay	2015	These authors concluded that networking activities are important for internationalization and cross-border trade of healthcare services.
Nam & An	2017	The authors investigated how research and development expenditures effect internationalization in the Korean healthcare industry.
Abdullah et al.	2018	They discuss the effects of green environment practices on the hospitals' international performance

Xing, Liu, Lattemann	2018	The authors examine the experiences of five foreign hospitals entering China, and show how these enterprises respond to governmental, commercial and social institutional logics.
Current study	2020	An examination of internationalizing Turkish hospital operators. The study contributions: (1) Empirical insights from hospital corporations; (2) Employs the dynamic capabilities theory to explain international expansion by PSFs; (3) Demonstrates that creative and market-responsive strategies of well-capitalized emerging market firms can propel them into global markets; (4) Study findings challenge the gradual internationalization model espoused by Johansson and Vahlne (1977) and Cavusgil (1980), and calls for future research.

Table 2: Profile of Interviewed Executives

HOSPITAL CHAIN	GENDER	POSITION	EXPERIENCE (YEARS)	INTERNATIONAL EXPERIENCE	EDUCATION[7]	LOCATION OF INTERVIEW	DURATION
Başkent	Female	International Patients Director	4	Italy, France, Germany	MBA	Headquarters	62:14
Bayındır	Male	International Patients Director	2,5	Azerbaijan, Russia, Iran	MBA	Headquarters	45:07
Dünyagöz	Female	Executive Board Member	20	Germany, Netherlands	PhD. (Psychology)	Headquarters	51:33
Liv Hospital	Female	Group Director	26	Georgia, Azerbaijan, Korea, United Kingdom	MHM.	Headquarters	48:02
Lokman Hekim	Femaler	Group Director	14	Iraq, Netherlands, Sweden, Azerbaijan	MHM	Headquarters	68:40
Medicalpark	Male	International Patients Director	12	None	BBA	Headquarters	46:16
Medicana	Male	Group Director	3	Libya	Medical Doctor	Headquarters	53:25
Medipol	Male	International Patients Coordiantor	20	None	MHM	Headquarters	46:07
Acıbadem	Female	International Patients Director	12	Bulgaria, Bosnia and Herzigovinia, Kosova, United Kingdom, Germany	MBA	Skype	48:12

[7] MBA: Master of Business Administration;
PhD: Doctor of Philosophy (Physiology);
MHM: Master of Healthcare Management,
BBA: Bachelor's degree of Business Administration,
MD: Medical Doctor

Table 3. Details of Coding

Hospital Name	The Number of Code That Appeared in Open Coding	The Number of Theme That Appeared in Axial Coding	The Number of Main Theme That Appeared in Selective Coding
Acıbadem	171	39	8
Başkent	92	34	7
Bayındır	84	33	6
Dünyagöz	146	39	7
Liv	131	31	6
Lokman Hekim	166	38	7
Medicalpark	121	31	6
Medicana	107	33	5
Medipol	143	32	6
TOTAL	**1161**	**310**	**58**

Table 4. Profile of the Turkish Hospital Chains

Hospital Chain	YEAR ESTABLISHED	LATEST NUMBER OF PATIENTS	NUMBER OF FOREIGN PATIENTS	INTERNATIONAL DIVISION?	NUMBER OF TOTAL EMPLOYEES	NUMBER OF FOREIGN STAFF	NUMBER OF COUNTRIES SERVED	EXISTENCE OF QUALITY CERTIFICATE
Başkent	1993	3.000.000	17,000	YES	9,300	NONE	20	None
Bayındır	1996	N/A	N/A	YES	600	1	20	JCI
Dünyagöz	1996	550.000	50.000	YES	650	1	100+	JCI
Liv Hospital	2013	250.000	75.000	YES	1,250	NONE	30	JCI and Center of Excellence
Lokman Hekim	1996	400.000	15.000	YES	1900	6	10	TÜV-ISO and TSE
Medicalpark	1991	700.000	70.000	YES	13,500	35	25	JCI and JCI Academics
Medicana	1992	600.000	60.000	YES	5,000	2	27	JCI
Medipol	1997	1.000.000	100.000	YES	5,000	9	72	JCI
Acıbadem	1991	3.500.000	350.000	YES	15,000	100+	100+	JCI and TSE-EN ISO 15189

Table 5. Dimensions of International Expansion by Turkish Hospital Chains

Hospital	Year of Establishment	Year of Int'lization	Serving International Customers	Born Global Enterprise	Exporting		Contractual Agreement	Foreign Direct Investment	
					Non-integrated	Integrated		Diagnosis Center	Hospital
Başkent	1993	2012	√		√	√			
Bayındır	1996	2006	√		√				
Dünyagöz	1996	2000	√			√		√	√
Liv Hospital	2013	2013		√	√	√			
Lokman Hekim	1996	2002	√		√	√		√	
Medicalpark	1991	2006	√		√	√			
Medicana	1992	2011	√		√	√			
Medipol	1997	2012	√		√	√			
Acıbadem	1991	2000	√			√	√	√	√

APPENDIX 1: List of Codes: Axial and Selective Codes

Code List	
Axial Codes	**Selective Codes**
-International Department -Employment of Foreign Staff -Business Management Systems	Internationalization Speed
-Unsolicited Orders -Technological Infrastructure -International Department -Quality of Doctors -Market Needs -Growth in Target Market -Situation in Home Market -Price Advantage -Turkish Diaspora -Psychic Distance -Specialized Operations -Payment Channels -Health Consumption Habits	Triggers of International Expansion
-Independent Agents -Agent(s) -Office(s) -Low Cost -Market Potential - Direct Flight from Countries -Geographic Distance - Bringing Foreign Patients in Turkey	Pursing International Patients More Actively
- Independent Agents -Office(s) -Safer Strategy -Target Market Knowledge	Setting Up Integrated Sales Office Abroad
-FDI Entry Modes -International Engagements -Brand Awareness -Brand Equity -Health Regulations -Lack of Health Infrastructure	Establishing Diagnosis Centers Abroad
-Acquisition -New Hospital Establishment -Managerial Decision -Promotions -Location -Market Needs -Cost -Health Service Quality -Brand Reliability	Establishing Hospitals Through Foreign Direct Investment

-Lack of Infrastructure -Market Structure - Turkish Diaspora -Payment Channels -Know-how Hospital Administration	
-Contractual Entry Modes -Management Know-how -Medical Facilities -Medical Practice	Internationalization via Management Contracts
-Globalization -International Hedge Fund -International Investment Strategy	International Portfolio Participation in Equities of Acıbadem